

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

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.)))))	Rulemaking 11-05-005 (Filed May 5, 2011)
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**SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
NOTICE OF EX PARTE COMMUNICATION**

In accordance with Rule 8.3 of the Commission's Rules of Practice and Procedure, San Diego Gas and Electric Company (SDG&E) hereby gives notice of the following *Ex Parte* communication in the above proceedings.

On Tuesday, May 31, 2011 at 2:00 p.m. in the Commission's offices in San Francisco, Matt Burkhart, Vice President of Electric and Fuel Procurement; Juancho Eekhout, Director of Origination and Portfolio Design; and Billy Blattner, Manager of Regulatory Relations for SDG&E, met with Sarah Thomas and Michael Colvin, Advisors to Commissioner Ferron. The meeting was initiated by SDG&E to provide an overview of its renewable energy portfolio. Communication was oral and written (attached). The meeting lasted approximately one hour.

Mr. Eekhout explained that SDG&E is committed to and in compliance with California's Renewable Portfolio Standard (RPS) goals. He reviewed SDG&E's renewable contracting history and resource mix and identified contracts pending approval and recently executed. Mr. Eekhout emphasized SDG&E's need for near-term contracts to meet the requirements of Senate Bill (SB) X1 2 and to resolve quickly any uncertainty regarding the compliance mechanism. He indicated that prices are trending downward

and was optimistic that the recently issued Request for Offers (RFO) will yield new contracts that continue this trend. Mr. Blattner explained that it is unlikely that contracts bid into the RFO will come on-line before 2014.

Dated this 3rd day of June, 2011 at San Francisco, California.

Respectfully submitted,

By: /s/ Billy Blattner

Billy Blattner
Manager of Regulatory Relations
San Diego Gas & Electric Company

ATTACHMENT



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SDG&E RPS Portfolio Overview

Public Version

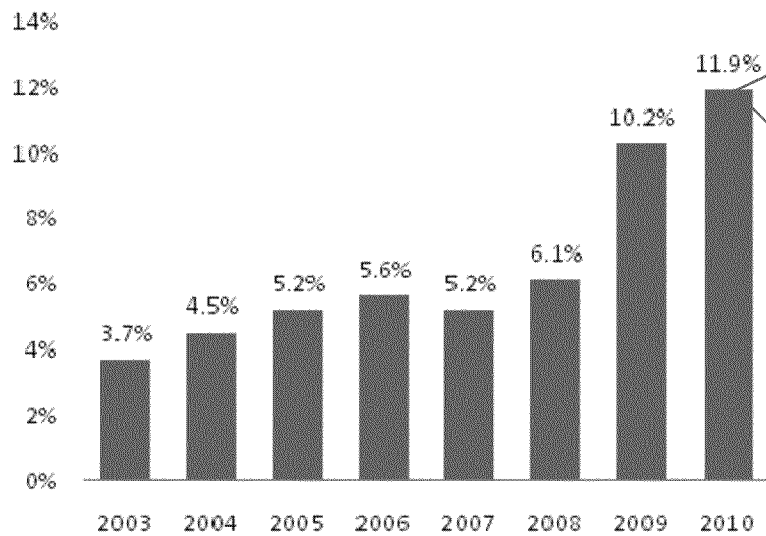
May 31, 2011



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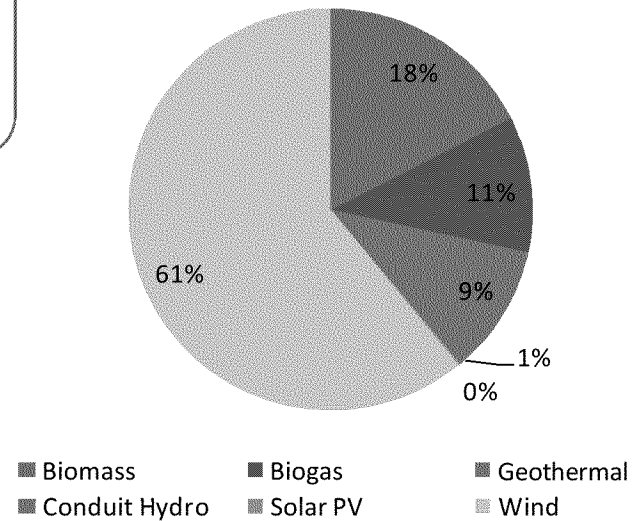
SDG&E's renewable procurement path through 2010

RPS progression since 2003



20% compliance = 11.9% delivered + 7.8% earmarking + 0.3% banking. SDG&E counts on a bank of ~7% RPS at the end of 2010

