



Ron van der Leeden
Director
Revenues, Rates and Tariffs
8330 Century Park Court
San Diego, CA 92123-1548

Tel: 213-244-4812
Fax: 858.654.1788
RvanderLeeden@semprautilities.com

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**ADVICE LETTER 2118-E
(U 902-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST FOR APPROVAL OF GREEN ATTRIBUTE PURCHASE AND SALE
AGREEMENT WITH CABAZON WIND PARTNERS LLC and WHITEWATER HILL WIND
PARTNERS LLC**

I. INTRODUCTION

A. PURPOSE OF ADVICE LETTER

San Diego Gas & Electric Company ("SDG&E") seeks approval from the California Public Utilities Commission (the "Commission" or the "CPUC") for two short term Green Attribute Purchase and Sale Agreements ("GAPSA"), executed on September 17, 2009 with Cabazon Wind Partners LLC and Whitewater Hill Wind Partners LLC, subsidiaries of Shell Wind Energy Incorporated ("Shell Wind"). The Proposed Agreement ("Proposed Agreement" defined as both the Cabazon Wind Partners LLC GAPSA and the Whitewater Hill Wind Partners LLC GAPSA) involves two existing wind facilities in Southern California and will result in SDG&E securing title to approximately 285 GWh per year of renewable attributes in 2010 and 2011.

In 2002, the Commission issued Decisions D.02-09-053 and D.02-12-069 allocating selected CDWR power purchase agreements to SDG&E and ordering SDG&E to administer those contracts on CDWR's behalf. As a result, SDG&E currently administers CDWR's power purchase agreement with Cabazon and Whitewater; and, the energy from those contracts are dedicated to SDG&E's ratepayers.. Although the source generators are wind turbines, the CDWR power purchase contract is for null energy; and, Shell Wind has been retaining the RECs,. This proposed contract is for purchase of those unbundled RECs. SDG&E will be able to rebundle the green attributes with the power delivered to SDG&E under the CDWR contract, creating a bundled renewable power purchase.

This agreement will require an approval of the Petition for Modification ("PFM") of D.06-10-019 in order to permit SDG&E to purchase and use unbundled RECs for RPS compliance associated with renewable generation received pursuant to contracts administered on behalf of the CDWR. The PFM is attached as Appendix H. Granting the PFM would not be precedential as the product here is a unique situation within California. It is in the best interests of the State and SDG&E ratepayers to allow this rebundling in this unique situation as the proposed agreement will result in incremental REC deliveries within California and will aid SDG&E in meeting California's renewable portfolio standard ("RPS") statute requirement of reaching 20 percent eligible renewable procurement by 2010 and 33% by 2020.

1. PROJECT NAME:

SDG&E's counterparties for the proposed agreements are Cabazon Wind Partners LLC and Whitewater Hill Wind Partners LLC; both wholly owned subsidiaries of a joint venture of Shell Wind and Goldman Sachs, the agreement includes purchase of green attribute volumes to be rebundled with two associated existing wind facilities in Palm Springs, CA.

2. TECHNOLOGY (INCLUDING LEVEL OF MATURITY):

Wind (mature technology, units are online and delivering power)

3. GENERAL LOCATION AND INTERCONNECTION POINT:

The wind facilities included in the GAPSA are both located in California. The delivery points are the CAISO Cabazon and Whitewater wind project metering points, CABZON1WINDA1 and WHTWTR1WINDA1 respectively. The point of interconnection for each facility is within CAISO in the Western Electricity Coordinating Council (WECC).

4. HISTORY OF PROJECT:

The Proposed Agreement results from bilateral negotiations between SDG&E and Shell Wind which commenced in 2006. During the course of the negotiations, various deal structures were discussed and these discussions resulted in the execution of the GAPSA on September 17, 2009.

In early 2001, California enacted legislation authorizing the CDWR to make certain electricity purchases for the purpose of selling electricity to utility retail customers.^{1/} Pursuant to this authority, CDWR entered into several procurement contracts with multiple generator counterparties (each a "CDWR contract"). Initially, CDWR was responsible for performing the scheduling and dispatch functions for its statewide portfolio of CDWR contracts. In D.02-09-053, the CDWR transferred this responsibility to the investor-owned utilities ("IOUs") and allocated each CDWR contract to a particular IOU to manage as an integral component of each IOU's resource portfolios.^{2/} Pursuant to D.02-09-053, the IOUs are obligated to perform all of the day-to-day scheduling, dispatch and administrative functions for the CDWR contracts allocated to their portfolios.^{3/} Legal title, financial reporting and responsibility for the payment of contract-related bills remains vested in the CDWR.

In D.02-09-053, the Commission allocated, *inter alia*, the following CDWR contracts to SDG&E: (i) Master Power Purchase and Sale Agreement dated January 10, 2003 with Whitewater Energy Corporation related to the 42.9 MW Cabazon I Project in Riverside County, California ("Whitewater Cabazon PPA") and (ii) Master Power Purchase and Sale Agreement dated January 10, 2003 with Whitewater Hill Wind Partners, LLC related to the 61.5 MW Whitewater Hill Project in Riverside County, California ("Whitewater Hill PPA").^{4/} Both the Whitewater Cabazon PPA and the Whitewater Hill PPA involve wind projects located in California. Both contracts expressly provide that all rights and interests in the renewable attributes, emissions reductions or credit (offsets) associated with the wind generation delivered under these CDWR contracts is

^{1/} Assembly Bill ("AB") 1X (Stats. 2001, Ch. 4).

^{2/} See D.02-09-053, *mimeo*, pp. 16-17.

^{3/} *Id.* at pp. 5, 46-47.

^{4/} *Id.* at p. 4.

retained by the Seller. Accordingly, SDG&E currently receives the power generated by these wind projects, but not the Green Attributes/RECs. Thus, it is unable to use the wind generation received for RPS compliance purposes.

5. RPS SOLICITATION (OR BILATERAL)

The proposed PPA resulted from bilateral negotiations between SDG&E and Shell Wind.

6. OWNER(S) / DEVELOPER(S)

1. **NAME(S)**: Cabazon Wind Energy Partners LLC and Whitewater Hill Wind Energy Partners LLC
2. **TYPE OF ENTITY(IES)**: Project company entities are limited liability project companies owned by Three Wind Holdings LLC. Shell Wind Energy Inc. owns 50% of Three Wind Holdings with GS Wind owning the other 50%; GS Wind is a wholly owned subsidiary of Goldman Sachs.
3. **BUSINESS RELATIONSHIP, IF APPLICABLE; E.G. PARTNERSHIP, ETC.:** See above

GENERAL PROJECT(S) DESCRIPTION

<u>OWNER / DEVELOPER</u>	Cabazon Wind Energy Partners LLC and Whitewater Hill Wind Energy Partners LLC
<u>TECHNOLOGY</u>	Wind
<u>CAPACITY (MW)</u>	104.4
<u>NET CAPACITY FACTOR</u>	Approximately 31%
<u>EXPECTED GENERATION (MWH/YEAR)</u>	Annual Green Attribute deliveries are as available and will exactly match the metered generation output of approximately 285000 MWh for 2010 and for 2011.
<u>ONLINE DATE</u> <small>(IF EXISTING, THE CONTRACT DELIVERY START DATE)</small>	The facilities included in the proposed agreement have already completed construction and are on-line. Both of these facilities commenced commercial operation in September of 2002.
<u>CONTRACT TERM</u> <small>(YEARS)</small>	Approximately 2 years; the delivery term will begin upon the latter of Jan. 1 st , 2010 or the non-appealable CPUC approval and terminating on December 31 st of 2011.
<u>NEW OR EXISTING FACILITY</u>	Existing
<u>LOCATION</u> <small>(INCLUDE IN/OUT-OF-STATE)</small>	Palm Springs, CA
<u>CONTROL AREA</u> <small>(E.G., CAISO, BPA)</small>	CAISO
<u>PRICE RELATIVE TO MPR</u> <small>(I.E. ABOVE/BELOW)</small>	Below

II. CONSISTENCY WITH CPUC DECISIONS

THE OVERALL PROCUREMENT PROCESS COMPLIES WITH RPS-RELATED DECISIONS.

A. RPS PROCUREMENT PLAN**1. THE CPUC DECISION THAT APPROVED SDG&E'S PLAN.****SDG&E ADHERED TO CPUC GUIDELINES FOR FILING AND REVISIONS.**

On August 1, 2007 SDG&E filed its initial 2008 RPS Plan to the Commission. On February 14, 2008 the CPUC issued D.08-02-008 conditionally approving SDG&E's 2008 Renewable Procurement Plan (the "2008 RPS Plan"). In compliance with the direction set forth in D.08-02-008, SDG&E filed a revised 2008 RPS Plan to roll in the conditions required by the Commission. On March 10, 2008 SDG&E received authorization from the Energy Division to issue its 2008 RFO and SDG&E issued the RFO on that same day.

2. SUMMARIZING THE PLAN'S ASSESSMENT OF PORTFOLIO NEEDS AND REQUESTED BID CHARACTERISTICS, INCLUDING REQUESTS FOR GENERATION OF EACH DELIVERABILITY CHARACTERISTIC, REQUIRED ONLINE DATES, LOCATIONAL PREFERENCES, ETC.

The 2008 RPS Plan expresses SDG&E's continued commitment to meet the mandate of delivering 20% of its retail sales from renewable resources by 2010. SDG&E's goal is to develop and maintain a diversified renewable portfolio, selecting from offers using the Least-Cost, Best-Fit (LCBF) evaluation criteria. SDG&E's 2008 Renewable RFO (the "2008 RFO"), approved as part of the 2008 RPS Plan, sought offers from all technologies of renewable projects, from any allowable location, that meet the requirements for eligible facilities as specified in applicable statute and as established by the CEC. The 2008 RFO sought unit firm or as-available deliveries starting in 2009, 2010, 2011, or 2012 for terms ranging from spot market up to 20 years. The 2008 RPS Plan also states that to the extent an unsolicited bilateral offer complies with RPS program requirements, fits within SDG&E's resource needs, is competitive when compared against recent RFO offers and provides benefits to SDG&E customers, SDG&E will pursue such an agreement.

3. THE PROPOSED PROJECT MEETS PORTFOLIO NEEDS (E.G. CAPACITY, ELECTRICAL ENERGY, RESOURCE ADEQUACY, OTHER PRODUCT FROM THE PROJECT)

The Proposed Agreement conforms to SDG&E's Commission-approved RPS procurement plan by delivering Green Attributes that fill a portion of SDG&E's RPS net short position. Although the project was unsolicited, meets the portfolio needs outlined by the 2008 RPS Plan and is competitive when compared to the most recent RFO offers.

