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October 6, 2011

ADVICE LETTER 2247-E-A
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: SUPPLEMENT TO ADVICE LETTER REQUESTING APPROVAL OF POWER PURCHASE AGREEMENT WITH ENERGÍA SIERRA JUÁREZ U.S., LLC

I. PURPOSE

San Diego Gas & Electric Company ("SDG&E") hereby submits to the California Public Utilities Commission (the "Commission" or the "CPUC") this supplemental filing to Advice Letter 2247-E, which requested approval of a 20 year Power Purchase Agreement ("PPA") between SDG&E and Energía Sierra Juárez, U.S., LLC ("ESJ" or the "Project") for the purchase of renewable power from a wind generating facility to be constructed in northern Mexico, and interconnected to SDG&E's proposed ECO substation in the Imperial Valley region of California (the "Proposed Project"). Since that Advice Letter was filed on April 19, 2011, SDG&E and ESJ have agreed to amend the PPA ("First Amendment"). This supplemental filing describes the First Amendment and requests that the Commission approve the PPA, as amended by the First Amendment.

II. BACKGROUND AND DESCRIPTION OF AMENDMENTS

The Project began as a bid from the 2009 RFO and culminated with the execution of the PPA between SDG&E and ESJ on April 6, 2011. The PPA will provide approximately 324-422 GWh/year of RPS-eligible energy from a wind project of 110-156 MW. This new resource will contribute significantly to SDG&E's RPS resource portfolio and also contribute to fulfillment of SDG&E's pledge to deliver 2,253 GWh of RPS energy annually over the Sunrise Powerlink.

The First Amendment has an effective date of September 14, 2011. The First Amendment (a) changes the Guaranteed Final Commercial Online Date ("GFCOD") from twenty-four (24) months following the Regulatory CP Satisfaction Date to the later of August 31, 2013 or eighteen (18) calendar months following the Regulatory CP Satisfaction Date, (b) reduces the contract price, and (d) modifies the dates by which certain of the conditions precedent in the contract must be met. These changes provide significant ratepayer benefits by reducing the contract's costs and potentially adding RPS generation to SDG&E's portfolio in 2013. A revised least-cost best-fit ("LCBF") analysis for the amended PPA is included in Confidential Appendix A.

The First Amendment also modifies a contract provision that allows for the PPA pricing to be further reduced if the Seller provides a Guaranty in lieu of a Letter of Credit for either the Construction Period Security or the Delivery Term Security.

III. EFFECTIVE DATE

In order for the Proposed Project to meets its new GCOD, prompt Commission approval of the supplemented Advice Letter is critical. Accordingly, SDG&E respectfully requests approval of Advice Letter 2247-E-A, as amended, at the earliest possible date, but in no event later than January 6, 2012

IV. REQUEST FOR CONFIDENTIAL TREATMENT

Confidential information in support of the First Amendment is provided in Confidential Appendices A, B and D, as listed below:

Appendix A: Summary of First Amendment and Revised Pricing Evaluation
Appendix B: Revised RPS Project-Specific Independent Evaluator Report
Appendix D: First Amendment

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

V. REQUEST FOR COMMISSION APPROVAL

SDG&E respectfully requests that the Commission review and approve the Proposed Agreement through the issuance of a Resolution no later than January 6, 2012.

As detailed in the original and this Supplemental Advice Letter, the proposed agreement, as amended is consistent with SDG&E's CPUC-approved RPS Plan and procurement from the proposed agreement will contribute towards SDG&E's APT starting as early as 2013. SDG&E's entry into the Proposed Agreement, as amended and the terms of such agreement, as amended, are reasonable; therefore, all costs associated with the Proposed Agreement, amended, including energy, green attributes, resource adequacy, and load uplift should be fully recoverable in rates.

The Proposed Agreement, as amended, is conditioned upon "CPUC Approval." SDG&E, therefore, requests the following Commission findings in its approval of the PPA:

1. The Proposed Agreement, as amended, is consistent with SDG&E's CPUC-approved RPS Plan and procurement from the Proposed Agreement, as amended, will contribute towards SDG&E's RPS procurement obligation.

2. SDG&E's entry into the Proposed Agreement, as amended, and the terms of such agreement, as amended, are reasonable; therefore, the Proposed Agreement, as amended, is approved in its entirety and all costs of the purchase associated with the Proposed Agreement, as amended, including for energy, green attributes, resource adequacy, and load uplift are fully recoverable in rates over the life of the Proposed Agreement, as amended, subject to Commission review of SDG&E's administration of the Proposed Agreement, as amended.

3. Generation procured pursuant to the Proposed Agreement, as amended, 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. The Proposed Agreement, as amended, will contribute to SDG&E's minimum quantity requirement established in D.07-05-028.

VI. PROTEST

The filing of a supplement does not automatically continue or reopen the protest period or delay the effective date of the advice letter. The Energy Division may, on its own motion or at the request of any person, issue a notice continuing or reopening the protest period. Any new protest shall be limited to the substance of the supplemental filing.[1]

The original Advice Letter was not protested on the basis of either price of COD, which are the only material changes in the amended PPA. SDG&E therefore respectfully requests that the protest period not be reopened. However, if the protest period is reopened, the protest must state the grounds upon which it is based and should be submitted in accordance with the direction provided by the Energy Division. 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 Gatchalian (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).

[1] General Order 96-B. § 7.5.1.

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

VII. 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) 654-1879 or by e-mail to SDG&ETariffs@semprautilities.com.

_____
Clay Faber
Director – Regulatory Affairs

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) #: 2247-E-A

Subject of AL: Supplement to Advice Letter Requesting Approval of Power Purchase Agreement with Energia Sierra Juarez U.S., LLC

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

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☐ One-Time ☒ Othe r

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 AL[1]: N/A

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

Resolution Required? ☒ Yes ☐ No

Tier Designation: ☐ 1 ☐ 2 ☒ 3

Requested effective date: 1/6/2012

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 proposed[1]: No ne

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 2247-E-A
October 6, 2011

ATTACHMENT A

DECLARATION OF TED ROBERTS REGARDING CONFIDENTIALITY OF CERTAIN DATA

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF THEODORE E. ROBERTS REGARDING CONFIDENTIALITY OF CERTAIN DATA

I, Theodore E. Roberts, do declare as follows:

1. I am an Origination Manager for San Diego Gas & Electric Company ("SDG&E"). I have reviewed Supplemental Advice Letter 2247-E-A, requesting approval of the First Amendment to the Power Purchase Agreement (PPA) with Energía Sierra Juzárez U.S., LLC (with attached confidential and public appendices), dated October 6, 2011 ("Supplemental 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

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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.

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/]

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**
Bid Information[5] ***Locations:*** ***1. Confidential Appendix A*** ▪ *Embedded 2011 RPS RFO Solicitation excel spreadsheet*	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The data provided is non-public bid data from SDG&E's Renewable RFOs.
	Identify the Matrix	This information is

[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/] 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.

on p. 5; ▪ *Explanation of which MPR was used for the AMF/Cost Containment Calculation on p. 14-15.* **2. *Confidential Appendix B*** ▪ *Embedded Revised RPS Project-Specific Independent Evaluator Report on p.17*	category or categories to which the data corresponds	protected under IOU Matrix category VIII.A.
	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 until the final contracts from each of the RFOs have been submitted to the CPUC for approval.
	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 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.
Specific Quantitative Analysis[6] ***Location:*** **1. *Confidential Appendix A*** ▪ *Tables with computed Project Bid Scores under SDG&E's approved 2011 LCBF Evaluation Criteria on p.3-5;* ▪ *Project Levelized Contract Cost ($/MWh) in The Project Bid Scores tables on p. 3;* ▪ *Portfolio Fit Narrative*	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	This data is SDG&E's specific quantitative analysis involved in scoring and evaluating renewable bids. Some of the data also involves analysis/evaluation of proposed RPS projects.
	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	In accordance with the limitations on

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

analysis on p65-8; ▪ *Discussion of the Project's comparison to the MPR on p.9;* ▪ *Results from the Energy Division's AMF Calculator and embedded excel files with AMF Computation on p.9-10;* ▪ *Screen shots of AMF calculator Input on p.10-11;* ▪ *Rate Impact calculation and embedded excel spreadsheet with Rate Impact calculation on p. 11-14;* ▪ *Narrative of Project Comparison to: Other bids in the solicitation; Other bids in the relevant solicitation using the same technology; and Recently executed contracts on p. 15.* **2. *Confidential Appendix B*** ▪ *Embedded Revised RPS Project-Specific Independent Evaluator Report on p.17*	limitations on confidentiality specified in the Matrix for that type of data	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.
Contract Terms[7] ***Locations:*** **1. *Confidential Appendix A*** ▪ *Discussion of the impact of the new GCOD on the project's energy deliveries on p. 2;* ▪ *Discussion using LCBF criteria describing why the project was preferred to other alternatives on p. 9;*	*Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix*	This data includes specific contract terms.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category VII.G.
	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

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

		confidential for three years.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	In order to include as much detail as possible, SDG&E has provided specific contract terms instead of summaries.
Analysis and Evaluation of Proposed RPS Projects[8] ***Locations:*** ***Confidential Appendix A*** ▪ *Portfolio Fit Narrative, Transmission Adders, Application of TODs and Qualitative Factors on p.5-6;* ▪ *Discussion of how and why the project's bid ranking changed after negotiations on p. 8-9;*	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The Commission has concluded that Actual Procurement Percentage data must be protected in order to avoid disclosing SDG&E's Bundled Retail Sales data.[9]

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

[9] *Id.*

	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category V.C.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the "front three years" of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not 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.
IPT/APT Percentage[11] ***Locations:*** • ***Confidential Appendix A*** *The project's contribution numbers to the SDG&E's RPS obligations on p.2.* • ***Confidential Appendix*** *G on p.20.*	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The Commission has concluded that since APT Percentage is a formula linked to Bundled Retail Sales Forecasts, disclosure of APT would allow interest parties to easily calculate SDG&E's Total Energy Forecast – Bundled Customer (MWH).[12/] The same concern exists with regard to IPT percentage.

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

[12/] *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.

	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category V.C.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the "front three years" of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not 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 First Amendment to 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.[11]

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

[11] 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.")

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

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.[13/] 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.[14/]

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

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13/ *See also* Govt. Code § 6254.7(d).
14/ *See*, D.06-06-066, *mimeo*, pp. 26-28.

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.

