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June 14 2013

ADVICE LETTER 2491-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: REQUEST FOR APPROVAL OF BUNDLED ENERGY SALES WITH THE CITY OF SANTA CLARA DBA SILICON VALLEY POWER

I. INTRODUCTION

A. PURPOSE OF THE ADVICE LETTER

San Diego Gas & Electric Company ("SDG&E") seeks approval from the California Public Utilities Commission (the "Commission" or the "CPUC") for the following transaction:

Confirmation Letter dated May 20, 2013 with the City of Santa Clara dba Silicon Valley Power ("SVP"), which incorporates the terms of the Western Systems Power Pool (WSPP) version date March 3, 2013 (the "WSPP Agreement"). Under this transaction, SDG&E is the seller of 150,000 MWh bundled renewable electricity and green attributes. This short-term proposed contract between SDG&E and SVP (the "Proposed Agreement") is for a four month term and involves delivery from any of a number of listed facilities which are wind, solar, biomass, biogas and/or geothermal operating California facilities. All of the facilities listed in the Proposed Agreement have been previously included in CPUC-approved SDG&E Advice Letters and are in SDG&Es current Renewable Portfolio Program ("RPS") Portfolio. The Proposed Agreement establishes aninitial delivery date of the later of (a) CPUC approval or (b) September 1, 2013.

This transaction will help facilitate SDG&E's satisfaction of its procurement requirement under California's RPS program, especially in Compliance Period 1, at lower costs to its ratepayers as it optimizes value across compliance categories. SDG&E has entered into the Proposed Agreement on reasonable terms, as set forth in more detail below. The revenues, net of costs, from this transaction will be credited to SDG&E's customers via SDG&E's Energy Resource Recovery Account ('ERRA"), thereby helping to reduce overall procurement costs as well as the costs of the RPS program. As set forth in greater detail in Part 2 of this Advice Letter, the Proposed Agreement provides greater value to SDG&E's customers than other options available to SDG&E for optimizing its RPS portfolio.

B. SUBJECT OF THE ADVICE LETTER

1. **PROJECT NAME**: Various projects certified by the California Energy Commission ("CEC") that are part of SDG&E's portfolio as being RPS-eligible located throughout California ("Projects") as follows:

Name of Facility	Resource	Location	CEC RPS ID	Host Balancing Authority
Blue Lake Power, LLC	Biomass	Humboldt, CA	60690A	CAISO
Calpine Geysers	Geothermal	Sonoma & Lake County, CA	60002A 60003A 60004A 60005A 60006A 60007A 60008A 60009A 60012D 60013D 60014C 60015C 60016C	CAISO
Coram Energy, LLC	Wind	Tehachapi, CA	60376E	CAISO
AES Delano Inc.	Biomass	Delano, CA	60431A	CAISO
Catalina Solar, LLC.	Solar PV	Kern County, CA	61590C	CAISO
–Sycamore Landfill	Biogas	Santee, CA	60886A	CAISO
Mountain View III	Wind	Riverside County, CA	60430A	CAISO
Phoenix West	Wind	Riverside County, CA	60445A	CAISO
Kumeyaay Wind Energy Facility	Wind	Boulevard, CA	60432A	CAISO
Manzana Wind	Wind	Tehachapi, CA	61671C	CAISO

Mesa Wind Farm	Wind	Riverside County, CA	60370A	CAISO
MM Prima Deshecha Energy, LLC.	Biogas	San Juan Capistrano, CA	60552A	CAISO
Borrego PV Solar I	Solar PV	Borrego Springs, CA	61211C	CAISO
Oasis Power Partners, LLC	Wind	Mojave,CA	60489A	CAISO
Covanta Otay 3 Company	Biogas	Chula Vista, CA	60571A	CAISO
Pacific Wind, LLC	Wind	Tehachapi, CA	61555C	CAISO
Ocotillo Wind Energy Facility	Wind	Imperial Valley, CA	61400C	CAISO
Rancho Penasquitos	Conduit Hydro	San Diego, CA	60470A	CAISO
FPL Energy Green Power Wind LLC	Wind	Palm Springs, CA	60443A	CAISO

2. <u>TECHNOLOGY (INCLUDING LEVEL OF MATURITY)</u>: The Projects that the Category 1 energy and RECs are being sold from consist of various renewable technologies including: biomass, biogas, and geothermal renewable resources – all mature and proven technologies.[1]

3. <u>GENERAL LOCATION AND INTERCONNECTION POINT:</u> The Projects are all located within California and are all interconnected with the California Independent System Operator ("CAISO") grid.

