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**ADVICE LETTER 2309-E  
(U 902-E)**

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

**SUBJECT: REQUEST FOR APPROVAL OF RENEWABLE POWER PURCHASE WITH  
MESA WIND POWER CORPORATION**

**I. INTRODUCTION**

**A. PURPOSE OF THE ADVICE LETTER**

San Diego Gas & Electric Company ("SDG&E") seeks approval from the California Public Utilities Commission (the "Commission" or the "CPUC") of a Power Purchase Agreement (the "Agreement") with Mesa Wind Power Corporation ("Mesa Wind" or the "Project"). The Project is an existing wind facility which has been operating since 1984. The Project was offered into, and shortlisted, in SDG&E's 2011 Renewables RFO. The proposed Agreement is for an approximately two year term, involves delivery of bundled wind energy from an existing California Energy Commission ("CEC") certified wind renewable resource generating facility near Whitewater, California, and interconnected at a distribution level. The Agreement establishes a commercial online date upon interconnection conversion from Rule 21 to the Wholesale Distribution Access Tariff ("WDAT"), but in no event later than April 15, 2012.

This project will contribute to SDG&E's ability to meet the 20% RPS requirement during compliance period ("CP") 1 established by Senate Bill ("SB") x1 2 (2012-2013). The project's deliveries during CP 1 are particularly important given the inability under SB x1 2 to earmark contracts and SDG&E's current position below the 20% requirement. This purchase will also help to balance the development risk already embedded in SDG&E's 2012-2013 RPS portfolio and will contain ratepayer costs, given the short-term nature of the transaction.

**B. SUBJECT OF THE ADVICE LETTER**

1. **PROJECT NAME:** Mesa Wind
2. **TECHNOLOGY (INCLUDING LEVEL OF MATURITY):** Wind turbine technology, which is a mature technology that continues to develop improved designs and greater capacity. According to the California Wind Energy Association, more than 3,141 MW of wind capacity is operating in California alone.<sup>1</sup>

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<sup>1</sup> <http://www.calwea.org/>

3. **GENERAL LOCATION AND INTERCONNECTION POINT:** Project is located at the western end of the Coachella Valley, on public lands managed by the Bureau of Land Management (“BLM”), approximately 5.5 miles northwest of Palm Springs and north of Interstate 10 in Riverside County. The Project is currently connected to the 115 kV Pan Aero substation on the distribution system. Mesa Wind plans to directly interconnect with the California Independent System Operator (“CAISO”) upon installation of a CAISO meter, and completion of Participating Intermittent Resource Program (“PIRP”) registration and completion of the WDAT process.

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

a. **Name(s):** Mesa Wind Power Corporation, a subsidiary of Western Wind Energy Corporation (with corporate offices in Vancouver, British Columbia, Canada).

b. **Type of entity(ies) (e.g. LLC, partnership):** Corporation

c. **Business Relationships between seller/owner/developer:** N/A. Project is producing

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

The Project is fully operational and has been selling power pursuant to a long term Qualifying Facility (“QF”) contract with Southern California Edison Company (“SCE”). The Project was bid into SDG&E’s 2011 RFO for renewable generation and was shortlisted by SDG&E.

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

The Agreement is a product of SDG&E’s 2011 Renewable RFO.

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

<b>PROJECT NAME</b>	Mesa Wind Power
<b>TECHNOLOGY</b>	Wind
<b>CAPACITY (MW)</b>	29.9 MW
<b>CAPACITY FACTOR</b>	Approx. 21%
<b>EXPECTED GENERATION (GWH/YEAR)</b>	55 GWh
<b>INITIAL ENERGY DELIVERY DATE<sup>2</sup></b>	Upon interconnection completion
<b>GUARANTEED COMMERCIAL OPERATION DATE</b>	No COD but interconnection CP is no later than April 15, 2012
<b>DATE CONTRACT DELIVERY TERM BEGINS</b>	Interconnection
<b>DELIVERY TERM (YEARS)</b>	Approx. 2 years

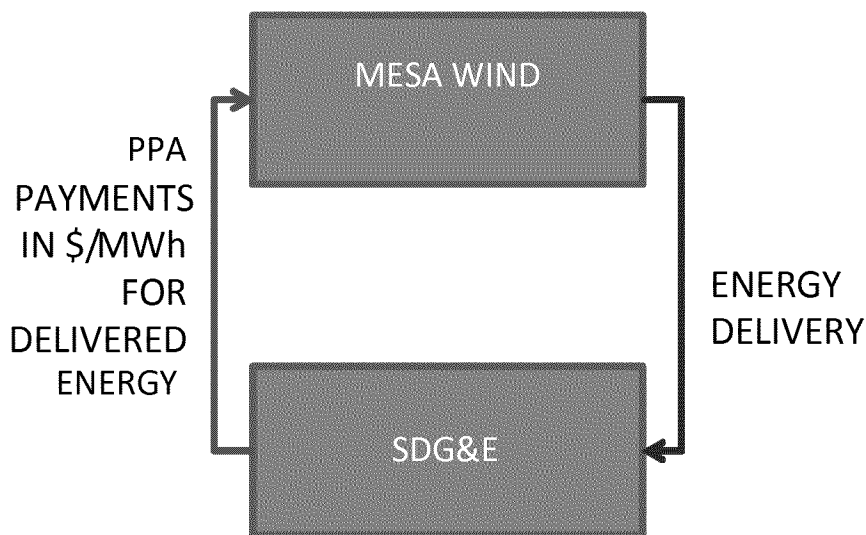
<sup>2</sup> As defined in the Proposed Agreement. Details are provided in Confidential Appendix D, Section D (1), “Energy Delivery Requirements” in the Matrix of Major Contract Provisions of this Advice Letter.

VINTAGE (NEW / EXISTING / REPOWER)	Existing
LOCATION (CITY AND STATE)	Whitewater, CA
CONTROL AREA (E.G., CAISO, BPA)	CAISO
NEAREST COMPETITIVE RENEWABLE ENERGY ZONE (CREZ) <sup>3</sup>	CREZ 32
TYPE OF COOLING, IF APPLICABLE	Not applicable
PRICE <sup>4</sup> RELATIVE TO MPR (I.E. ABOVE/BELOW)	Below 2009 MPR

**D. GENERAL DEAL STRUCTURE**

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

The Proposed Agreement provides for the purchase of the full output of as-available bundled energy and green attributes from the Project for an approximately 2-year term. Deliveries to SDG&E will occur at the busbar when directly interconnected to CAISO as a Participating Generator in the CAISO. The proposed Agreement provides for the delivery of firm bundled renewable energy and green attributes, as soon as Mesa Wind terminates its QF contract and receives approval to interconnect directly with CAISO.



**E. RPS STATUTORY GOALS**

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

<sup>3</sup> As identified by the Renewable Energy Transmission Initiative ("RETI"). Information about RETI is available at: <http://www.energy.ca.gov/reti/>

<sup>4</sup> Refers to the maximum price under the Agreement.

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Public Utilities Code section 399.11 states, in part that “increasing California's reliance on eligible renewable energy resources may promote stable electricity prices, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.” The Proposed Agreement has a fixed price for 2 years of deliveries, which will provide price stability for ratepayers. As a wind resource, it will generate clean, renewable energy with zero fuel costs (and therefore contributing zero need for foreign fuel imports) and zero greenhouse gas emissions directly associated with energy production into the atmosphere.

### F. **CONFIDENTIALITY**

Appendix A: Consistency with Commission decisions and Rules and Project Development Status

Appendix B: Solicitation Overview

Appendix C: Final RPS Project-Specific Independent Evaluator Report

Appendix D: Contract Summary

Appendix E: Comparison of Contract with Utility's Pro Forma Power Purchase Agreement

Appendix F: Power Purchase Agreement

Appendix G: Project's Contribution Toward RPS Goals

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

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

## II. **CONSISTENCY WITH COMMISSION DECISIONS**

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

### A. **RPS PROCUREMENT PLAN**

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

On December 18, 2009 SDG&E filed its draft 2011 Renewable Procurement Plan (the 2011 RPS Plan).<sup>5</sup> On April 14, 2011, the CPUC issued D.11-04-030 (“the Decision”) conditionally approving SDG&E’s 2011 RPS Plan. In compliance with the direction set forth in the Decision, SDG&E filed a revised 2011 RPS Plan to incorporate changes required by the Commission. The Decision authorized SDG&E to proceed with its amended Plan unless suspended by the Energy Division Director. No such suspension was issued by the Energy Division; therefore, on May 12, 2011 SDG&E issued the 2011 RFO.

Below SDG&E demonstrates the reasonableness of the Proposed Agreements through comparison of the terms and conditions of the Proposed Agreements against the results of its 2011 RPS RFO.

**2. THE PROCUREMENT PLAN’S ASSESSMENT OF PORTFOLIO NEEDS.**

The 2011 RPS Plan expresses SDG&E’s commitment to meet the goal of serving 33% of its retail sales with renewable resources by 2020. SB x1 2, which will become effective in December, 2011, requires SDG&E to purchase 20% of its retail sales, on average, for the 2011-2013 period; 25% by 2016, and 33% by 2020 from eligible renewable sources.

SDG&E’s goal is to comply with applicable RPS legislation by developing and maintaining a diversified renewable portfolio, selecting from offers using the Least-Cost, Best-Fit (“LCBF”) evaluation criteria. The RFO approved as part of SDG&E’s RPS Plan seeks offers from all technologies of renewable projects that meet the requirements for eligible facilities as specified in applicable statute and as established by the CEC. The RFO seeks unit firm or as-available deliveries. SDG&E’s RPS Plan also states that, to the extent a bilateral offer complies with RPS program requirements, fits within SDG&E’s resource needs, is competitive when compared against recent RFO offers and provides benefits to SDG&E customers, SDG&E will pursue such an agreement. Amended contracts, as with bilateral offers, will be compared to alternatives presented in the most recent RPS solicitation.

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

The Proposed Agreement conforms to SDG&E’s Commission-approved 2011 RPS Plan by delivering bundled renewable energy and associated Green Attributes that fill a portion of SDG&E’s RPS net short position. The Proposed Agreement also provides for the purchase of Resource Adequacy (“RA”) if available. The transaction complies with RPS program requirements, meets the portfolio needs outlined by the 2011 RPS Plan and is competitive when compared to the other bids submitted in the 2011 RFO.

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<sup>5</sup> The draft Plan submitted by SDG&E was originally submitted as its 2010 draft Plan. D.11-04-030 refers to the draft Plan as the “2011” Plan since the decision was issued in 2011 and the solicitation resulting from the final decision was held in 2011.

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

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

- a. Commence deliveries in 2011, 2012, 2013, 2014 or 2015
- b. Short term agreements of up to 4 years in duration
- c. The project must be RPS-eligible
- d. The Net Contract Capacity must be  $\geq 1.5\text{MW}$ , net of all auxiliary and station parasitic loads; (if within SDG&E service area)
- e. The Net Contract Capacity must be  $\geq 5\text{MW}$ , net of all auxiliary and station parasitic loads; (if outside of SDG&E service area)
- f. All green attributes must be tendered to SDG&E

The proposed Agreement fulfills these minimum requirements; the proposed Agreement's COD is 2012. Therefore, SDG&E accepted the offer and negotiated the proposed Agreement.

B. **BILATERAL CONTRACTING – IF APPLICABLE**

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

The contract was not procured through bilateral negotiations.

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

The contract was not procured through bilateral negotiations.

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

The contract was not procured through bilateral negotiations.

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

The following sections review SDG&E's 2011 RPS RFO process. The offers into the 2011 RFO were used to benchmark the Proposed Agreement.

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

As specified by the Commission-approved RFO bidding protocol, the 2011 RFO was issued on May 12, 2011. Responses were due July 11, 2011. SDG&E solicited bids from all RPS-eligible technologies.

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

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

SDG&E solicited two types of projects:

- a) Power purchase agreements for short-term deliveries up to four years and long-term deliveries up to thirty years;
- b) Tradable Renewable Energy Credits (“TREC”).

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

- a) An RFO website was created, allowing respondents to download solicitation documents, participate in a Question and Answer forum and see updates or revisions associated with the process;
- b) Two bidders conference were held, one in San Diego, CA and one in El Centro, CA with more than 150 people in attendance. The San Diego conference included a webinar available for interested parties who could not attend in person.
- c) Internet upload capabilities were available to accept electronic offers;
- d) The Independent Evaluator participated in the selection process, including the direct evaluation of bids; and
- e) SDG&E adhered to the following RFO schedule:

<b>DATE</b>	<b>EVENT</b>
May 12, 2011	RFO Issued
June 2, 2011	Pre-Bid Conference (in San Diego, California)
June 8, 2011	Pre-Bid Conference (in El Centro, California)
July 11, 2011	Offers Due
August 10, 2011	Briefed PRG on all offers received, preliminary LCBF ranking, preliminary list of highest ranked offers and preliminary shortlist.
August 19, 2011	Briefed PRG and sought PRG feedback on SDG&E's need determination, selection criteria based on the need, final LCBF ranking and final shortlist based on the selection criteria.
September 7, 2011	Notified Energy Division of final shortlist.
November 7, 2011	Final LCBF Report to the CPUC

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

SDG&E evaluates all offers, including these bilateral offers from SCE and Calpine, in accordance with the LCBF process outlined in D.03-06-071, D.04-07-029, and its approved 2011 RPS Procurement Plan. The Commission established in D.04-07-029 a process for evaluating “least-cost, best-fit” renewable resources for purposes of IOU compliance with RPS program requirements. SDG&E has adopted such a process in its renewable procurement plan. In D.06-05-039, the Commission observed that “the RPS project evaluation and selection process within the LCBF framework cannot ultimately be reduced to mathematical models and rules that totally eliminate the use of judgment.”<sup>6</sup> It determined, however, that each IOU should provide an explanation of its “evaluation and selection model, its process, and its decision rationale with respect to each bid, both selected and rejected,” in the form of a report to be submitted with its short list of bids (the “LCBF Report”). In addition, SDG&E authorized the Independent Evaluator to perform the LCBF analysis to determine the least-cost best-fit ranking of projects in the RFO.

A. **MODELING ASSUMPTIONS AND SELECTION CRITERIA**

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

SDG&E compared bids from the 2011 RFO by sorting all projects by the All-In Bid Ranking Price, from lowest to highest. Those projects with the lowest All-In Bid Ranking Price that passed through qualitative filters for location and viability were short listed. From a “best-fit” perspective for 2011, projects which fit SDG&E’s portfolio needs best were in-state projects that would be served by the Sunrise Powerlink.

The All-In Bid Ranking Price of the Proposed Agreement, as calculated and presented in *Confidential Appendix A – Consistency with Commission Decisions and Rules*, is economically justifiable because it is consistent with other selected projects and thus it a crucial component of SDG&E’s renewable portfolio.

B. **QUANTITATIVE FACTORS**

Market valuation (the “All-In Bid Ranking Price”) - The following discussion describes how SDG&E calculated an all-in price that included the factors listed. Included in *Confidential Appendix D – Contract Summary* is a detailed description of how each of these factors applied to the specific calculation of the Projects’ All-In Bid Ranking Prices.

Levelized Contract Cost: The offered bundled energy or TREC prices were multiplied by deliveries over the life of the proposed contract (and time-of-day factors, if applicable) and discounted back to the beginning of the contract to form Levelized Contract Cost.

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<sup>6</sup> See D.06-05-039, *mimeo*, p. 42.



Above Market Cost: For PPA bids in the 2011 RPS RFO, a project-specific MPR was calculated based upon a set of baseload price referents calculated using the 2009 MPR model and forward prices for natural gas in June and July of 2011. The project-specific Price Referent was then subtracted from the Levelized Contract Cost as offered in the bid to produce the Above Market Cost. All other adders were added to the Above Market Cost to form the Bid Ranking Price, which was used to rank bids in the RFO. TREC offers are automatically considered Above Market Costs and are ranked with the Above Market Costs from PPA bids, as modified with the adders below.

Transmission Cost Adder: Typically SDG&E calculates costs for transmission network upgrades or additions, using the information provided through the Transmission Ranking Cost Report ("TRCR") approved by the CPUC. To be as inclusive as possible, SDG&E uses TRCR-based transmission costs even for offers that were not submitted to the TRCR rather than considering those offers to be non-conforming. The total amount of contemplated generation interconnections studied in the TRCR always exceeded the amount of generating capacity that SDG&E would consider shortlisting.

Deliverability Adder: In order to comply with resource adequacy requirements issued by the Commission and the CAISO, SDG&E assumes that new generating resources can meet the CAISO's requirements for full deliverability within SDG&E's service territory. For projects that are unable or unwilling to meet deliverability requirements for generation in SDG&E's service territory, an adder was assessed to estimate the cost of additional full-deliverability capacity that SDG&E will have to procure that would otherwise have been provided. Projects outside of SDG&E's territory but within California were assessed a System Deliverability Adder; projects outside of California that are subject to CAISO's import allocation criteria, or projects that elected to have an "energy-only" interconnection, were assessed the Full Deliverability Adder. The value of the deliverability adder is set by differences between the project's project-specific Market Price Referent calculated with SDG&E's all-in time-of-day factors, and the project-specific Market Price Referent calculated with SDG&E's energy-only time-of-day factors and adjusted by the ratio of system to local resource adequacy costs for projects with a System Deliverability Adder.

Congestion cost adders: Congestion analysis was performed using a model which provided hourly Locational Marginal Prices ("LMP") for specific years for each of the shortlisted bids. Due to the large number of bids, congestion costs were calculated at major Locational Marginal Pricing nodes within the CAISO system that were located at or near interconnections for bids offered into the RFO for solar, wind, and baseload delivery profiles. Congestion costs (\$/MWh) were then calculated based on the difference between the hourly LMP at each major LMP node and the hourly LMP values for SDG&E's Load Aggregation Point ("LAP"). The LMP values in the LAP were weighted for all bus points within SDG&E's service territory using approved CAISO allocation factors.

#### **A. PORTFOLIO FIT**

SDG&E's RPS Procurement Plan states that SDG&E does not have a preference for a particular product or technology type and that SDG&E has latitude in the resources that it selects. However, as explained above, time of delivery factors, transmission

cost, congestion costs, commercial operations date and deliverability adders were evaluated to determine the impact to SDG&E's portfolio. These portfolio fit factors were valued and included in the economic comparison of options in order to ensure the least-cost projects were also best-fit selections for the portfolio. Given the short-term nature, the Proposed Agreement both balance the development risk already embedded in SDG&E's 2011-2013 RPS portfolio and contain procurement costs.

See Section C "Least Cost Best-Fit" in the *Confidential Appendix A – Consistency With Commission Decisions And Rules* for details on the Proposed Agreement's costs and benefits in the context of SDG&E's portfolio needs.

**B. TRANSMISSION ADDER**

See Section C "Least Cost Best-Fit" in the *Confidential Appendix A – Consistency With Commission Decisions And Rules* for details on the Proposed Agreement's application of the transmission cost adder.

**C. APPLICATION OF TIME OF DELIVERY FACTORS (TODs)**

TOD factors were used to compute Levelized Contract Costs for bids where TOD pricing was requested, and was used to compute Deliverability Adders in its LCBF evaluation. The Levelized Contract Cost, and project-specific Price Referents, were computed using projected delivery profiles provided by the respondents. Application of TOD factors in the evaluation of the Proposed Agreement is explained in Section C "Least Cost Best-Fit" in the *Confidential Appendix A – Consistency With Commission Decisions And Rules*.

SDG&E's standard "all-in" TOD factors from the 2011 RFO:

	<b>SUMMER</b> July 1 – October 31	<b>WINTER</b> November 1 – June 30
<b>ON-PEAK</b>	Weekdays 11am – 7pm <b>2.501</b>	Weekdays 1pm - 9pm <b>1.089</b>
<b>SEMI-PEAK</b>	Weekdays 6am – 11am; Weekdays 7pm - 10pm <b>1.342</b>	Weekdays 6am – 1pm; Weekdays 9pm – 10pm <b>0.947</b>
<b>OFF-PEAK*</b>	All other hours <b>0.801</b>	All other hours <b>0.679</b>
*All hours during NERC holidays are off-peak.		