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 6th day of October, 2011 at San Diego, California.

Theodore E. Roberts
Origination Manager
Electric and Fuel Procurement
San Diego Gas & Electric

San Diego Gas & Electric Advice Letter 2247-E-A

October 6, 2011

ATTACHMENT B

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 = I P T / A P ERCENTAGES (V.C)

= BID INFORMATION (VIII.A) AND SPECIFIC QUANTITATIVE

1. Summary of Fist Amendment

The First Amendment is the product of bilateral negotiations resulting from an ESJ offer of a contract amendment to lower the price and advance the online date. From a least-cost, best fit ("LCBF") perspective, the First Amendment ranks favorably when compared to offers that SDG&E shortlisted in its 2011 RPS solicitation. The First Amendment provides SDG&E an opportunity for incremental RPS procurement of firm bundled deliveries beginning as early as August 31, 2013. 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 2016 RPS obligation.

a. First Amendment Summary and Discussion

The First Amendment modifies the original PPA by: (1) lowering the contract price; (2) modifying the COD to allow the project to come online earlier (3) making conforming changes to the conditions precedent

Pricing: The original PPA was priced at $121.50/MWh, which was then adjusted by time of day "(TOD") factors. The First Amendment lowers the contract price to $106.50/MWh and retains the TOD adjustment. The project's LCBF rankings are discussed in the next section of this Advice Letter supplement. Both the original PPA and the First Amendment provide that, if ESJ provides a Guaranty in lieu of a Letter of Credit as part of its security to SDG&E, then the contract price will drop an additional sixty cents (0.60/MWh) for the period that such Guaranty is in effect

GCOD: The original Agreement states that the GCOD will be twenty-four (24) months after Commission approval. The First Amendment modifies this term to provide that GCOD will be the later of eighteen (18) months after Commission approval or August 31, 2013. [redacted]

Changes to conditions precedent: In order to conform the conditions precedent in the PPA to the amended online date and the passage of time since the original PPA was executed, ESJ and SDG&E agreed to extend the deadline for approval by the FERC, to reduce the amount of capacity that must achieve COD before Delay Damages become prorated and to modify the in-service date for the Project's interconnection facilities.

b. The Project's Bid Scores under SDG&E's Approved LCBF Evaluation Criteria (four options).

LCBF Criteria / Component		Project Score/Details - 120 MW		Notes
		[redacted]	[redacted]	
A	Levelized Contract Cost ($/MWh)	[redacted]	[redacted]	
B	Project specific Price Referent ($/MWh)	[redacted]	[redacted]	[redacted]
C = A - B	Above Market Price ($/MWh)	[redacted]	[redacted]	
D	Short-Term/Long-Term Adder ($/MWh)	[redacted]	[redacted]	[redacted]
E	Deliverability Adder ($/MWh)	[redacted]	[redacted]	[redacted]
F	Congestion Cost ($/MWh)	[redacted]	[redacted]	
G	TRCR Adder ($/MWh)	[redacted]	[redacted]	
H = C + D + E + F + G	Bid Ranking Price ($/MWh)	[redacted]	[redacted]	

LCBF Criteria / Component		Project Score/Details - 130 MW		Notes
		Original Agreement	Repriced Agreement	
A	Levelized Contract Cost ($/MWh)	[redacted]	[redacted]	
B	Project specific Price Referent ($/MWh)	[redacted]	[redacted]	[redacted]
C = A - B	Above Market Price ($/MWh)	[redacted]	[redacted]	
D	Short-Term/Long-Term Adder ($/MWh)	[redacted]	[redacted]	[redacted]
E	Deliverability Adder ($/MWh)	[redacted]	[redacted]	[redacted]
F	Congestion Cost ($/MWh)	[redacted]	[redacted]	

G	TRCR Adder ($/MWh)	[redacted]	[redacted]	
H = C + D + E + F + G	Bid Ranking Price ($/MWh)	[redacted]	[redacted]	

LCBF Criteria / Component		Project Score/Details - 146 MW		Notes
		Original Agreement	Repriced Agreement	
A	Levelized Contract Cost ($/MWh)	[redacted]	[redacted]	
B	Project specific Price Referent ($/MWh)	[redacted]	[redacted]	[redacted]
C = A - B	Above Market Price ($/MWh)	[redacted]	[redacted]	
D	Short-Term/Long-Term Adder ($/MWh)	[redacted]	[redacted]	[redacted]
E	Deliverability Adder ($/MWh)	[redacted]	[redacted]	[redacted]
F	Congestion Cost ($/MWh)	[redacted]	[redacted]	
G	TRCR Adder ($/MWh)	[redacted]	[redacted]	
H = C + D + E + F + G	Bid Ranking Price ($/MWh)	[redacted]	[redacted]	

LCBF Criteria / Component		Project Score/Details - 156 MW		Notes
		Original Agreement	Repriced Agreement	
A	Levelized Contract Cost ($/MWh)	[redacted]	[redacted]	
B	Project specific Price Referent ($/MWh)	[redacted]	[redacted]	[redacted]
C = A - B	Above Market Price ($/MWh)	[redacted]	[redacted]	
D	Short-Term/Long-Term Adder ($/MWh)	[redacted]	[redacted]	[redacted]

E	Deliverability Adder ($/MWh)	[redacted]	[redacted]	[redacted]
F	Congestion Cost ($/MWh)	[redacted]	[redacted]	
G	TRCR Adder ($/MWh)	[redacted]	[redacted]	
H = C + D + E + F + G	Bid Ranking Price ($/MWh)	[redacted]	[redacted]	

c. How the Project Compares with Other Bids Received in the Solicitation with regard to each LCBF Factor.

Portfolio Fit

Various factors which describe "portfolio fit" have been quantitatively and qualitatively evaluated. Each is presented in this section.

Attached below is SDG&E's LCBF Ranking for the 2011 RPS RFO.

[redacted]

Transmission Adder

[redacted]

Application of Time of Day ("TOD") Factors

[redacted]

Qualitative Factors

The original Agreement was solicited and shortlisted through the 2009 RPS RFO. It was a 20-year PPA for wind power from turbines sited in Baja California, Mexico to be built and

operational by January 2014. The original Agreement was executed on April 6, 2011 and was submitted for approval on April 19th, 2011 in Advice Letter 2247-E.

After the advice letter was filed in April, ESJ re-evaluated its pricing based upon the general decrease in wind equipment prices that has occurred in recent months. The original agreement priced the wind energy at $121.50/MWh in all years adjusted by time-of-day ("TOD") factors for four different capacity options between 120 MW and 156 MW. [redacted]. This was changed to a new price of $106.50/MWh with TOD adjustment and no escalation over the term, [redacted]

[redacted]

However, the project's new COD is as early as August 31, 2013, [redacted]

d. The Adders Applied in the LCBF Analytical Process and the Impact of Those Adders on the Project's Ranking.

Levelized Contract Cost – The base price offered in the Proposed Agreement is $106.50/MWh, which is adjusted by time-of-day ("TOD") factors from 2009 as contained in the original Agreement. The Agreement allows Sempra Generation to select one of four options for total capacity of the plant; 120 MW, 130 MW, 146 MW and 156 MW. [redacted]

Above Market Price – [redacted]

[redacted]

Duration Equalization Adder (Begin/End Effects) –

TOD Adjustment Adder –

Transmission Adder (TRCR) -

RA Capacity Credit –

Deliverability Adder –

[redacted]

[redacted]

[redacted]

Congestion Adder – [redacted]

e. How and Why the Project's Bid Ranking Changed After Negotiations.

The original Agreement was solicited and shortlisted through the 2009 RPS RFO. It was a 20-year PPA for wind power from turbines sited in Baja California, Mexico to be built and operational by January 2014.. The original Agreement was executed on April 6, 2011 and was submitted for approval on April 19th, 2011 in Advice Letter 2247-E.

After the advice letter was filed in April 2011, ESJ re-evaluated its pricing based upon the general decrease in wind equipment prices that has occurred in recent months. The original agreement priced the wind energy at $121.50/MWh in all years adjusted by time-of-day ("TOD") factors for four different capacity options between 120 MW and 156 MW. [redacted] This was changed to a new price of $106.50/MWh with TOD adjustment and no escalation over the term, [redacted]

[redacted]

However, the project's new COD is as early as August 31, 2013, [redacted]

f. . Using LCBF Criteria and Other Relevant Criteria, Explain why the Submitted Contract was Preferred Relative to Other Shortlisted Bids or Other Procurement Options.

The First Amendment is competitive with SDG&E's 2011 RPS RFO shortlist and recently executed bilateral contracts on a Total LCBF Ranking Price basis as discussed above, and will be interconnecting at the new ECO substation [redacted]

II. MPR

The Levelized Contract Cost of the Proposed Agreement, as computed from the base contract bid price of $106.50/MWh [redacted] The 2009 MPR value for 20-year baseload contracts beginning in 2013 is $108.98/MWh; [redacted]