4. <u>OWNER(S) / DEVELOPER(S)</u>:

   a. **Name(s):** The owners of the Projects are listed above.

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

   The owners of the facilities providing the bundled renewable energy and RECs are all limited liability companies.

1 *See* Pub. Util. Code § 399.16(b)(1)(A).

The Proposed Agreement is with the City of Santa Clara dba Silicon Valley Power (SVP). SVP is the municipal electric utility serving the City of Santa Clara, California, and is an enterprise of the residents of the City of Santa Clara established in 1896. As a not-for-profit Publicly Owned Utility, SVP owns power generation facilities, has investments in joint ventures that produce electric power, and trades power on the open market. These efforts are directed toward ensuring its retail customers a reliable source of electric power.

c. **Business Relationships between seller/owner/developer:**

The renewable energy and green attributes to be delivered to SVP under the Proposed Agreement consist of bundled renewable generation from in-state facilities that were originally to be delivered to SDG&E pursuant to Commission-approved PPAs with various developers.

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

All of the facilities involved in the Proposed Agreement are fully operational.

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

The Proposed Agreement was the result of bilateral discussions and negotiations between the parties and not part of a request for offers ("RFO") process.

C. GENERAL PROJECT(S) DESCRIPTION

Counterparty Name(s)	Silicon Valley Power
Technology	See above
Capacity Factor	N/A
Expected Generation (GWh/Year)	150 GWh in 2013
Initial Commercial Operation Date	Projects are all operational
Date Contract Delivery Term Begins	September 1, 2013
Delivery Term (Years)	4 months
Vintage (New/Existing/Repower)	Existing
Location (City and State)	All located in state California (see listing in Section I.B.1 above for specific locations)
Control Area (e.g., CAISO, BPA)	CAISO

Type of Cooling, if Applicable	Cooling tower water (geothermal only)

D. PROJECT LOCATION:

1. GENERAL MAP OF THE GENERATION FACILITIES LOCATION.

Due to the number of locations a map is not be feasible.

2. FOR NEW FACILITIES DESCRIBE FACILITIES CURRENT LAND USE.

N/A – all existing projects.

E. GENERAL DEAL STRUCTURE

DESCRIBE GENERAL CHARACTERISTICS OF CONTRACT.

SDG&E will sell to SVP bundled renewable energy over a 4-month period (September 1, 2013 – December 31, 2013). The energy will come from a portfolio of in-state, CEC-certified eligible renewable energy resources ("ERRs") that are already commercially operational. The portfolio is deep enough that SDG&E can firm the annual quantities at a flat, hourly rate of delivery. SDG&E will deliver 150,000 MWh during the delivery term ending December 31, 2013. The delivery point is the SP-15 EZ Gen Hub, and the method of contracting is a Confirmation Letter under the WSPP Agreement.

F. 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 Agreement involves renewable resources that will generate clean energy with zero fuel costs, will create zero need for foreign fuel imports and will produce little, if any, GHG emissions directly associated with energy production. In addition, the Proposed Agreement will help SDG&E to maintain a balanced energy generation portfolio.

G. CONFIDENTIALITY

CONFIDENTIAL TREATMENT OF SPECIFIC MATERIAL IS BEING REQUESTED. THE INFORMATION AND REASON(S) FOR CONFIDENTIAL TREATMENT IS CONSISTENT WITH THE SHOWING REQUIRED BY D.06-06-066, AS MODIFIED BY D.08-04-023.

SDG&E requests that Part 2 of this Advice Letter filing, Confidential Appendices A through G, which contain confidential information such as contract terms, contract analysis, SDG&E's net short position, and other information specifically protected by D.06-06-066, as modified by subsequent decisions, be kept confidential by the Commission. The confidential material is not found in Part 1, the public version of the filing. This request for confidential treatment is supported by an accompanying Declaration.

