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August 17, 2011

**ADVICE LETTER 2278-E
(U 902-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST FOR APPROVAL OF RENEWABLE POWER PURCHASE WITH
SILICON VALLEY POWER**

I. INTRODUCTION

A. PURPOSE OF THE ADVICE LETTER

San Diego Gas & Electric Company (“SDG&E”) seeks approval from the California Public Utilities Commission (the “Commission” or the “CPUC”) of a Power Purchase Agreement (“PPA”) with Silicon Valley Power (SVP) This proposed PPA between SDG&E and Silicon Valley Power (the “Proposed Agreement”) is a bundled purchase of renewable power for a 12 month delivery term starting on July 1, 2011 and involves firm fixed (40MW) delivery of geothermal energy from existing facilities in Lake & Sonoma Counties, California. The project will advance SDG&Es Renewables Portfolio Standard (“RPS”) procurement goals and help fulfill its short term RPS commitment.

B. SUBJECT OF THE ADVICE LETTER

1. PROJECT NAME:

NCPA -Geothermal 1 Units 1 & 2 and Geothermal 2, Units 3 & 4

2. TECHNOLOGY (INCLUDING LEVEL OF MATURITY):

Geothermal/geysers (mature technology).

3. GENERAL LOCATION AND INTERCONNECTION POINT:

The Northern California Power Agency (“NCPA”) Geothermal 1 & 2 is located approximately 100 miles north of San Francisco, California. The power will be produced from 4 geothermal units that have two interconnection points to the CAISO grid throughout the Geysers Known Geothermal Resource Area in eastern Sonoma County and western Lake County within the Western Electricity Coordinating Council (WECC).

4. OWNER(S) / DEVELOPER(S):

a. NAME(S):

Owner: Silicon Valley Power (SVP) /Developer: NCPA

b. **TYPE OF ENTITY(IES) (E.G. LLC, PARTNERSHIP :**

Silicon Valley power is the public utility owned by the citizens of the City of Santa Clara California for the benefit of the citizens of the City of Santa Clara

c. **BUSINESS RELATIONSHIPS BETWEEN SELLER/OWNER/DEVELOPER:**

Silicon Valley Power is the municipal owned utility of the City of Santa Clara, California. The owner and developer of the NCPA Geysers project is the Northern California Power Authority (NCPA) which is a Not For Profit Joint Powers Authority; which SVP is a member

5. **PROJECT BACKGROUND, E.G., EXPIRING QF CONTRACT, PHASED PROJECT, PREVIOUS POWER PURCHASE AGREEMENT, CONTRACT AMENDMENT**

Santa Clara's municipal electric utility (dba Silicon Valley Power) is an enterprise of the City of Santa Clara, and was established in 1896. On a not-for-profit basis, SVP owns power generation facilities, has investments in joint ventures that produce electric power, and trades power on the open market. These efforts are directed toward ensuring its retail customers—the citizens, organizations and businesses of the City of Santa Clara—a highly reliable source of electric power at low, stable rates.

6. **SOURCE OF AGREEMENT, I.E., RPS SOLICITATION YEAR OR BILATERAL NEGOTIATION**

The Proposed Agreement is a product of bilateral negotiations between SDG&E and SVP, which began with the submission of SVP's bilateral offer in April of 2011. As discussed below, SDG&E compared the unsolicited proposal from SVP to bids received in SDG&E's 2009 Renewable request for offers ("RFO"). The project is competitive on a least-cost best-fit basis and would have been shortlisted had it been offered in response to the 2009 RFO.

C. **GENERAL PROJECT(S) DESCRIPTION**

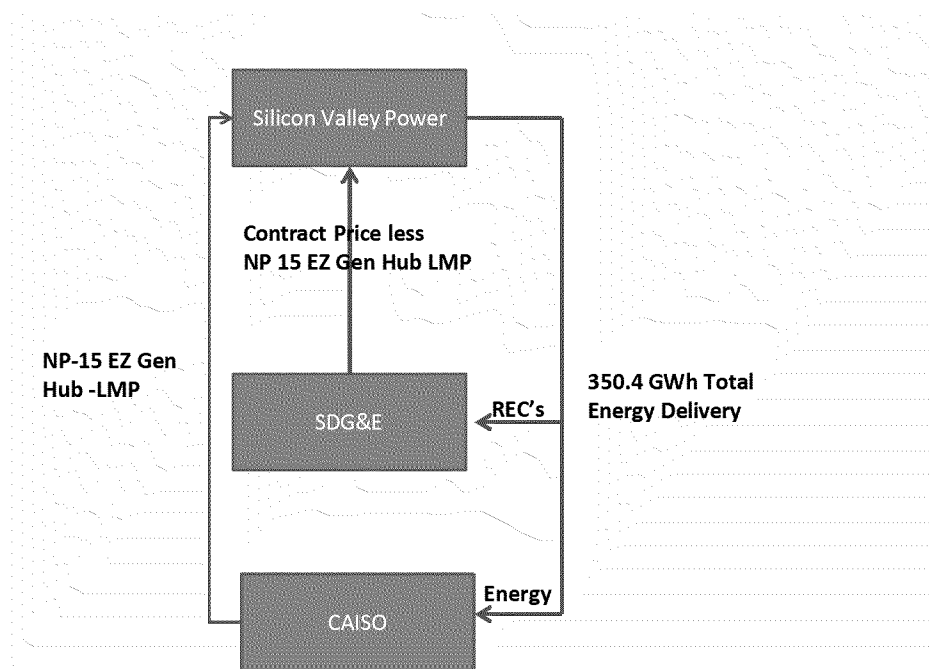
PROJECT NAME	Silicon Valley Power
TECHNOLOGY	Geothermal
CAPACITY (MW)	SDG&E's Portion 40 MW
CAPACITY FACTOR	NA
EXPECTED GENERATION OVER THE TERM (GWH/YEAR)	350.4 GWh
DATE CONTRACT DELIVERY TERM BEGINS	July 1 ,2011
DELIVERY TERM (YEARS)	7/1/2011-6/30/2012 (1 yr)
VINTAGE (NEW / EXISTING / REPOWER)	Existing
LOCATION (CITY AND STATE)	Sonoma and Lake Counties , California
CONTROL AREA (E.G., CAISO, BPA)	CAISO

NEAREST COMPETITIVE RENEWABLE ENERGY ZONE (CREZ)¹	Not within specific CREZ, the closest zone is CREZ 8 (Solano)
TYPE OF COOLING, IF APPLICABLE	Not Applicable
PRICE² RELATIVE TO MPR (I.E. ABOVE/BELOW)	Above

D. GENERAL DEAL STRUCTURE

CHARACTERISTICS OF CONTRACTED DEAL (I.E. PARTIAL/FULL OUTPUT OF FACILITY, DELIVERY POINT (E.G. BUSBAR, HUB, ETC.), ENERGY MANAGEMENT (E.G. FIRM/SHAPE, SCHEDULING, SELLING, ETC.), DIAGRAM AND EXPLANATION OF DELIVERY STRUCTURE

The Proposed Agreement provides for the purchase of the partial output comprised of firm bundled energy and associated green attributes from the NCPA Geysers Facilities for a twelve (12) month term. Deliveries to SDG&E will occur at the CAISO NP15 EZ Gen Hub. SVP will schedule the energy for delivery to the CAISO and allocate to SDG&E 40 MW per hour of firm fixed energy and associated green attributes from the designated units. SDG&E will coordinate its load schedules to take into account the 40 MW per hour supplied by SVP. The project is a Participating Generator in the CAISO. Because the NCPA Geysers units are located within the CAISO, no firming or shaping is required; that is, generation and consumption occur simultaneously.



E. RPS STATUTORY GOALS

¹ As identified by the Renewable Energy Transmission Initiative (RETI). Information about RETI is available at: <http://www.energy.ca.gov/reti/>

² Refers to the maximum price under the Agreement

THE PROJECT IS CONSISTENT WITH AND CONTRIBUTES TOWARDS THE RPS PROGRAM'S STATUTORY GOALS SET FORTH IN PUBLIC UTILITIES CODE §399.11.

Public Utilities Code section 399.11 states, in part that “increasing California’s reliance on eligible renewable energy resources may promote stable electricity prices, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.” The Proposed Agreement has an index plus REC’s price for 12 months of deliveries, which will provide SDG&E one of a very few short term incremental opportunities for SDG&E to contribute towards its 2011 goals on a deliverable basis.

As discussed in more detail below, the PPA conforms to SDG&E’s Commission-approved 2009 and 2011 RPS procurement plans. In both plans, SDG&E noted that it would “avail itself of the flexibility mechanisms permitted under the RPS program, including: (1) the ability to sign bilateral agreements.”

Although the transaction was unsolicited, it complies with RPS program requirements and meets the portfolio needs outlined by the RPS Procurement Plan. As a geothermal resource, it will generate clean, renewable energy with zero fuel costs (and therefore contributing zero need for foreign fuel imports) and zero greenhouse gas emissions into the atmosphere directly associated with energy production.

F. CONFIDENTIALITY

CONFIDENTIAL TREATMENT OF SPECIFIC MATERIAL IS BEING REQUESTED. THE INFORMATION AND REASON(S) FOR CONFIDENTIAL TREATMENT IS CONSISTENT WITH THE SHOWING REQUIRED BY D.06-06-066, AS MODIFIED.

As directed by the CPUC’s Energy Division, confidential information in support of the Proposed Agreement is provided in Confidential Appendices A through G, as listed below:

- Appendix A: Consistency with Commission decisions and Rules and Project Development Status
- Appendix B: Solicitation Overview
- Appendix C: Final RPS Project-Specific Independent Evaluator Report
- Appendix D: Contract Summary
- Appendix E: Comparison of Contract with Utility’s Pro Forma Power Purchase Agreement
- Appendix F: Power Purchase Agreement
- Appendix G: Project’s Contribution Toward RPS Goals

The appendices contain market sensitive information protected, pursuant to Commission Decision D.06-06-066, as detailed in the concurrently-filed declaration. The following table presents the type of information within the confidential appendices and the matrix category under which D.06-06-066 permits the data to be protected.

Type of Information	D.06-06-066 Confidential Matrix Category
Analysis and Evaluation of Proposed RPS Projects	VII.G
Contract Terms and Conditions	VII.G
Raw Bid Information	VIII.A
Quantitative Analysis	VIII.B
Net Short Position	V.C
IPT/APT Percentages	V.C

II. CONSISTENCY WITH COMMISSION DECISIONS

SDG&E's RPS procurement process complies with the Commission's RPS-related decisions as discussed in more detail in the following sections.

A. RPS PROCUREMENT PLAN

1. THE COMMISSION APPROVED SDG&E'S 2011 RPS PROCUREMENT PLAN AND SDG&E ADHERED TO COMMISSION GUIDELINES FOR FILING AND REVISIONS.

On December 18, 2009 SDG&E filed its draft 2011 Renewable Procurement Plan (the "2011 RPS Plan").³ On April 14, 2011, the CPUC issued D.11-04-030 ("the Decision") conditionally approving SDG&E's 2011 RPS Plan. In compliance with the direction set forth in the Decision, SDG&E filed a revised 2011 RPS Plan to incorporate changes required by the Commission. The Decision authorized SDG&E to proceed with its amended Plan unless suspended by the Energy Division Director. No such suspension was issued by the Energy Division; therefore, on May 12, 2011 SDG&E issued the 2011 RFO.

As discussed in more detail below, SDG&E demonstrates the reasonableness of the Proposed Agreement through comparison of the terms and conditions of the Proposed Agreement against the results of its 2009 RPS RFO. The CPUC conditionally approved SDG&E's 2009 RPS Plan in D.09-06-018. SDG&E issued its 2009 RFO on June 29, 2009.

2. THE PROCUREMENT PLAN'S ASSESSMENT OF PORTFOLIO NEEDS.

The 2009 and 2011 RPS Plans both express SDG&E's commitment to contract in excess of its mandated annual procurement targets in the near term and adopt a goal of serving 33% of SDG&E's retail sales with renewable resources by 2020. The plan further confirms SDG&E's commitment to providing 2,253 GWh per year of renewable energy on the Sunrise Powerlink, and as part of the Sunrise decision, agree to treat Imperial Valley region resources separately from other RPS offers in order to achieve this goal. SDG&E's goal is to develop and maintain a diversified

^{3/} The draft Plan submitted by SDG&E was originally submitted as its 2010 draft Plan. D.11-04-030 refers to the draft Plan as the "2011" Plan since the decision was issued in 2011 and the solicitation resulting from the final decision was held in 2011.

renewable portfolio, selecting from offers using the Least-Cost, Best-Fit (“LCBF”) evaluation criteria.

The 2009 and 2011 RPS Plans also state 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. Amended contracts, like bilateral offers, will be compared to alternatives presented in the most recent RPS RFO.

SDG&E’s 2009 RFO sought offers from all technologies of renewable projects that meet the requirements for eligible facilities as specified in applicable statute and as established by the California Energy Commission (“CEC”). The 2009 RFO sought unit firm or as-available deliveries starting in 2010, 2011, 2012, or 2013.

3. **THE PROJECT IS CONSISTENT WITH SDG&E’S PROCUREMENT PLAN AND MEETS SDG&E’S PROCUREMENT AND PORTFOLIO NEEDS (E.G. CAPACITY, ELECTRICAL ENERGY, RESOURCE ADEQUACY, OR ANY OTHER PRODUCT RESULTING FROM THE PROJECT).**

The Proposed Agreement conforms to both the 2009 RFO and SDG&E’s most recent Commission-approved 2011 RPS procurement plan by delivering bundled renewable energy and associated Green Attributes that fill a portion of SDG&E’s RPS net short position. Although the transaction was unsolicited, it complies with RPS program requirements, meets the portfolio needs outlined by the 2009 RPS Plan and is competitive when compared to the bids submitted to the 2009 RFO.

4. **THE PROJECT MEETS REQUIREMENTS SET FORTH IN THE SOLICITATION.**

The minimum requirements established in the 2009 RFO were as follows:

- a. Deliveries must begin in 2010, 2011, 2012 or 2013.
- b. The project must be RPS-eligible.
- c. The Net Contract Capacity must be $\geq 1.5\text{MW}$, net of all auxiliary and station parasitic loads; (if within SDG&E service area)
- d. The Net Contract Capacity must be $\geq 5\text{MW}$, net of all auxiliary and station parasitic loads; (if outside of SDG&E service area)⁴

The Proposed Agreement fulfills these requirements.

A. **BILATERAL CONTRACTING – IF APPLICABLE**

1. **THE CONTRACT COMPLIES WITH D.06-10-019 AND D.09-06-050.**

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.”⁵ On June 19, 2009, the Commission issued D.09-06-050 establishing price benchmarks and contract review processes for very short term (< four years), moderately short term (at least 4 years, less than 10 yrs) and bilateral RPS contracts. Below, SDG&E reviews the Least Cost Best Fit evaluation used in the 2009 RPS RFO. The same analysis was performed on this PPA and the results were compared to the RFO results. This analysis confirms that the Proposed Agreement conforms to the price benchmarking requirements of D.06-10-019 and D.09-06-050.

2. **THE PROCUREMENT AND/OR PORTFOLIO NEEDS NECESSITATING SDG&E TO PROCURE BILATERALLY AS OPPOSED TO A SOLICITATION.**

Competitive RFOs are not the only authorized means of procurement. SDG&E's ability to consider bilateral offers will widen the scope of resources available to SDG&E. The WECC has a well-established, liquid bilateral market. SDG&E, for the benefit of its ratepayers, can make full use of this valuable source of renewable supply. Not only is the bilateral market an important tool for procurement, it is available year-round. RPS RFOs, by contrast, are an annual batch-processing of commercial arrangements. The Commission approved SDG&E's 2009 RPS Plan, which allowed for bilateral renewable contracts. The contract submitted in this advice

⁴ The minimum requirements established in the 2011 RFO were as follows:

- a. Deliveries must begin in, 2011, 2012, 2013 or 2014
- b. The project must be RPS-eligible.
- c. The Net Contract Capacity must be $\geq 1.5\text{MW}$, net of all auxiliary and station parasitic loads; (if within SDG&E service area)
- d. The Net Contract Capacity must be $\geq 5\text{MW}$, net of all auxiliary and station parasitic loads; (if outside of SDG&E service area)

⁵ D.06-10-019, mimeo, p. 31

letter resulted from negotiations during the first half of 2011. No RFO for 2010 was authorized by the Commission, and waiting for issuance of the 2011 RFO would not have advanced the project nor been in the interest of ratepayers.

3. **WHY THE PROJECT DID NOT PARTICIPATE IN THE SOLICITATION AND WHY THE BENEFITS OF THE PROJECT CANNOT BE PROCURED THROUGH A SUBSEQUENT SOLICITATION.**

SVP approached SDG&E with the proposed transaction in April of 2011. Due to the very short term of the agreement and due to SDG&E's desire to begin accepting deliveries as soon as possible to allow SDG&E to count the REC's toward its 2011 & 2012 RPS requirements it was decided to commence negotiations with SVP. As such, the bilateral discussions have been ongoing since April 2011. Due to the short term, the Agreement was negotiated bilaterally to avoid continuing the delay by waiting for the 2011 SDG&E RPS RFO solicitation. Additionally, the facts that this is an existing project and that NCPA Geysers has a favorable operating history added to its viability. These factors, along with attractive pricing relative to other procurement options provided a compelling case for SDG&E to enter into the PPA outside of a solicitation.

B. **LEAST COST BEST FIT (LCBF) METHODOLOGY AND EVALUATION – IF APPLICABLE**

The following sections review the SDG&E 2009 RPS RFO. The offers into that RFO were used to benchmark this bilateral project.

1. **THE SOLICITATION WAS CONSISTENT WITH SDG&E'S COMMISSION-APPROVED REQUEST FOR OFFERS (RFO) BIDDING PROTOCOL.**

As specified by the Commission-approved RFO bidding protocol, the 2009 RFO was issued on June 29, 2009. Responses for projects not served by the Sunrise Powerlink were due August 25, 2009. Responses for projects that would flow on the Sunrise Powerlink were due September 8, 2009. SDG&E solicited bids from all RPS-eligible technologies.

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 short-term deliveries up to nine years and long-term deliveries for ten years or more.

- 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 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;
- c) The Independent Evaluator participated in the selection process, including the direct evaluation of bids;
- d) SDG&E adhered to the following RFO schedule:

DATE	EVENT
June 29, 2009	RFO Issued
August 5, 2009	Pre-Bid Conference (in San Diego, California)
August 12, 2009	Pre-Bid Conference (in El Centro, California)
August 25, 2009	Offers Due (projects not flowing on Sunrise Powerlink)
September 8, 2009	Offers Due (projects flowing on Sunrise Powerlink)
September 25, 2009	Briefed PRG on all offers received, preliminary LCBF ranking, preliminary list of highest ranked offers and preliminary shortlist.
October 23, 2009	Briefed PRG and sought PRG feedback on SDG&E's need determination, selection criteria based on the need, final LCBF ranking and final shortlist based on the selection criteria.
November 23, 2009	Notified Energy Division of final shortlist.
December 4, 2009	Final LCBF Report to the CPUC

2. THE LCBF BID EVALUATION AND RANKING WAS CONSISTENT WITH COMMISSION DECISIONS ADDRESSING LCBF METHODOLOGY; INCLUDING SDG&E'S APPROACH TO/APPLICATION OF:

For the 2009 RFO, SDG&E evaluated all offers, including this bilateral offer from SVP in accordance with the LCBF process outlined in D.03-06-071, D.04-07-029 and its approved 2009 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."⁶ 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

⁶ See D.06-05-039, *mimeo*, p. 42.

selected and rejected,” in the form of a report to be submitted with its short list of bids (the “LCBF Report”). In addition, SDG&E authorized the Independent Evaluator to perform the LCBF analysis to determine the least-cost best-fit ranking of projects in the RFO.

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 Bid Ranking Price” for each offer. Elements of the All-In Bid Ranking Price are described below.

The All-In Bid Ranking Price of the SVP project, as calculated and presented in Confidential Appendix A, compared favorably versus the All-In Price of other bids and fell within the shortlisted range.

SDG&E compared bids by sorting all projects by the All-In Bid Ranking Price, from lowest to highest. Those projects with the lowest All-In Bid Ranking Price and passed through qualitative filters for location and viability were short listed. From a “best-fit” perspective for 2009, projects which fit SDG&E’s portfolio needs best were in-state projects that would flow on the Sunrise Powerlink. SDG&E takes seriously this commitment to ensure that Imperial Valley region projects with a combined output of at least 2,253 GWh/yr will flow on the Sunrise Powerlink.

B. QUANTITATIVE FACTORS

- i. Market valuation (the “All-In Bid Ranking Price”) – The following discussion describes how SDG&E calculated an all-in price that included the factors listed. Included in confidential Appendix D is a detailed description of how each of these factors applied to the specific calculation of the CSolar IV West project’s all-in price.
 - a. Bundled energy prices. The offered bundled energy prices form the basis of the LCBF ranking and are included in the All-In Price, as modified below.
 - b. Time of Delivery (“TOD”) cost adjustment. SDG&E accounts for differences in the value of various delivery profiles. To properly assess the value of the deliveries from an intermittent resource, SDG&E divided the proposed energy price by SDG&E’s Time-of-Delivery factors for each MWH the project delivers during each delivery period over the term of the agreement. The total cost was summed and divided by energy delivered. A present value figure was calculated for the payment and energy streams and an overall levelized TOD Adjusted Bid Price on a \$/MWH was calculated. The difference between the levelized TOD Adjusted Bid Price and an unadjusted levelized bid price represented the TOD Adjustment Adder. Projects that provided a greater proportion of their annual deliveries in summer on-peak, winter on-peak, and summer semi-peak periods received a credit that effectively reduced the project bid price, whereas projects that provided a greater proportion of annual deliveries in summer and winter off-peak periods received a debit that increased the project bid price. Baseload units deliver equally in all hours, which resulted in a net TOD Adjustment Adder at or close to zero.

- c. Transmission Cost Adder. SDG&E calculated costs for transmission network upgrades or additions, using the information provided through the Transmission Ranking Cost Report (“TRCR”) approved by the CPUC. To be as inclusive as possible, SDG&E used TRCR-based transmission costs even for offers that were not submitted to the TRCR rather than considering those offers to be non-conforming. The total amount of contemplated generation interconnections studied in the TRCR always exceeded the amount of generating capacity that SDG&E would consider shortlisting.
- d. Resource Adequacy (“RA”). All bids received a credit based on the amount of Resource Adequacy (“RA”) benefits provided by each bid and the value assigned to that capacity. The RA benefit (in MW) of a wind or solar resource is a fraction of its capacity, derived from the Net Qualifying Capacity values that CAISO has assigned to resources of that technology.
- e. Congestion cost adders. Congestion analysis was performed using a model which provided hourly Locational Marginal Prices (“LMP”) for specific years for each of the shortlisted bids. Congestion costs (\$/MWh) were calculated based on the difference between the hourly 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 approved 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). The congestion adder for each bid was the weighted average of the differences.
- f. Duration equalization adders (“Begin Effects” and “End Effects”). SDG&E used weighted average bid prices from its 2008 shortlist as market replacement costs to normalize bids of different starting periods and terms. SDG&E then leveled each bid from 2009 through the end of the evaluation period, putting all projects on equal terms.

