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May 24, 2012

Mr. Edward Randolph  
Director of Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**Re: San Diego Gas & Electric (SDG&E) Advice Letter (AL) 2354-E – Compliance with Resolution E-4471 to enter into Contract with Sutter Energy Center: SDG&E Waiver of Reply to Protests**

Dear Mr. Randolph,

On Thursday, May 17, 2012, Mr. Donald Brooks of Energy Division distributed an email to the service list for AL 2354-E stating that, “Utilities will need to respond to any protests within two business days from the date of protests being filed, instead of the customary five business days usually offered under General Order 96-B. Utility responses to any protests are due by close of business on May 29th.” The Sutter Power Purchase Agreement (PPA) between SDG&E and Calpine Energy Services, L.P. (“CES”) will terminate on May 25, 2012, if Energy Division’s approval is not received by that date. SDG&E and CES may be able to amend the PPA to extend this deadline, but from a practical standpoint, there is very little time remaining. SDG&E is required to file its month-ahead resource-adequacy compliance demonstration for the month beginning July 1, 2012, by no later than May 31, 2012. SDG&E needs time before May 31, 2012 in order to coordinate its compliance demonstration with its counterparties and to fine-tune its procurement. Approval of the agreement by May 25<sup>th</sup>, then, is necessary in order for SDG&E to address in a reasonable manner its resource-adequacy requirements.

As such, SDG&E waives its opportunity to respond to protests to AL 2354-E in order to facilitate action by the May 25, 2012 termination date. SDG&E would like to note that it expects that protests to AL 2354-E will contain statements with which SDG&E disagrees and by waiving replies to such protests SDG&E does not intend to waive its rights to respond to such statements in the future.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

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CLAY FABER  
Director - Regulatory Affairs

Cc: Donald Brooks, Energy Division  
R.12-03-014 and R.11-10-023 Service List