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May 10, 2012

ADVICE LETTER 2357-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: REQUEST FOR APPROVAL OF GREEN ATTRIBUTE PURCHASE AGREEMENT WITH SIERRA PACIFIC INDUSTRIES

I. INTRODUCTION

A. PURPOSE OF THE ADVICE LETTER

San Diego Gas & Electric Company ("SDG&E") herein seeks approval by the California Public Utilities Commission (the "Commission" or the "CPUC") of a Master Power Purchase and Sale Agreement ("PPA") executed on April , 2012, with Sierra Pacific Industries ("Sierra Pacific"). The PPA between SDG&E and Sierra Pacific (the "Proposed Agreement") is for the transfer of unbundled Renewable Energy Credits ("RECs") as that term is defined in D.11-12-052.

The RECs were produced in 2010 from existing biomass facilities in California. The RECs were offered into, and shortlisted, in SDG&E's 2011 Renewables RFO as tradable RECs ("TRECs") and are expected to be classified as a Category 3 product[1] (shown on Confidential Appendix G, "Up-Front Showing"). The Proposed Agreement is for a single one-time transfer of RECs from existing California Energy Commission ("CEC")-certified biomass renewable resource generating facilities owned by Sierra Pacific that are presently recorded in the Western Renewable Energy Generation Information System ("WREGIS") to the WREGIS account of SDG&E.

The Proposed Agreements will contribute to SDG&E's ability to meet the 20% RPS requirement during compliance period ("CP") 1 established under Senate Bill ("SB") 2 (X1).[2] This purchase will also help to balance the development risk already embedded in SDG&E's 2012-2013 RPS portfolio and contribute to reducing and containing ratepayer costs, given the short-term nature of the transaction. The total quantity of TRECs acquired by SDG&E, including under the Proposed Agreement, will not exceed the temporary limit of 25 percent of SDG&E's Annual Procurement Target ("APT") in 2011-2013 (see Confidential Appendix H).

[1] *See* Public Utilities Code § 399.16(b)(3).
[2] Senate Bill (SB) x1 2 (Stats. 2011, Ch. 1).

B. SUBJECT OF THE ADVICE LETTER

1. **PROJECT NAME:** Sierra Pacific Industries

2. **TECHNOLOGY (INCLUDING LEVEL OF MATURITY):** Biomass technology, which is a mature technology that continues to develop improved designs and greater capacity.

3. **GENERAL LOCATION AND INTERCONNECTION POINT:** The existing facilities that have generated the RECs are SPI Anderson, SPI Burney, SPI Lincoln, and SPI Quincy. These facilities are located in northern California and are interconnected to the CAISO. Sierra Pacific uses part of the energy generated from the facilities to serve on-site loads for lumber mills, with the remaining energy sold to PG&E under existing Qualifying Facility ("QF") contracts.

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

   a. Name(s): Sierra Pacific Industries is the owner of the biomass facilities listed and of the Renewable Energy Credits.

   b. Type of entity(ies) (e.g. LLC, partnership): Sierra Pacific Industries is a privately-held family-owned forest products company based in Anderson, California.

   c. Business Relationships between seller/owner/developer: N/A: existing Projects.

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

   The biomass facilities listed above are CEC-certified renewable power facilities which use lumber by-products from Sierra Pacific lumber mills as woody biomass. The Renewable Energy Credits from the power produced by these facilities in 2010 were bid into SDG&E's 2011 RFO as TRECs and were shortlisted by SDG&E.

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

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

C. GENERAL PROJECT(S) DESCRIPTION

PROJECT NAME	Sierra Pacific TRECs
TECHNOLOGY	Biomass
CAPACITY (MW)	N/A, agreement is for TRECs only
CAPACITY FACTOR	N/A, agreement is for TRECs only
EXPECTED GENERATION (GWH/YEAR)	102.203 GWh (TRECs only) total from 2010
INITIAL ENERGY DELIVERY DATE[3]	N/A - no energy deliveries under agreement

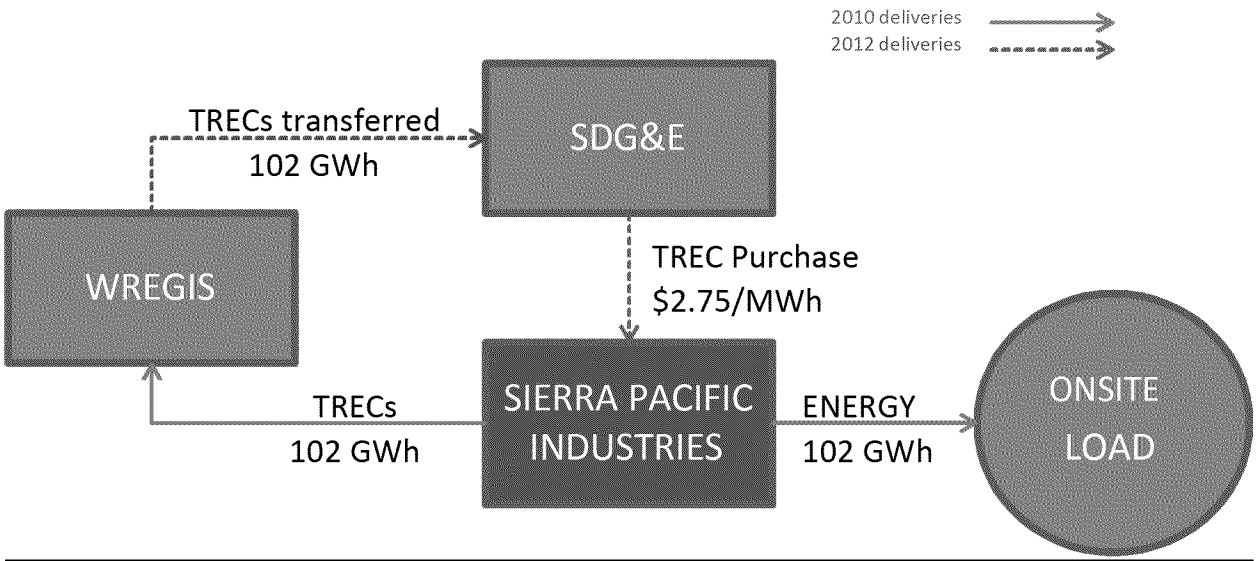
[3] As defined in the Proposed Agreement. Details are provided in Confidential Appendix D, Section D (1), "Energy Delivery Requirements" in the Matrix of Major Contract Provisions of this Advice Letter.

GUARANTEED COMMERCIAL OPERATION DATE	Existing
DATE CONTRACT DELIVERY TERM BEGINS	N/A - no energy deliveries under agreement
DELIVERY TERM (YEARS)	No term, transfer is instantaneous
VINTAGE (NEW/EXISTING/REPOWER)	Existing
LOCATION (CITY AND STATE)	Towns of Anderson, Burney, Lincoln and Quincy in California
CONTROL AREA (E.G., CAISO, BPA)	CAISO (NP 15)
NEAREST COMPETITIVE RENEWABLE ENERGY ZONE (CREZ)[4]	Anderson, Burney: CREZ 3B Lincoln: CREZ 8 Quincy: CREZ 1A
TYPE OF COOLING, IF APPLICABLE	Not applicable
PRICE[5] RELATIVE TO MPR (I.E. ABOVE/BELOW)	N/A - REC only

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 Agreements provide for the purchase of RECs generated in 2010 by the biomass facilities owned by Sierra Pacific listed above.



[4] As identified by the Renewable Energy Transmission Initiative ("RETI"). Information about RETI is available at: http://www.energy.ca.gov/reti/

[5] Refers to the maximum price under the Proposed Agreements.

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 § 399.11 declares that increasing California's reliance on eligible renewable energy resources is intended to displace fossil fuel consumption within the state, promote stable electricity prices, reduce greenhouse gas ("GHG") emissions, improve environmental quality and promote the goal of a diversified and balanced energy generation portfolio. The Proposed Agreements have a fixed price for a one-time transfer of RECs, which will provide price stability for ratepayers.

F. Confidentiality

Appendix A: Consistency with Commission decisions and Rules and Project Development Status
Appendix B: Solicitation Overview
Appendix C: Final RPS Project-Specific Independent Evaluator Report
Appendix D: Contract Summaries
Appendix E: Green Attribute Purchase and Sale Agreements
Appendix F: Projects' Contributions Toward RPS Goals
Appendix G: Up-front Showing for Equivalent Category 1 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 contained within the confidential appendices and the matrix category under which D.06-06-066 permits the data to be protected.

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

II. Consistency with Commission Decisions

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

A. RPS Procurement Plan

1. The Commission approved SDG&E's 2011 RPS Procurement Plan and SDG&E adhered to Commission guidelines for filing and revisions.

On December 18, 2009 SDG&E filed its draft 2011 Renewable Procurement Plan (the 2011 RPS Plan).[6] On April 14, 2011, the CPUC issued D.11-04-030 ("the Decision") conditionally approving SDG&E's 2011 RPS Plan. In compliance with the direction set forth in the Decision, SDG&E filed a revised 2011 RPS Plan to incorporate changes required by the Commission. The Decision authorized SDG&E to proceed with its amended Plan, unless suspended by the Energy Division Director. No such suspension was issued by the Energy Division; therefore, on May 12, 2011, SDG&E issued the 2011 RPS 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 expresses SDG&E's commitment to meet the goal of serving 33% of its retail sales with renewable resources by 2020. SB 2 (X1), which became effective in December, 2011, requires SDG&E to purchase 20% of its retail sales, on average, for the 2011-2013 period; 25% by 2016, and 33% by 2020 from eligible renewable sources. Because of its 2012-2013 term, the projects are expected to contribute materially to SDG&E's renewable energy portfolio during the first (2011-2013) compliance period.

SDG&E's goal is to comply with applicable RPS legislation by developing and maintaining a diversified renewable portfolio, selecting from offers using the Least-Cost, Best-Fit ("LCBF") evaluation criteria. The 2011 RPS RFO sought offers from all technologies of renewable projects that meet the requirements for eligible facilities as specified in applicable statute and as established by the CEC. The 2011 RPS RFO sought unit firm or as-available deliveries. SDG&E's 2011 RPS Plan also stated that, to the extent a bilateral offer complies with RPS program requirements, fits within SDG&E's resource needs, is competitive when compared against recent RFO offers and provides benefits to SDG&E customers, SDG&E will pursue such an agreement. Amended contracts, as with bilateral offers, will be compared to alternatives presented in the most recent RPS solicitation.

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

The Proposed Agreement conform to SDG&E's Commission-approved 2011 RPS Plan by providing vintage RECs that fill a portion of SDG&E's RPS net short position. 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.

[6] 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.

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

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

a. Commence deliveries in 2011, 2012, 2013, 2014 or 2015
b. Short term agreements of up to 4 years in duration
c. The project must be RPS-eligible
d. The Net Contract Capacity must be ≥ 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 minimum requirements; the Proposed Agreement covers all RECs generated from four existing RPS-eligible facilities for the year 2010 with installed capacity greater than 1.5 MW. Therefore, SDG&E accepted the offer and negotiated the Proposed Agreements.

B. BILATERAL CONTRACTING – IF APPLICABLE

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

The Proposed Agreements were not procured through bilateral negotiations.

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

The Proposed Agreements were not procured through bilateral negotiations.

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

The Proposed Agreements were not procured through bilateral negotiations.

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

The following sections review SDG&E's 2011 RPS RFO process. The offers into the 2011 RPS 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 RPS 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) Tradable Renewable Energy Credits ("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, on in San Diego, CA and one in El Centro, CA with more than 150 people in attendance. The San Diego conference included a webinar available for interested parties who could not attend in person.
c) Internet upload capabilities were available to accept electronic offers;
d) The Independent Evaluator participated in the selection process, including the direct evaluation of bids; and
e) SDG&E adhered to the following RFO schedule:

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, in accordance with the LCBF process outlined in D.03-06-071, D.04-07-029, and its approved 2011 RPS 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."[7] It determined, however, that each IOU should provide an explanation of its "evaluation and selection model, its process, and its decision rationale with respect to each bid, both selected and rejected," in the form of a report to be submitted with its short list of bids (the "LCBF Report"). In addition, SDG&E authorized the Independent Evaluator to perform the LCBF analysis to determine the least-cost best-fit ranking of projects in the 2011 RPS 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 RPS RFO by sorting all projects by the All-In Bid Ranking Price, from lowest to highest. Those projects with the lowest All-In Bid Ranking Price that passed through qualitative filters for location and viability were short listed. From a "best-fit" perspective for 2011, projects which fit SDG&E's portfolio needs best were in-state projects that would be served by the Sunrise Powerlink.

