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**ADVICE LETTER 2345-E**
**(U 902-E)**

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

**SUBJECT: REQUEST FOR APPROVAL OF A RENEWABLE POWER PURCHASE AGREEMENT WITH MANZANA WIND LLC**

# I. INTRODUCTION

## A. PURPOSE OF THE ADVICE LETTER

San Diego Gas & Electric Company ("SDG&E") seeks approval from the California Public Utilities Commission (the "Commission" or the "CPUC") of a Power Purchase Agreement (PPA) with Manzana Wind LLC. The PPA is for the output from 100 MW of a 189 MW wind project to be constructed and operated by Manzana Wind LLC located near the City of Tehachapi in Kern County, California ("Manzana" or, "The Project"). The Project was offered into, and shortlisted, in SDG&E's 2011 Renewables RFO. The PPA between SDG&E and Manzana Wind LLC (the "Proposed Agreement") is for a 20-year term and establishes a commercial online deadline of December 31, 2012 (which may be extended). The portion of the Project to be purchased by SDG&E is projected to contribute 259,296 MWh of RPS energy annually toward fulfillment of SDG&E's RPS procurement requirement.

## B. SUBJECT OF THE ADVICE LETTER

1. PROJECT NAME: Manzana Wind.

2. TECHNOLOGY (INCLUDING LEVEL OF MATURITY): The Project will comprise 164 GE 1.5 MW SLE wind turbines. The SLE is the mostly widely used wind turbine in the world, with more than 16,500 installed globally.

3. GENERAL LOCATION AND INTERCONNECTION POINT: The Project site is located in the high desert of Kern County in southern California approximately 21 km south-southwest of Tehachapi, 30 km west-southwest of Mojave, 42 km northwest of Lancaster and 68 km southeast of Bakersfield, California. The site is located at southeast of Cottonwood Pass, a well defined north-south channel on the east slopes of the Tehachapi Mountains, about 25 km southwest of the Tehachapi Pass, which connects the San Joaquin Valley with the Mojave Desert.

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

A. NAME(S): The Project is being developed by Manzana Wind LLC, which is owned by Iberdrola Renewables, Inc.

B. TYPE OF ENTITY(IES) (E.G. LLC, PARTNERSHIP): The Project entity is a Limited Liability Company (LLC).

C. BUSINESS RELATIONSHIPS BETWEEN SELLER/OWNER/DEVELOPER:

Manzana Wind LLC is a subsidiary of Iberdrola Renewables, Inc., which in turn is owned by Iberdrola of Spain, a 150 year old renewable energy company with over € 28 million in market capitalization and more than 46,000 MW of installed capacity worldwide.

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

The proposed project is a new build wind project. 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 Proposed Agreement is a product of SDG&E's 2011 Renewable RFO. The project was shortlisted by SDG&E from the offers that were received.

## C. GENERAL PROJECT(S) DESCRIPTION

| | |
|---|---|
| **Project Name** | Manzana Wind |
| **Technology** | Wind |
| **Capacity (MW)** | 100 MW (out of 189 total MW nameplate) |
| **Capacity Factor** | 29.6% |
| **Expected Generation (GWh/Year)** | 259.3 (SDG&E's portion) |
| **Initial Commercial Operation Date** | Deliveries will begin as soon as 1 MW of capacity is available. The project will ramp up deliveries from there until the full capacity is online and Commercial Operation is declared, no later than December 31, 2012 (as may be extended). |
| **Date contract Delivery Term begins** | Upon declaration of Commercial Operation |
| **Delivery Term (Years)** | 20 years |
| **Vintage (New / Existing / Repower)** | New facility |
| **Location (city and state)** | City of Tehachapi,<br>Kern County, California |
| **Control Area (e.g., CAISO, BPA)** | CAISO |
| **Nearest Competitive Renewable Energy Zone (CREZ)** | Tehachapi |

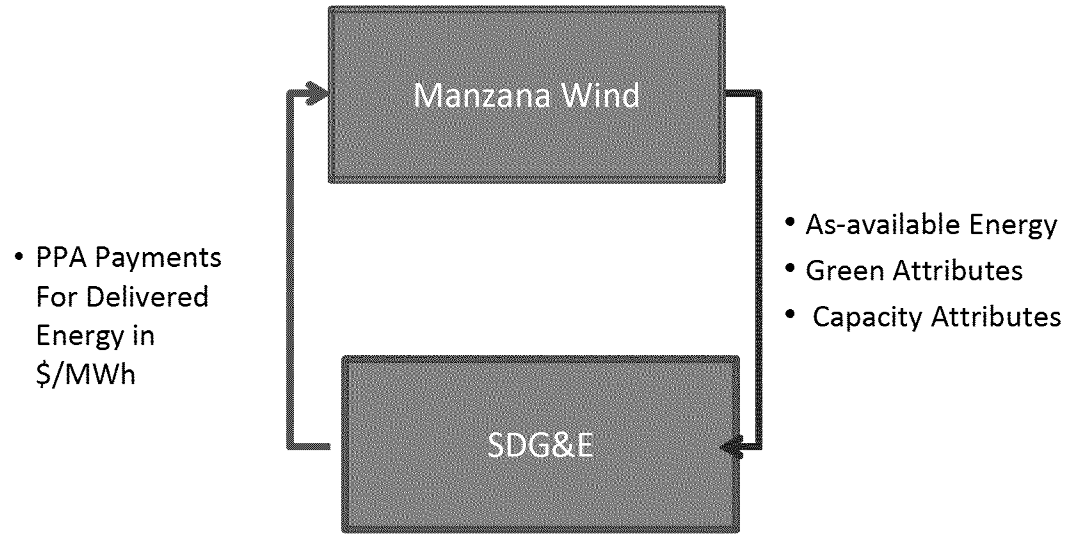
| | |
|---|---|
| **Type of cooling, if applicable** | Not applicable |
| **Price relative to MPR (i.e. above/below)** | Above |

[1] 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.

## 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 a portion of output of as-available energy, capacity attributes, and green attributes from the Manzana Wind facility for a 20-year term. The Project interconnects directly to the CAISO at the Whirlwind Substation and will be a Participating Generator in the 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.*

Public Utilities Code section 399.11(b) explains that achieving the renewables portfolio standard through the procurement of various electricity products from eligible renewable energy resources is intended to provide several unique benefits, including, inter alia, displacing fossil fuel, promoting stable retail rates for electric service, protecting public health, improving environmental quality and adding new electrical generating facilities in the transmission network within the Western Electricity Coordinating Council service area.

The Proposed Agreement has a fixed price for its 20 years of deliveries (plus test energy deliveries) which will aid in providing price certainty for ratepayers. As a wind resource, it will generate clean renewable energy with zero fuel costs, will create zero need for foreign fuel imports, and will produce zero greenhouse gas emissions into the atmosphere directly associated with energy production.

## F. Confidentiality

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

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

Appendix A: Consistency with Commission Decisions and Rules and Project Development Status
Appendix B: Solicitation Overview
Appendix C: Final RPS Project-Specific Independent Evaluator Report
Appendix D: Contract Summary
Appendix E: Comparison of Contract with Utility's Pro Forma Power Purchase Agreement
Appendix F: Power Purchase Agreement
Appendix G: Project's Contribution Toward RPS Goals
Appendix H: Up front Showing for Category I Products

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 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 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").[1] Updates to the draft 2011 RPS Plan were filed on February 17, 2010 and April 9, 2010. On April 14, 2011, the CPUC issued D.11-04-030 ("the

[1] 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 decisión was issued in 2011 and the solicitation resulting from the final decisión was held in 2011.

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 Agreement through comparison of the terms and conditions of the Proposed Agreement against the results of its 2011 RPS RFO

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

The 2011 RPS Plan expressed SDG&E's commitment to meet the goal of serving 33% of its retail sales with renewable resources by 2020. SB2 (X1) ("SB2"), which went into effect in December 2011, required 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. Because of its 2012 online date, the project is expected to contribute materially to SDG&E's renewable energy portfolio during the first compliance period (2011-2013).

SDG&E's goal was 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 sought offers from all technologies of renewable projects that met the requirements for eligible facilities as specified in applicable statute and as established by the California Energy Commission ("CEC"). Bidders could offer either unit firm or as-available deliveries.

SDG&E's RPS Plan also stated that, to the extent a bilateral offer complied with RPS program requirements, fit within SDG&E's resource needs, was competitive when compared against recent RFO offers and provided benefits to SDG&E customers, SDG&E would pursue such an agreement. Amended contracts, as with bilateral offers, were to be compared to alternatives shortlisted 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 most recent 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 the Resource Adequacy (RA) associated with SDG&E's portion of the Project, if the Project qualifies to provide RA. 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.

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

The minimum requirements established in the most recent RFO at the time of negotiation origination (2011) were as follows:

a. Commence deliveries in 2011, 2012, 2013, 2014 or 2015

b. Short term agreements of up to 4 years in duration or long term agreements of up to 30 years duration; or

c. The project must be RPS-eligible

d. The Net Contract Capacity must be ≥ 1.5MW, net of all auxiliary and station parasitic loads; (if within SDG&E service area)

e. The Net Contract Capacity must be ≥ 5MW, 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 requirements. The proposed PPA's commercial operation deadline is in 2012, the delivery term is 20 years, the contract capacity is 100 MW, and SDG&E will received all the green attributes from the Project. 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 Proposed Agreement was not procured through bilateral negotiations.

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

Not Applicable.

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

Not Applicable. The Project was selected and shortlisted by SDG&E's competitive 2011 RPS RFO and is not a bilateral contract.

## 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.

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) TRECs

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 between the two conferences. 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:

| DATE | EVENT |
|---|---|
| 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 evaluated all offers, including this offer from Manzana Wind, in accordance with the LCBF process outlined in D.03-06-071, D.04-07-029, and its approved RPS 2011 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."[2] 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 verify 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 could contribute significantly to SDG&E's renewable energy portfolio in compliance period 1 and were highly viable. Unlike the 2009 RFO, delivery over the Sunrise Powerlink was not a priority.

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 justified because it is consistent with other selected projects and the Manzana Wind PPA contains provisions which protect ratepayers interests, and thus it a crucial component of SDG&E's renewable portfolio.

b. QUANTITATIVE FACTORS

[2] See D.06-05-039, *mimeo*, p. 42.

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.

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 MPR 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 were automatically considered Above Market Costs and 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 California Independent System Operator ("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 MPR calculated with SDG&E's all-in time-of-day factors, and the project-specific MPR 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 stated that SDG&E did not have a preference for a particular product or technology type and that SDG&E had latitude in the resources that it selected. However, as explained above, time of delivery factors, transmission cost, congestion costs, commercial operations date and resource adequacy adjustment were evaluated to determine the impact to SDG&E's portfolio. These portfolio fit factors were valued and included in the economic comparison of options in order to ensure the least-cost projects were also best-fit selections for the portfolio.

See 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:

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

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

| | SUMMER<br>July 1 - October 31 | WINTER<br>November 1 - June 30 |
|---|---|---|
| ON-PEAK | Weekdays 11am – 7pm<br>**1.531** | Weekdays 1pm - 9pm<br>**1.192** |
| SEMI-PEAK | Weekdays 6am – 11am;<br>Weekdays 7pm - 10pm<br>**1.181** | Weekdays 6am – 1pm;<br>Weekdays 9pm – 10pm<br>**1.078** |
| OFF-PEAK* | All other hours<br>**0.900** | All other hours<br>**0.774** |
| *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 differentiated offers of similar cost or may have established 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 2, certain flexible compliance mechanisms contained in the original RPS legislation were eliminated and compliance targets changed, requiring SDG&E to focus 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, along with the large number of bids 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 during the period 2011 to 2013. Low priced projects able to generate more than 45,000 MWh in the same period were considered 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 | Section 1.1; Page 6 |
| STC 2: Green Attributes & RECs | Section 1.1; Pages 11- 12<br>Section 3.1(i); Page 24 |
| STC 6: Eligibility | Section 10.2(a); Page 45 |
| STC 17: Applicable Law | Section 13.8; Page 52 |
| STC REC-1: Transfer of RECs | Section 10.2(b); Page 45 |
| STC REC-2: WREGIS Tracking of RECs | Section 3.1(l) [last sentence]; Page 25 |

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 a bundled wind energy product.