III. AMFS

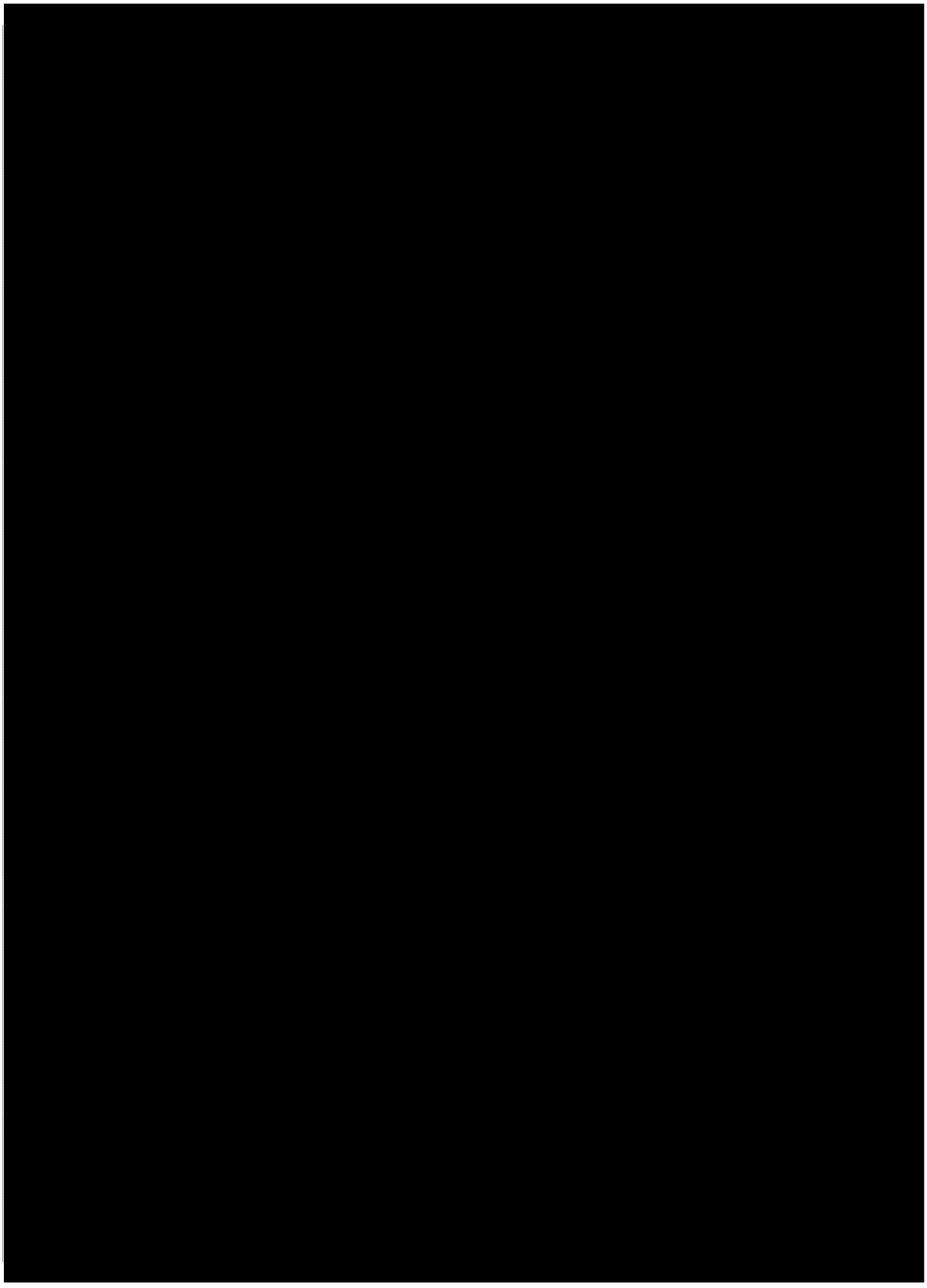
Results from the Energy Division's AMFs Calculator

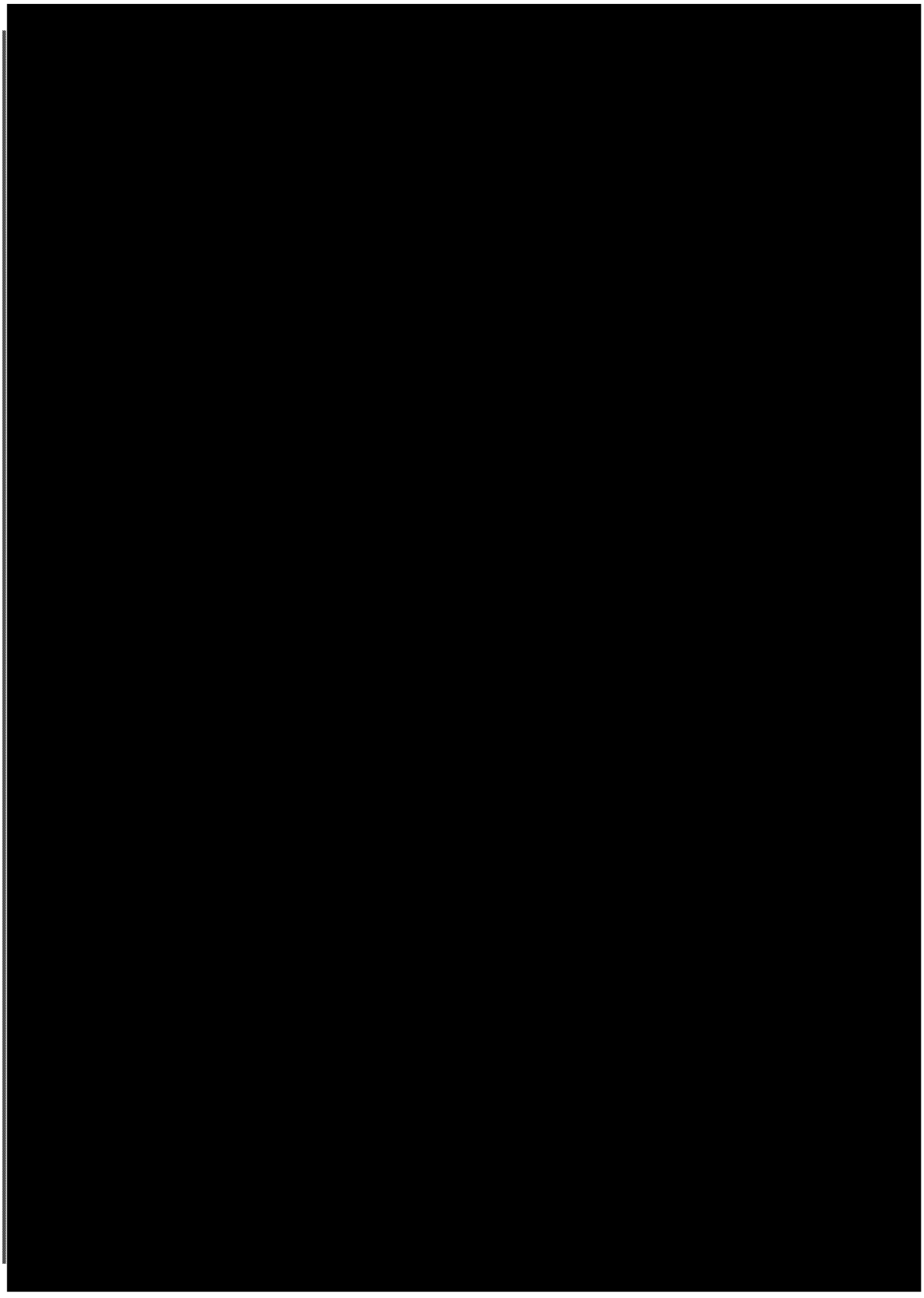
	120 MW	130 MW	146 MW	156 MW	NOTES
	($/MWH)				
LEVELIZED TOD-ADJUSTED CONTRACT PRICE	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
LEVELIZED TOD-ADJUSTED TOTAL CONTRACT COST (CONTRACT PRICE + FIRMING AND SHAPING)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
LEVELIZED MPR	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
LEVELIZED TOD-	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

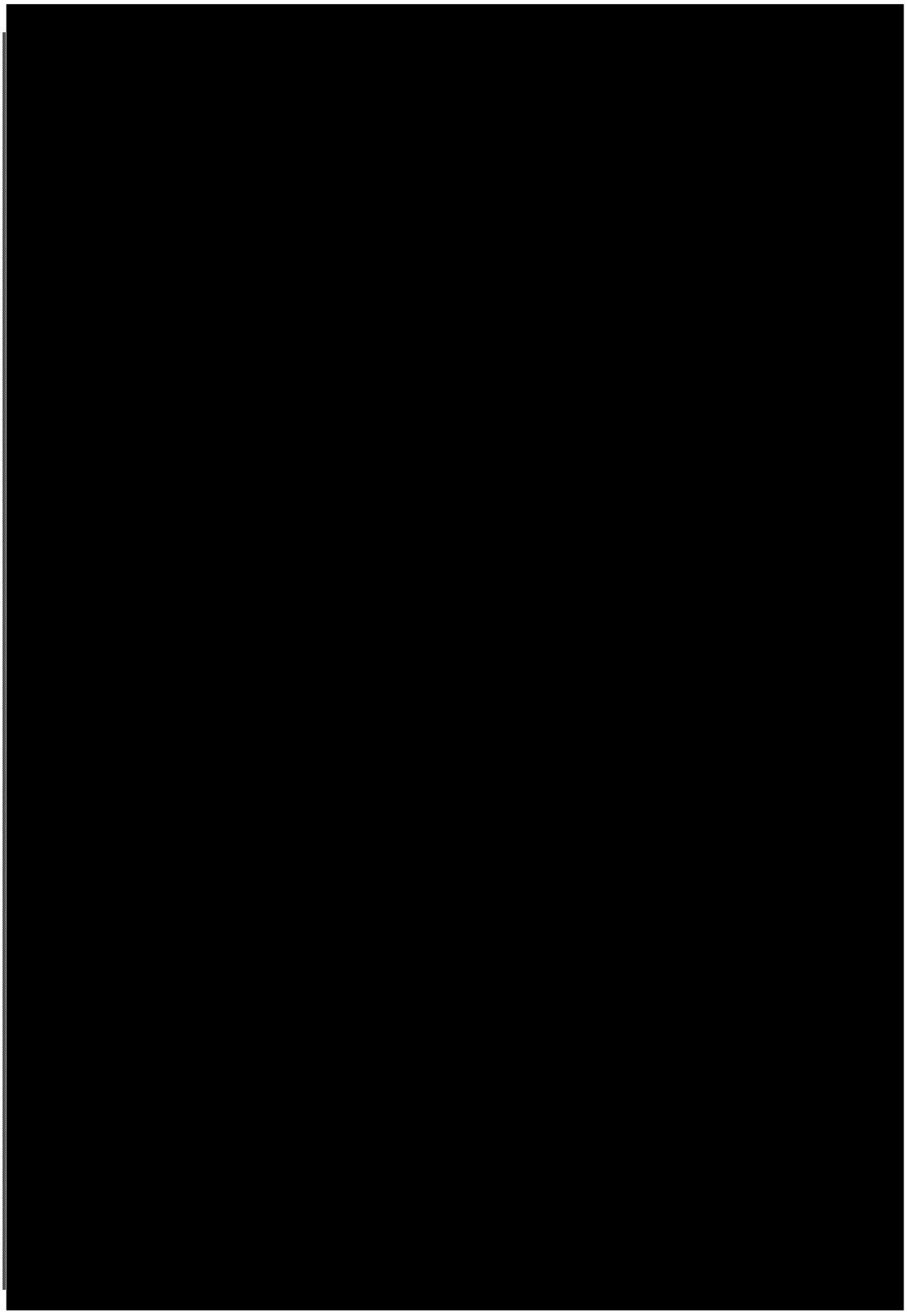
ADJUSTED MPR					[redacted]
ABOVE-MPR COST ($/MWH)	[redacted]	[redacted]	[redacted]	[redacted]	
TOTAL SUM OF ABOVE-MPR PAYMENTS ($)	[redacted]	[redacted]	[redacted]	[redacted]	