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

B. QUANTITATIVE FACTORS

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

Levelized Contract Cost: The offered bundled energy or TREC prices were multiplied by deliveries over the life of the proposed contract (and time-of-day

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

factors, if applicable) and discounted back to the beginning of the contract to form Levelized Contract Cost.

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

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

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

1. PORTFOLIO FIT

SDG&E's RPS Procurement Plan states that SDG&E does not have a preference for a particular product or technology type and that SDG&E has latitude in the resources that it selects. However, as explained above, time of delivery factors, transmission cost, congestion costs, commercial operations date and deliverability adders were evaluated to determine the impact to SDG&E's portfolio. These portfolio fit factors were valued and included in the economic comparison of options in order to ensure the least-cost projects were also best-fit selections for the portfolio. Given its short-term nature, the Proposed Agreement both balances the development risk already embedded in SDG&E's 2011-2013 RPS portfolio and contains procurement costs.

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

2. 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 Agreements' application of the transmission cost adder.

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

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

	SUMMER July 1 – October 31	WINTER November 1 – June 30
ON-PEAK	Weekdays 11am – 7pm **1.531**	Weekdays 1pm - 9pm **1.192**
SEMI-PEAK	Weekdays 6am – 11am;	Weekdays 6am – 1pm;

	Weekdays 7pm - 10pm **1.181**	Weekdays 9pm – 10pm **1.078**
OFF-PEAK*	All other hours **0.900**	All other hours **0.774**
*All hours during NERC holidays are off-peak.		

4. OTHER FACTORS CONSIDERED

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

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

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

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

Due to the changes in law made by SB 2 X1, flexible compliance mechanisms contained in the original RPS legislation have been removed and compliance targets have changed, requiring SDG&E to focus entirely upon projects coming online and providing RPS deliveries within the years 2011 to 2013 in order to meet the new RPS compliance targets. Due to this change in need, the large number of bids that were received in the 2011 RPS RFO, and the limited number of Commission meetings scheduled to consider new RPS agreements between late 2011 and mid-year 2013, qualitative rules were imposed during the bid evaluation process to consider only those bids that could reasonably meet SDG&E's near term RPS needs. Projects eligible for short listing were limited to those bids with deliveries of 90,000 MWh or more from the period 2011 to 2013; in particular, low priced projects were considered if they were able to generate more than 45,000 MWh in the same period as long as they were among the five lowest-cost 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 Agreements contain 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 Agreements and supporting documentation are also provided in *Confidential Appendix F – Power Purchase Agreements*.

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	Page 5 of Confirmation
STC 2: Green Attributes & RECs	Pages 5 and 6 of Confirmation
STC 6: Eligibility	Page 8 of Confirmation
STC 17: Applicable Law	Page 9 of Confirmation
STC REC-1 Transfer of renewable energy credits	Page 8 of Confirmation
STC REC-2 Tracking of RECs in WREGIS	Page 8 of Confirmation

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

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

E. UNBUNDLED RENEWABLE ENERGY CREDIT (REC) TRANSACTIONS

As defined under D.10-03-021, *et seq.*, the Proposed Agreement is for unbundled TRECs.

F. MINIMUM QUANTITY

MINIMUM CONTRACTING REQUIREMENTS APPLICABLE TO SHORT TERM CONTRACTS WITH EXISTING FACILITIES

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

In D.07-05-028, the Commission established that an IOU's ability to count short term contracts (less than ten years) toward its RPS compliance goal is dependent upon satisfaction of Commission-established requirements for procurement of minimum quantities through long-term contracts (with new or existing facilities) and/or short-term contracts with newer facilities. This short term contract triggers the minimum quantity requirement.

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

SDG&E's 2011 retail sales were 16,249,031 MWh. Thus the minimum 0.25% quantity is 40,623 MWh. SDG&E executed two long term contracts in 2012 that provide for aggregate deliveries that far exceed this minimum quantity.

The listing below illustrates SDG&E's 2012 executed contracts which demonstrate compliance with the 0.25% threshold:

Project	Execution Date	Annual MWh
82LV 8MW Mt. Signal Solar	2/3/2012	469,900
Manzana Wind (Iberdrola)	2/14/2012	259,296
	Total MWh	729,196

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

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

H. MARKET PRICE REFERENCE (MPR)

1. CONTRACT PRICE RELATIVE TO THE MPR.

In the context of this unbundled REC product, the MPR pricing is not a meaningful measure. 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.

In the context of this unbundled REC product, the MPR pricing is not a meaningful measure. The exact pricing and relation to the MPR is discussed in detail in *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 for unbundled RECs from the 2011 RPS RFO and is not eligible for AMFs.

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

SB 1036 establishes five explicit criteria for the award of AMFs and states that once AMFs reach a cap that is equal to the maximum SEPs that would have been allotted to SDG&E, SDG&E is no longer required to procure renewable energy at above MPR prices. SDG&E's Commission-approved contracts have exhausted SDG&E's AMFs

and, therefore, SDG&E is no longer required to procure renewable energy at above MPR prices. SDG&E's AMF limit has been exhausted.[8]

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

N/A.

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

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

The Proposed Agreements are not subject to the EPS as they have a delivery term of less than five years.

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

N/A. The term is less than 5 years.

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

N/A. The term is less than 5 years.

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

N/A

5. SUBSTITUTE SYSTEM ENERGY FROM UNSPECIFIED SOURCES

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

   N/A.

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

   N/A.

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

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

N/A.

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.

N/A.

K. PROCUREMENT REVIEW GROUP (PRG) PARTICIPATION

1. PRG PARTICIPANTS (BY ORGANIZATION/COMPANY).

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

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

2. WHEN THE PRG WAS PROVIDED INFORMATION ON THE CONTRACT

Information on the Proposed Agreement was presented to the PRG on August 10, August 19, September 16, and December 16, 2011 and January 20, February 17, and March 16, 2012.

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

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

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

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

L. INDEPENDENT EVALUATOR (IE)

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

1. NAME OF IE: PA Consulting Group

2. OVERSIGHT PROVIDED BY THE IE

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

SDG&E worked with its IE on evaluation of the Proposed Agreement. The IE has reviewed the major contract terms and SDG&E's method of comparing the project to bids received from the 2011 RFO and has spot-checked relevant calculations. A confidential Independent Evaluator Report was issued on the Proposed Agreements 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 Agreements to the PRG.

4. PUBLIC VERSION OF THE PROJECT-SPECIFIC IE REPORT[9]


SDGE IE report for
SPI_20120501 REDA(

III. PROJECT DEVELOPMENT STATUS

The Projects are already commercially operational so this section is not applicable according to the Advice Letter Template.

IV. CONTINGENCIES AND/OR MILESTONES

A. MAJOR PERFORMANCE CRITERIA AND GUARANTEED MILESTONES.

Not applicable. Existing facilities.

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

Not Applicable. Existing facilities.

V. PROCEDURAL MATTERS

A. REQUESTED RELIEF

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

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 August 2, 2012.

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

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

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

2. SDG&E's entry into the Proposed Agreement and the terms of the agreement are reasonable; therefore, the Proposed Agreement is approved in their entirety and all administrative and procurement costs associated with the Proposed Agreement, including the RECs, are fully recoverable in rates over the term of the Proposed Agreement, subject to Commission review of SDG&E's administration of the Proposed Agreement.

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

4. Unbundled RECS purchased by Buyer pursuant to the Proposed Agreement (i) are deemed to have satisfied the product content requirements set forth in Public Utilities Code Section 399.16(b)(3) ("Category 3"), as adopted in California Senate Bill 2 (X1) (Stats. 2011, Ch. 1) and implemented by the California Public Utilities Commission in D.11-12-053; and (ii) will be counted as a Category 3 product for purposes of compliance with the requirements of the California Renewables Portfolio Standard Program and 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 30, 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 the Energy Division at 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

This Advice Letter is classified as Tier 3 (effective after Commission approval) pursuant to GO 96-B. As discussed above, the ability to secure the RECs under the Proposed Agreement is critical to SDG&E's RPS compliance effort. Accordingly, SDG&E requests approval of Advice Letter 2357-E, at the earliest possible date, but in no event later than August 2, 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:
☒ ELC ☐ GAS
☐ PLC ☐ HEAT ☐ WATER

Contact Person: Joff Morales
Phone #: (858) 650-4098
E-mail: jmorales@semprautilities.com

EXPLANATION OF UTILITY TYPE
ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2357-E

Subject of AL: Request for Approval of Green Attributes Purchase Agreement with Sierra Pacific Industries

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: 8/2/2012

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: None

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
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

San Diego Gas & Electric
Attention: Megan Caulson
8330 Century Park Ct, Room 32C
San Diego, CA 92123
mcaulson@semprautilities.com

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

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

cc: (w/enclosures)

Public Utilities Commission
DRA
Y. Schmidt
W. Scott
Energy Division
P. Clanon
S. Gallagher
H. Gatchalian
D. Lafrenz
M. Salinas
CA. Energy Commission
F. DeLeon
R. Tavares
Alcantar & Kahl LLP
K. Harteloo
American Energy Institute
C. King
APS Energy Services
J. Schenk
BP Energy Company
J. Zaiontz
Barkovich & Yap, Inc.
B. Barkovich
Bartle Wells Associates
R. Schmidt
Braun & Blaising, P.C.
S. Blaising
California Energy Markets
S. O'Donnell
C. Sweet
California Farm Bureau Federation
K. Mills
California Wind Energy
N. Rader
CCSE
S. Freedman
J. Porter
Children's Hospital & Health Center
T. Jacoby
City of Chula Vista
M. Meacham
E. Hull
City of Poway
R. Willcox
City of San Diego
J. Cervantes
G. Lonergan
M. Valerio
Commerce Energy Group
V. Gan
Constellation New Energy
W. Chen
CP Kelco
A. Friedl
Davis Wright Tremaine, LLP
E. O'Neill
J. Pau
Dept. of General Services
H. Nanjo
M. Clark
Douglass & Liddell
D. Douglass
D. Liddell
G. Klatt
Duke Energy North America
M. Gillette
Dynegy, Inc.
J. Paul
Ellison Schneider & Harris LLP
E. Janssen
Energy Policy Initiatives Center (USD)
S. Anders
Energy Price Solutions
A. Scott
Energy Strategies, Inc.
K. Campbell
M. Scanlan
Goodin, MacBride, Squeri, Ritchie & Day
B. Cragg
J. Heather Patrick
J. Squeri
Goodrich Aerostructures Group
M. Harrington
Hanna and Morton LLP
N. Pedersen
Itsa-North America
L. Belew
J.B.S. Energy
J. Nahigian
Luce, Forward, Hamilton & Scripps LLP
J. Leslie
Manatt, Phelps & Phillips LLP
D. Huard
R. Keen
Matthew V. Brady & Associates
M. Brady
Modesto Irrigation District
C. Mayer
Morrison & Foerster LLP
P. Hanschen
MRW & Associates
D. Richardson
OnGrid Solar
Andy Black
Pacific Gas & Electric Co.
J. Clark
M. Huffman
S. Lawrie
E. Lucha
Pacific Utility Audit, Inc.
E. Kelly
R. W. Beck, Inc.
C. Elder
School Project for Utility Rate Reduction
M. Rochman
Shute, Mihaly & Weinberger LLP
O. Armi
Solar Turbines
F. Chiang
Sutherland Asbill & Brennan LLP
K. McCrea
Southern California Edison Co.
M. Alexander
K. Cini
K. Gansecki
H. Romero
TransCanada
R. Hunter
D. White
TURN
M. Florio
M. Hawiger
UCAN
M. Shames
U.S. Dept. of the Navy
K. Davoodi
N. Furuta
L. DeLacruz
Utility Specialists, Southwest, Inc.
D. Koser
Western Manufactured Housing Communities Association
S. Dey
White & Case LLP
L. Cottle
Interested Parties
R.11-05-005