A. PORTFOLIO FIT

SDG&E’s RPS Procurement 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, time of delivery factors, transmission cost, congestion costs, commercial operations date and resource adequacy adjustment were evaluated to determine the impact to SDG&E’s portfolio. These portfolio fit factors were valued and included in the economic comparison of options in order to ensure the least-cost projects were also best-fit selections for the portfolio.

See the section entitled “Least Cost Best Fit” in the Confidential Appendix A for details on the Proposed Agreement’s costs and benefits in the context of SDG&E’s portfolio needs.

B. TRANSMISSION ADDER

Since the NCPA Geysers facilities are already online, there is no transmission cost adder associated with them

C. APPLICATION OF TIME OF DELIVERY FACTORS (TODs)

SDG&E utilized TOD factors in its LCBF evaluation via the aforementioned TOD Cost Adjustment. 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. Application of the TOD's in the evaluation of the Proposed Agreement is explained in Confidential Appendix A.

The TOD Cost Adjustments were derived from the TOD factors shown below:

	<u>SUMMER</u> July 1 – October 31	<u>WINTER</u> November 1 – June 30
ON-PEAK	Weekdays 11am – 7pm 1.6411	Weekdays 1pm - 9pm 1.1916
SEMI-PEAK	Weekdays 6am – 11am; Weekdays 7pm - 10pm 1.0400	Weekdays 6am – 1pm; Weekdays 9pm – 10pm 1.0790
OFF-PEAK*	All other hours 0.8833	All other hours 0.7928
*All hours during NERC holidays are off-peak.		

D. OTHER FACTORS CONSIDERED

No other quantitative factor was considered.

C. QUALITATIVE FACTORS (E.G., LOCATION, BENEFITS TO MINORITIES, ENVIRONMENTAL ISSUES, ETC.)

As stated in the RFO, SDG&E differentiates offers of similar cost or may establish preferences for projects by reviewing, if applicable, qualitative factors including the following:

- a) Project viability
- b) Local reliability
- c) Benefits to low income or minority communities
- d) Resource diversity
- e) Environmental stewardship

SDG&E considered viability factors such as the project viability since it was an existing and established resource with a history of providing reliable power across the CAISO grid, the experience and the financial stability of the operator and the SVP and the environmental stewardship provided by the geothermal source which is renewable and does not utilize any fossil fuels.

C. **COMPLIANCE WITH STANDARD TERMS AND CONDITIONS**

1. **THE PROPOSED CONTRACT COMPLIES WITH D.08-04-009 AND D.08-08-028**

The Proposed Agreement contains standard terms and conditions as authorized by the Commission in D.04-06-014, D.08-04-009, D.08-08-028 and D.11-01-025. 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 in Confidential Appendix D. Copies of the Agreement and supporting documentation are also provided in Confidential Appendix F.

2. **SPECIFIC PAGE AND SECTION NUMBER WHERE THE COMMISSION'S NON-MODIFIABLE TERMS ARE LOCATED IN THE PPA.**

The locations of non-modifiable terms are indicated in the table below:

NON-MODIFIABLE TERM	PPA PAGE NUMBER PPA SECTION NUMBER
CPUC Approval	Page 1, Section 2.7
Green Attributes and RECs	Page 1, Section 1.1 Page 2, Section 1.2 & 1.3
Eligibility	Page 3, Section 1.4
Applicable Law	Page 3, Section 1.5

3. **REDLINE OF THE CONTRACT AGAINST SDG&E'S COMMISSION-APPROVED PRO FORMA RPS CONTRACT.**

A redline of the Proposed Agreement against SDG&E's Commission-approved pro forma RPS contract is provided in Confidential Appendix E of this advice letter. However since the underlying agreement is the WSPP agreement, there are major differences between this agreement and the CPUC Commission-approved pro forma RPS contract. SDG&E has made sure that all CPUC non modifiable terms and conditions are included in the agreement

D. **UNBUNDLED RENEWABLE ENERGY CREDIT (REC) TRANSACTIONS**

As defined under D.10-03-021, as modified by D.11-01-025, the Proposed Agreement is a bundled energy and REC transaction.

E. **MINIMUM QUANTITY**

MINIMUM CONTRACTING REQUIREMENTS APPLICABLE TO SHORT TERM CONTRACTS WITH EXISTING FACILITIES

1. **THE PROPOSED CONTRACT DOES NOT TRIGGER THE MINIMUM QUANTITY REQUIREMENT SET FORTH IN D.07-05-028.**

In D.07-05-028, the Commission indicated that the ability to count short term contracts (less than ten years) toward SDG&E's RPS Compliance goal will be dependent upon

satisfying Commission-established requirements for minimum quantities of long-term contracts (with new or existing facilities) and/or short-term contracts with newer facilities.

This short term contract triggers the minimum quantity requirement because the NCPA Geysers commenced deliveries before 01/01/2005. The NCPA Geysers started delivering energy during the mid-1908s (see section G below for all units' on-line dates).

2. **THE EXTENT TO WHICH SDG&E HAS SATISFIED THE MINIMUM QUANTITY REQUIREMENT**

LSE's must enter into long-term contracts or contracts with new facilities for energy deliveries equivalent to at least 0.25% of that LSE's prior years' retail sales, if it intends to use deliveries from short-term contracts and/or existing facilities, for RPS compliance purposes. LSEs must submit supporting documentation proving that the requirement has been met (i.e. a power purchase agreement for a long-term and/or new contract). If the LSE has provided the power purchase agreement in a prior report or filing, it does not need to be provided again.

SDG&E's retail sales for 2010 were 16,282,682 MWh. 0.25% of this requirement is 40,707 MWh. On February 1, 2011, SDG&E signed a contract with Pattern Energy for the Ocotillo Express wind project, which is expected to generate over 890,000 MWh per year of renewable energy. The Pattern Ocotillo contract was filed for approval with the Commission in Advice Letter 2234-E on March 14, 2011.

F. **TIER 2 SHORT-TERM CONTRACT "FAST TRACK" PROCESS**

SDG&E is not seeking approval via a tier 2 advice letter and the "fast track" process set forth in D.09-06-050.

1. **THE FACILITY IS NOT IN COMMERCIAL OPERATION.**

The facilities are in commercial operation and have been in operation since the mid 1980's

2. **CONTRACT MODIFICATIONS TO THE COMMISSION-APPROVED SHORT-TERM PRO FORMA CONTRACT.**

SDG&E did not use the short-term pro forma included within SDG&E's 2009 RFO and approved by the Commission pursuant to D.09-06-018. The contract however contains the required CPUC standard terms and conditions. The modifications are identified and explained in Confidential Appendix E.

G. **MARKET PRICE REFERENCE (MPR)**

1. **CONTRACT PRICE RELATIVE TO THE MPR.**

The pricing included in the Proposed Agreement is above the 2009 MPR but is still within the competitive range of the 2009 RPS RFO Shortlist. The exact pricing and its comparison to the MPR is discussed in detail in Confidential Appendix D.

2. **TOTAL COST RELATIVE TO THE MPR.**

This Proposed Agreement has a total cost that is above the MPR, but is still within the competitive range of the 2009 RPS RFO Shortlist. The total contract cost and how it compares to the MPR is discussed in more detail within Confidential Appendix D.

H. **ABOVE MPR FUNDS (AMFs)**

1. **ELIGIBILITY FOR AMFs UNDER PUBLIC UTILITIES CODE 399.15(D) AND RESOLUTION E- 4199**

The Proposed Agreement is a bilateral contract, and is therefore not eligible for AMFs.

2. **THE STATUS OF THE UTILITY'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 MPR prices. SDG&E's Commission-approved contracts have exhausted SDG&E's AMFs and, therefore, SDG&E is no longer required to procure renewable energy at above MPR prices.⁷

3. **EXPLAINING WHETHER SDG&E VOLUNTARILY CHOOSES TO PROCURE AND INCUR THE ABOVE-MPR COSTS.**

SDG&E proposes to voluntarily procure bundled energy and green attributes under this Proposed Agreement at costs that are above the MPR, conditioned upon Commission approval of recovery of all such costs through rates.

I. **INTERIM EMISSIONS PERFORMANCE STANDARD**

Compliance with D.07-01-039, where the Commission adopted a greenhouse gas Emissions Performance Standard (EPS) applicable to contracts for baseload generation, as defined, with delivery terms of five years or more.

1. **EXPLAIN WHETHER OR NOT THE CONTRACT IS SUBJECT TO THE EPS.**

This Proposed Agreement is not subject to the EPS since it has a delivery term of less than 5 years.

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

N/A, not subject to the EPS.

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

⁷ See correspondence dated May 28, 2009 from CPUC Energy Division Director, Julie Fitch, advising SDG&E that its AMF balance is zero.

This PPA is less than five years in duration and, as an internal CAISO resource it will not require any firming and shaping energy.

4. **UNSPECIFIED POWER USED TO FIRM/SHAPE WILL BE LIMITED SO THE TOTAL PURCHASES UNDER THE CONTRACT (RENEWABLE AND NONRENEWABLE) WILL NOT EXCEED THE TOTAL EXPECTED OUTPUT FROM THE RENEWABLE ENERGY SOURCE OVER THE TERM OF THE CONTRACT.** (ONLY FOR PPAs OF FIVE OR MORE YEARS.)

This PPA will not require any firming and shaping energy.

5. **SUBSTITUTE SYSTEM ENERGY FROM UNSPECIFIED SOURCES**

- a. **A SHOWING THAT THE UNSPECIFIED ENERGY IS ONLY TO BE USED ON A SHORT-TERM BASIS**

All energy purchased must be generated by the NCPA Geysers facilities, as verified by meter reads. Therefore, the PPA will not use substitute system energy from unspecified sources since all sources are specified in the PPA

- b. **THE UNSPECIFIED ENERGY IS ONLY USED FOR OPERATIONAL OR EFFICIENCY REASONS;**

All energy must be generated by the NCPA Geysers facilities, as verified by meter reads. Therefore, the PPA will not use substitute system energy from unspecified sources for any reason since all sources are specified in the PPA.

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

All energy must be generated by the NCPA Geysers facilities, as verified by meter reads. Therefore, the PPA will not use substitute system energy from unspecified sources for any reasons since all sources are specified in the PPA.

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

All energy must be generated by the NCPA Geysers facilities, as verified by meter reads. Therefore, the PPA will not use substitute system energy from unspecified sources for any reason since all sources are specified in the PPA.

- J. **PROCUREMENT REVIEW GROUP (PRG) PARTICIPATION**

1. **PRG PARTICIPANTS (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 Advocates

- d. The Utility Reform Network
- e. Union of Concerned Scientists
- f. Coalition of California Utility Employees

2. WHEN THE PRG WAS PROVIDED INFORMATION ON THE CONTRACT

The PRG was provided with a summary and detailed briefing of this bilateral proposal during the June 17th, 2011 regularly scheduled PRG meeting.

3. SDG&E CONSULTED WITH THE PRG REGARDING THIS CONTRACT

SDG&E consulted with the PRG regarding this proposed agreement at the meeting listed above.

4. WHY THE PRG COULD NOT BE INFORMED (FOR SHORT-TERM CONTRACTS ONLY)

Not Applicable -The PRG was thoroughly briefed on the agreement as described above.

K. INDEPENDENT EVALUATOR (IE)

THE USE OF AN IE IS REQUIRED BY D.04-12-048, D.06-05-039, 07-12-052, AND D.09-06-050

1. NAME OF IE: PA Consulting Group

2. OVERSIGHT PROVIDED BY THE IE

PA Consulting Group was involved in all aspects of SDG&E's 2009 RPS RFO process including, but not limited to: reviewing RFO document development and creation of evaluation criteria, reviewing and monitoring of all received bids, involvement in bid evaluation for conformance and ranking, conducting the LCBF analysis, monitoring of communications and negotiations with affiliated parties. An independent IE report was issued on the Proposed Agreement and is included as Confidential Appendix C. The public version (redacted) is also attached to this advice letter and served on the service list

SDG&E worked with its IE on evaluation of the Proposed Agreement. The IE has reviewed the major contract terms and SDG&E's method of comparing the projects to bids received from the 2009 RFO and has spot-checked relevant calculations.

3. IE MADE ANY FINDINGS TO THE PROCUREMENT REVIEW GROUP

The IE did not provide any specific findings related to the Proposed Agreement to the PRG.

4. PUBLIC VERSION OF THE PROJECT-SPECIFIC IE REPORT

The public version of the IE report is attached to this Advice Letter. The IE recommends approval of the proposed PPA.



Silicon Valley Power
IE Report PUBLIC.pdf

III. PROJECT DEVELOPMENT STATUS

A. COMPANY / DEVELOPMENT TEAM

1. RELEVANT EXPERIENCE OF PROJECT DEVELOPMENT TEAM AND/OR COMPANY PRINCIPALS

On July 23, 1896, The Town of Santa Clara created a municipal electric utility. After receiving an allocation of power from the Federal Central Valley Project, the local municipal utility began to diversify its resources. The City of Santa Clara became a charter member of the newly formed Northern California Power Agency (NCPA) on June 12, 1968.

Throughout the following years, Santa Clara and the NCPA worked on behalf of all municipal electric utilities of Northern California. Together they tried to gain access to wholesale transmission markets and to jointly develop cost-effective electric generation resources to meet their growing demand.

Today, the City of Santa Clara's municipal electric utility owns, operates and participates in more than 380 megawatts of electric generating resources and serves a peak load of approximately 460 MW.

The name Silicon Valley Power came into being in March 1998. The name change was in recognition of the vital role the utility plays in serving a growing community, as well as powering some of the world's largest high-tech companies.

2. SUCCESSFUL PROJECTS (RENEWABLE AND CONVENTIONAL)

Today, the City of Santa Clara's municipal electric utility owns, operates and participates in more than 380 megawatts of electric generating resources and serves a peak load of approximately 460 MW.

B. TECHNOLOGY

1. TECHNOLOGY TYPE AND LEVEL OF TECHNOLOGY MATURITY

a. THE TYPE AND STAGE OF THE PROJECT'S PROPOSED TECHNOLOGY

The project is existing and generates power utilizing geothermal energy

b. COMMERCIAL DEMONSTRATION

The project is been in ongoing operation since the mid 1980's

c. THE CONFIGURATION AND POTENTIAL ISSUES AND/OR BENEFITS CREATED BY THE HYBRID TECHNOLOGY.

The technology is proven and existing and is not a hybrid technology.

2. QUALITY OF RENEWABLE RESOURCE**a. THE QUALITY OF THE RENEWABLE RESOURCE THAT THE PROJECT WILL RELY UPON.**

The project is an existing resource that has been connected and generating power into the California power grid for many years.

b. FUEL RESOURCE ANALYSIS AND THE DEVELOPER'S FUEL SUPPLY PLAN (FOR BIOMASS PROJECTS ONLY)**i. FROM WHOM/WHERE IS THE FUEL BEING SECURED; AND**

Not applicable. This agreement utilizes geothermal energy

ii. WHERE THE FUEL IS BEING STORED

Not applicable. This agreement utilizes geothermal energy

c. CONFIDENCE THAT THE PROJECT WILL BE ABLE TO MEET THE TERMS OF THE CONTRACT GIVEN SDG&E'S INDEPENDENT UNDERSTANDING OF THE QUALITY OF THE RENEWABLE RESOURCE.

The project is an existing resource that has been in continuous operation since the mid 1980's.

3. OTHER RESOURCES REQUIRED**a. OTHER FUEL SUPPLY (OTHER THAN THE RENEWABLE FUEL SUPPLY DISCUSSED ABOVE) NECESSARY TO THE PROJECT AND THE ANTICIPATED SOURCE OF THAT SUPPLY;**

This Proposed Agreement will not depend on any fuel supply other than the renewable geothermal energy supply discussed above.

b. EXPLAIN WHETHER THE DEVELOPER HAS SECURED THE NECESSARY RIGHTS FOR WATER, FUEL(S), AND ANY OTHER REQUIRED INPUTS TO RUN THE PROJECT.

According to SVP, all necessary inputs, including water, have been secured for this existing project

c. ESTIMATED ANNUAL WATER CONSUMPTION OF THE FACILITY (GALLONS OF WATER/YEAR)

NA – this is a geothermal facility using naturally occurring geothermal energy. All remaining water is piped and re-injected back into the formation to recharge the formation and continue the process.

d. **CONFIDENCE THAT THE PROJECT WILL BE ABLE TO MEET THE TERMS OF THE CONTRACT GIVEN SDG&E'S INDEPENDENT UNDERSTANDING OF THE ADEQUACY OF THE ADDITIONAL FUEL OR ANY OTHER NECESSARY RESOURCE SUPPLY.**

Very high since this is a larger geothermal facility and SVP is not contracting 100% of its share of the output for a one year term

C. **DEVELOPMENT MILESTONES**

1. **SITE CONTROL STATUS**

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

The NCPA Geysers project is owned and operated by NCPA. SVP owns a share of the output from the facilities and the facilities have been in continuous operation since the mid 1980s.

i. **DURATION OF SITE CONTROL AND ANY EXERCISABLE EXTENSION OPTIONS (LEASE ONLY)**

Complete – This is an existing facility.

ii. **LEVEL OR PERCENT OF SITE CONTROL ATTAINED – IF LESS THAN 100%, DISCUSS SELLER'S PLAN FOR OBTAINING FULL SITE CONTROL**

100% – This is an existing facility.

2. **EQUIPMENT PROCUREMENT STATUS**

a. **STATUS OF THE PROCUREMENT OF MAJOR EQUIPMENT (E.G. EQUIPMENT IN-HAND, CONTRACTS EXECUTED AND EQUIPMENT IN DELIVERY, NEGOTIATING CONTRACTS WITH SUPPLIER(S), ETC.).**

Complete – This is an existing facility.

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

NA – This is an existing facility.

c. **IDENTIFIED EQUIPMENT PROCUREMENT ISSUES, SUCH AS LEAD TIME, AND THEIR EFFECT ON THE PROJECT'S DATE OF OPERABILITY.**

NA – This is an existing facility.

3. **PERMITTING / CERTIFICATIONS STATUS**

- a. STATUS OF THE PROJECT'S RPS-ELIGIBILITY CERTIFICATION FROM THE CEC. EXPLAIN IF THERE IS ANY UNCERTAINTY REGARDING THE PROJECT'S ELIGIBILITY.

Complete – This is an existing facility.

- b. THE FOLLOWING TABLE DESCRIBES THE STATUS OF ALL MAJOR PERMITS OR AUTHORIZATIONS NECESSARY FOR DEVELOPMENT AND OPERATION OF THE PROJECT.

Complete – This is an existing facility.

4. PRODUCTION TAX CREDIT (PTC) / INVESTMENT TAX CREDIT (ITC) – IF APPLICABLE

NA – This is an existing facility.

- a. THE PROJECT'S POTENTIAL ELIGIBILITY FOR TAX CREDITS BASED ON THE TECHNOLOGY OF THE PROJECT AND CONTRACT OPERATION DATE.

NA – This is an existing facility.

- b. WHETHER THE DEVELOPER INTENDS TO SEEK PTCs/ITCs, ANY PLANS FOR OBTAINING THE PTCs/ITCs, AND ANY CRITERIA THAT MUST BE MET.

NA – This is an existing facility.

- c. PARTY (SDG&E OR DEVELOPER) BEARING THE RISK IF THE ANTICIPATED TAX CREDITS ARE NOT OBTAINED.

NA – This is an existing facility.

5. TRANSMISSION

- a. STATUS OF THE PROJECT'S INTERCONNECTION APPLICATION, WHETHER THE PROJECT IS IN THE CAISO OR ANY OTHER INTERCONNECTION QUEUE, AND WHICH TRANSMISSION STUDIES ARE COMPLETE AND/OR IN PROGRESS.

Complete – This is an existing facility.

- b. STATUS OF THE INTERCONNECTION AGREEMENT WITH THE INTERCONNECTING UTILITY (E.G., DRAFT ISSUED, EXECUTED AND AT FERC, FULLY APPROVED).

Complete – This is an existing facility.

- c. REQUIRED NETWORK AND GEN-TIE UPGRADES AND THE CAPACITY TO BE AVAILABLE TO THE PROJECT UPON COMPLETION, INCLUDING PROPOSED CURTAILMENT SCHEMES.

None – This is an existing facility.

- d. REQUIRED SUBSTATION UPGRADES OR CONSTRUCTION.

None – This is an existing facility.

e. TIMING AND PROCESS FOR ALL TRANSMISSION-RELATED UPGRADES, INCLUDING CRITICAL PATH ITEMS AND POTENTIAL CONTINGENCIES IN THE EVENT OF DELAYS.

Complete – This is an existing facility.

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

NA – This is an existing facility.

g. DEPENDENCY ON TRANSMISSION THAT IS LIKELY TO BE CONGESTED AT TIMES, LEADING TO A PRODUCT THAT IS LESS THAN 100% DELIVERABLE FOR AT LEAST SEVERAL YEARS AND HOW SDG&E FACTORED THE CONGESTION INTO THE LCBF BID ANALYSIS.

None – This is an existing facility and the power is delivered to SDG&E at the project busbar.

h. ALTERNATIVE TRANSMISSION ARRANGEMENTS AVAILABLE AND/OR CONSIDERED TO FACILITATE DELIVERY OF THE PROJECT'S OUTPUT.

NA – This is an existing facility.

D. FINANCING PLAN

1. DEVELOPER'S MANNER OF FINANCING (E.G. PROJECT FINANCING, BALANCE SHEET FINANCING, UTILITY TAX EQUITY INVESTMENT, ETC.)

NA – This is an existing facility.

2. DEVELOPER'S GENERAL PROJECT FINANCING STATUS.

Complete – This is an existing facility.

3. THE EXTENT (%)THE DEVELOPER RECEIVED FIRM COMMITMENTS FROM FINANCERS (BOTH DEBT AND EQUITY), AND HOW MUCH FINANCING IS EXPECTED TO BE NEEDED TO BRING THE PROJECT ONLINE.

100% – This is an existing facility.

4. GOVERNMENT FUNDING OR AWARDS RECEIVED BY THE PROJECT.

NA – This is an existing facility.

5. CREDITWORTHINESS OF ALL RELEVANT FINANCIERS.

NA – This is an existing facility.

6. DEVELOPER'S HISTORY OF ABILITY TO PROCURE FINANCING.

NA – This is an existing facility

7. 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.

None – This is an existing facility.

IV. CONTINGENCIES AND/OR MILESTONES

A. MAJOR PERFORMANCE CRITERIA AND GUARANTEED MILESTONES.

All of the NCPA Geysers units are existing and so there are no project development milestones.