SDG&E's "energy-only" TOD factors for Deliverability Adder computations:

	<b>SUMMER</b> July 1 – October 31	<b>WINTER</b> November 1 – June 30
<b>ON-PEAK</b>	Weekdays 11am – 7pm <b>1.531</b>	Weekdays 1pm - 9pm <b>1.192</b>
<b>SEMI-PEAK</b>	Weekdays 6am – 11am; Weekdays 7pm - 10pm <b>1.181</b>	Weekdays 6am – 1pm; Weekdays 9pm – 10pm <b>1.078</b>
<b>OFF-PEAK*</b>	All other hours <b>0.900</b>	All other hours <b>0.774</b>

\*All hours during NERC holidays are off-peak.

**D. OTHER FACTORS CONSIDERED**

Aside from the above considerations no other quantitative factors were considered by SDG&E in determining the All-In Bid Ranking Price.

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

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

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

Due to the changes in law made by SB x1 2, flexible compliance mechanisms contained in the original RPS legislation have been removed and compliance targets have changed, requiring SDG&E to focus entirely upon projects coming online and providing RPS deliveries within the years 2011 to 2013 in order to meet the new RPS compliance targets. Due to this change in need, the large number of bids that were received in the 2011 RPS RFO, and the limited number of Commission meetings scheduled to consider new RPS agreements between late 2011 and mid-year 2013, qualitative rules were imposed during the bid evaluation process to consider only those bids that could reasonably meet SDG&E's near term RPS needs. Projects eligible for short listing were limited to those bids with deliveries of 90,000 MWh or more from the period 2011 to 2013; in particular, low priced projects were considered if they were able to generate more than 45,000 MWh in the same period as long as they were among the five lowest-cost PPA bids.

SDG&E also considered viability factors included in the Commission's Project Viability Calculator, such as the degree of experience of the developer, ability to achieve interconnection, technical feasibility, site control, and resource quality in the vicinity of the project site.

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

**1. THE PROPOSED CONTRACT COMPLIES WITH D.08-04-009, D.08-08-028 AND D.11-01-025**

The Proposed Agreement contains standard terms and conditions as authorized by the Commission in D.04-06-014, D.08-04-009, D.08-08-028 and D.11-01-025. A side-by-side comparison of the standard terms and conditions is located in *Section D – Standard terms and Conditions of Confidential Appendix A – Consistency with Commission Decisions and Rules* found in Part 2 of this Advice Letter. Also a summary of major contract provisions is provided in *Confidential Appendix D – Contract Summary*. Copies of the Proposed Agreement and supporting documentation are also provided in *Confidential Appendix F – Power Purchase Agreement*.

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

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

NON-MODIFIABLE TERM	PPA SECTION; PPA PAGE #
STC 1: CPUC Approval	Definitions; Page 6
STC 2: Green Attributes & RECs	Definitions; Page 10
STC 6: Eligibility	Article 10: Representations and Warranties; Covenants; Sec. 10.2, Page 39
STC 17: Applicable Law	Article 13 Miscellaneous, Section 13.8 Governing Law, Page 46
STC REC-1 Transfer of renewable energy credits	Article 10: Representations and Warranties; Covenants; Section 10.2, page 39
STC REC-2 Tracking of RECs in WREGIS	Article 3, Section 3.1 (l) page 21

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

See *Confidential Appendix E – Comparison of Contract with SDG&E’s Pro Forma Power Purchase Agreement* of this Advice Letter.

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

As defined under D.10-03-021, *et seq.*, the Proposed Agreement is for bundled wind energy.

F. **MINIMUM QUANTITY**

**MINIMUM CONTRACTING REQUIREMENTS APPLICABLE TO SHORT TERM CONTRACTS WITH EXISTING FACILITIES**

1. **THE PROPOSED AGREEMENT TRIGGERS THE MINIMUM QUANTITY REQUIREMENT SET FORTH IN D.07-05-028.**

In D.07-05-028, the Commission indicated that the ability to count short term contracts (less than ten years) toward SDG&E’s RPS Compliance goal will be dependent upon satisfying Commission-established requirements for minimum quantities of long-term contracts (with new or existing facilities) and/or short-term contracts with newer facilities.

This short term contract triggers the minimum quantity requirement because the designated resource commenced deliveries in 1984, well before 01/01/2005.

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

SDG&E’s 2010 retail sales were 16,282,682 MWh. Thus the minimum 0.25% quantity is 40,707 MWh. SDG&E has executed several long term contracts in 2011 which more than make-up this quantity.

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The listing below illustrates SDG&E's 2011 executed contracts which demonstrate compliance with the 0.25% threshold:

<u>Project</u>	<u>Execution Date</u>	<u>Annual MWh</u>
NRG Solar Borrego I	1/25/2011	59,400
Ocotillo Express	2/1/2011	890,542
CSOLAR IV West	3/8/2011	356,140
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
Silicon Valley Power	6/30/2011	351,360
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	Total MWh	3,417,542

### G. TIER 2 SHORT-TERM CONTRACT "FAST TRACK" PROCESS

SDG&E is not seeking approval via a Tier 2 Advice Letter and the "fast track" process.

### H. MARKET PRICE REFERENCE (MPR)

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

The pricing included in the Proposed Agreement is below the 2009 MPR. The exact pricing and relation to the MPR is discussed in detail in *Confidential Appendix D – Contract Summary*.

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

The total cost of this Proposed Agreement is below the 2009 MPR. The total contract cost and how it compares to the MPR is discussed in more detail within *Confidential Appendix D – Contract Summary*.

### I. ABOVE MPR FUNDS (AMFs)

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

The Proposed Agreement is from the 2011 RFO and, therefore, is eligible for AMFs.

#### 2. THE STATUS OF THE UTILITY'S AMFs LIMIT.

SDG&E's AMF limit has been exhausted.<sup>7</sup>

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

Public Utilities Commission

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

N/A. The cost is below MPR.

J. **INTERIM EMISSIONS PERFORMANCE STANDARD**

COMPLIANCE WITH D.07-01-039, WHERE THE COMMISSION ADOPTED A GREENHOUSE GAS EMISSIONS PERFORMANCE STANDARD (EPS) APPLICABLE TO CONTRACTS FOR BASELOAD GENERATION, AS DEFINED, WITH DELIVERY TERMS OF FIVE YEARS OR MORE.

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

The Proposed Agreement is not subject to the EPS as it has a delivery term of less than five years.

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

N/A

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

N/A

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

N/A

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

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

All contract energy must be provided from the designated renewable resource, therefore, the Proposed Agreement will not use substitute system energy from unspecified sources to meet contractual obligations.

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

All contract energy must be provided from the designated renewable resource, therefore, the Proposed Agreement will not use substitute system energy from unspecified sources to meet contractual obligations.

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

## Public Utilities Commission

All contract energy must be provided from the designated renewable resource, therefore, the Proposed Agreement will not use substitute system energy from unspecified sources to meet contractual obligations.

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

All contract energy must be provided from the designated renewable resource, therefore, the Proposed Agreement will not use substitute system energy from unspecified sources to meet contractual obligations.

### K. **PROCUREMENT REVIEW GROUP (PRG) PARTICIPATION**

#### 1. **PRG PARTICIPANTS (BY ORGANIZATION/COMPANY).**

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

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

#### 2. **WHEN THE PRG WAS PROVIDED INFORMATION ON THE CONTRACT**

Along with proposals received in the 2011 RFO, the Proposed Agreement was presented to the PRG on August 10, September 16, October 21, and November 18, 2011.

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

SDG&E consulted with the PRG regarding this Proposed Agreement at the meetings cited above. The slides used at these Meetings are provided in Section J – PRG Participation and Feedback of the *Confidential Appendix A – Consistency with Commission Decisions and Rules* contained in this Advice Letter.

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

As listed above, the PRG was informed of the RFO shortlist.

### L. **INDEPENDENT EVALUATOR (IE)**

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

1. **NAME OF IE:** PA Consulting Group
2. **OVERSIGHT PROVIDED BY THE IE**

PA Consulting Group was involved in all aspects of SDG&E's 2011 RPS RFO process including, but not limited to: reviewing RFO document development and creation of evaluation criteria, reviewing and monitoring of all received bids, involvement in bid evaluation for conformance and ranking, conducting the LCBF analysis, as well as monitoring of communications and negotiations with affiliated parties.

SDG&E worked with its IE on evaluation of the Proposed Agreement. The IE has reviewed the major contract terms and SDG&E's method of comparing the project to bids received from the 2011 RFO and has spot-checked relevant calculations. A confidential Independent Evaluator Report was issued on the Proposed Agreement and is attached as *Confidential Appendix C – Final RPS Project Specific IE Report* in this Advice Letter. Below is a public version of that same report.

**3. IE MADE ANY FINDINGS TO THE PROCUREMENT REVIEW GROUP**

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

**4. PUBLIC VERSION OF THE PROJECT-SPECIFIC IE REPORT<sup>8</sup>**



**III. PROJECT DEVELOPMENT STATUS**

The Project is already commercially operational and this section is not applicable according to the Advice Letter Template.

**IV. CONTINGENCIES AND/OR MILESTONES**

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

See *Confidential Appendix D-Contract Summary* and *Confidential Appendix F-Power Purchase Agreement* for performance standards, contingencies, and milestones associated with the Proposed Agreement.

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

See *Confidential Appendix D-Contract Summary* and *Confidential Appendix F-Power Purchase Agreement* for performance standards, contingencies, and milestones associated with the Proposed Agreement.

**V. PROCEDURAL MATTERS**

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<sup>8</sup> A full printed copy of this public IE Report is located at the end of Part 2 of this Advice Letter



## Public Utilities Commission

### **A. REQUESTED RELIEF**

SDG&E respectfully requests that the Commission approve the Proposed Agreement through the adoption of a final Resolution approving this Advice Letter no later than March 22, 2012.

As detailed in this Advice Letter, SDG&E's entry into the Proposed Agreement and the terms of such agreement is reasonable; therefore, all costs associated with the Proposed Agreement, including energy, green attributes, and resource adequacy should be fully recoverable in rates.

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

1. The proposed Agreement is consistent with SDG&E's CPUC-approved RPS Plan and procurement from the proposed Agreement will contribute towards SDG&E's RPS procurement obligation.
2. SDG&E's entry into the proposed Agreement and the terms of such agreement are reasonable; therefore, the proposed Agreement is approved in its entirety and all administrative and procurement costs associated with the Proposed Agreement, including for energy, green attributes, and resource adequacy, are fully recoverable in rates over the term of the proposed Agreement, subject to Commission review of SDG&E's administration of the proposed Agreement.
3. Generation procured pursuant to the proposed Agreement constitutes generation from an eligible renewable energy resource for purposes of determining SDG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewable Portfolio Standard program (Public Utilities Code §§ 399.11, *et seq.* and/or other applicable law) and relevant Commission decisions.

### **B. PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received no later than December 22, 2011, which is 20 days from the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies should also be sent via e-mail to the attention of Honesto Gatchallian (jnj@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest be sent via electronic mail and facsimile to SDG&E on the same date it is mailed or delivered to the Commission (at the addresses shown below).

Public Utilities Commission

Attn: Megan Caulson  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. 858-654-1879  
*E-Mail: MCaulson@semprautilities.com*

**C. EFFECTIVE DATE**

This Advice Letter is classified as Tier 3 (effective after Commission approval) pursuant to GO 96-B. SDG&E respectfully requests that the Commission issue a final Resolution approving this Advice Letter on or before March 22, 2012.

**D. NOTICE**

In accordance with General Order No. 96-B, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.11-05-005, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by e-mail to SDG&ETariffs@semprautilities.com.

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CLAY FABER  
Director – Regulatory Affairs

*(cc list enclosed)*

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

ELC     GAS  
 PLC     HEAT     WATER

Contact Person: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric    GAS = Gas  
PLC = Pipeline    HEAT = Heat    WATER = Water

(Date Filed / Received Stamp by CPUC)

Advice Letter (AL) #: 2309-E

Subject of AL: Request for Approval of Renewable Power Purchase with Mesa Wind Power Corporation

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

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

If AL filed in compliance with a Commission order, indicate relevant Decision / Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: None

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

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

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 3/22/12

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<sup>1</sup>: None

Pending advice letters that revise the same tariff sheets: None

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division  
Attention: Tariff Unit**

**505 Van Ness Ave.,  
San Francisco, CA 94102**

**mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Megan Caulson**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**mcaulson@semprautilities.com**

<sup>1</sup> 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

S. Cauchois  
J. Greig  
W. Scott

Energy Division

P. Clanon  
S. Gallagher  
H. Gatchalian  
D. Lafrenz  
M. Salinas

CA. Energy Commission

F. DeLeon  
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell  
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman  
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham  
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes  
G. Lonergan  
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill  
J. Pau

Dept. of General Services

H. Nanjo  
M. Clark

Douglass & Liddell

D. Douglass  
D. Liddell  
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell  
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg  
J. Heather Patrick  
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard  
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate  
Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio

M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. 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 2309-E  
December 2, 2011

## ATTACHMENT A

### DECLARATION OF MAURENE BISHOP REGARDING CONFIDENTIALITY OF CERTAIN DATA

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

**DECLARATION OF F. MAURENE BISHOP  
REGARDING CONFIDENTIALITY OF CERTAIN DATA**

I, F. Maurene Bishop, do declare as follows:

1. I am an Energy Contracts Originator for San Diego Gas & Electric Company (“SDG&E”). I have reviewed Advice Letter 2309 -E, requesting approval of a Power Purchase Agreement with Mesa Wind Power Corporation dated November 2, 2011, (with attached confidential and public appendices), (“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”).<sup>1/</sup> In addition, the Commission has made

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<sup>1/</sup> 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.”<sup>2/</sup>

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.<sup>3/</sup>

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.<sup>4/</sup>

Data at issue	D.06-06-066 Matrix Requirements	How moving party meets requirements
<p><b><i>Bid Information</i></b><sup>5</sup></p> <p><b><i>Locations:</i></b></p> <p><b><i>1. Confidential Appendix A</i></b></p> <ul style="list-style-type: none"> <li>▪ <i>Section A, RPS Procurement Plan, page 2</i></li> </ul>	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p> <p>Identify the Matrix</p>	<p>The data provided is non-public bid data from SDG&amp;E’s Renewable RFOs.</p> <p>This information is</p>

<sup>2/</sup> 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).

<sup>3/</sup> D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

<sup>4/</sup> 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”).

<sup>5</sup> The confidential information referenced has a GREEN font color / has a green box around it in the confidential appendices.

<ul style="list-style-type: none"> <li>▪ <i>Section C, LCBF, pages 3- 4</i></li> <li>▪ <i>How the Project compares with other bids, paragraph C.2 (Portfolio Fit) – project ranking with other bids in 2011 RPS RFO and Application of TODs on pgs.4,5;</i></li> <li>▪ <i>Transmission Details, pgs. 43-44</i></li> <li>▪ <i>Project Development Status section, paragraph G.2. – Project Viability Calculator (PVC) scoring and associated narrative on p.44, 45;</i></li> </ul> <p>2. <b>Confidential Appendix B</b> – <i>embedded 2011 Solicitation Overview Report on p.46.</i></p> <p>3. <b>Confidential Appendix C</b> – <i>embedded project specific IE Report on p. 47.</i></p> <p>4. <b>Confidential Appendix D</b></p> <ul style="list-style-type: none"> <li>▪ <i>Contract Price Section, paragraph 13, How the Contract Price Compares with other bids, page 58</i></li> </ul>	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.
<p><b>Specific Quantitative Analysis<sup>6</sup></b></p> <p><b>Location:</b></p> <p>1. <b>Confidential Appendix A</b></p> <ul style="list-style-type: none"> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.1 Least- Cost Best-Fit If Applicable,1. The Project’s Bid scores under SDG&amp;E’s approved LCBF Evaluation Criteria on pgs.3-4;</i></li> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.2 (Portfolio Fit) -</i></li> </ul>	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

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



<p><i>computed factors for Project in 2011 LCBF evaluation and embedded SDG&amp;E's LCBF Ranking for the 2011 RPS RFO on p.4;</i></p>	<p>limitations on confidentiality specified in the Matrix for that type of data</p>	<p>confidentiality set forth in the IOU Matrix, SDG&amp;E requests that this information be kept confidential for three years.</p>
<ul style="list-style-type: none"> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.2 (Transmission Adders) - computed factors for Projects in 2011 LCBF evaluation and embedded SDG&amp;E's LCBF Ranking for the 2011 RPS RFO on p.5;</i></li> </ul>	<p>Affirm that the information is not already public</p>	<p>SDG&amp;E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.</p>
<ul style="list-style-type: none"> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.3, 4, 5 (LCBF Adders and Impact on Ranking and other criteria) - computed factors for Project in 2011 LCBF evaluation on pgs. 5-8;</i></li> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph H., MPR and AMFs on p.39;</i></li> <li>▪ <i>Project Development Status Section D. PTC/ITC. Page 42;</i></li> <li>▪ <i>Project Development Status Section E, Transmission, pgs. 42-43</i></li> </ul> <p><b>2. Confidential Appendix B – Embedded 2011 Solicitation Overview Report on p.46</b></p> <ul style="list-style-type: none"> <li>▪ <b>Confidential Appendix C – Final RPS Project-Specific Independent Evaluator Report on p.47. [See within IE report, section 6.1, Analysis and Project Viability Calculator section 6.2]</b></li> </ul> <p><b>3. Confidential Appendix D</b></p> <ul style="list-style-type: none"> <li>• <i>Paragraph E.1, Contract Price, Levelized contract price, p. 55</i></li> <li>• <i>Contract Summary section, Paragraph E.10, 11, AMF calculations, AMF Results and</i></li> </ul>	<p>Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.</p>	<p>SDG&amp;E cannot summarize or aggregate the evaluation data while still providing project-specific details. SDG&amp;E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.</p>

<p><i>embedded AMF calculator on pgs. 57,58</i></p> <ul style="list-style-type: none"> <li><i>Contract Summary section, paragraph E.13, Contract Price Comparison and Paragraph E.14, Rate Impact, pgs. 58, 59</i></li> </ul>		
<p><b>Contract Terms<sup>7</sup></b></p> <p><b>Locations:</b></p> <p><b>1. Confidential Appendix A</b></p> <ul style="list-style-type: none"> <li><i>Consistency with Commission Decisions and Rules section Paragraph C, Application of TODs, pg. 4</i></li> <li><i>Paragraph D – Standard Terms and Conditions, Non-modifiable and Modifiable Contract Terms Summary Table (Modifiable Terms) pgs. 8-9 and Modifiable Terms Red-line tables on pgs. 9-39</i></li> <li><i>Project Development Status Paragraph E, Transmission, Resource Adequacy Requirements p.43</i></li> </ul> <p><b>2. Confidential Appendix D</b></p> <ul style="list-style-type: none"> <li><i>Contract Summary Section C, Terms and Conditions of Delivery, p. 51</i></li> <li><i>Contract Summary Section Paragraph D.1. – Major Contract Provisions pgs, 51-54</i></li> <li><i>Paragraph D. 2, Controversial and/or Major Provision not Expressly identified in the Matrix. Pg. 54</i></li> <li><i>Contract Summary Section Paragraph E. Contract Price, sections 2,3, 4, 5, 7, 8 on pgs. 55-57</i></li> </ul> <p><b>3. Confidential Appendix E</b></p> <ul style="list-style-type: none"> <li><i>Embedded files containing comparison of Proposed</i></li> </ul>	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p>	<p>This data includes specific contract terms.</p>
	<p>Identify the Matrix category or categories to which the data corresponds</p>	<p>This information is protected under IOU Matrix category VII.G.</p>
	<p>Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data</p>	<p>In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&amp;E requests that this information be kept confidential for three years.</p>
	<p>Affirm that the information is not already public</p>	<p>SDG&amp;E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.</p>
<p>Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.</p>	<p>In order to include as much detail as possible, SDG&amp;E has provided specific contract terms instead of summaries.</p>	

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

<p><i>Power Purchase Agreement with SDG&amp;E's Pro Forma PPA on p.60</i></p> <p><b>4. Confidential Appendix F</b></p> <ul style="list-style-type: none"> <li>▪ <i>Embedded files –Executed Version of Proposed Power Purchase Agreement pg. 61</i></li> </ul>		
<p><b><i>Analysis and Evaluation of Proposed RPS Projects<sup>8</sup></i></b></p> <p><b><i>Locations:</i></b></p> <p><b><i>1. Confidential Appendix A</i></b></p> <ul style="list-style-type: none"> <li>▪ <i>Consistency with Commission Decisions and Rules section, Paragraph C.2. – Qualitative Factor, p.5</i></li> <li>▪ <i>PRG Participation and Feedback, paragraph J on p. 40;</i></li> </ul>	<p>Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix</p>	<p>The Commission has concluded that Actual Procurement Percentage data must be protected in order to avoid disclosing SDG&amp;E's Bundled Retail Sales data.<sup>9/</sup></p>
	<p>Identify the Matrix category or categories to which the data corresponds</p>	<p>This information is protected under IOU Matrix category V.C.</p>
	<p>Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data</p>	<p>In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&amp;E requests that the "front three years" of this information be kept confidential.</p>
	<p>Affirm that the information is not already public</p>	<p>SDG&amp;E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.</p>
	<p>Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.</p>	<p>It is not possible to provide this data point in an aggregated, redacted, summarized or masked fashion.</p>
<p><b><i>IPT/APT Percentage<sup>10</sup></i></b></p>	<p>Demonstrate that the material submitted</p>	<p>The Commission has concluded that since</p>

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

<sup>9/</sup> *Id.*

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

<p><b>Locations:</b></p> <ol style="list-style-type: none"> <li><b>Confidential Appendix A - Consistency with Commission Decisions and Rules section, paragraph A, the project's contribution numbers to the SDG&amp;E's RPS obligations on p. 3;</b></li> <li><b>Confidential Appendix D.13, pages 58-59</b></li> </ol>	constitutes a particular type of data listed in the IOU Matrix	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). <sup>11/</sup> The same concern exists with regard to IPT percentage.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category V.C.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the “front three years” of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not 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.

