

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ID #10965
RESOLUTION E-4448
February 1, 2012

REDACTED

R E S O L U T I O N

Resolution E-4448. San Diego Gas & Electric Company (SDG&E) requests approval of a renewable power purchase agreement with Southern California Edison Company and a renewable power purchase agreement with Calpine Energy Services, L.P.

PROPOSED OUTCOME: This Resolution approves SDG&E's request for cost recovery of a short-term renewable energy power purchase agreement with Southern California Edison Company and a short-term renewable energy power purchase agreement with Calpine Energy Services, L.P. The power purchase agreements are approved without modification.

ESTIMATED COST: Costs of these contracts are confidential at this time

By Advice Letter 2291-E filed on September 26, 2011.

SUMMARY

San Diego Gas & Electric Company's proposed power purchase agreement with Southern California Edison Company and SDG&E's power purchase agreement with Calpine Energy Services, L.P. comply with the Renewables Portfolio Standard (RPS) procurement guidelines and are approved.

San Diego Gas & Electric Company (SDG&E) filed Advice Letter (AL) 2291-E on September 26, 2011 requesting Commission review and approval of two renewable energy power purchase agreements (PPAs) – one executed with Southern California Edison Company (SCE) and one executed with Calpine Energy Services, L.P. (Calpine). Both PPAs are short-term, bilateral contracts. The SCE PPA is for the resale of renewable generation from various operating, RPS-certified facilities located in California. The SCE PPA is for 2.25 years. The Calpine PPA is for generation from the operating Calpine Geysers Geothermal Facility located in Middletown, California. The Calpine PPA is for 0.25 years.

This resolution approves the SCE and Calpine PPAs without modification. SDG&E’s execution of these PPAs are consistent with SDG&E’s 2011 RPS Procurement Plan, including its resource need, which the Commission approved in Decision 11-04-030. Deliveries under the SCE and Calpine PPAs are reasonably priced and fully recoverable in rates over the life of the PPAs, subject to Commission review of SDG&E’s administration of the PPAs.

The following table summarizes the agreements:

Table 1: Summary of the SCE and Calpine PPAs

Seller	Technology Type	Term	Minimum Capacity (MW)	Minimum Energy (GWh)	Contract Start Date	Location
SCE	Various, existing RPS-eligible	2 yr., 3 months	164 (in 2011 29 (in 2012 and 2012)	362 (in 2011) 255 (in 2012) 254 (in 2013)	10/1/2011	California
Calpine	Geothermal, existing	3 months	10 (in Oct.) 12 (in Nov. and Dec.)	25	10/2010	Middletown, CA

BACKGROUND

Overview of the Renewables Portfolio Standard (RPS) Program

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).¹ The RPS program is codified in Public Utilities Code Sections 399.11-399.20.² Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.³

¹ SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

² All further references to sections refer to Public Utilities Code unless otherwise specified.

³ D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods covered in SB 2 (1X) (2011-2013, 2014-2016, and 2017-2020).

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

NOTICE

Notice of AL 2291-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

No protests were filed.

DISCUSSION

SDG&E requests approval of a renewable energy power purchase agreement with SCE and a renewable energy power purchase agreement with Calpine

On September 26, 2011, SDG&E filed AL 2291-E requesting Commission approval of two bilaterally negotiated renewable energy PPAs with two different counterparties – SCE and Calpine – to meet its near-term RPS compliance requirements. The SCE PPA provides that SDG&E will procure RPS-eligible energy and renewable energy credits (RECs) that have been and will be generated after the effective date of the PPA from operating renewable energy facilities. The facilities are listed in Table 1 (below) and are interconnected into California balancing authorities. SCE has CPUC-approved contracts with each of the facilities.