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

The NCPA Geysers units are in existence. Development contingencies and milestones are not applicable; however, a portion of SDG&E's purchase obligation is contingent upon Commission approval

V. PROCEDURAL MATTERS

A. REQUESTED RELIEF

SDG&E respectfully requests that the Commission review and approve the Proposed Agreement through the issuance of a resolution no later than September 22, 2011

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 associated with the Proposed Agreement, including energy, green attributes, and resource adequacy should be fully recoverable in rates.

The Proposed Agreement is conditioned upon "CPUC Approval." SDG&E, therefore, requests that the Commission include the following findings in its Resolution approving the PPA:

1. 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 RPS procurement obligation.
2. SDG&E's entry into the Proposed Agreement and the terms of such agreement are reasonable; therefore, the Proposed Agreement is approved in its entirety and all costs of the purchase associated with the Proposed Agreement, including for energy, green attributes, and resource adequacy are fully recoverable in rates over the life of the Proposed Agreement, subject to Commission review of SDG&E's administration of the Proposed Agreement.
3. Generation procured pursuant to the Proposed Agreement constitutes generation 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 Renewable Portfolio Standard program (Public Utilities Code §§ 399.11, *et seq.* and/or other applicable law) and relevant Commission decisions.

4. Expected Project deliveries are eligible for earmarking treatment under RPS flexible compliance mechanisms

B. 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 no later than September 6th, 2011, which is 20 days from 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 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. 858-654-1879
E-Mail: MCaulson@semprautilities.com

C. EFFECTIVE DATE

SDG&E respectfully requests that the Commission issue a resolution approving this advice letter on or before September 22, 2011.

D. NOTICE

In accordance with General Order No. 96-B, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.11-05-005, 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.

CLAY FABER
Director – Regulatory Affairs

(cc list enclosed)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@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) #: 2278-E

Subject of AL: Request for Approval of Renewable Power Purchase with Silicon Valley Power

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

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: None

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: None

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 9/22/2011

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: _____

Service affected and changes proposed¹: None

Pending advice letters that revise the same tariff sheets: None

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

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham

E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

H. Nanjo
M. Clark

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

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

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman
J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander
K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio

M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.11-05-005

San Diego Gas & Electric Advice Letter 2278-E
August 17, 2011

ATTACHMENT A

DECLARATION OF BRAD B. MANTZ REGARDING CONFIDENTIALITY OF CERTAIN DATA

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

**DECLARATION OF E BRADFORD MANTZ REGARDING CONFIDENTIALITY OF
CERTAIN DATA**

I, E Bradford Mantz, do declare as follows:

1. I am an Energy Contracts Originator for San Diego Gas & Electric Company (“SDG&E”). I have reviewed Advice Letter 2278-E, requesting approval of an renewable Power Purchase Agreement (PPA) with Silicon Valley Power (with attached confidential and public appendices), dated August 17, 2011 (“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, as modified by D.07-05-032, and D.08-04-023, to demonstrate that the confidential information (“Protected Information”) provided in the Advice Letter submitted concurrently herewith, falls within the scope of data protected pursuant to the IOU Matrix attached to D.06-06-066 (the “IOU Matrix”).^{1/} 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.”^{2/}

^{1/} 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 claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

^{2/} 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).

3. I address below each of the following five features of Ordering Paragraph 2 in

D.06-06-066:

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

4. SDG&E's Protected Information: As directed by the Commission, SDG&E

demonstrates in table form below that the instant confidentiality request satisfies the requirements of D.06-06-066.^{4/}

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p><i>Bid Information</i>⁵</p> <p><i>Locations:</i></p> <p>1. Confidential Appendix A</p> <ul style="list-style-type: none"> ▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.2 (Portfolio Fit) – embedded SDG&E's LCBF Ranking for the 2009 RPS RFO and Application of TOD Factors on p.2;</i> ▪ <i>Project Development Status section, paragraph E.4. –</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</p>	<p>In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that</p>

^{3/} D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

^{4/} See, *Administrative Law Judge's Ruling on San Diego Gas & Electric Company's Motions to File Data Under Seal*, issued April 30 in R.06-05-027, p. 7, Ordering Paragraph 3 ("In all future filings, SDG&E shall include with any request for confidentiality a table that lists the five D.06-06-066 Matrix requirements, and explains how each item of data meets the matrix").

^{5/} The confidential information referenced has a GREEN font color / has a green box around it in the confidential appendices.

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p><i>Transmission Details table on p.43;</i></p> <ul style="list-style-type: none"> ▪ <i>Project Development Status section, paragraph G.2. – Project Viability Calculator (PVC) scoring and associated narrative and embedded file on p. 44;</i> ▪ <i>Project Development Status section, paragraph G.3. – RPS Workpaper Graphs – “Viability of 2009 Bids by Technology and “Viability of 2009 Shortlisted vs Rejected Bids on p.45;</i> ▪ <i>Project’s PVC results, paragraph G.4. – Project Viability Calculator (PVC) scoring, narrative and comparison on p.46.</i> <p>2. Confidential Appendix B – <i>embedded 2009 Solicitation Overview Report on p.47.</i></p> <p>3. Confidential Appendix C – <i>embedded project specific IE Report on p. 48.</i></p> <p>4. Confidential Appendix D</p> <ul style="list-style-type: none"> ▪ <i>Contract Summary Section, paragraph E-12, Graphs from RPS Workpapers – “RPS Solicitation BSC - 2009 – All Bids vs Current Shortlist”; “2009 RFO Mean and Median Bid Prices by Technology” on p.60-62.</i> 	<p>for that type of data</p>	<p>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 maintaining the format requested by the CPUC.</p>
<p>Specific Quantitative Analysis⁶</p>	<p>Demonstrate that the material submitted</p>	<p>This data is SDG&E’s specific quantitative</p>

⁶ The confidential information referenced has a BLUE font color / has a blue box around it in the confidential appendices

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p>Location:</p> <p>1. Confidential Appendix A</p> <ul style="list-style-type: none"> ▪ Consistency with Commission Decisions and Rules section, paragraph C.1 (Project Bid Scores) – computed factors for Project in 2009 LCBF evaluation on p.2; ▪ Consistency with Commission Decisions and Rules section, paragraph C.2 (Portfolio Fit) - embedded SDG&E's LCBF Ranking for the 2009 RPS RFO on p.2; ▪ Consistency with Commission Decisions and Rules section, paragraph C.2 (Transmission Adders) - computed factors for Project in 2009 LCBF evaluation and embedded SDG&E's LCBF Ranking for the 2009 RPS RFO on p.2; ▪ Consistency with Commission Decisions and Rules section, paragraph C.3 (LCBF Adders and Impact on Ranking) - computed factors for Project in 2009 LCBF evaluation on p.3; ▪ Consistency with Commission Decisions and Rules section, paragraph C.3 (LCBF Adders and Impact on Ranking) - on page 3; ▪ Consistency with Commission Decisions and Rules section, paragraph H – MPR on p.40; 	constitutes a particular type of data listed in the IOU Matrix	analysis involved in scoring and evaluating renewable bids. Some of the data also involves analysis/evaluation of proposed RPS projects.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix categories VII.G and/or VIII.B.
	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 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.	SDG&E cannot summarize or aggregate the evaluation data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<ul style="list-style-type: none"> ▪ <i>Consistency with Commission Decisions and Rules section, paragraph I – AMFs on p.40;</i> ▪ <i>Project Development Status section, paragraph G.2. – Project Viability Calculator (PVC) scoring and associated narrative and embedded file on p. 44;</i> ▪ <i>Project Development Status section, paragraph G.3. – RPS Workpaper Graphs – “Viability of 2009 Bids by Technology”; “Viability of 2009 Shortlisted vs Rejected Bids” on p.45;</i> ▪ <i>Project Development Status section, paragraph G.4. “The Project’s PVC Results”; on p.46;</i> 2. Confidential Appendix B – <i>embedded 2009 Solicitation Overview Report on p.47.</i> 3. Confidential Appendix C – <i>Final RPS Project-Specific Independent Evaluator Report on p.48.</i> 4. Confidential Appendix D <ul style="list-style-type: none"> ▪ <i>Contract Summary Section Paragraph E.1 – analysis of pricing and payment information in table and footnote on p.54-55;</i> ▪ <i>Contract Summary section, paragraph E.10, AMF calculations table, AMF Results Pages, and embedded AMF calculator files on p.57-59;</i> ▪ <i>Contract Summary Section, paragraph E-12, Graphs from RPS Workpapers – “RPS Solicitation BSC -</i> 		

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p>2009 – All Bids vs Current Shortlist”; “2009 RFO Mean and Median Bid Prices by Technology” on p.60-62.</p> <ul style="list-style-type: none"> ▪ Contract Summary section, paragraph E.13, Contract Price Comparisons on p.62 		
<p>Contract Terms⁷</p> <p>Locations:</p> <p>2. Confidential Appendix A</p> <ul style="list-style-type: none"> ▪ Consistency with Commission Decisions and Rules section paragraph D – Standard Terms and Conditions, Non-modifiable and Modifiable Contract Terms Summary Table (Modifiable Terms) and Modifiable Terms Red-line table on p. 6-7;8-39; ▪ Project Development Status Paragraph B.1 – Technology Maturity (narrative) on p.41; ▪ Project Development Status Paragraph D – PTC/ITCs (narrative) on p.42; ▪ Project Development Status Paragraph E.3. – Contract Locational Attributes on p.43. <p>3. Confidential Appendix D</p> <ul style="list-style-type: none"> ▪ Contract Summary Section Paragraph C.1. – narrative on p.51; ▪ Contract Summary Section Paragraph D.1. – Major 	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p>	<p>This data includes specific contract terms.</p>
	<p>Identify the Matrix category or categories to which the data corresponds</p>	<p>This information is protected under IOU Matrix category VII.G.</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 for three years.</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>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>

⁷ The confidential information referenced has a RED font color / has a red box around it in the confidential appendices

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p><i>Contract Provisions (table) on p.52-54;</i></p> <ul style="list-style-type: none"> ▪ <i>Contract Summary Section Paragraph D.2. – Major Contract Provisions Not in Table narrative on p.54;</i> ▪ <i>Contract Summary Section Paragraph E.2 – narrative and table on p.55;</i> ▪ <i>Contract Summary Section Paragraph E.3-5 narrative on p.55-56;</i> ▪ <i>Contract Summary Section Paragraph E.7. narrative on p. 57;</i> ▪ <i>Contract Summary Section Paragraph E.8. – Indirect Expenses narrative on p.57;</i> ▪ <i>Contract Summary Section Paragraph E.11. – MPR Explanation narrative on p.59;</i> ▪ <i>Contract Summary Section Paragraph E.12 – RPS Contract Price Supply Curve Graph (2009 all executed contracts)on p.62;</i> ▪ <i>Contract Summary Section Paragraph E.14 – Rate Impact narrative and embedded rate impact calculation spreadsheets on p.63.</i> <p>4. Confidential Appendix E</p> <ul style="list-style-type: none"> ▪ <i>Embedded files containing comparison of Proposed Agreement with SDG&E's Pro Forma PPA on p.64.</i> <p>5. Confidential Appendix F</p> <ul style="list-style-type: none"> ▪ <i>Embedded files –Executed Version of Proposed Agreement on p.65.</i> 		

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p><i>Analysis and Evaluation of Proposed RPS Projects</i>⁸</p> <p><i>Locations:</i></p> <p>1. Confidential Appendix A</p> <ul style="list-style-type: none"> ▪ Consistency with Commission Decisions and Rules section, Paragraph C.2. – Qualitative Factors – narrative on p.3; ▪ Consistency with Commission Decisions and Rules section, Paragraph C.4. – How Project’s Bid Ranking Changed – narrative on p.3; ▪ Consistency with Commission Decisions and Rules section, Paragraph C.5. – Why the Submitted Contract was Preferred – narrative on p.3-5; ▪ PRG Participation and Feedback narrative and embedded file, paragraph K on p. 41; ▪ Project Development Status section, paragraph C.1. – Site Control – narrative on p.42; ▪ Project Development Status section, paragraph C.2. – Equipment Procurement – narrative on p.42; ▪ Project Development Status section, paragraph C.3. – Permitting Status – 	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p>	<p>The Commission has concluded that Actual Procurement Percentage data must be protected in order to avoid disclosing SDG&E’s Bundled Retail Sales data.^{9/}</p>
	<p>Identify the Matrix category or categories to which the data corresponds</p>	<p>This information is protected under IOU Matrix category VII.G.</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 the “front three years” of this information be kept confidential.</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>It is not possible to provide this data point in an aggregated, redacted, summarized or masked fashion.</p>

⁸ The confidential information referenced has a VIOLET font color / has a violet box around it in the confidential appendices

^{9/} Id.

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p><i>narrative on p.42;</i></p> <ul style="list-style-type: none"> ▪ <i>Project Development Status section, paragraph E.1. – Electricity Delivery – narrative on p.42;</i> ▪ <i>Project Development Status section, paragraph F. – Financing Plan narrative on p.44;</i> <p>2. Confidential Appendix D</p> <ul style="list-style-type: none"> ▪ <i>Contract Summary section, paragraph A.1 and A.2 (narrative and maps) on p.50-51.</i> 		
<p><i>IPT/APT Percentage¹⁰</i></p> <p><i>Locations:</i></p> <ol style="list-style-type: none"> <i>1. Confidential Appendix A - Consistency with Commission Decisions and Rules section, paragraph A, the Project's contribution percentages to the SDG&E's RPS obligations on p.1</i> <i>2. Confidential Appendix D- Contract Summary section, paragraph B (narrative) on p.51.</i> <i>3. Confidential Appendix G - table on p.67.</i> 	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p>	<p>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).^{11/} The same concern exists with regard to IPT percentage.</p>
	<p>Identify the Matrix category or categories to which the data corresponds</p>	<p>This information is protected under IOU Matrix category V.C.</p>
	<p>Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix</p>	<p>In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that</p>

¹⁰ The confidential information referenced has a AQUA font color / has a aqua box around it in the confidential appendices

^{11/} 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.

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
	for that type of data	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 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.

5. As an alternative basis for requesting confidential treatment, SDG&E submits that the Power Purchase Agreement enclosed in the Advice Letter 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). Disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.¹¹⁷

6. 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,

¹¹⁷ 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.")

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.

7. 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.”

8. 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.^{12/} 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.

9. Public Utilities Code § 583 establishes a right to confidential treatment of information otherwise protected by law.^{13/}

10. 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.

^{12/} See also Govt. Code § 6254.7(d).

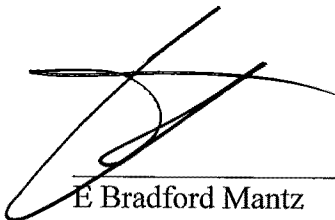
^{13/} See, D.06-06-066, *mimeo*, pp. 26-28.

11. Developers' Protected Information: The Protected Information also constitutes confidential trade secret information of the developer listed therein. SDG&E is required pursuant to the terms of its original Power Purchase Agreement as amended to protect non-public information. Some of the Protected Information in the original Power Purchase and Sale Agreement as amended and my supporting declaration (including confidential appendices), relates directly to viability of the respective projects. Disclosure of this extremely sensitive information could harm the developers' ability to negotiate necessary contracts and/or could invite interference with project development by competitors.

12. In accordance with its obligations under its Power Purchase and Sale Agreement and pursuant to the relevant statutory provisions described herein, SDG&E hereby requests that the Protected Information 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.

Executed this 17 day of August, 2011, at San Diego, California.



E Bradford Mantz
Energy Contracts Originator
Electric and Fuel Procurement
San Diego Gas & Electric

San Diego Gas & Electric Advice Letter 2278-E

August 17, 2011

ATTACHMENT B

REQUEST FOR APPROVAL OF RENEWABLE POWER PURCHASE WITH SILICON VALLEY POWER

PUBLIC VERSION
(Distributed to Service List R.11-05-005)

PART 2 – CONFIDENTIAL APPENDICES OF ADVICE LETTER

PROTECTED INFORMATION WITHIN PART 2 OF THIS ADVICE LETTER IS IDENTIFIED WITH COLOR FONTS AND CATEGORIZED IN ACCORDANCE WITH THE CONFIDENTIALITY CODE SHOWN BELOW:

CONFIDENTIALITY KEY

VIOLET FONT = ANALYSIS AND EVALUATION OF PROPOSED RPSP ROJECTS (VII.G)

RED FONT = CONTRACT TERMS & CONDITIONS (VII.G)

GREEN FONT = BID INFORMATION (VIII.A)

BLUE FONT = SPECIFIC QUANTITATIVE ANALYSIS (VIII.B)

BROWN FONT = NET SHORT POSITION (V.C)

AQUA FONT = IPT / APT PERCENTAGES (V.C)

 = BID INFORMATION (VIII.A) AND SPECIFIC QUANTITATIVE

Appendix A
CONTAINS CONFIDENTIAL MATERIAL

Consistency with Commission Decisions and Rules
and Project Development Status

THIS CONFIDENTIAL APPENDIX A

1. PROVIDES, WHERE APPROPRIATE, CONFIDENTIAL INFORMATION NECESSARY TO FULLY ANSWER ANY ITEMS IN PART 1 OF THE ADVICE LETTER.

2. PROVIDE ANSWERS TO THE ADDITIONAL ITEMS INCLUDED IN THIS APPENDIX A. TO THE EXTENT SUCH INFORMATION IS NOT CONFIDENTIAL, IT IS INCLUDED IN THE PUBLIC VERSION OF THE ADVICE LETTER.

CONSISTENCY WITH COMMISSION DECISIONS AND RULES

A. RPS Procurement Plan

Part 1 of the Advice Letter provides a discussion of how the Proposed Agreement is consistent with SDG&E's RPS Plan. The Proposed Agreement is a product of bilateral negotiations between Silicon Valley Power (SVP) and SDG&E. From a least-cost best fit perspective, the Silicon Valley Power Agreement ranks favorably when compared to other offers SDG&E shortlisted in its 2009 RPS solicitation. Silicon Valley Power provides SDG&E an opportunity for incremental RPS procurement of firm bundled deliveries from an existing facility beginning on July 1, 2011. The renewable energy from this project will contribute an average of [REDACTED] of SDG&E's Retail sales during its term toward SDG&E's 2011 RPS obligation.

B. BILATERALS

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."¹ In D.09-06-050, the Commission established price benchmarks and contract review processes for very short term (less than four years), moderately short term (at least 4 years, less than 10 yrs) and bilateral RPS contracts. Below, SDG&E reviews the Least Cost Best Fit evaluation used in the 2009 RPS RFO. The same analysis was performed on this PPA and the results were compared to the RFO results. This analysis confirms that the Proposed Agreement conforms to the price benchmarking requirements of D.06-10-019 and D.09-06-050.

Competitive RFOs are not the only authorized means of procurement. SDG&E's ability to consider bilateral offers will widen the scope of resources available to SDG&E. The WECC has a well-established, liquid bilateral market. SDG&E, for the benefit of its ratepayers, can make full use of this valuable source of renewable supply. Not only is the bilateral market an important tool for procurement, it is available year-round. RPS RFOs, by contrast, are an annual batch-processing of commercial arrangements. As discussed in the Advice Letter, SDG&E compares the Proposed Agreement to the results of its 2009 RFO.

¹ D.06-10-019, *mimeo*, p. 31.

C. LEAST-COST BEST-FIT – IF APPLICABLE

1. THE PROJECT’S BID SCORES UNDER SDG&E’S APPROVED LCBF EVALUATION CRITERIA.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

*** PORTFOLIO FIT**

As discussed below, various factors which describe “portfolio fit” have been quantitatively and qualitatively evaluated. Each is presented in this section. One of the strongest attributes of the project is its low contract price relative to other RPS offerings, its ability to provide firm baseload energy from an existing facility.

Attached below is SDG&E’s LCBF Ranking for the 2009 RPS RFO.



*** TRANSMISSION ADDER**



*** APPLICATION OF TODS**



* **QUALITATIVE FACTORS**

[REDACTED]

3. THE ADDERS APPLIED IN THE LCBF ANALYTICAL PROCESS AND THE IMPACT OF THOSE ADDERS ON THE PROJECT'S RANKING.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. HOW AND WHY THE PROJECT'S BID RANKING CHANGED AFTER NEGOTIATIONS.

[REDACTED]

5. USING LCBF CRITERIA AND OTHER RELEVANT CRITERIA, EXPLAIN WHY THE SUBMITTED CONTRACT WAS PREFERRED RELATIVE TO OTHER SHORTLISTED BIDS OR OTHER PROCUREMENT OPTIONS.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

² CPUC Decision 09-06-050, issued June 19, 2009, pp. 16-19.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

D. STANDARD TERMS AND CONDITIONS


Modifiable? (Yes/No)	STC No.	STANDARD TERM AND CONDITION	Modified? (Yes/No)	Description of Change and Rationale
No	1	CPUC Approval	Yes	[REDACTED]
	2	RECs and Green Attributes	No	[REDACTED]
	6	Eligibility	No	[REDACTED]
	17	Applicable Law	No	[REDACTED]
No	REC-1	Transfer of RECs	No	[REDACTED]
No	REC-2	Tracking of RECs in WREGIS	No	[REDACTED]
Yes	4	Confidentiality	Yes	[REDACTED]
Yes	5	Contract Term	Yes	[REDACTED]
	7	Performance Standards/Requireme nts	Yes	[REDACTED]
	8	Product Definitions	Yes	[REDACTED]
	9	Non-Performance or Termination Penalties and Default Provisions	Yes	[REDACTED]
	12	Credit Terms	Yes	[REDACTED]
	15	Contract	No	[REDACTED]

		Modifications		
	16	Assignment	Yes	[REDACTED]
	18	Application of Prevailing Wages	No	[REDACTED]

Note: Decision D.08-04-009 removed STC 3, stating:
"Given implementation of SB 1036, STC 3 has no continuing relevance and should be deleted from the current 14 STCs"

Modifiable Term Red-line Table

(Red-line is actual contract language relative to the standard modifiable term language)

Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025	Parallel Term in SDG&E – Silicon Valley Power
<p>STC 1: CPUC Approval (Non-Modifiable)</p> <p>“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:</p> <ul style="list-style-type: none">(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 this 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 Standard (Public Utilities Code Section 399.11 <i>et seq.</i>), Decision 03-06-071, or other applicable law. <p>CPUC Approval will be deemed to have occurred on the date that a CPUC decision containing such findings becomes final and non-appealable.</p>	 The right column of the table is almost entirely redacted with black bars. Only a small portion of the bottom right corner is visible, showing a hyphen and the number '1'.

	06-071, or other applicable law.
<p>STC 2: RECs and Green Attributes (Non-Modifiable)</p> <p>“Green Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Project, and its avoided emission of pollutants. Green Attributes include but are not limited to Renewable Energy Credits, as well as: (1) any avoided emission of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth’s climate by trapping heat in the atmosphere;³ (3) the reporting rights to these avoided emissions, such as Green Tag Reporting Rights. Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser’s discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. Green Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Project, (ii) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or “tipping fees” that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits. If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas</p>	 <p>n</p>

reduction benefits or other emission offsets attributed to its fuel usage, it shall provide Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Project.