II. CONSISTENCY WITH COMMISSION DECISIONS

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

A. RPS PROCUREMENT PLAN

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

The Commission issued D.12-11-016, its Decision Conditionally Accepting SDG&E's 2012 Renewables Portfolio Standard Procurement Plans and Integrated Resource Plan Off-Year Supplement on November 8, 2012. In compliance with the direction set forth in this decision, SDG&E filed a revised version of its plan (the "2012 RPS Plan") to incorporate changes required by the Commission and to initiate the 2012 RPS solicitation process.[2] 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 December 10, 2012 SDG&E issued the 2012 RPS RFO.

D.12-11-016 makes clear that sale of excess RPS products through bilateral contracts is permitted.[3] SDG&E's approved 2012 RPS Plan states that SDG&E will enter into bilateral sales to optimize the value of its RPS portfolio.[4] All revenues received under the Proposed Agreement will be credited to the benefit of SDG&E's customers, consistent with the RPS Legislation.

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

As discussed in its 2012 RPS Plan, SDG&E intends to meet Compliance Period 1 ("CP1") goals by maintaining a 20% on average renewables procurement level in 2011, 2012, and 2013.[5] Based on deliveries from SDG&E's current portfolio of executed contracts, before and after applying any risk adjustment, SDG&E would be able to meet CP1 requirements without additional procurement. Because of project development uncertainty, fluctuating retail sales levels, and other variables discussed in the 2012 RPS Plan,[6] RPS procurement practices must include a margin of over-procurement. In an effort to mitigate the impact of over-procurement to customers, SDG&E's 2012 RPS Plan allows for the sale of energy and/or green attributes to other entities,[7] as well as transactions that optimize the relative value of different product categories across compliance periods.[8] The 2012 RPS Plan allows SDG&E to sell excess RPS products from the mid-to-late 2013 period bilaterally.

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).

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2 San Diego Gas & Electric Company 2012 Renewable Portfolio Standard Procurement Plan Compliance Filing, filed in R.11-05-005 on November 29, 2012.

3 D.12-11-016, *mimeo*, p. 61.

4 *Id.* at p. 9.

5 2012 RPS Plan, p. 11.

6 *Id.* at pp. 3 – 8.

7 *Id.* at p. 9.

8 *Id.* at p. 4.

The Proposed Agreement is for the sale of bundled Category 1 renewable energy and RECs in 2013. The Proposed Agreement is consistent with SDG&E's 2013 portfolio needs and selling bundled energy and green attributes allows SDG&E to flexibly manage its RPS compliance position while securing ratepayer benefits. For details on SDG&E's RPS procurement needs for CP1, please refer to Appendix B.

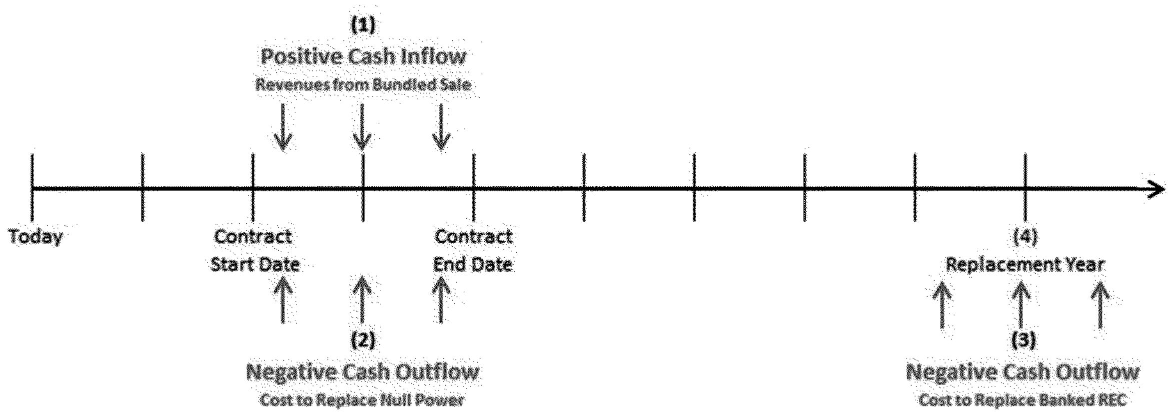
The Proposed Agreement is competitive with recent offers to sell bundled Category One energy and RECs received by SDG&E in its most recent solicitation, and provides benefits to SDG&E customers by helping to optimize SDG&E's RPS portfolio and reduce overall RPS compliance costs.