F. MINIMUM QUANTITY

MINIMUM CONTRACTING REQUIREMENTS APPLICABLE TO SHORT TERM CONTRACTS WITH EXISTING FACILITIES

Not applicable. The PPA is for a term of 20 years.

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

Not Applicable

H. MARKET PRICE REFERENCE (MPR)

1. CONTRACT PRICE RELATIVE TO THE MPR.

The pricing included in the Proposed Agreement is above the 2011 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 above the 2011 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.

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2. THE STATUS OF THE UTILITY'S AMFS LIMIT.

SDG&E's AMF limit has been exhausted.[3]

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

SDG&E's AMF limit has been exhausted.[3]

## 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.

This Proposed Agreement is not subject to the EPS as it is for as-available renewable energy with a capacity factor that is below the 60% limit established in the EPS decision.

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

The Project is not a baseload generating resource. Wind power plants produce no greenhouse gases, and are compliant with D.07-01-039 provided that there are no provisions in the purchase agreement for the purchase of substitute energy from unspecified energy sources to meet contract delivery requirements.[4] There are no provisions in the Proposed Agreement for substitute energy purchases to meet contract delivery requirements. Thus the Proposed Agreement meets the requirements of D.07-01-039.

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

4 D.07-01-039, *mimeo*, p. 270.

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.)

    Since the project will directly connect to a CAISO delivery point it will be considered a CAISO internal resource and, therefore, no firming and shaping is involved with the Proposed Agreement.

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.)

    Since the project will directly connect to a CAISO delivery point it will be considered a CAISO internal resource and, therefore, no firming and shaping is involved with the Proposed Agreement.

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

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

    As with any CAISO Participating Generator (conventional or renewable) when the real time delivered energy differs from the scheduled quantity it requires imbalance energy to make up the difference. When the schedule is short (i.e., negative imbalance) the grid must make up that difference from other unspecified resources. The use of such unspecified resources is: (i) short-term for only as long as the imbalance exists (i.e., until the sun comes out from behind a cloud or the sunshine returns to the PIRP-forecasted level); (ii) operational in nature; and (iii) required by the Participating Generator Agreement, not the Proposed Agreement. As mentioned above, the Proposed Agreement does not allow for substitute energy purchases.

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

    As with any CAISO Participating Generator (conventional or renewable) when the real time delivered energy differs from the scheduled quantity it requires imbalance energy to make up the difference. When the schedule is short (i.e., negative imbalance) the grid must make up that difference from other unspecified resources. The use of such unspecified resources is: (i) short-term for only as long as the imbalance exists (i.e., until the sun comes out from behind a cloud or the sunshine returns to the PIRP-forecasted level); (ii) operational in nature; and (iii) required by the Participating Generator Agreement, not the Proposed Agreement. As mentioned above, the Proposed Agreement does not allow for substitute energy purchases.

    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**

The Proposed Agreement does not permit substitution of unspecified energy even during forced or scheduled outages or for any other reason.

**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.**

The Proposed Agreement does not permit substitution of unspecified energy for any reason.

## 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. Coalition of California Utility Employees

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

The Manzana Project was first presented to the PRG and discussed at two special meetings on August 10th and 17th, 2011. The project appeared on the regularly scheduled PRG Meeting agenda and was further discussed at the following PRG Meetings; August 19th, September 16th, October 21st, November 18th and December 16th, 2011. The final presentation and discussion took place at the February 17, 2012 PRG Meeting.

### 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)

Not applicable since this is not a short-term contract.

## 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

A full printed copy of the public IE Report is located at the end of Part 2 of this Advice Letter.

## III. PROJECT DEVELOPMENT STATUS

### A. COMPANY / DEVELOPMENT TEAM

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

Iberdrola Renewables (IBR) is the world's largest renewable developer, and is a leader in the renewable industry in the U.S. Within its power business, IBR is focused on the development and marketing of clean fuel sources, including wind, solar, biomass, and natural gas-fired generation. Through direct ownership or power purchase agreements, IBR controls over 4,600 MW of renewable generation currently in operation. IBR is incorporated in the state of Oregon and its U.S. headquarters are located in Portland, Oregon.

IBR has vast experience and expertise with energy projects throughout North America, with 50 MW of solar under construction, 4,600 MW of operating wind, a 55 MW biomass plant and a 650 MW Cogeneration plant. The off-take summary below models IBR's history of developing major projects and executing contracts with over 50 customers throughout the United States.

IBR is the second largest renewables developer in the United States, pursuing greenfield projects, repowering projects, and acquisitions. It currently has more than 25,000 MW of biomass, wind and solar projects under active development. In addition, IBR is the third largest holder of BLM rights-of-way and is actively progressing both public and private lands for construction of photovoltaic and concentrated solar power.

## 2. SUCCESSFUL PROJECTS (RENEWABLE AND CONVENTIONAL)

See below

| Project Name | Location | Control Structure | Capacity | Customers |
|---|---|---|---|---|
| Copper Crossing Solar | Arizona | Under Construction | 20 MW | Salt River Project |
| San Luis Solar | Colorado | Under Construction | 30 MW | PSCo |
| Barton 1 | Iowa | Own | 80 MW | NIPSCO, WPPI Energy |
| Barton 2 | Iowa | Own | 80 MW | We Energies |
| Barton Chapel | Texas | Own | 120 MW | Pending |
| Big Horn | Washington | Own | 200 MW | Modesto, Santa Clara, Redding |
| Big Horn II | Washington | Own | 50 MW | Modesto, Santa Clara, Redding |
| Buffalo Ridge | South Dakota | Own | 50 MW | NIPSCO |
| Casselman | Southwest Pennsylvania | Own | 35 MW | First Energy |
| Cayuga Ridge | Illinois | Own | 300 | TVA |
| Colorado Green | Southeast Colorado | 50/50 JV with Shell | 81 MW | Public Service Company of Colorado (Xcel) |
| Dillon | Souther California | Own | 45 MW | Southern California Edison |
| Dry Lake | Arizona | Own | 64 MW | Salt River Project |
| Elk River | Southeast Kansas | Own | 150 MW | Empire District Electric Company |
| Elm Creek | Southwest Minnesota | Own | 100 MW | Great River Energy |
| Farmers City | Missouri | Own | 146 MW | Pending |
| Flying Cloud | Northwest Iowa | Own | 25 MW | Interstate Power & Light (Alliant) |
| Hay Canyon | Central Oregon | Own | 101 MW | Snohomish PUD |
| High Winds | Northern California | PPA with FPLE | 162 MW | SMUD, Merced, Modesto, Palo Alto, Alameda, SCPPA |
| Klondike II | Central Oregon | Own | 75 MW | Portland General Electric |
| Klondike III | Central Oregon | Own | 224 MW | EWEB, PG&E, PSE, BPA |
| Klondike IIIa | Central Oregon | Own | 76 MW | PG&E |
| Klondike I | Central Oregon | Own | 24 MW | BPA |
| Lempster | New Hampshire | Own | 24 MW | Southern New Hampshire University |
| Locust Ridge | Pennsylvania | Own | 26 MW | PPL Energy Plus |
| Locust Ridge II | Pennsylvania | Own | 102 MW | PPL Energy Plus, Thomas Jefferson University, Thomas Jefferson University Hospital, Mainline Health System, Albert Einstein Health System, Frankford Hospitals, McGee Rehabilitation, Christiana Care |
| Maple Ridge I | Northern New York | 50/50 JV with Horizon | 116 MW | NYSERDA |
| Maple Ridge II | Northern New York | 50/50 JV with Horizon | 45 MW | New York Power Authority |
| MinnDakota | Southwest Minnesota | Own | 150 MW | Northern States Power (Xcel) |
| Moraine | Southwest Minnesota | Own | 44 MW | Northern States Power (Xcel) |
| Moraine II | Southwest Minnesota | Own | 50 MW | Northern States Power (Xcel) |
| Mountain View III | Southern California | Own | 25 MW | SDG&E |
| Pebble Springs | Central Oregon | Own | 99 MW | SCPPA |
| Peñascal | Texas | Own | 202 MW | City of San Antonio, South Texas Electric Co-op |
| PleasantValley | Wyoming | Own | 144 MW | UAMPS, LADWP, Burbank, Glendale, Aneheim |
| Providence Heights | Illinois | Own | 72 MW | ComEd |
| Rugby | North Dakota | Own | 149 MW | Missouri River Energy Services, CMMPA |
| Shiloh | Northern California | Own | 150 MW | PG&E, Palo Alto, MID |
| Simpson Biomass | Western Washington | PPA | 43 MW | SMUD |
| Southwest Wyoming | Southwest Wyoming | PPA with FPLE | 144 MW | LADWP, Anaheim, Glendale, Burbank, UAMPS |
| Star Point | Central Oregon | Own | 99 MW | Modesto Irrigation District |
| Streator Cayuga Ridge | Illinois | Own | 300 MW | Tennessee Valley Authority |
| Top of Iowa II | Northern Iowa | Own | 80 MW | Madison Gas & Electric, Wisconsin Public Power |
| Trimont | Southwest Minnesota | Own | 100 MW | Great River Energy |
| Twin Buttes | Southeast Colorado | Own | 75 MW | Public Service Company of Colorado (Xcel) |
| Winnebago | Iowa | Own | 20 MW | Dairyland Power |

## B. TECHNOLOGY

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

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

The Project will be constructed using 126 General Electric 1.5 MW SLE wind turbines. These are the most widely used wind turbines in the world with a substantial operating history.

#### b. COMMERCIAL DEMONSTRATION

The Project will be constructed using 126 General Electric 1.5 MW SLE wind turbines. These are the most widely used wind turbines in the world with a substantial operating history.

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

The technology is not a hybrid technology.

### 2. QUALITY OF RENEWABLE RESOURCE

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

The Project site is located in the high desert of Kern County in southern California approximately 21 km south-southwest of Tehachapi, 30 km west-southwest of Mojave, 42 km northwest of Lancaster and 68 km southeast of Bakersfield, California. The site is located at southeast of Cottonwood Pass, a well defined north-south channel on the east slopes of the Tehachapi Mountains, about 25 km southwest of the Tehachapi Pass which connects the San Joaquin Valley with the Mojave Desert. From late spring through summer, the Tehachapi Pass acts as an outlet for cool maritime air that advances inland to replace warm air rising over the desert. The resulting thermally driven flow tends to be shallow and thermally stable (cooler and denser than the air above it).

The wind resource experienced at the Project site is governed by the same dynamics as wind found at the Tehachapi Pass. The site is about 4.5 km long in an east-west direction and 10 km long in a north-south direction and covers about 25 km2. The terrain slopes steadily downward from north-northwest to south-southeast. The terrain varies in elevation at nearly 1700m at the foothills of Covington Mountain down to about 900m at the southern end of the project site by the Los Angeles Aqueduct. The terrain varies from sharp ridges and deep washes oriented west-southwest to east-northeast in the northern portion of the project, to rolling terrain in the central project area, to a flat plain in the southern portion of the project. The site is covered with typical desert vegetation with widely dispersed Juniper and Joshua trees.

Twenty five meteorological towers have been deployed and used for on-site wind resource and energy assessment.

Twenty five meteorological towers have been deployed and on-site data collected for over a decade. Met data has been used for a thorough wind resource and energy assessment of the project site. The wind resource matches in-state energy demand with a quality in-state renewable energy resource. With a capacity factor of over 29%, SDG&E's portion of the output from the Project is expected to produce 259,000 MWh of in-state renewable energy and associated green attributes each year for delivery to SDG&E.

b. FUEL RESOURCE ANALYSIS AND THE DEVELOPER'S FUEL SUPPLY PLAN (FOR BIOMASS PROJECTS ONLY)

i. FROM WHOM/WHERE IS THE FUEL BEING SECURED; AND

Not applicable. This Project will not depend on biomass fuel.

ii. WHERE THE FUEL IS BEING STORED

Not applicable. This Project will not depend on biomass fuel.

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

The Tehachapi region is well known as one of the top wind resources in California with a significant number of projects operating and under development.