Renewable Mix as of 2010



Source: CPUC data

Source: SDG&E estimates

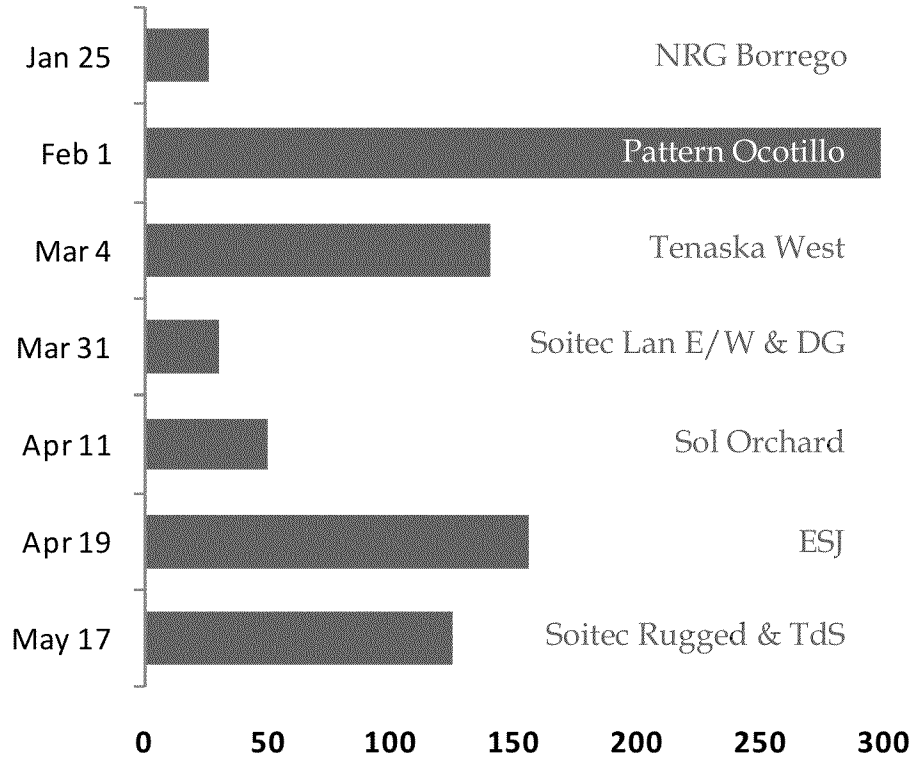
- SDG&E is in compliance with and committed to California's RPS goals
- 250% increase in renewable procurement since 2003 (in GWh)
- Signed 17 contracts for new renewable resources expected to be online by now: ~53% have not come online; ~75% of those that came online were delayed



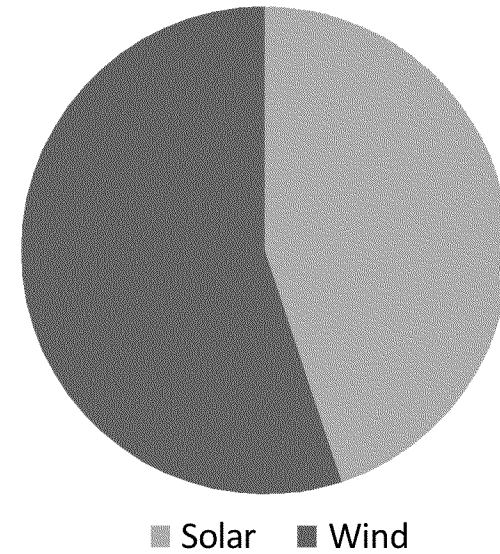
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SDG&E's achievements so far in 2011

PPAs Executed for New Resources
(MW capacity)



Technology Mix (by capacity)



- Signed 7 PPAs for 826 MWs of capacity and expecting to execute ~5 more in the next weeks
- Locally manufactured panels, in a new factory, are to create 1000+ direct and indirect jobs
- Terminated 4 PPAs with developers that hadn't met CPs or multiple milestones
- Launched the 2011 RFO

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RPS Position and Regulatory Context

