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April 30, 2009

ADVICE LETTER 2080-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: SUBMITTAL OF SDG&E'S PROCUREMENT TRANSACTIONS FOR THE FIRST QUARTER OF 2009 PURSUANT TO COMMISSION DECISION 02-10-062

PURPOSE

San Diego Gas & Electric Company (SDG&E) is making this filing in compliance with Ordering Paragraph 8 of California Public Utilities Commission (Commission) Decision (D.) 02-10-062 issued on October 24, 2002 in Rulemaking (R.) 01-10-024. D.02-10-062 directs Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and SDG&E to file each quarter's procurement transactions that conform to their respective adopted short-term procurement plan by advice letter within 15 days from the end of the quarter. Ordering Paragraph 19 of D.03-12-062, issued on December 18, 2003, granted an extension of the due date from within 15 days of the end of the quarter to within 30 days of the end of the quarter. This Advice Letter contains all of the information in the Reformatted Master Data Request required by D.07-12-052. Quarterly compliance filings were first mandated in D.02-12-062, Appendix B, and were further clarified in D.03-06-076.

Accordingly, attached hereto is SDG&E's modified Master Data Response detailing the 1st Quarter 2009 Procurement Transactions. The extensive workpapers accompanying the report contain confidential information and therefore are protected from disclosure under the statutory provisions of the IOU Matrix (Matrix) attached to D.06-06-066 (the Phase I Confidentiality decision) dated June 29th, 2006. In accordance with D.08-04-023, dated April 10, 2008, SDG&E is no longer required to attach a confidential declaration to each submittal of quarterly procurement transactions.¹ Therefore, SDG&E hereto refers to the Declaration of Ryan Miller filed with SDG&E Advice Letter 2062-E on February 6, 2009 to comply with D.06-06-066. This Advice Letter is also subject to the provisions of the May 1, 2002 Protective Order, as subsequently modified, that has been adopted in R.01-10-024.

¹ Ordering Paragraph 6 in D.08-04-023 allows IOUs who seek and receive confidential treatment for a regular compliance filing to simply cite the prior ruling or motion when making subsequent compliance filings of the same type.

BACKGROUND

D.02-10-062 adopts the regulatory framework under which SCE, PG&E, and SDG&E shall resume full procurement responsibilities on January 1, 2003. The framework adopted by the Commission contains requirements for updating the utility procurement plans that conform to the statutory requirements of Assembly Bill (AB) 57.²

On November 15, 2002, SDG&E filed its modified short-term procurement plan for 2003 consistent with the provisions of D.02-10-062. On December 19, 2002, the Commission issued D.02-12-074, which approved SDG&E's short-term procurement plan for 2003, as modified by the Confidential Appendix C of D.02-12-074. That Appendix has been further modified in part by D.03-06-076, Ordering Paragraph 16. In addition, D.03-06-076 modified Appendix B to clarify that the title of the Master Data Request Response for these quarterly filings is "Adopted Master Data Request for Quarterly Advice Letters", and that the first sentence of Appendix B should delete the word "month's" and replace it with "quarter's" (see Ordering Paragraphs 8 and 16 of D.03-06-076).

In accordance with D.02-10-062, "[O]nce a utility's short-term procurement plan is approved; all transactions entered into in compliance with the procurement plan should be filed for tracking purposes in a quarterly advice letter with the Commission Energy Division. The advice letter should include all information in the adopted master data request in Appendix B."³

By this filing, SDG&E provides its 1st Quarter Procurement Transactions that conform to its approved short-term procurement plan for 2006. This filing will not create any deviations from SDG&E's tariffs, cause withdrawals of service from any present customer, or impose any more or less restrictive conditions. Pursuant to D.04-12-048 this filing may be approved by the Energy Division.

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 compliance filing become effective on May 30, 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:

² AB 57 was approved by Governor Davis on September 24, 2002; see Public Utilities Code Section 454.5.

³ D.02-10-062, page 47.

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) and Maria Salinas (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.

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 in R.01-10-024, by either providing them a copy electronically or by mailing them a copy hereof properly stamped and addressed.

As discussed above, the workpapers to this Advice Letter are confidential and are being treated in accordance with the May 1, 2002 Protective Order in R.01-10-024 and provisions of the IOU Matrix attached to D.06-06-066.