<sup>11/</sup> 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.

5. As an alternative basis for requesting confidential treatment, SDG&E submits that the Power Purchase Agreement enclosed in the Advice Letter is material, market sensitive, electric procurement-related information protected under §§ 454.5(g) and 583, as well as trade secret information protected under Govt. Code § 6254(k). Disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.<sup>117</sup>

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

The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, 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.”

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<sup>117</sup> 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.”)

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.<sup>12/</sup> 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.<sup>13/</sup>

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

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, to protect non-public information. Some of the Protected Information in the original Power Purchase Agreement, and my supporting declaration (including confidential appendices),

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<sup>12/</sup> See also Govt. Code § 6254.7(d).

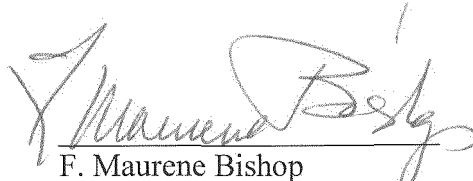
<sup>13/</sup> See, D.06-06-066, *mimeo*, pp. 26-28.

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 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 2<sup>nd</sup> day of December, 2011 at San Diego, California.

  
F. Maurene Bishop  
Energy Contracts Originator  
Electric and Fuel Procurement  
San Diego Gas & Electric

San Diego Gas & Electric Advice Letter 2309-E

December 2, 2011

## ATTACHMENT B

### REQUEST FOR APPROVAL OF RENEWABLE POWER PURCHASE WITH MESA WIND POWER CORPORATION

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



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**PART 2 – CONFIDENTIAL APPENDICES OF ADVICE LETTER**

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

**CONFIDENTIALITY KEY** \*

- VIOLET FONT = ANALYSIS AND EVALUATION OF PROPOSED RPSP ROJECTS (VII.G) \*
- RED FONT = CONTRACT TERMS & CONDITIONS (VII.G) \*
- GREEN FONT = BID INFORMATION (VIII.A) \*
- BLUE FONT = SPECIFIC QUANTITATIVE ANALYSIS (VIII.B) \*
- BROWN FONT = NET SHORT POSITION (V.C)
- AQUA FONT = IPT / APTERCENTAGES (V.C) \*

 = BID INFORMATION (VIII.A) AND SPECIFIC QUANTITATIVE

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**THIS CONFIDENTIAL APPENDIX A**

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

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

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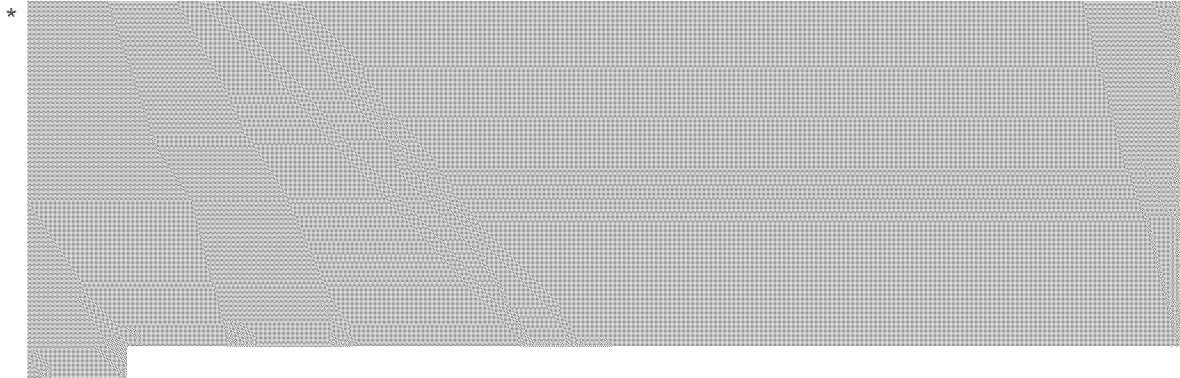
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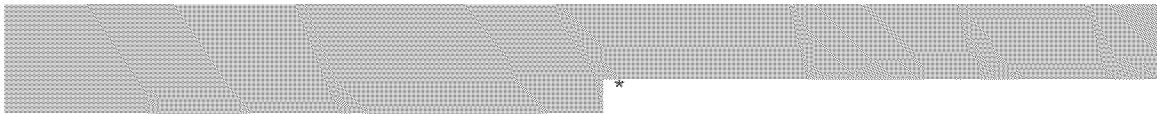
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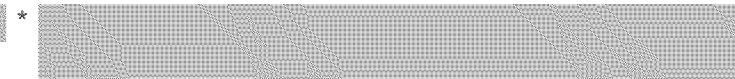
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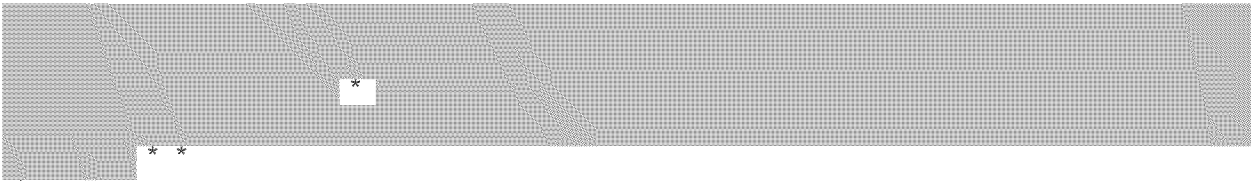
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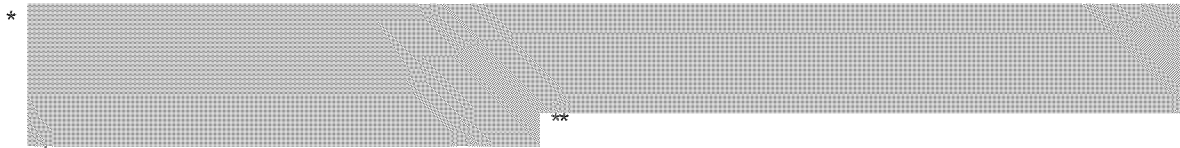
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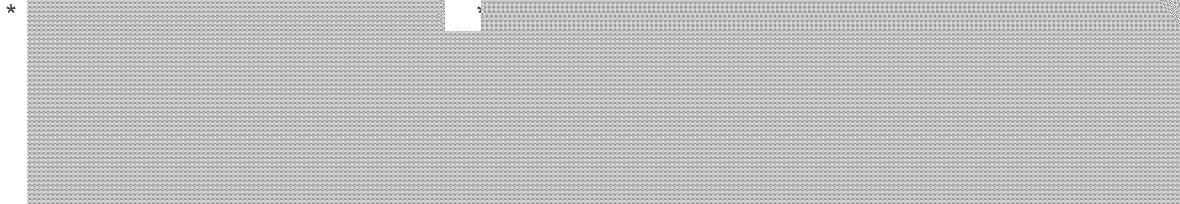


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**4. HOW AND WHY THE PROJECT'S BID RANKING CHANGED AFTER NEGOTIATIONS.**

[Redacted text block]

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

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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

**STC 2: RECs and Green Attributes (Non-Modifiable)**

**STC 2: RECs and Green Attributes (Non-Modifiable)**

“Green Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Project, and its avoided emission of pollutants. Green Attributes include but are not limited to Renewable Energy Credits, as well as: (1) any avoided emission of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth’s climate by trapping heat in the atmosphere;<sup>4</sup> (3) the reporting rights to these avoided emissions, such as Green Tag Reporting Rights. Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser’s discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. Green Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Project, (ii) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or “tipping fees” that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Project for compliance with local, state,

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

<sup>1</sup> Avoided emissions may or may not have any value for GHG compliance purposes. Although avoided emissions are included in the list of Green Attributes, this inclusion does not create any right to use those avoided emissions to comply with any GHG regulatory program.

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<b>Language from D.08-04-009, as amended by D.08-08-028</b>	<b>Parallel Term in SDG&amp;E MESA Wind PPA</b>
<p>or federal operating and/or air quality permits. If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, it shall provide Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Project.</p> <p>3.2. Green Attributes. Seller hereby provides and conveys all Green Attributes associated with all electricity generation from the Project to Buyer as part of the Product being delivered. Seller represents and warrants that Seller holds the rights to all Green Attributes from the Project, and Seller agrees to convey and hereby conveys all such Green Attributes to Buyer as included in the delivery of the Product from the Project.</p>	<p>benefits, or (iv) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits. If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, it shall provide Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Project.</p> <p><b>Page 10 of Contract</b></p> <p><del>3.2.</del> Green Attributes. Seller hereby provides and conveys all Green Attributes associated with all electricity generation from the Project to Buyer as part of the Product being delivered. Seller represents and warrants that Seller holds the rights to all Green Attributes from the Project, and Seller agrees to convey and hereby conveys all such Green Attributes to Buyer as included in the delivery of the Product from the Project.</p> <p><b>Section 3.1(i), Page 10 of Contract</b></p>
<p><b>STC 6: Eligibility (Non-Modifiable)</b></p> <p>Seller, and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement that: (i) the Project qualifies and is certified by the CEC as an Eligible Renewable Energy Resource (“ERR”) as such term is defined in Public Utilities Code Section 399.12 or Section 399.16; and (ii) the Project’s output delivered to Buyer qualifies under the requirements of the California Renewables Portfolio Standard. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law.</p>	<p><b>STC 6: Eligibility (Non-Modifiable)</b></p> <p>Seller Representations and Warranties. Seller, and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement that: (i) the Project qualifies and is certified by the CEC as an Eligible Renewable Energy Resource (“ERR”) as such term is defined in Public Utilities Code Section 399.12 or Section 399.16; and (ii) the Project’s output delivered to Buyer qualifies under the requirements of the California Renewables Portfolio Standard. To the extent a change in <del>law</del> Law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in <del>law</del> Law.</p> <p><b>Section 10.2(a), Page 39 of Contract</b></p>
<p><b>STC REC-1. Transfer of renewable energy credits Renewable Energy Credits. (Non-modifiable)</b></p> <p>Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the renewable energy credits Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission</p>	<p><b>STC REC-1. Transfer of renewable energy credits Renewable Energy Credits. (Non-modifiable)</b></p> <p>Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the <del>renewable energy credits</del> Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in</p>

\*

<b>Language from D.08-04-009, as amended by D.08-08-028</b>	<b>Parallel Term in SDG&amp;E MESA Wind PPA</b>
Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law.	<del>California Public Utilities Commission</del> CPUC Decision 08-08-028, and as may be modified by subsequent decision of the <del>California Public Utilities Commission</del> CPUC or by subsequent legislation. To the extent a change in <del>law</del> Law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in <del>law</del> Law. <b>Section 10.2(b), Pages 39 of Contract.</b>
<b>STC REC-2. Tracking of RECs in WREGIS. (Non-modifiable)</b> Seller warrants that all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the Western Renewable Energy Generation Information System will be taken prior to the first delivery under the contract.	<b>STC REC-2. Tracking of RECs in WREGIS. (Non-modifiable)</b> <del>WREGIS</del> . . . Seller warrants that all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the <del>Western Renewable Energy Generation Information System</del> WREGIS will be taken prior to the first delivery under the <del>contract</del> Agreement. <b>Section 3.1(l), Page 21 of Contract</b>
<b>STC 17: Applicable Law (Non-Modifiable)</b>  Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.	<b>STC 17: Applicable Law (Non-Modifiable)</b>  THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.  <b>Section 13.8, Page 46 of Contract</b>

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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

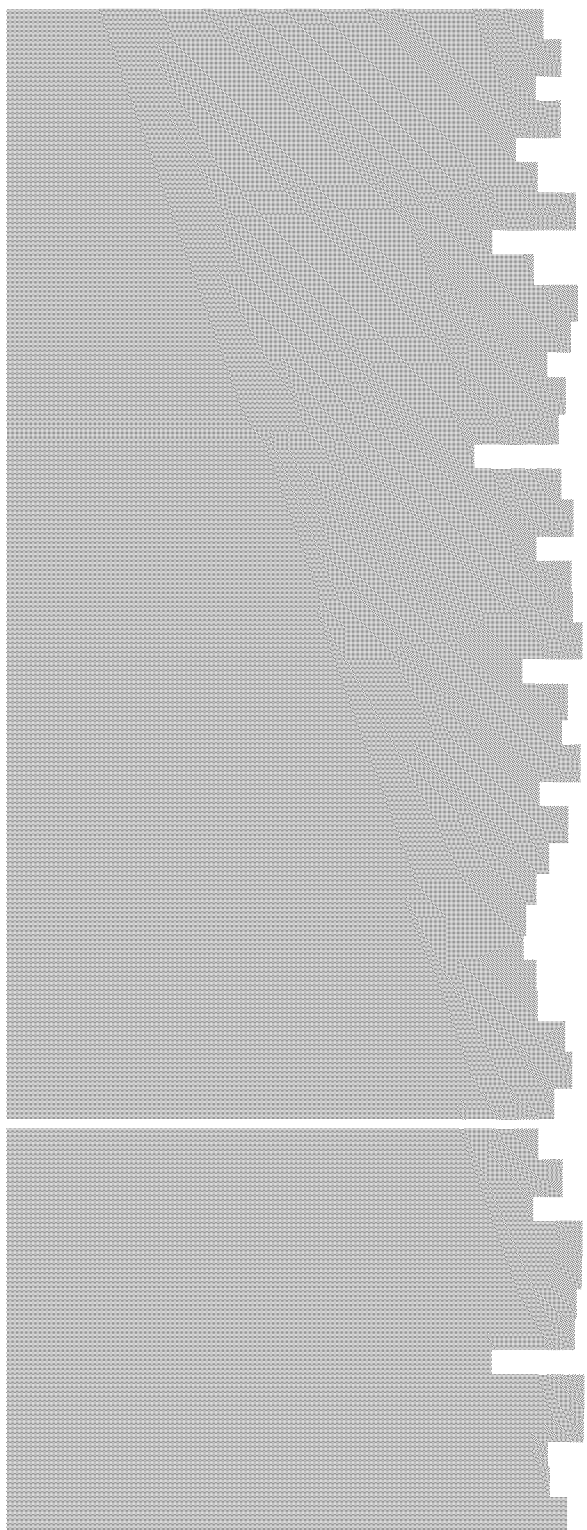
**STC 4: Confidentiality (Modifiable)**

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

“10.12 RPS Confidentiality. Notwithstanding Section 10.11 of this Agreement at any time on or after the date on which the Buyer makes its advice filing letter seeking CPUC Approval of the Agreement either Party shall be permitted to disclose the following terms with respect to such Transaction: Party names, resource type, delivery term, project location, and project capacity. If Option B is checked on the Cover Sheet, neither Party shall disclose party name or project location, pursuant to this Section 10.12, until six months after such CPUC

**STC 4: Confidentiality (Modifiable)**

“13.1 Confidentiality:



\*

**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

Approval.”

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

- \* Option B RPS Confidentiality Applicable. If not checked, inapplicable”
- \* Option C Confidentiality Notification. If Option C is checked on the Cover Sheet, Seller has waived its right to notification in accordance with Section 10.11 (v).”

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**STC 5: Contract Term (Modifiable)**

**STC 5: Contract Term (Modifiable)**

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

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

- \* Delivery shall be for a period of ten (10) years.
- \* Delivery shall be for a period of fifteen (15) years.
- \* Delivery shall be for a period of twenty (20) years.
- \* Non-standard Delivery shall be for a period of \_\_\_ years.”