Of note, this short term agreement relates to existing facilities that are on-line and therefore avoids any development risk. The Proposed Agreement also serves to fill a gap in SDG&E's RPS procurement portfolio until projects that are currently in development are able to come on-line.

The validity of this Proposed Agreement will require a modification of D.06-10-019 to allow the re-bundling of "stranded" renewable energy credits ("RECs") associated with generation received pursuant to contracts administered on behalf of the California Department of Water Resources ("CDWR"). In D.06-10-019, the Commission considered whether load serving entities should be permitted to use unbundled RECs to satisfy RPS requirements. While several parties supported the use of RECs for RPS compliance, the Commission concluded that the record was not sufficiently developed to resolve the issue and determined that transactions utilizing RECs for RPS compliance shall not be allowed. Subsequent to this decision, the Commission has conducted a thorough examination of issues related to use of RECs for RPS compliance and is currently considering a proposed decision that would permit use of RECs for RPS compliance. SDG&E remains optimistic that a final decision on use of RECs for RPS compliance will be

adopted in the near future. In the meantime, however, SDG&E has been presented with a unique opportunity to benefit ratepayers by purchasing and reuniting “stranded” RECs that have been retained by the generator and that are associated with underlying “null” power currently received by SDG&E pursuant to the Cabazon and Whitewater Hill contracts administered by SDG&E on behalf of the CDWR.

B. RPS SOLICITATION

This Proposed Agreement is a product of bilateral negotiations between Shell Wind and SDG&E. This Advice Letter evaluates the decision to execute the Proposed Agreement against competing offers received in SDG&E’s 2008 RPS Solicitation (RFO). Therefore, the discussions in this Advice Letter conform to the 2008 AL template issued by the Energy Division. The Proposed Agreement would have been shortlisted had Shell Wind submitted an offer with the same pricing terms to the solicitation. In support of its request for approval of the Proposed Agreement, SDG&E notes the following:

- A. From a least-cost best fit perspective, the Proposed Agreement ranks very favorably when compared to other offers SDG&E received in its 2008 solicitation. This LCBF comparison, and the 2008 solicitation process that is used as one of the benchmarks for the proposed contract, are presented throughout this advice letter. SDG&E also compared the GAPSA price to bids for Green Attributes received through bilateral negotiations with other developers. The value of the retained Green Attributes in the Proposed Agreement compares favorably to these market quotes for Green Attributes. These comparisons are presented in Confidential Appendix D to this advice letter.
- B. SDG&E’s CPUC-2008 RPS Plan stated it “SDG&E will avail itself of the flexibility mechanisms permitted under the RPS program, including...the ability to sign bilateral agreements; which include short term contracts
- C. SDG&E has briefed its PRG regarding this proposed contract since SDG&E launched work on this contract in 2004, including all the financial details and regulatory considerations leading up to this final executed contract. SDG&E also explained that this contract is slightly different from a pure REC transaction in that it provides an opportunity to rebundle RECs with null energy that the ratepayers are already receiving and for which they are currently paying.
- D. This proposed contract will not displace any project in the current 2008 shortlist nor the pending 2009 shortlist. In fact, it provides inexpensive insurance for both short- and long-term projects that may be delayed.

1. THE SOLICITATION WAS CONSISTENT WITH SDG&E’S CPUC-APPROVED RPS PROCUREMENT PLAN AND RFO BIDDING PROTOCOL

SDG&E submitted its 2008 Renewable RFO to the CPUC for review and approval on August 1, 2007, and February 29, 2008 as part of its 2008 RPS Plan. The 2008 Renewable RFO was issued on March 10, 2008 and responses were due on April 30, 2008. As specified by the 2008 RPS Plan, SDG&E solicited bids from all technologies of renewable projects that could interconnect anywhere in California, as well as outside of California provided that the renewable project located outside California met requirements set forth in Public Utilities Code Section 399.11 to 399.20 and CEC Eligibility Guidebook restrictions.

SDG&E sought proposals for peaking, baseload, dispatchable (unit firm) or as-available deliveries. Such proposals could include capacity and energy from:

- a) Re-powering of existing facilities;
- b) Incremental capacity upgrades of existing facilities;

- c) New facilities;
- d) Existing facilities that are scheduled to come online during the years specified in the RFO that have excess or uncontracted quantities of power for a short time frame;
- e) Existing facilities with expiring contracts; or
- f) Eligible resources currently under contract with SDG&E. SDG&E shall consider offers to extend terms of or expand contracted capacities for existing agreements.

SDG&E solicited three types of projects:

- a) Power purchase agreements for delivery terms of one to five, 10, 15 or 20-year deliveries commencing in 2009 through 2012.
- b) A power purchase agreement with an option price for SDG&E to acquire the facility along with all environmental attributes, land rights, permits and other licenses, thus enabling SDG&E to own and operate the facility at the end of the PPA term.
- c) Turnkey projects to develop, permit, and construct new, RPS-eligible generating facilities to be acquired by SDG&E.

SDG&E recognizes that RFOs are only one means of procurement. The WECC has a well-established and liquid bilateral market. SDG&E, for the benefit of its ratepayers, intends to make full use of this valuable resource. Not only is the bilateral market an important tool for procurement, it is available year-round where the RPS RFOs tend to be an annual batch-processing of commercial arrangements. SDG&E anticipates that it may seek approval for bilateral renewable contracts with developers who were unable to participate in the previous RFO solicitation and who are unable to wait until the next RFO solicitation. SDG&E is mindful that bilateral resources must be cost-effective when compared against projects that bid into past RFO solicitations. SDG&E's ability to consider offers received in response to all-source non-RPS RFOs and bilateral offers will widen the scope of resources available to SDG&E. To the extent that a bilateral offer complies with RPS program requirements, fits within SDG&E's resource needs, is competitive when compared against recent RFO offers and provides benefits to SDG&E customers, SDG&E will pursue such an agreement. SDG&E will brief its Procurement Review Group ("PRG") prior to undertaking substantial negotiations in connection with such agreements.

SDG&E established an open, transparent and competitive playing field for the procurement effort. The following protocols were established within its solicitation:

- a) An RFO website was created, allowing respondents to download solicitation documents, participate in a Question and Answer forum and see updates or revisions associated with the process;
- b) Internet upload capabilities were available to accept electronic offers; and,
- c) SDG&E adhered to the following RFO schedule:

DATE	EVENT
March 10, 2008	RFO Issued
March 27, 2008	Pre-Bid Conference
April 30, 2008	Offers Due
May 15, 2008	Briefed PRG on all offers received
June 19, 2008	Briefed PRG on LCBF analysis and preliminary shortlist
June 27, 2008	Notified PRG of its preferred, final shortlist
July 14, 2008	Notified Energy Division of final shortlist after

July 29, 2008	incorporating comments from the PRG.
September 17, 2009	Final LCBF Report to the CPUC
	Shell GAPSA Executed

2. THE SOLICITATION WAS ROBUST.

SDG&E sent email notification containing information about the RFO to the Western Systems Power Pool member list, parties who had bid into prior renewable RFO's and any other parties who requested such notification. An article advertising the RFO was published in Megawatt Daily. SDG&E also held a pre-bid conference on March 27, 2008. Potential bidders were invited to submit any questions about the RFO process to SDG&E via email. SDG&E maintained an RFO website where interested parties could access all posted answers to questions received from all potential bidders.

Despite competition from concurrent renewable solicitations held by other California utilities within the same time frame, the amount of energy offered allowed SDG&E to select from a pool of projects that far exceeded its need. Several of the proposals submitted would require the addition of new transmission infrastructure to deliver energy to San Diego customers.

3. THE BID CONFORMED TO RPS BIDDING PROTOCOL (E.G. RPS-ELIGIBLE, SUBMISSION OF NECESSARY FORMS, CONFIDENTIALITY AGREEMENTS, BID DEPOSIT, ETC.)

The Offer conformed to minimum requirements of the RFO:

- a) The Proposed Agreement is not strictly conforming; however, the PFM will provide the necessary mechanism to allow RPS eligibility. The rebundled product is consistent with the wind generation products and the associated Green Attributes being sought in the RFO,
- b) The net contract capacity is greater than 5 MW net of all auxiliary and station parasitic loads, and
- c) All Green Attributes are tendered to SDG&E.

PPA IS NOT FROM A SOLICITATION (I.E. A BILATERAL)

1. REASON/NEED TO PROCURE BILATERALLY AS OPPOSED TO AN RFO.

The bilateral discussions that resulted in the proposed agreement have been on-going for approximately 5 years. The product does not conform to the RFO requirements (as outlined in the PFM attached as Appendix H); the unique product type required that this be handled as a bilateral. Never the less, as one of two evaluations of pricing, SDG&E has compared the proposed agreement to its 2008 RFO results (this is the most recent, completed RFO). This comparison evaluation of the contract's cost and value, are contained in Confidential Appendix D and show that this proposed agreement compares favorably. As discussed above, the viability of the project, attractive pricing, and credibility of the counterparty of the project provided a compelling case for SDG&E to execute the Proposed Agreement.

2. COMPLIANCE WITH D.06-10-019, OR OTHER MORE RECENT CPUC DECISION(S).

In D.06-10-019, the Commission concluded that bilateral contracts used for RPS compliance must be submitted for approval via advice letter and, while not subject to the MPR, must contain pricing that is "reasonable." (D.06-10-019, *mimeo*, p. 31) The advice letter satisfies the first requirement and, as SDG&E demonstrates herein, the pricing contained in the Proposed Agreement is reasonable. This agreement will require the modification of D.06-10-019 in order to

permit SDG&E to purchase and use unbundled REC's for RPS compliance associated with renewable generation received pursuant to contracts administered on behalf of the California Department of Water Resources ("CDWR"). Once the modification is approved, the express requirements of D.06-10-019 will be satisfied. Please see the PFM attached as Confidential Appendix H for more information on compliance with D.06-10-019.

C. LCBF METHODOLOGY AND EVALUATION

1. BID EVALUATION PROCESS

THE LCBF EVALUATION AND RANKING WAS FAIRLY ADMINISTERED AND CONSISTENT WITH CPUC DECISIONS ADDRESSING LCBF METHODOLOGY.

In this section, SDG&E presents a general discussion of its LCBF evaluation. Specific application of LCBF criteria to the Shell Wind transaction is presented in confidential Appendix D.