3. OTHER RESOURCES REQUIRED

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

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

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

N/A

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

N/A

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

N/A

C. DEVELOPMENT MILESTONES

1. SITE CONTROL STATUS

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

The Project will be located entirely on private lands that are under long term lease to the Project.

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

The duration of site control for leases are for terms of from 20 to 30 years.

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

Site control has been obtained via long term leases for 100% of the Manzana Wind site.

2. EQUIPMENT PROCUREMENT STATUS

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

All major equipment has been procured and construction is nearly 100% complete.

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

Iberdrola Renewables (IBR) is the world's largest renewable developer, and is a leader in the renewable industry in the U.S. Through direct ownership or power purchase agreements, IBR controls over 4,600 MW of renewable generation currently in operation. IBR has vast experience and expertise with energy projects throughout North America, with 50 MW of solar under construction, 4,600 MW of operating wind, a 55 MW biomass plant and a 650 MW Cogeneration plant. Currently IBR operates over 50 unique commercial-scale renewable projects including 12 projects currently supplying power to California Markets. IBR has established relationships with a number of suppliers and demonstrated experience at procuring equipment and bringing projects online successfully.

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

There is no identified equipment procurement issues related to this Project.

3. PERMITTING / CERTIFICATIONS STATUS

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

The Manzana Project's Application for Pre-Certification California Renewables Portfolio Standard Program was approved by the CEC on November 16, 2011.The Pre-certification was based on the *Renewables Portfolio Standard*

*Eligibility Guidebook, 4th Edition*, publication number CEC-300-2010-007-CMF and the project was assigned CEC-RP- ID Number 61671C There is no reason to believe that the final approval will be withheld.

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

Permitting status and information is located in Confidential Appendix A, Project Development Status, paragraph C.3 - Permitting Status.

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

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

Being a wind technology in service prior to January 1, 2013, the Manzana Wind Project is eligible for the federal business energy Production Tax Credit ("PTC"). The Project is also eligible for the Cash Grant since construction began prior to December 31, 2011 and it spent at least 5% of the eligible capital by that date.

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

A discussion of the Project's financing plan, including PTCs and the Cash Grant, is found in *Section D-PTC/ITC of Confidential Appendix A-Project Development Status*.

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

A discussion of the contractual terms and implications surrounding the any anticipated tax credits is located in *Section D–PTC/ITC of Confidential Appendix A-Project Development Status*.

5. TRANSMISSION

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

The Project has executed its Large Generator Interconnection Agreement (LGIA) and the required interconnection facilities are complete.

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

The Project has a completed LGIA which was executed in October 2010.

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

The CAISO studies indentified interconnection work and network upgrades needed both to interconnect and deliver the Project's output. More detail is provided in *Section E–Transmission of Confidential Appendix A-Project Development Status*.

**d.** <u>REQUIRED SUBSTATION UPGRADES OR CONSTRUCTION.</u>

Details about the required substation upgrades or construction are provided in *Section E–Transmission of Confidential Appendix A-Project Development Status*.

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

Details about the timing and process for all transmission-related upgrades are provided in *Section E–Transmission of Confidential Appendix A-Project Development Status*.

**f.** <u>ISSUES RELATING TO OTHER GENERATING FACILITY PROJECTS IN THE TRANSMISSION QUEUE AS THEY MAY AFFECT THE PROJECT.</u>

Information about issues relating to other generating facility projects is provided in *Section E–Transmission of Confidential Appendix A-Project Development Status*

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

Congestion costs were calculated for this Project as part of its LCBF assessment. See in *Section C.–Least-Cost Best-Fit of Confidential Appendix A-Consistency With Commission Decision and Rules* for more details on congestion costs.

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

See *Section E–Transmission of Confidential Appendix A-Project Development Status* and *Confidential Appendix D-Contract Summary* for further discussion about the Project's transmission arrangements.

## D. <u>FINANCING PLAN</u>

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

See *Section F–Financing Plan of Confidential Appendix A-Project Development Status* for more detailed information about the Project's financing plans.

**2.** <u>DEVELOPER'S GENERAL PROJECT FINANCING STATUS.</u>

See *Section F–Financing Plan of Confidential Appendix A-Project Development Status* for information about the Project's financing plans.

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

See *Section F–Financing Plan of Confidential Appendix A-Project Development Status* for information about the Project's financing plans.

4. GOVERNMENT FUNDING OR AWARDS RECEIVED BY THE PROJECT.

See *Section F–Financing Plan of Confidential Appendix A-Project Development Status* for information about the Project's financing plans.

5. CREDITWORTHINESS OF ALL RELEVANT FINANCIERS.

See *Section F–Financing Plan of Confidential Appendix A-Project Development Status* for information about the Project's financing plans.

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

Iberdrola Renewables currently has over 4600 MW of projects operating worldwide, all of which were financed on the company's balance sheet.

7. PLANS FOR OBTAINING SUBSIDIES, GRANTS, OR ANY OTHER THIRD PARTY MONETARY AWARDS (OTHER THAN PRODUCTION TAX CREDITS AND INVESTMENT TAX CREDITS) AND HOW THE LACK OF ANY OF THIS FUNDING WILL AFFECT THE PROJECT.

See *Section F–Financing Plan of Confidential Appendix A-Project Development Status* for information about the Project's financing plans.

# 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

## 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 June 7, 2012.

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

The Proposed Agreement is conditioned upon "CPUC Approval." SDG&E, therefore, requests that the Commission include the following findings in its Resolution approving the 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 life of the Proposed Agreement, subject to Commission review of SDG&E's administration of the Proposed Agreement.

3. Generation procured pursuant to the Proposed Agreement constitutes generation from an eligible renewable energy resource for purposes of determining SDG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewable Portfolio Standard program (Public Utilities Code §§ 399.11, *et seq*. and/or other applicable law) and relevant Commission decisions.

4. The Proposed Agreement will contribute to SDG&E's minimum quantity requirement established in D.07-05-028.

5. Expected Project deliveries are eligible for any applicable RPS flexible compliance mechanisms.

6. All procurement pursuant to the Proposed Agreement is procurement that meets the criteria of, and will be counted in, the portfolio content category described in Public Utilities Code Section 399.16(b)(1) for purposes of determining SDG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code § 399.11 *et seq*.) or other applicable Law.

## 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 May 6, 2012, 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 Maria Salinas (mas@cpuc.ca.gov) of the Energy Division and to EDTariffUnit@cpuc.ca.gov. It is also requested that a copy of the protest be sent via electronic mail and facsimile to SDG&E on the same date it is mailed or delivered to the Commission (at the addresses shown below).

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

## C. Effective Date

SDG&E believes that 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 June 7, 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.

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: | Contact Person: Joff Morales |
|---|---|
| ☒ ELC ☐ GAS | Phone #: (858) 650-4098 |
| ☐ PLC ☐ HEAT ☐ WATER | E-mail: jmorales@semprautilities.com |

| EXPLANATION OF UTILITY TYPE | (Date Filed/ Received Stamp by CPUC) |
|---|---|
| ELC = Electric GAS = Gas<br>PLC = Pipeline HEAT = Heat WATER = Water | |

Advice Letter (AL) #: 2345-E

Subject of AL: Request for Approval of a Renewable Power Purchase Agreement with Manzana Wind LLC

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[1]: N/A

Does AL request confidential treatment? If so, provide explanation: Yes. See attached.

Resolution Required? ☒ Yes ☐ No

Tier Designation: ☐ 1 ☐ 2 ☒ 3

Requested effective date: 6/7/2012

No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed[1]: 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** | **San Diego Gas & Electric** |
| **Attention: Tariff Unit** | **Attention: Megan Caulson** |
| **505 Van Ness Ave.,** | **8330 Century Park Ct, Room 32C** |
| **San Francisco, CA 94102** | **San Diego, CA 92123** |
| **mas@cpuc.ca.gov and jnj@cpuc.ca.gov** | **mcaulson@semprautilities.com** |

[1] Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission
DRA
Y. Schmidt
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Energy Division
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CA. Energy Commission
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Bartle Wells Associates
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S. Blaising
California Energy Markets
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Dept. of General Services
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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 2345-E
April 16, 2012

# ATTACHMENT A

## DECLARATION OF E. THEODORE ROBERTS REGARDING CONFIDENTIALITY OF CERTAIN DATA

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

**DECLARATION OF THEODORE E. ROBERTS REGARDING CONFIDENTIALITY OF CERTAIN DATA**

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

1. I am the Contract Origination Manager for San Diego Gas & Electric Company ("SDG&E"). I have reviewed Advice Letter 2354-E, requesting approval of the Power Purchase Agreement (PPA) with Manzana Wind LLC (with attached confidential and public appendices), dated April 16, 2012 ("Advice Letter"). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or belief.

2. I hereby provide this Declaration in accordance with D.06-06-066, as modified by D.07-05-032, and D.08-04-023, to demonstrate that the confidential information ("Protected Information") provided in the Advice Letter submitted concurrently herewith, falls within the scope of data protected pursuant to the IOU Matrix attached to D.06-06-066 (the "IOU Matrix").[1/] In addition, the Commission has made

---

[1/] The Matrix is derived from the statutory protections extended to non-public market sensitive and trade secret information. (*See* D.06-06-066, *mimeo*, note 1, Ordering Paragraph 1). The Commission is obligated to act in a manner consistent with applicable law. The analysis of protection afforded under the Matrix must always produce a result that is consistent with the relevant underlying statutes; if information is eligible for statutory protection, it must be protected under the Matrix. (*See Southern California Edison Co. v. Public Utilities Comm.* 2000 Cal. App. LEXIS 995, *38-39) Thus, by claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

clear that information must be protected where "it matches a Matrix category exactly . . . or consists of information from which that information may be easily derived."[2/]

3. I address below each of the following five features of Ordering Paragraph 2 in D.06-06-066:

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

4. SDG&E's Protected Information: As directed by the Commission, SDG&E demonstrates in table form below that the instant confidentiality request satisfies the requirements of D.06-06-066:[4/]

| **Data at issue** | **D.06-06-066 Matrix Requirements** | **How moving party meets requirements** |
|---|---|---|
| ***Bid Information***[5] ***(VIII.A.) Locations:***<br>1. ***Appendix A** – Price as bid in the RFO,* Page 9<br>2. ***Transmission Details from bid,*** Page 41. | Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix | The data provided is non-public bid data from SDG&E's Renewable RFOs. |
| | Identify the Matrix | This information is |

[2/] *See, Administrative Law Judge's Ruling on San Diego Gas & Electric Company's April 3, 2007 Motion to File Data Under Seal,* issued May 4, 2007 in R.06-05-027, p. 2 (emphasis added).
[3/] D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.
[4/] *See, Administrative Law Judge's Ruling on San Diego Gas & Electric Company's Motions to File Data Under Seal,* issued April 30 in R.06-05-027, p. 7, Ordering Paragraph 3 ("In all future filings, SDG&E shall include with any request for confidentiality a table that lists the five D.06-06-066 Matrix requirements, and explains how each item of data meets the matrix").
[5] The confidential information referenced has a **GREEN** font color / has a green box around it in the confidential appendices.

| | | |
|---|---|---|
| 3. ***Appendix A, Par. G,*** *"Viability and Viablity Calculator,"* Pages 42-44;<br>4. ***Confidential Appendix B, "Solicitation Overview,"*** page 45<br>5. ***Project Address and Latitude/Longitude,*** Page 48;<br>6. ***Confidential Appendix C, "Final RPS Project-Specific Independent Evaluator Report,"*** Page 46. | category or categories to which the data corresponds | protected under IOU Matrix category VIII.A. |
| | Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data | In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential until the final contracts from each of the RFOs have been submitted to the CPUC for approval. |
| | Affirm that the information is not already public | SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party. |
| | Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure. | SDG&E cannot summarize or aggregate the bid data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC. |
| ***Specific Quantitative Analysis[6] (VIII.B.)***<br>***Location:***<br>1. ***Appendix A – "****Least Cost Best Fit – if Applicable,"* Pages 4-5, 6-9;<br>2. ***Appendix A, Par. H,"MPR,"*** Pages 38-39; | 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. |
| 3. ***Appendix A, Par. I,"AMFs,"*** Page 39;<br>4. ***Appendix A,*** *"Viability Calculator,"* Pages 42-44; | 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. |
| 5. ***Confidential Appendix B,*** Page 45; | Affirm that the IOU is complying with the | In accordance with the limitations on |

