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July 3, 2013

ADVICE LETTER 2501-E
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: Request For Approval of San Diego Gas and Electric Company's Agreement with Native American Energy Resources, LLC for Combined Heat and Power (CHP) Energy and Capacity Product from Jasmin Power III - SD6000, LLC.

I. INTRODUCTION

A. Purpose of the Advice Letter

San Diego Gas and Electric Company ("SDG&E") hereby requests that the California Public Utilities Commission ("Commission" or "CPUC") approve the CHP power purchase agreement that SDG&E has executed with Native American Energy Resources, LLC (NAER) for the energy and capacity associated with the new Jasmin III CHP Facility ("Jasmin III"). Native American Energy Resources, LLC (NAER) which is a Diverse Business Enterprise (DBE) whose ownership is 51% owned by Eric Hoffman, (Hoffman) a Native American, who is part of the Karuk Tribe located in Northern California, and 49% by North American Power Group (NAPG).

Located in Kern County, California, Jasmin III is a new CHP Facility which will be replacing the existing Rio Bravo Jasmin facility ("Jasmin"), which is recognized by the California Independent System Operator ("CAISO") as a Resource Adequacy (RA) Resource. This CHP power purchase agreement, which is referred to in this advice letter as the "Jasmin III PPA," resulted from SDG&E's first CHP Request for Offers ("RFO"), which was held in compliance with the Qualifying Facility / Combined Heat and Power Settlement Agreement ("Settlement"). The energy and capacity procured under the Jasmin III PPA counts toward SDG&E's Settlement MW and GHG Reduction Targets. The Jasmin III PPA achieves the purposes of the CHP RFO through reasonable terms and conditions and merits the Commission's unconditional approval. SDG&E requests that the Commission issue a resolution approving the Jasmin III PPA, no later than December 19, 2013 to allow for final non-appealable approval by January 15, 2014, containing the findings set forth in Section V below.

B. Background

The operative provisions of the Settlement are largely contained in the "CHP Program Settlement Agreement Term Sheet" ("Term Sheet"). The Term Sheet requires the investor-owned utilities ("IOUs") to conduct three RFOs exclusively for CHP resources.¹ SDG&E seeks to acquire a total of 160 MW of CHP Capacity under power purchase agreements ("PPA") resulting from the RFOs and other procurement alternatives during the initial Program Period, as defined by the Term

¹Term Sheet, Section 4.2.1 specifies that each IOU shall conduct RFOs exclusively for CHP resources (CHP RFOs) for achieving its CHP megawatt ("MW") and Greenhouse Gas ("GHG") Emissions Reduction Targets.

Sheet.² On February 21, 2012, SDG&E issued its first CHP RFO to procure resources counting toward its MW and GHG procurement target.

The Combined Heat and Power Request for Offers (“CHP RFO”) sets forth the terms and conditions of SDG&E’s first competitive solicitation for CHP Resources.³ SDG&E requested offers for existing, new, repowered and expanded facilities, and Utility Prescheduled Facilities. Based on the comments received following its CHP RFO’s Pre-Bid Conference on March 7, 2012, SDG&E revised its protocol to allow for capacity-only products, provided such capacity comes through an eligible CHP Facility, or from a portion of an eligible CHP facility. Participants submitting a capacity-only offer with SDG&E would use a form of standard Confirmation under an EEI Master Agreement that SDG&E has adopted and posted to its CHP solicitation website (“RA Confirmation”).

In its RFO, SDG&E stated its strong preference for offers that are low cost and that are from facilities with efficient operations and either have low associated GHG emissions and or provide GHG reductions through changes in operations, fuel use, or technologies.

In response to SDG&E’s CHP RFO, NAPG and NAER submitted an offer to provide energy and capacity from Jasmin III. SDG&E reviewed the merits of each offer received in the CHP RFO and compiled a short list of the most attractive offers. On May 23, 2012, SDG&E informed NAER that the Jasmin III offer was on the shortlist and the parties engaged in negotiations over the terms of the offer. On December 18, 2012, SDG&E and NAER executed the Jasmin III PPA for CHP energy and capacity from Jasmin III.

C. General Project Summary

Project Name	Jasmin Power III –SD6000, LLC
Owner/Developer	Native American Energy Resources, LLC (NAER). which is a Diverse Business Enterprise (DBE) whose ownership is 51% owned by Eric Hoffman, a Native American member of the Karuk Tribe, and 49% by North American Power Group (NAPG), a Veteran owned company
Technology	Natural gas fired LM6000 for CHP service
Capacity (MW)	56
Expected Generation (GWh/Year)	451
Delivery Pattern (As-available, Firm, Utility Prescheduled Facility)	Baseload generation profile, 55 MWa Firm, 1 MWa As-Available
Delivery Term (months)	144
Vintage (New / Existing / Repower/Expanded/Utility)	Fuel Switch and New

²Term Sheet, Section 2.2.2.2. Note that the CHP Settlement counts facility MW which can equal the sum of the firm and as-available capacity.