San Diego Gas & Electric Advice Letter 2357-E
May 10, 2012

ATTACHMENT A

DECLARATION OF KEITH DURAND REGARDING CONFIDENTIALITY OF CERTAIN DATA

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF KEITH H. DURAND REGARDING CONFIDENTIALITY OF CERTAIN DATA

I, Keith H. Durand, do declare as follows:

1. I am an Energy Contracts Originator for San Diego Gas & Electric Company ("SDG&E"). I have reviewed Advice Letter 2357-E, requesting approval of the Green Attribute Purchase and Sale Agreement with Sierra Pacific Industries, (with attached confidential and public appendices), dated May 10, 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

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

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

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

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

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

Data at issue	**D.06-06-066 Matrix Requirements**	**How moving party meets requirements**
Bid Information[5] ***Locations:*** ***1. Confidential Appendix A*** ▪ *Section C, LCBF, pages 3- 4*	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.
▪ *How the Project compares*	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.

with other bids, paragraph C.2 (Portfolio Fit) – project ranking with other bids in 2011 RPS RFO and Application of TODs on pgs.4,5; 2. ***Confidential Appendix B*** *– embedded 2011 Solicitation Overview Report on p.39.* 3. ***Confidential Appendix C*** *– embedded project specific IE Report on p. 40.* 4. ***Confidential Appendix D*** ▪ *Contract Price Section, paragraph 13, How the Contract Price Compares with other bids, pages 50-51*	category or categories to which the data corresponds	protected under IOU Matrix category VIII.A.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential until the final contracts from each of the RFOs have been submitted to the CPUC for approval.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	SDG&E cannot summarize or aggregate the bid data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.
Specific Quantitative Analysis[6] ***Location:*** 1. ***Confidential Appendix A*** ▪ *Consistency with Commission Decisions and Rules section, paragraph C.1 Least- Cost Best-Fit If Applicable. The Project's Bid scores under SDG&E's approved LCBF Evaluation Criteria on pgs.3-4;* ▪ *Consistency with Commission Decisions and Rules section, paragraph C.2 (Portfolio Fit) -*	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	This data is SDG&E's specific quantitative analysis involved in scoring and evaluating renewable bids. Some of the data also involves analysis/evaluation of proposed RPS projects.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix categories VII.G and/or VIII.B.
	Affirm that the IOU is complying with the	In accordance with the limitations on

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

computed factors for Project in 2011 LCBF evaluation and embedded SDG&E's LCBF Ranking for the 2011 RPS RFO on p.4; ▪ *Consistency with Commission Decisions and Rules section, paragraph C.2 (Transmission Adders) - computed factors for Projects in 2011 LCBF evaluation and embedded SDG&E's LCBF Ranking for the 2011 RPS RFO on p.4-5;* ▪ *Consistency with Commission Decisions and Rules section, paragraph C.3, 4, 5 (LCBF Adders and Impact on Ranking and other criteria) - computed factors for Project in 2011 LCBF evaluation on pgs. 5-8;* ▪ *Consistency with Commission Decisions and Rules section, paragraph H., MPR and AMFs on p.34.* 2. ***Confidential Appendix B –*** *Embedded 2011 Solicitation Overview Report on p.39* ▪ ***Confidential Appendix C –*** *Final RPS Project-Specific Independent Evaluator Report on p.40.* 3. ***Confidential Appendix D*** • *Paragraph E.1, Contract Price, Levelized contract price, p. 47* • *Contract Summary section, Paragraph E.10, 11, AMF calculations, AMF Results and embedded AMF calculator on pgs. 49-50* • *Contract Summary section, paragraph E.13, Contract Price Comparison and Paragraph E. 14, Rate Impact, pgs. 50, 51*	limitations on confidentiality specified in the Matrix for that type of data	confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential for three years.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	SDG&E cannot summarize or aggregate the evaluation data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.

Contract Terms[7] ***Locations:*** ***1. Confidential Appendix A*** ▪ *Consistency with Commission Decisions and Rules section Paragraph C, Application of TODs, pg. 3* ▪ *Paragraph D – Standard Terms and Conditions, Non-modifiable and Modifiable Contract Terms Summary Table (Modifiable Terms) pgs. 8-9 and Modifiable Terms Red-line tables on pgs. 9-34* ***2. Confidential Appendix D*** ▪ *Contract Summary Section Paragraph D.1. – Major Contract Provisions pgs, 44-47* ▪ *Contract Summary Section Paragraph E. Contract Price, sections 2,3, 4, on pgs. 47-48* ***3. Confidential Appendix E*** ▪ *Embedded files –Executed Version of Proposed Power Purchase Agreement pg.52* ***4. Confidential Appendix F*** ▪ *Projects Contribution Toward RPS Goals pg. 53*	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 party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	In order to include as much detail as possible, SDG&E has provided specific contract terms instead of summaries.
Analysis and Evaluation of Proposed RPS Projects[8] ***Locations:*** ***1. Confidential Appendix A*** ▪ *Consistency with Commission Decisions and Rules section, Paragraph C.2. – Qualitative Factor, p.4-5* ▪ *PRG Participation and Feedback, paragraph K on p.*	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.

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

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

[9/] *Id.*

34.	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the "front three years" of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	It is not possible to provide this data point in an aggregated, redacted, summarized or masked fashion.
IPT/APT Percentage[10] ***Locations:*** 1. ***Confidential Appendix A*** - *Consistency with Commission Decisions and Rules section, paragraph A, the project's contribution numbers to the SDG&E's RPS obligations on p. 3;* 2. ***Confidential Appendix*** *D.13, pages 50-51.*	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.

[10] The confidential information referenced has a **AQUA** font color / has a 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.

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

5. As an alternative basis for requesting confidential treatment, SDG&E submits that the Green Attribute Purchase and Sale Agreement enclosed in the Advice Letter is material, market sensitive, electric procurement-related information protected under §§ 454.5(g) and 583, as well as trade secret information protected under Govt. Code § 6254(k). Disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.[11/]

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

[11/] This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See, Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead inconsistent, mutually exclusive remedies, such as breach of contract and specific performance, in the same complaint); *Tanforan v. Tanforan*, 173 Cal. 270, 274 (1916) ("Since . . . inconsistent causes of action may be pleaded, it is not proper for the judge to force upon the plaintiff an election between those causes which he has a right to plead.")

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

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

8. Under the Public Records Act, Govt. Code § 6254(k), records subject to the privileges established in the Evidence Code are not required to be disclosed.[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

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

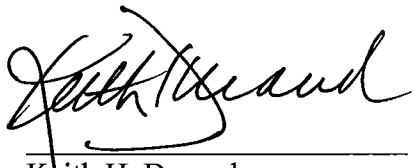
unfairly undermine SDG&E's negotiation position and could ultimately result in increased cost to ratepayers. In addition, if developers mistakenly perceive that SDG&E is not committed to assisting their projects, disclosure of the Protected Information could act as a disincentive to developers. Accordingly,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

11. Developers' Protected Information: The Protected Information also constitutes confidential trade secret information of the developer listed therein. SDG&E is required pursuant to the terms of its Green Attribute Purchase and Sale Agreements, to protect non-public information. Some of the Protected Information in the original Green Attribute Purchase and Sale Agreements, 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/owners or could invite interference by competitors.

12. In accordance with its obligations under its Green Attribute Purchase and Sale Agreements 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 this10 th day of May, 2012 at San Diego, California.



Keith H. Durand
Energy Contracts Originator
Electric and Fuel Procurement
San Diego Gas & Electric

San Diego Gas & Electric Advice Letter 2357-E

May 10, 2012

ATTACHMENT B

REQUEST FOR APPROVAL OF GREEN ATTRIBUTE PURCHASE AGREEMENT WITH SIERRA PACIFIC INDUSTRIES

PUBLIC VERSION

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

PART 2 – CONFIDENTIAL APPENDICES OF ADVICE LETTER

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

CONFIDENTIALITY KEY

VIOLET FONT = ANALYSIS AND EVALUATION OF PROPOSED RPS PROJECTS (VII.G)
RED FONT = CONTRACT TERMS & CONDITIONS (VII.G)
GREEN FONT = BID INFORMATION (VIII.A)
BLUE FONT = SPECIFIC QUANTITATIVE ANALYSIS (VIII.B)
BROWN FONT = NET SHORT POSITION (V.C)
AQUA FONT = IPT/APT PERCENTAGES (V.C)
= BID INFORMATION (VIII.A) AND SPECIFIC QUANTITATIVE

Appendix A
CONTAINS CONFIDENTIAL MATERIAL

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

A. 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 Agreements provide green attributes/renewable energy credits 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 well short of the 20% goal, as SDG&E was able to procure only 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. This required SDG&E to procure well above 20% of annual retail sales by the end of 2013 in order to compensate for the 2011-12 shortfall and achieve an average of 20% over the 2011-13 time period.

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

[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 . . . ")

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 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 Mesa Wind Power Corporation ("Mesa Wind") and SDG&E. From a least-cost best fit perspective, the Mesa Wind Proposed Agreement ranks very 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 an existing facility beginning in 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

1. BOTH PROJECT'S BID SCORES UNDER SDG&E'S APPROVED LCBF EVALUATION CRITERIA.

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

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

2. 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 TREC price relative to other RPS offerings, its ability to provide green attributes from an existing facility, and the energy is currently provided under contract with CDWR.

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

[redacted]

- **TRANSMISSION ADDER**

[redacted]

- **APPLICATION OF TODS**

[redacted]

- **QUALITATIVE FACTORS**

[redacted]

[redacted]

3. 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]

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

[redacted]

5. 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]

2 [redacted]

3

[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	Term included with modification to address REC-only agreement
	2	RECs and Green Attributes	No	Term included without modification
	6	Eligibility	No	Term included with modification to address REC-only agreement
	17	Applicable Law	No	Term included without modification
No	REC-1	Transfer of RECs	No	Term included without modification
No	REC-2	Tracking of RECs in WREGIS	[redacted]	[redacted]
Yes	4	Confidentiality	[redacted]	[redacted]
Yes	5	Contract Term	[redacted]	[redacted]
	7	Performance Standards/Requirements	[redacted]	[redacted]
	8	Product Definitions	[redacted]	[redacted]
	9	Non-Performance or Termination Penalties and Default Provisions	[redacted]	[redacted]
	12	Credit Terms	[redacted]	[redacted]
	15	Contract Modifications	[redacted]	[redacted]
	16	Assignment	[redacted]	[redacted]
	18	Application of Prevailing Wages	No	Term included without modification

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"

Modifiable Term Red-line Table

(Red-line is actual contract language relative to the standard modifiable term language)

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
STC 1: CPUC Approval (Non-Modifiable) "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: (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 (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. 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)** [redacted]
STC 2: RECs and Green Attributes (Non-Modifiable) "Green Attributes" means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Project, and its avoided emission of pollutants. Green Attributes include but are not limited to Renewable Energy Credits, as well as: (1) any avoided emission of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to	**STC 2: RECs and Green Attributes (Non-Modifiable)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere;[4] (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. 3.2. Green Attributes. Seller hereby provides and conveys all Green Attributes associated with all electricity generation from the Project to Buyer as part of the Product being delivered. Seller represents and warrants that Seller holds the rights to all Green Attributes from the Project, and Seller agrees to convey and hereby conveys all such Green Attributes to Buyer as included in the delivery of the Product from the Project.	[redacted]