Upon conclusion of the bidding process, SDG&E performed an initial screening with its Independent Evaluator to determine if each bid met the minimum requirements of the RFO. SDG&E submitted clarifying questions to respondents to allow for accurate consideration of as many projects as possible. Once SDG&E had a list of conforming candidate projects, SDG&E began evaluation of these offers to narrow the field of bidders to a short list.

SDG&E evaluated all offers in accordance with the LCBF process outlined in D.03-06-071, D.04-07-029 and its approved RPS Procurement Plan. The Commission established in D.04-07-029 a process for evaluating "least-cost, best-fit" renewable resources for purposes of IOU compliance with RPS program requirements. SDG&E has adopted such a process in its renewable procurement plan. In D.06-05-039, the Commission observed that "the RPS project evaluation and selection process within the LCBF framework cannot ultimately be reduced to mathematical models and rules that totally eliminate the use of judgment."⁵ It determined, however, that each IOU should provide an explanation of its "evaluation and selection model, its process, and its decision rationale with respect to each bid, both selected and rejected," in the form of a report to be submitted with its short list of bids (the "LCBF Report").⁶

a. MODELING ASSUMPTIONS AND SELECTION CRITERIA

To incorporate a "best-fit" element into evaluation of offers, instead of simply comparing prices for all offers ("least-cost"), SDG&E calculated an "All-In Price" for each offer. Elements of the All-In Price are described below.

SDG&E compares bids by sorting all projects by the All-In Price, from lowest to highest. Those projects with the lowest All-In Price were short listed. SDG&E short listed a quantity of projects that would reasonably result in SDG&E achieving at 5% above its RPS requirement of 20% (that is, SDG&E is attempting, consistent with its procurement plan, to have approximately 25% of 2010 retail sales sourced from renewables rather than the RPS goal of 20%). In order to account for potential project failures, SDG&E shortlisted more than its calculated need.

⁵ See D.06-05-039, *mimeo*, p. 42.

⁶ *Id.* at p. 43. The Commission required the IOUs to file a preliminary version of their respective LCBF Reports in advance of their short-list submission date. (See, Scoping Memo and Ruling of Assigned Commissioner, dated August 21, 2006, Attachment A, pp. 14-15). The LCBF report for SDG&E's 2008 shortlist was submitted to the Commission on July 29, 2008.

b. QUANTITATIVE EVALUATION

- i. Market valuation (the "All-In Price") - The All-In Price includes the following factors:
 - a. Capacity and energy prices. Both the offered capacity and energy prices were included in the All-In Price.
 - b. Time of delivery ("TOD") cost adjustment. SDG&E established a TOD cost adjustment factor ("Bid Adjustment Factor") to compensate for the differing values between peaking and baseload projects in its least cost ranking. SDG&E calculated the Bid Adjustment Factor by multiplying the bidders' expected TOD profile MWh's by SDG&E's published TOD factors and then dividing the result by the bidder's total annual MWh deliveries. Bid prices were then divided by the Bid Adjustment Factor resulting in prices equivalent to baseload prices. Baseload projects are assigned a Bid Adjustment Factor of 1.0 resulting in no price adjustments. Solar peaking facilities generally have a Bid Adjustment Factors higher than 1.0 resulting in lower levelized prices. Wind projects generally have Bid Adjustment Factors that are slightly less than 1.0 resulting in slightly higher levelized prices
 - c. Transmission Cost Adder. For new project offers or projects proposing to increase the size of existing facilities, SDG&E calculated costs for transmission network upgrades or additions, using information from Transmission Ranking Cost Reports or CAISO-approved System Impact Studies for respondents that completed such a study. SDG&E assigns a transmission cost adder of zero dollars (\$0) to projects proposing to interconnect to the distribution system because all such costs are attributable to the developer and should be included in their offer price.
 - d. Resource Adequacy ("RA"). All bids received a Resource Adequacy ("RA") adjustment to reflect the amount of additional RA capacity needed to equalize the RA value of the renewable offers which have an RA capacity that is less than 100% of nameplate capacity. SDG&E used a value that is comparable to the capacity prices in offers received in recent conventional RFO's, discounted by an allowance for ancillary service benefits. The megawatt quantity of the RA adjustment for each renewable offer was calculated in accordance with the methodology outlined by the CPUC for counting the RA capacity for each resource type.
 - e. Congestion cost adders. Congestion costs were based on the difference between the hourly Locational Marginal Prices ("LMP") at each generator's injection point and the hourly LMP values for SDG&E's Load Aggregation Point ("LAP"). The LMP values in the LAP were weighted for all bus points within SDG&E's service territory using CAISO allocation factors. SDG&E subtracted the LMPs for each generator's injection point from the LMPs in SDG&E's LAP and multiplied the differences by the generator's hourly production profile (MWh).

c. QUALITATIVE FACTORS

SDG&E differentiates offers of similar cost by reviewing, if applicable, qualitative factors including (in no particular order of preference):

- i. Location;
- ii. Benefits to minority and low income areas;
- iii. Resource diversity;
- iv. Promote stable electricity prices
- v. Protect public health

- vi. Improve environmental quality; offer environmental benefits
- vii. Stimulate sustainable economic development
- viii. Create new employment opportunities
- ix. Reduce reliance on imported fuels
- x. Ameliorate air quality problems
- xi. Improve public health by reducing the burning of fossil fuels
- xii. Environmental stewardship, which may include the environmental impacts of Respondent' proposed facility on California's water quality, use, and water resource management consistent with the CPUC's Water Action Plan, adopted December 15, 2005.

SDG&E's solicitation also stated that SDG&E may also differentiate long-term offers of similar cost by reviewing other factors including (in no particular order of preference):

- i. Delivery Reliability
- ii. Ability to advance schedule
- iii. Technology
- iv. Likelihood project will be able to develop and achieve Commercial Operation within established timeframes.
- v. Operational flexibility
- vi. Development risk
- vii. Financing plan
- viii. Corporate capabilities, credit, and proven experience
- ix. Repowering / Contract extension

2. RESULTS / BID COMPARISON

HOW THE PROPOSED CONTRACT(S) COMPARE(S) WITH OTHER BIDS RECEIVED IN THE SOLICITATION WITH REGARD TO EACH LCBF FACTOR. WHY THE SUBMITTED CONTRACT(S) RANKED HIGHER (QUANTITATIVELY AND/OR QUALITATIVELY) THAN THE OTHER BIDS USING THE LCBF CRITERIA

SDG&E included the proposed agreement in its LCBF analysis and it shows that the cost of the proposed agreement compares favorably to SDG&E's 2008 RFO offers. Please see Confidential Appendix D, "Contract Price" for details on how the proposed contract compares with other bids received in the solicitation with respect to each LCBF factor, as well as how the proposed agreement compares utilizing other price reasonableness measures (such as comparison to comparable offers).

3. PORTFOLIO FIT

DEMONSTRATING BEST FIT BY INCLUDING AN EVALUATION OF THE BID'S COSTS AND BENEFITS IN THE CONTEXT OF THE IOUs PORTFOLIO NEEDS.

SDG&E's Plan stated that SDG&E does not have a preference for a particular product or technology type and that SDG&E has latitude in the resources that it selects. However, as explained above, SDG&E conducted a quantitative measure (LCBF) of the fit of each project to SDG&E's portfolio. Time of delivery factors, transmission cost, congestion costs and resource adequacy adjustment were evaluated in the economic comparison of options, in order to ensure the least-cost projects were also best-fit selections for the portfolio.

For details on the proposed agreement's costs and benefits in the context of SDG&E's portfolio needs and LCBF analysis, please see the section entitled "Contract Price" in the Confidential Appendix D.

4. TRANSMISSION ADDER

DEMONSTRATING CONSISTENCY WITH CPUC DECISIONS ADDRESSING RPS TRANSMISSION RANKING COST METHODOLOGY AND IOU TRANSMISSION RANKING COST REPORT (TRCR) OR PROVIDE REASONING WHY THE TRCR WAS NOT USED.

Inclusion of transmission cost adders for the proposed agreement was not applicable since the facilities are fully constructed and already on-line,

5. APPLICATION OF TODS

TODS WERE CONSISTENTLY USED THROUGHOUT THE PROCUREMENT PROCESS, E.G., RFO, BID EVALUATION, CALCULATION OF AMFs.

SDG&E utilized TOD factors in its LCBF evaluation via the aforementioned Bid Adjustment Factor. The average all-in bid price was adjusted to reflect the relative value of projected energy deliveries during peak, semi-peak and off-peak periods. The projected delivery profiles were provided by the respondents.

The Bid Adjustment Factors were derived from the TOD factors shown below:

	<u>SUMMER</u>	<u>WINTER</u>
	July 1 – October 31	November 1 – June 30
On-Peak	Weekdays 11am – 7pm	Weekdays 1pm - 9pm
	1.6411	1.1916
Semi-Peak	Weekdays 6am – 11am;	Weekdays 6am – 1pm;
	Weekdays 7pm - 10pm	Weekdays 9pm – 10pm
	1.0400	1.0790
Off-Peak*	All other hours	All other hours
	0.8833	0.7928

*All hours during NERC holidays are off-peak.

6. QUALITATIVE FACTORS

THE EXTENT TO WHICH THE BID’S QUALITATIVE FACTORS WERE USED IN THE EVALUATION OF THIS OFFER AND COMPARE TO OTHER BIDS IN SOLICITATION

As mentioned above, SDG&E uses qualitative factors as a tie breaker to differentiate offers with similar costs. However, qualitative analysis was not necessary for the proposed agreement since the offer was analyzed subsequent to the short listing of the RFO offers and therefore a tie breaker with offers in that RFO was unnecessary.

7. IMPACT OF DEBT EQUIVALENCE

HOW DEBT EQUIVALENCE AFFECTED THE RANKING OF THE PROJECT

Debt equivalence did not impact the ranking of this proposed contract. D.07-12-052 eliminated debt equivalence as a factor to be considered in the LCBF analysis of 2008 RFO bids.⁷ Since

⁷ D.07-12-052, *mimeo*, pp. 163-166. The Commission subsequently provided further guidance related to debt equivalence in D.08-11-008, in which the Commission authorizes the IOUs to recognize the effects of debt equivalence

SDG&E compared the proposed agreement to its 2008 RFO bids, it would not have been appropriate to consider debt equivalence as a factor that could impact its rank.