4. **DESCRIBE THE PROJECT CHARACTERISTICS SET FORTH IN THE SOLICITATION, INCLUDING THE REQUIRED DELIVERABILITY CHARACTERISTICS, ONLINE DATES, LOCATIONAL PREFERENCES, ETC. AND HOW THE PROJECT MEETS THESE REQUIREMENTS.**

In accordance with its 2012 RPS Plan, SDG&E has negotiated the Proposed Agreement bilaterally, and has compared them to the most recent solicitation data and other applicable market data.

5. **FOR SALE CONTRACTS, PROVIDE AN ANALYSIS THAT EVALUATES SELLING THE PROPOSED CONTRACTED AMOUNT VS. BANKING THE RECS TOWARDS FUTURE RPS COMPLIANCE REQUIREMENTS (OR ANY REASONABLE OTHER OPTIONS)**

In its analysis, SDG&E considered (1) revenue realized from the sale of renewable power, (2) the replacement cost of null power at the time of delivery coincident with the sale, (3) the replacement cost of any banked RECs that had been carried forward as a result of procurement in excess of the annual RPS targets, and (4) the year in which SDG&E's RPS procurement position (after banking) is less than the RPS procurement target. SDG&E compared the revenue realized from the sale in present day to the cost of replacing the RECs in the RPS replacement year. SDG&E then conducted a series of sensitivity studies using the Net Present Value ("NPV") valuation method to determine the value of the sale. SDG&E discounted the cash flow stream at its approved cost of capital to determine the validity and resilience of the results by which the decision was made to execute these transactions.



B. **BILATERAL CONTRACTING – IF APPLICABLE**

SB_GT&S_0528238

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

   In D.06-10-019, the Commission held that load-serving entities ("LSEs") may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration. The Commission stated that IOUs' bilateral RPS contracts must be submitted to the Commission for approval by advice letter. In addition, the Commission held that bilateral contracts must be reasonable.

   As discussed throughout this Advice Letter, the Proposed Agreement complies with the requirements of D.06-10-019 and D.09-06-050. In particular, the Proposed Agreement is at least one month in duration, SDG&E is submitting the contract for approval via an advice letter, and the Proposed Agreement is reasonable, given SDG&E's current procurement needs and the contract pricing, as described herein.

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

   SDG&E's ability to enter into bilateral transactions provides SDG&E flexibility to respond to rapidly changing market conditions and to tailor its RPS sales to the needs of the particular customer. The Commission expressly authorized sale of excess RPS products through bilateral transactions in D.12-11-016. In addition, the Commission approved SDG&E's 2012 RPS Plan, which allows for bilateral contracts for sale of RPS products.

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

   Because SDG&E did not intend to solicit offers to sell bundled energy and green attributes from SDG&E as part of the 2012 RFO, the Proposed Agreement could only be entered into bilaterally

C. **LEAST COST BEST FIT (LCBF) METHODOLOGY AND EVALUATION – IF APPLICABLETHE LCBF BID EVALUATION AND RANKING WAS CONSISTENT WITH COMMISSION DECISIONS ADDRESSING LCBF METHODOLOGY; INCLUDING SDG&E'S APPROACH TO/APPLICATION OF:**

1. SDG&E evaluates all offers, including this bilateral offer from SVP in accordance with the LCBF process outlined in D.03-06-071, D.04-07-029, and its approved 2012 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."[9] 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 an independent LCBF analysis to determine the least-cost best-fit ranking of projects in the RFO.

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

2. Indicate when the IOU's Shortlist Report was approved by Energy Division

SDG&E submitted the final 2012 RFO Shortlist to Energy Division on June 11, 2013.

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

In D.04-06-014, the Commission established a number of "modifiable" and "non-modifiable" standard terms and conditions ("STC") to be used by LSEs when contracting for RPS-eligible resources. In D.07-11-025, the Commission reduced the number of non-modifiable terms to four: (1) "CPUC Approval;" (2) "RECs and Green Attributes;"[3] (3) "Eligibility;" and (4) "Applicable Law." The remaining non- modifiable terms were converted to modifiable terms.[4] In D.10-03-021, as modified by D.11-01-025, the Commission added two new non-modifiable terms for both bundled contracts and contracts for RECs only: (1) "Transfer of Renewable Energy Credits;" and (2) "Tracking of RECs in WREGIS." The Commission also added a new version of the non-modifiable "CPUC Approval" term for REC-only contracts, and held that the non-modifiable "Applicable Law" term also applies to REC-only contracts. The Proposed Agreement includes the six non-modifiable standard terms and conditions for bundled contracts without change. The table below identifies the CPUC's non-modifiable terms in the Proposed Agreement:

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

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

NON-MODIFIABLE TERM	PPA SECTION; PPA PAGE #
STC 1: CPUC Approval	Article 2 Definitions; Pages 3-4
STC 2: Green Attributes & RECs	Article 2 Definitions; Pages 4-5 & Section 3.3 (a); Page 5
STC 6: Eligibility	Section 6.1(a) (i) & (ii) Representations, Warranties, and Covenants; Page 8
STC 17: Applicable Law	Section 8.2 Governing Law; Page 10
STC REC-1: Transfer of RECs	Section 6.1(b) Representations, Warranties, and Covenants; Page 8
STC REC-2: WREGIS Tracking of RECs	Section 6.1(c) Representations, Warranties, and Covenants; Page 8

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

No redline is provided since the SDG&E Pro forma was not used. Instead the WSPP Agreement was utilized.

E. UNBUNDLED RENEWABLE ENERGY CREDIT (REC) TRANSACTIONS

SDG&E will sell to SVP energy and associated RECs (via WREGIS certificates) generated from California-based ERRs that have a first point of interconnection with the CAISO balancing authority. Accordingly, this transaction involves a product that fits within the product content category established under Pub. Util. Code § 399.16(b)(1) – *i.e.*, it is a "Category 1" transaction.[5] Furthermore, as defined under D.10-03-021, as modified by D.11-01-025, the Proposed Agreement is a bundled transaction since both renewable energy and its associated RECs are being sold together.

F. MINIMUM QUANTITY

In D.12-06-038, the Commission adopted a threshold standard pursuant to SB 2 1X that requires load serving entities to sign long-term contracts in each CP equivalent to at least 0.25% of their expected retail sales over that same CP before they may sign short-term contracts for deliveries in that same period. Since January 1, 2011, the beginning of CP 1, SDG&E has signed the following long term contracts which, collectively, are expected to serve 3.19% of SDG&E's retail sales during CP 1.

Name	Signed
NRG Borrego	1/25/2011
Pattern	2/1/2011
Otay Landfill II	2/22/2011
enXco Catalina	6/3/2011
Arlington	6/3/2011
Otay Landfill V - CRE (FIT)	12/27/2011
Otay Landfill VI - CRE (FIT)	12/27/2011
AES Mt Signal 1 Solar	2/10/2012
Manzana	2/14/2012
Con Dios Solar 33 - CRE (FIT)	11/2/2012

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

The Proposed Agreement is a short term contract (less than 24 months) but SDG&E is not seeking Fast Track approval.

H. INTERIM EMISSIONS PERFORMANCE STANDARD

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

I. 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**

SDG&E consulted with its PRG regarding the SVP transaction on April 19,2013 and May 17, 2013.

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

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

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

Not Applicable

J. **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**

The IE for this transaction was PA Consulting. The IE reviewed emails exchanged by SDG&E and the counterparties, versions of the proposed contracts, and other documents exchanged by the parties. The IE also participated in the PRG review of the Proposed Agreement. The IE did not provide any specific findings related to the Proposed Agreement directly to the PRG. The IE Report is included as Appendix C, with Appendix A thereto included in confidential Appendix C.

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

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

4. **PUBLIC VERSION OF THE PROJECT-SPECIFIC IE REPORT**[10]

The Public Version of the project-specific IE Report follows the Confidential Appendices attached to this advice letter.

III. PROJECT DEVELOPMENT STATUS

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

Since the Projects are already commercially operational, this section is not applicable.

IV. Contingencies and/or Milestones

A. MAJOR PERFORMANCE CRITERIA AND GUARANTEED MILESTONES.

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

The terms of the Proposed Agreement are conditioned on the occurrence of final "CPUC Approval," as it is described in the Proposed Agreement. In order to satisfy that condition with respect to the Proposed Agreement, SDG&E requests that the Commission issue a resolution no later than July 31, 2013, containing the relief described below.

V. Procedural Matters

A. Requested Relief

SDG&E respectfully requests that the Commission approve the Proposed Agreement through the adoption of a final Resolution approving this Advice Letter no later than July 31, 2013.