Table 2: List of Facilities under contract to SCE that may provide RPS-eligible energy to SDG&E

Facility Name/Owner	Location (all CA)	Technology	CEC ID	Online Date
Dillon Wind, LLC	Palm Springs	Wind	60542A	3/15/2008
Coso Clean Power, LLC	Little Lake	Geothermal	60321A	1/12/1990
Coso Clean Power, LLC	Little Lake	Geothermal	60309A	8/19/1987
Calpine Geysers Power Company, LLC	Middletown	Geothermal	Various	1/1/1972
Mountain View Power	North Palm	Wind	60284A	9/1/2001

Partners, LLC	Springs		60285A	9/1/2001
Alta Wind I, LLC	Mojave	Wind	60794A	11/1/2010
Alta Wind II, LLC	Mojave	Wind	60795A	11/1/2010
Alta Wind III, LLC	Mojave	Wind	61092A	12/22/2010
Alta Wind IV, LLC	Mojave	Wind	61093A	2/23/2011
Alta Wind V, LLC	Mojave	Wind	61094A	3/11/2011
ORNI 18, LLC	Brawley	Geothermal	60640A	11/1/2008
NRG Solar Blythe, LLC	Blythe	Solar	60655A	12/1/2009

Under the Calpine PPA SDG&E will procure RPS-eligible energy and RECs generated from Calpine’s Geysers Geothermal Facility. The units at the Geysers Geothermal Facility began operating between 1971 and 1989, and all units are certified by the CEC as RPS-eligible facilities.

Procurement pursuant to the SCE and Calpine PPAs is expected to contribute a minimum of 870.9 gigawatt-hours (GWh) and 25 GWh, respectively, towards SDG&E’s RPS requirements over the terms of the PPAs. SDG&E began accepting energy deliveries from both SCE and Calpine on October 1, 2011.

SDG&E requests the Commission to issue a resolution that finds:

1. The SCE and Calpine PPAs are consistent with SDG&E’s CPUC-approved RPS Plan and procurement from the SCE and Calpine PPAs will contribute towards SDG&E’s RPS procurement obligation.
2. SDG&E’s entry into the SCE and Calpine PPAs and the terms of such agreements are reasonable; therefore, the SCE and Calpine PPAs are approved in their entirety and all administrative and procurement costs associated with the SCE and Calpine PPAs, including for energy, green attributes, and resource adequacy, are fully recoverable in rates over the life of the SCE and Calpine PPAs, subject to Commission review of SDG&E’s administration of the SCE and Calpine PPAs.
3. Generation procured pursuant to the SCE and Calpine PPAs 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.

Energy Division Review Of The Proposed PPAs

Energy Division evaluated the PPAs for the following criteria:

- Consistency with bilateral contracting guidelines
- Consistency with SDG&E's 2011 RPS Procurement Plan (Plan)
- Consistency with SDG&E's least-cost, best-fit requirements
- Consistency with RPS standard terms and conditions (STC)
- Compliance with the minimum quantity condition
- Independent Evaluator review
- Cost reasonableness
- Cost containment
- Project viability
- Consistency with the Interim Emissions Performance Standard
- Procurement Review Group (PRG) participation

Consistency With Bilateral Contracting Guidelines

According to SDG&E, the bilateral offers from SCE and Calpine were received subsequent to SDG&E's 2011 RPS solicitation, but were compared against its 2011 solicitation offers. SDG&E states that it executed the SCE and Calpine PPAs because they are competitive with the bids received in its solicitation and they provide RPS generation in the near-term which is when SDG&E has a specific need to meet its RPS compliance requirements. In D.06-10-019, the Commission established rules pursuant to which the IOUs could enter into bilateral RPS contracts. SDG&E adhered to these bilateral contracting rules because the PPAs are longer than one month in duration, the PPAs were filed by advice letter, the above market costs will not be applied to SDG&E's RPS cost limitation, and the contracts are reasonably priced, as discussed in more detail below.

In D.09-06-050, this Commission determined that bilateral agreements should be reviewed according to the same processes and standards as projects that come through a solicitation. Accordingly, as described below in more detail below, the SCE and Calpine PPAs were compared to other RPS offers received in SDG&E's most recent RPS solicitation, bilateral offers, and recently executed agreements; the proposed agreements were reviewed by SDG&E's Procurement Review Group; and an independent evaluator oversaw the projects' evaluations and PPA negotiations.