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- SDG&E has focused on meeting RPS compliance, mainly through new deliveries and earmarking from a strong portfolio of contracts anticipated to come online 2013-2015.
- With the uncertainty around banking and earmarking in SBX1 2, SDG&E:
 - Needs to procure additional resources to meet the 2011-2013 compliance period of 20%
 - Through the 2011 RFO, will calibrate the portfolio to meet the 2016 compliance target of 25%
 - Through the 2011 RFO and initiatives over the next few years, will finish building the portfolio to reach the 33% target by 2020
- In the transition between the current RPS framework and SBX1 2, there are several regulatory and implementation unknowns that affect procurement decisions:
 - Utilization of the bank to meet the 14% threshold in 2010 and the 2011-2013 20% target
 - The timing of the grandfathering of the out-of-state contracts signed prior to June 2010 and the ability to purchase additional 2009-2010 resources, after the deadline to retire in WREGIS
 - Clear product categorization definitions
- Pending approvals, in a timely manner, are key to procurement decisions
 - ~80% of the signed and developing PPAs pending approval (with 4 ALs still to be filed)
 - Shell's re-bundling request filed in September 2009. Supplemental AL expected to be filed shortly
 - Rim Rock settlement is on the June 23 Commission agenda



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Price Trend of Recent Executed Transactions

Redacted for Confidentiality



Near-Term Priorities

1. Secure renewable energy to meet 2011-2013 compliance period
 - Re-bundling request
 - Short-term contracts including out-of-state biogas
 - Long-term contracts with near-term CODs
 - Prompt approval of pending and to-be filed ALs
2. Actively participate in RPS OIR to prioritize issues, ensure smooth transition to SBX1 2 compliance regime and eliminate uncertainty
3. Receive, Assess and Short-list 2011 RFO Bids
4. Approval of Rim Rock settlement
5. Continue pre-development activities on the Shu'Luuk wind project

Big desert solar farm means big factory in S.D.

By Onell R. Soto Originally published March 10, 2011 at 6 a.m., updated March 10, 2011 at 8:12 p.m.



Concentrix panels sit on steel poles and turn to follow the sun across the sky. And they use lenses to focus the sun's rays on highly efficient photovoltaic chips like those use on spacecraft

Impact from new solar factory
450 — people who will work there
1,069 — people whose jobs will be indirectly supported by the factory
\$22 million — factory's expected annual payroll
\$23 million — factory's sales tax revenue

Source: San Diego Workforce Partnership

When negotiating with the developer of a big Imperial Valley solar farm, San Diego Gas & Electric didn't just want green power. It also asked for local jobs.

Specifically, it said the cutting-edge solar panels to be used in the project should be made in San Diego.

Thursday, SDG&E announced a solar farm it now has under contract will be the first customer for the biggest solar panel factory to be built in San Diego.

The factory will employ 450 people once built. The solar farm, featuring 100,000 of the arrays, will take 250 workers two years to erect.

"It's quite exciting," said San Diego Mayor Jerry Sanders, who was part of the effort to entice the solar factory to come to town.

Concentrix Solar, the company building the factory, hasn't decided exactly where in San Diego the plant will go.

It said it decided to come here in part because of SDG&E's efforts, and also to become part of a growing cluster of companies working to get energy from the sun and the wind.

"There's this incredible renewable energy ecosystem that's building in San Diego," said Clark Crawford, who heads the company's local operations.

If all goes as planned, construction of the factory will begin this summer and take about 18 months. The factory is expected to cost about \$100 million to build.

Construction of the factory won't start until the solar farm is financed, and that financing depends on approval of a federal loan guarantee.

The players

San Diego Gas & Electric

What it announced: A 25-year agreement to buy power from a 150-megawatt solar farm in the Imperial Valley.

Background: San Diego's power company has been on a buying binge in the last few months, signing deals to purchase more than 750 megawatts of Imperial Valley renewable power. It's under the gun. A state law requires big for-profit utilities to get 20 percent of the power they deliver to customers from renewable sources. Last year, SDG&E delivered 11.9 percent.

Who owns it: Sempra Energy, a San Diego-based Fortune 500 company

Tenaska Solar Ventures

What it announced: An agreement to sell the power from its 150-megawatt solar farm to SDG&E, and to buy the panels from Concentrix

Background: Working with San Diego-based LightSource Renewables, it is developing solar power plants on former farmland in the Imperial Valley. It has signed a separate 25-year agreement with SDG&E for the power from another solar farm in the Imperial Valley that will use stationary solar panels.

Who owns it: Tenaska, an Omaha, Neb., independent power producer

Concentrix Solar

What it announced: An agreement to build a \$100 million factory in San Diego to build solar panels.

Background: A spinoff of Germany's Fraunhofer Institute, Concentrix makes highly efficient solar cells that use concentrated sunlight. It has a factory at its home base in Freiburg, Germany, capable of producing 30 megawatts of its panels a year. The

San Diego factory will have a capacity of 200 megawatts, would be more than six times bigger that will use locally produced solar modules

Who owns it: Soitec, a French-based microchip maker

Big desert solar farm means big factory in S.D. (Con't)

Tenaska, the company building the solar farm, wouldn't say how much it will cost, other than it's several hundred million dollars.