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

1. The Proposed Agreement is consistent with SDG&E's CPUC-approved RPS Plan and the sale of the bundled renewable electricity and green attributes under the Proposed Agreement with SVP is reasonable and in the public interest.

2. SDG&E's entry into the Proposed Agreement and the terms of such agreement is reasonable; therefore, the Proposed Agreement is approved in its entirety and all costs of the Proposed Agreement are fully recoverable in rates over the life of the Proposed Agreement, subject to Commission review of SDG&E's administration of the Proposed Agreement.

3. The total expected revenues of the Proposed Agreement are reasonable based on the estimated costs to SDG&E ratepayers and the Proposed Agreement's price relative to market data.

4. Payments received by SDG&E pursuant to the Proposed Agreement shall be credited to SDG&E ratepayers through SDG&E's Energy Resource Recovery Account over the life of the Proposed Agreement, subject to Commission review of SDG&E's administration of the Proposed Agreement.

5. Any other and further relief as the Commission finds just and reasonable

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 July 5, 2013 which is 21 days from the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

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

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

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

C. Effective Date

This Advice Letter is classified as Tier 3 (effective after Commission approval) pursuant to GO 96-B. SDG&E respectfully requests that the Commission issue a final Resolution approving this Advice Letter on or before July 31, 2013

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)

PART 2 – CONFIDENTIAL APPENDICES OF ADVICE LETTER

Confidential Appendix A

Consistency with Commission Decisions and Rules and Project Development Status

All information contained in the Confidential Appendices is considered Confidential except where printed in italics. Italicized information contained in the Confidential Appendices is also included in Part 1 of this Advice Letter.

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

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

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

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

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

Advice Letter (AL) #: 2491-E

Subject of AL: Request for Approval of Bundled Energy Sales with the City of Santa Clara BDA Silicon Valley Power

Keywords (choose from CPUC listing): Procurement, Renewable

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: See confidential Declaration

Resolution Required? ☒ Yes ☐ No Tier Designation: ☐ 1 ☐ 2 ☒ 3

Requested effective date: 7/31/2013 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]: N/A

Pending advice letters that revise the same tariff sheets: None

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

CPUC, Energy Division	**San Diego Gas & Electric**
Attention: Tariff Unit	**Attention: Megan Caulson**
505 Van Ness Ave.,	**8330 Century Park Ct, Room 32C**
San Francisco, CA 94102	**San Diego, CA 92123**
EDTariffUnit@cpuc.ca.gov	**mcaulson@semprautilities.com**

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

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

cc: (w/enclosures)

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R.11-05-005

San Diego Gas & Electric Advice Letter 2491-E
June 14, 2013

CONFIDENTIAL DECLARATION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION E BRADFORD MANTZ REGARDING CONFIDENTIALITY OF CERTAIN DATA

I, E Bradford Mantz do declare as follows:

1. I am a Energy Contracts Originator for San Diego Gas & Electric Company ("SDG&E"). I have reviewed the attached Advice Letter No. 2491-E, including Confidential Appendices A, B, C, D, E, F, and G (the "Confidential Appendices"), and am personally familiar with the facts and representations in this Declaration. 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.0?-05-032, and D.08-04-023, to demonstrate that the confidential information ("Protected Information") provided in the Responses 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 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]

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.

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. 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, The instant confidentiality request satisfies the requirements ofD.06-06-066[11] because the information contained in the Confidential Appendices provided by SDG&E is of the type of information protected by the Matrix as follows:

Confidential Appendix A- Bid Information, Category VIILA.; Specific Quantitative Analysis, Category VIII.B.; Contract Terms and Conditions, Category VILG.; Total Energy Forecast, Category V.C.

Confidential Appendix B- Bid Information, Category VIILA.; Specific Quantitative Analysis, Category VIILB.

Confidential Appendix C- Bid Information, Category VIILA.; Specific Quantitative Analysis, Category VIILB.; Contract Terms and Conditions, Category VILG.; Total Energy Forecast, Category V.C; Utility Bundled Net Open (Long or Short) Position for Energy (MWh), Category VLB.

Confidential Appendix D- Contract Terms and Conditions, Category VILG.; Specific Quantitative Analysis, Category VIILB.

0.06-06-066, as amended by 0.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

11 *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, SOG&E shall include with any request for confidentiality a table that lists the five 0.06-06-066 Matrix requirements, and explains how each item of data meets the matrix").