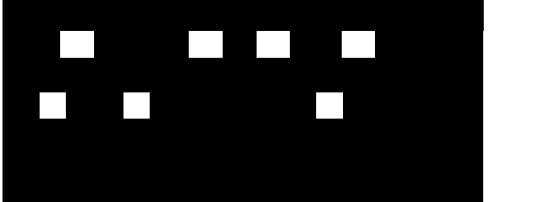
3.2. Green Attributes. Seller hereby provides and conveys all Green Attributes associated with all electricity generation from the Project to Buyer as part of the Product being delivered. Seller represents and warrants that Seller holds the rights to all Green Attributes from the Project, and Seller agrees to convey and hereby conveys all such Green Attributes to Buyer as included in the delivery of the Product from the Project.

[REDACTED]

[REDACTED]

STC 6: Eligibility (Non-Modifiable)

STC 6: Eligibility (Non-Modifiable)

<p>Seller, and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement that: (i) the Project qualifies and is certified by the CEC as an Eligible Renewable Energy Resource (“ERR”) as such term is defined in Public Utilities Code Section 399.12 or Section 399.16; and (ii) the Project’s output delivered to Buyer qualifies under the requirements of the California Renewables Portfolio Standard. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law.</p>	
<p>STC REC-1. Transfer of renewable energy credits Renewable Energy Credits. (Non-modifiable) Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the renewable energy credits Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law.</p>	<p>STC REC-1. Transfer of renewable energy credits Renewable Energy Credits. (Non-modifiable)</p> 
<p>STC REC-2. Tracking of RECs in WREGIS. (Non-modifiable) Seller warrants that all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the Western Renewable Energy Generation Information System will be taken prior to the first delivery under the contract.</p>	<p>STC REC-2. Tracking of RECs in WREGIS. (Non-modifiable)</p> 
<p>STC 17: Applicable Law (Non-Modifiable) Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF</p>	<p>STC 17: Applicable Law (Non-Modifiable) Governing Law</p> 

CONFLICTS OF LAW. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

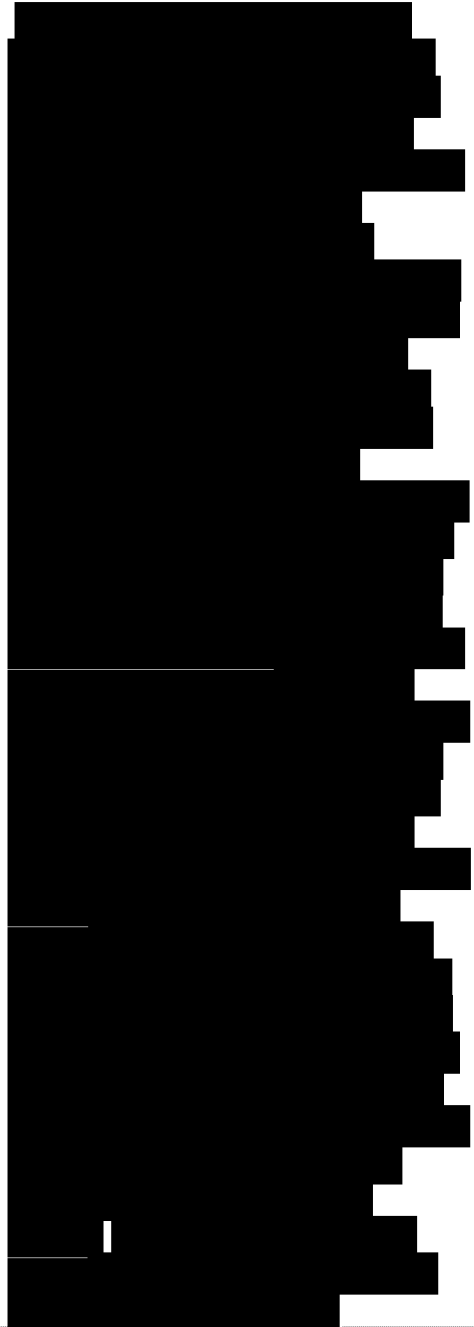
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STC 4: Confidentiality (Modifiable)

“Confidentiality: Neither Party shall disclose the non-public terms or conditions of this Agreement or any Transaction hereunder to a third party, other than (i) the Party’s employees, lenders, counsel, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential, (ii) for disclosure to the Buyer’s Procurement Review Group, as defined in CPUC Decision (D.) 02-08-071, subject to a confidentiality agreement, (iii) to the CPUC under seal for purposes of review, (iv) disclosure of terms specified in and pursuant to Section 10.12 of this Agreement; (v) in order to comply with any applicable law, regulation, or any exchange, control area or ISO rule, or order issued by a court or entity with competent jurisdiction over the disclosing Party (‘Disclosing Party’), other than to those entities set forth in subsection (vi); or (vi) in order to comply with any applicable regulation, rule, or order of the CPUC, CEC, or the Federal Energy Regulatory Commission. In connection with requests made pursuant to clause (v) of this Section 10.11 (‘Disclosure Order’) each Party shall, to the extent practicable, use reasonable efforts: (i) to notify the other Party prior to disclosing the confidential information and (ii) prevent or limit such disclosure. After using such reasonable efforts, the Disclosing Party shall not be: (i) prohibited from complying with a Disclosure Order or (ii) liable to the other Party for monetary or other damages incurred in connection with the disclosure of the confidential information. Except as provided in the preceding sentence, the Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.”

“10.12 RPS Confidentiality.
Notwithstanding Section 10.11 of this

STC 4: Confidentiality (Modifiable)

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Agreement at any time on or after the date on which the Buyer makes its advice filing letter seeking CPUC Approval of the Agreement either Party shall be permitted to disclose the following terms with respect to such Transaction: Party names, resource type, delivery term, project location, and project capacity. If Option B is checked on the Cover Sheet, neither Party shall disclose party name or project location, pursuant to this Section 10.12, until six months after such CPUC Approval.”

The Cover Sheet of the Agreement shall be amended by adding to Article 10, Confidentiality, a new “Option B,” as follows:

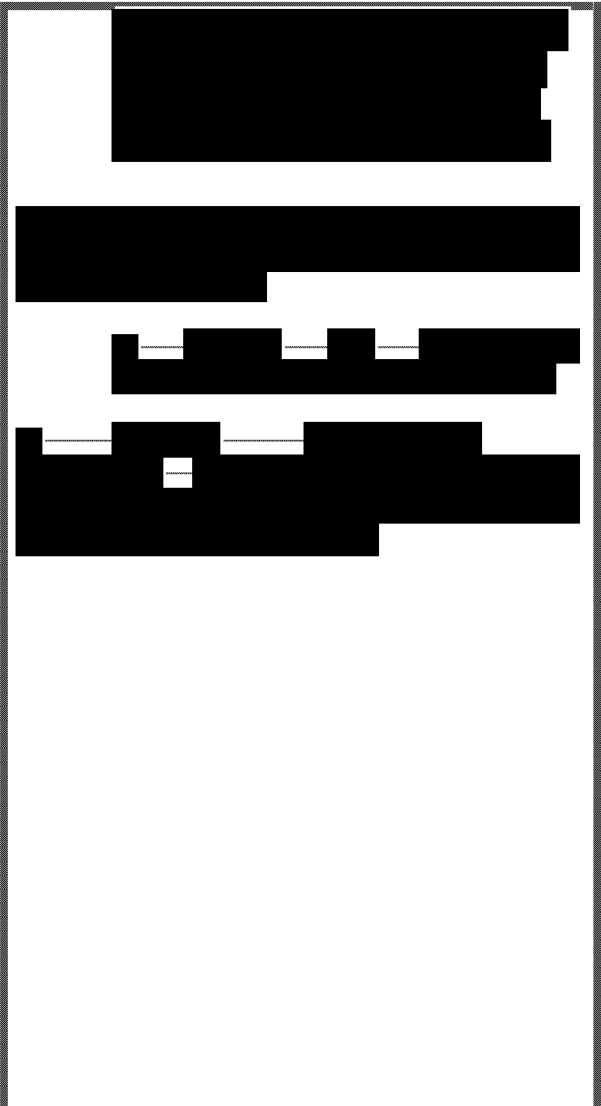
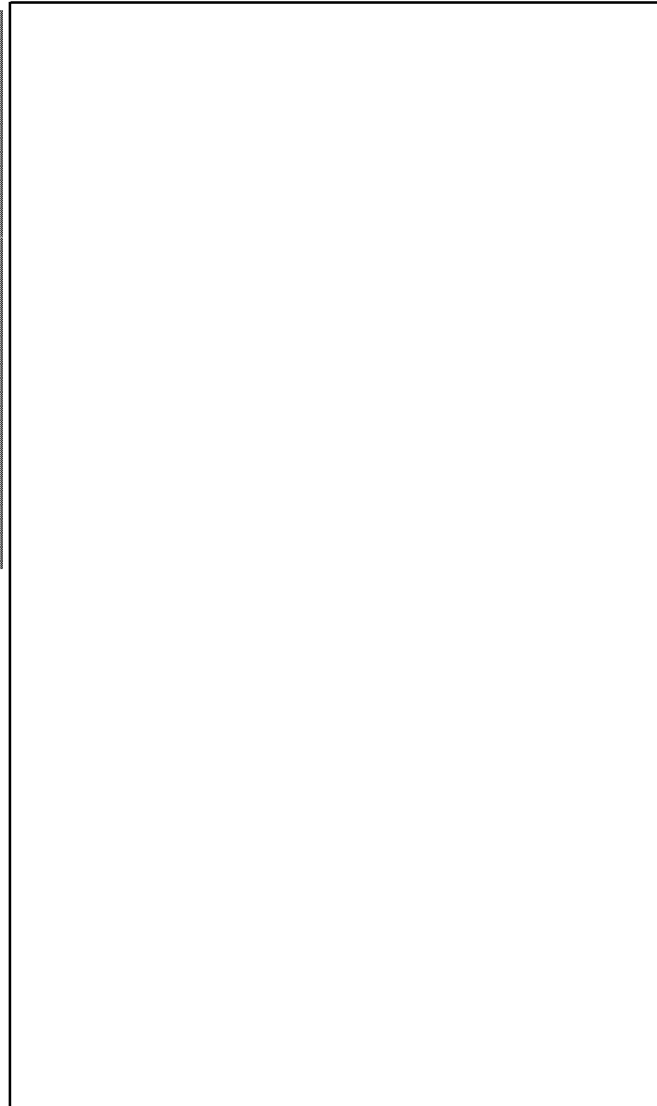
* Option B RPS Confidentiality Applicable. If not checked, inapplicable”

* Option C Confidentiality Notification: Option C is checked on the Cover Sheet, Se has waived its right to notification accordance with Section 10.11 (v).”

[REDACTED]

[REDACTED]

[REDACTED]



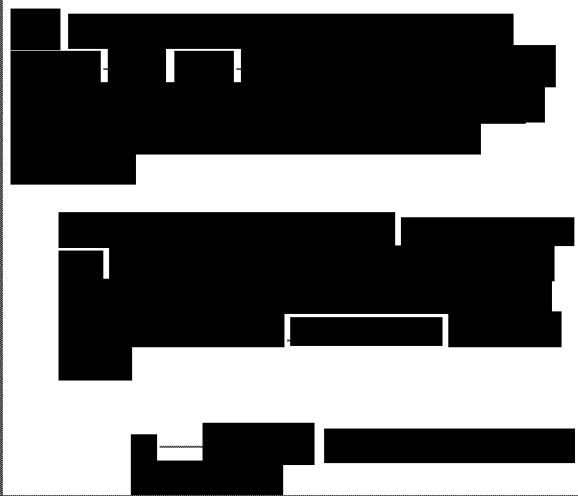
STC 5: Contract Term (Modifiable)

The following provision shall be included as a standard term in the Confirmation(s) for the Transaction(s) entered into under the Agreement:

“Delivery Term: The Parties shall specify the period of Product delivery for the ‘Delivery Term,’ as defined herein, by checking one of the following boxes:

- * Delivery shall be for a period of ten (10) years.
- * Delivery shall be for a period of fifteen (15) years.
- * Delivery shall be for a period of twenty

STC 5: Contract Term (Modifiable)



(20) years.

* Non-standard Delivery shall be for a period of ___ years.”

If the “Non-standard Delivery” contract term is selected, Parties need to apply to the CPUC justifying the need for non-standard delivery.

[REDACTED]

STC 7: Performance Standards/Requirements (Modifiable)

A. The following shall be included in the applicable post Commercial Operation Date performance standards/requirement provisions of the Agreement or Confirmation for “As Available” projects:

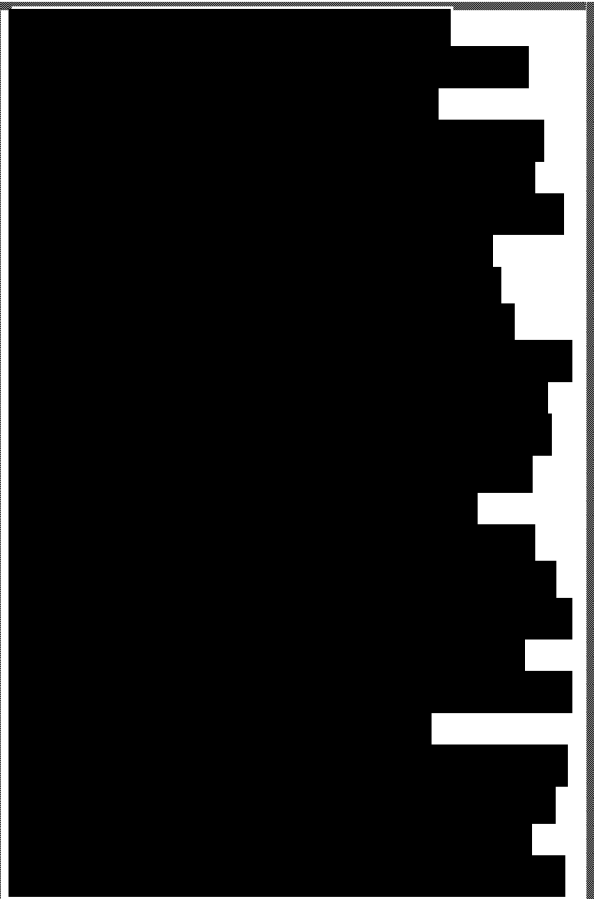
“Energy Production Guarantees

The Buyer shall in its sole discretion have the right to declare an Event of Default if Seller fails to achieve the Guaranteed Energy Production in any [12 month period] [or] [24 month period] and such failure is not excused by the reasons set forth in subsections (ii), (iii), or (v) of Section ___ of this Agreement, “Excuses for Failure to Perform.”

Guaranteed Energy Production = _____ MWh.”

STC 7: Performance Standards/Requirements (Modifiable)

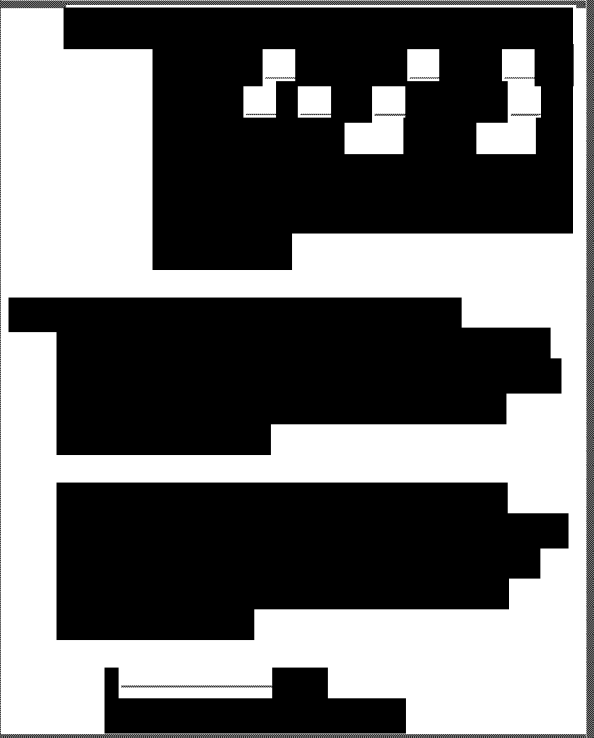
[REDACTED]



B. The following shall be included in the applicable performance standards/requirement provisions, as “Excuses for Failure to Perform” in the Agreement or Confirmation for “As Available” projects:

“Seller shall not be liable to Buyer for any damages determined pursuant to Article Four of the Agreement in the event that Seller fails to deliver the Product to Buyer for any of the following reasons:

- i. if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) and such Forced Outage is not the result of Seller’s negligence or willful misconduct;
- ii. Force Majeure;
- iii. by the Buyer’s



failure to perform;

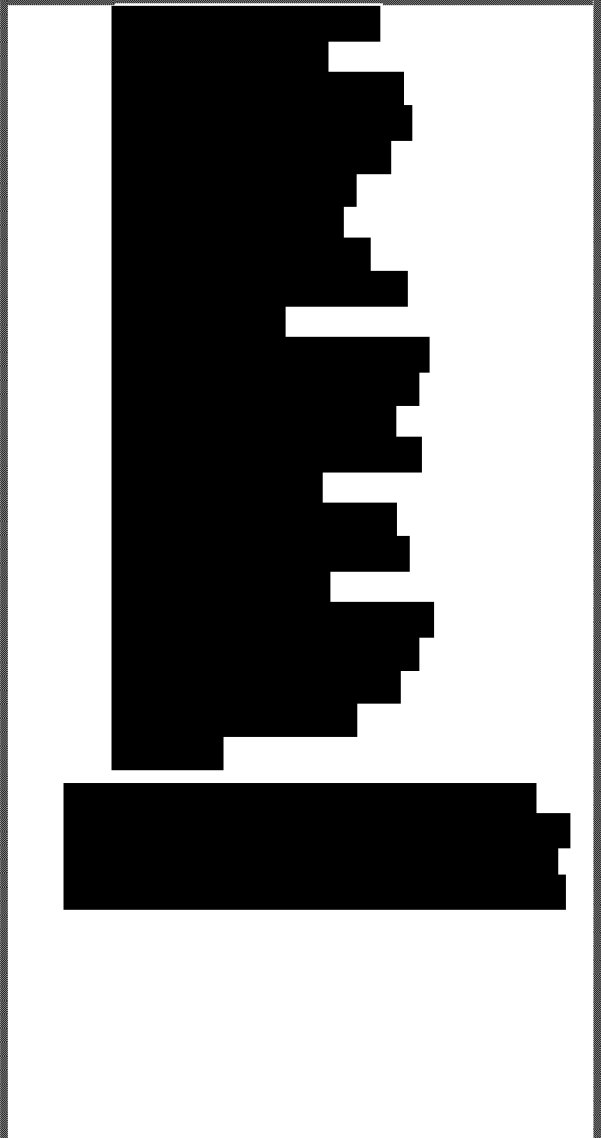
iv. by scheduled maintenance outages of the specified units;

v. a reduction in Output as ordered under terms of the dispatch down and Curtailment provisions (including CAISO or Buyer's system emergencies); or

vi. [the unavailability of landfill gas which was not anticipated as of the date this [Confirmation] was agreed to, which is not within the reasonable control of, or the result of negligence of, Seller or the party supplying such landfill gas to the Project, and which by the exercise of reasonable due diligence, Seller is unable to overcome or avoid or causes to be avoided; OR insufficient wind power for the specified units to generate energy as determined by the best wind speed and direction standards utilized by other wind producers or purchasers in the vicinity of the Project or if wind speeds exceed the specified units' technical specifications; OR the unavailability of water or the unavailability of sufficient pressure required for operation of the hydroelectric turbine-generator as reasonably determined by Seller within its operating procedures, neither of which was anticipated as of the date this [Confirmation] was agreed to, which is not within the reasonable control of, or the result of negligence of, Seller or the party supplying such water to the Project, and which by the exercise of due diligence, such Seller or the party supplying the water is unable to overcome or avoid or causes to be avoided.]

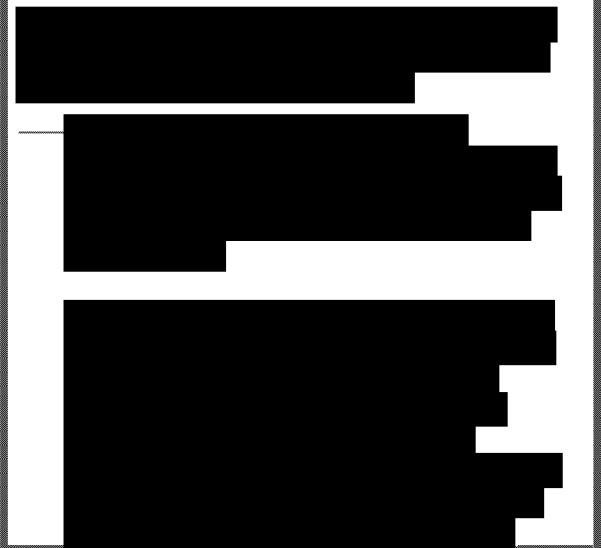


The performance of the Buyer to receive the Product may be excused only (i) during periods of Force Majeure, (ii) by the Seller's failure to perform or (iii) during dispatch down periods."



C. The following shall be included in the applicable performance standards/requirement provisions as "Excuses for Failure to Perform" in the Agreement or Confirmation for "Unit Firm" projects:

"Net Rated Output Capacity. If the Net Rated Output Capacity at the Commercial Operation Date or at the end of the first twelve (12) consecutive months after the Commercial Operation Date [and every twelve (12) consecutive months thereafter] is less than ___ MW, Buyer shall have the right to declare an Event of Default. For subsequent contract years, Buyer shall trigger an Annual Capacity Test to determine each year's Net Rated Output Capacity by scheduling Deliveries from the facility for two consecutive weeks. Buyer shall provide Seller two (2) weeks notice of the Annual Capacity Test. For the second



year and thereafter the Net Rated Output Capacity shall be the ratio of the sum of average hourly Energy Delivered for two (2) weeks divided by 336 hours (24 hours x 14 days). Energy Delivered shall exclude any energy greater than ___ MW average in each hour. The resulting Net Rated Output Capacity shall remain in effect until the next Annual Capacity Test. The Net Rated Output Capacity shall not exceed the Contract Capacity of ___ MW.

Additional Event of Default. It shall be an additional Event of Default if (i) the Availability Adjustment Factor is less than ___% for ___ consecutive months, or (ii) Net Rated Output Capacity falls below ___ MW. In no event shall the Seller have the right to procure Energy from sources other than the Facility for sale and delivery pursuant to this Agreement.”