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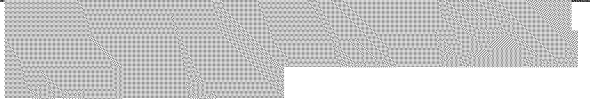
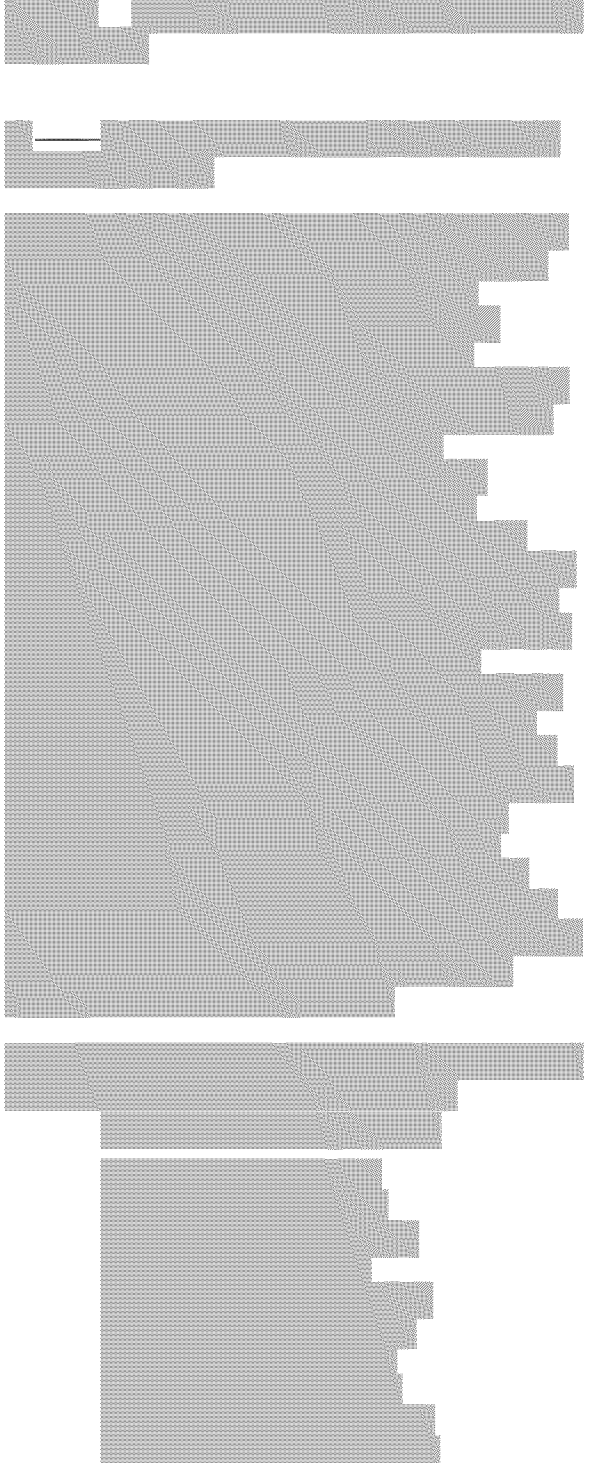
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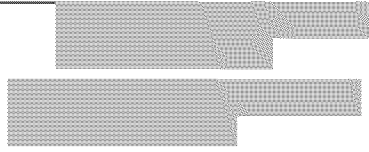
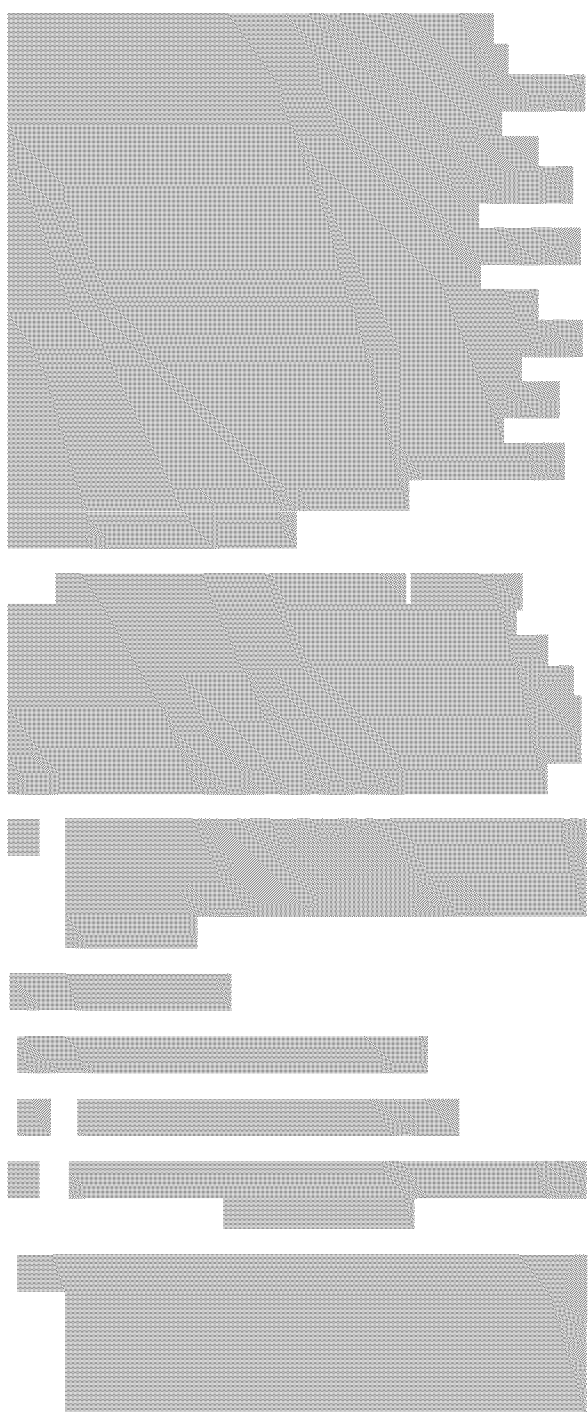
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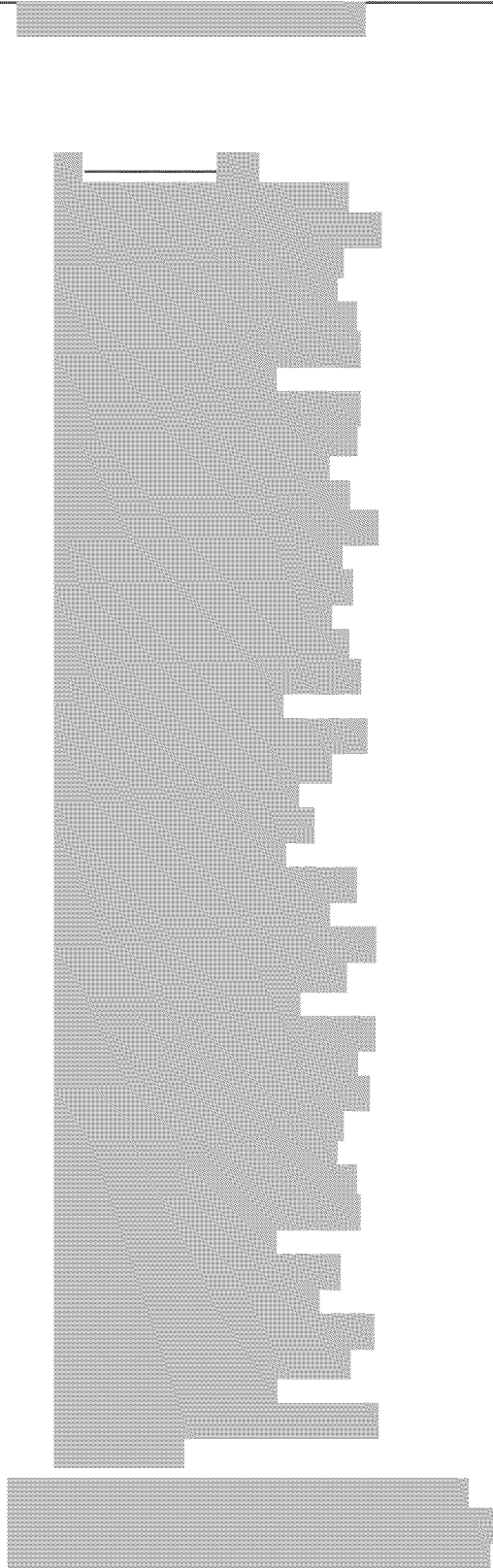
Language from D.08-04-009, as amended by D.08-08-028	Parallel Term in SDG&E MESA Wind PPA
<p>If the "Non-standard Delivery" contract term is selected, Parties need to apply to the CPUC justifying the need for non-standard delivery.</p>	
<p><b>STC 7: Performance Standards/Requirements (Modifiable)</b></p> <p>A. The following shall be included in the applicable post Commercial Operation Date performance standards/requirement provisions of the Agreement or Confirmation for "As Available" projects:</p> <p><u>"Energy Production Guarantees</u></p> <p>The Buyer shall in its sole discretion have the right to declare an Event of Default if Seller fails to achieve the Guaranteed Energy Production in any [12 month period] [or] [24 month period] and such failure is not excused by the reasons set forth in subsections (ii), (iii), or (v) of Section __ of this Agreement, "Excuses for Failure to Perform."</p> <p>Guaranteed Energy Production = _____ MWh."</p>	



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Language from D.08-04-009, as amended by D.08-08-028	Parallel Term in SDG&E MESA Wind PPA
	
<p>B. The following shall be included in the applicable performance standards/requirement provisions, as “Excuses for Failure to Perform” in the Agreement or Confirmation for “As Available” projects:</p> <p>“Seller shall not be liable to Buyer for any damages determined pursuant to Article Four of the Agreement in the event that Seller fails to deliver the Product to Buyer for any of the following reasons:</p> <ul style="list-style-type: none"> <li>i. [redacted] if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) and such Forced Outage is not the result of Seller’s negligence or willful misconduct;</li> <li>ii. Force Majeure;</li> <li>iii. [redacted] by the Buyer’s failure to perform;</li> <li>iv. [redacted] by scheduled maintenance outages of the specified units;</li> <li>v. [redacted] a reduction in Output as ordered under terms of the dispatch down and Curtailment provisions (including CAISO or Buyer’s system emergencies); or</li> <li>vi. [redacted] [the unavailability of landfill gas which was not anticipated as of the date this [Confirmation] was agreed to, which is not within the reasonable control of, or the result of negligence of, Seller or</li> </ul>	

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<b>Language from D.08-04-009, as amended by D.08-08-028</b>	<b>Parallel Term in SDG&amp;E MESA Wind PPA</b>
<p>the party supplying such landfill gas to the Project, and which by the exercise of reasonable due diligence, Seller is unable to overcome or avoid or causes to be avoided; OR insufficient wind power for the specified units to generate energy as determined by the best wind speed and direction standards utilized by other wind producers or purchasers in the vicinity of the Project or if wind speeds exceed the specified units' technical specifications; OR the unavailability of water or the unavailability of sufficient pressure required for operation of the hydroelectric turbine-generator as reasonably determined by Seller within its operating procedures, neither of which was anticipated as of the date this [Confirmation] was agreed to, which is not within the reasonable control of, or the result of negligence of, Seller or the party supplying such water to the Project, and which by the exercise of due diligence, such Seller or the party supplying the water is unable to overcome or avoid or causes to be avoided.]</p>	 The right-hand column of the table is almost entirely redacted with a grey grid pattern. There are a few small white rectangular areas at the top and bottom of the redacted section, but the text is illegible.

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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

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

[Redacted]

C. The following shall be included in the applicable performance standards/requirement provisions as "Excuses for Failure to Perform" in the Agreement or Confirmation for "Unit Firm" projects:  
  
"Net Rated Output Capacity. If the Net Rated Output Capacity at the Commercial Operation Date or at the end of the first twelve (12) consecutive months after the Commercial Operation Date [and every twelve (12) consecutive months thereafter] is less than \_\_\_ MW, Buyer shall have the right to declare an Event of Default. For subsequent contract years, Buyer shall trigger an Annual Capacity Test to determine each year's Net Rated Output Capacity by scheduling Deliveries from the facility for two consecutive weeks. Buyer shall provide Seller two (2) weeks notice of the Annual Capacity Test. For the second year and thereafter the Net Rated Output Capacity shall be the ratio of the sum of average hourly Energy Delivered for two (2) weeks divided by 336 hours (24 hours x 14 days).

Excuses for Failure to Perform for Unit Firm projects  
**Contract is not for Unit Firm Product.**

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<b>Language from D.08-04-009, as amended by D.08-08-028</b>	<b>Parallel Term in SDG&amp;E MESA Wind PPA</b>
<p>Energy Delivered shall exclude any energy greater than ___ MW average in each hour. The resulting Net Rated Output Capacity shall remain in effect until the next Annual Capacity Test. The Net Rated Output Capacity shall not exceed the Contract Capacity of ___MW.</p> <p><u>Additional Event of Default.</u> It shall be an additional Event of Default if (i) the Availability Adjustment Factor is less than ___% for ___ consecutive months, or (ii) Net Rated Output Capacity falls below ___ MW. In no event shall the Seller have the right to procure Energy from sources other than the Facility for sale and delivery pursuant to this Agreement.”</p>	
<p>D. The following shall be included in the applicable performance standards/requirement provisions of the Agreement or Confirmation for “Unit Firm” projects:</p> <p>“Seller shall be excused from achieving the Availability Adjustment Factor for the applicable time period, in the event that Seller fails to deliver the Product to Buyer for any of the following reason:</p> <ul style="list-style-type: none"> <li>i. during Force Majeure;</li> <li>ii. by Buyer’s failure to perform; or,</li> <li>iii. a reduction in Output as ordered under terms of the dispatch-down and Curtailment provisions (including CAISO or Buyer’s system emergencies.)”</li> </ul>	<p>Excuses for Failure to Perform – availability adjustment factor:</p> <p><b>Contract is not a Dispatchable Product.</b></p>
<p>E. The following shall be included in the applicable performance standards/requirement provisions as “Excuses for Failure to Perform” in the Agreement or Confirmation for “Unit Firm,” “Baseload,” “Peaking,” and ”Dispatchable” Products:</p> <p>“Seller shall not be liable to Buyer for any damages determined pursuant to Article Four of the Agreement, in the event that Seller fails to deliver the Product to Buyer for any of the following reason:</p> <ul style="list-style-type: none"> <li>i. if the specified generation asset(s) are unavailable as a result of a Forced Outage</li> </ul>	<p>Excuses for Failure to Perform – unit firm:</p> <p><b>Contract is not unit firm, baseload or dispatchable.</b></p>

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<b>Language from D.08-04-009, as amended by D.08-08-028</b>	<b>Parallel Term in SDG&amp;E MESA Wind PPA</b>
<p>(as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) and such Forced Outage is not the result of Seller’s negligence or willful misconduct;</p> <p>ii. Force Majeure;</p> <p>iii. by the Buyer’s failure to perform;</p> <p>iv. by scheduled maintenance outages of the specified units; or, a reduction in Output as ordered under terms of the dispatch down and Curtailment provisions (including CAISO or Buyer’s system emergencies).</p> <p>The performance of the Buyer to receive the product may be excused only (i) during periods of Force Majeure, (ii) during periods of dispatch-down, or (iii) by the Seller’s failure to perform.”</p>	
<p><b>STC 8: Product Definitions (Modifiable)</b></p> <p>“ <u>‘As Available’</u> means, with respect to a Transaction, that Seller shall deliver to Buyer and Buyer shall purchase at the Delivery Point the Product from the Units, in accordance with the terms of this Agreement and subject to the excuses for performance specified in this Agreement.”</p> <p>The “Unit Firm” Product Definition in Schedule P of the EEI Agreement shall be deleted in its entirety and replaced with the following:</p> <p>“ <u>‘Unit Firm’</u> means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a specified generation asset or assets specified in the Transaction. The following Products shall be considered “Unit Firm” products:</p> <p><u>‘Peaking’</u> means with respect to a Transaction, a Product for which Delivery Periods coincide with Peak Periods, as defined by Buyer.</p> <p><u>‘Baseload’</u> means with respect to a Transaction, a Product for which Delivery levels are uniform for all Delivery Periods.</p> <p><u>‘Dispatchable’</u> means with respect to a</p>	<p><b>STC 8: Product Definitions (Modifiable)</b></p> <p>[REDACTED]</p> <p>[REDACTED]</p>









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Language from D.08-04-009, as amended by D.08-08-028	Parallel Term in SDG&E MESA Wind PPA
	

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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

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**NON-PERFORMANCE/TERMINATION PENALITES:**

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

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

“ ‘Gains’ means with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction for the remaining term of such Transaction, determined in a commercially reasonable manner. Factors used in determining economic benefit may include, without

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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

limitation, reference to information either available to it internally or supplied by one or more third parties, including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets market referent prices for renewable power set by the CPUC, comparable transactions, forward price curves based on economic analysis of the relevant markets, settlement prices for comparable transactions at liquid trading hubs (e.g., NYMEX), all of which should be calculated for the remaining term of the applicable Transaction and include the value of Environmental Attributes.”

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

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

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

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

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

“1.56 ‘Settlement Amount’ means, with

[Redacted]

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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

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

[Redacted]

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

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

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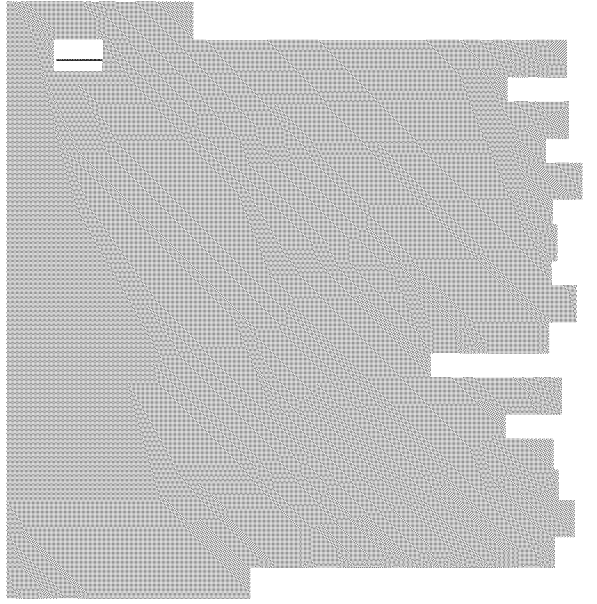
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**Language from D.08-04-009, as amended by D.08-08-028**

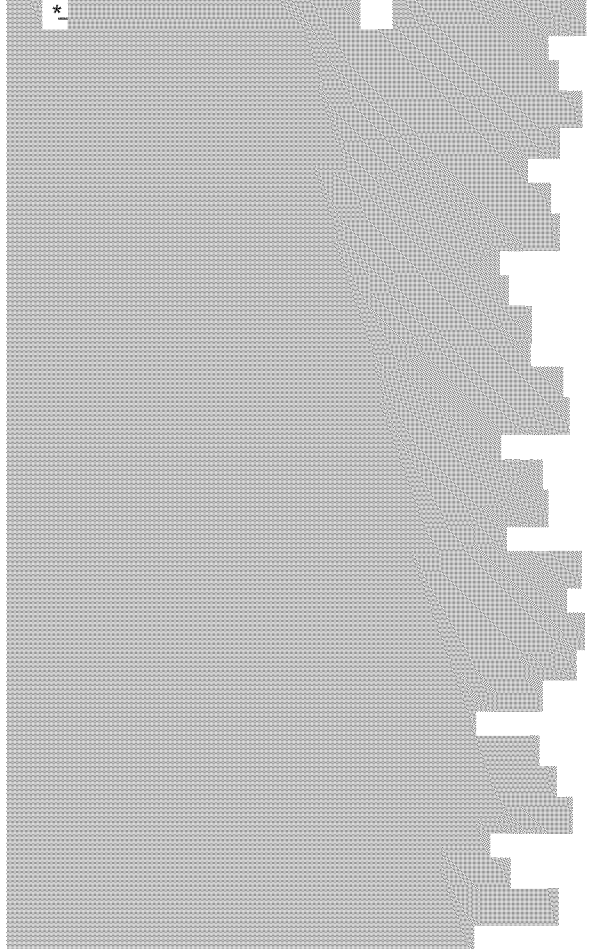
**Parallel Term in SDG&E MESA Wind PPA**

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

“5.3 Net Out of Settlement Amounts. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article Eight, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts shall be netted out to a single liquidated amount (the ‘Termination Payment’). If the Non-Defaulting Party’s aggregate Gains exceed its aggregate Losses and Costs, if any, resulting from the termination of this Agreement, the Termination Payment shall be zero.



\_\_\_\_\_



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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

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

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

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

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

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**Language from D.08-04-009, as amended by D.08-08-028**

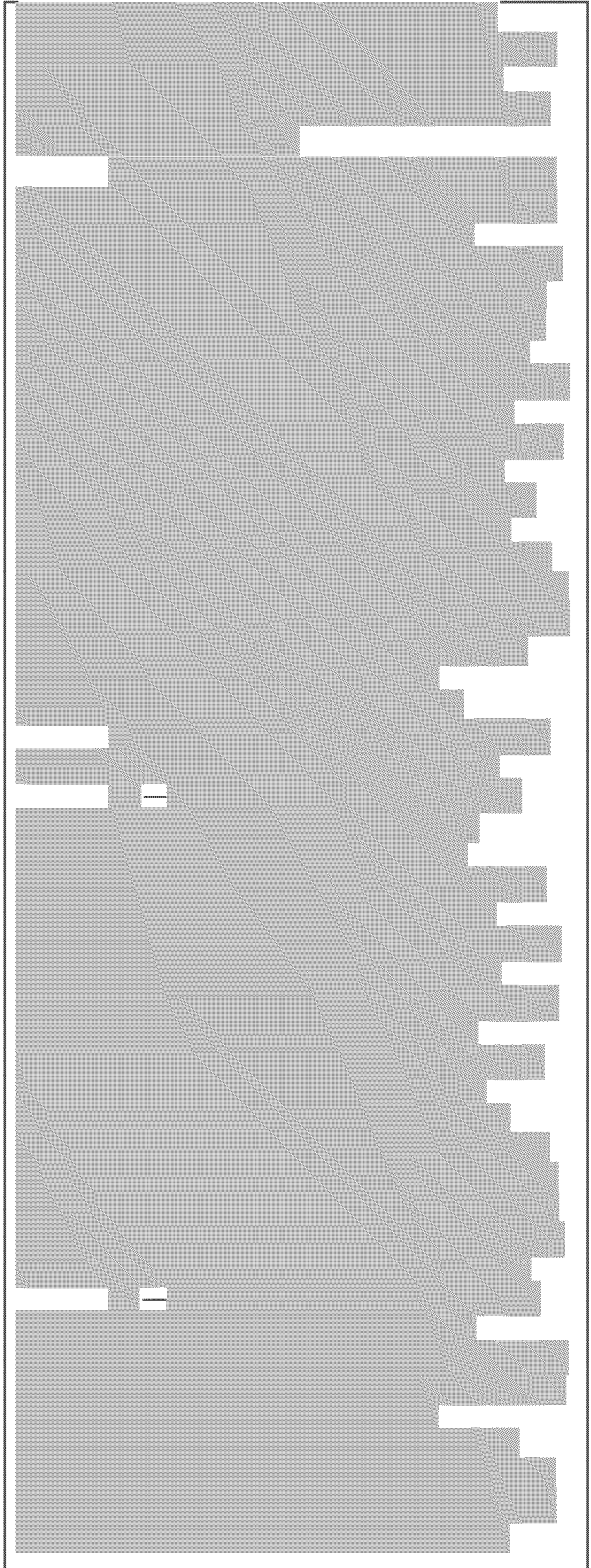
**Parallel Term in SDG&E MESA Wind PPA**

remedies set forth in Article Five of this Master Agreement.