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	Parallel Terms in SDG&E- Sierra Pacific
	[redacted]
STC 6: Eligibility (Non-Modifiable) 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)** [redacted]
STC REC-1. Transfer of renewable energy credits Renewable Energy Credits. (Non-modifiable) Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the renewable energy credits Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission 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	**STC REC-1. Transfer of renewable energy credits Renewable Energy Credits. (Non-modifiable)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law.	[redacted]
STC REC-2. Tracking of RECs in WREGIS. (Non-modifiable) 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)** [redacted]
STC 17: Applicable Law (Non-Modifiable) 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)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
STC 4: Confidentiality (Modifiable) "Confidentiality: Neither Party shall disclose the non-public terms or conditions of this Agreement or any Transaction hereunder to a third party, other than (i) the Party's employees, lenders, counsel, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential, (ii) for disclosure to the Buyer's Procurement Review Group, as defined in CPUC Decision (D.) 02-08-071, subject to a confidentiality agreement, (iii) to the CPUC under seal for purposes of review, (iv) disclosure of terms specified in and pursuant to Section 10.12 of this Agreement; (v) in order to comply with any applicable law, regulation, or any exchange, control area or ISO rule, or order issued by a court or entity with competent jurisdiction over the disclosing Party ('Disclosing Party'), other than to those entities set forth in subsection (vi); or (vi) in order to comply with any applicable regulation, rule, or order of the CPUC, CEC, or the Federal Energy Regulatory Commission. In connection with requests made pursuant to clause (v) of this Section 10.11 ('Disclosure Order') each Party shall, to the extent practicable, use reasonable efforts: (i) to notify the other Party prior to disclosing the confidential information and (ii) prevent or limit such disclosure. After using such reasonable efforts, the Disclosing Party shall not be: (i) prohibited from complying with a Disclosure Order or (ii) liable to the other Party for monetary or other damages incurred in connection with the disclosure of the confidential information. Except as provided in the preceding sentence, the Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation." "10.12 RPS Confidentiality. Notwithstanding Section 10.11 of this Agreement at any time on or after the date on which the Buyer makes its advice filing letter seeking CPUC Approval of the Agreement either Party shall be permitted to disclose the following terms with respect to such Transaction: Party names, resource type, delivery term, project location, and project capacity. If Option B is checked on the Cover Sheet, neither Party shall disclose party name or project location, pursuant to this Section 10.12, until six months after such CPUC Approval."	**STC 4: Confidentiality (Modifiable)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
The Cover Sheet of the Agreement shall be amended by adding to Article 10, Confidentiality, a new "Option B," as follows: ☐ Option B RPS Confidentiality Applicable. If not checked, inapplicable" ☐ Option C Confidentiality Notification: Option C is checked on the Cover Sheet, Se has waived its right to notification accordance with Section 10.11 (v)."	[redacted]
STC 5: Contract Term (Modifiable) The following provision shall be included as a standard term in the Confirmation(s) for the Transaction(s) entered into under the Agreement: "Delivery Term: The Parties shall specify the period of Product delivery for the 'Delivery Term,' as defined herein, by checking one of the following boxes: ☐ Delivery shall be for a period of ten (10) years. ☐ Delivery shall be for a period of fifteen (15) years. ☐ Delivery shall be for a period of twenty (20) years. ☐ Non-standard Delivery shall be for a period of ___ years."	**STC 5: Contract Term (Modifiable)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
If the "Non-standard Delivery" contract term is selected, Parties need to apply to the CPUC justifying the need for non-standard delivery.	
STC 7: Performance Standards/Requirements (Modifiable) 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: "Energy Production Guarantees 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." Guaranteed Energy Production = _____MWh."	**STC 7: Performance Standards/Requirements (Modifiable)** [redacted]
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: "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: 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	[redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
Forced Outage is not the result of Seller's negligence or willful misconduct; ii. Force Majeure; iii. by the Buyer's failure to perform; iv. by scheduled maintenance outages of the specified units; v. a reduction in Output as ordered under terms of the dispatch down and Curtailment provisions (including CAISO or Buyer's system emergencies); or 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	[redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
supplying the water is unable to overcome or avoid or causes to be avoided.] 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."	
C. The following shall be included in the applicable performance standards/requirement provisions as "Excuses for Failure to Perform" in the Agreement or Confirmation for "Unit Firm" projects: "Net Rated Output Capacity. If the Net Rated Output Capacity at the Commercial Operation Date or at the end of the first twelve (12) consecutive months after the Commercial Operation Date [and every twelve (12) consecutive months thereafter] is less than ___ MW, Buyer shall have the right to declare an Event of Default. For subsequent contract years, Buyer shall trigger an Annual Capacity Test to determine each year's Net Rated Output Capacity by scheduling Deliveries from the facility for two consecutive	Excuses for Failure to Perform for Unit Firm projects [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
weeks. Buyer shall provide Seller two (2) weeks notice of the Annual Capacity Test. For the second year and thereafter the Net Rated Output Capacity shall be the ratio of the sum of average hourly Energy Delivered for two (2) weeks divided by 336 hours (24 hours x 14 days). Energy Delivered shall exclude any energy greater than ___ MW average in each hour. The resulting Net Rated Output Capacity shall remain in effect until the next Annual Capacity Test. The Net Rated Output Capacity shall not exceed the Contract Capacity of __MW. Additional Event of Default. It shall be an additional Event of Default if (i) the Availability Adjustment Factor is less than ____% for ___ consecutive months, or (ii) Net Rated Output Capacity falls below ___ MW. In no event shall the Seller have the right to procure Energy from sources other than the Facility for sale and delivery pursuant to this Agreement."	
D. The following shall be included in the applicable performance standards/requirement provisions of the Agreement or Confirmation for "Unit Firm" projects: "Seller shall be excused from achieving the Availability Adjustment Factor for the applicable time period, in the event that Seller fails to deliver the Product to Buyer for any of the following reason: i. during Force Majeure; ii. by Buyer's failure to perform; or, iii. a reduction in Output as ordered under terms of the dispatch-down and Curtailment provisions (including CAISO or Buyer's system emergencies.)"	Excuses for Failure to Perform – availability adjustment factor: [redacted]
E. The following shall be included in the applicable performance standards/requirement provisions as "Excuses for Failure to Perform" in the Agreement or Confirmation for "Unit Firm," "Baseload," "Peaking," and "Dispatchable" Products: "Seller shall not be liable to Buyer for any	Excuses for Failure to Perform – unit firm: [redacted]

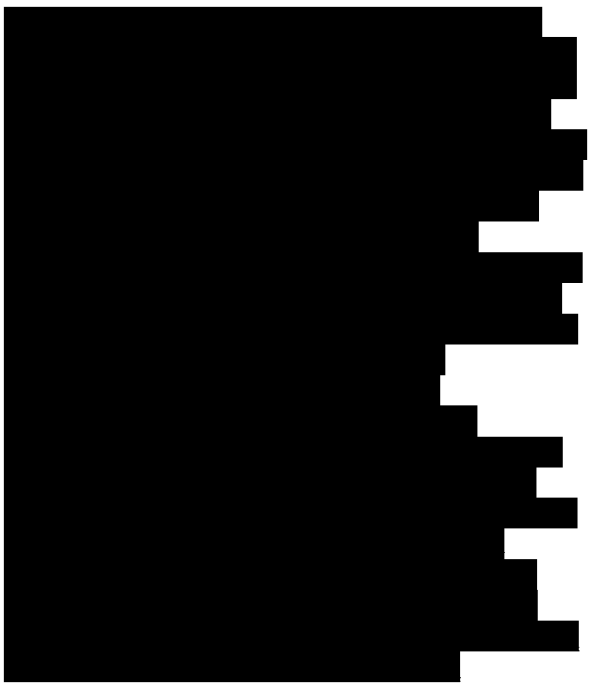
Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
damages determined pursuant to Article Four of the Agreement, in the event that Seller fails to deliver the Product to Buyer for any of the following reason: i. if the specified generation asset(s) are unavailable 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; ii. Force Majeure; iii. by the Buyer's failure to perform; iv. by scheduled maintenance outages of the specified units; or, a reduction in Output as ordered under terms of the dispatch down and Curtailment provisions (including CAISO or Buyer's system emergencies). The performance of the Buyer to receive the product may be excused only (i) during periods of Force Majeure, (ii) during periods of dispatch-down, or (iii) by the Seller's failure to perform."	
STC 8: Product Definitions (Modifiable) " 'As Available' 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." The "Unit Firm" Product Definition in Schedule P of the EEI Agreement shall be deleted in its entirety and replaced with the following: " 'Unit Firm' means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a specified generation asset or assets specified in the Transaction. The following Products shall be considered "Unit Firm" products: 'Peaking' means with respect to a Transaction, a Product for which Delivery Periods coincide with Peak Periods, as defined by Buyer.	**STC 8: Product Definitions (Modifiable)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
'Baseload' means with respect to a Transaction, a Product for which Delivery levels are uniform for all Delivery Periods. 'Dispatchable' means with respect to a Transaction, a Product for which Seller makes available unit-contingent capacity for a Buyer to schedule and dispatch up or down at Buyer's option."	
STC 9: Non-Performance or Termination Penalties and Default Provisions (Modifiable) *"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:* (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; (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; (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 three (3) Business Days after written notice; (d) such Party becomes Bankrupt; (e) the failure of such Party to satisfy the creditworthiness/collateral requirements agreed to pursuant to Article Eight hereof; (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,	**STC 9: Non-Performance or Termination Penalties and Default Provisions (Modifiable)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
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 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); (h) with respect to such Party's Guarantor, if any: (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; (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	[redacted]

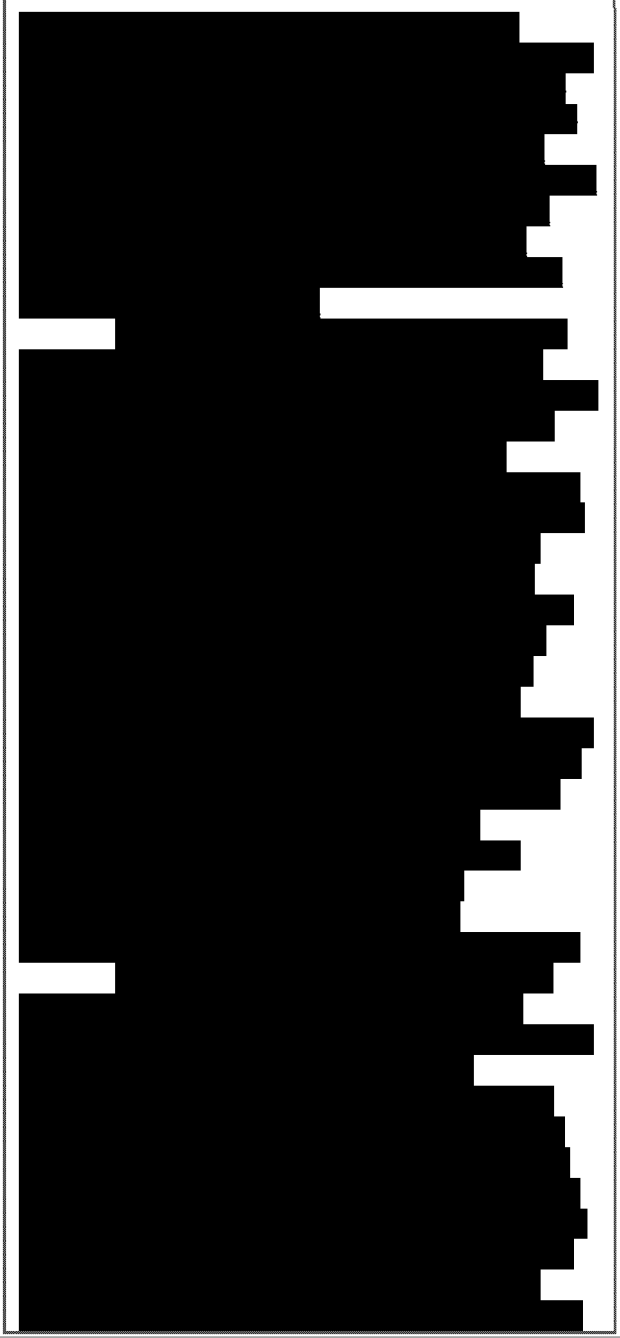
Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
failure shall not be remedied within three (3) Business Days after written notice; (iii) a Guarantor becomes Bankrupt; the failure of a Guarantor's guaranty to be in full force and effect for purposes of this 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 (v) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any guaranty." *Section 5.1 of the Agreement, as provided above, shall be modified as follows:* *Section 5.1(c) is amended by deleting the reference to "three (3) Business Days" and replacing it with "thirty (30) days;" and* *Sections 5.1(b) and 5.1(h)(i) are amended by adding the following at the end thereof: "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."* The following new "Events of Default" shall be included in Section 5.1 of the Agreement, as amended: Section 5.1 (i) is added as follows: "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)"; and Section 5.1(j) is added as follows: "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	Parallel Terms in SDG&E- Sierra Pacific
NON- PERFORMANCE/TERMINATION PENALITES: The following modifications to Article One of the EEI Agreement are offered as "Non-Performance/Termination Penalties" for the Agreement: The definition of "Gains" shall be deleted in its entirety and replaced with the following: " 'Gains' means with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction for the remaining term of such Transaction, determined in a commercially reasonable manner. Factors used in determining economic benefit may include, without limitation, reference to information either available to it internally or supplied by one or more third parties, including, without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets market referent prices for renewable power set by the CPUC, comparable transactions, forward price curves based on economic analysis of the relevant markets, settlement prices for comparable transactions at liquid trading hubs (e.g., NYMEX), all of which should be calculated for the remaining term of the applicable Transaction and include the value of Environmental Attributes." The definition of "Losses" shall be deleted in its entirety and replaced with the following: " 'Losses' means with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction for the remaining term of such Transaction, determined in a commercially reasonable manner. Factors used in determining the loss of economic benefit may include, without limitation, reference to information either available to it internally or supplied by one or more third parties including without limitation, quotations (either firm or indicative) of relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data in the relevant markets, market referent prices for renewable power set by the CPUC, comparable transactions, forward price curves based on economic analysis of the relevant markets, settlement prices for comparable transactions at liquid trading hubs (e.g. NYMEX), all of which should be calculated for the remaining term of the applicable Transaction and	**Non-Performance/Termination Penalties:** 