Confidential Appendix E- Contract Terms and Conditions, Category VII.G.

Confidential Appendix F- Contract Terms and Conditions, Category VII.G.

Confidential Appendix G- Selling Banking Analysis, Category V.C, Specific Quantitative Analysis, Category VIII.B

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

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

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

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.")

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? 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.[2]

10. If disclosed, the Protected Information could provide parties, with whom SDG&E is currently negotiating, insight into SDG&E's procurement strategies, which would give them an unfair negotiating advantage 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 ofP.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

/ *See also* Govt. Code§ 6254.7(d).

2/ *See*, D.06-06-066, *mimeo*, pp. 26-28.

is required pursuant to the terms of the PPA to protect non-public information. Some of the Protected Information in the PPA relates directly to the viability of the project. Disclosure of this extremely sensitive information could harm the developer's ability to negotiate necessary contracts and/or could invite interference with project development by competitors.

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

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

Executed this 14th day of June, 2013 at San Diego, California.

E Bradford Mantz
Energy Contracts Originator
Electric & Fuel Procurement
San Diego Gas & Electric

San Diego Gas & Electric Advice Letter 2491-E
June 14, 2013

Public Version of the Project Specific IE Report

PA Consulting Group

Subject **REPORT OF THE INDEPENDENT EVALUATOR ON SDG&E'S 150,000 MWH 2013 BUNDLED RENEWABLE ENERGY SALE TO SILICON VALLEY POWER**

To INTERESTED PARTIES

From Jonathan M. Jacobs

Date June 12, 2013

SDG&E intends to file a bilateral contract with Silicon Valley Power (SVP) under which it will sell 150,000 MWh of bundled RPS-qualified renewable energy in CP1 and achieve net revenue of [redacted]

This memorandum is the Independent Evaluator report of PA Consulting Group (PA) on the SVP CP1 sales contract. PA has been the Independent Evaluator of renewable procurements by SDG&E, including most recently the ongoing 2012-3 RPS Renewable Request for Offers (RFO), the 2011 RPS Renewable Request for Offers (RFO) and the first three SDG&E RAM solicitations. This contract is a pure bilateral contract and was not bid into any of SDG&E's Renewable RFOs; since those RFOs are generally to purchase power, the sales could not have been bid into an RFO.

D. 09-06-050, which was primarily concerned with the definition of a "fast-track" procedure for selecting and approving short-term renewable contracts, also clarified the procedure for approving bilateral contracts. It specifies that "long-term bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. This includes review by the utility's Procurement Review Group (PRG) and its Independent Evaluator."[1] This section of the decision does not specify that a bilateral contract should be reviewed in the context of an RFO, although the IE report template, distributed by the Energy Division, only applies to RFOs.

This contract is intended to optimize and partly monetize SDG&E's portfolio of existing renewable contracts rather than to acquire additional renewable energy. The Commission has developed a "short form" template for IE reports, consisting of ten questions (although many of the questions do not apply to this contract). In this memorandum I will review the contract, evaluate its economics and summarize the potential risks. I will then address the questions in the CPUC template, culminating with my recommendation that the Commission should approve the contract.

[1] California Public Utilities Commission, Decision (D.) 09-06-050, June 19, 2009, p. 28f.

continued. . .

Description of the contracts

The contract is with Silicon Valley Power (the utility department of the City of Santa Clara), to whom SDG&E will sell a total of 150,000 MWh of bundled renewable energy, [redacted], during the four months from September to December, 2013. The contract provides that SDG&E will deliver [redacted]. The price of the energy is [redacted], where "index" means the CAISO day-ahead IFM price at the SP15 hub. The energy is to be delivered at that hub.

The contract is consistent with SDG&E's goal of reducing rates by selling excess RPS-qualified energy. SDG&E believes that it has a long RPS position in Compliance Period 1 (CP1) and has conveyed to the PRG a desire to monetize some of that length. This transaction allows SDG&E to extract value from its CP1 position.