The company, based in Germany, is a subsidiary of Soitec, a French company.

"It's all about people," said Soitec Chief Executive André-Jacques Auberton-Hervé. "You have the people here, the right environment."

There are other solar panel makers here.

Solar Innovations in Poway, which started in Pasadena, makes panels with a technology similar to Concentrix.

Two other solar panel factories in town are owned by Japan's Kyocera and Spain's Siliken. In large part, they make panels destined for government projects that must have a certain amount of U.S. content.

Tenaska, the Omaha, Neb., firm developing the Imperial Valley project, isn't required to use American panels. It chose to do so because of urging from SDG&E.

SDG&E's stance is a contrast with that of a sister company, [Semptra Generation](#), which recently announced a deal with a Chinese company to supply the panels for a 150-megawatt solar farm it is building in the Arizona desert to supply Pacific Gas & Electric.

By state law, the utility and Semptra Generation are operated independently, and the different choices they made on technology and sourcing is a sign of their different priorities, said Jim Avery, who buys power for SDG&E.

His priorities, he said, were to buy power affordably in a way that helps bring jobs to the region. He wouldn't say what Semptra Generation's priorities are.

Concentrix panels are nothing like those you see on rooftops around town.

They're more expensive, but make more electricity. They sit on steel poles and turn to follow the sun across the sky. And they use lenses to focus the sun's rays on highly-efficient photovoltaic chips like those used on spacecraft.

That means that shortly after the sun rises, they begin producing almost at full power. Production continues steadily into the late afternoon.

That's important to people like SDG&E's Avery, who is responsible for making sure the region has all the electricity it needs.

The 150-megawatt Imperial Valley farm will produce nearly full power late in the afternoon in the late summer, when SDG&E needs it the most, he said.

"That's a major benefit to us," he said.

In a traditional photovoltaic solar farm, the panels don't track the sun. In the late afternoon, he said, such a facility is producing less than half the electricity it does when the sun is highest in the sky.

At 150 megawatts, the solar farm will make enough power for about 55,000 households. It will be about a quarter the size of a typical new gas-fired power plant. Unlike such a power plant, the solar facility can't make power at night, or when it's cloudy.

It's being developed by Tenaska on 1,057 acres of fallow farmland flanking Interstate 8. Tenaska is also building a nearby 130-megawatt farm on a former alfalfa farm along the U.S.-Mexico border.

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Collaboration landed San Diego new factory

San Diego competed against Nevada and Arizona for the new solar panel factory.

The pitch included business and political leaders working together, said Jim Waring, chairman of CleanTECH San Diego.

"We got to this place because of collaboration, the classic San Diego collaboration story," he said.

The target was Concentrix, a company that was created out of Germany's vaunted Fraunhofer Institute, a powerhouse research institution.

In 2009, Concentrix installed one of its pole-mounted solar panels to follow the sun on the University of California San Diego in La Jolla.

The goal wasn't so much to make power, because La Jolla's frequent morning low clouds and fog block the bright sunlight the machine needs, but to get interest in the technology, said Clark Crawford, who heads Concentrix's local operations.

At the time, Concentrix knew that its technology is suited for utility-scale solar farms in places with very bright sunlight. That means its target customers will be in the desert Southwest.

And the weight of the panels means that building a factory near customers makes economic sense because transportation costs would eat up savings from low-cost labor in Asia.

The San Diego group working to land the factory included SDG&E, which has to buy solar power to meet state mandates, plus the Economic Development Corporation, UCSD and the mayor's office.

"They were greeted by a diverse and high-powered group here," Waring said.

The city suggested the company build the factory in an enterprise zone, which will mean it will get tax breaks in exchange for employing local workers, Mayor Jerry Sanders said.

SDG&E suggested Concentrix's technology to Tenaska, the company looking to sell power from a solar farm it's developing in Imperial County.

"They were interested in there being a project that would order panels and support a factory and jobs in San Diego," said Bart Ford, who oversees new power projects for Tenaska.

He took a look at Concentrix and liked what he saw.

"We like the people," he said. "We like the technology."

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) NOTICE OF EX PARTE COMMUNICATION** on all parties identified in Docket No. R.11-05-005 by U.S. mail and electronic mail, and by Federal Express to the assigned Commissioner(s) and Administrative Law Judge(s).

Dated at San Diego, California, this 3rd day of June, 2011.

/s/ JENIFER NICOLA _____
Jenifer Nicola