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
include value of Environmental Attributes." The definition of "Costs" shall be deleted in its entirety and replaced with the following: " 'Costs' means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction." The definition of "Settlement Amount" shall be adopted in its entirety as follows: "1.56 'Settlement Amount' means, with 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."	
Section 5.2 of the Agreement shall be deleted in its entirety and replaced with the following: "5.2 Declaration of Early Termination Date and Calculation of Settlement Amounts: If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party ('Non-Defaulting Party') shall have the right to (i) designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ('Early Termination Date') to accelerate all amounts owing between the Parties and to liquidate and terminate all, but not less than all, Transactions (each referred to as a 'Terminated Transaction') between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Non-defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date.	**Section 5.2:** 

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
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]
Section 5.3 through 5.5 of the Agreement shall be adopted in their entirety. For reference Section 5.3 – 5.5 are as follows: "5.3 Net Out of Settlement Amounts. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article Eight, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts shall be netted out to a single liquidated amount (the 'Termination Payment'). If the Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, if any, resulting from the termination of this Agreement, the Termination Payment shall be zero.	**Sections 5.3-5.5:** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
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. 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;	[redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
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) *Sections 8.1 through 8.3 of the EEI Agreement shall be adopted in their entirety for inclusion in the Agreement as follows:* *"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.* *(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.* *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.*	**STC 12: Credit Terms (Modifiable)** 

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
Option C: Party A may request from Party B the information specified in the Cover Sheet. *(b) Credit Assurances. If Party A has reasonable grounds to believe that Party B's creditworthiness or performance under this Agreement has become unsatisfactory, Party A will provide Party B with written notice requesting Performance Assurance in an amount determined by Party A in a commercially reasonable manner. Upon receipt of such notice Party B shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party A. In the event that Party B fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.* *(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party A plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold, then Party A, on any Business Day, may request that Party B provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold (rounding upwards for any fractional amount to the next Party B Rounding Amount) ("Party B Performance Assurance"), less any Party B Performance Assurance already posted with Party A. Such Party B Performance Assurance shall be delivered to Party A within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party B, at its sole cost, may request that such Party B Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party B's Independent Amount, if any, (rounding upwards for any fractional amount to the next Party B Rounding Amount). In the event that Party B fails to provide Party B Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.* *For purposes of this Section 8.1(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party A as if all*	[redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party B to Party A, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions. *(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party B, then Party A may require Party B to provide Performance Assurance in an amount determined by Party A in a commercially reasonable manner. In the event Party B shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.* *(e) If specified on the Cover Sheet, Party B shall deliver to Party A, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party A.* *8.2 Party B Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet and shall only apply if marked as "Applicable" on the Cover Sheet.* *(a) Financial Information. Option A: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party A's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as such Party diligently pursues the preparation, certification and delivery of the statements.* *Option B: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited*	[redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements. *Option C: Party B may request from Party A the information specified in the Cover Sheet.* *(b) Credit Assurances. If Party B has reasonable grounds to believe that Party A's creditworthiness or performance under this Agreement has become unsatisfactory, Party B will provide Party A with written notice requesting Performance Assurance in an amount determined by Party B in a commercially reasonable manner. Upon receipt of such notice Party A shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party B. In the event that Party A fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.* *(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party B plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold, then Party B, on any Business Day, may request that Party A provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold (rounding upwards for any fractional amount to the next Party A Rounding Amount) ("Party A Performance Assurance"), less any Party A Performance Assurance already posted with Party B. Such Party A Performance Assurance shall be delivered to Party B within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party A, at its sole cost, may request that such Party A Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party A's Independent Amount, if any, (rounding upwards for*	[redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
any fractional amount to the next Party A Rounding Amount). In the event that Party A fails to provide Party A Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement. *For purposes of this Section 8.2(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party B as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party A to Party B, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.* *(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party A, then Party B may require Party A to provide Performance Assurance in an amount determined by Party B in a commercially reasonable manner. In the event Party A shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.* *(e) If specified on the Cover Sheet, Party A shall deliver to Party B, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party B.* *8.3 Grant of Security Interest/Remedies. To secure its obligations under this Agreement and to the extent either or both Parties deliver Performance Assurance hereunder, each Party (a "Pledgor") hereby grants to the other Party (the "Secured Party") a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, such Secured Party, and each Party agrees to take such action as the other Party reasonably requires in order to perfect the Secured Party's first-priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early*	[redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
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." *If the parties elect as being applicable on the Cover Sheet, the following new Section 8.4 shall be added to Article Eight of the EEI Master Agreement:* To secure its obligations under this Agreement, in addition to satisfying any credit terms pursuant to the terms of Section [8.1 or 8.2] to the extent marked applicable, Seller agrees to deliver to Buyer (the "Secured Party") within thirty (30) days of the date on which all of the conditions precedent set forth in Section __ are either satisfied or waived, and Seller shall maintain in full force and effect a) until the Commercial Operation Date a [INSERT TYPE OF COLLATERAL] in the amount of $[_____], the form of which shall be determined in [the sole discretion of] [or] [by] Buyer and (b) from the Commercial Operation Date until the end of the Term [INSERT TYPE OF COLLATERAL]in the amount of $[____], the form of which shall be determined [in the sole discretion of] [or][by] the Buyer. Any such security shall not be deemed a limitation of damages."	[redacted]
STC 15: Contract Modifications (Modifiable) *"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."*	**STC 15: Contract Modifications (Modifiable)** [redacted]

Language from D.08-04-009, as amended by D.08-08-028	Parallel Terms in SDG&E- Sierra Pacific
STC 16: Assignment (Modifiable) "Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof to its financing providers and the financing provider(s) shall assume the payment and performance obligations provided under this Agreement with respect to the transferring Party provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request."	**STC 16: Assignment (Modifiable)** [redacted]
STC 18: Application of Prevailing Wage (Modifiable) To the extent applicable, Seller shall comply with the prevailing wage requirements of Public Utilities Code section 399.14, subdivision (h).	**STC 18: Application of Prevailing Wage (Modifiable)** [redacted]

E. UNBUNDLED RENEWABLE ENERGY CREDIT TRANSACTIONS

This Proposed Agreement is an unbundled Renewable Energy Credit transaction and is expected to be treated as a Category 3 product under SB2x1. In accordance with D.10-03-021, the product contracted for is the associated green attributes of existing generation

facilities (as may be verified by audit). The renewable generating units are located in California and interconnected directly to the CAISO grid.

F. MINIMUM QUANTITY (IF APPLICABLE)

As described in Part 1 of the Advice Letter the Proposed Agreement, the minimum quantity requirement set forth in D.07-05-028 has been satisfied.

G.SHORT-TERM CONTRACT (IF APPLICABLE)

The Proposed Agreements are short term contracts (24 months) but SDG&E is not seeking Fast Track approval.

H. MPR

[redacted]

I.AMFS

[redacted]

J. EMISSIONS PERFORMANCE STANDARD

Pursuant to D.07-01-039 this contract is not subject to the EPS as it is has a delivery term of less than five years.

K. PRG PARTICIPATION AND FEEDBACK

Part 1 of the Advice Letter provides a discussion of PRG briefings and feedback on the Proposed Agreement. [redacted]

[redacted]

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 negotiations between the parties and provided information in this Advice Letter to evaluate the fairness of this project's evaluation compared to other bids the 2011 RPS RFO. The Proposed Agreements were evaluated by PA Consulting Group, which was asked by SDG&E to evaluate the Proposed Agreement for the conduct of negotiations and the overall ratepayer value. PA concluded that the price of the Proposed Agreement is competitive and highly viable and that the contract merits CPUC approval. PA based its report for this contract upon its IE report for the most recently completed RFO 2011. Please refer to Appendix C for the full version of the IE Report.

PROJECT DEVELOPMENT STATUS

A. COMPANY/DEVELOPMENT TEAM

As stated in Part 1 of the Advice Letter, Sierra Pacific Industries is a privately-held family-owned forest products company based in Anderson, California. The company has decades of experience in forest-based industries and the generating facilities described in the Agreement have long operating histories of serving the associated loads of Sierra Pacific's lumber mills..

Sierra Pacific Industries is a third-generation family-owned forest products company based in Anderson, California. The firm owns and manages nearly 1.9 million acres of timberland in California and Washington, and is the second largest lumber producer in the United States.

Sierra Pacific currently operates 13 sawmills in California and Washington. Nine of these locations include biomass-fired boilers and seven on those include a steam turbine and generator combination. Boilers and steam generation are an integral part of the manufacturing process for lumber production and drying. Boilers have been operated by the company for at least the last 50 years. During that time, company management and involved supervision and maintenance personnel have developed appropriate and significant experience in the operation, maintenance, and repair of these facilities. Also, during that time, there was no change in Company ownership. Additionally, the Company has identified and adopted required regulatory changes relating to the environmental impacts of these facilities. SPI senior management is:

A.A. Emmerson - Chief Executive Officer
George Emmerson - Chief Operating Officer
Mark Emmerson - Chief Financial Officer

B.TECHNOLOGY

1. TYPE AND LEVEL OF TECHNOLOGY MATURITY.
   The TRECs from this project are from mature biomass resources that have been operational for several years.

2. RESOURCE AND/OR AVAILABILITY OF FUEL
   The Proposed Agreement is for TRECs generated in a previous year and does not require fuel.

C. DEVELOPMENT MILESTONES

1. SITE CONTROL

   Not applicable; existing facilities.

2. EQUIPMENT PROCUREMENT

   Not applicable; existing facilities.

3. PERMITTING STATUS

   Not applicable; existing facilities.

D. PTC/ITC

The TRECs under this Proposed Agreement provide no tax benefits.

E. 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

   As existing facilities, there are no required transmission upgrades.

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

   The facilities associated with the Proposed Agreements are fully constructed, interconnected and in operation.

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

   The Proposed Agreement is for TRECs and has no locational attributes.

4. **TRANSMISSION DETAILS:**

TRANSMISSION DETAILS	
QUEUE NUMBER (SPECIFY CONTROL AREA : CAISO, IID, ETC) AND RELATIVE POSITION	N/A – Already Interconnected
IF IN CAISO SERIAL GROUP, STATUS OF:	
FEASIBILITY STUDY	N/A – Completed, facilities are online
SYSTEM IMPACT STUDY	N/A – Completed, facilities are online
FACILITIES STUDY	N/A – Completed, facilities are online
IF IN CAISO CLUSTER:	
NAME OF CLUSTER	N/A – Completed
STATUS OF PHASE I AND II STUDIES	N/A – Completed
INTERCONNECTION AGREEMENT – DATE SIGNED OR ANTICIPATED	The projects are interconnected with the CAISO.
PREFERRED POINT OF INTERCONNECTION (LINE, SUBSTATION, ETC.)	The projects are and will continue to be interconnected
EARLY INTERCONNECTION DETAILS, IF APPLICABLE	NA- completed, facilities are online.
GEN-TIE TYPE (NEW LINE, RECONDUCTOR, INCREASED TRANSFORMER BANK CAPACITY, INCREASED BUS CAPACITY, INCREASED SUB AREA)	Existing/Operating Facilities
GEN-TIE LENGTH	Various
GEN-TIE VOLTAGE	Various
DEPENDENT NETWORK UPGRADE(S)	Existing/Operating Facilities
EXPECTED NETWORK UPGRADE COMPLETION DATE	None

F. FINANCING PLAN

Not applicable; the facilities associated with the proposed agreements are in operation.