[REDACTED]

D. The following shall be included in the applicable performance standards/requirement provisions of the Agreement or Confirmation for “Unit Firm” projects:

“Seller shall be excused from achieving the Availability Adjustment Factor for the applicable time period, in the event that Seller fails to deliver the Product to Buyer for any of the following reason:

- i. during Force Majeure;
- ii. by Buyer’s failure to perform; or,
- iii. a reduction in Output as ordered under terms of the dispatch-down and Curtailment provisions (including CAISO or Buyer’s system emergencies.)”

[REDACTED]

E. The following shall be included in the applicable performance standards/requirement provisions as “Excuses for Failure to Perform” in the Agreement or Confirmation for “Unit Firm,” “Baseload,”

[REDACTED]

“Peaking,” and “Dispatchable” Products:

“Seller shall not be liable to Buyer for any damages determined pursuant to Article Four of the Agreement, in the event that Seller fails to deliver the Product to Buyer for any of the following reason:

- i. if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) and such Forced Outage is not the result of Seller’s negligence or willful misconduct;
- ii. Force Majeure;
- iii. by the Buyer’s failure to perform;
- iv. by scheduled maintenance outages of the specified units; or, a reduction in Output as ordered under terms of the dispatch down and Curtailment provisions (including CAISO or Buyer’s system emergencies).

The performance of the Buyer to receive the product may be excused only (i) during periods of Force Majeure, (ii) during periods of dispatch-down, or (iii) by the Seller’s failure to perform.”

[REDACTED]

STC 8: Product Definitions (Modifiable)

“ ‘As Available’ means, with respect to a Transaction, that Seller shall deliver to Buyer and Buyer shall purchase at the Delivery Point the Product from the Units, in accordance with the terms of this Agreement and subject to the excuses for performance specified in this

[REDACTED]

Agreement.”

The “Unit Firm” Product Definition in Schedule P of the EEI Agreement shall be deleted in its entirety and replaced with the following:

“ ‘Unit Firm’ means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a specified generation asset or assets specified in the Transaction. The following Products shall be considered “Unit Firm” products:

‘Peaking’ means with respect to a Transaction, a Product for which Delivery Periods coincide with Peak Periods, as defined by Buyer.

‘Baseload’ means with respect to a Transaction, a Product for which Delivery levels are uniform for all Delivery Periods.

‘Dispatchable’ means with respect to a Transaction, a Product for which Seller makes available unit-contingent capacity for a Buyer to schedule and dispatch up or down at Buyer’s option.”

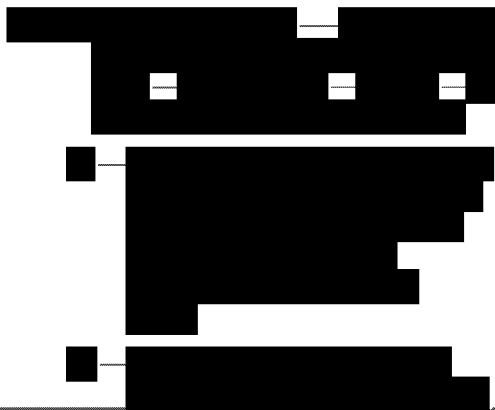


STC 9: Non-Performance or Termination Penalties and Default Provisions (Modifiable)

“5.1 Events of Default. An ‘Event of Default’ shall mean, with respect to a Party (a ‘Defaulting Party’), the occurrence of any of the following:

- (a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;
- (b) any representation or warranty made by such Party herein is false or misleading in any material respect when made or

STC 9: Non-Performance or Termination Penalties and Default Provisions (Modifiable)



- (h) with respect to such Party's Guarantor, if any:
 - (i) if any representation or warranty made by a Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
 - (ii) the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice;
 - (iii) a Guarantor becomes Bankrupt; the failure of a Guarantor's guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction to which such guaranty shall relate without the written consent of the other Party; or
 - (v) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any guaranty."

Section 5.1 of the Agreement, as provided above, shall be modified as follows:

Section 5.1(c) is amended by deleting the reference to "three (3) Business Days" and replacing it with "thirty (30) days;" and

Sections 5.1(b) and 5.1(h)(i) are amended by adding the following at the end thereof: "or with respect to the representations and warranties made pursuant to Section 10.2 of this Agreement or any additional representations and warranties agreed upon by the parties, any such representation and warranty becomes false or misleading in any material respect during the term of this Agreement or any Transaction entered into hereunder."

The following new "Events of Default" shall be included

[REDACTED]

5

NON- PERFORMANCE/TERMINATION PENALITES:

The following modifications to Article One of the EEI Agreement are offered as “Non-Performance/Termination Penalties” for the Agreement:

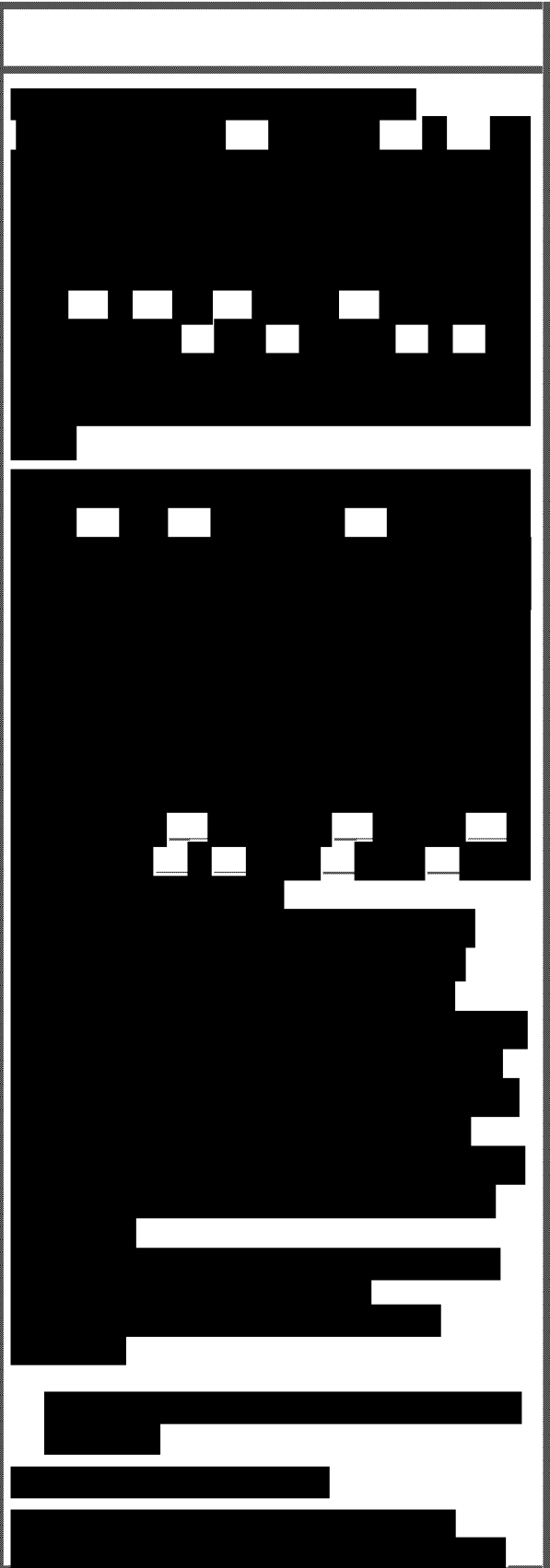
The definition of “Gains” shall be deleted in its entirety and replaced with the following:

“ ‘Gains’ means with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction for the remaining term of such Transaction, determined in a commercially reasonable manner. Factors used in determining economic benefit may include, without limitation, reference to information either available to it internally or supplied by one or more third parties, including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets market referent prices for renewable power set by the CPUC, comparable transactions, forward price curves based on economic analysis of the relevant markets, settlement prices for comparable transactions at liquid trading hubs (e.g., NYMEX), all of which should be calculated for the remaining term of the applicable Transaction and include the value of Environmental Attributes.”

The definition of “Losses” shall be deleted in its entirety and replaced with the following:

“ ‘Losses’ means with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction for the remaining term of such Transaction, determined in a commercially reasonable manner. Factors used in determining the loss of economic benefit may include, without limitation, reference to information either available to it internally or supplied by one or more third parties including without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets, market referent prices for renewable power set by the CPUC, comparable transactions, forward price curves based on economic analysis of the relevant markets, settlement prices for comparable transactions at liquid trading hubs (e.g. NYMEX), all of which should be calculated for the remaining term of the applicable Transaction and include value of Environmental Attributes.”

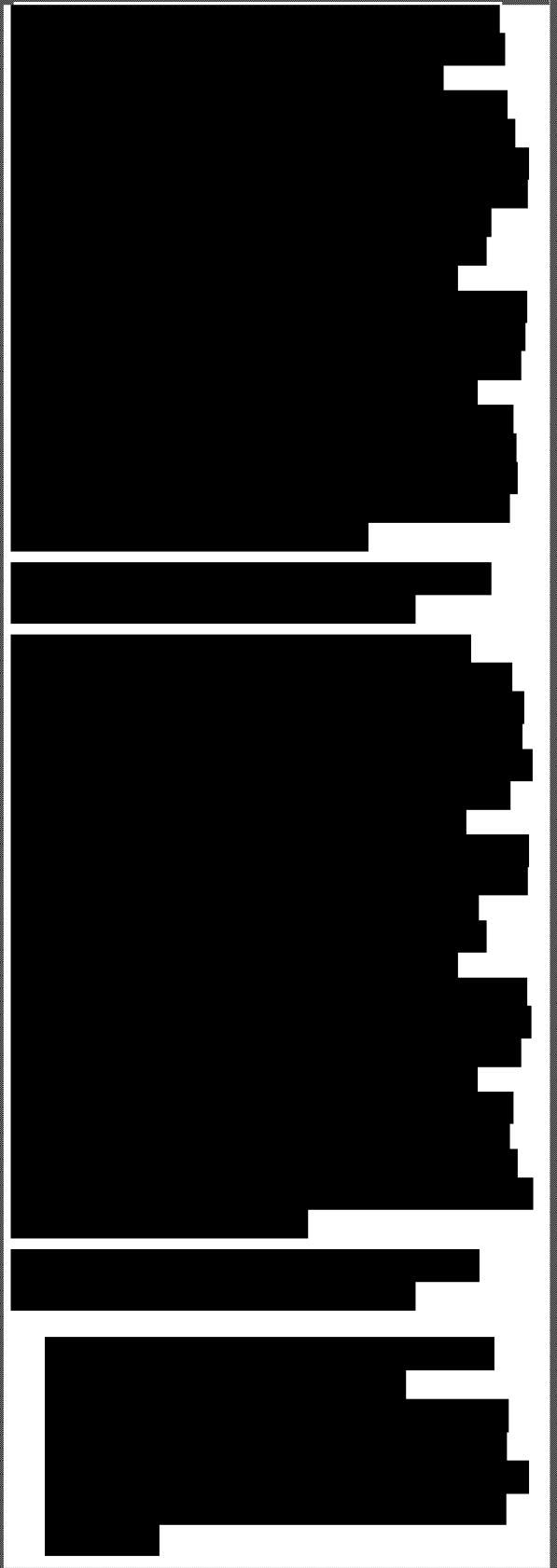
The definition of “Costs” shall be deleted in its entirety and replaced with the following:



“ ‘Costs’ means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.”

The definition of “Settlement Amount” shall be adopted in its entirety as follows:

“1.56 ‘Settlement Amount’ means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such party incurs as a result of the liquidation of a Terminated Transaction pursuant to Section 5.2.”

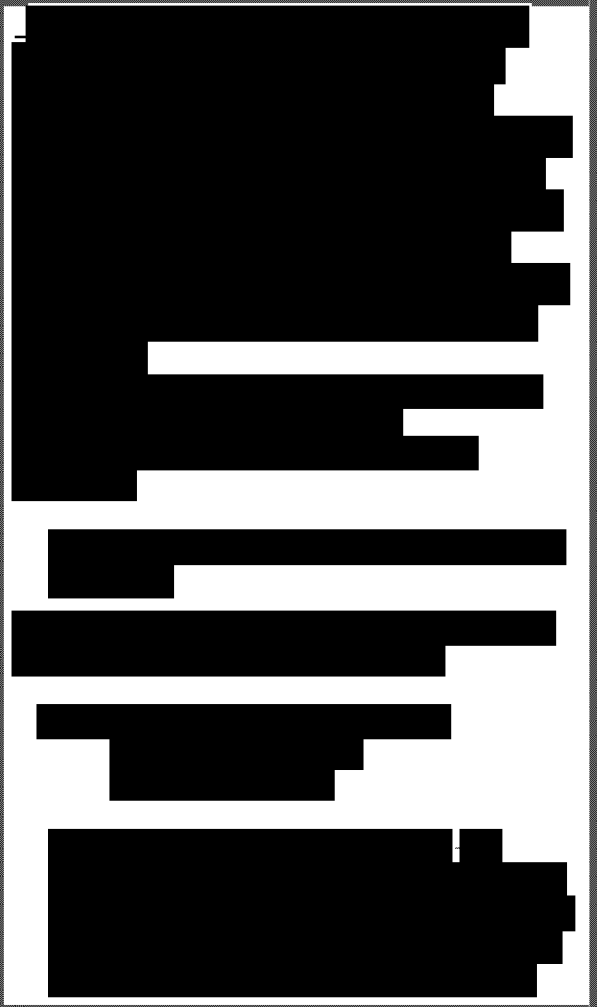




Section 5.2 of the Agreement shall be deleted in its entirety and replaced with the following:

“5.2 Declaration of Early Termination Date and Calculation of Settlement Amounts:

If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (‘Non-Defaulting Party’) shall have the right to (i) designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date (‘Early Termination Date’) to accelerate all amounts owing between the Parties and to liquidate and terminate all, but not less than all, Transactions (each referred to as a ‘Terminated Transaction’) between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Non-defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date. Third parties supplying information for purposes of the calculation of Gains or Losses may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors and other sources of market information. The Settlement Amount shall not include consequential, incidental, punitive, exemplary, indirect or business interruption damages. The Non-Defaulting Party shall not



have to enter into replacement transactions to establish a Settlement Amount.”

[REDACTED]

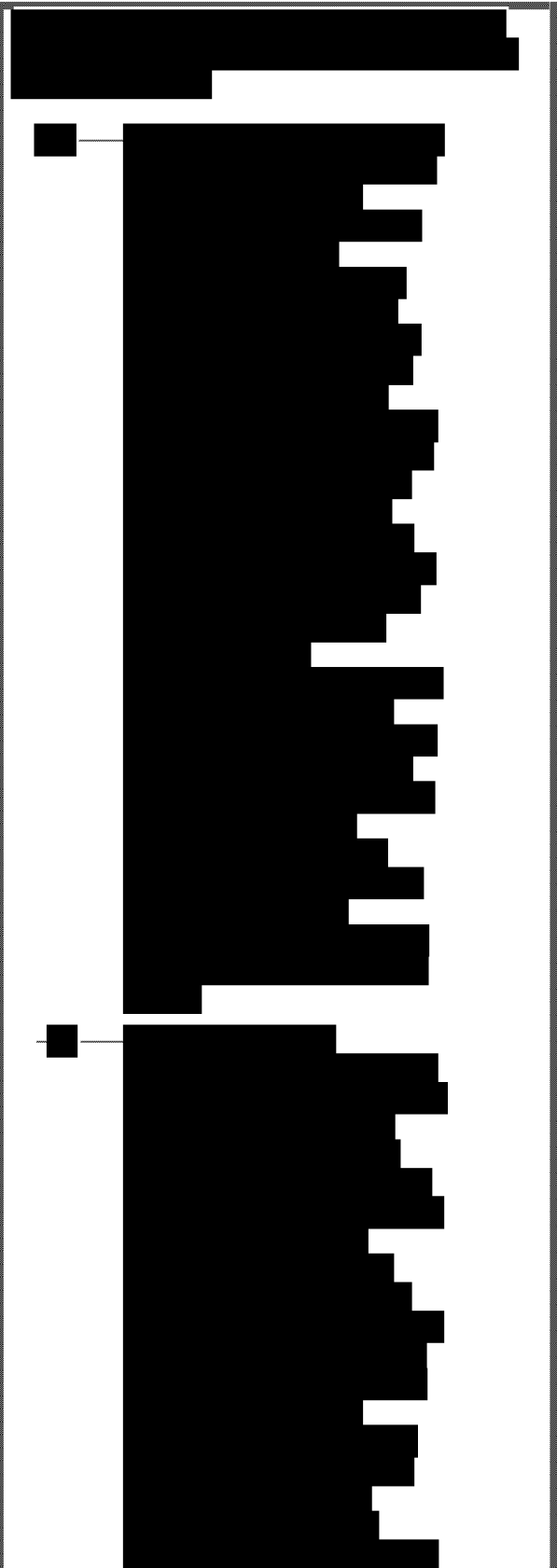
Section 5.3 through 5.5 of the Agreement shall be adopted in their entirety. For reference Section 5.3 – 5.5 are as follows:

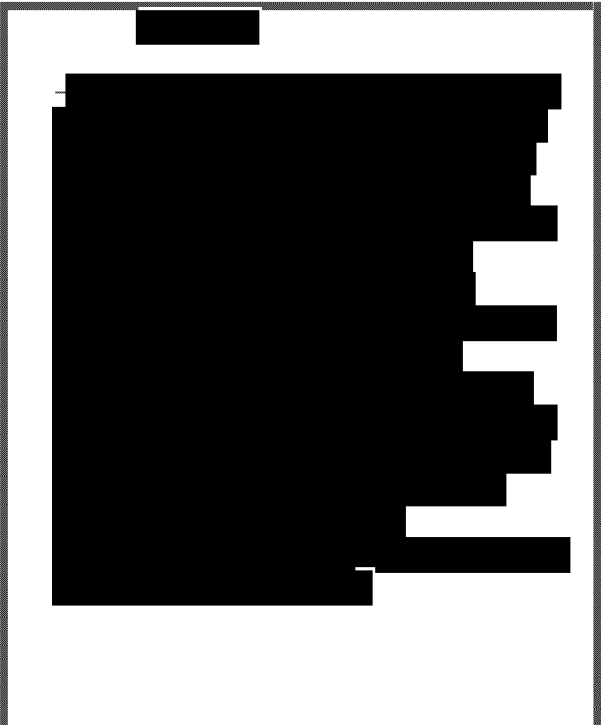
“5.3 Net Out of Settlement Amounts. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article Eight, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts

[REDACTED]

shall be netted out to a single liquidated amount (the 'Termination Payment'). If the Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, if any, resulting from the termination of this Agreement, the Termination Payment shall be zero.

- 5.4 Notice of Payment of Termination Payment. As soon as practicable after a liquidation, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount and the sources for such calculation. The Termination Payment shall be made to the Non-Defaulting Party, as applicable, within two (2) Business Days after such notice is effective.
- 5.5 Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within five (5) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer Performance Assurance to the Non-defaulting Party in an amount equal to the Termination Payment."





STC 12: Credit Terms (Modifiable)

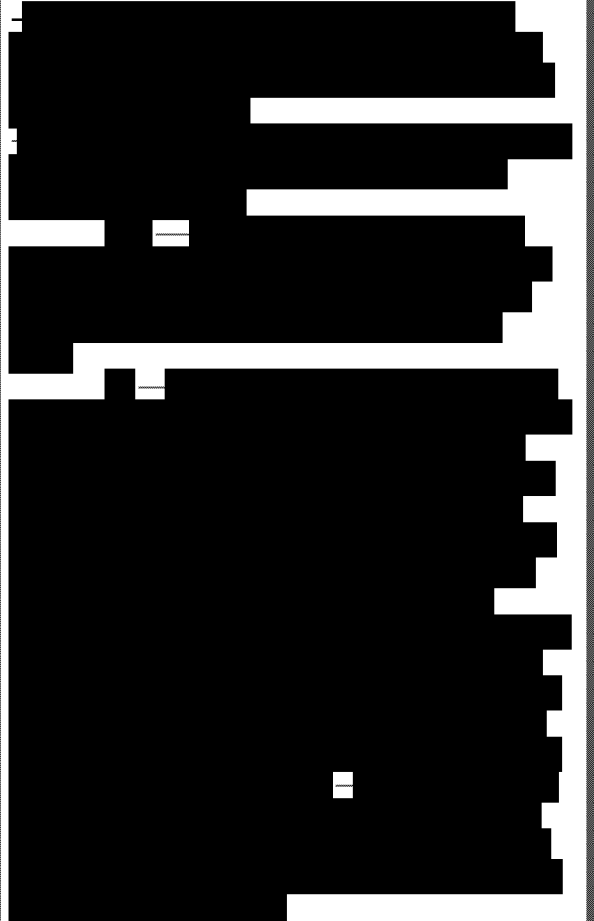
Sections 8.1 through 8.3 of the EEI Agreement shall be adopted in their entirety for inclusion in the Agreement as follows:

“8.1 Party A Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet and shall only apply if marked as “Applicable” on the Cover Sheet.

(a) Financial Information. Option A: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party B’s annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of Party B’s quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party B diligently pursues the preparation, certification and delivery of the statements.

Option B: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal

STC 12: Credit Terms (Modifiable)

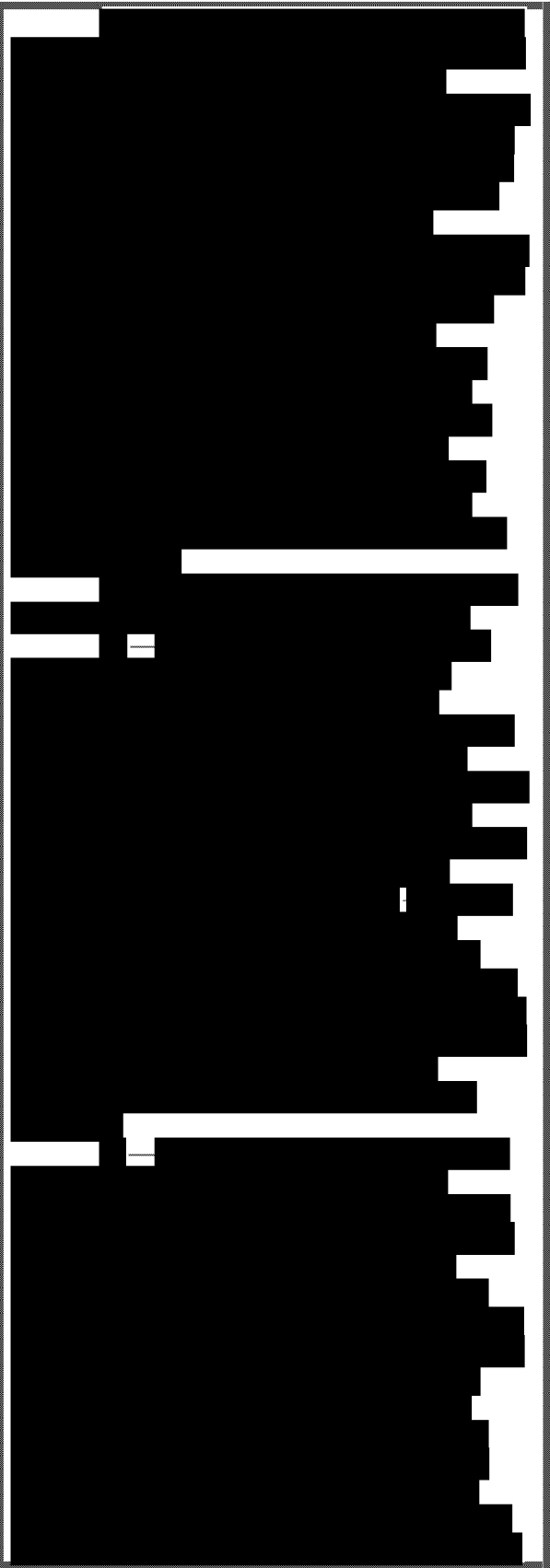


quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party A may request from Party B the information specified in the Cover Sheet.