³The CHP RFO Protocol is available for public review on SDG&E’s website at:
<http://www.sdge.com/sites/default/files/documents/2012%20CHP%20RFO.pdf?nid=3036>

Prescheduled Facility)	
Location (city and state)	Located on previously disturbed land 20 miles North of Bakersfield, Kern County, California
Source of Agreement (e.g., RFO or Bilateral Negotiations)	2012 CHP RFO

A summary of the Jasmin III PPA is attached as Confidential Appendix C. A comparison of the Jasmin III PPA with SDG&E's Pro Forma CHP PPA is attached as Confidential Appendix D. The Jasmin III PPA is attached as Confidential Appendix E. A Letter of Support from NAER is attached as Public Appendix No. 2.

D. General Project Description

The Jasmin III project is a topping-cycle natural gas-fired combined cycle gas turbine ("CCGT") cogeneration facility with an operating capacity of 56 MW. One combustion turbine is routed to a heat recovery steam generator, which will provide steam to a steam turbine and an average of approximately 14.7 MMBtu/hour of steam, without seasonal variation, to a thermal host. The thermal host ("Thermal Host"), North American Energy, uses steam to increase production from its enhanced oil recovery ("EOR") operations. The Thermal Host's steam demand is expected to remain constant over the contract term, but will be increased over the steam demand available from the existing CHP facility.

The existing Jasmin cogeneration facility is currently fueled primarily with coal and delivers steam to the Thermal Host. The existing plant will be converted to biomass fuel but will then no longer provide steam to the Thermal Host and, thus will no longer qualify as a CHP resource.

E. QF/CHP Settlement Targets

The Jasmin III PPA contributes 56 MW toward the MW target assigned to SDG&E under the Settlement. The MW Counting Rule provided at section 5.2.5 of the Term Sheet states:

5.2.5 A New CHP Facility for the purpose of Section 5.2 means gas-fired Topping Cycle CHP Facilities and Bottoming Cycle CHP Facilities using waste heat. The capacity of a New CHP Facility to be used to count progress towards the MW Targets shall be established by a Capacity Demonstration Test. The CHP Facility's capacity, as demonstrated by this test, shall exclude auxiliary/station power load.⁴

⁴ Term Sheet, Section 5.2.5

Table A
MW Target as Prescribed by the QF/CHP Settlement

Project Name	IOU MW Target by the End of the Initial Program Period	MWs Procured from Project to Count towards the Settlement MW Target	As-Available MWs (AMWs) (where applicable)	Average (where applicable)
Jasmin III	160	56	N/A	

The Jasmin III PPA contributes a minimum of 213,938 Tonnes CO₂e toward the GHG Reduction Target assigned to SDG&E under the Settlement. The GHG Counting Rule provided at section 7.3.1 of the Term Sheet states:

7.3.1.1 New CHP Facilities: Efficient New CHP Facilities as compared to the Double Benchmark will count as a GHG Credit toward the contracting IOU's GHG Emissions Reduction Target regardless of where the CHP Facility is located. Measurement is based on the Double Benchmark in place at the time of PPA execution compared to the anticipated operations reflected in the PPA.⁵

7.3.1.2 Physical Change from a Repowered CHP Facility, MW Expansion, or Fuel Change (e.g., an existing coal plant converts to a less GHG intensive fuel): Counts as a GHG Credit for the IOU. The measurement is the difference between i) the previous two (2) calendar years of operational data compared to the Double Benchmark in place at the time of PPA execution and ii) the anticipated change in operations.⁶

Table B
GHG Target as Prescribed by the QF/CHP Settlement

Project Name	Current IOU GHG Target by 2020 (MMTCO ₂ e)	GHG Credit/Debit of Project to Count towards the Settlement GHG Target (MMTCO ₂ e)
Jasmin III	0.5*	.214

*Bundled and DA customers

Jasmin III is a new natural gas-fired 56 MW Topping Cycle CHP Facility. It will be replacing the existing 38 MW coal-fired Jasmin facility for CHP purposes; in order to meet the Thermal Host's increased requirements.

The Jasmin III PPA will contribute about 209,706 Metric Tonnes CO₂e reductions associated with the fuel change from the 38 MW existing facility (Jasmin) to the equivalent portion (38 MW) of the New CHP Facility (Settlement Term Sheet §7.3.1.2).