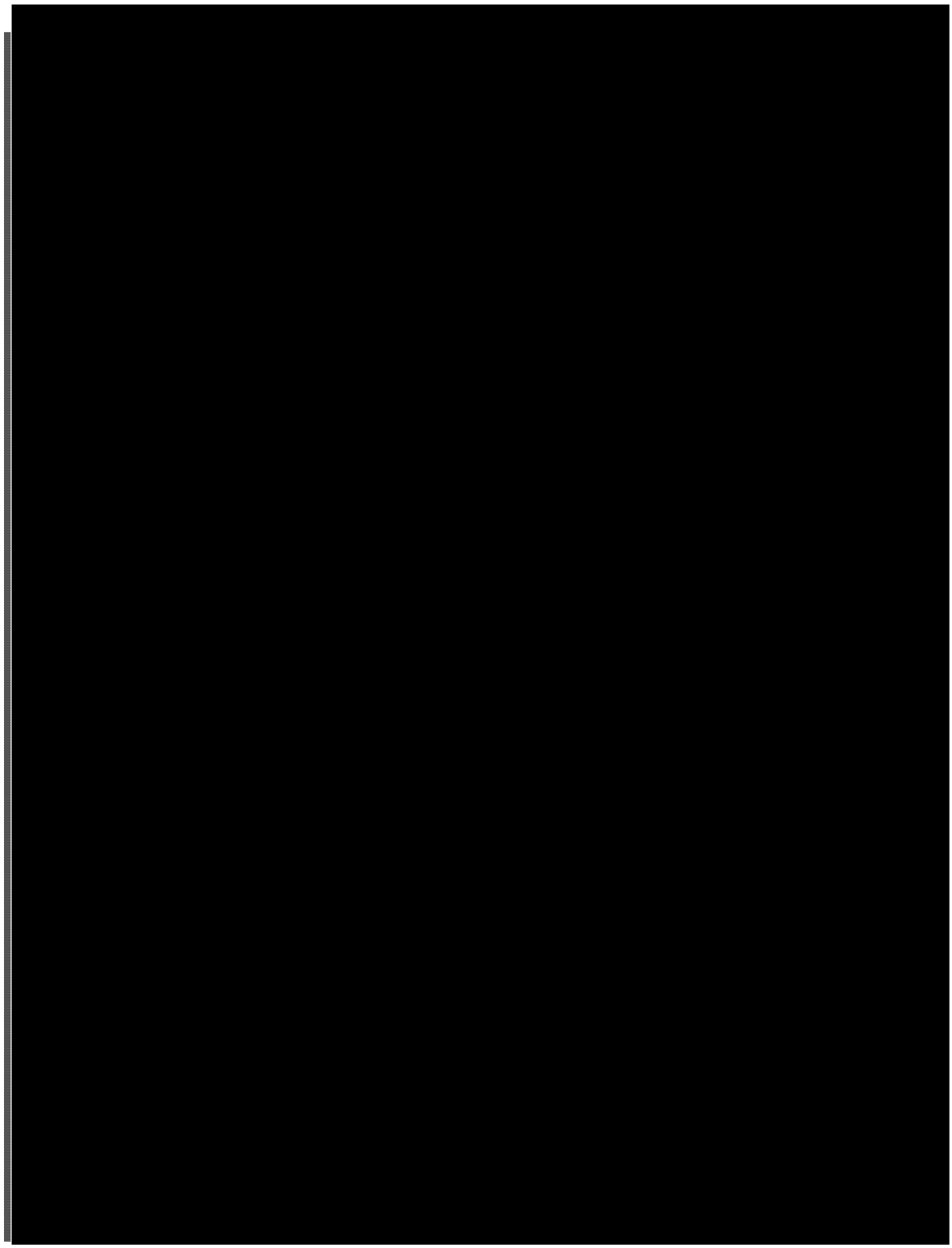
The file below presents the Results Tab generated by the AMF Calculator (four options).

Pages below present the Result Tab generated by the AMF Calculator for four options.









IV. Explaining Which MPR was Used for the AMFs / Cost Containment Calculation (Only if the Contract Is Eligible For AMFs).

[redacted]

V. Graphs from the RPS Workpapers

At present, the 2011 RPS Report has not been filed. Graphs from the RPS Workpapers will not be available until after this document has been completed and filed. SDG&E intends to provide these graphs in supplemental filings once the 2011 RPS Report is completed and filed.

VI. 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]

VII. 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

[redacted]

VIII. Independent Evaluator

The Independent Evaluator ("IE"), PA Consulting, was involved in all processes and evaluations in the 2011 RPS RFO. The IE has also monitored the negotiations between the parties and provided information in this Supplemental Advice Letter to evaluate the fairness of this project's evaluation compared to other bids the 2011 RPS RFO. The First Amendment was evaluated by PA Consulting Group, which was asked by SDG&E to evaluate it 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. Please refer to Appendix B for the full version of IE Report.

Confidential Appendix B

Revised RPS Project-Specific Independent Evaluator Report

Confidential Appendix D

First Amendment

ESJ PPA
Amendment.pdf

Confidential Appendix G
Project's Contribution Toward RPS Goals

FIRST AMENDMENT

to

POWER PURCHASE AGREEMENT

between

SAN DIEGO GAS & ELECTRIC COMPANY

and

ENERGÍA SIERRA JUÁREZ U.S., LLC

This First Amendment to Power Purchase Agreement ("First Amendment"), is made as of September 14, 2011 ("First Amendment Effective Date"), by and between San Diego Gas & Electric Company ("Buyer"), a California corporation, and Energia Sierra Juarez U.S., LLC ("Seller"), a Delaware limited liability company.

RECITALS

A. Seller and Buyer are Parties to that certain Power Purchase Agreement, dated as of April 6, 2011 ("Agreement").

B. Seller and Buyer now desire to amend the Agreement as set forth in this First Amendment.

AGREEMENT

In consideration of the promises, mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, as set forth herein, the Parties agree as follows:

1. Definitions. Any capitalized term used but not defined herein has the meaning ascribed to it in the Agreement.

2. Amendments.

   (a) The definition of the term "Capacity Deficiency" in Section 1.1 of the Agreement is amended by deleting the reference to "50%" therein and replacing such reference with "40%."

   (b) The definition of the term "Guaranteed Final Commercial Operation Date" or "GFCOD" in Section 1.1 of the Agreement is amended deleting its text in its entirety and replacing it with the following:

"'Guaranteed Final Commercial Operation Date' or 'GFCOD' means the later of August 31, 2013 or eighteen (18) calendar months following the Regulatory CP Satisfaction Date, as may be extended pursuant to Section 3.9(c)(ii)."

(c) Section 2.3(c) of the Agreement is amended to deleting the reference to "two hundred seventy (270) calendar days" therein and replacing such reference with "three hundred (300) calendar days."

(d) Section 3.9(c)(ii)(C) of the Agreement is amended to deleting the reference to "the date that is fourteen (14) months after the Regulatory CP Satisfaction Date" therein and replacing such reference with "March 30, 2013."

(e) Section 4.1(a) of the Agreement is amended by deleting its text in its entirety and replacing it with the following:

Energy Price. The price for each MWh of Delivered Energy during the Delivery Term shall be $106.50/MWh ("Energy Price"); provided that at any time, and for the period that, Seller provides a Guaranty for either the Construction Period Security or the Delivery Term Security in lieu of a Letter of Credit pursuant to the applicable provisions of Article Eight of this Agreement, the Energy Price shall be reduced by $0.60/MWh (for a total Energy Price of $105.90/MWh).

3. Miscellaneous.

(a) Except as expressly set forth in this First Amendment, the Agreement remains unchanged and in full force and effect.

(b) The terms and provisions hereof shall be binding on, inure to the benefit of, and be enforceable by, the successors and assigns of the Parties. Notwithstanding the foregoing, neither Party shall assign any rights or delegate any duties under the Agreement, as modified by this First Amendment, except in connection with an assignment of the Agreement as permitted thereunder.

(c) If any provision of this First Amendment is held invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

(d) THIS FIRST AMENDMENT 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 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 FIRST AMENDMENT.

(e) This First Amendment may be executed in one or more counterparts, each of which will be deemed to be an original of this First Amendment and all of which, when taken together, will be deemed to constitute one and the same agreement.

(f) Each Party represents and warrants that the execution, delivery and performance of this First Amendment are within its powers, have been duly authorized by all necessary action, and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party, or any law, rule, regulation, order or the like applicable to it, and that the person who signs below on behalf of that Party has authority to execute this First Amendment on behalf of such Party and to bind such Party to this First Amendment.

(g) This First Amendment sets forth the entire agreement of the Parties with respect to the subject matter herein, and supersedes all previous understandings, written or oral, with respect thereto.

(h) This First Amendment may not be amended, modified, abrogated or superseded by a subsequent agreement unless such subsequent agreement is in the form of a written instrument executed by each Party.

(i) This First Amendment is the result of negotiation and each Party has participated in its preparation and negotiation. Accordingly, any rules of construction that direct an ambiguity to be resolved against the drafting Party shall not be employed in the interpretation of this First Amendment.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the Parties hereto have caused this First Amendment to be duly executed as of the date first written above.

ENERGÍA SIERRA JUÁREZ U.S., LLC
a Delaware limited liability company

By: SCC 10/4/11
Name: JOHN SOWERS
Title: VICE PRESIDENT

SAN DIEGO GAS & ELECTRIC COMPANY
a California corporation

By:
Name: Michael R. Niggli
Title: President & COO

San Diego Gas & Electric Co.

Report of the Independent Evaluator on the 100-156 MW Sempra Energía Juárez contract selected in the 2009 Request for Offers from Eligible Renewable Resources (2009 Renewable RFO)

October 6, 2011

San Diego Gas & Electric Co.

Report of the Independent Evaluator on the 100-156 MW Sempra Energía Juárez contract selected in the 2009 Request for Offers from Eligible Renewable Resources (2009 Renewable RFO)

October 6, 2011

Prepared by: Jonathan M. Jacobs

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Version: 1.1

FOREWORD

This is PA Consulting Group's Independent Evaluator (IE) Report analyzing the contract between San Diego Gas & Electric Company (SDG&E) and Energía Sierra Juárez U.S., LLC, for a 100-156 MW wind energy project. This project was bid into and shortlisted in SDG&E's 2009 Renewables RFO.