The PPAs are consistent with the bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.

Consistency with SDG&E's 2011 RPS Procurement Plan

Pursuant to statute, SDG&E's RPS Procurement Plan (Plan) includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of flexible compliance mechanisms established by the Commission, and a bid solicitation protocol setting forth the need for renewable generation of various operational characteristics.⁴

California's RPS statute also requires that the Commission review the results of a renewable energy resource solicitation submitted for approval by a utility.⁵ The Commission reviews the results to verify that the utility conducted its solicitation according to its Commission-approved procurement plan.⁶

In SDG&E's 2011 RPS Plan, SDG&E expressed a commitment to contract in excess of its mandated annual procurement targets and goal of 33 percent renewables by 2020.⁷ SDG&E's 2011 RPS Plan called for SDG&E to issue a competitive solicitation for electric energy generated by eligible renewable resources that could begin delivering in 2011, 2012, 2013, 2014, and 2015 for terms of one month to 30 years in length. Proposals could be for peaking, baseload, dispatchable, or as-available deliveries. SDG&E additionally expressed preference for projects that could contribute towards SDG&E's Sunrise Powerlink commitment. SDG&E also stated in its Plan that bilateral offers would be considered if they were competitive when compared against recent RFO offers and provide benefits to SDG&E customers. Last of all, SDG&E's Plan discussed utility plans to pursue renewable energy generation development partnerships and utility-owned resources.

The SCE and Calpine PPAs are contracts for renewable generation that fit SDG&E's identified renewable resource needs. The short-term PPAs are for firm baseload deliveries of renewable generation from operating renewable energy

⁴ Pub. Utils. Code, §399.14(a)(3).

⁵ Pub. Utils. Code, §399.14.

⁶ SDG&E's 2011 RPS Procurement Plan was approved by D.11-04-030 on April 14, 2011.

⁷ In D.08-12-058, which approved SDG&E's Sunrise Powerlink, SDG&E committed to procuring 33 percent of its electricity from renewables by 2020. Since the SDG&E's 2011 Plan was approved, the RPS requirement was raised to 33 percent by 2020 by SB 2 (1X).

facilities that began delivering renewable energy to SDG&E in 2011 and will contribute towards SDG&E's RPS requirement.

The SCE and Calpine PPAs are consistent with SDG&E's 2011 RPS Procurement Plan, as approved by D.11-04-030.

Consistency with SDG&E's least-cost best-fit (LCBF) methodology

In D.04-07-029, the Commission directs the utilities to use certain criteria in their LCBF selection of renewable resources.⁸ The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. As described in its 2011 RPS Procurement Plan, SDG&E's LCBF bid evaluation includes a quantitative analysis and qualitative criteria. SDG&E's quantitative analysis or market valuation includes evaluation of price, time of delivery factors, transmission costs, congestion costs, and resource adequacy. SDG&E's qualitative analysis focuses on comparing similar bids across numerous factors, such as location, benefits to minority and low income areas, resource diversity, etc.

SDG&E negotiated the SCE and Calpine PPAs bilaterally and therefore they did not compete directly with other RPS projects. In AL 2291-E, SDG&E explains that it evaluated the bilateral agreements using the same LCBF evaluation methodology it employed for evaluating bids from its 2011 solicitation and that the SCE and Calpine PPAs were compared against the offers it received in the solicitation. Thus, SDG&E used its LCBF methodology to evaluate the SCE and Calpine PPAs. See the "Cost Reasonableness" section of this resolution for a discussion of how the project compares to SDG&E's 2011 RPS solicitation, recent bilateral offers, and recently executed contracts. In addition, see Confidential Appendix A for SDG&E's LCBF evaluation of the project.

The SCE and Calpine PPAs were evaluated consistent with the LCBF methodology identified in SDG&E's 2011 RPS Procurement Plan.

Consistency with RPS Standard Terms and Conditions

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, four of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. The Commission further refined these STCs in D.10-03-021, as modified by D.11-01-025.