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

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

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





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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

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

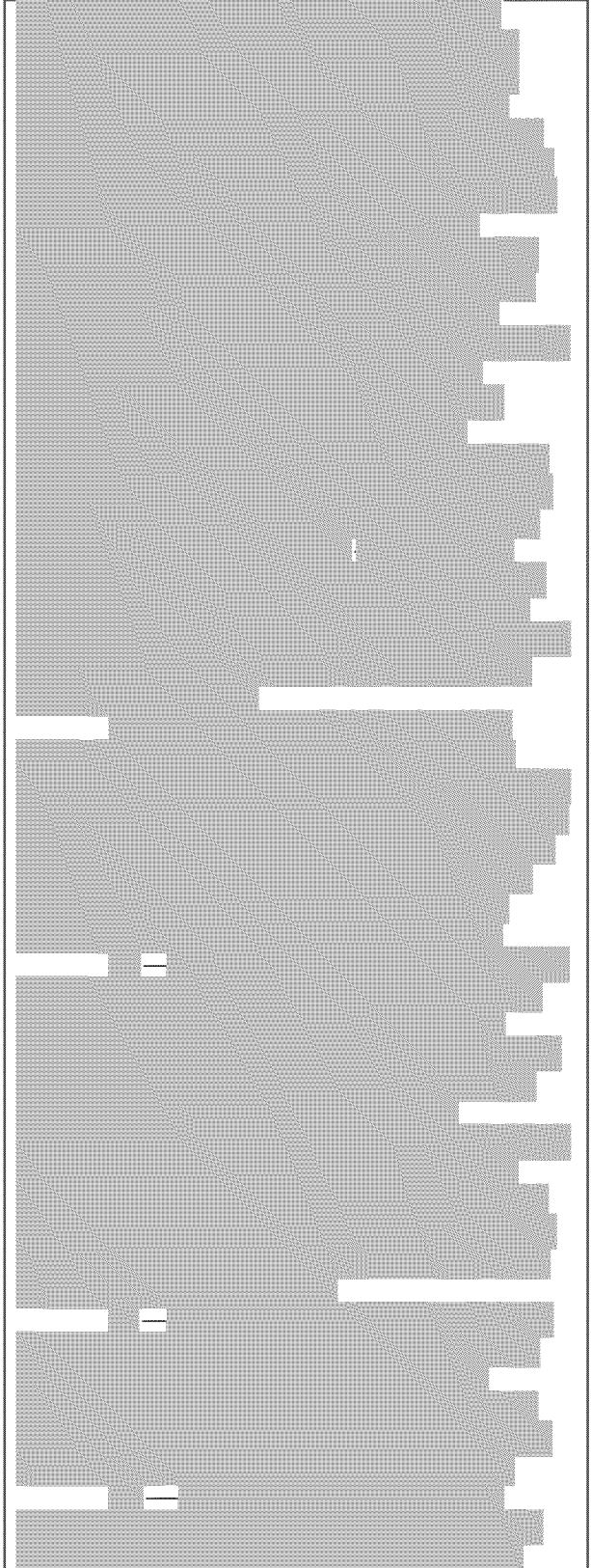
8.2 *Party B Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet and shall only apply if marked as "Applicable" on the Cover Sheet.*

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

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

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

(b) *Credit Assurances. If Party B has reasonable grounds to believe that Party A's creditworthiness or performance under this Agreement has become unsatisfactory, Party B will provide Party*



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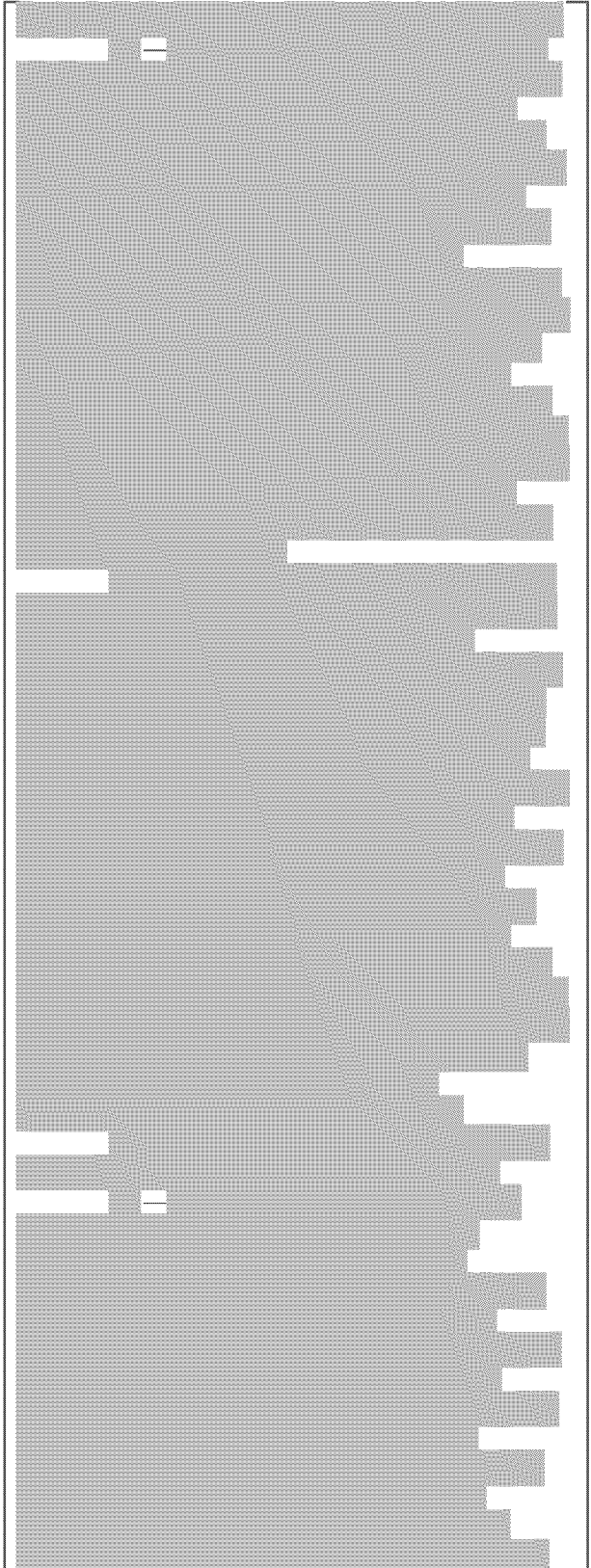
**Parallel Term in SDG&E MESA Wind PPA**

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

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

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

*(d) Downgrade Event. If at any time there*



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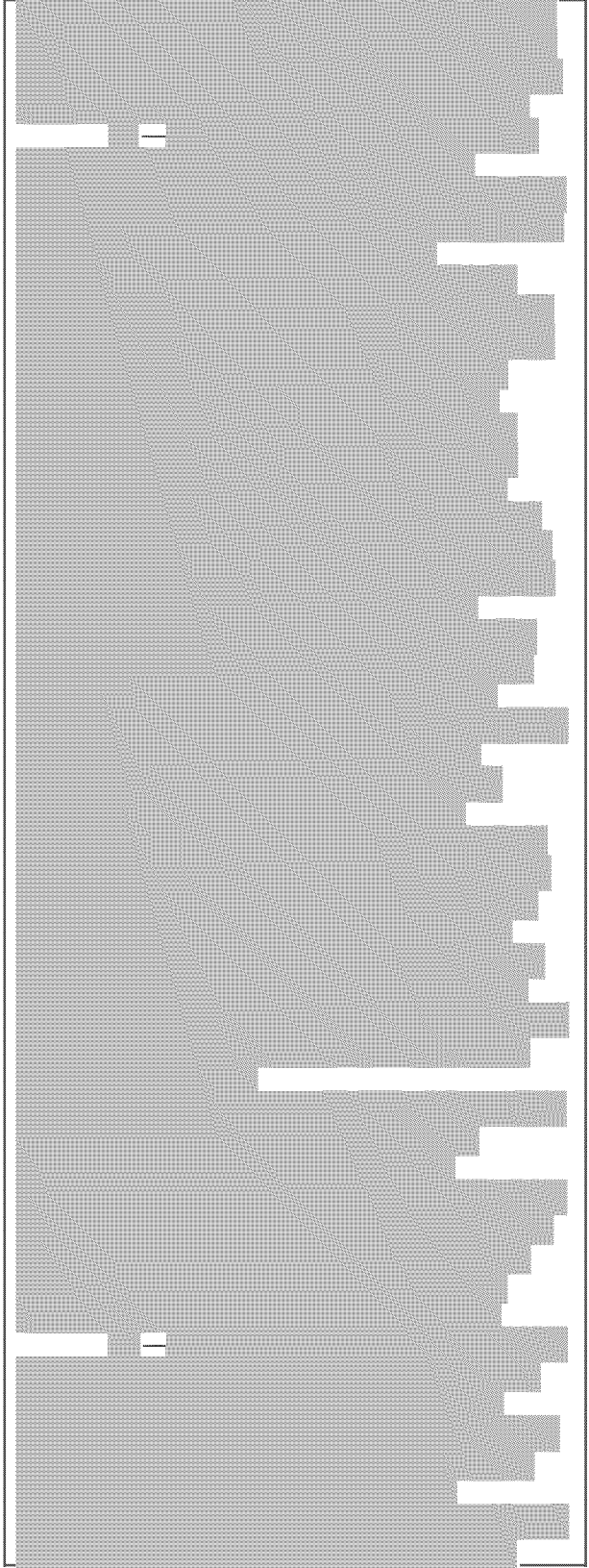
**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

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

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

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



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**Language from D.08-04-009, as amended by D.08-08-028**

**Parallel Term in SDG&E MESA Wind PPA**

*the Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party’s obligation to return any surplus proceeds remaining after such obligations are satisfied in full.”*

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

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

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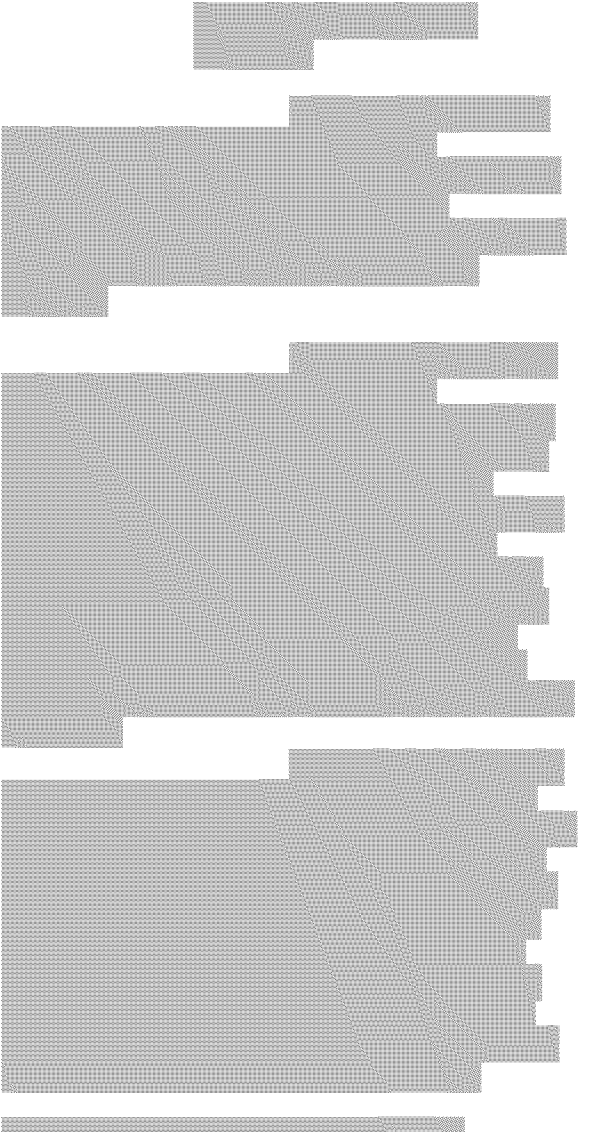
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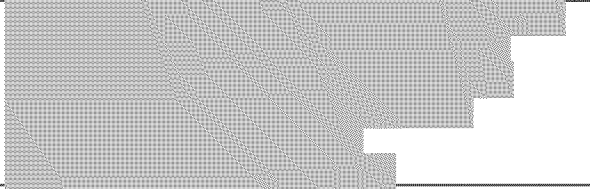
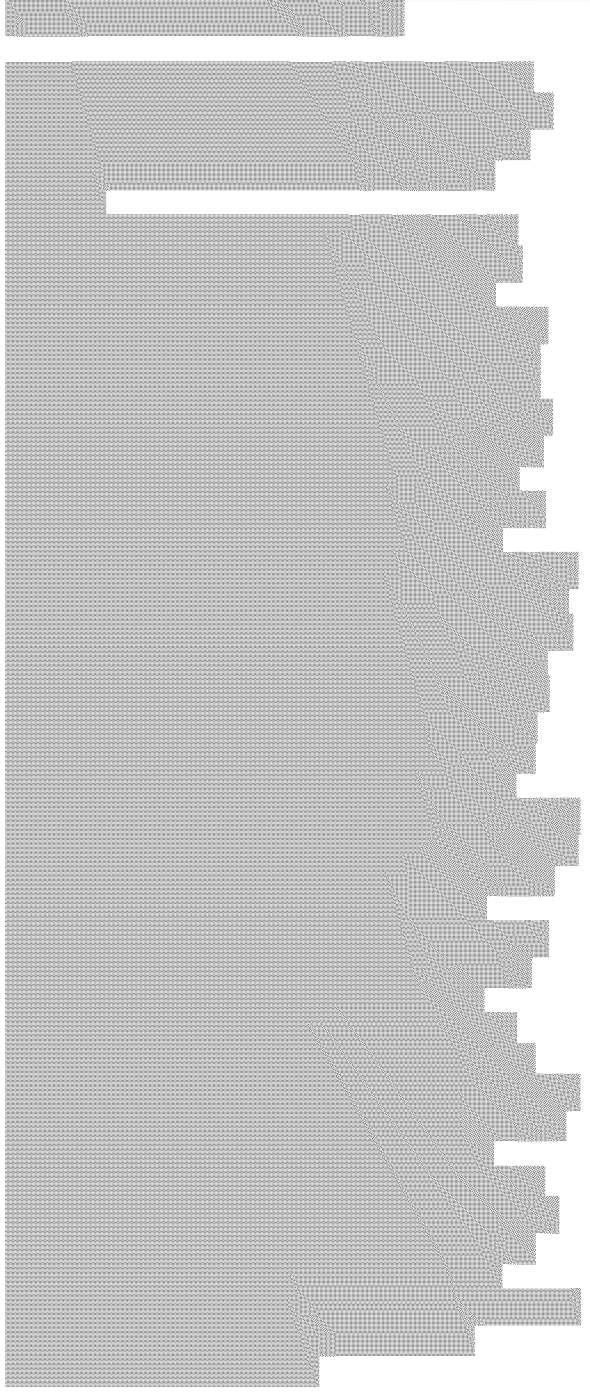
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Language from D.08-04-009, as amended by D.08-08-028	Parallel Term in SDG&E MESA Wind PPA
	 The right-hand column of the table is filled with redacted content, represented by a dense grid of grey dots. The redaction covers the entire text area of the table body.

\*

Language from D.08-04-009, as amended by D.08-08-028	Parallel Term in SDG&E MESA Wind PPA
	 The content of this cell is redacted with a grey grid pattern. It appears to be a list of items or paragraphs, with several lines of text visible through the grid.
<p><b>STC 15: Contract Modifications (Modifiable)</b> <i>“Except to the extent herein provided for, no amendment or modification to this Agreement shall be enforceable unless reduced to writing and executed by both parties.”</i></p>	 The content of this cell is redacted with a grey grid pattern. It appears to be a list of items or paragraphs, with several lines of text visible through the grid.