This report is based on PA Consulting Group's Preliminary Report on the 2009 RFO. The Preliminary Report addressed the conduct and evaluation of San Diego Gas & Electric Company's 2009 Renewables RFO through the selection of its preliminary short list. This report contains all the text of the Preliminary Report except for text in 5.8 referring to this project (which has been updated) and placeholder text in chapters 6 and 7. In the body of the report (that is, except for this Foreword), text from the Preliminary Report is in gray while new text is presented in black. This should help the reader identify the new text.

This is a revision to a report dated April 15, 2011, which was attached to SDG&E's Advice Letter 2247-E. That Advice Letter was dated April 19, 2011. This revision, while still based on the report for the 2009 RFO, also references the results of the recently completed 2011 RFO.

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.

PA

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1. INTRODUCTION

PA Consulting Group, Inc. (PA) has served as the Independent Evaluator (IE) of San Diego Gas & Electric Co.'s (SDG&E's) 2009 Request for Offers from Eligible Renewable Resources (2009 Renewable RFO). This Report provides PA's evaluation of the fairness of the solicitation, up to and including the identification of a "short list" of bidders with whom SDG&E may pursue contract negotiations. This document has been formatted in accord with a template provided by Cheryl Lee of the CPUC Energy Division in an email dated Oct. 27, 2009.

2. ROLE OF THE INDEPENDENT EVALUATOR (IE)

Template language: "Describe the IE's role."

This chapter describes the history of the requirements for Independent Evaluators at the Federal level and in California. It includes a list of the roles of the IE as well as a summary of PA's activities in fulfilling those roles.

2.1 THE IE REQUIREMENT

Template language: "Cite CPUC decisions requiring IE participation in RPS solicitations: D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8)."

Regulatory requirements for an IE of resource procurement can be traced to the Federal Energy Regulatory Commission's (FERC's) "Opinion and Order … Announcing New Guidelines for Evaluating Section 203 Affiliate Transactions" (108 FERC ¶ 61,081 (2004)). That decision addressed ways to demonstrate that a utility's procurement of power from an affiliate was not abusive or unfair, under the standards of the *Edgar* decision (55 FERC ¶ 61,382 (1991)). FERC provided a set of guidelines, which presumably would be sufficient to demonstrate that the utility had not unfairly favored its affiliate. One of those guidelines was that "an independent third party should design the solicitation, administer bidding, and evaluate bids prior to the company's selection." FERC proposed not just independent evaluation but independent conduct of all aspects of the solicitation (except, presumably, the need determination).

The California Public Utilities Commission (CPUC) referenced those guidelines in its December 2004 decision on long-term resource procurement.[1] The CPUC stated that although it had not previously required the use of an IE for resource procurement, it would "require the use of an IE in resource solicitations where there are affiliates, IOU-built, or IOU-turnkey bidders" from that point forward.[2] The CPUC's intention was clearly that the IE should ensure that the utility did not favor itself, its affiliates or its shareholders (shareholders would earn a return on "ownership projects" – IOU-built or turnkey – but not on independent PPAs). The CPUC stated explicitly that it would not require the IE to conduct or administer the solicitation, nor would it "allow the IEs to make binding decisions on behalf of the utilities." Under this decision the role of the IE is to provide advice to the utility in "the design, administration, and evaluation aspects of the RFO" and to observe the utility's procurement and evaluation process in order to provide a fairness opinion.

D. 04-12-048 did not require IEs for procurements in which there were no affiliate or ownership bids. But in its decision approving the utilities' plans for 2006 Renewable Portfolio Standard (RPS) solicitations, the CPUC determined that Independent Evaluators would be required for these and "all future solicitations" (it is unclear whether this means only all future

[1] California Public Utilities Commission, Decision (D.) 04-12-048, May 26, 2006, p. 135f and Findings of Fact 94-95 on pp. 219-220.

[2] D. 04-12-084, p. 135f and Ordering Paragraphs 26i and 28 on p. 245.

RPS solicitations).[3] The role of the IE is still not to conduct or administer the solicitation but to "separately evaluate and report on the IOU's entire solicitation, evaluation and selection process".[4] The Decisions that approved the utility RPS solicitation plans for 2007 and 2008[5] did not further elaborate on the IE role but took the participation of an IE as a given.

D. 09-06-018, which approved the utility RPS solicitation plans for 2009, contained additional requirements related to the use of Project Viability Calculators and directed "that project-specific project viability information should be included in the confidential appendices to advice letters and validated by the IE in the confidential versions of IE reports."[6] The reference to the Project Viability Calculator has been incorporated by Energy Division in its template language for Section 7, which is only completed in the final IE report submitted with each contract Advice Letter.

This report deals with a project that was shortlisted in the 2009 RPS RFO. The evaluation is relative to other shortlisted bids in that RFO, although it also considers subsequent information about the bid (namely, the CAISO Phase I interconnection cost estimate) for which corresponding information about other shortlisted offers may not be available. It also considers more recent information about the market price of renewable power, namely the bids into and results of the next (2011) RPS RFO.

2.2 PA'S ROLE AS INDEPENDENT EVALUATOR

Template language: "Description of key IE roles: IEs provide an independent evaluation of the IOU's RPS bid evaluation and selection process:

"1. Did the IOU do adequate outreach to potential bidders and was the solicitation robust?

"2. Was the IOU's LCBF methodology designed such that all bids were fairly evaluated?

"3. Was the IOU's LCBF bid evaluation and selection process fairly administered?

"4. Did the IOU make reasonable and consistent choices regarding which bids were brought to CPUC for approval?"

In April 2006, SDG&E retained PA to be the Independent Evaluator for an All-Source Request for Offers (All-Source RFO). SDG&E anticipated that there might be affiliate bids in that RFO, as in fact there were. The CPUC Energy Division, as well as the rest of SDG&E's Procurement Review Group (PRG), participated in the decision to select PA. PA's contract

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[3] California Public Utilities Commission, Decision (D.) 06-05-039, May 26, 2006, p. 46, Finding of Fact 20b on p. 78, Conclusion of Law 3e(2) on p. 82 and Ordering Paragraph 8 on p. 88.

[4] D. 06-05-039, p. 46.

[5] California Public Utilities Commission, Decision (D.) 07-02-011, Feb. 15, 2007 and Decision (D.) 08-02-008, Feb. 15, 2008. The decisions actually only conditionally approved the plans but the conditions were not connected with the use of IEs.

[6] California Public Utilities Commission, Decision (D.) 09-06-018, June 8, 2009, p. 24.

was subsequently amended to include the independent evaluation of additional SDG&E procurement activities.

When PA was contracted as IE for the All-Source RFO, PA and SDG&E agreed on an interpretation of the IE role that would not include a complete LCBF evaluation or full replication of the utility's computations, although PA would spot-check them. PA's role would be that of an observer and an adviser as needed. PA subsequently served as Independent Evaluator for SDG&E's 2006 Renewable RFO and the Local Peaker RFO (conducted in 2006-7). In each case, PA and SDG&E used the above interpretation of the IE role, and it was adopted for the 2009 Renewables RFO.

PA's emphasis has been on issues of fairness and equity. PA reviews the reasonableness of SDG&E's evaluation criteria and algorithms and spot-checks the calculations but does not enforce a single standard of evaluation. While PA may have an opinion about the "best" way to value certain attributes or even to conduct a multi-attribute evaluation, its role as IE has not been to judge SDG&E's evaluation against a standard, but rather to determine that SDG&E's evaluation has not unfairly favored affiliates or ownership bids, or favored SDG&E and its shareholders in any other way[7].

For the 2009 RFO, SDG&E also asked PA to conduct the quantitative LCBF evaluation of bids, except for the congestion adder computation. This was a direct response to experience of past RFOs, and the efforts that SDG&E had to make to avoid any appearance of conflict in its evaluation of affiliate bids. PA also determined the TRCR clusters, and hence TRCR costs, in cases where the bidder had not specified them. PA's approach to conducting this evaluation was consistent with its approach to reviewing SDG&E's evaluation: the criteria to be applied were SDG&E's, not PA's, the spreadsheet model used to apply those criteria had been developed by SDG&E, and PA ensured that the criteria and model were reasonable and then applied them. PA did not itself determine the evaluation standards but PA did advise SDG&E on the definition and refinement of the evaluation criteria.

2.3 PA'S ACTIVITIES

Template language: "Description of activities undertaken by the IE to fulfill the IE's role (i.e. attended negotiation meetings, reviewed Request for Proposals materials, attended pre-bid conference, evaluated proposals and/or reviewed evaluation process and results, etc.) and reporting/consultation with CPUC, PRG and others."

PA and SDG&E began to discuss plans for the 2009 RFO during and after the 2008 RPS RFO evaluation, including the possibility of PA conducting the LCBF evaluation. SDG&E provided PA the draft RPS plan for review prior to its filing, and PA responded with a number of specific comments based on past experience. SDG&E and PA discussed several of these areas at length, most notably the treatments of duration equivalence and resource adequacy. SDG&E adopted several of PA's suggestions and declined to adopt others. In all these cases SDG&E's decisions were reasonable (even if they were to disagree with PA).

[7] E.g., it would have been unfair for SDG&E to design an evaluation method that favored a category of bidders on whose behalf SDG&E would have to make extensive rate-based transmission or distribution investments.

PA was provided access to all the SDG&E staff involved in the evaluation of the Renewables RFO. In general, the bid evaluation criteria were similar to those that had been used in past RFOs. PA met with SDG&E to review the evaluation criteria and reviewed the LCBF model constructed by SDG&E.

PA was present at both bidder conferences: in San Diego on August 5 and in El Centro on August 12. PA was provided all questions submitted by bidders either at the bidder conference or later in writing, as well as SDG&E's answers. PA received the electronic bids from SDG&E in San Diego on both days bids were due.

PA was in regular contact with the SDG&E evaluation team. PA was provided all the data in the evaluation process. PA was responsible for interpreting all bids in order to conduct the LCBF evaluation. PA identified missing or incomplete information, including viability scorecards, and requested additional data from bidders. PA also reviewed questions put by SDG&E to bidders, and bidders' answers. PA advised SDG&E on judgments that certain bids did not conform to RFO requirements. PA participated in Procurement Review Group (PRG) meetings during the evaluation period. SDG&E discussed the short list with PA as well as with the PRG.