(b) *Credit Assurances.* If Party A has reasonable grounds to believe that Party B's creditworthiness or performance under this Agreement has become unsatisfactory, Party A will provide Party B with written notice requesting Performance Assurance in an amount determined by Party A in a commercially reasonable manner. Upon receipt of such notice Party B shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party A. In the event that Party B fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) *Collateral Threshold.* If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party A plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold, then Party A, on any Business Day, may request that Party B provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold (rounding upwards for any fractional amount to the next Party B Rounding Amount) ("Party B Performance Assurance"), less any Party B Performance Assurance already posted with Party A. Such Party B Performance Assurance shall be delivered to Party A within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party B, at its sole cost, may request that such Party B Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party B's Independent Amount, if any, (rounding upwards for any fractional amount to the next Party B Rounding Amount). In the event that Party B fails to provide Party B Performance



Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

For purposes of this Section 8.1(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party A as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party B to Party A, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

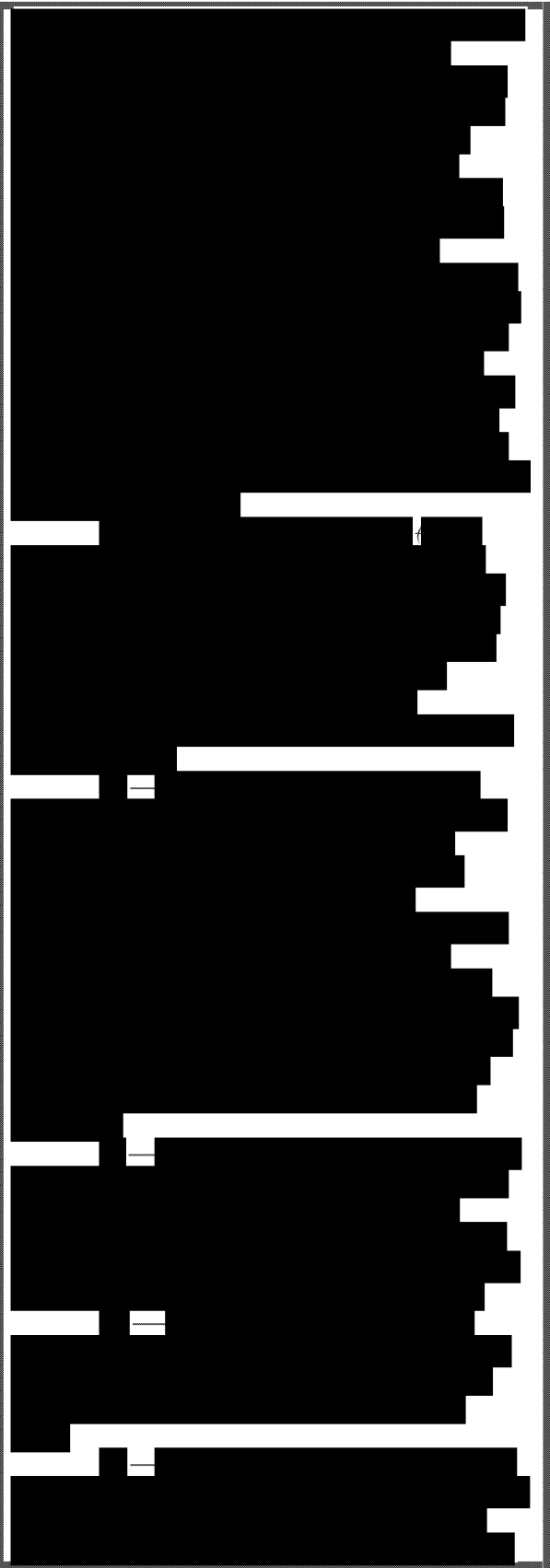
(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party B, then Party A may require Party B to provide Performance Assurance in an amount determined by Party A in a commercially reasonable manner. In the event Party B shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party B shall deliver to Party A, prior to or concurrently with the execution and delivery of this Master Agreement a guaranty in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party A.

8.2 Party B Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet and shall only apply if marked as "Applicable" on the Cover Sheet.

(a) Financial Information. Option A: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party A's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as such Party diligently pursues the preparation, certification and delivery of the statements.

Option B: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for

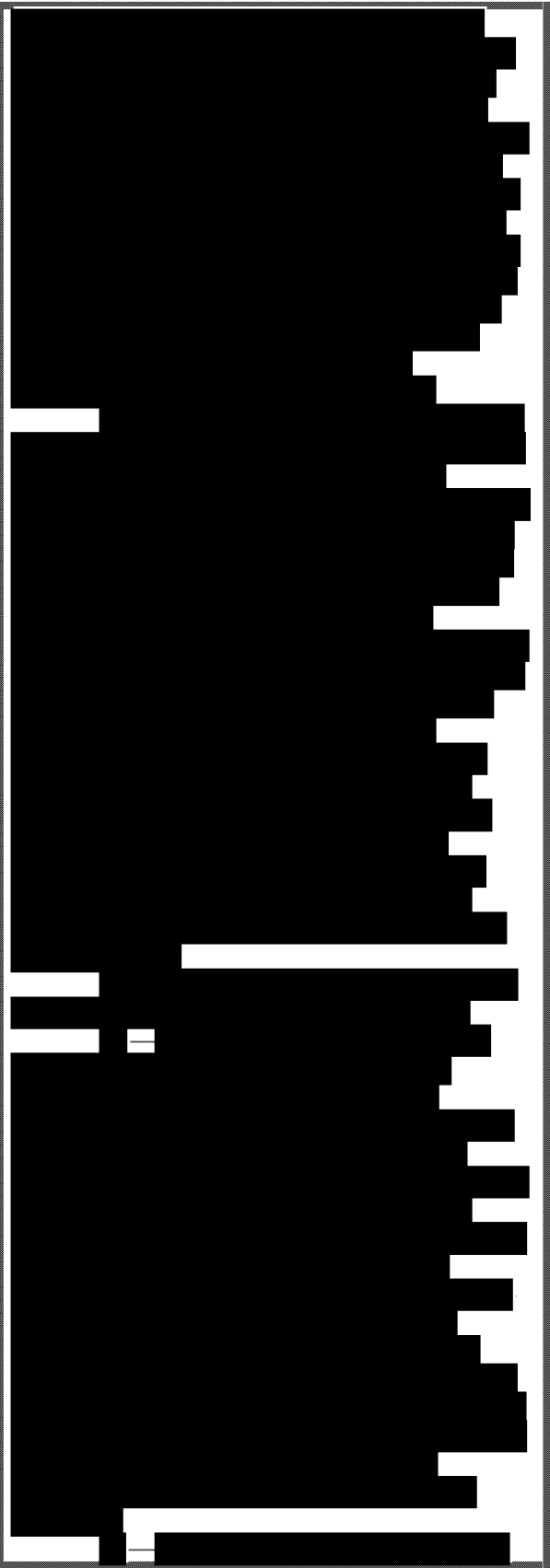


the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party B may request from Party A the information specified in the Cover Sheet.

(b) Credit Assurances. If Party B has reasonable grounds to believe that Party A's creditworthiness or performance under this Agreement has become unsatisfactory, Party B will provide Party A with written notice requesting Performance Assurance in an amount determined by Party B in a commercially reasonable manner. Upon receipt of such notice Party A shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party B. In the event that Party A fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party B plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold, then Party B, on any Business Day, may request that Party A provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold (rounding upwards for any fractional amount to the next Party A Rounding Amount) ("Party A Performance Assurance"), less any Party A Performance Assurance already posted with Party B. Such Party A Performance Assurance shall be delivered to Party B within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party A, at its sole cost, may request that such Party A Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party A's Independent Amount, if any, (rounding upwards for any fractional



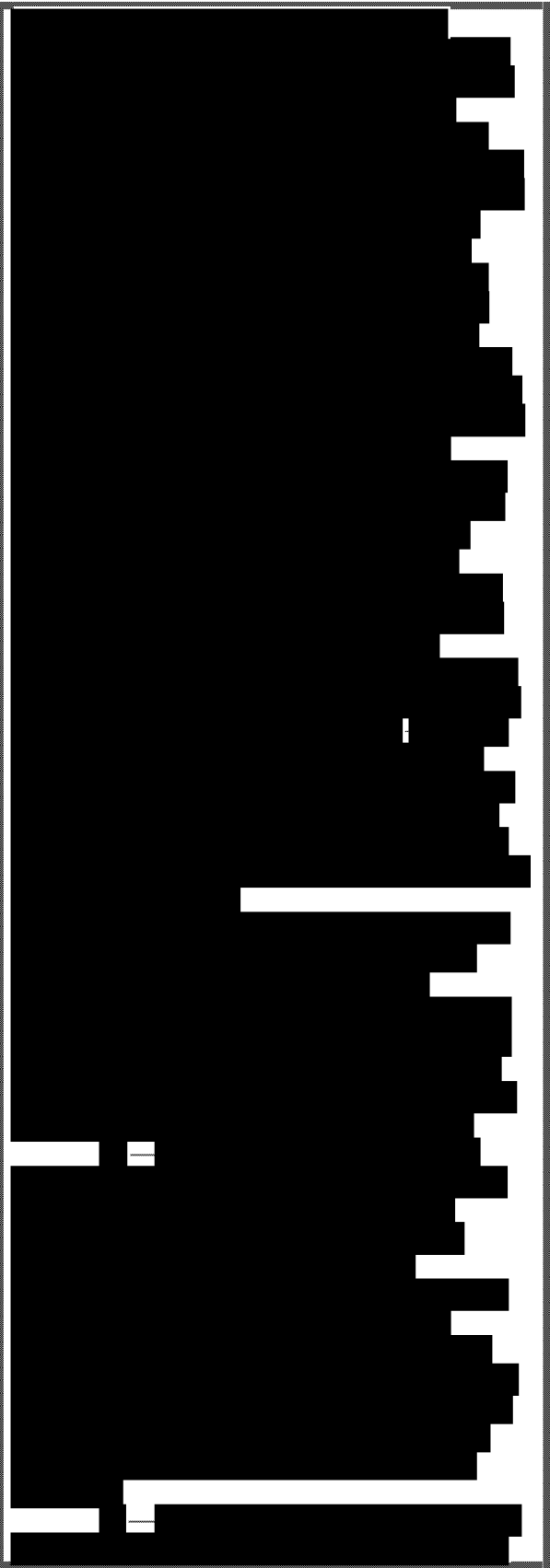
amount to the next Party A Rounding Amount). In the event that Party A fails to provide Party A Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

For purposes of this Section 8.2(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party B as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party A to Party B, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party A, then Party B may require Party A to provide Performance Assurance in an amount determined by Party B in a commercially reasonable manner. In the event Party A shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party A shall deliver to Party B, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party B.

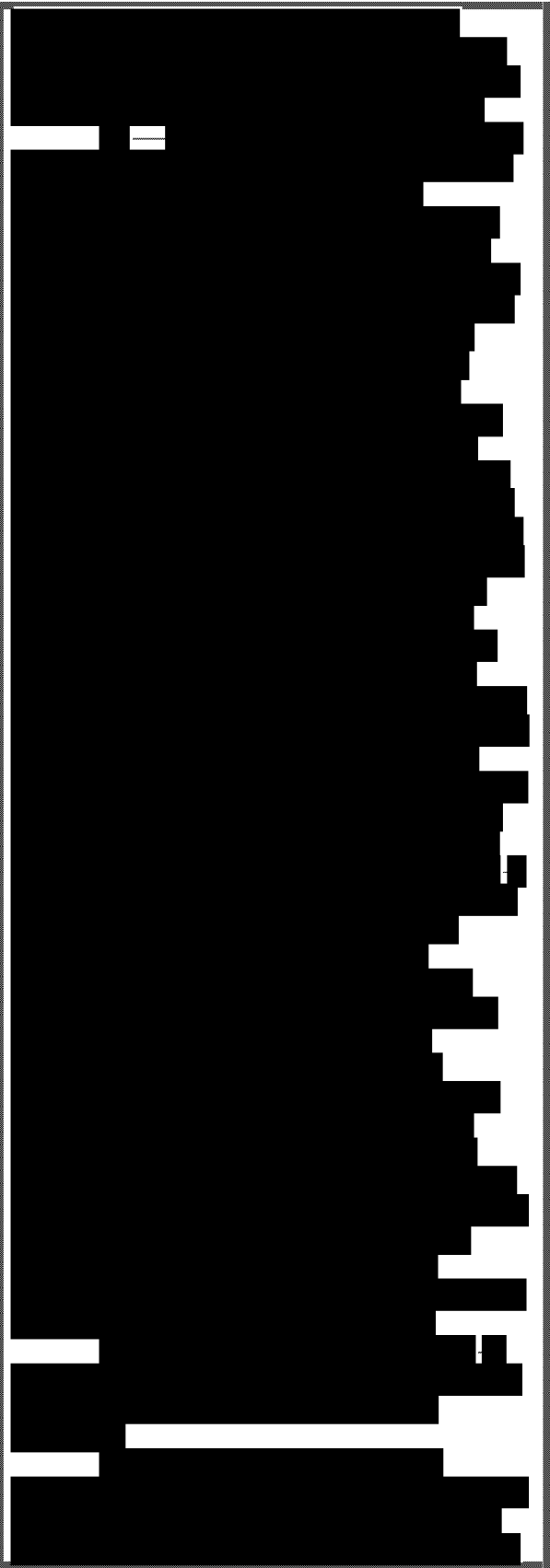
8.3 Grant of Security Interest/Remedies. To secure its obligations under this Agreement and to the extent either or both Parties deliver Performance Assurance hereunder, each Party (a "Pledgor") hereby grants to the other Party (the "Secured Party") a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, such Secured Party, and each Party agrees to take such action as the other Party reasonably requires in order to perfect the Secured Party's first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Non-Defaulting Party may do any one or more of the following: (i) exercise any of the rights and remedies of a Secured Party with respect to all Performance Assurance, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the Defaulting Party



in the possession of the Non-Defaulting Party or its agent; (iii) draw on any outstanding Letter of Credit issued for its benefit; and (iv) liquidate all Performance Assurance then held by or for the benefit of the Secured Party free from any claim or right of any nature whatsoever of the Defaulting Party, including any equity or right of purchase or redemption by the Defaulting Party. The Secured Party shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Pledgor's obligations under the Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full."

If the parties elect as being applicable on the Cover Sheet, the following new Section 8.4 shall be added to Article Eight of the EEI Master Agreement:

To secure its obligations under this Agreement, in addition to satisfying any credit terms pursuant to the terms of Section [8.1 or 8.2] to the extent marked applicable, Seller agrees to deliver to Buyer (the "Secured Party") within thirty (30) days of the date on which all of the conditions precedent set forth in Section __ are either satisfied or waived, and Seller shall maintain in full force and effect a) until the Commercial Operation Date a [INSERT TYPE OF COLLATERAL] in the amount of \$[____], the form of which shall be determined in [the sole discretion of] [or] [by] Buyer and (b) from the Commercial Operation Date until the end of the Term [INSERT TYPE OF COLLATERAL] in the amount of \$[____], the form of which shall be determined [in the sole discretion of] [or][by] the Buyer. Any such security shall not be deemed a limitation of damages."



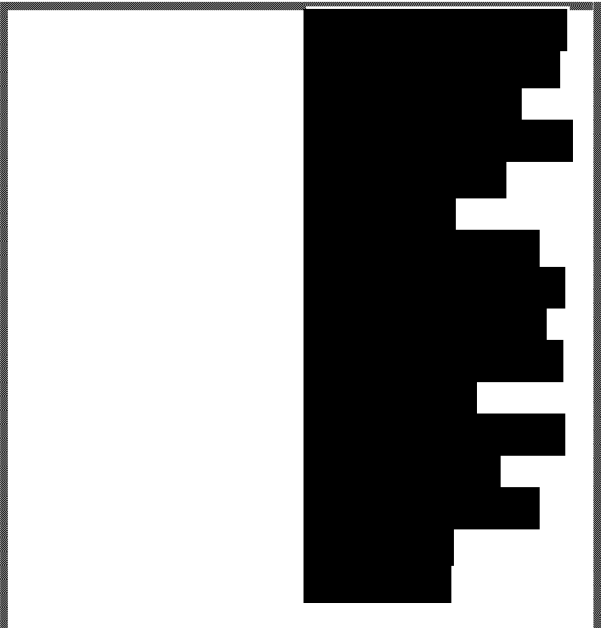


***STC 15: Contract Modifications
(Modifiable)***

“Except to the extent herein provided for, no amendment or modification to this Agreement shall be enforceable unless reduced to writing and executed by both parties.”

STC 15: Contract Modifications (Modifiable)

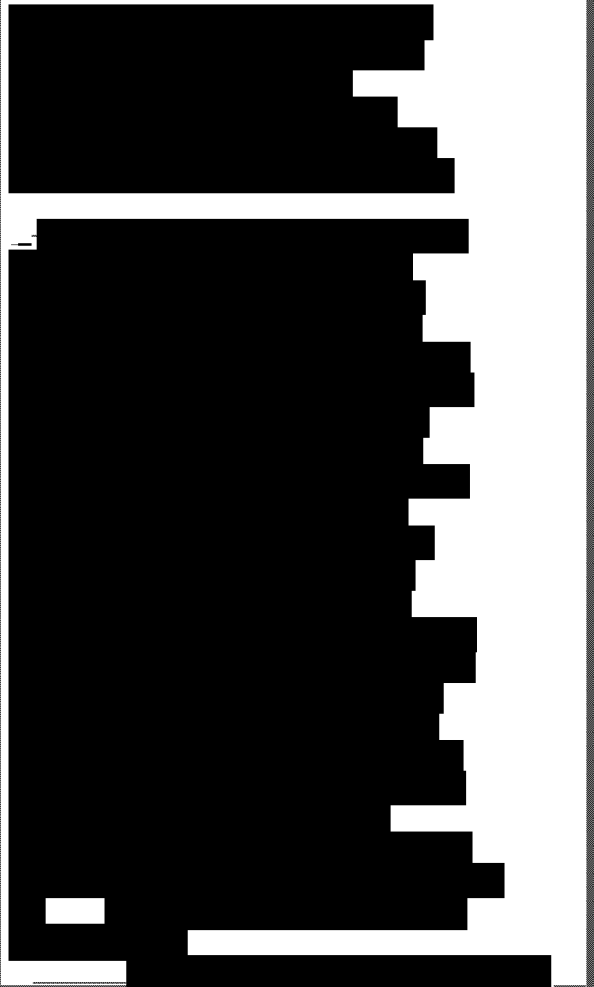


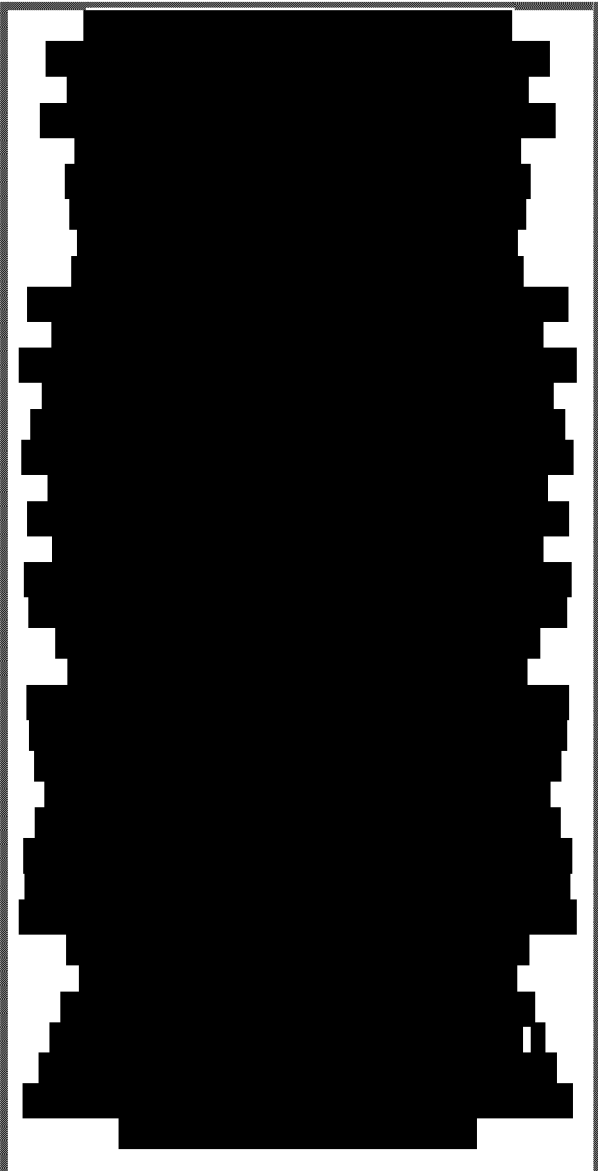


STC 16: Assignment (Modifiable)

“Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof to its financing providers and the financing provider(s) shall assume the payment and performance obligations provided under this Agreement with respect to the transferring Party provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.”

STC 16: Assignment (Modifiable)





STC 18: Application of Prevailing Wage (Modifiable)

To the extent applicable, Seller shall comply with the prevailing wage requirements of Public Utilities Code section 399.14, subdivision (h).

STC 18: Application of Prevailing Wage (Modifiable)



E. UNBUNDLED RENEWABLE ENERGY CREDIT TRANSACTIONS

THIS PROPOSED AGREEMENT IS NOT AN UNBUNDLED RENEWABLE ENERGY CREDIT TRANSACTION. THE FIRM FIXED QUANTITY PRODUCT SOLD INCLUDES ENERGY AND ASSOCIATED GREEN ATTRIBUTES. IN ACCORDANCE WITH D.10-03-021, THE PRODUCT CONTRACTED FOR INCLUDES BOTH THE ENERGY AND THE ASSOCIATED GREEN ATTRIBUTES OF A PORTION OF THE NCPAG GEYSERS GENERATION (AS MAY BE VERIFIED BY AUDIT), PLUS, THE GEYSERS UNITS ARE LOCATED IN CALIFORNIA AND INTERCONNECTED DIRECTLY TO THE CAISO GRID. THEREFORE, THE CONTRACT SATISFIES THE COMMISSION'S CRITERIA FOR BUNDLED RENEWABLE POWER.