D. PRG PARTICIPATION AND FEEDBACK

1. PRG MEMBERS (BY ORGANIZATION/COMPANY)

SDG&E's PRG is comprised of over fifty representatives from the following organizations:

- a. California Department of Water Resources
- b. California Public Utilities Commission – Energy Division
- c. California Public Utilities Commission – Division of Ratepayers Advocate
- d. The Utility Reform Network
- e. Union of Concerned Scientists

2. INDICATING WHEN THE PRG WAS PROVIDED INFORMATION ON THE CONTRACT(S)

Discussions with SDG&E's Procurement Review Group (PRG) regarding a short term PPA between SDG&E and Shell Wind occurred as early as the June 13, 2004 PRG meeting. Various iterations of the agreement were discussed during the following PRG meetings: July 14, 2004, July 14, 2006, March 16, 2007, July 9, 2007, December 18, 2007, May 15, 2008, October 16, 2008, November 20, 2008, and most recently at the August 20, 2009 meeting.

3. COMMENTS/CRITIQUES/QUESTIONS SDG&E RECEIVED FROM THE PRG

SDG&E does not keep transcripts of PRG meetings. Discussions can include exploration of positions that may or may not reflect parties' positions. Any objections to material presented to the PRG are ultimately made public through interventions in SDG&E's filings for approval and again following this filing, parties will be allowed to comment.

E. RPS GOALS

DESCRIBING PROJECT'S CONSISTENCY WITH, AND CONTRIBUTION TOWARDS RPS GOALS (SEE P.2 OF R.08-08-009 SCOPING MEMO AND RULING FILED SEPTEMBER 26, 2008)

The project is consistent with and, with approval of the associated PFM of D.06-10-019, will contribute towards RPS goals, which require SDG&E to (1) annually increase its RPS procurement by approximately 1% of its retail sales and (2) achieve an overall renewable procurement equaling 20% of its retail sales by 2010, and the voluntary goal of 33% by 2020.

The proposed agreement conforms to SDG&E's Commission-approved 2008 RPS procurement plan. In the Plan, SDG&E said, "SDG&E will avail itself of the flexibility mechanisms permitted under the RPS program, including: (1) the ability to sign bilateral agreements."

Annual energy deliveries related to the proposed agreement are structured on an as available, as produced basis. The estimated annual deliveries are approximately 285,000 MWh based on the average deliveries from these existing wind facilities compiled over the last 5 years.

when comparing PPAs against PPAs in their bid evaluations. SDG&E intends to include debt equivalence in its evaluation of future PPAs.

F. STANDARD TERMS AND CONDITIONS***STANDARD TERMS AND CONDITIONS TO BE INCORPORATED INTO RPS AGREEMENTS PURSUANT TO D.08-04-009.*****1. THE PROPOSED PPA DOES COMPLY WITH D.08-04-009.**

The PPA complies with D.08-04-009. The PPA contains standard terms and conditions as authorized by the Commission in D.04-06-014 issued on June 9, 2004 and R.06-02-012 issued on October 29, 2008. Commission decision D.04-06-014 originally adopted standard contract terms and conditions for use in the RPS and recently updated the requirements in D.08-04-009. The decision labeled some terms and conditions as being non-modifiable. All non-modifiable terms and conditions remain intact in the proposed agreement and are used in the appropriate context. A summary of major contract provisions is provided at Confidential Appendix D. Copies of the PPA and supporting documentation are also provided in Confidential Appendix D.

2. REQUESTED RELIEF, INCLUDING CPUC APPROVAL AS DEFINED IN D.08-04-009

With respect to standard terms and conditions, SDG&E is not requesting any special consideration or relief because all non-modifiable terms were included without modification. However, as mentioned above and in the attached Appendix H, SDG&E is respectfully requesting a modification of D.06-10-019 to allow for the RECs to be re-bundled with the existing renewable generation associated with the CDWR contracts; this will then satisfy the requirements for RPS eligibility. However, please see Section VI of this advice letter for an outline of requested Commission findings in its approval of this agreement.

G. MINIMUM QUANTITY***REQUIREMENTS FOR SHORT TERM RPS CONTRACTS PURSUANT TO PUBLIC UTILITY CODE § 399.14(B)*****1. INDICATING WHETHER THE PROPOSED PPA IS (A) LONG-TERM, WITH AN EXISTING FACILITY OR A NEW FACILITY, (B) SHORT-TERM WITH A NEW FACILITY, OR (C) SHORT-TERM WITH AN EXISTING FACILITY**

The proposed agreement is a short-term agreement related to existing facilities.

2. DISCUSSING HOW THE CONTRACT(S) IS IN COMPLIANCE WITH D.07-05-028 IF THE TERM IS LESS THAN 10 YEARS.

D.07-05-028 states that in order to count deliveries from short term contracts for compliance, load serving entities (LSEs) must first enter into long-term agreements whose deliveries are equal to or greater than 0.25% of that LSE's prior year's retail sales.

SDG&E has met this requirement through its contract with NaturEner RimRock, LLC executed on May 5, 2009 and filed for approval via SDG&E advice letter 2088-E on May 29, 2009. This contract is for a 15 year term and is currently pending before the Commission.

TO WHAT EXTENT SDG&E HAS SATISFIED THE MINIMUM QUANTITY REQUIREMENT.

As stated above, SDG&E has met the minimum quantity requirement through its contract with Naturener RimRock, LLC executed on May 5, 2009 and filed for approval via SDG&E advice letter 2088-E on May 29, 2009. The PPA with Rim Rock provides for annual deliveries of

1,054GWH. As shown in the Confidential Appendices, this exceeds the 0.25% threshold by a large margin.

H. INTERIM EMISSIONS PERFORMANCE STANDARD

COMPLIANCE WITH PUBLIC UTILITY CODE § 8440-8341, WHICH ESTABLISHED A GREENHOUSE GAS EMISSIONS PERFORMANCE STANDARD (EPS)

1. HOW THE CONTRACT IS IN COMPLIANCE WITH D.07-01-039

The proposed agreement involves two wind facilities that are non-GHG emitting and are therefore EPS compliant.⁸

2. THE ENERGY USED TO FIRM/SHAPE MEETS EPS REQUIREMENTS (ONLY FOR PPAs OF 5 OR MORE YEARS AND WILL BE FIRMED/SHAPED WITH SPECIFIED BASELOAD GENERATION).

The proposed agreement is for a term of less than five years. Also, the proposed agreements are for Green Attributes only, the energy is already under contract. Finally, since the projects are located within the California ISO, the energy from the existing contracts is delivered and consumed simultaneously so there is no firming-and-shaping required.

3. THE TOTAL ENERGY PURCHASES (RENEWABLE AND NON-RENEWABLE) WILL NOT EXCEED THE TOTAL EXPECTED OUTPUT FROM THE RENEWABLE ENERGY SOURCE OVER THE TERM OF THE CONTRACT (ONLY IF PPA IS FOR 5 OR MORE YEARS AND WILL BE FIRMED/SHAPED WITH UNSPECIFIED POWER).

The proposed agreement is for a term of less than five years. There is no non-renewable firming-and-shaping resource associated with this project.

4. UTILIZING SUBSTITUTE SYSTEM ENERGY FROM UNSPECIFIED SOURCES

a. UNSPECIFIED ENERGY USED ON A SHORT-TERM BASIS

The proposed agreement does not contemplate the use of unspecified energy. It is a contract for Green Attributes; the underlying energy to which these will be rebundled is an as-available resource where the wind generation is produced and consumed simultaneously; there is no firm backing by any unspecified energy.

b. UNSPECIFIED ENERGY USED FOR OPERATIONAL OR EFFICIENCY REASONS

The proposed agreement does not contemplate the use of unspecified energy for operational or efficiency reasons. It is a contract for Green Attributes; the underlying energy to which these will be rebundled is an as-available resource where the wind generation is produced and consumed simultaneously; there is no firm backing by any unspecified energy. .

c. UNSPECIFIED ENERGY USED WHEN THE RENEWABLE ENERGY SOURCE IS UNAVAILABLE DUE TO A FORCED OUTAGE, SCHEDULED MAINTENANCE OR OTHER TEMPORARY UNAVAILABILITY FOR OPERATIONAL OR EFFICIENCY REASONS

⁸ D.07-01-039, Attachment 7 at 4 (providing that wind facilities are pre-approved as EPS compliant).

The proposed agreement does not contemplate the use of unspecified energy for operational or efficiency reasons. It is a contract for Green Attributes; the underlying energy to which these will be rebundled is an as-available resource where the wind generation is produced and consumed simultaneously; there is no firm backing by any unspecified energy.

d. UNSPECIFIED ENERGY USED TO MEET OPERATING CONDITIONS REQUIRED UNDER THE CONTRACT, SUCH AS PROVISIONS FOR NUMBER OF START-UPS, RAMP RATES, AND MINIMUM NUMBER OF OPERATING HOURS.

Not applicable. It is a contract for Green Attributes; the underlying energy to which these will be rebundled is an as-available resource where the wind generation is produced and consumed simultaneously; there is no firm backing by any unspecified energy.

I. MPR AND AMFs

1. THE PROJECT'S ELIGIBILITY FOR AMFs (ONLY IF THE PROJECT IS ABOVE THE MPR)

Because the proposed agreement was reached through bi-lateral discussions (and not a solicitation), it is not eligible for AMFs.: PUC Code § 399.15(d)(2) (requires the contract to have been selected through a competitive solicitation); and Resolution E-4199 (implements the Statute's eligibility criteria) are both provided as reference supporting the fact that the proposed agreement is not eligible for AMF's.

2. SDG&E'S AMFs LIMIT

SB 1036 establishes five explicit criteria for the award of AMFs and states that once AMFs reach a cap that is equal to the maximum SEPs that would have been allotted to SDG&E, SDG&E is no longer required to procure renewable energy at above market prices. The Commission's approval of SDG&E's amended PPA with MMR via resolution E-4176 on September 18, 2008 exhausted SDG&E's AMFs and, therefore, SDG&E is no longer required to procure renewable energy at above market prices.

III. PROJECT DEVELOPMENT STATUS

DISCUSSING HOW THE STATUS OF THE PROJECT FACTORS OUTLINED BELOW AND THEIR IMPACT ON THE PROJECT'S VIABILITY.

The wind facilities included in the proposed agreement are fully constructed and on-line.

A. SITE CONTROL

a. SITE CONTROL TYPE (E.G. OWNERSHIP, LEASE, BLM, ETC.)

b. LEVEL (%) OF SITE CONTROL ATTAINED

The wind facilities included in the proposed agreement are fully constructed and on-line; full site control was gained by the developers / owners prior to construction start.