\*

Language from D.08-04-009, as amended by D.08-08-028	Parallel Term in SDG&E MESA Wind PPA
	
<p><b>STC 16: Assignment (Modifiable)</b></p> <p>“Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof to its financing providers and the financing provider(s) shall assume the payment and performance obligations provided under this Agreement with respect to the transferring Party provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.”</p>	











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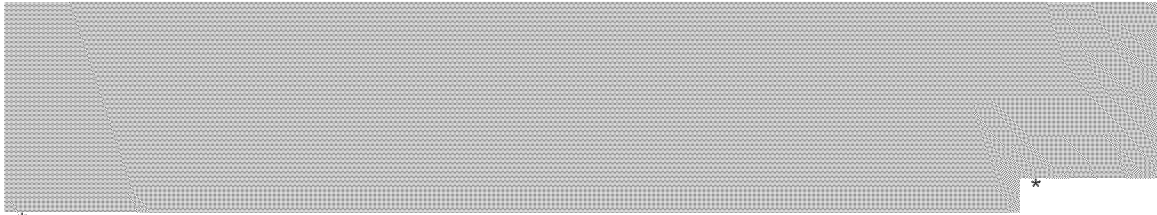
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4. \* TRANSMISSION DETAILS:

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



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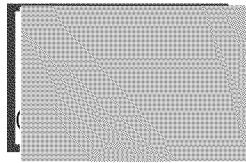
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**ATTACHED IS THE 2011S OLICITATION OVERVIEW (PUBLIC AND  
CONFIDENTIAL VERSIONS) WHICH WAS FILED ON NOVEMBER 7,  
2011**



SDG&EAL 2300-E  
(PUBLIC).pdf \*

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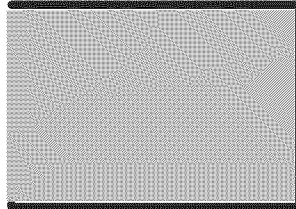
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**ATTACHED IS THE FINAL, CONFIDENTIAL VERSION OF THE  
IE'S PROJECT-SPECIFIC REPORT**

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# Contract Summary: Mesa Wind Power Corporation

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

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**CONTRACT SUMMARY**

**A. SITE**

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

Decimal Degrees: 33.951395°, -116.665466°

Degrees, Minutes, Seconds: 33°57'5.02"N, 116°39'55.68"W

*Project physical address: 11001 Whitewater Canyon Road, Whitewater, California*

\*\*

<b>Name of Facility: Mesa Wind Power</b>	
Resource	Wind
Location:	Palm Springs, CA
EIA-860 Number:	
CEC ID:	
WREGIS ID:	W507
CEC Certification Date:	9/18/2008
On-line Date:	3/15/2008

2. \*\*\*\*\*

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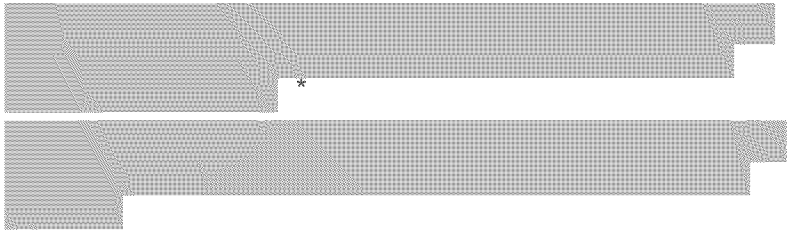


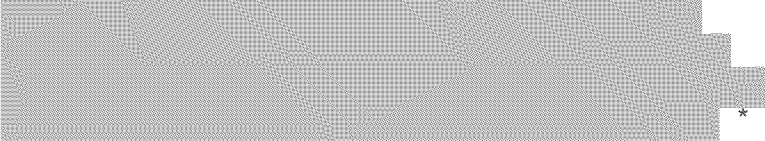
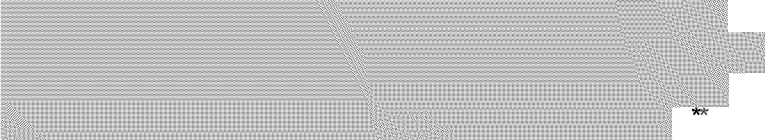


**B. THE PROJECT'S CONTRIBUTION TO SDG&E'S RPS PROCUREMENT TARGETS**

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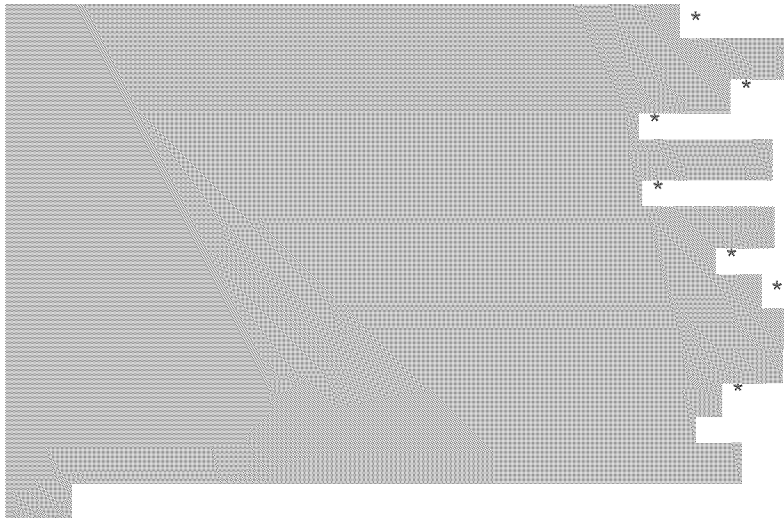
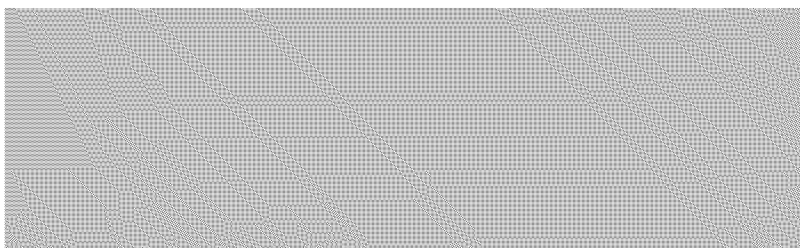
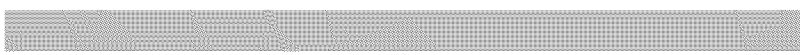

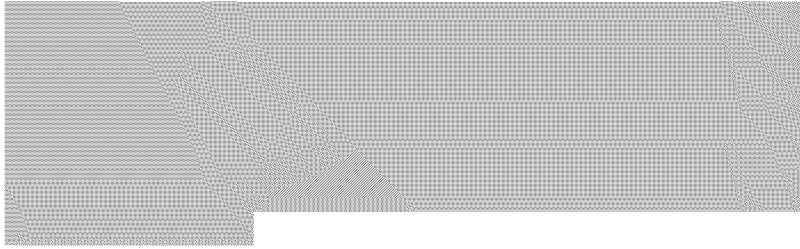
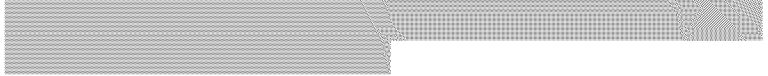
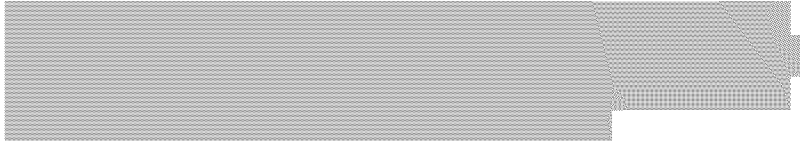
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TERM/CONDITION	RPSC ONTRACT
<b>KEY CONTRACT DATES</b> (INITIAL STARTUP DEADLINE, COMMERCIAL OPERATION DEADLINE, P T DEADLINES, ETC.)	
<b>FIRMING/SHAPING            REQUIREMENTS</b>	
<b>EXPECTED PAYMENTS</b>	
<b>SCHEDULING            COORDINATOR</b>	
<b>ALLOCATION OF CAISO            (OR OTHER CONTROL AREA)            CHARGES</b>	
<b>ALLOCATION OF            CONGESTION RISK</b>	
<b>PROJECT DEVELOPMENT            SECURITY</b>	
<b>DAILY DELAY DAMAGES</b>	

\*

TERM/CONDITION	RPSC ONTRACT
<p><b>SELLER-REQUIRED PERFORMANCE</b></p>	
<p><b>SELLER PERFORMANCE ASSURANCES</b> (CALCULATION METHODOLOGY, FORM OF PERFORMANCE ASSURANCE AND AMOUNT)</p>	
<p><b>AVAILABILITY GUARANTEES</b></p>	
<p><b>ENERGY DELIVERY REQUIREMENTS</b></p>	 *
<p><b>LIQUIDATED DAMAGES / PENALTIES FOR FAILURE TO PERFORM</b></p>	
<p><b>FORCE MAJEURE PROVISIONS</b></p>	
<p><b>NO FAULT TERMINATION</b></p>	 *

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TERM/CONDITION	RPSC ONTRACT
<b>SELLER'S TERMINATION RIGHTS</b>	[REDACTED] *
<b>UTILITY'S TERMINATION RIGHTS</b>	[REDACTED]
<b>RIGHT OF FIRST REFUSAL OR RIGHTS OF FIRST OFFER</b>	[REDACTED] *

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\*

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

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

**3. OTHER CONTRACT PROVISIONS**

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

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

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**E. CONTRACT PRICE**

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

\*

\*

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

\* \* \* \*

\*

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

\*

\*\* FLAT PRICING: \*\*\*\*\* [REDACTED] \*\*

[REDACTED] \*\*

\*\* INDEXED PRICING: [REDACTED]

[REDACTED] \*

\*\* ESCALATION FACTORS: \*\*\*\*\* [REDACTED]

\*\* NON-AMFs SUBSIDIES: [REDACTED]

\*

OTHER:

[REDACTED] \*

[REDACTED] \*

[REDACTED] \*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] \*

\*

\*

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

[REDACTED]

[REDACTED] \* \*

[REDACTED]

[REDACTED]



\*

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

[Redacted content]

\*

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

[Redacted content]

6. FOR BIOMASS PROJECTS:

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

\*\*\*\*\*

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

\*\*\*\*\*

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

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

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

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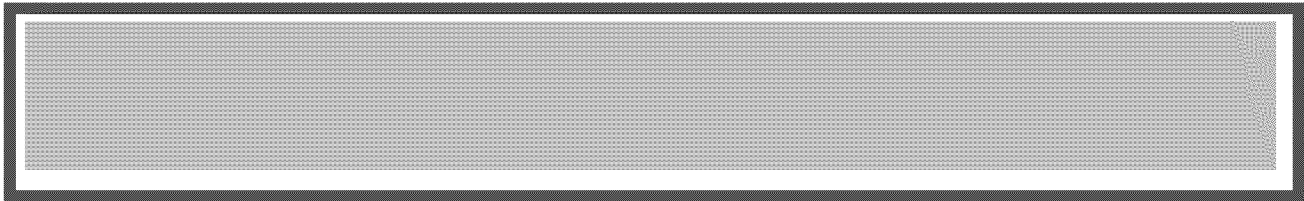
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THE FILE ATTACHED BELOW IS A REDLINE OF THE CONTRACT AGAINST SDG&E'S COMMISSION-APPROVED PRO FORMA RPS CONTRACT. HOWEVER THIS IS INAPPLICABLE SINCE SDG&E DID NOT START WITH THE PROFORMA, INSTEAD THE CONFIRMATION UTILIZES THE WSPP CONTRACT. MODIFIABLE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

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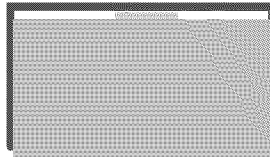
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**THE FILE ATTACHED BELOW IS A COPY OF THE POWER PURCHASE AGREEMENT \***

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

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

\*





San Diego Gas & Electric Advice Letter 2309-E  
December 2, 2011

## Public Version of the Project Specific IE Report

# San Diego Gas & Electric Co.

Preliminary Report of the Independent  
Evaluator on the 29.9 MW Mesa Wind  
contract selected in the 2011 Request for  
Offers from Eligible Renewable Resources  
(2011 Renewable RFO)

November 17, 2011

# San Diego Gas & Electric Co.

Preliminary Report of the Independent  
Evaluator on the 29.9 MW Mesa Wind  
contract selected in the 2011 Request for  
Offers from Eligible Renewable Resources  
(2011 Renewable RFO)

November 17, 2011

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Prepared by: Jonathan M. Jacobs  
Neha Batra

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Fax: +1 213 689 1129  
[www.paconsulting.com](http://www.paconsulting.com)

Version: 1.1

San Diego Gas & Electric Co. 11/17/11

**FOREWORD**

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PA Consulting Group, Inc. (PA) has served as the Independent Evaluator (IE) of San Diego Gas & Electric Co.'s (SDG&E's) 2011 Request for Offers from Eligible Renewable Resources (2011 Renewable RFO).

This is PA Consulting Group's Independent Evaluator (IE) Report analyzing the contract between San Diego Gas & Electric Company (SDG&E) and Mesa Wind Power Corp. for a 29.9 MW existing wind energy project. This project was bid into and shortlisted in SDG&E's 2011 Renewables RFO.

This report is based on PA Consulting Group's Preliminary Report. The Preliminary Report addressed the conduct and evaluation of San Diego Gas & Electric Company's 2011 Renewables RFO through the selection of its preliminary short list. The Preliminary Report was formatted in accord with a template provided by Cheryl Lee of the CPUC Energy Division in an email dated Sept. 14, 2011.

This report contains all the text of the Preliminary Report except for placeholder text in chapters 5 and 6. 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 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.

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## 1. **ROLE OF THE INDEPENDENT EVALUATOR (IE)**

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*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.

### 1.1 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.<sup>1</sup> 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.<sup>2</sup> 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

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

<sup>2</sup> D. 04-12-084, p. 135f and Ordering Paragraphs 26i and 28 on p. 245.



## 1. Role of the Independent Evaluator (IE)

RPS solicitations).<sup>3</sup> 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”.<sup>4</sup> The Decisions that approved the utility RPS solicitation plans for 2007 and 2008<sup>5</sup> 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.”<sup>6</sup> 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.

### 1.2 PA’S ROLE AS INDEPENDENT EVALUATOR

*Template language: “B. 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 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, the Local Peaker RFO (conducted in 2006-7),

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<sup>3</sup> 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.

<sup>4</sup> D. 06-05-039, p. 46.

<sup>5</sup> 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.

<sup>6</sup> California Public Utilities Commission, Decision (D.) 09-06-018, June 8, 2009, p. 24.

## 1. Role of the Independent Evaluator (IE)

and the 2006, 2008 and 2009 Renewable RFOs. In each case, PA and SDG&E used the above interpretation of the IE role, and it was adopted for the 2011 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<sup>7</sup>.

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.

For the 2011 RFO, PA similarly conducted the LCBF evaluation, except that PA did not use SDG&E's spreadsheet model (which was linked to an Access database) but its own version (that was not linked to SDG&E's database).

### 1.3 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 2011 RFO in December, 2009. 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 use of a measure of avoided energy cost and the treatments of duration equivalence and capacity value. 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).

PA was provided access to all the SDG&E staff involved in the evaluation of the Renewables RFO. PA met with SDG&E to review the evaluation criteria and reviewed the LCBF model constructed by SDG&E.

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<sup>7</sup> 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.

## 1. Role of the Independent Evaluator (IE)

PA was present at both pre-bidder conferences: in San Diego on June 2, 2011 and in El Centro on June 8, 2011. PA was provided all questions submitted by bidders either at the bidder conference or submitted by the July 1 deadline. PA met with SDG&E to discuss some questions received and how to best answer questions in a fair and concise manner. PA got a copy of all of SDG&E's answers and they are posted on the website. PA received the electronic bids from SDG&E in San Diego on the day bids were due.

PA was in regular contact with the SDG&E evaluation team and was provided all the data in the evaluation process. PA was responsible for interpreting all bids in order to conduct the LCBF evaluation. 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.

### 1.4 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.<sup>8</sup> 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.

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<sup>8</sup> "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066", August 22, 2006.

## **2. ADEQUACY OF OUTREACH AND ROBUSTNESS OF THE SOLICITATION**

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*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.

### **2.1 SOLICITATION MATERIALS**

*Template language: “Were the solicitation materials clear and concise to ensure that the information required by the utility to conduct 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 for the “Capacity Buildout” table. This was an additional table, not present in previous years’ bid forms, which SDG&E thought would help represent bids that came online in phases. After concluding the evaluation we do not believe that this table was useful in its present form.

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, not all bidders entered data correctly and completely, but PA does not believe this was the fault of the forms.

### **2.2 ADEQUACY OF OUTREACH**

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 877 email addresses, associated with 655 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*.

### **2.3 SOLICITATION ROBUSTNESS**

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 having [REDACTED] pricing options. That is [REDACTED] times as many projects, and [REDACTED] times as many pricing options, as were submitted in SDG&E’s 2009 RFO.

## 2. Adequacy of outreach and robustness of the solicitation

The CPUC has encouraged SDG&E to do specific outreach to the Imperial Valley and, more generally, the SPL area. █ project proposals were submitted from the SPL area, with █ pricing options, from a total of █ separate bidders.<sup>9</sup>

### 2.4 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.

### 2.5 ADDITIONAL ISSUES

*Template language: “Any other relevant information or observations”*

SDG&E originally filed its Renewables Procurement Plan on Dec. 18, 2009. The CPUC review of the utilities’ plans was lengthy and plans had to be brought into compliance with new policies such as those regarding Tradable RECs and buyer-directed economic curtailment. The three IOUs filed various revisions and amendments to their plans, with the last utility amendment having been filed in June, 2010. The Commission issued Decision (D.) 11-04-030 conditionally accepting the plans on April 20, 2011, and SDG&E made its compliance filing on May 4.

In the time between SDG&E’s initial RPS Plan filing and the actual release of the RFO on May 12, 2011, SDG&E’s perception of its RPS need changed somewhat. Partly this was due to the failure of several previously signed contracts, such as Tessera Imperial Valley Solar, but the most significant impact on SDG&E’s thinking (as explained to PA) was the enactment of the Renewable Energy Resources Act (SBX1-2). Previously, section 399.14(a)(2)(C)(i) of the Public Utilities Code had required the CPUC to have rules that allowed utilities to “apply ... inadequate procurement in one year to no more than the following three years.” The CPUC’s approach was to permit utilities to “ earmark” later deliveries from specific contracts to be applied against a renewables procurement deficit. SBX1-2 deleted that language.

█ It interpreted SBX1-2 as prohibiting that strategy, and shared this interpretation with the PRG. SDG&E was therefore faced with a greater-than-anticipated need for renewable energy in 2012 and 2013, which it planned to meet by buying Renewable Energy Credits and emphasizing, in its 2011 RFO, contracts with significant deliveries before December 31, 2013.

In its May 4 compliance filing, SDG&E made minimal changes to its plan and attachments (including the draft RPS RFO), only as directed by D.11-04-030. Adding a statement to the RFO emphasizing early delivery would not have been a compliance change. It was therefore necessary for SDG&E to communicate this emphasis to bidders more directly. At PA’s suggestion, SDG&E sat for an interview with *California Energy Markets* to describe its

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<sup>9</sup> For each bid, PA determined (if possible) the TRCR “cluster” to which it corresponded. “SPL bids,” as counted here, are those PA identified as belonging to clusters SDGE2 and SDGE3.

## 2. Adequacy of outreach and robustness of the solicitation

renewable procurement strategy.<sup>10</sup> SDG&E held two bidder conferences, on June 2 in San Diego and on June 8 in El Centro, at which it described its emphasis on delivery in 2012 and 2013.

█ of the █ proposed projects █ included █ that would provide deliveries in CP1. █ of the submitted projects would not come online by 2013. This probably reflects a tendency among bidders to bid projects that are early in the development cycle, several years away from commercial delivery. The supply of projects that could deliver by 2013 appears not to have been very deep, and some of those projects might only be available because negotiations with another utility had broken down. For example, section 4.10 references the █ bid which SDG&E had been intending to shortlist – we now assume that █ had only submitted the bid in case █

While SDG&E staff have said they felt they strongly expressed their preference both in the bidder conferences and in answers to subsequent questions, bidders may not have attended to it. PA recommends that in the future any supplemental information expressing SDG&E's product preferences be issued as a formal addendum to the RFO; that it be emailed (if possible) to all parties that had already downloaded the RFO; and that all respondents be required to acknowledge receipt of any amendments to the RFO.

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<sup>10</sup> PA does not subscribe to *California Energy Markets* so we cannot comment on the article that was or was not published based on that interview.

### **3. SDG&E'S METHODOLOGY FOR BID EVALUATION AND SELECTION**

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*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.

#### **3.1 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:<sup>11</sup>

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

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<sup>11</sup> 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.

### 3. SDG&E's methodology for bid evaluation and selection

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.

#### 3.2 SDG&E'S LCBF METHODOLOGY

*Template language: “Briefly describe the IOU's LCBF methodology. Does the methodology incorporate the comparison of bids based on price, value, need and viability?”*

In the final version of its 2011 Renewables Procurement Plan, SDGE characterized its LCBF methodology as being based on a Bid Ranking Price that included four quantitative factors:<sup>12</sup>

1. Above Market Cost (AMC), which equals the levelized amount by which the Contract Cost exceeds a measure of energy and capacity value
2. Transmission upgrade costs or credits
3. Estimated congestion costs
4. Deliverability adder

Shortly before bids were received, SDG&E and PA reviewed the bid evaluation model and discussed SDG&E's need forecast. At that time SDG&E indicated it intended to include another term in the Bid Ranking Price, applicable only to bids delivering in CP1:

5. Near Term Long Term (NLT) Adder

SDG&E called it the “Short Term Long Term Adder” although, but PA noted some confusion among PRG members owing to that name. Therefore this report refers to it as a Near Term, rather than Short Term, adder.

The next five subsections describe the four numbered components of the Bid Ranking Price listed above. SDG&E abandoned the “duration equalization” approach from previous RPS RFOs, and incorporated an MPR proxy as a measure of value, and somewhat changed the way it computed a deliverability adder. The sixth subsection addresses the reasonableness of those changes; we address the appropriateness of the NLT adder in section 3.2.5.

PA's opinion of the use of LCBF methodology is included in section 3.3.