F. MINIMUM QUANTITY (IF APPLICABLE)

As described in Part 1 of the Advice Letter the Proposed Agreement, the minimum quantity requirement set forth in D.07-05-028 has been satisfied.

G.SHORT-TERM CONTRACT (IF APPLICABLE)

The Proposed Agreement is a short term contract (1 year delivery term), but SDG&E is not seeking Fast Track approval.

H. MPR

[REDACTED]

I.AMFs

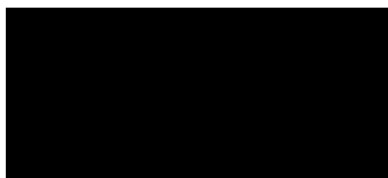
[REDACTED]

J. Emissions Performance Standard

Pursuant to D.07-01-039 this contract is not subject to the EPS as it has a delivery term of less than five years.

K. P R G PARTICIPATION AND FEEDBACK

Part 1 of the Advice Letter provides a discussion of PRG briefings and feedback on the Proposed Agreement. Attached below is a compilation of the various presentations that were made to the PRG.



L.I INDEPENDENT EVALUATOR

The Independent Evaluator, PA Consulting, was involved in every step of the 2009 RPS RFO process and evaluated bids for the 2009 RPS RFO. The Independent Evaluator was also monitored the negotiations between the parties and provided information in this Advice Letter to evaluate the fairness of this Project's evaluation compared to other bids the 2009 RPS RFO. D.06-05-039 requires that an IE Report accompany any bilaterally-negotiated contract submitted for approval. The Proposed Agreement was evaluated by PA Consulting Group, which was asked by SDG&E to evaluate the Agreement for the conduct of negotiations and the overall ratepayer value. PA concluded that the price of Agreement is competitive and highly viable and that the contract merits CPUC approval. Since this PPA was negotiated bilaterally outside of the RFO process, PA based its report for this contract upon its IE report for the most recently completed RFO (2009 & 2011). Please refer to Appendix C for the full version of IE Report.

PROJECT DEVELOPMENT STATUS

A.COMPANY/DEVELOPMENT TEAM

As stated in Part 1 of the Advice Letter, SVP is a counterparty with significant experience and expertise in all areas of electric power generation, including project development, construction, transmission, operations, finance, legal and environmental. The project has been constructed and has been in operation since the 1980's.

B.TECHNOLOGY

1. **TYPE AND LEVEL OF TECHNOLOGY MATURITY.**



2. **RESOURCE AND/OR AVAILABILITY OF FUEL**

Silicon Valley Power currently projects that the resource will last beyond 2050. The contract with SDG&E ends in 2011.

C. DEVELOPMENT MILESTONES

1. SITE CONTROL

[REDACTED]

2. EQUIPMENT PROCUREMENT

[REDACTED]

3. PERMITTING STATUS

[REDACTED]

D. PTC/ITC

THE PORTFOLIO OF GENERATORS IN THIS CONTRACT HAVE OPERATING HISTORIES EXCEEDING TEN YEARS FROM THEIR COMMERCIAL OPERATING DATES, WHICH RENDERS THEM INELIGIBLE FOR PRODUCTION TAX CREDITS OR INVESTMENT TAX CREDITS. TAX ISSUES ARE ASSUMED SETTLED AND THE TAX IMPLICATIONS RELATED TO THE CONSTRUCTION AND OPERATION OF THE VARIOUS FACILITIES RELATED TO THE CONTRACT ARE ASSUMED INCLUDED IN THE FINANCIALS RELATED TO THE OWNERSHIP AND OPERATION OF THESE ON-LINE GEOTHERMAL FACILITIES.

E. TRANSMISSION

1. HOW ELECTRICITY WILL BE DELIVERED UNDER THE CONTRACT IN TERMS OF COST, TIMING, AND LOCATION. ANY IMPROVEMENTS, TRANSACTIONS, AND OTHER CONTINGENCIES THAT MUST BE MET, TO ENABLE DELIVERY AS PLANNED

[REDACTED]

2. CONFIDENTIAL INFORMATION ON GEN-TIE AND NETWORK UPGRADES AND COSTS THAT IS NOT PROVIDED IN THE PUBLIC PORTION OF THE ADVICE LETTER.

[REDACTED]

3. LOCATIONAL ATTRIBUTES OF THE CONTRACT SUCH AS, CONGESTION RISK, IMPACT ON THE STATUS OF RUN MUST RUN (RMR) GENERATORS, AND RESOURCE ADEQUACY REQUIREMENTS.

[REDACTED]

[REDACTED]

[REDACTED]

4. **TRANSMISSION DETAILS:**

TRANSMISSION DETAILS	
QUEUE NUMBER (SPECIFY CONTROL AREA :CAISO,IID, ETC) AND RELATIVE POSITION	[REDACTED]
IF IN CAISOSERIAL GROUP, STATUS OF:	
FEASIBILITY STUDY	[REDACTED]
SYSTEM IMPACT STUDY	[REDACTED]
FACILITIES STUDY	[REDACTED]
IF IN CAISOC LUSTER:	
NAME OF CLUSTER	[REDACTED]
STATUS OF PHASE I AND II STUDIES	[REDACTED]
INTERCONNECTION AGREEMENT – DATE SIGNED OR ANTICIPATED	[REDACTED]
PREFERRED POINT OF INTERCONNECTION (LINE, SUBSTATION, ETC.)	[REDACTED]

EARLY INTERCONNECTION DETAILS, IF APPLICABLE	[REDACTED]
GEN-TIE TYPE (NEW LINE, RECONDUCTOR, INCREASED TRANSFORMER BANK CAPACITY, INCREASED BUS CAPACITY, INCREASED SUB AREA)	[REDACTED]
GEN-TIE LENGTH	[REDACTED]
GEN-TIE VOLTAGE	[REDACTED]
DEPENDENT NETWORK UPGRADE(S)	[REDACTED]
EXPECTED NETWORK UPGRADE COMPLETION DATE	[REDACTED]

F. FINANCING PLAN

[REDACTED]

G. PROJECT VIABILITY CALCULATOR (PVC)– NOT APPLICABLE IF PROJECT IS COMMERCIALY OPERATIONAL

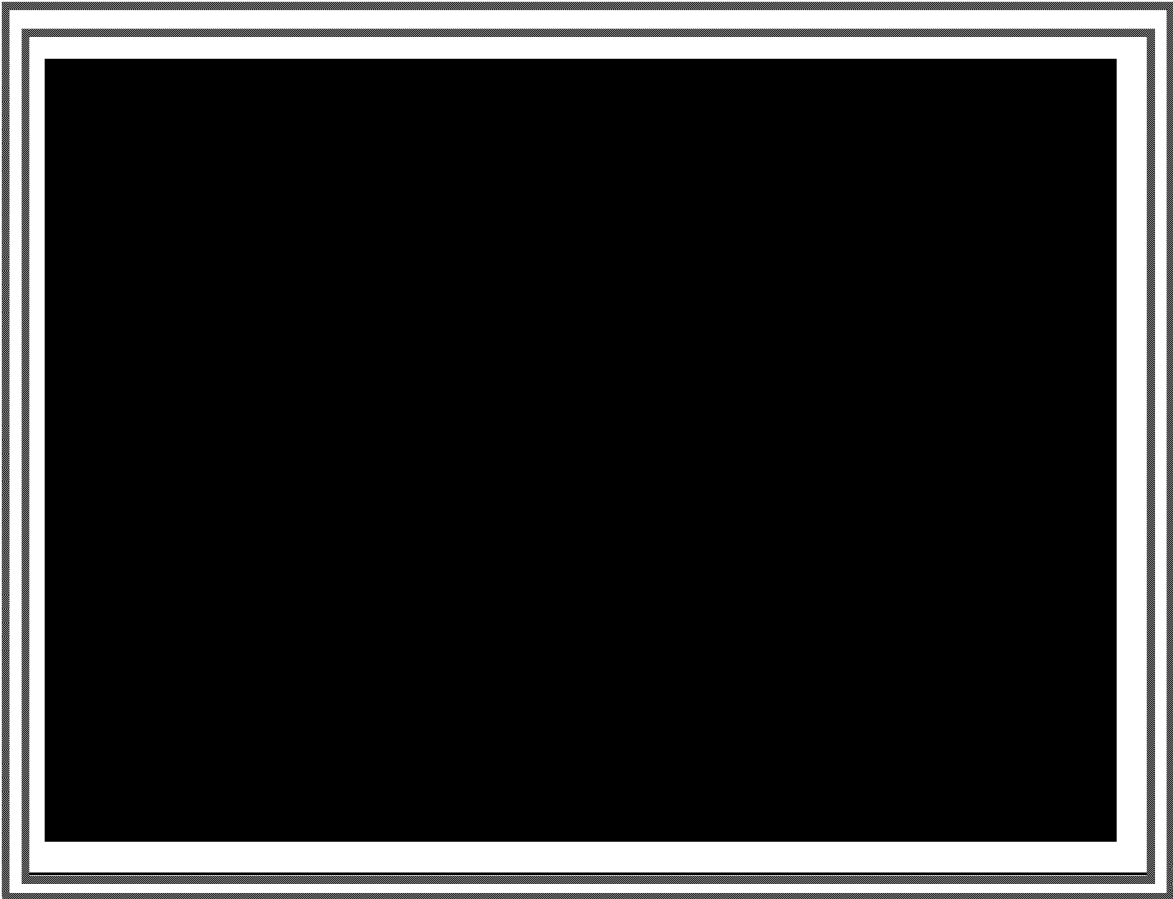
1. MODIFICATIONS THAT WERE MADE TO THE PVC

SDG&E did not make any modifications to the Energy Division issued PVC.

2. THE PROJECT'S PVC SCORE RELATIVE TO OTHER PROJECTS ON THE SHORTLIST AND IN THE SOLICITATION (E.G. RELATION TO MEAN AND MEDIAN, ANY PROJECTS NOT SHORTLISTED WITH HIGHER PVC SCORES, ETC.). USE FIGURES FROM BID WORKPAPERS, AS APPROPRIATE.

[REDACTED]

3. GENERATED GRAPHS FROM THE RPSW ORKPAPERS:

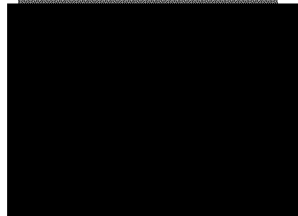


THE PROJECT'S PVC RESULTS



Confidential Appendix B
2009 Solicitation Overview

**ATTACH IS SDG&E'S 2009 SOLICITATION OVERVIEW, SUBMITTED
AS SECTION 3 OF SDG&E'S 2009 LCBFR REPORT.**



Confidential Appendix C
Final RPS Project-Specific Independent Evaluator Report

**ATTACHED IS THE FINAL, CONFIDENTIAL VERSION OF THE
IE'S PROJECT-SPECIFIC REPORT**



Confidential Appendix D

Contract Summary: Silicon Valley Power

THIS CONFIDENTIAL APPENDIX D SETS FORTH THE INFORMATION REQUIRED TO DEVELOP THE PROJECT CONTRACT SUMMARY.

CONTRACT SUMMARY

A.SITE

1. ADDRESS AND LATITUDE AND LONGITUDE OF THE PROJECT'S SITE

[REDACTED]

2.GENERAL MAP OF THE PROJECT'S PROPOSED LOCATION.



B.THE PROJECT'S CONTRIBUTION TO SDG&E'S RPS PROCUREMENT TARGETS

The table in Appendix G (below) sets forth the Project's contribution to SDG&E's APT and IPT goals on a percentage basis. The project contributes [REDACTED] [REDACTED] 2011 toward fulfillment of SDG&E's RPS obligation.

C.TERMS AND CONDITIONS OF DELIVERY

1. THE POINT OF DELIVERY FOR THE PROJECT'S ENERGY AND THE SCHEDULING COORDINATOR.

The point of delivery is at the CAISO's TH_NP15_GEN-APND
[REDACTED]

2. INFORMATION REGARDING FIRING AND SHAPING ARRANGEMENTS, OR OTHER PLANS TO MANAGE DELIVERY OF THE ENERGY THAT IS NOT INCLUDED IN THE PUBLIC SECTION OF THE ADVICE LETTER.

No firming and shaping is required since the contract is for bundled renewable energy that is generated from in-state facilities and delivered to the CAISO. SDG&E coordinates its load schedules in order to take into account the hourly [REDACTED] of energy generated under this contract. Once the Renewable Energy Credits have been created and posted into WREGIS, Silicon Valley Power transfers them to SDG&E. Accordingly, no shaping or firming is needed.

D. MAJOR CONTRACT PROVISIONS

1. MAJOR CONTRACT PROVISIONS ARE SUMMARIZED IN THE THE MATRIX BELOW.

TERM/CONDITION	RPSC ONTRACT
TYPE OF PURCHASE (RENEWABLE, RENEWABLE/CONVENTIONAL HYBRID, ETC.)	[REDACTED]
UTILITY OWNERSHIP OPTION	[REDACTED]
CONDITIONS PRECEDENT AND DATE TRIGGERS	[REDACTED]
AVERAGE ACTUAL PRICE (\$/MWH)	[REDACTED]
PRODUCT TYPE	[REDACTED]
KEY CONTRACT DATES (INITIAL STARTUP DEADLINE, COMMERCIAL OPERATION DEADLINE, P T C DEADLINES, ETC.)	[REDACTED]

TERM/CONDITION	RPSC ONTRACT
FIRMING/SHAPING REQUIREMENTS	[REDACTED]
EXPECTED PAYMENTS	[REDACTED]
SCHEDULING COORDINATOR	[REDACTED]
ALLOCATION OF CAISO (OR OTHER CONTROL AREA) CHARGES	[REDACTED]
ALLOCATION OF CONGESTION RISK	[REDACTED]
PROJECT DEVELOPMENT SECURITY	[REDACTED]
DAILY DELAY DAMAGES	[REDACTED]
SELLER-REQUIRED PERFORMANCE	[REDACTED]
SELLER PERFORMANCE ASSURANCES (CALCULATION METHODOLOGY, FORM OF PERFORMANCE ASSURANCE AND AMOUNT)	[REDACTED]
AVAILABILITY GUARANTEES	[REDACTED]
ENERGY DELIVERY REQUIREMENTS	[REDACTED]
LIQUIDATED DAMAGES / PENALTIES FOR FAILURE TO PERFORM	[REDACTED]
FORCE MAJEURE PROVISIONS	[REDACTED]

TERM/CONDITION	RPSC ONTRACT
NO FAULT TERMINATION	[REDACTED]
SELLER'S TERMINATION RIGHTS	[REDACTED]
UTILITY'S TERMINATION RIGHTS	[REDACTED]
RIGHT OF FIRST REFUSAL OR RIGHTS OF FIRST OFFER	[REDACTED]

2. CONTROVERSIAL AND/OR MAJOR PROVISIONS NOT EXPRESSLY IDENTIFIED IN THE MATRIX ABOVE.

[REDACTED]

3. OTHER CONTRACT PROVISIONS

- a. ANY OTHER SIGNIFICANT OR UNIQUE CONTRACT PROVISIONS TOO DETAILED AND/OR COMPLICATED TO INCLUDE IN THE MATRIX ABOVE.

[REDACTED]

- b. **WHETHER THE DEVELOPER IS TAKING ON THE FULL RISK UNDER CURRENT CONTRACT TERMS AND PRICE (FOR BIOMASS CONTRACTS ONLY).**

Not applicable

E.C ONTRACT PRICE

1. THE LEVELIZED CONTRACT PRICE USING SDG&E'S BEFORE TAX WEIGHTED AVERAGE COST OF CAPITAL DISCOUNT RATE IS INDICATED BELOW.

	PRICE	NOTES
LEVELIZED BID PRICE – INITIAL (\$/MWH)	[REDACTED]	[REDACTED]
LEVELIZED BID PRICE – FINAL (\$/MWH)**	[REDACTED]	[REDACTED]
LEVELIZED CONTRACT PRICE – FINAL (\$/MWH)	[REDACTED]	[REDACTED]
TOTAL SUM OF CONTRACT PAYMENTS	[REDACTED]	[REDACTED]

2. THE INDIVIDUAL COMPONENTS OF THE CONTRACT PRICING STRUCTURE ARE AS FOLLOWS:

- * **FLAT PRICING:** There is no flat price to this Agreement except for the REC portion
- * **INDEXED PRICING:** The day ahead energy index price at the point of delivery
- * **ESCALATION FACTORS:** There are no escalation factors in the contract price.
- * **NON-AMFs SUBSIDIES:** No Subsidies.

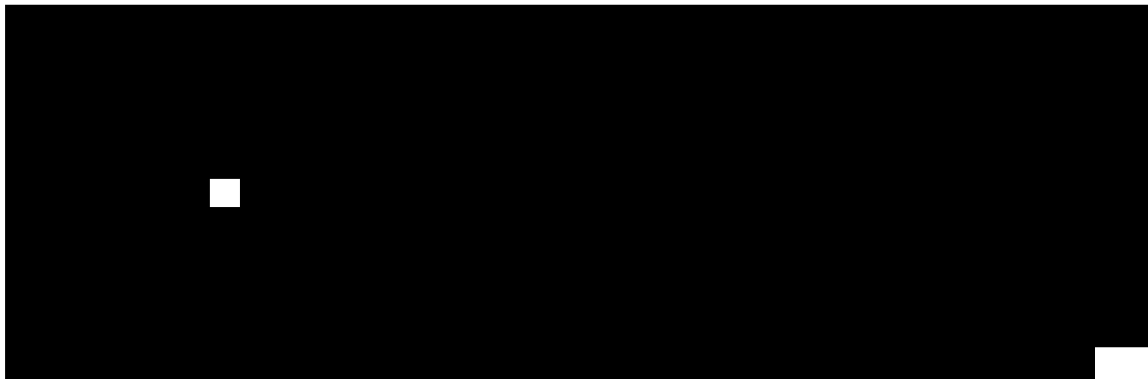
OTHER:

* [REDACTED]

3. CONTRACT TERMS THAT PERMIT MODIFICATIONS TO THE CONTRACT PRICE.

[REDACTED]

4. PRICE ADJUSTMENTS/MODIFICATIONS REQUESTED OF THE DEVELOPER DURING THE NEGOTIATION PERIOD. PRICE ADJUSTMENTS/MODIFICATIONS REQUESTED OF THE UTILITY DURING THE NEGOTIATION PERIOD. REASON(S) FOR THE PRICE ADJUSTMENT(S). HOW THE INITIAL BID PRICE COMPARES TO THE FINAL CONTRACT PRICE.



5. PROJECT CHARACTERISTICS (E.G. NETWORK UPGRADE COSTS, EQUIPMENT COSTS, CHANGES IN CAPACITY FACTOR, ETC.) THAT COULD CHANGE THE CONTRACT PRICE AND THEIR EFFECT ON THE LEVELIZED CONTRACT PRICE.



6. FOR BIOMASS PROJECTS:

1. WHAT LENGTH FUEL CONTRACT(S) HAS BEEN SIGNED, AND FOR HOW MANY YEARS OF THE PPA HAVE FUEL CONTRACT(S) BEEN SECURED?

The project will not depend on biomass fuel.

2. DESCRIBE THE DEVELOPER'S FORECASTED PRICE FOR FUEL SUPPLIES.

The project will not depend on biomass fuel.

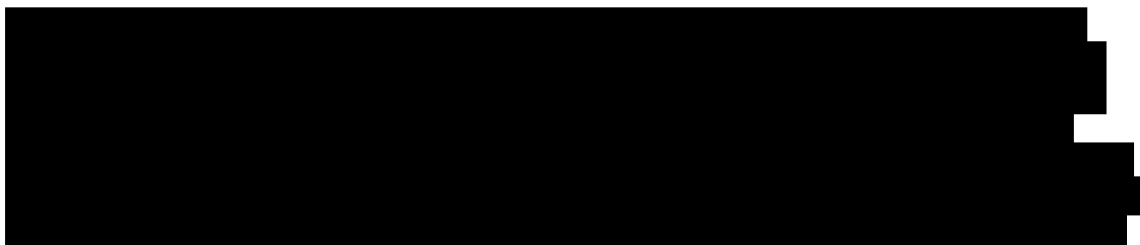
3. EXPLAIN HOW THE CONTRACT PRICE TAKES FUEL PRICE VOLATILITY INTO ACCOUNT.

The project will not depend on biomass fuel.

4. EXPLAIN WHAT THE DEVELOPER PLANS TO DO IF FUEL SOURCE DISAPPEARS OR BECOMES MORE EXPENSIVE.

The project will not depend on biomass fuel.

7. THE FOLLOWING TABLE ESTIMATES/PROVIDES ALL APPLICABLE ASSUMPTIONS REGARDING DIRECT OR INDIRECT CONTRACT COSTS THAT ARE PART OF THE CONTRACT, BUT NOT INCLUDED IN THE CONTRACT'S \$/MWH PRICE.



8. INDIRECT EXPENSES [ARE/ARE NOT] BUILT INTO THE CONTRACT PRICE, PROVIDE:

a. **A CALCULATION THAT SUBTRACTS THE INDIRECT EXPENSES FROM THE CONTRACT'S TOTAL ABOVE-MARKET COSTS, AND**



b. **A DESCRIPTION OF THE METHODOLOGY USED FOR THE CALCULATION.**



9. FOR AN OUT-OF-STATE CONTRACT IN WHICH THE ENERGY WILL BE FIRMED AND SHAPED, THE TABLE BELOW IDENTIFIES ALL FIRMING AND SHAPING COSTS ASSOCIATED WITH THE PROJECT AND WHETHER THEY ARE INCLUDED IN THE CONTRACT PRICE. (IF THERE ARE MULTIPLE POTENTIAL DELIVERY OPTIONS, THE TABLE IDENTIFIES THE FIRMING AND SHAPING COSTS ASSOCIATED WITH EACH OPTION, AND A NARRATIVE BELOW EXPLAINS WHICH OPTION SDG&E EXPECTS IS THE MOST AND LEAST LIKELY.)

The project is not an out-of-state contract in which the energy will be firmed and shaped.