G. 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.

   The Proposed Agreement scores at the maximum viability because it is a TREC purchase from existing wind farms with operating histories that do not require modifications or upgrades. No PVC is attached since the project is an existing project that is in service.

3. GENERATED GRAPHS FROM THE RPS WORKPAPERS:

The 2011 RPS Report filed on November 7, 2011. Graphs from the RPS Work papers have been completed and filed.

4. THE PROJECT'S PVC RESULTS

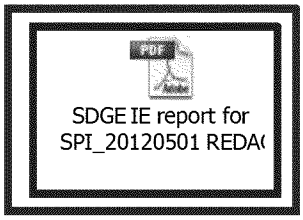
This contract is a short-term agreement with a existing facilities. Viability is 100% and no PVC was filled out for this evaluation.

Confidential Appendix B
2011 Solicitation Overview

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

Confidential Appendix C
Final RPS Project-Specific Independent Evaluator Report

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



Confidential Appendix D

Contract Summary: Sierra Pacific Industries

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

CONTRACT SUMMARY

A. SITE

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

SPI ANDERSON:
Decimal Degrees: 40.4703 °, - 122.3175 °
Degrees, Minutes, Seconds: 40° 28' . 13.2"N, 122° 19 ' 2.9"W

Project physical address: 19794 Riverside Ave, Anderson, California 96007

SPI BURNEY:
Decimal Degrees: 40.9258 °, - 121.6199 °
Degrees, Minutes, Seconds: 40° 55' . 33.0"N, 121° 37 ' 11.6"W

Project physical address: 36336 Highway 299, Burney, CA 96013

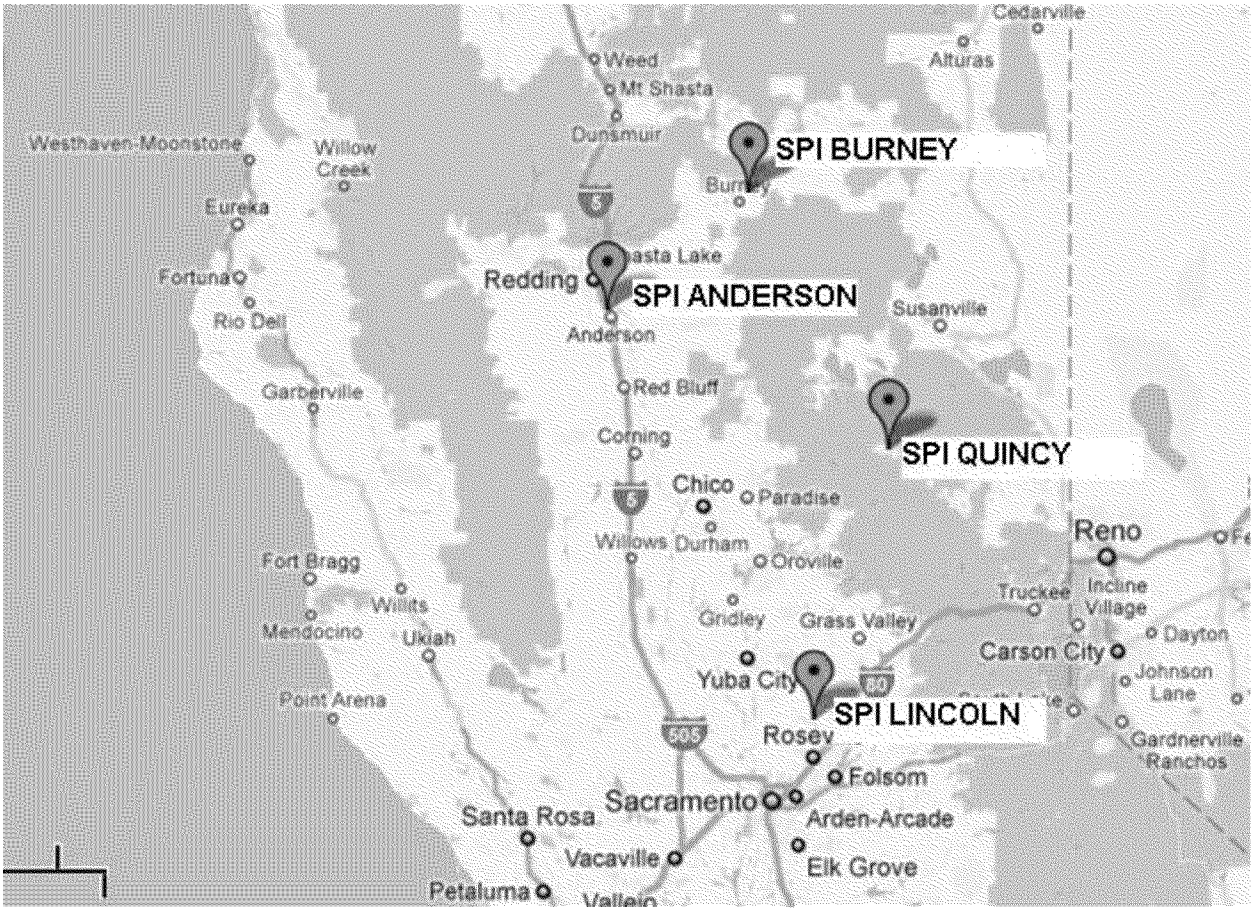
SPI LINCOLN:
Decimal Degrees: 38.8962 °, - 121.2930 °
Degrees, Minutes, Seconds: 38° 53' . 46.2"N, 121° 17 ' 34.9"W

Project physical address: 1445 Highway 65, Lincoln, CA 95648

SPI QUINCY:
Decimal Degrees: 39.9396 °, - 120.9131°
Degrees, Minutes, Seconds: 39° 56' . 22.4"N, 120° 54' 47.3"W

Project physical address: 1538 Lee Road, Quincy, CA 95971

2. GENERAL MAP OF THE EXISTING PROJECTS



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

The table in Appendix G (below) sets forth the Agreement's contribution to SDG&E's APT and IPT goals on a percentage basis. The Agreement contributes [redacted] toward fulfillment of SDG&E's RPS obligation.

C. TERMS AND CONDITIONS OF DELIVERY

1. THE POINT OF DELIVERY FOR THE PROJECT'S ENERGY AND THE SCHEDULING COORDINATOR.

   This is a Green Attribute contract only, the point of delivery for the TRECs is into SDG&E's WREGIS account.

2. 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.

No firming and shaping is required since the Agreement is for TRECs/Green attributes only that have been generated from in-state facilities and the energy has already been delivered to the CAISO.

D. Major Contract Provisions

1. Major contract provisions are summarized in the the matrix below.

Term/Condition	RPS Contract
Type of Purchase (Renewable, renewable/conventional hybrid, etc.)	RENEWABLE-Green Attributes/Renewable Energy Credits
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, PTC deadlines, etc.)	[redacted]
Firming/Shaping Requirements	[redacted]
Expected Payments	[redacted]

TERM/CONDITION	RPS CONTRACT
SCHEDULING COORDINATOR	[redacted]
ALLOCATION OF CAISO (OR OTHER CONTROL AREA) CHARGES	[redacted]
ALLOCATION OF CONGESTION RISK	[redacted]
PROJECT DEVELOPMENT SECURITY	[redacted]
DAILY DELAY DAMAGES	[redacted]
SELLER-REQUIRED PERFORMANCE	[redacted]

TERM/CONDITION	RPS CONTRACT
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 PROVISIONS	[redacted]
NO FAULT TERMINATION	[redacted]
SELLER'S TERMINATION RIGHTS	[redacted]
UTILITY'S TERMINATION RIGHTS	[redacted]

TERM/CONDITION	RPS CONTRACT
RIGHT OF FIRST REFUSAL OR RIGHTS OF FIRST OFFER	[redacted]

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

None.

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

E. CONTRACT PRICE

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

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

.

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

[redacted] FLAT PRICING: [redacted]

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

OTHER:
[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.

There are no characteristics of the project that are expected to change the levelized contract price.

6. FOR BIOMASS PROJECTS:

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

The TRECs under the Proposed Agreement are from a previous year's generation and do not depend on biomass fuel.

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

The TRECs under the Proposed Agreement are from a previous year's generation and do not depend on biomass fuel.

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

The TRECs under the Proposed Agreement are from a previous year's generation and do not depend on biomass fuel.

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

The TRECs under the Proposed Agreement are from a previous year's generation and do 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.

There are no indirect costs associated with the Proposed Agreement.

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

The project does not have indirect expenses built into the contract price.

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

The project does not have indirect expenses built into the contract price.

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.)

The project is not an out-of-state contract in which the energy will be firmed and shaped.

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 +	[redacted]	[redacted]

FIRMING AND SHAPING)		[redacted]
LEVELIZED MPR	$69.31	Base 2011 MPR for 2012, 5-yr term
LEVELIZED TOD-ADJUSTED MPR	[redacted]	[redacted]
ABOVE-MPR COST ($/MWH)	[redacted]	
TOTAL SUM OF ABOVE-MPR PAYMENTS ($)	[redacted]	[redacted]

*The values shown here are for comparison and compliance purposes only. The Sierra Pacific facilities have already delivered the underlying energy It should not be inferred from the above that acceptance or rejection of the Proposed Agreement will result in incremental additions or reductions of future costs or delivery volumes of energy to SDG&E or other parties.

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

[redacted].

12. GRAPHS FROM THE RPS WORKPAPERS:

There are no graphs from the 2011 RPS Report that require inclusion in this advice letter, based upon guidance from Energy Division staff as of November 7, 2011.

13. HOW THE CONTRACT PRICE COMPARES WITH THE FOLLOWING:

a. **OTHER BIDS IN THE SOLICITATION,**

[redacted]

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

[redacted]

c. **RECENTLY EXECUTED CONTRACTS**

[redacted]

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

[redacted]

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

[redacted]

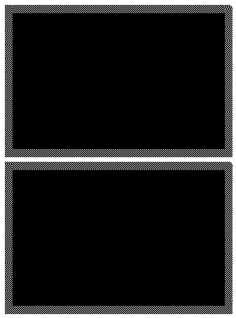
[redacted]

Confidential Appendix E

GREEN ATTRIBUTE PURCHASE AND SALE AGREEMENTS

SIERRA PACIFIC INDUSTRIES

THE FILES ATTACHED BELOW ARE COPIES OF THE GREEN ATTRIBUTE PURCHASE AND SALE AGREEMENTS



Confidential Appendix F

Project's Contribution Toward RPS Goals

Project Name	Technology	COD	Location
Sierra Pacific	Biomass	On-line	Northern California
[redacted]			

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

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

THE PROJECT IS NEW TO SDG&E. THEREFORE, THE FOLLOWING TABLE IS NOT APPLICABLE AS IT IS NOT AN EXPIRING CONTRACT.