SDG&E in no way prevented PA from observing its process and analyzing its methods, and did not interfere with PA's conduct of the LCBF evaluation.

2.4 CONFIDENTIALITY AND ADDITIONAL COMMENTS

Template language: "Any other relevant information or observations."

It is PA's understanding that confidential treatment of the information in an IE report is obtained through procedures defined in CPUC Rulemaking (R.) 05-06-040.[8] Under that Ruling a person or party that serves testimony, supplies data or files an advice letter requests confidential treatment of some data within that submittal and must accompany the data by a declaration under penalty of perjury that justifies the claim of confidentiality.

PA delivers its IE report to SDG&E and SDG&E in turn submits it to the CPUC. It is PA's understanding that each utility separately submits its IE's report and requests confidential treatment for parts of that report. Because it is the utility that identifies confidential data and provides the associated declaration, PA believes that it is the utility's right to determine which data in the report is confidential and the utility's responsibility to defend that determination. SDG&E's view of confidentiality may be more or less expansive than PA's. While PA has in the past provided recommendations to SDG&E about which parts of its IE reports should be held confidential, in general PA takes a "minimal redaction" (redaction only of information about identifiable bids) view. SDG&E always makes the ultimate determination of data to redact.

[8] "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066", August 22, 2006.

3. ADEQUACY OF OUTREACH AND ROBUSTNESS OF THE SOLICITATION

Template language: "Did the IOU do adequate outreach to bidders and was the solicitation robust?"

This chapter describes the information provided by the utility to potential bidders, and the utility's efforts to stimulate a wide and robust response to the RFO.

3.1 SOLICIATION MATERIALS

Template language: "Were the solicitation materials clear and concise to ensure that the information required by the utility to condut [sic] *its evaluation was provided by the bidders?"*

PA reviewed SDG&E's RFO and supporting forms. PA's opinion was that the RFO was clear and supporting forms were generally well-designed and would elicit appropriate information except as noted in the next paragraph. Even so, not all bidders entered data correctly and completely, but PA does not believe this was the fault of the forms.

SDG&E held two pre-bid conferences, in San Diego and El Centro, and also posted on its website answers to questions submitted by bidders. Even so, the solicitation forms and posted responses did not always elicit the type of information required by the Project Viability Calculator. In particular, the PVC scoring criteria are based on specific information – e.g., identification of projects to support assertion of project development experience, or an explanation of why a particular interconnection milestone with IID is or is not equivalent to a CAISO milestone.

3.2 ADEQUACY OF OUTREACH

Template language: "Identify guidelines used to determine whether IOU did adequate outreach (e.g., sufficient publicity, emails to expected interested firms). Did IOU do adequate outreach? If not, explain how it was deficient."

California's Renewable Procurement Standard and its utilities' attempts to meet that standard have been widely publicized. The investor-owned utilities have conducted annual RFOs for renewable resources for several years. Because of the publicity, it should not have been necessary for SDG&E to take on the responsibility of informing bidders that California has a renewables program or that utilities would be contracting with renewable suppliers. Furthermore, it was well-known in the California energy industry that at the time of the adoption of the RPS, SDG&E was the furthest of the three utilities from satisfying the RPS (least renewable energy relative to retail sales). It would have been adequate for SDG&E to advertise the RPS solicitation on its website and to a sizable email list.

In PA's opinion, SDG&E did adequate outreach. SDG&E provided PA with a list of 686 email addresses, associated with 545 separate organizations, to which it sent the RFO. Some of those addresses are consultants probably not working with any particular bidder. In addition, SDG&E publicized the RFO with a press release, and notices appeared in Platt's *MW Daily* and *California Energy Markets*.

3.3 SOLICITATION ROBUSTNESS

Template language: "Identify guidelines used to determine adequate robustness of solicitation (e.g., number of proposals submitted, number of MWhs associated with submitted proposals). Was solicitation adequately robust?"

PA judges the robustness of the solicitation by the number of bids received. In PA's opinion, the solicitation engendered a robust response. [redacted] separate organizations responded to the solicitation with a total of [redacted] project proposals with [redacted] pricing options. The CPUC had encouraged SDG&E to do specific outreach to the Imperial Valley and, more generally, the SPL area. [redacted] project proposals were submitted from the SPL area, with [redacted] pricing options, from a total of [redacted] separate bidders.

3.4 FEEDBACK

Template language: "Did the IOUs seek adequate feedback about the bidding/bid evaluation process from all bidders after the solicitation was complete?"

SDG&E did not formally seek bidder feedback.

3.5 ADDITIONAL ISSUES

Template language: "Any other relevant information or observations"

PA has nothing else to add to this chapter.

4. FAIRNESS OF THE DESIGN OF SDG&E'S METHODOLOGY FOR BID EVALUATION AND SELECTION

Template language: "Was the IOU's LCBF methodology designed such that bids were fairly evaluated?"

This chapter describes SDG&E's quantitative evaluation methodology and PA's opinion of its application.

4.1 PRINCIPLES USED TO EVALUATE METHODOLOGY

Template language: "Identify the principles the IE used to evaluate the IOU's bid evaluation methodology. Example principles (each IE should include the specific principles he/she used in his/her evaluation):

"1. The IOU bid evaluation should be based only on information submitted in bid proposal documents.

"2. There should be no consideration of any information that might indicate whether the bidder is an affiliate.

"3. Procurement targets and objectives were clearly defined in IOU's solicitation materials.

"4. The IOU's methodology should identify quantitative and qualitative criteria and describe how they will be used to rank bids. These criteria should be applied consistently to all bids.

"5. The LCBF methodology should evaluate bids in a technology-neutral manner.

"6. The LCBF methodology should allow for consistent evaluation and comparison of bids of different sizes, in-service dates, and contract length."

PA has used the following principles to guide its evaluation. These principles were originally codified by PA in its report on SDG&E's 2006 RPS RFO:[9]

- The evaluation should only be based on those criteria requested in the response form. There should be no consideration of any information that might indicate whether the bidder is an affiliate.
- The methodology should identify how quantitative measures will be considered and be consistent with an overall metric.
- The approach should not be biased for or against specific technologies, solely based on the choice of technology (as opposed to, e.g., quantifiable differences between the value of peaking and baseload technologies).

[9] Jacobs, Jonathan M., *Preliminary Report of the Independent Evaluator on the 2006 Request for Offers from Eligible Renewable Resources (Renewable RFO)*, PA Consulting Group, Los Angeles CA, January 16, 2007, p. 2-1.

- The methodology does not have to be the one that the IE would independently have selected but it needs to be "reasonable".

These principles do not require the upfront identification of procurement targets, as those may depend on committed contract quantities and commitments may be made between release of the RFO and selection of the shortlist. They do not also specifically address "consistent" evaluation of bids of different sizes and timing because PA considers the fairness of such analysis to fall within the area of reasonableness; and it is conceivable that a consistent evaluation may not be the most reasonable.

4.2 SDG&E'S LCBF METHODOLOGY

Template language: "Describe IOU LCBF methodology."

SDG&E ranked bids using a spreadsheet. The following quantitative values went into the ranking:

- Adjusted, levelized offer price
- Estimated costs of transmission network upgrades or additions
- Estimated congestion costs
- Estimated RA credit

Debt equivalence was not considered, per CPUC D. 07-12-052. The next four subsections describe the four bullet items above. The fifth subsection addresses a specific change to one of the details of the LCBF calculation relative to previous renewable RFOs. PA's opinion of the use of LCBF methodology is included in section 5.8.

4.2.1 Adjusted, levelized offer price

SDG&E's bid evaluation method does not directly compare costs and benefits of individual contracts; rather it creates an "adjusted price" metric for each contract, and compares contracts based on that metric rather than on a measure of net benefits or net costs. This means that SDG&E does not compute an "avoided cost" or "market price" by hour or subperiod to be compared with contract costs. Such a computation would be appropriate if the source of contract value was energy value (avoided energy purchases). But RPS-qualified energy is not interchangeable or fungible with spot energy, because spot energy is not guaranteed to be RPS-qualified.

The benefit or value of RPS-qualified energy is in its renewability. In that sense every MWh from a renewable resource has equal benefit regardless of the contract or the time of delivery. But SDG&E also recognized that RPS-qualified energy has both "renewability value" and "energy value", and that the energy value depends on time of delivery (TOD). To recognize this, SDG&E uses as its measure of contract cost the average of the projected contract payments in different TOD periods weighted by the product of volume and a TOD weighting factor. The weighting factors have been approved by the CPUC and PA did not investigate their source.

For each year, the adjusted or "benefit-weighted" price is the average payment, divided by a MWh-weighted average TOD factor. For contracts with TOD pricing (where in each period

the payment per MWh equals the contract price times the TOD factor) it is the same as the contract price. The offer price term is the levelization of the adjusted price: for each year, the adjusted price in $/MWh is multiplied by projected deliveries in MWh to get a stream of revenues, and the offer price term is the constant price in $/MWh that would yield a stream of energy revenues having the same net present value.

4.2.2 Estimated costs of transmission network upgrades or additions

For offers for new projects or projects proposing to increase the size of existing facilities, SDG&E's model calculated costs for transmission network upgrades or additions, using the information provided through the TRCRs. (Two projects had CAISO-approved, completed System Impact Studies that could have been used but since they were ranked below the shortlist cutoff before adding any transmission costs, this specialized effort was not undertaken.) If a bidder identified the cluster to which a project belonged, the transmission cost corresponded to the cost of the first plant in that cluster according to the utility's TRCR. If the bidder had not identified the cluster, PA applied its own judgment to determine the cluster based on the project location and interconnection information. Projects outside of the California ISO were expected to have internalized the cost of transmission to the ISO, as well as the cost of required transmission upgrades outside the ISO, into their bid price; they could still be assigned additional upgrade costs within California based on the TRCRs.

4.2.3 Estimated congestion costs

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined after LCBF rankings had been computed without congestion information. In this way SDG&E was able to reduce the number of projects for which congestion impacts were computed. In past RFOs the congestion study had been conducted by ABB Inc. ABB was unable to do so for the 2009 study. PA agreed that it was reasonable for SDG&E's transmission planning group to conduct the study given the separation from the procurement group provided for under the FERC Code of Conduct. As for the 2008 RFO, there was no pre-Sunrise case. Congestion adders for the projects that ranked highest based on the other LCBF components were all small and therefore congestion costs did not affect the composition of the short list.