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

RON VAN DER LEEDEN
Director – Rates, Revenues & Tariffs

(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: Megan Caulson

Phone #: (858) 654-1748

E-mail: mcaulson@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) #: 2080-E

Subject of AL: Submittal of SDG&E's Procurement Transactions for the First Quarter of 2009
Pursuant to Commission Decision 02-10-062

Keywords (choose from CPUC listing): Procurement

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.02-10-062, D.03-06-076, D.07-12-052

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 AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: Workpapers accompanying the Master Data Request are confidential per the IOU matrix attached to D.06-06-066

Resolution Required? Yes No Tier Designation: 1 2 3

Requested effective date: 5/30/09 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 proposed¹: 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

¹ 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

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

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
L. DeLacruz

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
PROCUREMENT PLAN COMPLIANCE REPORT
FOR THE FIRST QUARTER OF 2009

April 30, 2009

List of Attachments and Workpapers

List of Attachments

- A. Confidential Attachment A
Q1 2009 Transactions
- B. Confidential Attachment B
Q1 2009 Counterparties Information
- C. Confidential Attachment C
Q1 2009 Electric Transactions
- D. Confidential Attachment D
Q1 2009 Natural Gas Transactions
- E. Confidential Attachment E
Q1 2009 Other Transactions
- F. Confidential Attachment F
Q1 2009 Key Briefing Packages
- G. Attachment G
Q1 2009 Independent Evaluator Reports
- H. Confidential Attachment H
Q1 2009 New Contracts Executed / Contracts Amended
- I. Attachment I
Q1 2009 Summary of Retained Generation Investments
- J. Confidential Attachment J
Q1 2009 Load Requirements and Conditions
- K. Confidential Attachment K
Q1 2009 Risk Management Strategy Communications
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Q1 2009 Description of Models
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- N. Confidential Attachment N
Timing of Q1 2009 Transactions

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Introduction

As required by Ordering Paragraph 8 of Decision (D.) 02-10-062, and clarified in D.03-06-076, D.03-12-062, D.04-07-028, D.04-12-048 and D.07-12-052, San Diego Gas and Electric Company (SDG&E) hereby provides its report demonstrating that its procurement-related transactions during the period January, 1 2009 through March 31, 2009 (Q1) were in compliance with the latest CPUC-approved AB 57 Long-Term Procurement Plan (LTPP) adopted by the Commission in Resolution E-4189.

Summary

During Q1, SDG&E executed transactions consistent with least cost dispatch, as described in its LTPP. All transactions were conducted using processes specified in the LTPP. Any transactions executed with affiliates are disclosed in confidential Attachment A, *Q1 2009 Transactions* or Attachment H, *Q1 2009 New Contracts Executed and Amended*. All non-investment grade counterparties that SDG&E transacted with during Q1 are shown in confidential Attachment B, *Q1 2009 Counterparty Information*. Furthermore, the top 10 counterparties transacted with by dollar value for both electric and gas transactions are also listed in confidential Attachment B.

Confidential Attachments C, *Electric Transactions Summary*, and D, *Natural Gas Transactions Summary*, are summaries of the electric and gas transactions executed during Q1. Confidential Attachment E, *Q1 2009 Other Transactions*, is a description of any additional transactions that occurred during the quarter. The quantities shown in these attachments are based on the delivery period specified in the transactions. Therefore, volumes received during Q1 pursuant to transactions executed in prior

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quarters are excluded. Also excluded are transactions in the ISO's real-time and ancillary services markets, since these transactions are, for the most part, made by the ISO on behalf of SDG&E and are made without regard to the LTPP.

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Master Data Request Documentation

D.02-10-062, Appendix B, as clarified by D.03-06-076, sets forth specific elements to be addressed in this report. Each element is discussed below.

1. Identification of the ultimate decision maker(s) up to the Board level, approving the transactions.

All procurement-related activity during Q1 was approved and executed either by, or under the direction of the Vice President of Electric and Gas Procurement, consistent with the delegation of authority effective for the period.

2. The briefing package provided to the ultimate decision maker.

The “decision maker” for a particular contemplated transaction depends on many factors, including term, volume, notional value, etc. For many of the transactions during Q1, the “decision maker” was a gas or power transaction employee executing transactions (e.g., day-ahead or hour-ahead power purchases and sales) per the established LTPP or to achieve a particular objective (such as balancing the portfolio supply and demand). For such transactions, briefing packages are not prepared. Any briefing packages prepared during Q1 for large or unusual transactions are listed in confidential Attachment F, *Q1 2009 Key Briefing Packages* and included in the workpapers.