	DELIVERIES (GWH/YR)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EXPIRING CONTRACTS	0	0	0	0	0	0	0	0	0	0	0
EXPIRING DELIVERIES FROM PROPOSED PROJECT	0	0	0	0	0	0	0	0	0	0	0
UPDATED EXPIRING CONTRACTS	0	0	0	0	0	0	0	0	0	0	0

Confidential Appendix G

Up-Front Showing Requirements for Category 3 Products

Up-Front Showing for Category 3 Products – Unbundled RECs

Category 3 Criteria – Unbundled RECs	Explanation of How Product Meets Criteria
1. If signed prior to 12/31/13, levelized price does not exceed $50/REC.	[redacted]
2. Show RECs originally associated with RPS-eligible generation.	Attached below this table are the WREGIS account balances showing the RECs associated with the RPS-eligible generation.
3. Describe procurement with enough particularity that CPUC can determine it is not likely to meet 399.16(b)(1-2) criteria	As shown in Part 2 of this Advice Letter, the Product under the Agreement consists entirely of unbundled RECs that were generated at CEC-qualified facilities in a previous year. Section 399.16(b)(3) explicitly states: "Eligible renewable energy resource electricity products, or any fraction of the electricity generated, **including unbundled renewable energy credits**, that do not qualify under the criteria or paragraph (1) or (2)."
4. Provide sufficient information to determine it is reasonably likely procurement will fall within product percentage limitations .	[redacted]
5. Risk of actual deliveries not qualifying for expected product category	The Product under this Agreement does not qualify as either Category 1 or Category 2 transactions, as the defining paragraph of Category 3 in Section 399.16(b)(3) explicitly states that unbundled renewable energy credits are to be considered as a Category 3 product.

[redacted]

Value Analysis

	Expected Product Category	**Other Product Category**
Price Value, $/MWh	The value of the product as Category 3 is reflected by the Levelized Contract Cost.	The product has no value as Category 1 or 2 because the contract does not contemplate the purchase of the product if it does not meet Category 3 criteria as described in the table above.
RPS Compliance Value, including: 1. Impact to product percentage limits 2. *Others?*	[redacted]	[redacted]

San Diego Gas & Electric Advice Letter 2357-E
May 10, 2012

Public Version of the Project Specific IE Report

San Diego Gas & Electric Co.

Report of the Independent Evaluator on the Sierra Pacific Industries Renewable Energy Credit contract selected in the 2011 Request for Offers from Eligible Renewable Resources (2011 Renewable RFO)

May 1, 2012

San Diego Gas & Electric Co.

Report of the Independent Evaluator on the Sierra Pacific Industries Renewable Energy Credit contract selected in the 2011 Request for Offers from Eligible Renewable Resources (2011 Renewable RFO

May 1, 2012

Prepared by:

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Version: 1.0

FOREWORD

This is PA Consulting Group's Independent Evaluator (IE) Report analyzing a contract between San Diego Gas & Electric Company (SDG&E) and Sierra Pacific Industries (SPI) for 2010-vintage Renewable Energy Credits (RECs). The contract covers 102,000 biomass RECs generated in 2010 at four California sawmills. The associated null energy has been consumed behind-the-meter by the sawmills, with any excess power sold to PG&E and other utilities; SDG&E would receive only the unbundled, or "tradeable", RECs (TRECs), which would be transferred between the seller's and buyer's WREGIS accounts upon approval by the CPUC. The TRECs were originally 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 b idders and was the solicitation robust?

"2. Was the IOU's LCBF methodology designed such th at 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 choi ces 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

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

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

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

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

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).

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

PA was provided access to all the SDG&E staff involved in the evaluation of the Renewables RFO. 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 877 email addresses, associated with 655 separate organizations, to which it sent the RFO. Some of those addresses are consultants probably not working with any particular bidder. In addition, SDG&E publicized the RFO with a press release and notices appeared in *Platt's MW Daily* and *California Energy Markets*.

2.3 SOLICITATION ROBUSTNESS

PA judges the robustness of the solicitation by the number of bids received. In PA's opinion, the solicitation engendered a robust response. [redacted]parate organizations responded to the solicitation with a total of 418 project proposals having [redacted]ng options. That is time[redacted] as many projects, and [redacted]es 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. 53 project proposals were submitted from the SPL area, with 153 pricing options, from a total of 31 separate 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] included one 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. For example, section 4.10 references the [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. 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.

[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 SELE CTION

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 informa tion 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 quantitat ive 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 consisten t 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 crite ria 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 m easures will be considered and be consistent with an overall metric.
- The approach should not be biased for or against s pecific 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.

The next five subsections describe the four numbered components of the Bid Ranking Price listed above. SDG&E abandoned the [redacted] The sixth subsection addresses the reasonableness of those changes; we address the appropriateness of the NTLT adder in section 3.2.5.

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

[12] San Diego Gas & Electric Company, *2011 Renewables Procurement Plan Compliance Filing* , May 4, 2011, Appendix C, p. 3.

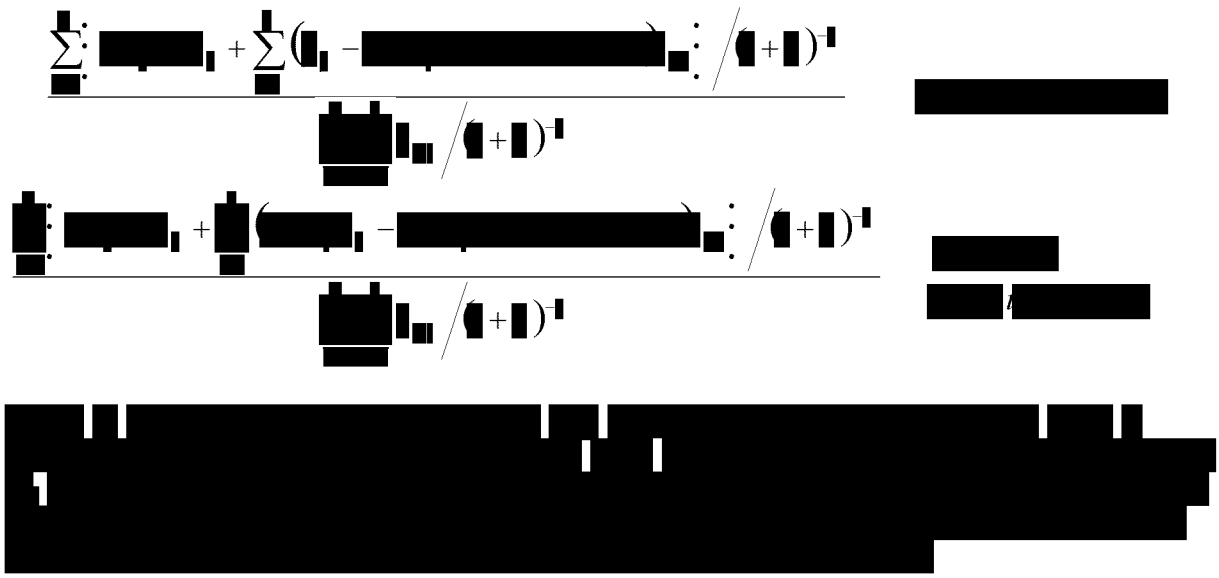
3.2.1 Above market cost (AMC)

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.

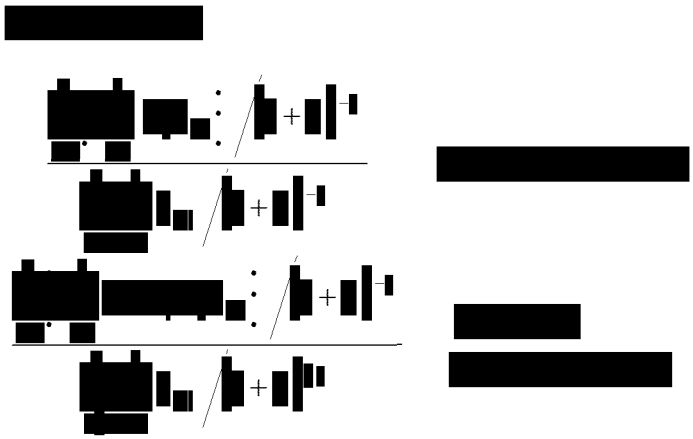
Bidders were able to specify a uniform contract price throughout the year, or a price that was adjusted by TOD factors. The difference between contract payment and the weighted MPR was volume-weighted and levelized to produce this component of the ranking costs. The following equation describes the computation:

AMC =



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.



3.2.2 Estimated costs of transmission network upgrad es or additions

For offers for new projects or projects proposing to increase the size of existing facilities, SDG&E's model calculated costs for transmission network upgrades or additions, using the information provided through the TRCRs. SDG&E considered [redacted]. PA therefore recommended that the interconnection study cost estimates, which are really upper bounds on interconnection costs, were not appropriate for use for comparative evaluation. On the other hand, the TRCRs themselves were over 18 months old, having been submitted in January, 2010 -- there was no really good source of transmission upgrade cost information.

If a bidder identified the cluster to which a project belonged, the transmission cost [redacted]

3.2.3 Estimated congestion costs

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined [redacted] PA agreed that it was reasonable for SDG&E's transmission planning group

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

[redacted]

3.2.4 Deliverability adder

The deliverability adder represents the amount by which the avoided [redacted]

In previous years SDG&E had used [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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

These rules imply that a plant in California that does not have a full deliverability interconnection provides

3.2.5 Near Term Long Term (NTLT) adder

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

- The *nominal need*, based on the assumption that all signed contracts succeed, was
- The *probability-weighted need*, which assigns a nonzero failure probability to contracted plants not yet operational, was
- The *contingent need*, based on adding a

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

On the other hand, SDG&E already had a number of additional contracts with plants slated to come on line after 2013, even though some of those contracts had not yet been approved by the CPUC.

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

SDG&E defined a Near-Term Long-Term (NTLT) adder, which would only be added to the bid ranking prices of contracts delivering in CP1, by first For a given offer, the adder

[redacted]

Effectively the adder scales with contract cost – [redacted]

This adder was the cause of considerable discussion in SDG&E's PRG. We believe that part of that discussion was just due to the confusing name of the adder, which is why we prefer to call it a [redacted]

[redacted]

a. PRIORITY ON CP1 NEED

In constructing its shortlist, SDG&E first selected enough bids to cover its projected renewables need in [redacted]

This is a reasonable approach. [redacted]

b. OUT-YEAR IMPACTS OF FILLING CP1 NEED

SDG&E believes that renewable energy prices from plants with online dates of [redacted] The assumption may be incorrect but it still behooves SDG&E to allow for the possibility that prices [redacted].

On the other hand, SDG&E faces a significant need in [redacted]

[redacted]
coming online after 2013, and would lose the opportunity to capture [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.

c. STRUCTURE OF THE [redacted]

The [redacted]

[redacted]

[redacted]
The penalty cost for failing to meet RPS targets is $50/MWh; although it is paid by shareholders and not ratepayers it is still a good indication of the value of meeting RPS targets. Therefore, SDG&E subtracted from each [redacted]

Members of the PRG [redacted]

Upon further reflection we believe that the attribution of the [redacted] for all contracts. [redacted]
that were eliminated for qualitative reasons anyway.

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[16] [redacted]

3.2.6 Changes from the 2009 LCBF model

a. MPR AS A MEASURE OF VALUE

In previous RFOs, SDG&E's bid evaluation method did [redacted]

The "[redacted] price" method is an example of a practice that PA would not have employed, but which is a reasonable approximation. [redacted]

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

b. ABANDONMENT OF DURATION EQUALIZATION METHOD

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

It is often difficult to compare contract alternatives with different durations or starting dates. If two contracts have equal duration, but one starts (say) a year later than the other, then the later contract ought to have higher prices. Alternatively there is no obvious way to compare a [redacted]

In past Renewables RFOs, SDG&E used a "duration equalization" approach to handle start and end effects. All contracts were put on an equal term basis by using an early start date (in principle, the earliest start date over all bids) and a late end date (in principle, the latest end date over all bids). The "pricing" for each contract prior to its start date and after its end date was based on a proxy. In earlier years the proxy was a value computed using the CPUC's MPR methodology applied to contemporary cost assumptions. For the 2009 RFO, [redacted]

In the 2011 RFO SDG&E [redacted] Many people do believe that the cost of renewable power will come down in the next decade but we consider it unlikely that it will match the cost of conventional power absent a carbon tax. On the other hand it is also unlikely that the value of renewability would be $50/MWh (the RPS penalty cost), and [redacted] probably a more reasonable value.

c. COMPUTATION OF DELIVERABILITY ADDER

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

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

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

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

"2. Evaluation of portfolio fit. This should include evaluating how a project meets the IOU's RPS generation need for each compliance period under SB 2. Did the IOU 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 [redacted]

We will address the points above in turn.

3.3.1 Market valuation

The LCBF model accounted for both price and value of projects. Both energy and deliverability value were taken into account, by first subtracting [redacted]

The MPR model produces proxy costs that depend on the year in which a project comes online, so that a project with a [redacted] PA suggests that SDG&E convert the MPR costs into a stream of subperiod price proxies that do not depend on commercial online dates.