Economic evaluation

The SVP contract is a bundled energy contract. By selling this energy SDG&E both reduces the credit balance available to meet its RPS target, and shortens its energy position. The SP15 hub is quite liquid and SDG&E should be able to buy back an equal quantity of "null energy" at index at SP15. Therefore the contract economics may be analyzed as if it were the sale of 150,000 MWh of unbundled renewable credits in 2013 for [redacted]

The economic impact of the contracts is that SDG&E will accrue revenue of [redacted] in 2013. At the May PRG meeting SDG&E reported prices of index plus [redacted] for bundled renewable energy delivered in 2013. This is similar to the ranges reported at other recent meetings [redacted]. [redacted]urthermore, SDG&E has several times told me that [redacted]illing to accept the risk of CPUC disapproval for 2013. Therefore, the contract is well-priced relative to the market.

SDG&E has reported to its PRG that it actually does not expect to bank any energy during CP1. SDG&E expects to have a surplus over its Compliance Period 1 RPS obligation. However, approximately [redacted] of its RPS credits come from short-term contracts, which cannot be banked (and cannot be used to allow other credits to be banked). Even if the [redacted] contracts could be banked, SDG&E would still need to find another [redacted], from other than short-term contracts, before being able to bank anything. By comparison, SDG&E's entire CP1 RPS obligation is projected to be about [redacted] The only way for SDG&E to extract economic value from its surplus position is to sell the renewable credits.

In my opinion the SVP contract is economically beneficial to SDG&E's ratepayers.

Risks

I simulated SDG&E's contract portfolio based on the CP1 success probabilities assessed by SDG&E. Based on those assessments, the probability of SDG&E meeting its CP1 target after selling this energy is over 99%. The contract almost surely poses no risk to SDG&E's achievement of its CP1 RPS requirement.

A second risk would be if SDG&E were unable to buy back energy at the SP15 index equal in volume to its sales to Silicon Valley Power. The SP15 hub is quite liquid and this risk also appears unlikely to materialize.

CPUC template questions

The following are the questions from the CPUC's short form IE template.

1. Describe in detail the role of the IE throughout the solicitation and negotiation process.

There was not really a solicitation; this contract did not come from an RFO. SDG&E has reported to its PRG that it had been talking with several potential counterparties to optimize its CP1 RPS portfolio. After executing the [redacted] contract in April, SDG&E had told me that [redacted] was the only counterparty it has identified willing to accept the risk of CPUC disapproval of a contract for 2013 delivery; this was before the discussions with SVP. The contracts themselves are very straightforward, and I did not observe any of the negotiations.

2. How did the IOU conduct outreach to bidders, and was the solicitation robust?

Not applicable.

3. Describe the IOU's Least Cost Best Fit (LCBF) methodology. Evaluate the strengths and weaknesses of the IOU's LCBF methodology. (This should include a thorough analysis of the RFO results.)

Not applicable, as there was no competitive bid evaluation. I have provided my analysis of the contract's economics.

4. Please evaluate the fairness of the IOU's bidding and selection process. (I.e. quantitative and qualitative methodology used to evaluate bids, consistency of evaluation methods with criteria specified in bid documents, etc.)

Not applicable (no selection process).

5. Describe project-specific negotiations. Highlight any areas of concern including unique terms and conditions.

I did not observe the negotiations; however, I don't see any unique conditions in this contract.

6. If applicable, describe safeguards and methodologies employed by the IOU to compare affiliate bids or UOG ownership proposals. If a utility selected a bid from an affiliate or a bid that

would result in utility asset ownership, explain and analyze whether the IOU's selection of such bid(s) was appropriate.

There were no affiliate or UOG ownership bids.

7. Based on the complete bid process, is (are) the IOU contract(s) the best overall offer(s) received by the IOU?

The contract is similar to [redacted] sale contracts that I have reviewed, [redacted] I have not reviewed any other offers that may have been received, although SDG&E has told me [redacted] willing to accept the risk of CPUC disapproval.

8. If the contract does not directly reflect a product solicited and bid in an RFO, is the contract superior to the bids received on the products solicited in the RFO? Explain.

There are no comparable RFO bids since SDG&E has not yet run a sale RFO.

9. Is the contract a reasonable way of achieving the need identified in the RFO?

Not quite applicable. This contract is a reasonable way of meeting goals that SDG&E has articulated, outside the RFO process.

10. Based on your analysis of the RFO bids, the bid process, and the overall market, does the contract merit Commission approval? Explain.

I recommend that the Commission approve this contract. My reasoning is given above, primarily under the heading "economic evaluation".

Regards

Jonathan M. Jacobs
Managing Consultant