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

| | | |
|---|---|---|
| 6. ***Confidential Appendix C,*** *"Independent Evaluator Report"* Page 46;<br>7. ***Confidential Appendix D,*** *"Levelized Contract Price and Sum of Payments"* Page 55;<br>8. ***Confidential Appendix D,*** *"Results from the Energy Division's AMF Calculator,"* Pages 57-59;<br>9. ***Appendix D,*** *"The Rate Impact of the Proposed Contact."* Page 77;<br>10. ***Confidential Appendix H*** *"Up Front Showing Requirements for Category I Products,"* Pages 67-68. | limitations on confidentiality specified in the Matrix for that type of data | confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential for three years. |
| | Affirm that the information is not already public | SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party. |
| | Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure. | SDG&E cannot summarize or aggregate the evaluation data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC. |
| ***Contract Terms[7] (VII.G.)***<br><br>***Locations:***<br>1. ***Appendix A*** *"How and Why the Project's Bid Ranking Changed After Negotiations," Page 9;*<br>2. ***Appendix A*** *"Standard Terms and Conditions Redline Table,"* Pages 14-38;<br>3. ***Appendix A, Paragraph D,*** *"ITC/PTC,"* Page 40;<br>4. ***Appendix A, Paragraph E,*** *"Transmission" Delivery,* Page 40;<br>5. ***Appendix A, Paragraph E,*** *"Transmission, "Congestion Risk,* Page 40;<br>6. ***Confidential Appendix C*** *"Final RPS Project-Specific Independent Evaluator Report,"* page 46; | Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix | This data includes specific contract terms. |
| | Identify the Matrix category or categories to which the data corresponds | This information is protected under IOU Matrix category VII.G. |
| | Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data | In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential for three years. |
| | Affirm that the information is not already public | SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other |

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

| | | |
|---|---|---|
| *7. **Confidential Appendix D*** *"Terms and Conditions of Delivery,"* page 48;<br>***8. Confidential Appendix D*** *"Major Contract Provisions,"* Pages 49-54;<br>**9. *Confidential Appendix D,"*** *Contract Price – Individual Components of the Contract Pricing Structure,"* Page 55;<br>**10. *Confidential Appendix D,*** *"Contract Price – Modifications/Project Characteristics," Page 55;*<br>**11. *Confidential Appendix D,*** *"Contract Price –Indirect Costs and Expenses," Page 56-57;*<br>**12. *Confidential Appendix D,*** *"Contract Price – AMFs, " Page 61;*<br>***13. Confidential Appendix E*** *"Comparison of Contract with SDG&E's Pro Forma Power Purchase Agreement,"* Page 62;<br>**14. *Confidential Appendix F*** *"Power Purchase Agreement,"* Page 63. | | party. |
| | Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure. | In order to include as much detail as possible, SDG&E has provided specific contract terms instead of summaries. SDG&E has provided summaries of certain contract terms in public portions of the Advice Letter. |
| ***Analysis and Evaluation of Proposed RPS Projects (VII G.)***[8]<br><br>***Locations:***<br><br>***1. Appendix A,*** *"Qualitative Factors,"* Page 6;<br>***2. Appendix A*** *– "Using LCBF Criteria and Other Relevant Criteria, Explain why the Submitted Contract was Preferred Relative to Other Shortlisted Bids or Other Procurement Options,"* Page 10; | Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix | The Commission has concluded that Actual Procurement Percentage data must be protected in order to avoid disclosing SDG&E's Bundled Retail Sales data.[9] |
| | 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 | In accordance with the limitations on confidentiality set forth in the IOU Matrix, |

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

[9] *Id.*

| | | |
|---|---|---|
| 3. ***Appendix A*** – *"Project Development Status, Development Milestones"* Page 40;<br>4. ***Appendix A, Paragraph E,*** *"Transmission" Delivery,* Page 40;<br>5. ***Appendix A*** – *"Resource Adequacy Requirements"* Page 41;<br>6. ***Confidential Appendix D*** – *"How the Contract Compares with the Following,"* Page 61. | of data | 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 this data point in an aggregated, redacted, summarized or masked fashion. |
| *IPT/APT Percentage*[10] *(V.C.)*<br><br>***Locations:***<br><br>1. ***AppendixA*** – *"Consistency with Commission Decisions, the project's contribution to the SDG&E's RPS Obligations,"* Page 2;<br>2. ***Appendix D-*** *"Project's Contribution to SDG&E's RPS Procurement Targets,"* Page 48;<br>3. ***Confidential Appendix G-*** *table on* Page 66. | Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix | The Commission has concluded that since APT Percentage is a formula linked to Bundled Retail Sales Forecasts, disclosure of APT would allow interest parties to easily calculate SDG&E's Total Energy Forecast – Bundled Customer (MWH).[11] 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 | In accordance with the limitations on confidentiality set forth in the IOU Matrix, |

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

[11] *See, Administrative Law Judge's Ruling on San Diego Gas & Electric Company's April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027; *Administrative Law Judge's Ruling Granting San Diego Gas & Electric Company's May 21, 2007 Amendment to April 3, 2007 Motion and May 22, 2007 Amendment to August 1, 2006 Motion*, issued June 28, 2007 in R.06-05-027.

| | | |
|---|---|---|
| | specified in the Matrix for that type of data | SDG&E requests that the "front three years" of this information be kept confidential. |
| | Affirm that the information is not already public | SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party. |
| | Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure. | It is not possible to provide these data points in an aggregated, redacted, summarized or masked fashion. |

5. As an alternative basis for requesting confidential treatment, SDG&E submits that the 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.[1]/

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,

[1]/ 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.")

including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.

7. General Order 66-C protects "[r]eports, records and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage."

8. Under the Public Records Act, Govt. Code § 6254(k), records subject to the privileges established in the Evidence Code are not required to be disclosed.[12/] Evidence Code § 1060 provides a privilege for trade secrets, which Civil Code § 3426.1 defines, in pertinent part, as information that derives independent economic value from not being generally known to the public or to other persons who could obtain value from its disclosure.

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

10. If disclosed, the Protected Information could provide parties, with whom SDG&E is currently negotiating, insight into SDG&E's procurement needs, which would unfairly undermine SDG&E's negotiation position and could ultimately result in increased cost to ratepayers. In addition, if developers mistakenly perceive that SDG&E is not committed to assisting their projects, disclosure of the Protected Information could

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

act as a disincentive to developers. Accordingly, pursuant to P.U. Code § 583, SDG&E seeks confidential treatment of this data, which falls within the scope of P.U. Code § 454.5(g), Evidence Code § 1060 and General Order 66-C.

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

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

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 16th day of April, 2012 at San Diego, California.

Theodore E Roberts

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

San Diego Gas & Electric Advice Letter 2345-E

April 16, 2012

# ATTACHMENT B

## REQUEST FOR APPROVAL OF A RENEWABLE POWER PURCHASE AGREEMENT WITH MANZANA WIND, LLP

## PUBLIC VERSION

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

# PART 2 – CONFIDENTIAL APPENDICES OF ADVICE LETTER

| | |
|---|---|
| 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 |

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

**CONFIDENTIALITY KEY**

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

# Confidential Appendix A

## Consistency with Commission Decisions and Rules and Project Development Status

This Confidential Appendix A

1. Provides, where appropriate, confidential information necessary to fully answer any items in Part 1 of the advice letter.
2. Provide answers to the additional items included in this Appendix A. To the extent such information is not confidential; it is included in the public version of the Advice Letter.

## Consistency with Commission Decisions and Rules

### RPS Procurement Plan

SDG&E's 2011 RPS Plan was originally filed with the Commission on December 18, 2009. On April 14, 2011, the Commission issued Decision 11-04-030 conditionally approving SDG&E's 2011 RPS Plan and ordering that a Renewable Request for Offers ("RFO") be issued by SDG&E within seven days of filing amended RPS plans to conform to the Commission's directions in Decision 11-04-030. SDG&E issued the 2011 RPS RFO on May 12, 2011 and received bids from counterparties until July 11, 2011. Consistent with its RPS Plan, SDG&E launched the 2011 RFO with the goal of attracting bids from existing and developing renewable projects to deliver RPS-eligible renewable energy in order to enable SDG&E to continue to be compliant with State RPS requirements. With respect to determining need, SDG&E stated in its RPS Plan its intent to:

* Comply with applicable Commission and California Energy Commission ("CEC") RPS program requirements;
* Issue a renewable-only RFO in 2011 for projects that can deliver renewable power beginning in years 2011-2015; and
* Procure in excess of near-term annual RPS procurement goals in order to account for unanticipated project failures, delays or under-deliveries.[1]

The Proposed Agreement provides generation that will help to fulfill SDG&E's RPS need.

On April 13, 2011, Governor Brown signed into law Senate Bill 2 from the First Extraordinary Session 2011-12 (SB2x1). This resulted in several major changes to the RPS program which directly affected SDG&E's ability to comply with RPS requirements. Two of these changes had the greatest impact upon the 2011 RPS RFO; the removal of flexible compliance mechanisms and the changing of near-term compliance targets from an annual target to an "average" annual target of 20% in a three-year period from January 1, 2011 to December 31, 2013 ("Compliance Period 1").

The combined effect of removing flexible compliance and setting an average target of 20% in 2011-13 required SDG&E to modify its compliance strategy, within the parameters of its approved RPS Plan. Without flexible compliance, SDG&E would find itself short of the 20% goal, as SDG&E procured 11.9% of retail sales through existing contracts in 2010, and most of SDG&E's procurement efforts had been directed towards fulfilling the commitments to provide 100% renewable power on the Sunrise Powerlink with contracted projects expected to start in the 2014-16 time frame. In 2011 SDG&E was able to procure through a combination of long and short term PPA's enough to meet and surpass the 20% RPS compliance target. .

As noted above, the Commission approved SDG&E's 2011 RPS Plan in D.11-04-030 and ordered issuance of SDG&E's RFO. Although adoption of SB2x1 had changed the requirements for RPS compliance in the 2011-13 period, the Commission issued no directives regarding substantial modification of the RFO structure (originally included in the draft 2009 RPS Plan) in order to comply with the new law. In order to account for the changes to the RPS

[1] RPS Plan, pp. 4, 9 – 11. *See also* RPS Plan, pp. 3-4 ("In the event that such compliance flexibility is removed from the RPS program . . . SDG&E would, in such a case, seek to procure as many short-term offers as needed in order to achieve RPS compliance . . . ")

program made by SB2x1, SDG&E applied certain additional qualitative and quantitative factors to bids received in the 2011 RFO that were not included in the original 2009 RPS Plan, but nevertheless reflect the procurement approach outlined in SDG&E's approved RPS Plan and detailed above.

Part 1 of the Advice Letter provides a discussion of how the Proposed Agreement is consistent with SDG&E's RPS Plan. The Proposed Agreement is a product of SDG&E's 2011 RFO soliciting offers for renewable resources and resulting negotiations between Iberdrola and SDG&E. From a least-cost best fit perspective, the Manzana Proposed Agreement ranks favorably when compared to other offers SDG&E shortlisted in 2011 RPS solicitations. The Proposed Agreement provides an opportunity for incremental RPS procurement of firm bundled deliveries from a facility beginning with test energy in 2012. [redacted] Part 1 of this Advice Letter demonstrates how the Proposed Agreement is consistent with SDG&E's RPS Plan. The Proposed Agreement provides SDG&E an opportunity for incremental RPS procurement beginning as early as Summer 2012. [redacted]

## B. Bilaterals

In D.06-10-019, the Commission concluded that bilateral contracts used for RPS compliance must be submitted for approval via advice letter and, while not subject to the MPR, must contain pricing that is "reasonable." On June 19, 2009, the Commission issued D.09-06-050 establishing price benchmarks and contract review processes for very short term (less than four years), moderately short term (at least 4 years, less than 10 yrs) and bilateral RPS contracts. Below, SDG&E reviews the Least Cost Best Fit evaluation used in the 2011 RPS RFO. This analysis confirms that the Proposed Agreement conforms to the price benchmarking requirements of D.06-10-019 and D.09-06-050.