B. RESOURCE AND/OR AVAILABILITY OF FUEL**a. RESOURCE STUDIES COMPLETED, IN PROGRESS, AND OUTSTANDING, AS WELL AS ANY RESULTS (FOR WIND, GEOTHERMAL, SOLAR AND OTHER PROJECTS)**

Not applicable. The wind resource at each of the facility sites is well documented and of sufficient quality to allow for economic operation of the facility.

b. FUEL RESOURCE ANALYSIS FOR BIOMASS PROJECTS

Not applicable.

c. RIGHTS FOR WATER, FUEL(S), AND ANY OTHER REQUIRED INPUTS TO RUN THE FACILITY

The facilities associated with the proposed agreement are already on-line and have all required rights and inputs necessary for continued operation.

C. TRANSMISSION**a. STATUS OF INTERCONNECTION APPLICATION, INTERCONNECTION QUEUE, AND TRANSMISSION STUDIES COMPLETED AND/OR IN PROGRESS.**

The facilities associated with the proposed agreement are already interconnected and on-line.

b. STATUS OF THE INTERCONNECTION AGREEMENT

The facilities associated with the proposed agreement are already interconnected and on-line.

c. REQUIRED NETWORK AND GEN-TIE UPGRADES (E.G. BUILD 500 kV LINE, NEEDED SPS).

The facilities associated with the proposed agreement are already interconnected and on-line.

d. REQUIRED SUBSTATION UPGRADES OR CONSTRUCTION.

The facilities associated with the proposed agreement are already interconnected and on-line.

e. DISCUSS TIMING AND PROCESS FOR ALL UPGRADES, INCLUDING CONDITIONS AND PRECEDENTS. PLEASE INDICATE CRITICAL PATH ITEMS AND POTENTIAL CONTINGENCIES IF UPGRADE(S) IS (ARE) DELAYED.

The facilities associated with the proposed agreement are already interconnected and on-line.

f. EXPLAIN ANY ISSUES RELATING TO OTHER GENERATING FACILITY PROJECTS IN THE TRANSMISSION QUEUE AS THE MAY AFFECT THIS PROJECT.

The facilities associated with the proposed agreement are already interconnected and on-line.

**g. FACTORING CONGESTION INTO THE LCBF BID ANALYSIS
(IF THE PRODUCT IS LESS THAN 100% DELIVERABLE FOR AT LEAST SEVERAL YEARS)**

Strictly speaking, as a contract for Green Attributes, there is no congestion associated with this proposed contract. The Commission decision on this Green Attribute contract will not impact the congestion that will exist in the underlying CDWR power contract. No incremental congestion will burden the grid as a result of this proposed agreement. The results of the congestion analysis are included in confidential appendix D.

**h. WHAT ALTERNATIVE TRANSMISSION ARRANGEMENTS WERE CONSIDERED
(E.G. CURTAILMENT, PAYMENT OF CONGESTION COSTS, ETC)**

Alternative transmission arrangements were not considered since this is a contract for Green Attributes; the underlying energy to which these will be rebundled is an existing wind generation facility with adequate transmission capacity and is an "as available" sale.

D. TECHNOLOGY TYPE AND LEVEL OF TECHNOLOGY MATURITY

a. TYPE AND STAGE OF TECHNOLOGY (E.G. CONCEPT STATE, TESTING STAGE, UTILITY-SCALE PRODUCTION, AMPLE HISTORY OF PRODUCTION)

The proposed agreement involves two wind facilities utilizing Vestas V47 660KW turbines that are already on-line. This technology has ample history of production at a utility-scale.

b. PLANS TO HAVE A DEMONSTRATION PROJECT (FOR TECHNOLOGIES NOT COMMERICALLY DEMONSTRATED)

Not applicable.

c. CONFIGURATION AND POTENTIAL ISSUES AND/OR BENEFITS OF HYBRID TECHNOLOGY

Not applicable.

E. PERMITTING

The facilities associated with the proposed agreement have already received all permits, been constructed and are on-line.

F. DEVELOPER EXPERIENCE

a. SUCCESSFUL PROJECTS THE DEVELOPER HAS OWNED, CONSTRUCTED, AND/OR OPERATED.

Shell Wind is involved in eight wind operations throughout the United States, generating approximately 900 MW of clean, renewable wind power. In addition to the Cabazon and Whitewater Hill projects, other existing wind facilities include Rock River in Wyoming, White Deer in Texas, Top of Iowa in Iowa, Brazos in Texas, Colorado Green in Colorado, and NedPower Mount Storm in West Virginia.

b. **YEARS HAS DEVELOPER AND THE PRINCIPALS HAVE BEEN IN THE DEVELOPMENT SIDE OF THE ELECTRIC INDUSTRY**

Shell Wind has been active in the power development side of the electric industry for many years. Through its subsidiary family of companies, it has been a pioneer in the development of various power generation technologies throughout the world. For more information see: <http://www.shell.us>

G. FINANCING PLAN

a. **MANNER OF FINANCING (E.G. PROJECT FINANCING, BALANCE SHEET FINANCING, ETC.)**

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

b. **FINANCING PLAN AND STATUS.**

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

c. **FIRM COMMITMENTS FROM FINANCERS (BOTH DEBT AND EQUITY), AND HOW MUCH FINANCING IS EXPECTED TO BE NEEDED TO BRING THE PROJECT ONLINE**

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

d. **CREDITWORTHINESS OF ALL RELEVANT FINANCIERS.**

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

e. **DEVELOPER'S HISTORY OF ABILITY TO PROCURE FINANCING.**

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

f. **PLANS FOR OBTAINING SUBSIDIES, GRANTS, OR ANY OTHER THIRD PARTY MONETARY AWARDS (OTHER THAN PRODUCTION TAX CREDITS AND INVESTMENT TAX CREDITS) AND HOW THE LACK OF ANY OF THIS FUNDING WILL AFFECT THE PROJECT.**

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

H. PRODUCTION TAX CREDIT / INVESTMENT TAX CREDIT

a. **PROJECT ELIGIBILITY FOR PTCs/ITCS**

Tax issues are settled and the tax implications related to the construction and operation of the two facilities involved to the proposed agreement are presumably included in the financials related to the ownership and operation of these on-line wind generation plants under the existing CDWR contract.

b. DEVELOPER INTENTIONS TO SEEK AND PLANS FOR OBTAINING PTCs/ITCs

Tax issues are settled and the tax implications related to the construction and operation of the two facilities involved to the proposed agreement are presumably included in the financials related to the ownership and operation of these on-line wind generation plants under the existing CDWR contract.

c. RISK BEARER IF PTCs/ITCs ARE NOT OBTAINED/EXPIRED?

Tax issues are settled and the tax implications related to the construction and operation of the two facilities involved to the proposed agreement are presumably included in the financials related to the ownership and operation of these on-line wind generation plants under the existing CDWR contract.

I. EQUIPMENT PROCUREMENT**a. DEVELOPER'S STAGE OF PROCUREMENT WITH RESPECT TO MAJOR EQUIPMENT (E.G. EQUIPMENT IN-HAND, CONTRACTS EXECUTED AND EQUIPMENT IN DELIVERY, NEGOTIATING CONTRACTS WITH SUPPLIER(S), ETC.). FOR EQUIPMENT NOT YET PROCURED, CONTINGENCIES AND OVERALL TIMING.**

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

b. DEVELOPER'S HISTORY OF ABILITY TO PROCURE EQUIPMENT.

All equipment has already been procured. The facilities associated with the proposed agreement are fully constructed and on-line.

c. EQUIPMENT PROCUREMENT ISSUES (E.G. LEAD TIME, EFFECT ON PROJECT ONLINE DATE)

Not applicable. The facilities associated with the proposed agreement are fully constructed and on-line.

IV. CONTINGENCIES AND MILESTONES**A. MAJOR PERFORMANCE CRITERIA AND GUARANTEED MILESTONES.**

Performance criteria and milestones related to plant construction are unnecessary since the wind facilities related to the proposed agreement are already on-line. Green attribute delivery requirements are on an as available, as generated basis and are detailed in confidential appendix D.

B. OTHER CONTINGENCIES AND MILESTONES (I.E. 500 KV LINE, INTERCONNECTION COSTS, GENERATOR FINANCING, PERMITTING)

There are no remaining project contingencies since the facility is already online. There are certain contractual contingencies including approval of this Advice Letter and the associated Petition for Modification of D.06-10-019; which are further outlined in confidential appendix D.

V. REGULATORY PROCESS**A. FINAL OR PRE-RPS-ELIGIBILITY CERTIFICATION FROM THE CEC.
QUESTION TO THE PROJECT'S ELIGIBILITY.**

The wind facilities included in the proposed agreement have all received their CEC RPS certification

B. PROVIDE A JUSTIFICATION FOR THE REQUESTED EFFECTIVE DATE.

SDG&E respectfully requests that the Commission review approve the subject GAPSA as soon as practicable; ideally as close to January 1, 2010 as possible. 2010 is an important compliance year, one in which SDG&E's RPS Annual Procurement Target increases to 20% - a significantly larger year-on-year increase than in previous years. It is important that all possible sources of compliant renewable energy be flowing for the full year. This timing is necessary due to the initial delivery period start date of the latter of January 1, 2010 or CPUC approval.

**C. CONTRACTUAL OBLIGATIONS THAT WILL IMPACT THE SCHEDULE FOR CPUC APPROVAL
(TERMINATION CLAUSES, ETC.)**

There are contractual contingencies related to the CPUC's approval schedule that are fully explained in confidential appendix D under Major Contract Provisions, Section A.

D. HOW THIS CONTRACT COMPLIES WITH THE EARMARKING REQUIREMENTS FOR THE RELEVANT SOLICITATION.

This bilateral contract is not eligible for earmarking.

E. CONFIDENTIAL TREATMENT OF SPECIFIC MATERIAL

This Advice Letter contains confidential information and is protected from disclosure, as detailed in the concurrently-filed declaration.

The confidentiality of information included in this Advice Letter is described below.