In addition, copies of presentations made by SDG&E to its Procurement Review Group (PRG) during Q1 are listed in Attachment F, and briefing packages are included in the workpapers.

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3. Description of and justification for the procurement processes used to select the transactions.

a) Electric

Description of Procurement Processes

The approved procurement processes used during Q1 were as follows:

- Bilateral Contracts - Description can be found on sheets 24-25 of the LTPP.
- Voice brokers and Exchanges - Description can be found on sheets 29-30 of the LTPP.

Justification for Procurement Processes

For competitive solicitations, describe the process used to rank offers and select winning bid(s).

SDG&E did not issue any competitive solicitations, nor did SDG&E execute any transactions as a result of competitive solicitations for electric power in Q1.

For other transactional methods, provide the documentation supporting the selection of the chosen products.

In Q1, SDG&E entered into market transactions of the following general types: 1) energy purchases; 2) energy sales; 3) energy exchanges; and 4) swaps. The details of these transactions can be found in confidential Attachment A, and a summary of the transactions can be found in confidential Attachment C, *Q1 2009 Electric Transactions*.

Included in confidential Attachment A, for comparison purposes, are the day-ahead Intercontinental Exchange (ICE) high and low prices for all standard deals. ICE information is only available for standard deals at liquid trading hubs. This type of transaction does not always best meet SDG&E's needs. A portion of SDG&E's purchases are non-standard deals for which there are no exchanges to compare.

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For all of the above products, SDG&E traders monitor voice brokers, electronic exchanges, and bilateral offers from counterparties, and will transact using the transaction method with the best available price.

Energy Purchases

SDG&E makes market energy purchases when it is less expensive than dispatchable generation or to secure energy to meet peak load. When buying such energy, SDG&E compares variable generation costs (e.g., fuel, variable O&M for generation, and start up costs.) to the delivered costs for market purchases.

In Q1, SDG&E purchased energy in the term markets, in which the delivery period extends beyond the Western System Power Pool (WSPP) scheduling guidelines; day-ahead markets that are executed within the WSPP scheduling guidelines (usually the day prior to delivery for weekdays and two or three days prior for weekends and holidays); and the hour-ahead trades that are executed after day-ahead trades and before the CAISO hour-ahead scheduling deadline. For day-ahead and hour-ahead markets, SDG&E compared market prices to actual generation. For purchases in the term market, SDG&E used two different models to forecast energy needs: (1) Power Costs Inc. (PCI), named *GenTrader*; and (2) Financial Engineering Associates (FEA). Both PCI and FEA are described further in *Attachment L – Description of Models*.

Energy Sales

Energy sales allowed SDG&E to match must-take energy to load (sell excess must-take) or to make excess capacity available to the market, thus monetizing excess capacity not being used for serving SDG&E's load and making that spare capacity

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available to the market. Consistent with the LTPP, SDG&E has pursued a sales strategy that optimizes portfolio value and ratepayer benefit. In Q1, SDG&E made sales at then-current market prices, but always above the incremental cost of generation, with the following exceptions: (1) when the volume of SDG&E's must take contracts, including standard block products purchased to help economically meet demand, are greater than the demand; and (2) when rather than shutting down a unit and paying for the start-up costs, it was decided that the best least-cost dispatch decision was to carry a unit and sell the energy below the cost to generate.

In Q1, SDG&E had bilateral sales in the day-ahead and hour-ahead markets for least cost dispatch.

Energy Exchanges

An energy exchange is a transaction whereby SDG&E both delivers and receives energy from the same counterparty during different time periods. Typically, the volumes and delivery points on either side of the transaction are the same, although this is not a requirement. An energy exchange may be desirable when SDG&E is long energy for certain hours and short for other hours. When another party is found with the offsetting energy need, an energy exchange allows SDG&E to "sell" its long position and "buy" its short position in one transaction at a fixed price spread. This process is beneficial because of the relatively limited overall interest by market participants in non-standard hours. While energy exchanges lead to savings versus generation, SDG&E will not enter into an energy exchange transaction unless it is as good as or better than SDG&E can do with regular market transactions. The majority of energy exchanges are negotiated bilaterally.