##### 3.2.1 Above market cost (AMC)

The benefit or value sought from RPS-qualified energy is in its renewability. The cost of that energy also includes “energy value” and “capacity value”. The AMC component describes the cost of renewability, assuming that the contract provides both energy and capacity. It is computed as the amount paid for the contract, minus the cost of energy and capacity that

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<sup>12</sup> San Diego Gas & Electric Company, *2011 Renewables Procurement Plan Compliance Filing*, May 4, 2011, Appendix C, p. 3.



could be avoided through purchase of the contracted energy. The deliverability adder (described below) corrects this in the case of contracts that do not provide full capacity value.

In its RPS RFOs SDG&E has consistently chosen not to compute an “avoided cost” or “market price” by hour or subperiod to be compared with contract costs. In 2011, SDG&E used a proxy for the approved Market Price Referent (MPR), along with its approved TOD factors, to estimate the avoided cost. SDG&E was unable to use an approved MPR, because the most recent MPR values were from 2009.<sup>13</sup> The proxy is the levelized price produced by the CPUC’s MPR model, with updated commodity price assumptions.

Bidders were able to specify a uniform contract price throughout the year, or a price that was adjusted by TOD factors. The difference between contract payment and the weighted MPR was volume-weighted and levelized to produce this component of the ranking costs. The following equation describes the computation:

AMC =

$$\frac{\sum_{y=1}^N CP_y Cap_y + \sum_{i=1}^6 (p_y - TOD_i MPR(start, dur)) v_{y,i}}{\sum_{y=1}^N \sum_{i=1}^6 v_{y,i}} \frac{1}{(1+d)^y} \quad \text{for uniform pricing}$$

$$\frac{\sum_{y=1}^N CP_y Cap_y + \sum_{i=1}^6 (TOD_i p_y - TOD_i MPR(start, dur)) v_{y,i}}{\sum_{y=1}^N \sum_{i=1}^6 v_{y,i}} \frac{1}{(1+d)^y} \quad \text{for TOD-weighted pricing}$$

where  $p_y$  is the energy bid price in year  $y$ ,  $CP_y$  is the capacity bid price in year  $y$ ,  $TOD_i$  is SDG&E’s current TOD factor for subperiod  $i$ ,  $Cap_y$  is the projected contract capacity in year  $y$ ,  $v_{y,i}$  is the projected contract deliveries in year  $y$ , subperiod  $i$ ,  $MPR(start, dur)$  is the proxy MPR for a contract of duration  $dur$  starting in year  $start$  (as computed by the CPUC’s MPR model with updated assumptions), and  $d$  is the discount rate (SDG&E WACC).

These formulas applied to power purchase agreement bids. A TREC bid provides not energy and hence gets no avoided cost benefit. Therefore:

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<sup>13</sup> 2011 MPR values were contained in CPUC Draft Resolution E-4442, as received by email Oct. 31, 2011, which has not yet been approved. After SBS1-2 becomes effective (Dec. 10, 2011) the CPUC may no longer compute the MPR.

AMC (TREC) =

$$\frac{\sum_{y=1}^N \sum_{i=1}^6 p_y v_{y,i}}{\sum_{y=1}^N \sum_{i=1}^6 v_{y,i}} \bigg/ (1+d)^{-y} \quad \text{for uniform pricing}$$

$$\frac{\sum_{y=1}^N \sum_{i=1}^6 TOD_i p_y v_{y,i}}{\sum_{y=1}^N \sum_{i=1}^6 v_{y,i}} \bigg/ (1+d)^{-y} \quad \text{for TOD - weighted pricing}$$

### 3.2.2 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. SDG&E considered using estimates from completed CAISO Phase II interconnection studies, but few projects submitted those estimates. Furthermore, recent interconnection estimates, especially for projects in the Imperial Valley and even the SDG&E local area, have been quite high. PA therefore recommended that the interconnection study cost estimates, which are really upper bounds on interconnection costs, were not appropriate for use for comparative evaluation. On the other hand, the TRCRs themselves were over 18 months old, having been submitted in January, 2010 -- there was no really good source of transmission upgrade cost information.

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 judgment to determine the cluster based on the project location and interconnection information, and then sought SDG&E's input as a check.<sup>14</sup> 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. For example, the cost estimate for cluster SDGE4 was used as the CAISO upgrade cost adder for projects delivering at Palo Verde.

### 3.2.3 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. 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

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<sup>14</sup> SDG&E pointed out that PA had misinterpreted the definition of the SDGE2 cluster, thinking it had been comparable to a cluster in the 2009 TRCR.

FERC Code of Conduct. Congestion adders were all relatively small and therefore congestion costs did not affect the composition of the short list.

### 3.2.4 Deliverability adder

The deliverability adder represents the amount by which the avoided cost of the contract should have been reduced if it did not provide deliverable capacity; alternatively it is amount by which the AMC (section 3.2.1) should be increased for contracts that don't provide deliverable capacity. SDG&E computed it using its MPR proxy and the difference between "all-in" and "energy-only" TOD factors.

In previous years SDG&E had used "energy-only" TOD factors that represented only the relative value of energy in different subperiods. In 2009 the CPUC directed SDG&E to use "all-in" TOD factors in the future.<sup>15</sup> "All-in" factors account also for the additional capacity value associated with energy in peak hours. We have already noted that the (levelized) value of energy + capacity in a peak hour would be estimated as  $TOD_{peak}MPR(start, dur)$ . The value of energy alone would be estimated using an energy only (EO) TOD factor, as  $TOD_{peak}^{EO}MPR(start, dur)$ . The previous (2009) TOD factors were used as energy-only factors. Thus the "full capacity value" that was assumed to come from a contract was estimated as:

Full capacity value =

$$\frac{\sum_{y=1}^N \sum_{i=1}^6 \max(0, TOD_i - TOD_i^{EO}) MPR(start, dur) v_{y,i} / (1+d)^y}{\sum_{y=1}^N \sum_{i=1}^6 v_{y,i} / (1+d)^y}$$

The "max" function limits the value calculation to those periods where the all-in TOD factors exceed the energy-only factors.

The full capacity value is included in the "avoided cost" that is subtracted in calculating the AMC, and therefore must be added back to the extent the contract fails to be deliverable. SDG&E and PA agreed on the following rules.

Delivery adder =

0	For TRECs (no avoided cost)
0	For PPAs where the plant is in SDG&E territory or the Imperial Valley, and will have a CAISO full deliverability interconnection
40% of full capacity value	For PPAs where the plant is not in SDG&E territory or the Imperial Valley, but will have a CAISO full deliverability interconnection
40% of full capacity value	For PPAs where the plant is outside CAISO

<sup>15</sup> D. 11-04-030, pp. 46-47.

Full capacity value

For PPAs where the plant has a CAISO energy-only interconnection

These rules imply that a plant in California that does not have a full deliverability interconnection provides no capacity value, although plants outside California are assumed to have firm delivery to the border (and hence capacity value); and non-local plants are only 60% as valuable as local ones (like saying that system RA is only 60% of the value of local + system RA).

### 3.2.5 Near Term Long Term (NTLT) adder

Under SBX1-2, instead of having to achieve an annual renewables penetration level, utilities have to achieve that level on average over several years. For example, SDG&E has to obtain 20% of its total sales from 2011-2013 from renewable sources. SDG&E characterized its total need for additional renewable energy in that period in three ways:

- The *nominal need*, based on the assumption that all signed contracts succeed, was [REDACTED] from 2011-2013
- The *probability-weighted need*, which assigns a nonzero failure probability to contracted plants not yet operational, was [REDACTED] from 2011-2013
- The *contingent need*, based on adding a 25% contingency to the probability-weighted need, was [REDACTED] MWh from 2011-2013.

SDG&E's intention was to shortlist enough projects to meet the contingent need, and contract with at least the probability weighted need.

On the other hand, SDG&E already had a number of additional contracts with plants slated to come on line after 2013, even though some of those contracts had not yet been approved by the CPUC. In estimating its need over the years 2014-2016 (for which the RPS target is 25% of sales) SDG&E focused on the year 2016 and determined that

- The *nominal need* for the single year 2016 [REDACTED]
- The *probability-weighted need* for the single year 2016 [REDACTED]
- The *contingent need* for the single year 2016 [REDACTED]

The need after 2013 is significantly less than the need in the first compliance period. It was therefore quite possible that by contracting to fill the need through 2013, SDG&E would eliminate the need for the next three years. SDG&E viewed this as undesirable, because its market view was at that renewables prices would continue to drop. SDG&E did not want entirely to miss its opportunity to contract at those lower prices, and therefore it sought to fulfill its near-term need through 2013 with shorter-term contracts, by penalizing long-term contracts that had large delivery volumes after 2013.

SDG&E defined a Near-Term Long-Term (NTLT) adder, which would only be added to the bid ranking prices of contracts delivering in CP1, by first determining what the cost of the "marginal" offer would be if it sought to meet the 2016 need without any CP1 contracts. That cost was called the Mid-Term Price Benchmark (MTPB). For a given offer, the adder computed the total contract cost over and above the MTPB, minus an "avoided renewables

### 3. SDG&E's methodology for bid evaluation and selection

cost" of \$50/MWh (the TREC cost cap) representing the renewability value of CP1 deliveries, and apportioned it over all the energy expected to be supplied:

$$\text{NLT adder} = \frac{[(\text{AMC-MTPB}) * (\text{Post-2013 deliveries}) - 50 * (\text{CP1 deliveries})]}{\text{Total deliveries}}$$

Effectively the adder scales with contract cost – the higher the cost the higher the adder – but is less for contracts that have a greater fraction of their deliveries in CP1. The goal of the adder was to skew the evaluation in favor of contracts with fewer post-2013 deliveries, but it is dominated by the contract cost effect (and hence did not have a great effect on the ranking of the shortlist).

This adder was the cause of considerable discussion in SDG&E's PRG. We believe that part of that discussion was just due to the confusing name of the adder, which is why we prefer to call it a *Near Term Long Term* adder. To determine whether it is reasonable to include such an adder, and whether the computation is reasonable, the following questions must be addressed:

- Is it reasonable for SDG&E to place a priority on CP1 need?
- Could the priority placed on meeting CP1 need create additional future ratepayer costs?
- Does the adder appropriately recognize those costs?

#### a. **PRIORITY ON CP1 NEED**

In constructing its shortlist, SDG&E first selected enough bids to cover its projected renewables need in 2011-13. Only then would SDG&E consider bids from projects with later online dates. This means that renewables need in the first compliance period was given an absolute priority over need in later periods: SDG&E would shortlist enough resources to meet CP1 need regardless of the cost, and regardless of whether significantly cheaper resources were available with later online dates. The alternative would have been to identify a target amount of renewable capacity or energy to procure, regardless of online date.

This is a reasonable approach. SDG&E faces separate SBX1-2 RPS requirements for each of three compliance periods (2011-2013, 2014-2016 and 2017-2020). Renewable deliveries in one period cannot substitute for deliveries in an earlier period. This was a particular concern to SDG&E because it interpreted SBX1-2 as having eliminated the "earmarking" regime under which 2014 deliveries could meet 2012 or 2013 need, and SDG&E already had several contracts with 2014 online dates.

#### b. **OUT-YEAR IMPACTS OF FILLING CP1 NEED**

SDG&E believes that renewable energy prices from plants with online dates of 2014 and later will be less than the prices offered by plants with earlier online dates. This may be true; certainly the bids seen in the 2011 RPS RFO bear that out, if developers are able to deliver at their bid prices. The assumption may be incorrect but it still behooves SDG&E to allow for the possibility that prices associated with later online dates will be lower.

On the other hand, SDG&E faces a significant need in 2012 and 2013. If SDG&E were to fill that needs by contracting only with new plants, which come online in the next two years, it would continue to receive deliveries well beyond the compliance regime defined in SBX1-2.

### 3. SDG&E's methodology for bid evaluation and selection

Given the contracts already signed, SDG&E may not have had to contract further with plants coming online after 2013, and would lose the opportunity to capture those lower prices.

Therefore it makes sense for SDG&E to try to fill its immediate need with shorter-term obligations, in particular with RECs and contracts with existing plants, and to try to reserve some of its later need for contracts with later online dates.<sup>16</sup> The NTLT adder represented an attempt to impact the sequencing of CP1 bids, in the construction of the shortlist, so as to favor bids that would account for less of the compliance period 2 need.

#### c. STRUCTURE OF THE NTLT ADDER

The NTLT adder was intended to compute the cost increase after 2013 due to choosing projects with online dates in 2012 and 2013 rather than those with later online dates. The computation began by determining the "opportunity value" of CP2 need. That opportunity value is the levelized contract cost of the most expensive bid that would have been chosen to meet CP2 need, if there were no deliveries from shortlisted contracts with earlier online dates. SDG&E called that opportunity cost the "Mid-Term Price Benchmark" (MTPB).

The opportunity cost of any contract with earlier delivery is then its own AMC, minus the MTPB. For example, if MTPB=\$90 that would mean that CP2 need could be met by contracts with online dates after 2013, at an above-market cost of \$30/MWh. If instead SDG&E were to sign a contract with a plant coming online in 2012 whose AMC is \$45/MWh, then for every megawatt-hour delivered after 2013 SDG&E is "paying too much" and the amount by which it is overpaying is \$45/MWh - \$30/MWh = \$15/MWh. The total excess cost is obtained by multiplying that value by the CP1 contract's expected post-2013 deliveries. This is an appropriate representation of the extra post-2013 cost attributable to this contract.

On the other hand, contracts delivering in CP1 do have value insofar as they meet CP1 need. The penalty cost for failing to meet RPS targets is \$50/MWh; although it is paid by shareholders and not ratepayers it is still a good indication of the value of meeting RPS targets. Therefore, SDG&E subtracted from each contract's NTLT adder a "CP1 Renewability Value" of \$50/MWh times the expected CP1 deliveries.

Members of the PRG objected to the use of this renewability value. The immediate cause of the objection was the observation that short-term TRECs, and any other contracts terminating before 2014, would have a negative adder (-\$50/MWh). SDG&E therefore agreed to assign a zero adder to bids with no deliveries after CP1.

Upon further reflection we believe that the attribution of the CP1 Renewability Value was inappropriate for all contracts. That value was already implicitly recognized by priority given to CP1 need. PA recomputed the adders, removing the CP1 Renewability Value, and regenerated the shortlist. We determined that there was no change, that is, SDG&E would have arrived at the same shortlist. The only bids whose relative rankings changed were bids that were eliminated for qualitative reasons anyway.

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<sup>16</sup>

### 3.2.6 Changes from the 2009 LCBF model

#### a. MPR AS A MEASURE OF VALUE

In previous RFOs, SDG&E's bid evaluation method did not directly compare costs and benefits of individual contracts. Instead, SDG&E created 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. The adjusted price was computed by dividing the payment in each subperiod by the TOD factor that subperiod, and then dividing the total adjusted payment by the total projected deliveries. Note that if a bidder specified that it was to be paid a "TOD-adjusted" price, its payments would be based on the product of the bid price and the TOD factor; the subsequent division by TOD factor merely restored the bid price.

The "adjusted price" method is an example of a practice that PA would not have employed, but which is a reasonable approximation. Using the adjusted price meant that SDG&E did not have to compute or justify a 30-year projection of "avoided costs" or "market prices" by hour or subperiod to be compared with contract costs. It simplified the bid evaluation process but led to occasionally counterintuitive reporting: the difference between the nominal bid price and the adjusted price was reported as a "TOD adjustment adder", which, was zero for TOD-adjusted pricing (as noted above, the division by the TOD factor restored the nominal contract price in each period) and nonzero for uniform pricing (even of baseload energy).

In the 2011 RFO, SDG&E used an intermediate method: instead of forecasting avoided costs, SDG&E used the levelized MPR prices (actually the prices that would be produced by the MPR calculator with updated assumptions) as proxy avoided costs. PA and SDG&E discussed the use of this methodology when SDG&E put together its 2010 RPS plan, and PA supported the change. PA participated in a workshop and explained its belief that the changed method would be superior as it would eliminate the previous confusion and provide an identifiable standard of energy value.

#### b. ABANDONMENT OF DURATION EQUALIZATION METHOD

Contracts often have not a single price but a series of prices due to internal escalation factor; even a constant price should be interpreted as a series due to discounting. Quantitative evaluation methods have to reduce the series to a single value and there is no single accepted method for doing so.

It is often difficult to compare contract alternatives with different durations or starting dates. If two contracts have equal duration, but one starts (say) a year later than the other, then the later contract ought to have higher prices. Alternatively there is no obvious way to compare a 15-year contract and a 20-year contract on price alone, as the 5 years of benefits foregone by the shorter contract must be accounted for.

In past Renewables RFOs, SDG&E used a "duration equalization" approach to handle start and end effects. 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 a proxy. In earlier years the proxy was 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.

In the 2011 RFO SDG&E eliminated the duration equalization computation. This is not a totally satisfactory result. Because the value being leveled is only the above-MPR cost, eliminating duration equalization essentially implies that renewable power will not cost significantly more than non-renewable power. Many people do believe that the cost of renewable power will come down in the next decade but we consider it unlikely that it will match the cost of conventional power absent a carbon tax. On the other hand it is also unlikely that the value of renewability would be \$50/MWh (the RPS penalty cost), and zero is probably a more reasonable value.

c. **COMPUTATION OF DELIVERABILITY ADDER**

In past RPS RFOs, deliverability or RA adders (or credits) were computed based on estimates of the value of local and system RA, and assumptions about the amount of Net Qualifying Capacity (NQC) that the California ISO would compute for different technologies. There was always a considerable amount of uncertainty in these assumptions – for example, there was very little history of ISO determinations of NQC for solar plants. The approach used in 2011, which is based on delivery profiles, CPUC-approved TOD factors, and MPR proxies, is much more defensible.

### 3.3 STRENGTHS AND WEAKNESSES OF SDG&E'S LCBF METHODOLOGY

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

*"1. Market valuation. Were both price and value taken into consideration when projects were shortlisted? Did the IOU adequately take into consideration all financial benefits and costs of a project when determining the value of projects that were shortlisted? Did the IOU include the cost of transmission upgrades in the value calculation of projects that were shortlisted? In your opinion, were any costs or benefits that should have been included in the IOU's LCBF calculation not included?"*

*"2. Evaluation of portfolio fit. This should include evaluating how a project meets the IOU's RPS generation need for each compliance period under SB 2. Did the IOU reasonably calculate its net short compliance period? Did the IOU adequately take into account a project's portfolio fit against the IOU's net short position in each compliance period? Does the shortlist conform to the needs of the IOU's portfolio?"*

*"3. Evaluation of bids with varying sizes, in-service dates, and contract lengths. Did the IOU choose projects for the shortlist that provide the best overall value while meeting the needs of the IOU's three compliance periods? Could the IOU have incorporated a decision-making process that provided for a different portfolio of projects that provide better overall ratepayer value while meeting the IOU's RPS compliance needs?"*

*"4. Evaluation of bids' transmission costs. Did the IOU rely more on TRCR studies than Phase I or Phase II studies to ascertain transmission costs? Did the IOU weigh the total cost of transmission upgrades for a project against the relative value in resource adequacy that the transmission upgrade will provide for each project? Did the IOU perform any data conformance checks related to transmission study results and cost information for projects before they were included on the shortlist?"*



### 3. SDG&E's methodology for bid evaluation and selection

*“5. Evaluation of bids' project viability. Did the IOU (or IE or developer) reasonably measure the viability of each project in the bid evaluation process? Did the IOU perform conformance checks related to the accuracy of the projects' viability scores before the projects were included on the shortlist?”*

*“6. Other.”*

Overall, PA believes that the SDG&E methodology is reasonable. This judgment is within the context of the principles set forth in 3.1. The LCBF model was computed directly from bidder response forms and took no notice of potential affiliation. It bears a rational, consistent relationship to cost and value, and was set out prior to any bids having been seen by SDG&E or PA. The 2011 LCBF model is superior to the models SDG&E used in previous RFOs, incorporating lessons learned. The model itself was not biased for or against any technologies

We will address the points above in turn.

#### **3.3.1 Market valuation**

The LCBF model accounted for both price and value of projects. Both energy and deliverability value were taken into account, by first subtracting energy and capacity value from the bid price, and then adding back some or all of the capacity value for projects that would not fully deliverable against SDG&E's capacity requirements (including local needs). The model did not account for some other costs SDG&E has in the past sought to include, such as debt equivalence or integration.