⁸ See §399.14(a)(2)(B)

The SCE and Calpine PPAs include the Commission adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

Contribution to Minimum Quantity Requirement for Long-Term/New Facility Contracts

D.07-05-028 established a “minimum quantity” condition on the ability of utilities to count an eligible contract of less than 10 years duration with a facility that commenced commercial operations prior to January 1, 2005 for compliance with the RPS program.⁹ In the calendar year that a short-term contract with an existing facility is executed, the utility must also enter into long-term contracts with new facilities equivalent to at least 0.25% of the utility’s previous year’s retail sales.

The SCE and Calpine PPAs trigger the minimum quantity condition because the contracts are short-term contracts with facilities that began commercial operation prior to January 1, 2005.¹⁰ The minimum quantity condition that SDG&E must satisfy is:

Minimum Quantity Condition = 0.25 * 16,282,682 MWh = 40,707 MWh

SDG&E has executed several long term contracts in 2011 which have a combined expected generation total (3,006,182 MWh) that exceeds its 0.25% minimum quantity condition (Table 3). Therefore, SDG&E is in compliance with the minimum quantity condition.

Table 3: SDG&E RPS PPAs Executed in 2011

	PPA Execution Date	Annual MWh
NRG Solar Borrego I	1/25/2011	59,400
Ocotillo Express	2/1/2011	890,542
CSOLAR IV West	3/8/2011	356,140

⁹ For purposes of D.07-05-028, contracts of less than 10 years duration are considered “short-term” contracts and facilities that commenced commercial operations prior to January 1, 2005 are considered “existing”.

¹⁰ See Table 1 above for online dates of facilities to deliver pursuant to the SCE PPA. The units at the Calpine facility to deliver generation pursuant to the Calpine PPA began operation between 1971 and 1989.

Concentrix	3/31/2011	72,600
Energia Sierra Juarez	4/6/2011	400,000
Sol Orchard	4/11/2011	117,000
Soitec	5/17/2011	316,000
Catalina Solar	6/3/2011	223,900
Arlington Valley Solar	6/3/2011	270,000
Solar Gen 2	6/24/2011	360,600
Total		3,006,182

Independent Evaluator Review

SDG&E retained independent evaluator (IE) Jonathan Jacobs of PA Consulting Group to oversee SDG&E's bilateral negotiations with SCE and Calpine and to evaluate the overall merits for CPUC approval of the PPAs. AL 2291-E included public and confidential independent evaluator's reports for both the SCE and Calpine PPAs.

In the IE reports, the IE states that he believes that SCE and Calpine were not provided any advantage over bidders that participated in SDG&E's solicitation and that the SCE and Calpine PPAs reflect fair negotiations. The IE also states that the SCE PPA is "well-priced." In regards to the Calpine PPA, the IE states that it is "reasonably priced." Lastly, the IE agrees with SDG&E that the SCE and Calpine PPA merits approval. See Confidential Appendix B and C for excerpts of the IE reports.

Consistent with D.06-05-039 and D.09-06-050, an independent evaluator oversaw SDG&E's negotiations with SCE and Calpine.

Cost Reasonableness

The Commission's reasonableness review for RPS PPA costs includes a comparison of the proposed PPA's value and price to offers received in recent RPS solicitations, recent bilateral offers, and recently approved contracts. Based on this analysis of the PPAs' prices and value and the confidential analysis provided by SDG&E in AL 2291-E, the Commission determines that the costs of the SCE and Calpine PPAs are reasonable. (See Confidential Appendix A for a detailed discussion of the contractual pricing terms.)

The SCE and Calpine PPAs compare favorably to the results of SDG&E's 2011 RPS solicitation and other comparable contracts.

Payments made by SDG&E under the SCE and Calpine PPAs are fully recoverable in rates over the life of the PPAs, subject to Commission review of SDG&E's administration of the PPAs.

Cost Containment

At the time SDG&E executed the SCE and Calpine PPAs and submitted AL 2291-E, RPS cost containment was set out in §399.15(c) (SB 107) and based on a market price referent (MPR) to assess whether a proposed RPS contract has above-market costs. Energy Division staff evaluated the SCE and Calpine PPAs consistent with the Commission's rules in effect when AL 2291-E was submitted.