SDG&E's method [redacted]

3.3.2 Evaluation of portfolio fit

It is clear from the explanation in the template that by "portfolio fit" the CPUC [redacted] We reviewed SDG&E's probabilistic determination of its need by compliance period and we consider it to be reasonable. SDG&E estimated success [redacted], and appears to have been conservative in doing so.

SDG&E determined [redacted] The need analysis rests on [redacted] We cannot judge whether SDG&E is right in that, although the lack of disagreement from the [redacted].

Because of that need judgment, [redacted] All these actions are reasonable.

SDG&E's shortlist includes [redacted] Although photovoltaics have gone down in price, [redacted]

3.3.3 Evaluation of bids with various sizes, in-serv ice dates and contract lengths

Once the bids had been ranked by the LCBF model, SDG&E chose bids for its shortlist. [redacted] SDG&E's rule of thumb is a reasonable response.

[redacted]

3.3.4 Evaluation of bids' transmission costs

The transmission upgrade cost estimation was based on [redacted] At this point we have no suggestion for improvement.

3.3.5 Evaluation of bids' project viability

As a general rule, SDG&E did not consider [redacted] This is consistent with the behavior that PA has observed in the past: [redacted]

[redacted]

- SDG&E did not shortlist bids for [redacted] technology risk (immaturity) and experience with local opposition to development
- SDG&E did not shortlist an otherwise [redacted]
- SDG&E [redacted]
- [redacted]

All these cases were reported to the [redacted]

The Project Viability Calculators were [redacted]

Figure 1 shows the bidders' submitted scores as well as PA's recomputed scores for those [redacted]

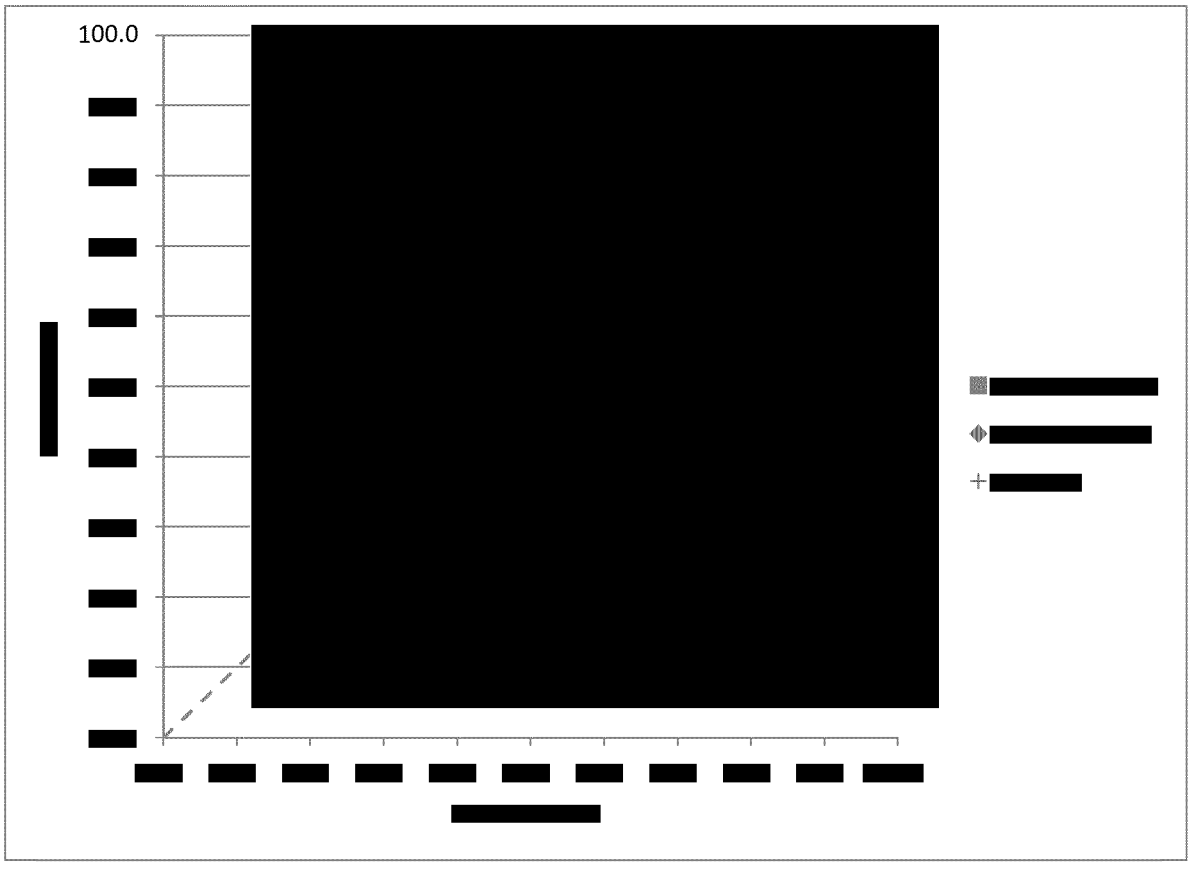

Figure 1. Project Viability Calculator Scores

3.4 FUTURE IMPROVEMENTS

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

PA has noted several potential improvements to the LCBF evaluation.

1. The use of the CPUC's MPR model to provide estimates of energy and capacity value is an improvement over past LCBF evaluations.
2. The model PPA for the 2011 was changed from previous years by explicitly

3. The LCBF model is [redacted]

4. The duration equivalence scheme was abandoned for good reason, but [redacted]

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 PROCES S

"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 th e identity of the bidder?

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

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

"4. Was the economic evaluation of the bids fair an d consistent?

"5. Was there a reasonable justification for any fi xed 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-affili ate?
- Were bidder questions answered fairly and consiste ntly and the answers made available to all?
- Did the utility ask for "clarifications" that prov ided the bidder an advantage over others?
- Were bids given equal credibility in the economic evaluation?
- Was the procurement target chosen so that SDG&E wo uld 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 [redacted] 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 [redacted]

In particular, because several bidders had [redacted]

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

4.4 PARAMETERS AND INPUTS FOR SDG&E'S ANALYSIS

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

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

4.5 PARAMETERS AND INPUTS FOR OUTSOURCED ANALYSIS

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

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

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined by a study conducted by SDG&E's transmission function. PA and SDG&E's procurement group discussed the locations and delivery profiles to be communicated to the transmission function for this analysis.

4.6 TRANSMISSION ANALYSIS

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

For offers for new projects or projects proposing to increase the size of existing facilities, the model calculated costs for transmission network upgrades or additions, using the information provided through the TRCRs. PA identified clusters for projects whose bids did not contain that information. Projects outside of the California ISO were expected to have internalized the cost of transmission to the ISO, as well as the cost of required transmission upgrades outside the ISO, into their bid price; they could still be assigned additional upgrade costs within California based on the TRCRs. The transmission analysis is described in 3.2.2 and 3.3.4 above.

4.7 ADDITIONAL MEASURES

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

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

[redacted]

[redacted]

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 [redacted]

Prior to the receipt of bids, PA asked SDG&E for the [redacted]. PA did not object.

4.8.2 Concentration risk

[redacted]

SDG&E decided this represented concentration risk and [redacted]

Consideration of concentration risk [redacted]

4.9 RESULTS ANALYSIS

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

"a. Discuss any problems and solutions

"b. Identify specific bids if appropriate

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

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

"e. Other

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

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

4.9.1 Interactions between PA and SDG&E during bid e valuation

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

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

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

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

b. ACCEPTANCE OF LATE BIDS

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

c. TECHNICAL POINTS OF BID EVALUATION

PA and SDG&E evaluated the bids separately. [redacted]. 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:

- [redacted]
- PA did not agree that SDG&E's initial proposal for [redacted] SDG&E changed its approach to agree with PA's.
- SDG&E argued that PA had assigned [redacted] PA reviewed the TRCR report, decided that SDG&E was correct, and revised its assignment.
- PA and SDG&E disagreed on whether the [redacted] -- 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 [redacted]. 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.

PA considered the important issue to be whether these bilateral portfolio bidders had sought or would receive any inappropriate advantage relative to those bidders who had gone through the RFO. It seemed clear that their advantage would be that they had been able to observe and account for market developments that the RFO bidders had not. But, the RFO bidders [redacted] In the LTPP process the CPUC has recognized the difference between short-term (portfolio) contracts and longer-term (unit-specific) by encouraging the use of RFOs for longer-term contracts while allowing ongoing rule-based procurement of shorter-term contracts. PA decided that it was reasonable to consider the bilateral bids. As an aside, PA remarked that SDG&E should consider [redacted]

Some [redacted] disagreed with the consideration of the short-term contracts. PA noted two major objections:

1. [redacted]
2. Bilateral contracting around the RFO process [redacted]

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

b. [redacted]

[redacted]

SDG&E also received a [redacted] doesn't represent it well; furthermore BP did not have a complete fuel supply plan).

PA urged SDG&E to accept the bid because [redacted]

Several members of the [redacted]

At the [redacted]

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] into the RPS RFP. The bid had a better ranking price than [redacted]

5. FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS

SPI bid the 2010-vintage TRECs from four of its Californa sawmills into SDG&E's 2011 Renewables RFO. SDG&E chose to shortlist the bid.

PA has followed the negotiations through review of contracts and SDG&E's reports to its Procurement Review Group (PRG). PA determined that since there was no affiliate relationship it would be sufficient for PA to discuss the progress of negotiations with SDG&E and to review any negotiation products.

TRECs were bid into the RFO at an offer price of [redacted]

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 PRG (several of which included discussion of SPI). 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).

The contract being reviewed in this report is the [redacted] between SDG&E and SPI, as executed on [redacted]. The transaction is governed by the [redacted] PA also received a [redacted] but the review herein is based on the execution draft.

The negotiations with SPI for this contract were fair, as far as PA can tell.

5.3 TERMS AND CONDITIONS

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

The terms and conditions featured in the agreement are fairly standard, which is not surprising given the relative straightforwardness of a transaction involving a WREGIS transfer of a known quantity of pre-existing RECs. Terms and conditions worth highlighting include:

- Conditions Precedent to achieve, by September 15, 2012:

1) CPUC approval

2) California Energy Commission approval. CEC approval would reflect a determination in *Renewable Portfolio Standard Eligibility, 5th Edition,* that the RECs being purchased are RPS eligible. SDG&E expects the final version of this guidebook to be published in the very near future. It is expected to confirm the eligibility of the SPI RECs, but this CP protects SDG&E in the event that it does not.

- Contract price of [redacted]

5.4 RELATION TO OTHER NEGOTIATIONS

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

We have no information to indicate that SPI was given any specific directions or information that would have been useful to another bidder.

5.5 ADDITIONAL ISSUES

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

PA has nothing further to add to this chapter.

6. PROJECT-SPECIFIC RECOMMENDATION

PA recommends that the CPUC approve this contract. It is priced [redacted]

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."

As a TREC deal, the CPI contract terms [redacted] The majority of the shortlisted projects were bundled REC plus energy deals, and thus feature very different RPS compliance implications. [redacted] The only appropriate comparisons are other TREC deals.

SPI's original bid of [redacted]

CA RPS (Bucket 3) -- REC Karbone Report – December 30, 2011		
	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

PA observed that the [redacted]

CA RPS (Bucket 3) -- REC Karbone Report – April 20, 2012		
	Bid	Ask
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

[redacted]

PA believes that the transaction costs incurred in doing so, as well as the risk of under procurement, are significant enough to merit approval of this deal at [redacted].

There is no Project Viability Calculator for this contract. The RECs have been generated and are available to be transferred to SDG&E's WREGIS account within days of receiving CPUC approval.

6.2 RECOMMENDATION

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

PA agrees that this contract merits approval. It will help SDG&E move closer to meeting its compliance period 1 renewable compliance goals. The contract price, [redacted] The SPI transaction involves a known quantity of RECs that can be transferred immediately following CPUC approval, and in the end may provide volumes that could not be effectively acquired through the broker market.

6.3 ADDITIONAL ISSUES

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

PA has nothing else to add to this chapter.