Confidential Appendices:

Confidential Appendix A: 2008 Solicitation Overview

Confidential Appendix B: 2008 Bid Evaluations

Confidential Appendix C: Final Independent Evaluator Report

Confidential Appendix D: Contract Summary including Pricing

Confidential Appendix E: Project Viability: Shell REC's

Confidential Appendix F: Project's Contribution Toward RPS Goals

Confidential Appendix G: Copy of Executed PPA / Proposed Agreement

Confidential Appendix H: Copy of Petition for Modification of D. 06-10-019

VI. Requested Relief

SDG&E respectfully requests that the Commission approve the proposed agreement through the issuance of a resolution, as defined in D.04-06-014, as soon as possible preferably no later than January 1, 2010.

The proposed agreement is consistent with SDG&E's CPUC-approved RPS Plan and procurement from the proposed agreement will contribute towards SDG&E's APT starting in 2010.⁹ As detailed in this Advice Letter, SDG&E's entry into the proposed agreement and the terms of such agreement are reasonable; therefore, all costs of the purchase associated with the green attributes included in the proposed agreement should be fully recoverable in rates.

The proposed agreement is conditioned upon "CPUC Approval" in a form that is agreeable to SDG&E; the agreement states in Article 1: Conditions to Effectiveness, under A. CPUC Approval: "The obligations of either Party under this Agreement are expressly conditioned upon CPUC Approval (defined below) and the CPUC's approval of Buyer's requests in the related advice letter filing... "CPUC Approval" means a final and non-appealable order of the CPUC, without conditions or modifications unacceptable to the Parties, or either of them, which contains the following terms (a) approves this Agreement in its entirety, including payments to be made by the Buyer, subject to CPUC review of the Buyer's administration of the Agreement; and (b) finds that any procurement pursuant to the Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standards (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law; CPUC Approval will be deemed to have occurred on the date that the CPUC Decision containing such findings becomes final and non-appealable." SDG&E therefore requests the following Commission findings in its approval of the agreement:

1. Approval of the proposed agreement in its entirety, including approval of the full cost recovery in rates through the Energy Resource Recovery Account (ERRA) mechanism of all payments to be made by SDG&E in association with this contract subject to Commission review of SDG&E's administration of the Proposed Agreement¹⁰.
2. Issuance of a finding that any Green Attributes procured pursuant to the proposed agreement constitutes complaint, eligible MWh's from an eligible renewable energy resource for purposes of determining SDG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard program (Public Utilities Code §§ 399.11, et seq. or other applicable law) and relevant Commission decisions. Eligibility will be only applicable with the CPUC's approval of the PFM of D.06-10-019 allowing these re-bundled REC's to be reunited with the underlying renewable energy

VII. 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 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 should also be sent via e-mail to the attention of Honesto Gatchallian (jnj@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest

⁹

¹⁰ *Id.* R. 06-02-012, at p.

be sent via electronic mail and facsimile to SDG&E on the same date it is mailed or delivered to the Commission (at the addresses shown below).

Attn: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. 858-654-1788
E-Mail: mcaulson@semprautilities.com

VIII. Effective Date

SDG&E believes that this Advice Letter is subject to Energy Division disposition and should be classified as Tier 3 (effective after Commission approval) pursuant to GO 96-B. SDG&E respectfully requests that the Commission issue a resolution approving this advice letter on or before January 1, 2010.

IX. Notice

In accordance with Section III.G of General Order No. 96-A, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.06-05-027, 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 to SDG&ETariffs@semprautilities.com.

RON VAN DER LEEDEN
Director – Revenues, Rates and Tariffs

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: 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) #: 2118-E

Subject of AL: Request for Approval for Green Attribute Purchase and Sale Agreement with Cabazon Wind Partners LLC and Whitewater Hill Wind Partners LLC

Keywords (choose from CPUC listing): Power Purchase Agreement, Procurement

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 AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: Attachment contains confidential information protected per the IOU matrix attached to D.06-06-066

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 01/01/2010

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: Megan Caulson

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mcaulson@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

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

Interested Parties In:

R.06-05-027

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF DOUGLAS F. HAROLDSON
REGARDING CONFIDENTIALITY OF CERTAIN DATA**

I, Douglas F. Haroldson, do declare as follows:

1. I am a Project Manager III for San Diego Gas & Electric Company (“SDG&E”). I have reviewed Advice Letter 2118-E, requesting approval of two Green Attribute Purchase and Sale Agreements, one with Cabazon Wind Partners LLC and the other with Whitewater Hill Wind Partners LLC (with attached confidential and public appendices, including Green Attribute Purchase and Sale Agreements with Cabazon Wind Partners LLC and Whitewater Hill Wind Partners LLC), dated October 27th, 2009 (“Advice Letter”). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or belief.

2. I hereby provide this Declaration in accordance with D.06-06-066^{1/} and D.08-04-023 to demonstrate that the confidential information (“Protected Information”) provided in the Advice Letter submitted concurrently herewith (described below), falls within the scope of data protected as confidential pursuant to the IOU Matrix attached to the Commission’s confidentiality decision D.06-06-066, *et seq.* (the “IOU Matrix”) and/or under relevant statutory provisions.^{2/}

^{1/} As amended by D.07-05-032.

^{2/} The Matrix is derived from the statutory protections extended to non-public market sensitive and trade secret information. (See D.06-06-066, *mimeo*, note 1, Ordering Paragraph 1). The Commission is obligated to act in a manner consistent with applicable law. The analysis of protection afforded under the Matrix must always produce a result that is consistent with the relevant underlying statutes; if information is eligible for statutory protection, it must be protected under the Matrix. (See *Southern California Edison Co. v. Public Utilities Comm.* 2000 Cal. App. LEXIS 995, *38-39) Thus, by

3. In D.06-06-066, the Commission adopted rules governing confidentiality of certain categories of electric procurement data submitted to the Commission by investor owned utilities (“IOUs”) and energy service providers (“ESPs”). The Commission established two matrices – one applicable to IOUs, the other to ESPs – setting forth categories and sub-categories of data and providing a confidentiality designation for each.^{3/}

4. To the extent information matches a Matrix category, it is entitled to the protection the Matrix provides for that category of information. In addition, the Commission has made clear that information must be protected where “it matches a Matrix category exactly . . . or consists of information from which that information may be easily derived.”^{4/} In order to claim the protection afforded by the relevant Matrix, the party seeking confidential treatment must establish:

- 1) That the material it is submitting constitutes a particular type of data listed in the Matrix,
- 2) Which category or categories in the Matrix the data correspond to,
- 3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data,
- 4) That the information is not already public, and
- 5) That the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.^{5/}

claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of applicable statutory provisions including, but not limited to, Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

^{3/} See, D.06-06-066, as amended by D.07-05-032, *mimeo*, Appendices 1 and 2.

^{4/} See, *Administrative Law Judge’s Ruling on San Diego Gas & Electric Company’s April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027, p. 2 (emphasis added).

^{5/} D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

5. SDG&E’s Protected Information: The Protected Information, consisting of the information described below, is protected pursuant to the following Matrix categories:

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements and Period of Confidentiality
<p><i>Bid Information</i>⁶</p> <p><i>Locations:</i></p> <p><i>1. Appendix A –</i></p> <ul style="list-style-type: none"> ▪ <i>Summary of 2003-2008 Solicitation Trends, p3-5</i> ▪ <i>Figure 1a. Energy Delivery by Technology- All Bids in Solicitation, p.6</i> ▪ <i>Figure 1b. Energy Delivery by Technology- Current Short List, p.7-8</i> ▪ <i>Figure 2a. RPS Solicitation Bid Supply Curve: 2004 – 2008 All Bids, p. 9</i> ▪ <i>Figure 2b. RPS Solicitation Bid Supply Curve: 2004 – 2008 Current Short Lists, p.10</i> ▪ <i>Figure 2c. RPS Solicitation Bid Supply Curve: 2008 All Bids vs. Current Short List, p.11</i> ▪ <i>Figure 2d. 2008 All Bids with Technologies, p.12</i> ▪ <i>Figure 2e. RPS Contract Price Supply Curve 2004-2008 All Executed Contracts (Excluding Bilaterals), p.13</i> ▪ <i>Figure 3a. Mean Price-Technology by Solicitation, p.14</i> ▪ <i>Figure 3b Median Price-</i> 	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p>	<p>The data provided is non-public bid data from SDG&E’s Renewable RFOs.</p>
	<p>Identify the Matrix category or categories to which the data corresponds</p>	<p>This information is protected under IOU Matrix category VIII.A.</p>
	<p>Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data</p>	<p>In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential until the final contracts from each of the RFOs have been submitted to the CPUC for approval.</p>
	<p>Affirm that the information is not already public</p>	<p>SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.</p>
	<p>Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.</p>	<p>SDG&E cannot summarize or aggregate the bid data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while</p>

⁶ The confidential information referenced has a GREEN font color / has a green box around it in the confidential appendices.

<p><i>Technology by Solicitation, p.14</i></p> <p>2. Appendix B -</p> <ul style="list-style-type: none"> ▪ <i>[RPS Solicitation Summary Table: 2008 Bids, p. 3</i> ▪ <i>Project Rejection Matrix: 2007 Bids, p.7</i> <p>3. Appendix E –</p> <ul style="list-style-type: none"> ▪ <i>Shell Viability Calculator, p.33</i> 		<p>maintaining the format requested by the CPUC.</p>
<p><i>Quantitative Bid Analysis⁷</i></p> <p><i>Location:</i></p> <p>1. Appendix B</p> <ul style="list-style-type: none"> • <i>IOU LCBF Ranking Matrix. p.2</i> • <i>RPS Solicitation Summary Table:2008 Original Bids Into Solicitation, p.3</i> • <i>Viability of 2008 Bids by Technology, p.4</i> • <i>Viability of 2008 Short-listed vs. Rejected Bids, p.5</i> • <i>Viability of 2008 Shortlisted vs. Rejected Bids- Wind, p.6</i> <p>1. Appendix C –</p> <ul style="list-style-type: none"> ▪ <i>Confidential version of the 2008 RPS RFO IE Report, p.10</i> <p>2. Appendix D –</p> <ul style="list-style-type: none"> ▪ <i>Contribution to IOU’s RPS Procurement Targets:, p.13</i> ▪ <i>Narrative Discussing Strengths and Weaknesses of Project Relative to the LCBF Evaluation Criteria Used, p.26</i> ▪ <i>Discuss How Actual Adder</i> 	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p> <hr/> <p>Identify the Matrix category or categories to which the data corresponds</p> <hr/> <p>Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data</p> <hr/> <p>Affirm that the information is not already public</p> <hr/> <p>Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.</p>	<p>This data is SDG&E’s specific quantitative analysis involved in scoring and evaluating renewable bids. Some of the data also involves analysis/evaluation of proposed RPS projects.</p> <hr/> <p>This information is protected under IOU Matrix categories VII.G and/or VIII.B.</p> <hr/> <p>In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential for three years.</p> <hr/> <p>SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.</p> <hr/> <p>SDG&E cannot summarize or aggregate the evaluation data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of</p>