The PPAs do not meet the eligibility requirements, as defined by §399.15(c) (SB 107) and Resolution E-4199, to be applied to SDG&E's cost containment limit because the PPAs were negotiated bilaterally and are short-term contracts.

Contract Viability

The generation to be delivered pursuant to the SCE and Calpine PPAs is from operating facilities that have been certified by the CEC as RPS-eligible; thus, SDG&E asserts that SCE and Calpine will be able to meet the terms and conditions of the PPAs.

Compliance With The Interim Greenhouse Gas Emissions Performance Standard (EPS)

California Pub. Utils. Code §§ 8340 and 8341 require that the Commission consider emissions associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

D.07-01-039 adopted an interim EPS that establishes an emission rate quota for obligated facilities to levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine power plant. The EPS applies to all energy contracts for baseload generation that are at least five years in duration.¹¹ Generating facilities using certain renewable resources are deemed compliant with the EPS, although contracts with intermittent resources are subject to the limitation that total purchases under the contract do not exceed the expected output from the facility over the term of the contract.

¹¹ "Baseload generation" is electricity generation at a power plant "designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." Pub. Utils. Code § 8340 (a).

The SCE and Calpine PPAs are not long-term financial commitments subject to the EPS because the terms of the PPAs are less than five years.

Procurement Review Group Participation

The Procurement Review Group (PRG) was initially established in D.02-08-071 as an advisory group to review and assess the details of the IOUs' overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission.¹² SDG&E asserts that the SCE PPA was discussed at PRG meetings in August 2011 and September 2011.

SDG&E notes in AL 2291-E that a slightly different Calpine PPA was also presented at SDG&E's August 2011 PRG meetings, but that the PRG was informed at the September 2011 meeting that negotiations had been terminated. Subsequently, Calpine proposed a smaller quantity of generation but at the same price that was previously negotiated. This specific later proposal was not presented to the PRG. However, the PRG was well-informed of SDG&E's overall procurement needs and strategy through previous presentations and the major terms of the executed Calpine do not differ significantly from the previous proposed Calpine PPA. Thus, pursuant to D.02-08-071, SDG&E's Procurement Review Group participated in the review of the SCE and Calpine PPAs.

RPS ELIGIBILITY AND CPUC APPROVAL

Pursuant to Pub. Utils. Code § 399.13, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "Eligible Renewable Energy Resource," that the project's output delivered to the buyer qualifies under the requirements of the California RPS, and that the seller use commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.¹³

¹² SDG&E's PRG includes representatives of the Union of Concerned Scientists, the Coalition of California Utility Employees, The Utility Reform Network, the California Public Utility Commission's Energy Division and Division of Ratepayer Advocates, and the California Department of Water Resources.

¹³ See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

The Commission requires a standard and non-modifiable clause in all RPS contracts that requires "CPUC Approval" of a PPA to include an explicit finding that "any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (*Public Utilities Code Section 399.11 et seq.*), Decision 03-06-071, or other applicable law."¹⁴

Notwithstanding this language, the Commission has no jurisdiction to determine whether a project is an eligible renewable energy resource, nor can the Commission determine prior to final CEC certification of a project, that "any procurement" pursuant to a specific contract will be "procurement from an eligible renewable energy resource."

Therefore, while we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS-eligible resource to count towards an RPS compliance obligation. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract. Such contract enforcement activities shall be reviewed pursuant to the Commission's authority to review the administration of such contracts.

CONFIDENTIAL INFORMATION

The Commission, in implementing Pub. Utils. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, such as price, is confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their affiliates, which are public.