4.2.4 RA credit

Renewable projects under contract to SDG&E would provide varying amounts of resource adequacy (RA) credit. In the 2008 RPS RFO for which PA served as IE, SDG&E had represented RA as a cost rather than a credit, based on the cost SDG&E would incur for additional RA credits equal to the difference between a bid's capacity and its own RA credit. PA argued that this approach unduly relied on a bid's "nameplate" capacity, which had no real relation to any commodity the bid provided to SDG&E and which could in some cases be an artificial value. SDG&E accepted PA's argument for the 2009 RFO and assigned each bid a cost credit equal to the value of the RA credit the bid would be expected to receive based on technology and the RA capacity credits that have been assigned by CAISO to projects of similar technology (normalized by capacity). The result is an annual RA credit in $/year (a unit cost in $/kW-yr multiplied by capacity in kW). The credit is converted to levelized $/MWh, similar to the levelization of the offer price term.

4.2.5 Duration equalization

In past Renewables RFOs, SDG&E used a "duration equalization" approach to handle start and end effects. This has addressed principle 6 from the Template (section 4.1). All contracts were put on an equal term basis by using an early start date (in principle, the earliest start date over all bids) and a late end date (in principle, the latest end date over all bids). The pricing for each contract prior to its start date and after its end date was based on an MPR proxy, that is, a value computed using the CPUC's MPR methodology applied to contemporary cost assumptions. For the 2009 RFO, SDG&E's evaluation model was constructed to use the average bid price of bids shortlisted in 2008 as a proxy instead of the MPR; all other aspects of the design were the same as before.

4.3 EVALUATION OF THE STRENGTHS AND WEAKNESSES OF SDG&E'S LCBF METHODOLOGY IN THIS SOLICITATION

Template language: "Using the principles indentified in section III.A, evaluate the strengths and weaknesses of IOU's methodology in this solicitation:

"1. Market valuation

"2. Evaluation of various technologies and products

"3. Evaluation of portfolio fit

"4. Evaluation of bids with varying sizes, in-service dates, and contract length

"5. Evaluation of bids' transmission costs

"6. Evaluation of bids' project viability

"7. Other."

Overall, PA believes that the SDG&E methodology is reasonable. This judgment is within the context of the principles set forth in 4.1, especially the last: "The methodology does not have to be the one that the IE would independently have selected but it needs to be 'reasonable'." PA has detailed comments on a limited number of the points above.

4.3.1 Evaluation of various technologies and products

PA did not detect any technology bias in the methodology; [redacted]

[redacted]

[redacted]

4.3.2 Evaluation of portfolio fit

The Renewable Portfolio Standard is based on raw renewable MWh, with no time differentiation. Furthermore, the quantitative LCBF analysis is but part of a process that includes consideration of bidders' track records and viability and extensive negotiation – another IE has characterized the process as more like a "competitive negotiation" rather than a sealed-bid auction.[10] SDG&E's LCBF computation bears a similar relation to a more complex time-differentiated analysis as a "screening curve" analysis does to an optimal capacity expansion model; yet as a part of a larger process the screening curve analysis is often quite adequate.

4.3.3 Evaluation of bids' transmission costs

PA assigned TRCR clusters to those projects that did not provide such information. PA did not consider SCE's TRCR to contain a sufficient definition of its clusters, and requested additional information, which was received from an SCE attorney. In mid-August, PA was informed that SDG&E's procurement group was considering requesting from its transmission planning group a special TRCR-like upgrade analysis for Imperial Valley resources, but if such a study was conducted its results were not used in the LCBF evaluation. SDG&E's Evaluation Team requested a congestion analysis from SDG&E's Transmission function; PA reviewed the information provided by the Evaluation Team and ensured that no data was transmitted that could identify bidders.

4.3.4 Evaluation of bids' project viability

SDG&E eliminated certain bids due to low viability. These judgments did not always accord with bidders' Project Viability Calculators, which had been self-scored. It was necessary to rescore all high-ranking bids. [redacted]

4.4 FUTURE IMPROVEMENTS

Template language: "What future LCBF improvements would you recommend?"

PA has no improvements to recommend at this time.

[10] Private conversation.

4.5 ADDITIONAL COMMENT ON THE METHODOLOGY

Template language: "Any additional information or observations regarding the IOU's evaluation methodology."

PA has nothing else to add to this chapter.

5. PROCEDURAL FAIRNESS OF THE BID EVALUATION

Template language: "Was the LCBF bid evaluation process fairly administered?"

This chapter addresses the application or administration of the methodology described in chapter 4

5.1 PRINCIPLES USED TO DETERMINE FAIRNESS OF PROCESS

Template language: "A. Identify guidelines used to determine fairness of evaluation process. Example guidelines (each IE should identify the specific guidelines he/she used in his/her evaluation)

1. Were all bids treated the same regardless of the identity of the bidder?

2. Were bidder questions answered fairly and consistently and the answers made available to all bidders?

3. Did the utility ask for "clarifications" that provided one bidder an advantage over others?

4. Was the economic evaluation of the bids fair and consistent?

5. Was there a reasonable justification for any fixed parameters that were a part of the IOU's LCBF methodology (e.g., RMR values; debt equivalence parameters)?

6. What qualitative and quantitative factors were used to evaluate bids?"

As in the previous section, PA used principles originally codified by PA in its report on SDG&E's 2006 RPS RFO:[11]

- Were affiliate bids treated the same as non-affiliate?
- Were bidder questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for "clarifications" that provided the bidder an advantage over others?
- Were bids given equal credibility in the economic evaluation?
- Was the procurement target chosen so that SDG&E would have a reasonable chance of meeting its 20% target (taking into account contract failures)?
- Was there a reasonable justification for any fixed parameters that enter into the methodology (e.g., RMR values; debt equivalence parameters)?
- Were qualitative factors used only to distinguish among substantially equal bids?

[11] Jacobs, op. cit., p. 3-1.

5.2 ADMINISTRATION AND BID PROCESSING

Template language: "Utilizing the guidelines in Section IV.A, describe the IE methodology used to evaluate administration of the IOU LCBF process."

A complete description of PA's activities is in section 2.3. Most of the guidelines above are addressed in detail in subsequent sections of this chapter, but three of them, which are not addressed below, can be answered here succinctly:

- Bidder questions were answered fairly and consistently.
- SDG&E did not ask for clarifications in such a way as to advantage any bidder.
- All bids were given equal credibility in the quantitative (LCBF) evaluation.

5.3 CONFORMANCE CHECK

Template language: "Did the utility identify, for each bid, the terms that deviate from the utility RFO? Did the IOU identify nonconforming bids fairly – fair both to the nonconforming bidders and to conforming bidders?"

PA verified that each offer received conformed with the requirements of the RFO. Nonconforming bids were identified as such but not immediately discarded. As in previous renewables solicitation, the RFO stated that non-conformance "may disqualify [a] proposal from further consideration". SDG&E and PA interpreted this somewhat broadly and attempted to evaluate the nonconforming bids if possible. Extensive efforts were made to contact bidders and give them opportunities to provide additional information that would bring their bids into conformance. PA recommended that SDG&E eliminate a small number of offers as non-conforming:

- [redacted]

[redacted]

PA believes that SDG&E's treatment of non-conforming bids was fair and reasonable.

5.4 PARAMETERS AND INPUTS FOR SDG&E'S ANALYSIS

Template language: "If the IOU conducted any part of the bid evaluation, were the parameters and inputs determined reasonably and fairly? What controls were in place to ensure that the parameters and inputs were reasonable and fair?"

The quantitative bid analysis was conducted by PA. Certain key parameters were supplied by SDG&E independent of any bids, including the RA price estimate, RA cost factors, the proxy price for duration equalization, TOU pricing factors, and financial parameters of the revenue requirements model for Alternative III bids. Parameters and inputs for the congestion analysis were determined by SDG&E's transmission function independent of the procurement group.

5.5 PARAMETERS AND INPUTS FOR OUTSOURCED ANALYSIS

Template language: "If the IE or a third party conducted any part of the bid evaluation, what information/data did the utility communicate to that party and what controls did the utility exercise over the quality or specifics of the out-sourced analysis?"

PA conducted the quantitative LCBF analyzing using a spreadsheet model and parameters supplied by SDG&E. SDG&E and PA were in communication throughout the analysis, generally about modifications to the model that became necessary in the course of the analysis and about missing data. SDG&E did not exercise control over the quality or specifics of the analysis. SDG&E and PA did work together to identify and solicit missing information from bidders.

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined by a study conducted by SDG&E's transmission function. SDG&E's procurement group communicated to the transmission function the locations and general characteristics of a set of high-ranking bids for this analysis. PA reviewed that communication to ensure it included no identifying information.

5.6 TRANSMISSION ANALYSIS

Template language: "Were transmission cost adders and integration costs properly assessed and applied to bids?"

For offers for new projects or projects proposing to increase the size of existing facilities, SDG&E's model calculated costs for transmission network upgrades or additions, using the information provided through the TRCRs or a CAISO-approved, completed System Impact Study. PA identified clusters for projects whose bids did not contain that information. Projects outside of the California ISO were expected to have internalized the cost of transmission to the ISO, as well as the cost of required transmission upgrades outside the ISO, into their bid price; they could still be assigned additional upgrade costs within California based on the TRCRs.

5.7 ADDITIONAL ISSUES

Template language: "Describe any additional criteria or analysis used in creating its short list (e.g. seller concentration). Were the additional criteria included in the solicitation materials?"

5.7.1 Affiliate bids and UOG ownership proposals

The treatment of affiliate bids has been a focus of PA throughout its tenure as Independent Evaluator for SDG&E. Although the Energy Division's template does not specifically call for discussion of the handling of affiliate bids and UOG ownership proposals, the CPUC and FERC have both expressed concern about the fair treatment of non-affiliate bids. They required particular attention in past RFOs because SDG&E was conducting the evaluation itself, rather than having the IE do so. In this case, since PA conducted the evaluation, no special "masking" was required as in past RFOs.

SDG&E provided three alternative forms for bids: PPA, PPA with buyout option, and turnkey. The latter two are utility ownership forms. Several bidders submitted Alternative II (PPA with buyout) bids. In all cases these were additional options to Alternative I bids but the buyouts did not provide identifiable value. Several bidders submitted Alternative III (turnkey) bids, which were evaluated using a variant of a "revenue requirements" model and treating the revenue requirement to finance the purchase similarly to an annual PPA payment.