⁷ The confidential information referenced has a **BLUE** font color / has a blue box around it in the confidential appendices

<p><i>Amounts and Their Impact on Project Ranking, p.27</i></p> <ul style="list-style-type: none"> ▪ <i>Project’s Ranking Change After Negotiations, p.28</i> ▪ <i>Project’s LCBF Ranking Compare to Projects in This Solicitations, to Historical Solicitations, and to Projects in the Same Technology Group, p.28</i> ▪ <i>Comparable Bids for Green Attributes products, p.30</i> ▪ <i>Quantify all Direct and Indirect Costs, p.31</i> ▪ <i>The AMF’s Calculator and Results Tab in the Advice Letter..., p.31</i> <p>6. Appendix E –</p> <ul style="list-style-type: none"> ▪ <i>Project Viability Matrix, Overall Summary Viability Score/Assessment and Noted for Viability Matrix, p. 33</i> <p>7. Appendix F –</p> <ul style="list-style-type: none"> ▪ <i>Project’s Contribution Toward RPS Goals, p.35</i> ▪ 		<p>these data points while maintaining the format requested by the CPUC.</p>
<p>Contract Terms⁸</p> <p>Locations:</p> <p>1. Appendix D –</p> <ul style="list-style-type: none"> ▪ <i>Resource and Availability of Fuel, p.14</i> ▪ <i>Point of Delivery and Scheduling Coordinator, p.16</i> ▪ <i>Confidential Information Regarding firming/shaping, p.16</i> ▪ <i>Identifying and describing modifications to “May be Modified “ Terms, p.18-21</i> 	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p> <p>Identify the Matrix category or categories to which the data corresponds</p> <p>Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data</p>	<p>This data includes specific contract terms.</p> <p>This information is protected under IOU Matrix category VII.G.</p> <p>In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept</p>

⁸ The confidential information referenced has a **RED** font color / has a **red** box around it in the confidential appendices

<ul style="list-style-type: none"> ▪ <i>Major Contract Provisions A., p.23-25</i> ▪ ▪ <p>2. Appendix G –</p> <ul style="list-style-type: none"> ▪ <i>Embedded PDF files – GAPSA Cabazon Wind Partners LLC and GAPSA Whitewater Hill Wind Partners LLC</i> <p>3. Appendix I- Independent Evaluator Opinion on PPA-contract pricing</p>		confidential for three years.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	In order to include as much detail as possible, SDG&E has provided specific contract terms instead of summaries. SDG&E has provided summaries of certain contract terms in public portions of the testimony.
<p>RPS project analysis⁹</p> <p>Appendix I- Independent Evaluator Opinion on PPA-evaluation of SDG&E’s price evaluation</p>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	This data includes bid data as well as SDG&E’s analyses and evaluations of proposed RPS projects.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix categories VIII.A and/or VII.G. Project status information constitutes “analyses and evaluations of proposed RPS projects” afforded confidential treatment for 3 years from the contracted date of delivery. ^{10/}
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept

⁹ The confidential information referenced has a **PURPLE** font color / has a purple box around it in the confidential appendices

^{10/} See *Administrative Law Judge’s Ruling Granting San Diego Gas & Electric Company’s May 21, 2007 Amendment to April 3, 2007 Motion and May 22, 2007 Amendment to August 1, 2006 Motion*, issued June 28, 2007 in R.06-05-027, p. 3; D.06-06-066, as modified by D.07-05-032, p. 64.

		confidential for three years.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	The information was provided in the form deemed by SDG&E to be the most useful to the Commission. The value of the data would be undermined if it were to be aggregated or summarized. SDG&E has provided the data in a redacted version that allows for partial disclosure.
<p>Actual Procurement Percentage¹¹</p> <p>Location:</p> <p>1. Appendix F –</p> <ul style="list-style-type: none"> ▪ <i>Project’s Contribution Toward RPS Goals page 35, All data within column entitled: % of 2010 Retail Sales, Current Progress Toward Goal % on delivered basis, % including other signed contracts, and IOU’s 2010 Status if Proposed Contract Approve (%)</i> 	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The Commission has concluded that Actual Procurement Percentage data must be protected in order to avoid disclosing SDG&E’s Bundled Retail Sales data. ^{12/}
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category V.C.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the “front three years” of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not

¹¹ The confidential information referenced has a **BURGUNDY** font color / has a burgundy box around it in the confidential appendices

^{12/} *Id.*

		aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	It is not possible to provide this data point in an aggregated, redacted, summarized or masked fashion.
<p><i>IPT/APT Percentage</i>¹³</p> <p><i>Locations:</i></p> <p><i>1. Appendix D – Contract Summary section, Contribution to IOU RPS procurement targets, p. 13</i></p>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The Commission has concluded that since APT Percentage is a formula linked to Bundled Retail Sales Forecasts, disclosure of APT would allow interest parties to easily calculate SDG&E’s Total Energy Forecast – Bundled Customer (MWH). ^{14/} The same concern exists with regard to IPT percentage.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category V.C.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the “front three years” of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not

¹³ The confidential information referenced has a **AQUA** font color / has a **aqua** box around it in the confidential appendices

^{14/} See, *Administrative Law Judge’s Ruling on San Diego Gas & Electric Company’s April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027; *Administrative Law Judge’s Ruling Granting San Diego Gas & Electric Company’s May 21, 2007 Amendment to April 3, 2007 Motion and May 22, 2007 Amendment to August 1, 2006 Motion*, issued June 28, 2007 in R.06-05-027.

		aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	It is not possible to provide these data points in an aggregated, redacted, summarized or masked fashion.

6. The Commission previously considered and approved application of IOU Matrix confidentiality protection to project development status data in its *Administrative Law Judge’s Ruling Granting San Diego Gas & Electric Company’s May 21, 2007 Amendment to April 3, 2007 Motion and May 22, 2007 Amendment to August 1, 2006 Motion*, issued June 28, 2007 in R.06-05-027.

7. SDG&E intends to comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

8. I am not aware of any instance of public disclosure of the Protected Information.

9. The Protected Information cannot be provided in a form that is further aggregated, redacted, or summarized and still provide the level of detail requested and expected by the Public Utility Commission of the State of California.

10. As an alternative basis for requesting confidential treatment, SDG&E submits that the project status information provided in the Advice Letter 2118-E is material, market sensitive, electric procurement-related information protected under §§ 454.5(g) and 583, as well as trade secret information protected under Govt. Code

§ 6254(k), and that the disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.^{15/}

11. Public Utilities Code § 454.5(g) provides:

The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.

12. General Order 66-C protects “[r]eports, records and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage.”

13. Under the Public Records Act, Govt. Code § 6254(k), records subject to the privileges established in the Evidence Code are not required to be disclosed.^{16/} Evidence Code § 1060 provides a privilege for trade secrets, which Civil Code § 3426.1 defines, in pertinent part, as information that derives independent economic value from not being generally known to the public or to other persons who could obtain value from its disclosure.

^{15/} This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See, Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead inconsistent, mutually exclusive remedies, such as breach of contract and specific performance, in the same complaint); *Tanforan v. Tanforan*, 173 Cal. 270, 274 (1916) (“Since . . . inconsistent causes of action may be pleaded, it is not proper for the judge to force upon the plaintiff an election between those causes which he has a right to plead.”)

^{16/} *See also* Govt. Code § 6254.7(d).

14. Public Utilities Code § 583 establishes a right to confidential treatment of information otherwise protected by law.^{17/}

15. If disclosed, the Protected Information could provide parties with whom SDG&E is currently negotiating insight into SDG&E's procurement needs, which would unfairly undermine SDG&E's negotiation position and could ultimately result in increased cost to ratepayers. In addition, if developers mistakenly perceive that SDG&E is not committed to assisting their projects, disclosure of the Protected Information could act as a disincentive to developers. Accordingly, pursuant to P.U. Code § 583, SDG&E seeks confidential treatment of this data, which falls within the scope of P.U. Code § 454.5(g), Evidence Code § 1060 and General Order 66-C.

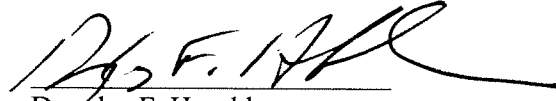
16. Developers' Protected Information: The RPS project status information provided in the Report may also constitute confidential trade secret information of the listed projected developers. The project status information set forth in the Advice Letter 2118-E relates directly to viability of the respective projects and identifies barriers to project success. Disclosure of this extremely sensitive information could harm developers' ability to negotiate necessary contracts and/or could invite interference with project development by competitors.

17. In accordance with the statutory provisions described herein, SDG&E hereby requests that the information set forth in the Advice Letter 2118-E be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

^{17/} See, D.06-06-066, *mimeo*, pp. 26-28.

Executed this 27th day of October, 2009, at San Diego, California.

A handwritten signature in black ink, appearing to read 'D. F. Haroldson', written over a horizontal line.

Douglas F. Haroldson
Project Manager III
Electric and Fuel Procurement

San Diego Gas & Electric Co.

Report of the Independent Evaluator on the
Whitewater Cabazon and Whitewater Hill
Green Attribute contracts

October 26, 2009

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Prepared by: Jonathan M. Jacobs

PA Consulting Group
Two California Plaza
350 South Grand Avenue, Suite 1600
Los Angeles, CA 90071
Tel: +1 213-689-1515
Fax: +1 213-621-3082
www.paconsulting.com

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1.1 INTRODUCTION

This is PA Consulting Group's Independent Evaluator Report analyzing the Whitewater Cabazon and Whitewater Hill Green Attribute contracts (the "Shell REC contracts"). It is not, strictly speaking, a report of results from that RFO or describing any contract coming out of the RFO. The contracts at issue are bilateral and are related to energy contracts with the California Department of Water Resources (CWDR). Furthermore, the contracts address only the Renewable Energy Credits (RECs) and other Green Attributes associated with the power produced by these generators, as the "null energy" (brown energy) is already provided to SDG&E under the contracts it administers on behalf of CDWR.