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Swaps

Swaps are transactions in which SDG&E sells energy at one delivery point and purchases the same amount of energy at another delivery point for the same time period, usually with different counterparties. Swaps benefit SDG&E by helping to avoid congestion charges, reducing delivery cost to its load or monetizing transmission rights between two points.

b) Natural Gas

Description of Procurement Processes

The approved procurement processes used during the Q1 were as follows:

- Bilateral Contracts - Description can be found on sheets 24-25 of the LTPP.
- Voice brokers and Exchanges - Description can be found on sheets 29-30 of the LTPP.

Justification for Procurement Processes

For competitive solicitations, describe the process used to rank offers and select winning bid(s).

In Q1, SDG&E did not issue any competitive solicitations; nor did SDG&E execute any transactions as a result of competitive solicitations for natural gas.

For other transactional methods, provide the documentation supporting the selection of the chosen products.

Gas transactions are made in order to supply gas, manage imbalances, and reduce price risk for the Miramar, Palomar, Encina, and South Bay plants. The physical gas products SDG&E transacted in Q1 were: (1) Baseload Gas; (2) Swing Gas; (3) Operational Gas; (4) Gas Storage; and (5) Financial Hedges. The details of these transactions can be found in confidential Attachment A, and a summary of the transactions can be found in confidential Attachment D, *Q1 2009 Gas Transactions*.

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For all of the above products, as with the electric products, SDG&E traders monitor voice brokers, electronic exchanges, and bilateral offers from counterparties, and will transact using the transaction method with the best available price.

Baseload Gas

SDG&E baseloads part of its gas requirements as forecasted by FEA and PCI for generation which serves SDG&E customer load. Purchasing baseload gas assures that the major portion of gas to be used to serve bundled customers remains hedged after financial hedges expire, a few days prior to the delivery month.

Swing Gas

SDG&E expects to procure the balance of its UEG physical gas requirements throughout the month in the spot market at prevailing prices. These are purchases made during normal trading hours to meet the daily expected gas requirement at the plants.

Operational Gas Trades

Operational gas trades are trades to manage operational factors such as real-time dispatch and pipeline imbalances. Most operational trades occur during cycles 2 through 4 or late in cycle 1 where market liquidity is lower than cycle 1 trading. These trades were made for changes in operations that could potentially lead to penalties for operational flow orders (OFOs) or imbalances, or where the real-time economic dispatch of the generation units, taking into consideration the gas expense, warranted the trade. The price for operational gas prices are accounted for in calculating generation cost at the dispatchable power plants (gas costs there will be discounted for electric dispatch purposes by any anticipated operational premium on

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that gas, if it were not consumed at the plant). Because these trades typically occur after normal time periods for trading activity, operational gas trades are usually transacted bilaterally.

Financial Hedges

These hedges were made to reduce portfolio open positions or to close out previously executed financial hedges. Forward open positions are based on the volumes produced by SDG&E's FEA model. In Q1, the financial hedges transacted by SDG&E were futures and basis swaps.

The purpose of hedging is to add price stability and act as a hedge against adverse market price movements for the ratepayer. The deals were done at market prices at the time of the transaction, and any price movements that occur after the execution of a term trade cannot be known at the time of purchase. Therefore, comparison of forward hedges to settlement prices does not provide meaningful information or comparison.

c) Other Commodities

Description of Procurement Processes

The approved procurement processes used during Q1 were as follows:

- Competitive Solicitations
- CRR Monthly Allocation

Justification for Procurement Processes

For competitive solicitations, describe the process used to rank offers and select winning bid(s).

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SDG&E sought to sell excess RA requirement capacity by issuing a Request for Bids (RFB) in January, February, and March for March, April, and May, respectively. Because the bids for RA were substantially similar, the bids were generally accepted or denied on the basis of price. The list of all RA deals transacted in Q1 can be found in Attachment H.

For other transactional methods, provide the documentation supporting the selection of the chosen products.

CRR's

The 2009 CRR Annual Allocation and Annual Auction processes were completed by the CAISO during the last three months of 2008. While nominally 75% of SDG&E's CRR portfolio is acquired through the annual process, the monthly CRR process is used to round out the remaining 25%. The monthly CRR process is a scaled down version of the annual process. The process begins with the submittal of a load forecast for the target month to establish monthly CRR limits. The monthly allocation and auction of CRRs consists of two allocation rounds, followed by a single auction, which must be completed before the first trade day of the month.