## C. Least-Cost Best-Fit – if applicable

the Project's bid scores under SDG&E's approved LCBF evaluation criteria.

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

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

how the Project compares with other bids received in the solicitation with regard to each LCBF factor and why the submitted contract ranked higher (quantitatively and/or qualitatively) than the other bids using the LCBF criteria.

* **PORTFOLIO FIT**

As discussed below, various factors which describe "portfolio fit" have been quantitatively and qualitatively evaluated. Each is presented in this section. One of the strongest attributes of the Project is its low contract price relative to other RPS offerings, and its ability to provide firm bundled energy from a facility that is nearly completed. Attached below is SDG&E's LCBF Ranking for the 2011 RPS RFO with Manzana at the present contract price.

[redacted]

* **TRANSMISSION ADDER**

The transmission upgrade cost of [redacted] associated with the Proposed Agreement is based upon the costs of transmission upgrades contained in SCE's 2010 TRCR report. For a 100 MW project, upgrade costs in SCE's TRCR report are estimated at [redacted]

* **APPLICATION OF TOD FACTORS**

The project has not requested TOD pricing in the Proposed Agreement.

* **QUALITATIVE FACTORS**

SDG&E's 2011 RFO analysis included a rule that rejected bids with insufficient deliveries in the 2011-2013 time frame to help SDG&E reach a 20% average compliance target in that period ("Compliance Period 1"). Although SDG&E received a large number of bids in the 2011 RPS RFO, many of these bids were for projects that were either too small, or had commercial operation dates after June 2011 that limited the deliveries from these projects in Compliance Period 1 and would have required the shortlisting of many more bids than could have been submitted for approval before the Commission between mid-2011 and the end of 2013. Due to the limitations imposed by the Commission's limited number of hearing dates prior to the end of 2013 and the substantial need for near-term deliveries to meet the SB2x1 Compliance Period 1 target, it was decided that:

a) the five lowest-cost proposed Purchased Power Agreements ("PPAs") in the RFO would each have to deliver more than 45,000 MWh prior to January 1, 2014; and

b) all other proposed PPAs would have to deliver at least 90,000 MWh prior to January 1, 2014.

The Proposed Agreement is not among the five lowest-cost PPA bids in the 2011 RFO, however it does satisfy the minimum requirement of 90,000 MWh of deliveries within Compliance Period 1. Deliveries for this project in Compliance Period 1 are expected to exceed 375,246 MWh by the end of 2013.

Below are certain other qualitative factors supporting SDG&E's selection of this Project:

**DEVELOPER EXPERIENCE**:

**DELAY DAMAGES**: [redacted]

**FINANCING ALTERNATIVES**: [redacted]

**PERMITTING STATUS**: [redacted].

**TRANSMISSION FLEXIBILITY**: [redacted].

**IN-STATE PROJECT**: [redacted]

the adders applied in the LCBF analytical process and the impact of those adders on the Project's ranking.

- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

| IBERDROLA TEJON RANCH MID-TERM PRICE BENCHMARK | | | |
|---|---|---|---|
| LCBF Criteria / Component | | Project Score/Details | Notes |
| A | Levelized Contract Cost ($/MWh) | [redacted] | |
| B | Project specific Price Referent ($/MWh) | [redacted] | |
| C = A - B | Above Market Price ($/MWh) | [redacted] | [redacted] |

[redacted]

[redacted]

| STLT ADDER CALCULATION - IBERDROLA MANZANA | | | |
|---|---|---|---|
| LCBF Criteria / Component | | Project Score/Details | Notes |
| D | Above Market Cost of Bid ($/MWh) | [redacted] | |
| E | Above Market Cost of MTPB ($/MWh) | [redacted] | |
| F = E - D | Above MTPB Cost ($/MWh) | [redacted] | |
| G | Total Deliveries of Bid After 2013 (GWh) | [redacted] | [redacted] |
| H = F x G | Total Above MTPB Cost of Deliveries of Bid After 2013 | [redacted] | |
| J | Total Deliveries of Bid Prior to 2014 (GWh) | [redacted] | [redacted] |
| K = J x $50/MWh | Replacement Cost of Deliveries of Bid Prior to 2014 | [redacted] | [redacted] |
| L = H - K | Net Above MTPB Costs | [redacted] | [redacted] |
| M = L / (G + J) | STLT Adder ($/MWh) | [redacted]1 | [redacted] |

[redacted]

[redacted] how and why the Project's bid ranking changed after negotiations.

The price of bundled power from Manzana [redacted]

. Using LCBF criteria and other relevant criteria, explain why the submitted contract was preferred relative to other shortlisted bids or other procurement options.

[redacted]

[redacted]

[redacted]

d. Standard Terms and Conditions

| Modifiable? (Yes/No) | STC No. | STANDARD TERM AND CONDITION | Modified? (Yes/No) | Description of Change and Rationale |
|---|---|---|---|---|
| No | 1 | CPUC Approval | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| | 2 | RECs and Green Attributes | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| | 6 | Eligibility | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| | 17 | Applicable Law | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| | REC-1 | Transfer of RECs | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| | REC-2 | Tracking of RECs in WREGIS | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| Yes | 4 | Confidentiality | Yes | Description: See STC Red-line Table<br>Rationale: Clarifications |
| | 5 | Contract Term | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| | 7 | Performance Standards/Requirements | Yes | Description: See STC Red-line Table<br>Rationale: Clarifications / results of negotiation |
| | 8 | Product Definitions | No | Description: See STC Red-line Table<br>Rationale: No Material Change |
| | 9 | Non-Performance or Termination Penalties and Default Provisions | Yes | Description: See STC Red-line Table<br>Rationale: Clarifications / results of negotiation |
| | 12 | Credit Terms | Yes | Description: See STC Red-line Table |

| | | | | |
|---|---|---|---|---|
| | | | | Rationale: Clarifications / results of negotiation |
| | 15 | Contract Modifications | Yes | Description: See STC Red-line Table<br>Rationale: Clarifications |
| | 16 | Assignment | Yes | Description: See STC Red-line Table<br>Rationale: Clarifications / results of negotiation |
| | 18 | Application of Prevailing Wages | No | Description: See STC Red-line Table<br>Rationale: No Material Change |

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

## Standard Terms & Conditions (STC) Red-line Table

(Mark-up in right column is actual contract language relative to the standard modifiable term language)

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| **STC 1: CPUC Approval (Non-Modifiable)**<br><br>"CPUC Approval" means a final and non-appealable order of the CPUC, without conditions or modifications unacceptable to the Parties, or either of them, which contains the following terms:<br>(a) approves this Agreement in its entirety, including payments to be made by the Buyer, subject to CPUC review of the Buyer's administration of the Agreement; and<br>(b) finds that any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law.<br>CPUC Approval will be deemed to have occurred on the date that a CPUC decision containing such findings becomes final and non-appealable. | **STC 1: CPUC Approval (Non-Modifiable)**<br>CPUC Approval" means a final and non-appealable order of the CPUC, without conditions or modifications unacceptable to the Parties, or either of them, which contains the following terms:<br>(a) approves this Agreement in its entirety, including payments to be made by the Buyer, subject to CPUC review of the Buyer's administration of ~~the~~this Agreement; and<br>(b) finds that any procurement pursuant to this Agreement is procurement from an ~~eligible renewable energy resource~~Eligible Renewable Energy Resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 *et seq.*), Decision 03-06-071, or other applicable Law.<br>CPUC Approval will be deemed to have occurred on the date that a CPUC decision containing such findings becomes final and non-appealable.<br>*[ Section 1.1, Pg 6 ]* |
| **STC 2: RECs and Green Attributes (Non-Modifiable)**<br><br>"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 | **STC 2: RECs and Green Attributes (Non-Modifiable)**<br>"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 |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| 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;[1] (3) the reporting rights to these avoided emissions, such as Green Tag Reporting Rights. Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. Green Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Project, (ii) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the Project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits. If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas 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.<br><br>*[1] 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* | 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;[1] 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, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local Law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. Green Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Project, (ii) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the Project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or "tipping fees" that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits. If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas 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.<br><br>*[ Section 1.1, Pages 11-12 ]* |

[1] 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.

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| *those avoided emissions to comply with any GHG regulatory program.*<br><br>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. | 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.<br><br>*[Section 3.1 (i), Page 24* |
| **STC 6: Eligibility (Non-Modifiable)**<br><br>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. | **STC 6: Eligibility (Non-Modifiable)**<br><br>*~~10.2~~ Seller Representations and Warranties.*<br><br>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.<br><br>*[ Section 10.2(a), Pg 45 ]* |
| **STC 17: Applicable Law (Non-Modifiable)**<br><br>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. | **STC 17: Applicable Law (Non-Modifiable)**<br><br>***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. |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| | *[ Section 13.8, Pg 52 ]* |
| **STC REC-1: Transfer of Renewable Energy Credits (Non-modifiable)**<br><br>Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the renewable energy credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law. | **STC REC-1: Transfer of Renewable Energy Credits (Non-modifiable)**<br><br>Seller, and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the 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 CPUC Decision 08-08-028, and as may be modified by subsequent decision of the CPUC 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.<br><br>*[ Section 10.2(b), Pg 45 ]* |
| **STC REC-2: Tracking of RECs in WREGIS. (Non-modifiable)**<br><br>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. | **STC REC-2: Tracking of RECs in WREGIS. (Non-modifiable)**<br>WREGIS. Prior to the initial delivery of Energy to Buyer, Seller shall register the Project in WREGIS, and take all other actions necessary to ensure that Buyer's MW Share of the Energy or Green Attributes produced from the Project are issued and tracked for purposes of satisfying the requirements of the California Renewable Portfolio Standard and transferred to Buyer, including payment of all fees required to register the facility in WREGIS, issue WREGIS certificates, and transfer such certificates to Buyer. Seller warrants that all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in WREGIS will be taken prior to the first delivery under the Agreement.<br><br>*[ Section 3.1(l) last sentence, Pg 25 ]* |
| **STC 4: Confidentiality (Modifiable)**<br><br>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 | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| 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. | [redacted]<br><br>[redacted] |
| 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.<br><br>If Option B is checked on the Cover Sheet, neither Party shall disclose party name or project location, pursuant to this Section 10.12, until six months after such CPUC Approval.<br><br>* Option B RPS Confidentiality Applicable. If not checked, inapplicable | [redacted]<br><br>[redacted] |



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| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| * Option C Confidentiality Notification:<br>If Option C is checked on the Cover Sheet, Seller has waived its right to notification in accordance with Section 10.11 (v). | |
| **STC 5: Contract Term (Modifiable)**<br><br>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:<br><br>* Delivery shall be for a period of ten (10) years.<br>* Delivery shall be for a period of fifteen (15) years.<br>* Delivery shall be for a period of twenty (20) years.<br>* Non-standard Delivery shall be for a period of ___ years.<br><br>If the "Non-standard Delivery" contract term is selected, Parties need to apply to the CPUC justifying the need for non-standard delivery. | **STC 5: Contract Term (Modifiable)**<br><br><u>Delivery Term</u>. The Parties agree that the period of Product delivery is ~~[____]~~<u>twenty (20)</u> Contract Years. As used herein, "Delivery Term" shall mean the period of Contract Years specified above beginning on the Commercial Operation Date and continuing until the end of the last Contract Year unless terminated earlier as provided by the terms of this Agreement.<br><br>*[ Section 3.1(c), Pg 21 ]* |
| **STC 7A: Performance Standards/Requirements (Modifiable)**<br><br>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:<br><br>***NOTE: since this is an 'As-Available' contract only those performance STCs relating to As-Available deals will be covered here, i.e., 7A & 7B***<br><br>"<u>Energy Production Guarantees</u><br>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." | [redacted]<br><br>[redacted]<br><br>[redacted]<br><br>[redacted]<br><br>[redacted]<br><br>[redacted]<br><br>[redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| Guaranteed Energy Production = ___________MWh." | "Annual Contract [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| | [redacted] |