These contracts have a term of [REDACTED]. PA has therefore compared it under the guidelines promulgated by the California Public Utilities Commission in Decision (D.) 09-06-050. That decision deals with "fast-track approval" of short-term renewable energy contracts, not short-term REC or Green Attribute contracts. PA concludes that the contracts [REDACTED]

[REDACTED] Based on a comparison with the prices of other REC offers that SDG&E has received, PA believes the pricing for these contracts is reasonable.

PA's analysis is explained in section 2. The CPUC Energy Division has suggested a format for IE reports on short-term contracts, organized around a series of questions. Section 3 lists and addresses those questions.

This report contains confidential and/or privileged materials. Review and access are restricted subject to PUC Sections 454.5(g), 583, D.06-06-066, GO 66-C and the Confidentiality Agreement with the CPUC.

2. ANALYSIS

SDG&E provided PA with a draft of the confidential appendix D to its Advice Letter. In that Appendix, SDG&E applied two different analyses to support the pricing of the Shell REC contracts. First, SDG&E attempted to apply the LCBF methodology from its 2008 RPS RFO to these contracts. That methodology applies to renewable power purchase agreements, not Green Attribute contracts. SDG&E therefore supplemented the Green Attributes with the null power already provided through the CDWR contracts, and added the price of those contracts to the price of the Shell REC contracts to produce blended prices. Second, SDG&E compared the price of the Shell REC contracts to the prices of other Green Attribute products it has been offered, as representing the market.

PA agrees that the comparison with other offers is valid and that it supports a judgment that the pricing of the Shell REC contracts is reasonable. PA does not agree that the LCBF methodology is appropriate here, for two reasons (although the CPUC advice letter template appears to require its use). First, the LCBF methodology is for long term contracts, not short term contracts. Second, the null power price that was added to the contracts' price – the price of the CDWR contracts – may not represent the current market. For example, if the CDWR contracts were very expensive then no matter how reasonable the price for the Shell REC contracts, the LCBF methodology would make them appear out of market. On the other hand, suppose in the extreme that the CDWR power were free: a very expensive REC price would still look reasonable when added to zero power price.

PA believes that a better way to evaluate these [REDACTED] is to first compare them to the benchmarks suggested by the CPUC in D. 09-06-050 for fast-track approval of "very short-term contracts" (four years or less in duration). Again, that benchmark is for renewable power not RECs so some sort of null power price must be added to the REC price. PA believes an appropriate indicator of the price of null power is a forecast of the price of as-available QF energy (energy SRAC), based on the CPUC-approved methodology. That price relies on indicators of the market heat rate and of gas prices.

PA obtained from SDG&E forecasts of SP15 prices, Henry Hub gas prices and the basis from Henry Hub to the Southern California border. Based on these, using the SRAC formula (and the gas transportation rate and variable O&M adder) from SDG&E's October 2009 SRAC posting, PA forecast annual average [REDACTED]

An alternative proxy for the null power price is the SP15 price forecast, which is [REDACTED]. These values produce blended prices of [REDACTED].

D. 09-06-050 put forth two standards of price reasonableness for very short-term contracts: 150% of the forward market price for null power contracts of comparable duration, and 90% of the ten-year Market Price Referent (MPR).

PA used the SRAC energy prices also as a proxy for forward market prices; they are [REDACTED] than the SP15 index but unlike the index are defined by contracts. 150% of SRAC would be [REDACTED]. Therefore these contracts would [REDACTED]

2. Analysis

PA

be [REDACTED] The benchmarks correspond to
a [REDACTED]

According to Resolution E-4214, the 10-year MPR price is \$101.75/MWh, 90% of which is \$91.58/MWh. The blended prices of the Shell REC contracts correspond to a [REDACTED]

If the appropriate proxy null power price is the SRAC forecast, then the Shell REC contracts [REDACTED] as very short-term contracts. On the other hand, if the appropriate null power price proxy were the energy prices in each plant's CDWR contract, then their blended prices would be [REDACTED] of the MPR. Finally, if the SP15 index was used as a proxy null power price, the blended prices [REDACTED] of the MPR.

The Shell REC contracts, when supplemented with null power to represent renewable energy contracts, may or may not be priced below the cap of 90% of MPR. Using the SRAC price as the null proxy and also as the estimate of forward contract prices, the Shell REC contracts are also [REDACTED] of the forward price.

It appears that the Shell REC contracts would [REDACTED] and therefore should not be rejected out of hand. Note that all the indices used in the standards for fast-track treatment are indices of the cost of fossil-fired energy – the SP15 price, the SRAC forecast, the price of forward contracts, and even the MPR. In fact the standard of 150% of forward contract prices implies a REC-only standard of 50% of forward energy prices. [REDACTED]

The table of REC prices that SDG&E provided in its Confidential Appendix D provides additional information about the market value of Green Attributes. It appears from that table that the 2009 price for the Shell RECS is [REDACTED]

PA's conclusion is that the Shell REC contracts' pricing is at [REDACTED]

[REDACTED] They are already operational, so they provide some insurance against the chance that other contracted renewable projects may not be completed by 2011. PA therefore agrees that the contracts merit Commission approval.

3. CPUC TEMPLATE

The following questions were proposed by the CPUC Energy Division in the August 13, 2009 draft of a "Final Report Template (Short Form) for RPS Fast-track Process of Very Short-term Contracts".

1. Describe in detail the role of the IE throughout the solicitation and negotiation process.

These contracts did not arise from an RFO or other solicitation process. SDG&E has been trying to negotiate them for a number of years, and has reported on those negotiations to its Procurement Review Group. Because the counterparty is not an SDG&E affiliate and because there were no other bidders being advantaged or disadvantaged by the negotiations, PA does not believe it was necessary to have been involved in the negotiations; because of the sporadic nature of the negotiations it would not have been practical.

2. How did the IOU conduct outreach to bidders, and was the solicitation robust?

Not relevant as the contracts did not arise from an RFO.

3. Describe the IOU's Least Cost Best Fit (LCBF) methodology (or provide the IOU's own description). Evaluate the strengths and weaknesses of the IOU's LCBF methodology. (This should include a thorough analysis of the RFO results.)

Not relevant as the contracts did not arise from an RFO. In fact, as noted in the previous chapter, SDG&E did provide an evaluation of these contracts based on the LCBF methodology from its 2008 RPS RFO. The RPS RFO was for long-term contracts, and the bids to which the Shell REC contracts are compared are long-term bids. For that reason PA does not agree that the LCBF analysis is appropriate and has evaluated the contracts differently.

4. Please evaluate the fairness of the IOU's bidding and/or selection process. (i.e. quantitative and qualitative methodology used to evaluate bids, consistency of evaluation methods with criteria specified in solicitation protocol, etc.)

The contracts did not arise from a bidding or selection process. PA understands that the negotiation was opportunistic, based on the fact that the generators were already supplying power under CDWR contracts administered by SDG&E.

5. Describe project-specific negotiations. Highlight any areas of concern including unique terms and conditions.

As noted above, PA did not participate in the negotiations but followed their process through reports made by SDG&E. PA has reviewed the contract that was negotiated and there are not terms or conditions of concern.

6. If applicable, describe safeguards and methodologies employed by the IOU to compare affiliate bids or UOG ownership proposals. If a utility selected a bid from an affiliate or a bid that would result in utility asset ownerships, explain and analyze whether the IOU's selection of such bid(s) was appropriate.

3. CPUC Template

PA

Not applicable as there is no affiliate involved.

7. Do you agree with the IOU that the contract(s) merit Commission approval (in terms of price, portfolio fit, and project viability)? Explain.

Yes. See the discussion in Chapter 2.

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF UYEN NGUYEN
REGARDING CONFIDENTIALITY OF CERTAIN DATA**

I, Uyen Nguyen, do declare as follows:

I am a Senior Energy Administrator in the Electric & Gas Procurement Department for San Diego Gas & Electric Company ("SDG&E"). I have reviewed the Independent Evaluator's Report: San Diego Gas & Electric Company – Preliminary Report of the Independent Evaluator on the 2008 Request for Offers from Eligible Renewable Resources (2008 Renewable RFO) dated December 10, 2008 (the "IE Report"). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or belief.

1. I hereby provide this Declaration in accordance with the Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066, dated August 22, 2006 (the "ALJ Ruling") to demonstrate that the confidential information highlighted in grey ("Protected Information") provided in the IE Report, falls within the scope of data provided confidential treatment in the IOU Matrix attached to the Commission's confidentiality decision, D.06-06-066 (the "IOU Matrix"). Pursuant to the procedures set forth in the ALJ Ruling, I hereby declare the following regarding the Protected Information described in Paragraph 3 hereof:

- The Protected Information constitutes a particular type of data listed in the IOU Matrix, as described in Paragraph 3;
- The Protected Information corresponds to the category or categories in the IOU Matrix set forth in Paragraph 3;

- SDG&E is complying with the limitations on confidentiality specified in the IOU Matrix for each type of data;
- The Protected Information is not already public; and,
- Because specific and detailed bid data must be provided in order to provide a complete submission, the Protected Information cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

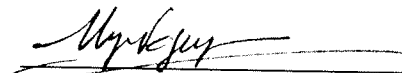
2. The Protected Information consists of competitive bid and procurement information protected under the IOU Matrix, as set forth in the chart below:

Page	Data Type	Matrix Category
3-2	Specific quantitative analysis involving scoring and evaluation of participating bids	VIII(B)
3-5	Utility bundled net open (long or short) position for Energy (MWh) by customer class	VII(D)
4-2, 4-3, 4-4	Bid Information	VIII(A)
4-5 4-6	Specific quantitative analysis involving scoring and evaluation of participating bids	VIII(B)
4-8 4-9 4-10 4-11	Bid Information; specific quantitative analysis involving scoring and evaluation of participating bids	VIII(A) VIII(B)
4-12 5-1	Bid Information	VIII(A)

As an alternative basis for requesting confidential treatment, SDG&E submits that the Protected Information constitutes material, market sensitive, electric procurement related information that is within the scope of Section 454.5(g) of the Public Utilities Code.¹ In addition, SDG&E submits that Protected Information is governed by Public Utilities Code Section 583 and General Order 66-C. Accordingly, SDG&E seeks confidential treatment of this data under those provisions, as applicable.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 23rd day of December, 2008, at San Diego, California.


Uyen Nguyen

¹ This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead inconsistent, mutually exclusive remedies, such as breach of contract and specific performance, in the same complaint); *Tanforan v. Tarforan*, 173 Cal. 270, 274 (1916) ("Since . . . inconsistent causes of action may be pleaded, it is not proper for the judge to force upon the plaintiff an election between those causes which he has a right to plead.")