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

¹⁴ See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

COMMENTS ON THIS RESOLUTION

Pub. Utils. Code § 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS AND CONCLUSIONS

1. The SCE and Calpine power purchase agreements are consistent with the bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.
2. The SCE and Calpine power purchase agreements are consistent with SDG&E's 2011 RPS Procurement Plan, approved by D.11-04-030.
3. The SCE and Calpine power purchase agreements are consistent with the resource needs identified in SDG&E's 2011 Procurement Plan.
4. The SCE and Calpine power purchase agreements compare favorably to the offers received in SDG&E's 2011 RPS solicitation and other comparable contracts.
5. The SCE and Calpine power purchase agreements include the Commission-adopted RPS standard terms and conditions including those deemed "non-modifiable."
6. SDG&E asserts that SCE and Calpine will be able to meet the terms and conditions of the power purchase agreements because the underlying facilities that are to deliver generation pursuant to the power purchase agreements are operational and generating electricity.
7. The SCE and Calpine power purchase agreements trigger the minimum quantity condition because the power purchase agreements are short-term and the facilities that are to deliver energy began commercial operation prior to January 1, 2005.
8. SDG&E has satisfied the minimum quantity condition with power purchase agreements executed in 2011 and is in compliance with D.07-05-028.
9. Consistent with D.06-05-039 an independent evaluator oversaw SDG&E's procurement process.

10. Payments made by SDG&E under the SCE power purchase agreement are fully recoverable in rates over the life of the SCE power purchase agreement, subject to Commission review of SDG&E's administration of the SCE power purchase agreement.
11. Payments made by SDG&E under the Calpine power purchase agreement are fully recoverable in rates over the life of the Calpine power purchase agreement, subject to Commission review of SDG&E's administration of the Calpine power purchase agreement.
12. SDG&E asserts that SCE and Calpine will be able to meet the terms and conditions of the power purchase agreements.
13. The PPAs do not meet the eligibility requirements set out in Resolution E-4199 and §399.15(c) (SB 107) to be applied to SDG&E's cost containment limit because the PPAs were negotiated bilaterally and are short-term contracts.
14. The SCE and Calpine power purchase agreements are not a long-term financial commitment subject to the Emissions Performance Standard because the terms of the power purchase agreements are less than five years.
15. SDG&E's Procurement Review Group participated in the review of the SCE and Calpine power purchase agreements consistent with D.02-08-071.
16. The total expected costs of the power purchase agreements are reasonable based on their relation to bids received in response to SDG&E's 2011 RPS solicitation.
17. Procurement pursuant to the SCE and Calpine power purchase agreements is procurement from eligible renewable energy resources for purposes of determining SDG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.03-06-071 and D.06-10-050, or other applicable law.
18. The immediately preceding finding shall not be read to allow generation from a non-RPS-eligible renewable energy resource under these power purchase agreements to count towards an RPS compliance obligation. Nor shall that finding absolve SDG&E of its obligation to enforce compliance with this power purchase agreements.
19. Procurement pursuant to these contracts will be treated consistent D.11-12-052.

20. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.
21. AL 2291-E should be approved effective today.

THEREFORE IT IS ORDERED THAT:

1. San Diego Gas & Electric Company's Advice Letter 2291-E, requesting Commission review and approval of a power purchase agreement with Southern California Edison Company and a power purchase agreement with Calpine Energy Services, L.P., is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 1, 2012; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

Confidential Appendix A

Evaluation Summary of the SCE and Calpine PPAs

[Redacted]

Confidential Appendix B

Excerpt from the SCE Independent Evaluator Project-Specific Report¹⁵

[Redacted]

¹⁵ Pages 1-5 of the “Report of the Independent Evaluator on SCE Bilateral Contract Relative to the Results of the 2011 Request for Offers from Eligible Renewable Resources (2011 RENEWABLE RFO)” (September 22, 2011), PA Consulting Group, Jonathan M. Jacobs, submitted with SDG&E AL 2291-E on September 26, 2011.

Confidential Appendix C

Excerpt from the Calpine Independent Evaluator Project-Specific Report¹⁶

[Redacted]

¹⁶ Pages 1-7 of the “Report of the Independent Evaluator on Calpine Bilateral Contract Relative to the Results of the 2011 Request for Offers from Eligible Renewable Resources (2011 RENEWABLE RFO)” (September 25, 2011), PA Consulting Group, Jonathan M. Jacobs, submitted with SDG&E AL 2291-E on September 26, 2011.