The MPR model produces proxy costs that depend on the year in which a project comes online, so that a project with a Dec. 31, 2013 online date sees an avoided cost that is significantly lower in every year than the avoided cost seen by a project with a Jan. 1, 2014 online date. PA suggests that SDG&E convert the MPR costs into a stream of subperiod price proxies that do not depend on commercial online dates.

SDG&E's method is based on the assumption that the developer has correctly estimated all its costs, including permitting. It would be useful, and would produce more viable bids, if the company were able to evaluate the reasonableness of developer cost estimates. In order to do so, though, SDG&E would need to request significantly more information from developers. The number of bids received in 2011, and the short timeframe for evaluation, would have made that impossible as part of the LCBF evaluation. Such an analysis would have to be limited to already-shortlisted bids in a brief period after shortlisting (but the shortlist would have to be to allow for dropping bids after this analysis).

#### **3.3.2 Evaluation of portfolio fit**

It is clear from the explanation in the template that by “portfolio fit” the CPUC does not mean the temporal profile of deliveries within the year or the risk profile of the entire contract portfolio (mix of contract durations) but specifically the three targets set by SBX1-2. We reviewed SDG&E's probabilistic determination of its need by compliance period and we consider it to be reasonable. SDG&E estimated success probabilities by contract, and appears to have been conservative in doing so.

SDG&E determined that it had much greater need in the first compliance period than in subsequent periods, based both on contracts already signed and the short time available in which to satisfy that CP1 need. The need analysis rests on SDG&E's assumption that because SBX1-2 removes the *requirement* that the CPUC allow something like earmarking, the Commission will no longer allow it. [REDACTED]

Because of that need judgment, SDG&E sought to fill its CP1 need before considering other compliance periods. Doing so would also fill its CP2 need. SDG&E sought to reserve some CP2 need for cheaper contracts using its NTLT adder. [REDACTED]

All these actions are reasonable.

### 3.3.3 Evaluation of bids with various sizes, in-service dates and contract lengths

Once the bids had been ranked by the LCBF model, SDG&E chose bids for its shortlist. [REDACTED]

[REDACTED] SDG&E reports that it was told that the CPUC can generally only approve one of its contracts at each meeting. This limits the number of contracts SDG&E should pursue. SDG&E's rule of thumb is a reasonable response.

The duration equivalence scheme was abandoned for good reason, but it would still be useful to have a better way to compare projects that deliver in different sets of years. Levelized costs over the 2016-2035 period are not really comparable to levelized costs over 2013-2027. SDG&E should continue to investigate better ways to deal with diversity of start dates and contract duration.

### 3.3.4 Evaluation of bids' transmission costs

The transmission upgrade cost estimation was based on stale Transmission Ranking Cost Report estimates (over 18 months old), and the reports themselves are not really fit for their purpose (estimating upgrade costs of bids) because they do not cover all sites or CREZs and do not clearly explain how to determine the cluster appropriate to a given bid. On the other hand, ISO interconnection studies were unavailable for most bids and recent ISO cost estimates have been extremely high. At this point we have no suggestion for improvement.

### 3.3.5 Evaluation of bids' project viability

[REDACTED] This is consistent with the behavior that PA has observed in the past: [REDACTED]

[REDACTED] In this case, SDG&E eliminated several sets of bids from consideration:

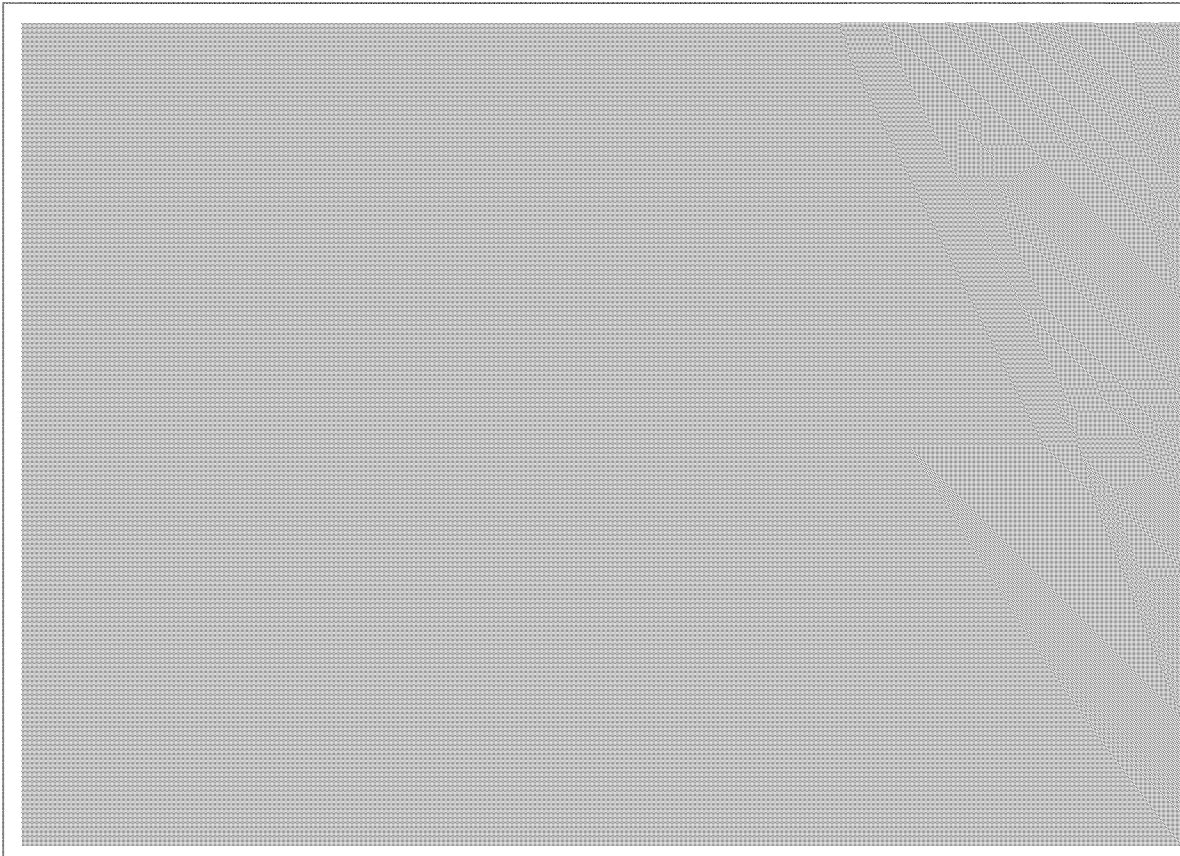
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

All these cases were reported to the PRG.

The Project Viability Calculators were self-scored by developers. SDG&E did not attempt to verify these scores. PA rescored the Project Viability Calculators for the top 30 CP1 bids. Of those, [REDACTED] for which project viability is not an issue. PA also rescored the Project Viability Calculators for the top 20 CP2 bids. Of those, [REDACTED] additional projects pricing options from CP1 bids.

**Figure 1** shows the bidders' submitted scores as well as PA's recomputed scores for those bids. Points below the dashed line indicate cases where the bidder's submitted PVC score was above the score PA computed. [REDACTED] There are a few cases where bidders were more conservative in their scoring than PA.

[REDACTED]



**Figure 1. Project Viability Calculator Scores**

### 3.4 FUTURE IMPROVEMENTS

*Template language: “What future LCBF improvements would you recommend?”*

PA has noted several potential improvements to the LCBF evaluation.

1. The use of the CPUC’s MPR model to provide estimates of energy and capacity value is an improvement over past LCBF evaluations. It is not necessary to do a full market price forecast, but PA does recommend some “smoothing” of the MPR model outputs. The MPR model produces proxy costs that depend on the year in which a project comes online, so that a project with a Dec. 31, 2013 online date sees an avoided cost that is significantly lower in every year than the avoided cost seen by a project with a Jan. 1, 2014 online date. PA suggests that SDG&E convert the MPR costs into a stream of subperiod price proxies that do not depend on commercial online dates.
2. The model PPA for the 2011 was changed from previous years by explicitly including “Economic Dispatch Down” rights for SDG&E. SDG&E makes the seller whole for such curtailment, which means that SDG&E incurs a cost. The cost may depend on bid characteristics (delivery profile or location) so SDG&E should seek to represent it in the LCBF model.

### 3. SDG&E's methodology for bid evaluation and selection

3. The LCBF model is dependent on information provided by developers. It would be useful, and would produce more viable bids, if SDG&E were to evaluate the reasonableness of developer cost estimates. This "due diligence" would probably occur outside (and after) the LCBF process but after a couple of years' experience could be used to modify the model itself.
4. The duration equivalence scheme was abandoned for good reason, but it would still be useful to have a better way to compare projects that deliver in different sets of years.

#### 3.5 ADDITIONAL COMMENT ON THE METHODOLOGY

*Template language: "Any additional information or observations regarding the IOU's evaluation methodology (e.g. capacity valuation, congestion cost adder, etc.)"*

PA has nothing else to add to this chapter.

#### **4. PROCEDURAL FAIRNESS OF THE BID EVALUATION**

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*Template language: “Was the LCBF bid evaluation process fairly administered?”*

This chapter addresses the application or administration of the methodology described in chapter 3.

##### **4.1 PRINCIPLES USED TO DETERMINE FAIRNESS OF PROCESS**

*“Template language: “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:<sup>17</sup>

- 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 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?

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<sup>17</sup> Jacobs, op. cit., p. 3-1.

### 4.2 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 1.3. Based on PA’s review of the solicitation and evaluation process:

- Affiliate and non-affiliate bids were treated identically. [REDACTED]
- 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 with the exception of those bids that were eliminated as described in 3.3.5.
- The “contingent need” target for CP1 would definitely give SDG&E a reasonable chance of meeting its RPS target. After discussion with PA, SDG&E did shortlist enough capacity to meet that target [REDACTED]
- PA reviewed with SDG&E the justification for any parameters that entered the computations. Most of them have been approved by the CPUC (e.g., the TOD factors) or are market indexes (e.g., the gas prices used in computing the proxy MPR cost).
- [REDACTED]

### 4.3 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?”

[REDACTED]

In [REDACTED]

SDG&E’s treatment of non-conforming bids was fair and reasonable.

#### 4.4 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 SDG&E and PA separately. In general PA used inputs taken directly from bid forms. Certain key parameters were supplied by SDG&E independent of any bids, including the TOD multipliers. Parameters and inputs for the congestion analysis were determined by SDG&E's transmission function independent of the procurement group.

#### 4.5 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 analysis using its own spreadsheet model, developed based on SDG&E's methodology and parameters supplied by SDG&E. SDG&E and PA were in communication throughout the analysis, generally in order to compare results and verify that any interpretations of the data or model were consistent with the philosophy and approach that had been stated prior to receiving bids. SDG&E did not exercise control over the quality or specifics of the analysis.

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. PA and SDG&E's procurement group discussed the locations and delivery profiles to be communicated to the transmission function for this analysis.

#### 4.6 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, the model calculated costs for transmission network upgrades or additions, using the information provided through the TRCRs. 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. The transmission analysis is described in 3.2.2 and 3.3.4 above.

#### 4.7 ADDITIONAL MEASURES

*Template language: "Describe any additional measures the utility exercised in evaluating affiliate, buyout, and turnkey bids."*

SDG&E did not use any special measures in evaluating affiliate, buyout and turnkey bids.



[REDACTED] SDG&E did not accept buyout or turnkey bids in this RFO.

**4.8 ADDITIONAL CRITERIA OR ANALYSIS**

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

**4.8.1 Short-term bid evaluation method**

The RFO document included a special method for evaluating bids whose term was 4 years or less. It is basically equivalent to a method specified in the 2009 RFO for evaluating bids whose terms were 9 years or less. The method was not very precisely stated. First SDG&E would "assess price reasonableness" by comparing bids to a publicly available index plus, if necessary, a valuation of other attributes. Bids would be sorted from "most reasonably priced" to "least reasonably priced". SDG&E would then "short list the most reasonably priced offers that are most viable and reliable." PA had raised some concerns about this method when SDG&E was constructing the RFO, based on the fact that (a) a market index would be too low to be a reasonable standard for renewable offers and (b) there was no clear "need" criterion for the offer volume to accept.

Prior to the receipt of bids, PA asked SDG&E for the index it intended to use in evaluating short-term bids. SDG&E said it would use a five-day average of ICE forward prices and produced a strip of monthly prices, the greatest of which [REDACTED]

[REDACTED] nstead of the imprecisely defined short-term algorithm, SDG&E considered all bids using the LCBF algorithm. PA did not object.

**4.8.2 Concentration risk**

[REDACTED]

[REDACTED]

Consideration of concentration risk was not explicitly mentioned in the solicitation materials. The RFO lists six examples of qualitative criteria SDG&E could use, and the closest to concentration risk is "resource diversity"; however, the list is not presented as exhaustive. [REDACTED] was reasonable and fair.

## 4.9 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?”

PA and SDG&E were in close and regular communication throughout the RFO process. In many cases when a ruling or judgment had to be made SDGE would first solicit PA’s opinion, or would ask PA to make the judgment. In this section we describe several examples where SDG&E solicited PA’s input, asked PA for a decision, or modified its conduct of the evaluation. Of these, the most important are the first one and the two in section 4.9.2.

### 4.9.1 Interactions between PA and SDG&E during bid evaluation

#### a. EMPHASIS ON THE NEAR TERM

We believe that one of the reasons SDG&E was willing generally to accept PA’s judgments was that SDG&E’s main goal, which was to acquire renewable energy in 2012-2013 without jeopardizing its ability to sign cheaper contracts for later delivery, was not threatened. SDG&E discussed its concerns with PA several times in the May-July timeframe.

PA did not feel competent to judge whether something like “earmarking” would be continued and was willing to accept SDG&E’s opinion for the purpose of this solicitation. As we have noted before, the utilities are at risk of financial penalties if they fail to achieve their RPS targets. On the one hand this means that the utility should be able to follow a strategy which PA – but not the utility – thinks enhances the danger of missing its RPS target, since the utility is at risk. On the other hand, though, if a utility outlines a strategy that is motivated by a desire to avoid penalties – in other words when it follows the exact incentives the RPS program seeks to create – it should be able to adopt that strategy so long as it is implemented fairly and without creating extra benefits for the utility or its affiliates at the expense of ratepayers.

SDG&E explained to PA its main goal, noted above. SDG&E told PA that it intended to state at the bidder conferences its preferences for renewable power delivered in the near term. PA was initially unsupportive of adding objectives to the procurement that were not detailed in the RFO. PA came to agree with SDG&E’s plan, because this strategy and objectives would be clearly explained to bidders at the bidder conferences, which occurred more than a month

before bids were due. As we noted earlier, these verbal presentations were accompanied by some statements in the media, but not by an RFO addendum or other written communication to all bidders.

Later, but prior to the bid evaluation, SDG&E described to PA its proposed Short Term Long Term (STLT -- NTLT in PA's nomenclature) adder. PA questioned SDG&E closely on the reasoning behind the adder and its computation. PA was convinced that the adder provided reasonable guidance to the "lost opportunity" cost and accepted its use.

**b. ACCEPTANCE OF LATE BIDS**

In section 4.3 we describe the late submissions. SDG&E asked PA to make the decision as to whether to accept late bids, or where to set the cutoff.

**c. TECHNICAL POINTS OF BID EVALUATION**

PA and SDG&E evaluated the bids separately. We conferred regularly to compare notes on intermediate results, and judgments that had been made in implementing the LCBF methodology. There were a number of disagreements on specific aspects of the calculation. In almost all these cases we were able to convince SDG&E that we were correct, or more consistent with the philosophy of the RFO. In some cases, PA yielded to SDG&E, generally when SDG&E was able to demonstrate that PA was factually incorrect. [REDACTED]

[REDACTED]

**d. BID ELIMINATION**

Section 3.3.5 lists several bids that were eliminated. In [REDACTED] SDG&E

eventually backed away from that reasoning, but then presented an alternative rationale which PA accepted.

**4.9.2 PRG issues**

a.

[REDACTED]

We believe that SDG&E's consideration of the short-term bilateral contracts was reasonable.

b. **BP BIOGAS**

At the bidder conferences, SDG&E specifically stated that it would accept biogas contracts up to five years in duration, and that it would estimate the \$/MWh cost of such contracts based on the gas cost and a heat rate of 7,500 BTU/kWh.

[REDACTED]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

**4.9.3 Overall judgment**

PA's judgment is that solicitation was fairly administered.

**4.10 OTHER RELEVANT INFORMATION**

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

Please see section 2.5 for a discussion of SDG&E's emphasis on projects that could deliver significant amounts of renewable energy by 2013, how it communicated that emphasis to bidders, and the degree to which SDG&E succeeded in eliciting bids with early delivery. PA recommends that in the future any supplemental information expressing SDG&E's product preferences be issued as a formal addendum to the RFO; that it be emailed (if possible) to all parties that had already downloaded the RFO; and that all respondents be required to acknowledge receipt of any amendments to the RFO.

[Redacted text block]

**5. FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS**

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[REDACTED]

The negotiation [REDACTED]  
[REDACTED] Since there were [REDACTED] we are not  
concerned that we failed to observe any anticompetitive behavior.

**5.1 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, [REDACTED]  
[REDACTED]

**5.2 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. PA follows negotiations through discussions with SDG&E, summaries of current proposals and SDG&E's reports to its Procurement Review Group. This is consistent with the original understanding of PA's role as IE, which was developed when PA and SDG&E negotiated their initial contract (with the participation of the PRG).

In this case, PA [REDACTED]  
[REDACTED]

As far as we can tell, this contract was fairly negotiated.

**5.3 TERMS AND CONDITIONS**

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

[REDACTED]

Pricing: The pricing of the contract

[Redacted]

Volume and Guaranteed Production: The RFO bid

[Redacted]

We do not consider this to be a material defect in the contract.

Conditions precedent:

[Redacted]

Curtailment penalty:

[Redacted]

#### 5.4 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?"*

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18

[Redacted]

We have no information to indicate that Mesa Wind was given any specific directions or information, whether or not they would have been useful to another bidder. We have noted that [REDACTED].

**5.5 ADDITIONAL ISSUES**

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

PA has nothing to add here.



**6. PROJECT-SPECIFIC RECOMMENDATION**

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This section will only be completed in the final IE report submitted with each contract Advice Letter.

**6.1 EVALUATION**

*Template language: "A. Provide narrative for each category and describe the project's ranking relative to: 1) other bids from the solicitation; 2) other procurement opportunities (e.g. distributed generation programs); and 3) 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."*

The pricing of this contract is [REDACTED]

Mesa Wind submitted [REDACTED]

<b>Project Scoring</b>		range 0 - 10	Utility	IE
<b>weight</b>				
25%	<b>Company / Development Team</b>			
4	Project Development Experience			
1	Ownership / O&M Experience			
	<i>Total Category</i>			
	<i>Weighted Criteria</i>			
	<i>Normalized Category</i>			
	<b>Weighted Category</b>			
25%	<b>Technology</b>			
4	Technical Feasibility			
2	Resource Quality			
3	Manufacturing Supply Chain			
	<i>Total Category</i>			
	<i>Weighted Criteria</i>			
	<i>Normalized Category</i>			
	<b>Weighted Category</b>			
50%	<b>Development Milestones</b>			
4	Site Control			
4	Permitting Status			
4	Project Financing Status			
4	Interconnection Progress			
3	Transmission Requirements			
3	Reasonableness of COD			
	<i>Total Category</i>			
	<i>Weighted Criteria</i>			
	<i>Normalized Category</i>			
	<b>Weighted Category</b>			
<b>Total Weighted Score</b>				

Figure 2. Project Viability Calculator for Mesa Wind

## 6. Project-specific recommendation

### 6.2 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.”*

PA agrees that this contract merits approval.

### 6.3 ADDITIONAL ISSUES

*Template language: “Any other relevant information or observations.”*

PA has nothing further to add here.