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| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| | [redacted] |
| **STC 7B: Performance Standards/Requirements (Modifiable)**<br><br>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: | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| "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:<br>i. if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) and such Forced Outage is not the result of Seller's negligence or willful misconduct;<br>ii. Force Majeure;<br>iii. by the Buyer's failure to perform;<br>iv. by scheduled maintenance outages of the specified units;<br>v. a reduction in Output as ordered under terms of the dispatch down and Curtailment provisions (including CAISO or Buyer's system emergencies); or<br>vi. [the unavailability of landfill gas which was not anticipated as of the date this [Confirmation] was agreed to, which is not within the reasonable control of, or the result of negligence of, Seller or the party supplying such landfill gas to the Project, and which by the exercise of reasonable due diligence, Seller is unable to overcome or avoid or causes to be avoided; OR insufficient wind power for the specified units to generate energy as determined by the best wind speed and direction standards utilized by other wind producers or purchasers in the vicinity of the Project or if wind speeds exceed the specified units' technical specifications; OR the unavailability of water or the unavailability of sufficient pressure required for operation of the hydroelectric turbine-generator as reasonably determined by Seller within its operating procedures, neither of which was anticipated as of the date this [Confirmation] was agreed to, which is not within the reasonable control of, or the result of negligence of, Seller or the party supplying such water to the Project, and which by the exercise of due diligence, such Seller or the party supplying the water is unable to overcome or avoid or causes to be avoided.] | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana 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] |
| **STC 8: Product Definitions (Modifiable)**<br>***NOTE: since this is an 'As-Available contract only that product definition will be discussed here***<br>'<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." | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| | [redacted] |
| **STC 9: Non-Performance or Termination Penalties and Default Provisions (Modifiable)**<br><br>5.1 Events of Default. An 'Event of Default' shall mean, with respect to a Party (a 'Defaulting Party'), the occurrence of any of the following:<br><br>(a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;<br><br>(b) any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated or with respect to the representations and warranties made pursuant to Section 10.2 of this Agreement or any additional representations and warranties agreed upon by the parties, any such representation and warranty becomes false or misleading in any material respect during the term of this Agreement or any Transaction entered into | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| hereunder; | [redacted] |
| (c) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default, and except for such Party's obligations to deliver or receive the Product, the exclusive remedy for which is provided in Article Four) if such failure is not remedied within thirty (30) days after written notice; | |
| (d) such Party becomes Bankrupt; | [redacted] |
| (e) the failure of such Party to satisfy the creditworthiness/collateral requirements agreed to pursuant to Article Eight hereof; | [redacted] |
| (f) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party; | |
| (g) if the applicable cross default section in the Cover Sheet is indicated for such Party, the occurrence and continuation of (i) a default, event of default or other similar condition or event in respect of such Party or any other party specified in the Cover Sheet for such Party under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet), which results in such indebtedness becoming, or becoming capable at such time of being declared, immediately due and payable or (ii) a default by such Party or any other party specified in the Cover Sheet for such Party in making on the due date therefore one or more payments, individually or collectively, in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet);<br><br>(h) with respect to such Party's Guarantor, if any:<br><br>(i) if any representation or warranty made by a Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated or with respect to the representations and warranties made pursuant to Section 10.2 of this Agreement or any additional representations and warranties agreed upon by the parties, any such representation and warranty becomes false or misleading in any material respect during the term of this Agreement or any Transaction entered into hereunder;<br><br>(ii) the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice;<br><br>(iii) a Guarantor becomes Bankrupt; the failure of a Guarantor's guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction to which such guaranty shall relate without the written consent of the other Party; or<br><br>(iv) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any guaranty." | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| (i) if at any time during the Term of Agreement, Seller delivers or attempts to deliver to the Delivery Point for sale under this Agreement electrical power that was not generated by the Unit(s);<br><br>(j) failure to meet the performance requirements agreed to pursuant to Section __ hereof. | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| | [redacted] |
| **NON- PERFORMANCE/TERMINATION PENALITES:**<br><br>The following modifications to Article One of the EEI Agreement are offered as "Non-Performance/Termination Penalties" for the Agreement:<br><br>The definition of "Gains" shall be deleted in its entirety and replaced with the following:<br>" '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 | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| of a Terminated Transaction for the remaining term of such Transaction, determined in a commercially reasonable manner. Factors used in determining economic benefit may include, without limitation, reference to information either available to it internally or supplied by one or more third parties, including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets market referent prices for renewable power set by the CPUC, comparable transactions, forward price curves based on economic analysis of the relevant markets, settlement prices for comparable transactions at liquid trading hubs (e.g., NYMEX), all of which should be calculated for the remaining term of the applicable Transaction and include the value of Environmental Attributes." | [redacted] |
| 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." | [redacted] |
| 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 | [redacted] |

| **Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS)** | **Parallel Term in SDG&E – Manzana Wind PPA** |
|---|---|
| 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."<br><br>The definition of "Settlement Amount" shall be adopted in its entirety as follows:<br>" 'Settlement Amount' means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such party incurs as a result of the liquidation of a Terminated Transaction pursuant to Section 5.2." | [redacted]<br><br>[redacted]<br><br>[redacted] |
| Section 5.2 of the Agreement shall be deleted in its entirety and replaced with the following:<br>"5.2 <u>Declaration of Early Termination Date and Calculation of Settlement Amounts</u>. If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party ('Non-Defaulting Party') shall have the right to (i) designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ('Early Termination Date') to accelerate all amounts owing between the Parties and to liquidate and terminate all, but not less than all, Transactions (each referred to as a 'Terminated Transaction') between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Non-defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date. Third parties supplying information for purposes of the calculation of Gains or Losses may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors and other sources of market information. The Settlement Amount shall not include consequential, incidental, punitive, exemplary, indirect or business interruption damages. The Non-Defaulting Party shall not have to enter into replacement transactions to establish a Settlement Amount." | [redacted]<br><br>[redacted] |



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| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
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| 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:<br><br>"5.3 <u>Net Out of Settlement Amounts</u>. 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. | [redacted]<br><br>[redacted]<br><br>[redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| 5.4 Notice of Payment of Termination Payment. As soon as practicable after a liquidation, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount and the sources for such calculation. The Termination Payment shall be made to the Non-Defaulting Party, as applicable, within two (2) Business Days after such notice is effective. | [redacted] [redacted] [redacted] [redacted] |
| 5.5 Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within five (5) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer Performance Assurance to the Non-defaulting Party in an amount equal to the Termination Payment. | |
| **STC 12: Credit Terms (Modifiable)**<br><br>Sections 8.1 through 8.3 of the EEI Agreement shall be adopted in their entirety for inclusion in the Agreement | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| as follows:<br><br>8.1 Party A Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet and shall only apply if marked as "Applicable" on the Cover Sheet.<br><br>(a) Financial Information. Option A: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party B's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of Party B's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party B diligently pursues the preparation, certification and delivery of the statements.<br><br>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. | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| Option C: Party A may request from Party B the information specified in the Cover Sheet.<br><br>(b) Credit Assurances. If Party A has reasonable grounds to believe that Party B's creditworthiness or performance under this Agreement has become unsatisfactory, Party A will provide Party B with written notice requesting Performance Assurance in an amount determined by Party A in a commercially reasonable manner. Upon receipt of such notice Party B shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party A. In the event that Party B fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.<br><br>(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 [redacted] 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 | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| remedies set forth in Article Five of this Master Agreement.<br><br>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.<br><br>(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.<br><br>(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.<br><br>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.<br><br>(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 | [redacted]<br><br>[redacted]<br><br>[redacted]<br><br>[redacted]<br><br>[redacted] |



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| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| and delivery of the statements. | [redacted] |
| 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. | [redacted] |
| Option C: Party B may request from Party A the information specified in the Cover Sheet. | [redacted] |
| (b) Credit Assurances. If Party B has reasonable grounds to believe that Party A's creditworthiness or performance under this Agreement has become unsatisfactory, Party B will provide Party A with written notice requesting Performance Assurance in an amount determined by Party B in a commercially reasonable manner. Upon receipt of such notice Party A shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party B. In the event that Party A fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement. | [redacted] |
| (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 | [redacted] |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| 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.<br><br>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.<br><br>(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party A, then Party B may require Party A to provide Performance Assurance in an amount determined by Party B in a commercially reasonable manner. In the event Party A shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.<br><br>(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. | |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| 8.3 Grant of Security Interest/Remedies. To secure its obligations under this Agreement and to the extent either or both Parties deliver Performance Assurance hereunder, each Party (a "Pledgor") hereby grants to the other Party (the "Secured Party") a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, such Secured Party, and each Party agrees to take such action as the other Party reasonably requires in order to perfect the Secured Party's first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Non-Defaulting Party may do any one or more of the following: (i) exercise any of the rights and remedies of a Secured Party with respect to all Performance Assurance, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the Defaulting Party in the possession of the Non-Defaulting Party or its agent; (iii) draw on any outstanding Letter of Credit issued for its benefit; and (iv) liquidate all Performance Assurance then held by or for the benefit of the Secured Party free from any claim or right of any nature whatsoever of the Defaulting Party, including any equity or right of purchase or redemption by the Defaulting Party. The Secured Party shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Pledgor's obligations under the Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full."<br><br>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: | |

| Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS) | Parallel Term in SDG&E – Manzana Wind PPA |
|---|---|
| To secure its obligations under this Agreement, in addition to satisfying any credit terms pursuant to the terms of Section [8.1 or 8.2] to the extent marked applicable, Seller agrees to deliver to Buyer (the "Secured Party") within thirty (30) days of the date on which all of the conditions precedent set forth in Section __ are either satisfied or waived, and Seller shall maintain in full force and effect a) until the Commercial Operation Date a [INSERT TYPE OF COLLATERAL] in the amount of $[_____], the form of which shall be determined in [the sole discretion of] [or] [by] Buyer and (b) from the Commercial Operation Date until the end of the Term [INSERT TYPE OF COLLATERAL]in the amount of $[____], the form of which shall be determined [in the sole discretion of] [or][by] the Buyer. Any such security shall not be deemed a limitation of damages." | |
| **STC 15: Contract Modifications (Modifiable)**<br><br>"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." | [redacted] |
| **STC 16: Assignment (Modifiable)**<br>"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,<br><br>either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), | [redacted] |

| **Language from D.08-04-009, as amended by D.08-08-028 and D.11-01-025 (TRECS)** | **Parallel Term in SDG&E – Manzana Wind PPA** |
|---|---|
| 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." | [redacted] |
| **STC 18: Application of Prevailing Wage (Modifiable)**<br><br>To the extent applicable, Seller shall comply with the prevailing wage requirements of Public Utilities Code section 399.14, subdivision (h). | [redacted] |

[redacted] Unbundled Renewable Energy Credit Transactions

This Proposed Agreement is not an unbundled Renewable Energy Credit transaction.

F. Minimum Quantity (if applicable)

As described in Part 1 of the Advice Letter, the Proposed Agreement does not trigger the minimum quantity requirements set forth in D.07-05-028.

G. Short-term Contract (if applicable)

The Proposed Agreement is not a short term contract.

H. MPR

[redacted]

[redacted]

AMFs

[redacted]

J. Emissions Performance Standard

Part 1 of the Advice Letter provides a discussion of how the Proposed Agreement complies with EPS requirements of D.07-01-039.

K. PRG Participation and Feedback

Part 1 of the Advice Letter provides a discussion of PRG briefings and feedback on the Proposed Agreement. Below are copies of the presentations that were made to the PRG.

L. Independent Evaluator

The Independent Evaluator, PA Consulting, was involved in every step of the 2011 RPS RFO process and evaluated bids for the 2011 RPS RFO. The Independent Evaluator also monitored the progress of negotiations between the parties and provided information in this Advice Letter to evaluate the fairness of this Project's evaluation compared to other bids in the 2011 RPS RFO. *Confidential Appendix C* contains the Final RPS Project-Specific Independent Evaluator Report.

Project Development Status

Company/Development Team

Section III.A in Part 1 of this Advice Letter provides a discussion of the development team's experience and successful projects owned, constructed and/or operated by the company.

Technology

1. <u>TYPE AND LEVEL OF TECHNOLOGY MATURITY</u>.

   Wind technology has an extensive history of use in commercial power applications, and has been in use on the utility scale as per the description in *Section III.B.1* in Part 1 of this Advice Letter.

2. <u>RESOURCE AND/OR AVAILABILITY OF FUEL</u>

   *Section III.B.2* in Part 1 of this Advice Letter provides a discussion regarding the adequacy of the resource.