During Q1, CRR activity was limited to April 2009 in anticipation that MRTU would go-live on April 1, 2009. This was the first time that the monthly CRR process had been run.

SDG&E submitted its April 2009 load forecast on February 5. The CRR load forecast was based on the forecast used to establish SDG&E's 2009 Resource Adequacy Requirements, with an adjustment for Direct Access load migration. The load migration adjustment was also based on adjustments used in the monthly Resource Adequacy process.

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Nominations for the two allocation rounds were submitted on March 10 and March 16 and the auction was conducted on March 23 and 24. The nomination limit for the first allocation round is 50% of the monthly limit less previously awarded CRRs. The limit for the second allocation round is the monthly limit less previously awarded CRRs. Unlike the annual process, there is no CRR renewal feature in the monthly process.

For the monthly CRR process, SDG&E relied on the same set of congestion analyses that it used to develop its nomination strategy for the 2009 annual allocation. SDG&E nomination strategy for the monthly process was essentially an extension of the strategy applied in the annual process. For the initial monthly CRR allocation, SDG&E reviewed its CRR nomination strategy with the PRG.

Other Products

Any other products transacted by SDG&E during Q1 are included in confidential Attachment H, *Q1 New Contracts Executed / Contracts Amended*.

4. Explanation/justification for the timing of the transactions.

Throughout Q1, SDG&E attempted to enter into electric transactions needed to match forecast supply and demand ahead of the deadline for submitting final hour-ahead schedules to the ISO. This objective was achieved by gradually reducing the forecasted open (i.e., short or long) energy positions through the use of term, day-ahead, and hour-ahead transactions, etc., employing both standard and non-standard products. When selecting electric transactions to match forecast supply and demand, the best-priced

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bids/offers were selected first (merit-order selection) among those available for the required products at the time of the transaction, subject to credit and other limitations and operational constraints. Such operational constraints include the local area reliability requirements of the ISO, as set forth in D. 04-07-028.

The timing of gas transactions was largely driven by the requirement to ensure that the delivery of fuel to the gas-fired electric facilities managed by SDG&E matched such facilities' forecast burn.

Further explanation of the timing of SDG&E's transactions can be found in the confidential Attachment N, *Q1 2009 Transaction Timing*.

5. Discussion of the system load requirements/conditions underlying the need for the Quarter's transactions.

Discussion of the monthly system conditions is included in confidential Attachment J, *Q1 2009 Load Requirements and Conditions*.

6. Discussion of how the quarter's transactions meet the goals of the risk management strategy reflected in the Plan.

The goal of the LTPP's risk strategy is to produce stable rates by managing the portfolio's open position such that overall procurement costs do not exceed the baseline forecast of total procurement costs by more than the Consumer Risk Tolerance (CRT). Toward that end, SDG&E monitors the risk associated with market price movements and its effect on the remaining open position and CRT. SDG&E's Risk Strategy is detailed in its LTPP. SDG&E may, after considering its overall hedge position and market

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condition, further increase or reduce its hedges as necessary in an attempt to mitigate the metric position(s).

Throughout Q1, SDG&E executed transactions in accordance to its risk management strategy and LTPP. SDG&E briefed the PRG on SDG&E's open position and CRT.

This information is included in the PRG briefing packages in confidential Attachment F.

To the extent there were any notifications to the PRG of one of the metric triggers, the notifications are included in Attachment K, *Q1 2009 Risk Management Communication*.

7. Copy of each contract.

A list of contracts over three months executed and/or modified by SDG&E during Q1 are included in confidential Attachment H, along with references to the workpapers containing the contracts.

8. The valuation results for the contract(s) (for contracts of three months or greater duration).

SDG&E provides the valuation results for the contracts filed via this QCR in Attachment H, *Q1 2009 New Contracts Executed and Amended*, with details of the valuation method contained in the workpapers.

9. An electronic copy of any data or forecasts used to analyze the transactions.

SDG&E relies on a number of information sources to assess and make trading decisions. SDG&E has purchased licenses and subscriptions for the data services listed in the categories below. The Commission is familiar with these information sources and

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subscribes to many of the same services used by SDG&E. Due to their large quantity, copyright restrictions, and relatively short-lived usefulness (e.g., weather forecasts, spot price and market data), electronic copies of these information sources have not been included. SDG&E will provide samples of any of the sources used to analyze transactions upon Commission request, assuming doing so complies with licensing agreements with the providers.