5.7.2 Viability

Developer and project viability have become a key concern in the Renewable RFO, because of the delays and contract failures that have affected several projects. The CPUC devoted special attention to viability in 2009, requiring "that each IOU include a project viability methodology and calculator in its amended 2009 Procurement Plan and solicitation package."[12]

SDG&E requested bidders to complete a Project Viability Calculator (PVC) for each bid, rather than fill out the PVC for each bid. The PVC form was based on the format developed by the Energy Division. This was in order to avoid having the utility or IE create a PVC for every bid, since SDG&E did not know in advance how many bids would be received. In the event, [redacted] separate project proposals were received

SDG&E's intent was that after the quantitative evaluation it would eliminate bids that, while scoring high, did not appear viable. One basis for doing so could have been the bidder-supplied PVCs; however, SDG&E and PA both expected bidders to take an optimistic view of viability and had therefore decided to rescore the PVCs from those bidders who scored highest in the LCBF ranking, beginning from the bidders' own scoring. SDG&E and PA separately rescored sets of high-ranking bids. [redacted]

The original and revised scores are shown in Figure 1 in section 5.8.

[12] D. 09-06-018, p. 21.

5.7.3 Concentration risk

5.8 RESULTS ANALYSIS

Template language:" 1. Please identify instances where the IE and the IOU disagreed in the LCBF evaluation process.

a. Discuss any problems and solutions

b. Identify specific bids if appropriate

c. Does the IE agree that the IOU made reasonable and justifiable decisions to exclude, shortlist and or/ execute contracts with projects? If the IE did its own separate bid ranking and selection process and it differed from the IOU's results, then identify and describe differences.

d. What actions were taken by the IOU to rectify any deficiencies associated with rejected bids?

e. Other

2. Overall, was the overall bid evaluation fairly administered?"

One of the most important aspects of the Renewables RFO is the need determination. Under the Renewable Portfolio Standard, utilities seek to obtain at least 20% of their 2010 retail deliveries from renewable sources. SDG&E has further committed to obtain 33% of its 2020 retail deliveries from renewable sources. The primary goal of RPS procurement is total renewable volume. For an individual Renewable RFO, this translates to a "need" target.

In the past, SDG&E has determined its renewable need based on a target of 24-26% of its 2010 deliveries "to provide a margin of safety in the event contracted resources do not achieve commercial operation by 2010."[13] In 2009, SDG&E set a target at that fraction (24-26%) in "2011-2013" since the 2009 RFO could not yield capacity in 2010. SDG&E computed the energy expected to be produced in 2012 by all contracts already signed, plus the "discounted" energy from contracts currently in negotiation, to be in excess of 26% of load. Therefore SDG&E reasoned it had no need except if it had underestimated contract failure probabilities.

SDG&E took a "largest hazard" approach, and analyzed the largest hazard in two ways: (a) the largest individual expected delivery volume; (b) the total expected delivery from contracts

[13] Ibid., p. 11.

with viability scores [redacted] and since SDG&E has committed to replace SPL-region contracts with other SPL-region contracts, SDG&E said it would shortlist bids in the SPL region. PA concurs that all these decisions are reasonable.

[redacted]

SDG&E generally shortlisted bids in order of LCBF ranking, but in [redacted] cases chose not to shortlist bids due to low viability. [redacted]

[redacted]

[redacted]

In PA's opinion, SDG&E conducted the RFO in fair and equitable manner. [redacted]

One affiliate bid, Sempra Generation Energía Sierra Juárez - Jacume, is on the short list reported above. [redacted] On that condition, PA believes it was appropriate to shortlist this bid.

This report specifically addresses that affiliate bid and the negotiations between SDG&E and Sempra Generation. The report includes PA's evaluation of the contract. SDG&E did not favor this affiliate bid in its shortlist evaluation, because PA conducted the LCBF evaluation, PA decided to evaluate the bid based on its indicative price, and SDG&E conditioned the negotiation on the use of the indicative price as a price cap. Because this is an affiliate bid (and because it has the highest ranking price on the short list) PA closely followed the negotiations. SDG&E invited the IE to all negotiation sessions with the affiliate (as opposed to just providing regular reports on the negotiations).

5.9 ADDITIONAL ISSUES

Template language: "Any other relevant information or observations."

PA has nothing else to add to this chapter.

6. FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS

Sempra Generation bid the Energía Sierra Juárez - Jacume wind project into SDG&E's 2009 Renewables RFO, at a capacity of 103.5 MW and a 35% capacity factor. SDG&E chose to shortlist the bid.

Because of the affiliate relationship between SDG&E and Sempra Generation PA felt it was necessary to closely monitor the negotiations. PA participated in every meeting and conference call with Sempra Generation and reviewed all contract drafts as well as other related documents (issues lists, draft plant configurations, etc.).

6.1 PRINCIPLES OF EVALUATION

Template language: "A. Identify principles used to evaluate the fairness of the negotiations."

The key questions are whether SDG&E showed favoritism to this or any other bidder, and whether SDG&E negotiated harder or less hard with them than with any other bidder. Note that in the context of negotiations, favoritism toward a bidder is not the same as favoritism toward a technology.

6.2 PROJECT-SPECIFIC NEGOTIATIONS

Template language: "Using the above principles (section V.A), please evaluate fairness of project-specific negotiations."

In general PA does not directly observe most contract negotiations, except for those with affiliates. In this case PA directly observed all negotiations by participating in all meetings and conference calls. SDG&E's initial negotiation meeting with Sempra was held on November 4, 2009. Over the course of the negotiations there were approximately 20 meetings or conference calls in which PA participated, as did one or more members of SDG&E's Affiliate Compliance group. PA also held separate discussions with SDG&E in order to understand particular issues, and examined "issues lists" and other documents including SDG&E's reports to its Procurement Review Group.

[redacted] It is PA's opinion that the Energía Sierra Juárez contract reflects fair negotiations.

On September 9, SDG&E again spoke with Sempra Generation, to provide Energía Sierra Juárez an opportunity to refresh its offer (the entire process as well as the modifications Sempra made are discussed in Section 6.5). [redacted]

[14] [redacted]

[redacted] SDG&E does not appear to have provided Sempra information that was any different from what was provided to the other counterparties who went through the bid refresh process. The First Amendment to the contract also reflects fair negotiations.

6.3 TERMS AND CONDITIONS

Template language: "Identify the terms and conditions that underwent significant changes during the course of negotiations."

[redacted]

[redacted]

6.4 RELATION TO OTHER NEGOTIATIONS

Template language: "Was similar information/options made available to other bidders, e.g. if a bidder was told to reduce its price down to $X, was the same information made available to others?"

[redacted]

6.5 ADDITIONAL ISSUES

Template language: "Any other relevant information or observations."

SDG&E originally filed this contract in Advice Letter 2247-E, dated April, 2011. [redacted]

[redacted]

SDG&E and Energía Sierra Juárez executed the First Amendment to the contract as of Sept. 14, 2011. The contract's price was modified [redacted]

The Energía Sierra Juárez project was bid into the 2009 RFO, [redacted] Energía Sierra Juárez demonstrated competitively [redacted]. It was about 16 months from SDG&E's notification to the CPUC of its shortlist, to the filing of [redacted] it is reasonable for the Commission to continue to monitor the competitiveness of a contract with a utility affiliate, even though that contract was the product of an open solicitation.

7. PROJECT-SPECIFIC RECOMMENDATION

[redacted] PA believes that the contract, as modified by the First Amendment, still merits approval.

7.1 EVALUATION

Template language: "A. Provide narrative for each category and describe the project's ranking relative to: 1) other bids from the solicitation and 2) from an overall market perspective:

1. Contract Price, including transmission cost adders

2. Portfolio Fit

3. Project Viability

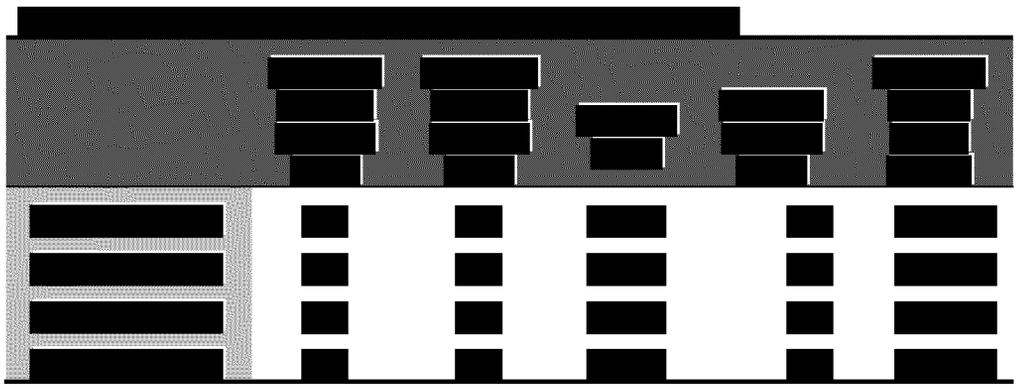
a. Project Viability Calculator score

b. IOU-specific project viability measures

c. Other (credit and collateral, developer's project development portfolio, other site-related matters, etc.)

4. Any other relevant factors."

[redacted]



7.1.1 Relative Pricing

[redacted]

7.1.2 Evaluation of First Amendment

PA re-evaluated the Energía Sierra Juárez contract, including the First Amendment, using the same evaluation model that had been used for the 2009 Renewables RFO but [redacted]

[redacted]

Amendment 1 significantly increases the attractiveness of the Energía Sierra Juárez project.

[redacted]

[redacted]

7.1.3 Project Viability Calculator

[redacted]

[15] The metric here is actually the total [redacted] deliveries from each project.

- [redacted]

[redacted]

- [redacted]

[redacted]

[redacted]

7.2 RECOMMENDATION

Template language: "Do you agree with the IOU that the contract merits CPUC approval? Explain the merits of the contract based on bid evaluation, contract negotiations, final price, and viability."

In its April 15 report PA agreed with SDG&E that the Energía Sierra Juárez contract merits approval. After comparing it with the bids shortlist of the 2011 RFO, PA believes that the contract, as modified by the First Amendment, still merits approval.

7.3 ADDITIONAL ISSUES

Template language: "Any other relevant information or observations."

PA has nothing else to add to this chapter.