Development milestones

1. SITE CONTROL

[redacted]

2. EQUIPMENT PROCUREMENT

[redacted]

3. PERMITTING STATUS

[redacted]

PTC/ITC

A discussion surrounding the Project's eligibility for tax credits is provided in Part 1 of this Advice Letter in *Section III.C.4.* [redacted]

Transmission

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

[redacted]

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

   None

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

Congestion Risk: [redacted]

Impact on RMR Generators: The impact of the Proposed Agreement on RMR generators is difficult to characterize as this is dependent on the various LSEs contracting success for local resources. Should the LSE's contract with sufficient local resources, RMR contracts may not be necessary in SDG&E's service territory. This Project is not located in SDG&E's defined grid reliability region and should not impact RMR in SDG&E's local area.

Resource Adequacy Requirements: This Project is expected to contribute to SDG&E's system resource adequacy requirements. Since the project is not within SDG&E's transmission system, it will not qualify to contribute to SDG&E's local resource adequacy.

[redacted]

4. **TRANSMISSION DETAILS:**

| TRANSMISSION DETAILS | |
|---|---|
| QUEUE NUMBER (SPECIFY CONTROL AREA :CAISO,IID, ETC) AND RELATIVE POSITION | [redacted] |
| IF IN CAISOS ERIAL GROUP, STATUS OF: | |
| FEASIBILITY STUDY | [redacted] |
| SYSTEM IMPACT STUDY | [redacted] |
| FACILITIES STUDY | [redacted] |
| IF IN CAISOC LUSTER: | |
| NAME OF CLUSTER | |
| STATUS OF PHASE I AND II STUDIES | [redacted] |
| INTERCONNECTION AGREEMENT – DATE SIGNED OR ANTICIPATED | [redacted] |
| PREFERRED POINT OF INTERCONNECTION (LINE, SUBSTATION, ETC.) | [redacted] |
| EARLY INTERCONNECTION DETAILS, IF APPLICABLE | [redacted] |
| GEN-TIE TYPE (NEW LINE, RECONDUCTOR, INCREASED TRANSFORMER BANK CAPACITY, INCREASED BUS CAPACITY, INCREASED SUB AREA) | [redacted] |
| GEN-TIE LENGTH | [redacted] |
| GEN-TIE VOLTAGE | [redacted] |

| | |
|---|---|
| DEPENDENT NETWORK UPGRADE(S) | [redacted] |
| EXPECTED NETWORK UPGRADE COMPLETION DATE | [redacted] |

Financing Plan

[redacted]

Project Viability Calculator (PVC) – not applicable if Project is commercially operational

1. MODIFICATIONS THAT WERE MADE TO THE PVC

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

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

   [redacted]

   [redacted]

   [redacted]

   [redacted]

[redacted]

3. THE PROJECT'S PVC RESULTS

# Confidential Appendix B

# 2011 Solicitation Overview

ATTACH IS SDG&E'S 2011S OLICITATION OVERVIEW,
SUBMITTED AS SECTION 3 OF SDG&E'S 2011LCBFR EPORT.

[redacted]

# Confidential Appendix C

# Final RPS Project-Specific Independent Evaluator Report

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

[redacted]

# Confidential Appendix D

## Contract Summary: Manzana Wind

This Confidential Appendix D sets forth the information required to develop the Project contract summary.

Contract Summary

A. Site

1. Site address and latitude and longitude of the Project's proposed site(in decimal degree and degrees: minutes: seconds form (e.g. 49.5000°,-123.5000° and 49°30'02"N, 123°30'30"W ))

Site Address: [redacted]
LATITUDE AND LONGITUDE: [redacted]

**2. General map of the Project's proposed location.**

The Project site is located in the high desert of Kern County in southern California approximately 21 km south-southwest of Tehachapi, 30 km west-southwest of Mojave, 42 km northwest of Lancaster and 68 km southeast of Bakersfield, California.

[redacted]

The Project's contribution to SDG&E's RPS procurement targets

[redacted] Confidential Appendix G sets forth more details about the Project's contribution to SDG&E's APT and IPT goals on a percentage basis.

Terms and Conditions of Delivery

1. <u>THE POINT OF DELIVERY FOR THE PROJECT'S ENERGY AND THE SCHEDULING COORDINATOR</u>.

   The CAISO point of delivery is at the Whirlwind Substation.

   [redacted]

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

   [redacted]

Major Contract Provisions

1. <u>MAJOR CONTRACT PROVISIONS ARE SUMMARIZED IN THE MATRIX BELOW</u>.

| TERM/CONDITION | RPSC ONTRACT |
|---|---|
| TYPE OF PURCHASE (RENEWABLE, RENEWABLE/CONVENTIONAL HYBRID, ETC.) | As-available, bundled Renewable (wind) power and Green Attributes |
| UTILITY OWNERSHIP OPTION | [redacted] |
| CONDITIONS PRECEDENT AND DATE TRIGGERS | [redacted] |
| AVERAGE ACTUAL PRICE ($/MWH) | [redacted] |
| PRODUCT TYPE | [redacted] |
| KEY CONTRACT DATES (INITIAL STARTUP DEADLINE, COMMERCIAL OPERATION DEADLINE, P T ODEADLINES, ETC.) | [redacted] |
| FIRMING/SHAPING REQUIREMENTS | [redacted] |
| EXPECTED PAYMENTS | [redacted] |
| SCHEDULING COORDINATOR | [redacted] |

| TERM/CONDITION | RPSC ONTRACT |
| --- | --- |
| ALLOCATION OF CAISO (OR OTHER CONTROL AREA) CHARGES | [redacted] |
| ALLOCATION OF CONGESTION RISK | [redacted] |
| PROJECT DEVELOPMENT SECURITY | [redacted] |
| DAILY DELAY DAMAGES | [redacted] |

| TERM/CONDITION | RPSC ONTRACT |
| --- | --- |
| | [redacted] |
| SELLER-REQUIRED PERFORMANCE | [redacted] |
| SELLER PERFORMANCE ASSURANCES (CALCULATION METHODOLOGY, FORM OF PERFORMANCE ASSURANCE AND AMOUNT) | [redacted] |
| AVAILABILITY GUARANTEES | [redacted] |
| ENERGY DELIVERY REQUIREMENTS | [redacted] |
| LIQUIDATED DAMAGES / PENALTIES FOR FAILURE TO PERFORM | [redacted] |
| FORCE MAJEURE | [redacted] |

| TERM/CONDITION | RPSC ONTRACT |
|---|---|
| PROVISIONS | [redacted] |

| TERM/CONDITION | RPS CONTRACT |
|---|---|
| | [redacted] |

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

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

[redacted]

3. OTHER CONTRACT PROVISIONS

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

None

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

Not applicable

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 ($/MWH) | [redacted] | [redacted] |
| LEVELIZED BID PRICE – FINAL ($/MWH) | [redacted] | [redacted] |
| LEVELIZED CONTRACT PRICE – FINAL ($/MWH) | [redacted] | [redacted] |
| | | |
| TOTAL SUM OF CONTRACT PAYMENTS | [redacted] | [redacted] |

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

The energy payment is an all-in price and not broken into individual components.

* FLAT PRICING: [redacted]
* INDEXED PRICING: [redacted]
* ESCALATION FACTORS: [redacted]
* NON-AMFS SUBSIDIES: [redacted]

[redacted]

[redacted]

[redacted]

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

[redacted]

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

[redacted]

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]

6. FOR BIOMASS PROJECTS:

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

The Project will not depend on biomass fuel.

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

The Project will not depend on biomass fuel.

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

The Project will not depend on biomass fuel.

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

The Project will not depend on biomass fuel.

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

[redacted]

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

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

[redacted]

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

[redacted]

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

Not applicable – the Project is not located out of state

10. RESULTS FROM THE ENERGY DIVISION'S AMFS CALCULATOR

| | ($/MWH) | NOTES |
|---|---|---|
| LEVELIZED TOD-ADJUSTED CONTRACT PRICE | [redacted] | [redacted] |
| LEVELIZED TOD-ADJUSTED TOTAL CONTRACT COST (CONTRACT PRICE + FIRMING AND SHAPING) | [redacted] | [redacted] |
| LEVELIZED MPR | $89.56 | Base MPR for 2012 start for 20 year contracts |
| LEVELIZED TOD-ADJUSTED MPR | [redacted] | [redacted] |
| | | |
| ABOVE-MPRC OST ($/MWH) | [redacted] | [redacted] |
| TOTAL SUM OF ABOVE-MPRP AYMENTS ($) | [redacted] | [redacted] |

The file below contains the AMF Calculator for the Project

[redacted]

The following page displays the Results Tab from the AMF Calculator.

[redacted]

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

[redacted]

12. HOW THE CONTRACT PRICE COMPARES WITH THE FOLLOWING:

a. OTHER BIDS IN THE SOLICITATION,

The Proposed Agreement ranked [redacted] in the 2011 RPS RFO.

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

The Proposed Agreement ranks [redacted] wind bids in the 2011 RPS RFO shortlist.

c. RECENTLY EXECUTED CONTRACTS

This Project would [redacted] recently executed contracts.

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

[redacted]

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

[redacted]

[redacted]

# Confidential Appendix E

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

THE FILE ATTACHED BELOW IS A REDLINE OF THE CONTRACT AGAINST SDG&E'S COMMISSION-APPROVED PRO FORMA RPS CONTRACT.

[redacted]

# Confidential Appendix F

# Power Purchase Agreement

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

[redacted]

# Confidential Appendix G

# Project's Contribution Toward RPS Goals

# Project's Contribution to RPS Goals

| Project Name | Technology | COD | Location |
|---|---|---|---|
| Manzana Wind | Wind | 12/30/2012 | Tehachapi, CA |

[redacted]

# Confidential Appendix H

## Up-Front Showing Requirements for Category 1 Products

## Up-Front Showing for Category 1 Products

| Category 1 Criteria | Explanation of How Product Meets Criteria |
|---|---|
| 1. ERR first POI with:<br>a. WECC Transmission System within CBA boundaries<br>-OR-<br>b. distribution system within CBA boundaries | [redacted] |
| 2. Prove the product is bundled | [redacted]<br>[redacted] ” |
| 3. If using hourly scheduling into CA without substitution – hourly schedule can be maintained, substitution is unlikely | [redacted]. |
| 4. If using dynamic transfer:<br>a. There is a dynamic transfer agreement<br>b. Generation is included in agreement scope<br>c. Agreement will be in operation for duration of contract | [redacted] |
| 5. Risk of actual deliveries not qualifying for expected product category | [redacted]<br>[redacted] |



SB_GT&S_0746316

| | |
|---|---|
| | [redacted] |

**Value Analysis**

| | Expected Product Category | Other Product Category |
|---|---|---|
| Price Value, $/MWh | [redacted] | [redacted] |
| RPS Compliance Value: | [redacted] | [redacted] |

San Diego Gas & Electric Advice Letter 2345-E
April 16, 2012

# Public Version of the Project Specific IE Report

# San Diego Gas & Electric Co.

## Report of the Independent Evaluator on the 100 MW Manzana Wind contract selected in the 2011 Request for Offers from Eligible Renewable Resources (2011 Renewable RFO)

March 23, 2012

PA

# San Diego Gas & Electric Co.

## Report of the Independent Evaluator on the 100 MW Manzana Wind contract selected in the 2011 Request for Offers from Eligible Renewable Resources (2011 Renewable RFO)

March 23, 2012



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Version: 1.0

## *FOREWORD*

This is PA Consulting Group's Independent Evaluator (IE) Report analyzing the contract between San Diego Gas & Electric Company (SDG&E) and Iberdrola for 100 MW of the 189 MW Manzana Wind project. This project was bid into and shortlisted in SDG&E's 2011 Request for Offers from Eligible Renewable Resources (2011 Renewable RFO).

This report is based on PA Consulting Group's Preliminary Report on the 2011 RFO. 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. This report contains all the text of the Preliminary Report as well as project-specific 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 document has been formatted in accord with a template provided by Cheryl Lee of the CPUC Energy Division in an email dated September 14, 2011.