10. RESULTS FROM THE ENERGY DIVISION'S AMFs CALCULATOR

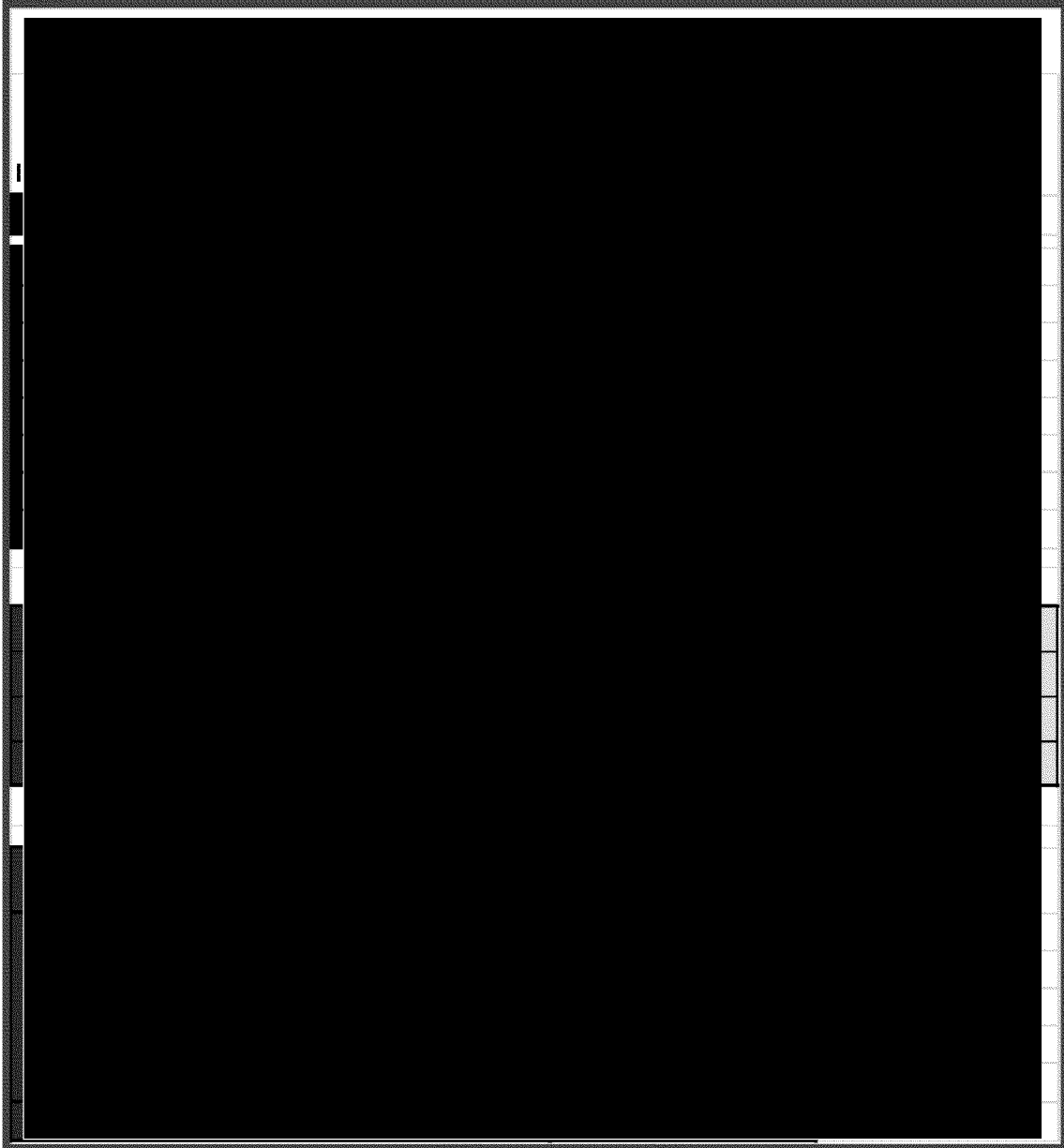
	(\$/MWH)	NOTES
LEVELIZED TOD-ADJUSTED CONTRACT PRICE	██████	As per AMF Calculator
LEVELIZED TOD-ADJUSTED TOTAL CONTRACT COST (CONTRACT PRICE + FIRMING AND SHAPING)	██████	Firming and shaping not required for delivery under the Agreement
LEVELIZED MPR	██████	Base MPR for 2011, 5-yr term
LEVELIZED TOD-ADJUSTED MPR	██████	As per AMF Calculator
ABOVE-MPRC OST (\$/MWH)	██████	As per AMF Calculator

TOTAL SUM OF ABOVE-MPRP AYMENTS (\$)



As per AMF Calculator

The file below presents the Results Tab generated by the AMF Calculator



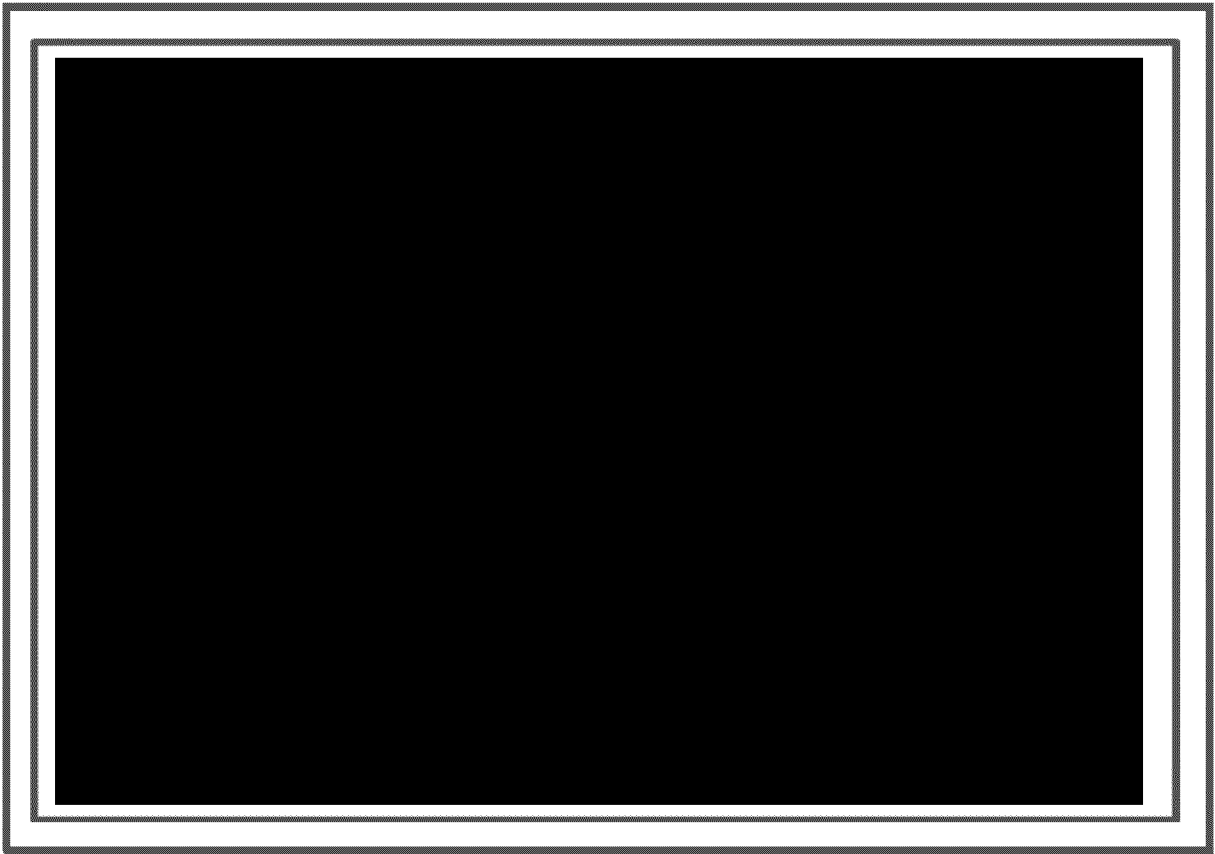
11. EXPLAINING WHICH MPR WAS USED FOR THE AMFs / COST CONTAINMENT CALCULATION (ONLY IF THE CONTRACT IS ELIGIBLE FOR AMFs).



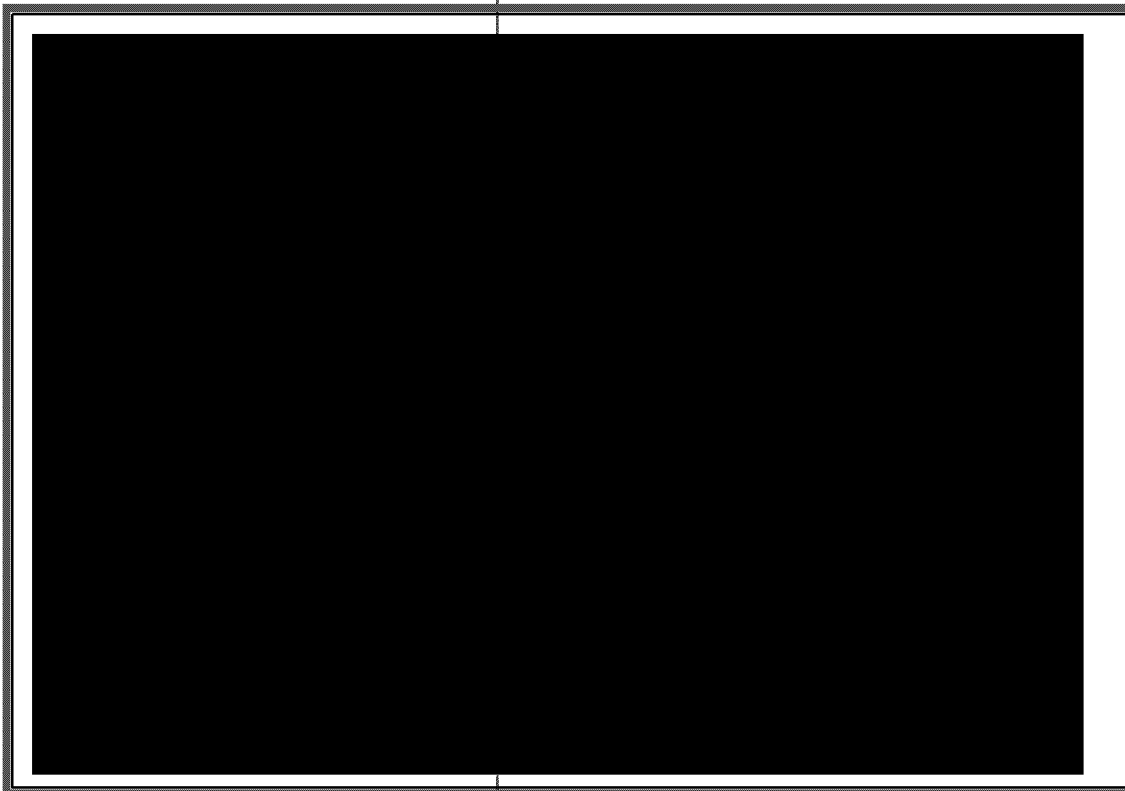
12. GRAPHS FROM THE RPS WORKPAPERS:

RPS SOLICITATION BID SUPPLY CURVE: 2009A LL BIDS VS. CURRENT SHORT LIST





RPS CONTRACT PRICE SUPPLY CURVE: 2004-2009A LL EXECUTED CONTRACTS



13. HOW THE CONTRACT PRICE COMPARES WITH THE FOLLOWING:

a. OTHER BIDS IN THE SOLICITATION,

[REDACTED]

b. OTHER BIDS IN THE RELEVANT SOLICITATION USING THE SAME TECHNOLOGY,

[REDACTED]

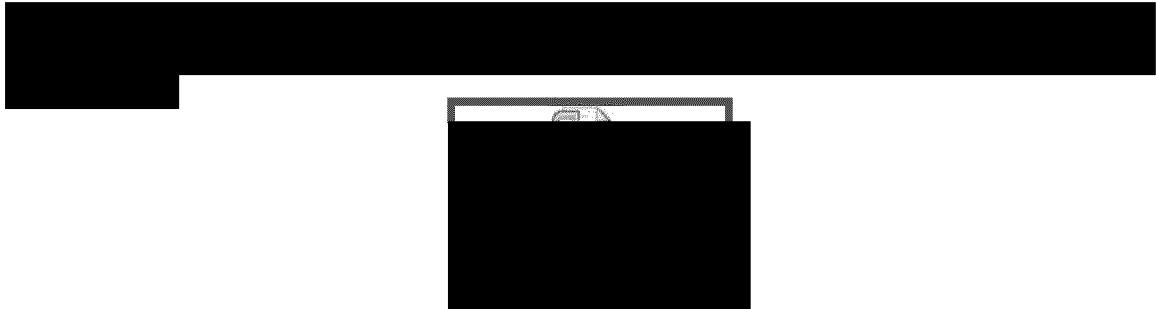
c. RECENTLY EXECUTED CONTRACTS

[REDACTED]

d. (OTHER PROCUREMENT OPTIONS (E.G. BILATERALS, UTILITY-SPECIFIC PROGRAMS, ETC.))

[REDACTED]

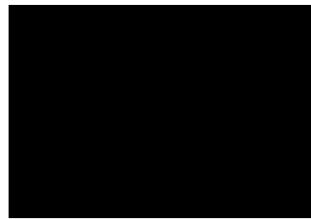
14. THE RATE IMPACT OF THE PROPOSED CONTRACT (CENTS PER KILOWATT-HOUR) BASED ON THE RETAIL SALES FOR THE YEAR WHICH THE PROJECT IS EXPECTED TO COME ONLINE.



Confidential Appendix E

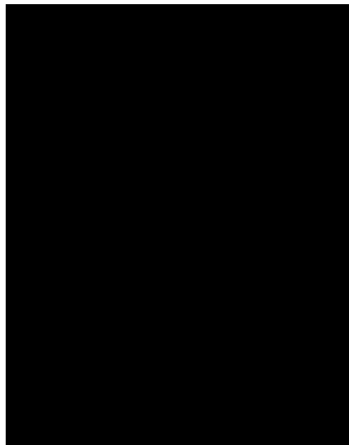
Comparison of Contract with
SDG&E's Pro Forma Power Purchase Agreement

THE FILE ATTACHED BELOW IS A REDLINE OF THE CONTRACT AGAINST SDG&E'S COMMISSION-APPROVED PRO FORMA RPS CONTRACT. _HOWEVER THIS IS INAPPLICABLE SINCE SDG&E DID NOT START WITH THE PROFORMA, INSTEAD THE CONFIRMATION UTILIZES THE WSPP CONTRACT. MODIFIABLE TERMS ARE HIGHLIGHTED IN GREEN AND NON-MODIFIABLE TERMS ARE HIGHLIGHTED IN YELLOW.



Confidential Appendix F
Power Purchase Agreement

THE FILE ATTACHED BELOW IS A COPY OF THE POWER PURCHASE AGREEMENT

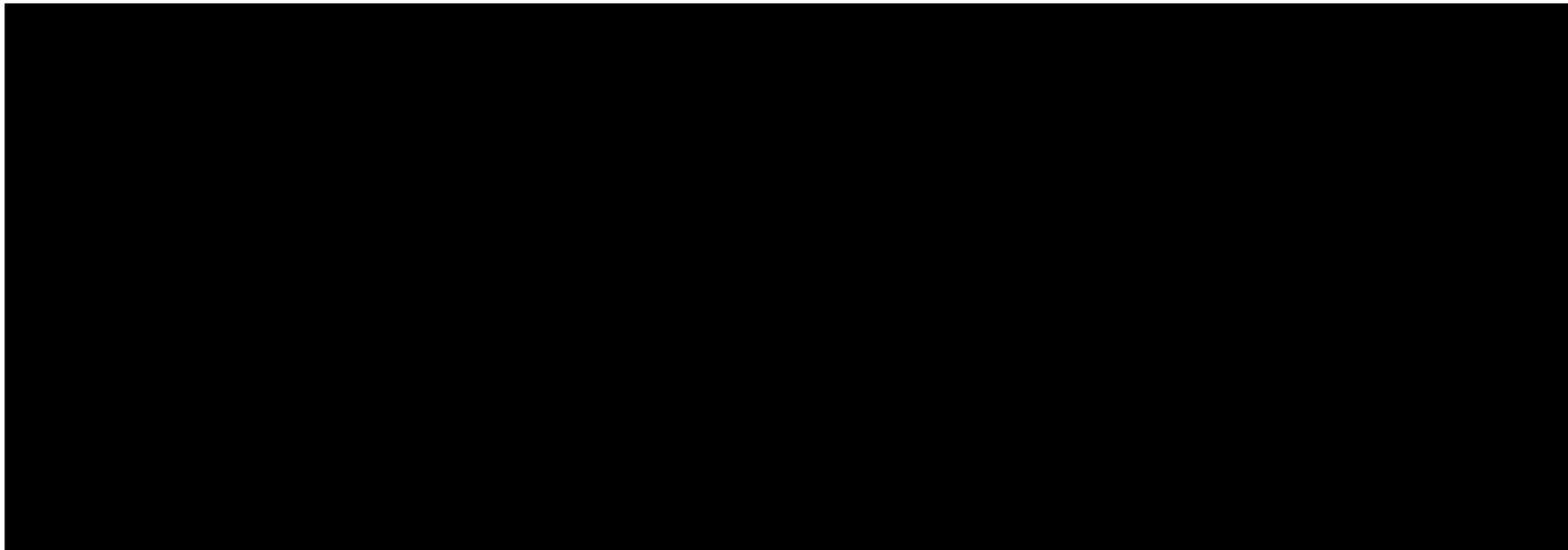


Confidential Appendix G

Project's Contribution Toward RPS Goals

Project's Contribution to RPS Goals

Project Name	Technology	COD	Location
Silicon Valley Power	Geothermal	7/1/2011	Lake County, California



THE PROJECT WAS NOT PREVIOUSLY INCLUDED AS PART OF THE UTILITY'S BASELINE. THEREFORE, THE FOLLOWING TABLE IS NOT APPLICABLE AS SDG&E'S BASELINE WILL NOT CHANGE.

	DELIVERIES (GWH/YR)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PRE-2002/B BASELINE	0	0	0	0		0	0	0	0	0	0
DELIVERIES FROM PROPOSED PROJECT	0	0	0	0	0	0	0	0	0	0	0
UPDATED BASELINE	0	0	0	0	0	0	0	0	0	0	0

THE PROJECT IS NEW TO SDG&E. THEREFORE, THE FOLLOWING TABLE IS NOT APPLICABLE AS IT IS NOT AN EXPIRING CONTRACT.

	DELIVERIES (GWH/YR)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EXPIRING CONTRACTS	0	0	0	0	0	0	0	0	0	0	0
EXPIRING DELIVERIES FROM PROPOSED PROJECT	0	0	0	0	0	0	0	0	0	0	0
UPDATED EXPIRING CONTRACTS	0	0	0	0	0	0	0	0	0	0	0

San Diego Gas & Electric Advice Letter 2278-E
August 17, 2011

Public Version of the Project Specific IE Report

San Diego Gas & Electric Co.

Report of the Independent Evaluator on the
Silicon Valley Power contract

August 12, 2011

San Diego Gas & Electric Co.

Report of the Independent Evaluator on the
Silicon Valley Power contract

August 12, 2011

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Version: 1.0

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1. INTRODUCTION

This is PA Consulting Group's Independent Evaluator Report analyzing the Silicon Valley Power contract. It is not, strictly speaking, a report of results from an RFO or describing any contract coming out of an RFO. The contracts at issue are short-term bilateral contracts. Based on California Public Utilities Commission Decision (D.) 09-06-050, bilateral renewable generation contracts should be compared to the results of the most recent RPS RFO, which in this case would have been the 2009 RFO. This is a one-year contract, and no short-term contracts were bid into and selected from that RFO. PA has therefore evaluated it under the guidelines promulgated in D. 09-06-050 for "fast-track approval" of short-term renewable energy contracts. PA concludes that the contracts would not merit fast-track approval, but are very close the cutoff for such approval. 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.¹ 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.

¹ Email from Cheryl Lee of the CPUC Energy Division, Oct. 27, 2009.

2. ANALYSIS

The Silicon Valley Power (SVP) contract is a bundled green energy deal under which SVP will deliver 40 MW of electric energy around the clock. The energy is to be produced by two geothermal plants in Northern California (we believe these are the facilities commonly known as the NCPA Geysers plants). The delivery term is from July 1, 2011 through June 30, 2012 (that is, delivery has already begun).

[REDACTED]

The best way to evaluate the pricing of this contract would be to compare its price [REDACTED] to other contracts. In D. 09-06-050 the Commission noted that “the market in RPS-eligible energy is still developing and a liquid short-term market does not now exist”.² That statement is still true and although it is possible to get renewable or REC price indexes at various locations in the Eastern Interconnection, PA does not have access to any indexes of renewable energy or REC prices in California.

[REDACTED]

[REDACTED]

[REDACTED] In this company the SPV offer appears quite reasonable.

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

² P. 18.

the ten-year Market Price Referent (MPR). The appropriate 10-year MPR for contracts beginning in 2011 is \$88.43/MWh,³ 90% of which is \$79.59/MWh.

PA could not obtain “forward market prices” for the contract period because the contract period has already begun. We obtained NP15 forward prices for August 2011 through June 2012 as of the end of July, and an NP15 spot price for June 2011. The data was sourced from NYMEX and Platt’s. [REDACTED]

[REDACTED] the SPV contract [REDACTED] is not unreasonably priced.

We have avoided evaluating this contract against the standard set by the shortlist from the 2009 RFO, because we believe that is inappropriate for such a short-term contract; however, for the sake of completeness we have computed the “LCBF ranking price” for this contract. It is [REDACTED] comparable to the ranking prices of the shortlisted bid [REDACTED]. However, it must be borne in mind that the “duration equalization” approach in that model evaluated contracts over an extended (35-year) period, filling in years before and after the contract term with a proxy price of [REDACTED].⁵ Because the SVP contract is for only one year, the computation of its ranking price is dominated by that proxy. This is one reason why we believe the LCBF evaluation of the SVP contract is not useful.

PA agrees with SDG&E that the contracts merit Commission approval. PA believes that the comparison with other offers is valid and that it supports a judgment that the pricing of the SVP contracts is reasonable. The drawback of that method is that PA does not have an independent source of renewable energy or REC price offers, and has to rely on prices supplied by SDG&E. PA therefore attempted to use the CPUC’s very short-term price benchmarks as additional standards for renewable pricing. [REDACTED]

³ CPUC Resolution E-4298, Dec. 17, 2009, p. 2.

⁴ [REDACTED]

⁵ After having tried several variations of “duration equalization”, none of which were satisfactory, SDG&E abandoned it after the 2009 RFO.

3. CPUC TEMPLATE

The following questions were proposed by the CPUC Energy Division in its “Template (Short Form) for RPS Fast-track Process of Very Short-term Contracts” as distributed on Oct. 27, 2009. PA believes that this is the appropriate template to use

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

SPV approached SDG&E bilaterally. SDG&E’s contract negotiator kept PA apprised of progress throughout the negotiation. SDG&E also reported progress in its Project Status Matrix.

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

Not relevant as the contracts did not arise from the 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.)

In the previous chapter PA evaluated this contract based on the LCBF methodology in order to illustrate the inappropriateness of that methodology for a contract of such short duration. The RPS RFO was for long-term contracts, and the bids to which the LCBF methodology would compare the contract are long-term bids. 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, and that SVP approached SDG&E independently.

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

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.

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.