- *Gas Daily* – Gas industry news and daily price data
- *Megawatt Daily* – Power industry news and daily price data
- Reuters – Live market price data
- Bloomberg – Live market price data
- Intercontinental Exchange (ICE) – Live market price data
- Tullett Liberty – Forward price data
- Prebon – Forward price data
- TFS – Forward price data
- NYMEX.com – Gas futures and basis price data
- CAISO – State-wide load forecasts, unit curtailments, transmission capacity availability; imbalance energy prices

WEATHER FORECASTS

- Earth Satellite Corporation – Weather data and forecast

10. Provide a reasonable number of analyses requested by the Commission or the Procurement Review Group (PRG) and provide the resulting outputs.

There were no follow up analyses requested by the Commission during Q1.

List of Attachments and Workpapers

11. Any other information sought by the Commission under the Public Utilities

Code.

The Commission has not sought any further information pertaining to the transactions executed during Q1.

Additional Reporting Requirement Pursuant To Decision 07-01-039

As required by Ordering Paragraph 12 of D.07-01-039, SDG&E has included in confidential Attachment I, *Summary of Retained Generation Investments*, investments in retained generation that were completed during Q1, as well as any multiple contracts of less than five years with the “same supplier, resource or facility.” (See confidential Attachment I at Section 5.1, p. 152).

List of Attachments and Workpapers

Below is a list of all attachments and workpapers submitted with this report.

Description	File/Attachment Name	Attachment / Workpaper
Gas transactions detail	Q1 2009 Transactions - Gas.xls	A
Electric transactions detail	Q1 2009 Transactions - Electric.xls	A
Write-up on the 2009 Q1 Transactions	2009 Q1 Transactions.doc	A
Counterparties - Top ten and Non-investment grade (includes embedded collateral agreements)	Q1 2009 Counterparty Information.xls	B
Electric transaction summary	Q1 2009 Electric Transactions.xls	C
Gas transaction summary	Q1 2009 Gas Transactions.xls	D
Table and description of other transactions	Q1 2009 Other Transactions.doc	E
List of Attachment F Workpapers	Q1 2009 Key Briefing Packages and PRG Presentations.xls	F
PRG briefing presentation	Jan 15 2009 PRG.ppt	F
PRG briefing presentation	Feb 19 2009 PRG.ppt	F
PRG briefing presentation	CONFIDENTIAL PRG March 19 2009.ppt	F
RA Filing Highlights	March Monthly RA Summary.xls	F
RA Filing Highlights	Apr Monthly RA Summary.xls	F
RA Filing Highlights	May Monthly RA Summary.xls	F
Additional materials for PRG briefing	DRAFT SDGE Supply Resources RFO (PRG March 19 2009).doc	F
Additional materials for PRG briefing	PRG Meeting 2-19-09 Confidential Attachment A - Revised Pages to 2006 LTPP .PDF	F
Additional materials for PRG briefing	PRG Meeting 2-19-09 Supplemental Presentation - Storage Analysis.ppt	F
List of Independent Evaluator Reports	Q1 2009 Independent Evaluator Report.doc	G
List of New Contracts Executed and Amended	Q1 2009 New Contracts Executed and Amended.doc	H
Contract / Confirmation	Shell-SDGE 118 MW RA Confirm_signed.pdf	H
List of URG Investments	Q1 2009 Summary of URG Investments.doc	I
Write-up on Load Requirements and Conditions	Q1 2009 Load Requirements and Conditions.doc	J
SDG&E resources for the Q1 delivery period	Q1 2009 Resources.xls	J
List of Risk Management Communication	Q1 2009 Risk Management Communication.xls	K
Description of the PROSYM model	PROSYM.pdf	L
Description of the FEA-based model	FEA-based model.doc	L
Description of the PCI GenTrader system	PCI GenTrader.pdf	L
Write-up on Description of Models	Q1 2009 Description of Models.doc	L

List of Attachments and Workpapers

List of Transactions Subject to Strong Showing	Q1 2009 Transactions Subject to Strong Showing.doc	M
Write-up on Timing of Q1 2009 Transactions	Timing of Q1 2009 Transactions.doc	N