This report contains confidential and/or privileged materials. Review and access are restricted subject to PUC Sections 454.5(g), 583, D.06-06-066, GO 66-C and the Confidentiality Agreement with the CPUC.

PA

## TABLE OF CONTENTS

# 1. ROLE OF THE INDEPENDENT EVALUATOR (IE)

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

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

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

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

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

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

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

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

## 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

---

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

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

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

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

Evaluator for SDG&E's 2006 Renewable RFO, the Local Peaker RFO (conducted in 2006-7), 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[7].

For the 2009 RFO, SDG&E also asked PA to conduct the quantitative LCBF evaluation of bids, except for the congestion adder computation. This was a direct response to experience of past RFOs, and the efforts that SDG&E had to make to avoid any appearance of conflict in its evaluation of affiliate bids. PA also determined the TRCR clusters, and hence TRCR costs, in cases where the bidder had not specified them. PA's approach to conducting this evaluation was consistent with its approach to reviewing SDG&E's evaluation: the criteria to be applied were SDG&E's, not PA's, the spreadsheetmodel 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).

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

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.

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.[8] Under that Ruling a person or party that serves testimony, supplies data or files an advice letter requests confidential treatment of some data within that submittal and must accompany the data by a declaration under penalty of perjury that justifies the claim of confidentiality.

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

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

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

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

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

### 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 [redacted] addresses, associated with [redacted]arate 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]arate organizations responded to the solicitation with a total of [redacted]ect proposals having prici[redacted]tions. That is times [redacted] as many projects, and [redacted]s as many pricing options, as were submitted in SDG&E's 2009 RFO.

The CPUC has encouraged SDG&E to do specific outreach to the Imperial Valley and, more generally, the SPL area. [redacted]ject proposals were submitted from the SPL area, with 1 [redacted] pricing options, from a total of [redacted]parate bidders. [9]

## 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. [redacted] 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.

[redacted]

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

[9] 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.

renewable procurement strategy.[10] 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.

[redacted] of the [redacted]osed projects inclu[redacted]ne or more options that would provide deliveries in CP1. Almost [redacted] 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. [redacted]

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. [redacted]

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[10] 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

*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:[11]

- 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).

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

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

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

### 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:[12]

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 (NTLT) 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.

[redacted]

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

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[12] San Diego Gas & Electric Company, *2011 Renewables Procurement Plan Compliance Filing* , May 4, 2011, Appendix C, p. 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 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.[13] 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:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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

[13] 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.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

### 3.2.3 Estimated congestion costs

[redacted]

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14 [redacted]

[redacted]

### 3.2.4 Deliverability adder

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

| | |
|---|---|
| [redacted] | [redacted] |
| [redacted] | [redacted] |
| [redacted] | [redacted] |

[15] D. 11-04-030, pp. 46-47.

[redacted]

[redacted]

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

[redacted]

- [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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.[16] 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.

[redacted]

[16] In fact the CP1 need was large, and the amount of shorter-term energy bid to SDG&E was less, so that even using the NTLT adder SDG&E shortlisted so many long-term contracts with online dates in CP1 that it had no additional need to be filled by later contracts.

[redacted]

a. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

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

*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 reasonable 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?*

*"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 (although as we will see, two technologies were eliminated from consideration, one by SDG&E and one at the behest of PRG members).

We will address the points above in turn.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Figure 1. Project Viability Calculator Scores

[redacted]

[redacted]

[redacted]

- [redacted]

- [redacted]

3. [redacted]

[redacted] 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

*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:[17]

- 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?

[17] 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 although it did not require exclusivity from all those bidders.
- 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).
- Very little use was made of qualitative factors except for the eliminations noted above.

## 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?"*

Nonconforming bids were identified as such but not immediately discarded, with the exception of out-of-state bids with busbar pricing. As in previous renewables solicitation, the RFO stated that non-conformance "may disqualify [a] proposal from further consideration". SDG&E and PA interpreted this somewhat broadly and attempted to evaluate the nonconforming bids if possible.

In particular, because several bidders had difficulty uploading to SDG&E's system, SDG&E wanted to accept bids that were time stamped later than the bid deadline. Furthermore there was some confusion over the time stamping as it turned out that SDG&E's server was set to Central Time (e.g., bids that actually arrived at 11:30 AM were stamped 1:30 PM). SDG&E and PA reviewed all the late bids and PA recommended that they all be evaluated.

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. SDG&E's affiliate, Sempra Generation, submitted several bids, none of which would come online in the first compliance period and all of which ranked below a number of other Compliance Period 2 bids. 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 of 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 was [redacted] SDG&E received only four short-term bids: one was from out-of-state, [redacted] and [redacted] from an existing wind plant. Instead 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] more than [redacted] on SDG&E's preliminary shortlist: [redacted] project ranked very high, as well as a short-term bilateral submission (bilateral submissions are addressed in the next section). [redacted] in the Imperial Valley shortlisted, although they were near the end of the shortlist.

SDG&E decided this represented concentration risk and chose only one of [redacted], since they were in the "contingent need" part of the shortlist. SDG&E viewed the last part of the shortlist as representing contracts that could be executed if existing contracts were not approved by the CPUC or failed, and would deal with the concentration issue at that point. From PA's point of view the issue was not only that SDG&E would have [redacted] on its shortlist, but that TerraGen is already stretched thin with several ongoing developments.

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. SDG&E's decision to exclude one of the TerraGen bids was reasonable and fair.

## 4.9 RESULTS ANALYSIS

*Template language:" 1. Please identify instances where the IE and the I OU 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 a ny 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 dang er 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 adop t 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. Three 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. Specifically:

- PA and SDG&E had different computations of the exp ected first-year generation from the WKN Wagner bid. Upon further analysis we determined that SDG&E had relied on the "Capacity Buildout" section of the response form. SDG&E agreed to use the "Pricing" and "Typical Profile" sections, as PA did.
- PA did not agree that SDG&E's initial proposal for computing the Deliverability Adder, which would have given a smaller adder to a bid proposing an energy-only interconnection if it were in SDG&E's local area. PA maintained this was inconsistent with the meaning of the adder, since a plant with an energy-only interconnection would be unable to deliver any capacity value no matter where it was located. SDG&E changed its approach to agree with PA's.
- SDG&E argued that PA had assigned projects deliver ing at the Eco and Boulevard substations to the wrong TRCR cluster, and had assigned incorrect upgrade costs. PA reviewed the TRCR report, decided that SDG&E was correct, and revised its assignment.
- PA and SDG&E disagreed on whether the Calwind Wind Resource II bid should be assigned a transmission upgrade cost adder, since it appears to be a repowering that does not add capacity (SDG&E included an adder, PA did not). Because the adder had no effect on the shortlist – it was less than the difference between this project and the next-best, and no other bids were similarly impacted – PA stated that it was acceptable to leave the issue unresolved.

*d. BID ELIMINATION*

Section 3.3.5 lists several bids that were eliminated. In some cases PA felt SDG&E provided insufficient information for its decisions. Specifically in the case of the Toro Energy biogas project, PA did not think that the basis for SDG&E's judgment was appropriate. SDG&E

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

### 4.9.2 PRG issues

*a. ACCEPTANCE OF BILATERAL SHORT TERM BIDS*

After bidding was closed, SDG&E informed PA that it received several bids for short-term renewable energy from portfolios of resources, and asked PA for its opinion as to whether it was appropriate to consider them simultaneously with the RFO, provided that they evaluated them consistent with the LCBF methodology. It would surely have been unacceptable to evaluate them with the short-term bid evaluation method referenced in 4.8.1 since that would have given SDG&E freedom to decide how much short-term capacity to accept independent of other bids.

[redacted]

[redacted]

- [redacted]
- [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 [redacted] Still, SDG&E did not receive many biogas bids involving in-state power plants. One was a long-term bid involving an existing power plant; the bidder would build a pipeline to deliver gas to the plant. SDG&E eliminated this bid for viability considerations.

SDG&E also received a landfill gas bid from [redacted], involving gas produced in the Midwest and Texas, and piped to California for burning in an SDG&E power plant. This would be a qualifying renewable resource under current rules. SDG&E was reluctant to accept the bid, possibly because it would not score well under the Project Viability Calculator (it isn't really a power plant development project so the PVC doesn't represent it well; furthermore BP did not have a complete fuel supply plan).

PA urged SDG&E to accept the bid because it ranked near the top of the LCBF evaluation and because it satisfied SDG&E's stated interest in short-term contracts available soon. Also adding biogas to a renewable portfolio can improve its "fit" as it uses existing investments (power plants) while providing a renewable resource that is dispatchable rather than intermittent.

Several members of the PRG disagreed with including this bid. Their reasoning was that the gas itself was from out of state, and if it were produced in California it could not be injected in a pipeline. Furthermore they argued that the CEC's current designation of pipeline biogas as a renewable resource could change. One PRG member stated that it would advocate that out-of-state pipeline biogas be classified as a REC; in other words, that an offer which currently qualifies as renewable should be rejected because of an as-yet unmade policy change that party would be advocating.

At the PRG meeting, SDG&E asked PA for its opinion, and how it would react if SDG&E eliminated the bid. PA stated its position that biogas is currently a qualifying renewable resource; opined that the biogas offer should not be eliminated; emphasized that the decision was up to SDG&E (the entity responsible for achieving the RPS targets); and said that it would state its disagreement in this report.

### 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]

## 5. FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS

[redacted] SDG&E chose to shortlist the bid. Although at the time of the bid the project was projected to be 246 MW, [redacted]

PA participated in one call with SDG&E and Iberdrola, but has generally followed the negotiations through review of contracts. PA determined that since there was no affiliate relationship it would be sufficient for PA to regularly discuss the progress of negotiations with SDG&E, and to review any negotiation products.

### 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, favoritism toward a bidder is not the same as favoritism toward a technology.

### 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 late January 2010, SDG&E began providing its Independent Evaluators with a "status matrix" describing ongoing negotiations. According to that matrix, SDG&E did not engage in contract negotiations with Iberdrola prior to November 2011, [redacted]

There were meetings and calls between November 2011 and January 2012, and several drafts of the PPA were exchanged. A final PPA was executed on February 14, 2012. The contract development history, as traced by working from the model PPA through the executed version, reveals adjustments that appear to confront the risks present and address any concerns appropriately.

It is PA's opinion that the Manzana Wind contract reflects fair negotiations.

## 5.3 TERMS AND CONDITIONS

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

While PA did not see the very first draft exchanged between SDG&E and Iberdrola, we did see several drafts, with the latest draft (prior to the executed version) being the January 30, 2012 version. Our evaluation of the changes to the contract "during the course of negotiation" is based on its evolution through those drafts, as compared with the model PPA that was included with the 2011 RFO. We note the following significant contract stipulations or changes achieved through negotiation:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

The contract contains a number of other changes and clarifications, and details. It is PA's opinion that the items listed above are the most important to the economic evaluation of the contract, and that collectively they represent a fair attempt to maintain the balance of risks and costs from the model PPA and original offer.

## 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?"*

PA does not believe that SDG&E provided Iberdrola with information of the type addressed here.

## 5.5 ADDITIONAL ISSUES

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

PA has nothing further to add to this chapter.

18 [redacted]

## 6. PROJECT-SPECIFIC RECOMMENDATION

PA agrees with SDG&E that the Manzana Wind contract merits CPUC approval.

### 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."*

[redacted]

- [redacted]
- [redacted]
- [redacted]

#### 6.1.1 Relative Pricing

Directionally speaking, a lower price and later COD should have offsetting impacts (at least partially). To test the aggregate impact on the project economics, PA re-evaluated the Manzana contract using the same evaluation model that had been used for the 2011 Renewables RFO.

PA used the following assumptions and parameters:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

| [redacted] | [redacted] | [redacted] |
| --- | --- | --- |
| [redacted] | [redacted] | [redacted] |
| [redacted] | [redacted] | [redacted] |
| [redacted] | [redacted] | [redacted] |
| [redacted] | [redacted] | [redacted] |

[redacted] it was when it was shortlisted.

### 6.1.2 Project Viability Calculator

[redacted]

[redacted]

## 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 with SDG&E that the Manzana Wind contract merits approval.

## 6.3 ADDITIONAL ISSUES

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

PA has nothing else to add to this chapter.