Also, because the thermal needs associated with EOR will increase, the Jasmin III PPA will contribute about 4,233 Tonnes CO₂e reductions associated with the portion (18 MW) of the new

⁵ Term Sheet, Section 7.3.1.1

⁶ Term Sheet, section 7.3.1.2

facility being developed to meet those increased thermal host requirements (Settlement Term Sheet §7.3.1.1).

F. Additional Information

Under the Jasmin III PPA, SDG&E will purchase the CHP Attributes, RA Attributes, Local RA Attributes, and the Capacity Attributes of the Jasmin III generating facility. These products will be used for compliance with the Commission's RA and CHP program. The RA program ensures the availability of sufficient resources to reliably service customer load. There are two components to the RA program: system RA requirements and Local RA ("LRA") requirements. The system RA requirements ensure sufficient availability of resources for the peak load of the CAISO system as a whole. LRA requirements ensure sufficient availability for the 10 local areas in California that require in-area generation to meet peak loads reliably. While a resource that counts for LRA will also count for system RA, the converse may not hold. In providing the RA in this agreement, NAER commits that Jasmin III's scheduling coordinator will submit Supply Plans confirming Jasmin III's provision of RA and that Jasmin III will fulfill all the obligations of a RA Resource as defined in the CAISO Tariff.

All LSEs within the CPUC's jurisdiction, including IOUs, Electric Service Providers ("ESPs"), and Community Choice Aggregators ("CCAs"), have RA and LRA obligations. Compliance with these obligations is shown in each LSE's month-ahead and year-ahead RA and LRA filings. As this agreement will count toward SDG&E's CHP MW target, and to a portion of its System RA, and the associated contract costs will be allocated to ESP and CCAs pursuant to Commission D.10-12-035. The RA from Jasmin III will meet system requirements for both SDG&E and the ESPs and CCAs to whom a portion of the costs and benefits are allocated.

Under the terms of the Settlement, a variety of products and avenues of procurement are available to SDG&E. The CHP capacity product allows SDG&E to purchase CHP capacity without the risk of scheduling electricity generation or the risk of above-market electricity costs. At the same time, by accepting the obligation to provide RA, Jasmin III must be available to provide electricity to serve the grid, even while serving the steam and electricity needs of the thermal host.

II. CONSISTENCY WITH COMMISSION DECISIONS

A. Consistency with SDG&E's Requirements during the Initial Program Period Adopted in the Settlement

SDG&E's obligations under the QF/CHP Settlement are set forth in the Settlement Term Sheet. Specifically, during the Initial Program Period adopted in the Settlement, the MW Target for SDG&E is 160 MW. The MW Targets may be met through any of the CHP Procurement Processes described in Term Sheet Section 4.9, stating that SDG&E must conduct three RFOs exclusively for CHP resources as a means of achieving its MW Target and its GHG Emissions Reduction Target. Participants in CHP RFOs must meet specific eligibility criteria. CHP RFO PPAs are subject to maximum terms and must be found to be reasonable when evaluated in accordance with specified criteria.

As part of the offer package for each CHP-Only RFO, each IOU may request offers with specific dispatchability terms that differ from the CHP RFO Pro Forma PPA. While the Settlement included a CHP Form PPA to be used in CHP RFOs, pursuant to Sections 4.2.6 and 4.2.12 of the Term Sheet, IOUs are able to offer and sign other contract options in the CHP RFO.

SDG&E's selection and execution of the Jasmin III PPA is consistent with all of these obligations. The Jasmin III PPA resulted from the first of the three CHP RFOs that SDG&E is required to hold during the Initial Period. As previously discussed, SDG&E's agreement with Jasmin III, a new CHP QF, is eligible to contribute 56 MW toward SDG&E's 160 MW goal and about 213,938 Tonnes CO₂e reductions toward SDG&E's 0.5MMT CO₂e Goal (bundled and DA customers). The twelve-year maximum contract term does not exceed the maximum twelve-year term for contracts with new CHP facilities. SDG&E's evaluation and selection of the Jasmin III PPA is described in Public Appendix 1 and Confidential Appendixes B and C.

B. Confidentiality

In support of this advice letter, SDG&E has attached materials that describe the Jasmin III transaction and its benefits. Certain information in these documents, such as the price, terms and conditions of performance, the parties' negotiations and other factors that could affect the price that SDG&E subsequently pays for energy are deemed to be confidential market-sensitive information and should be protected from public disclosure. Herewith, SDG&E submits the following documents, some of which contain confidential information, in support of this advice letter:

Public Appendix 1:	Final Independent Evaluator Report of Van Horn Consulting (Redacted)
Public Appendix 2:	NAER Letter of Support
Public Appendix 3:	Declaration of Brad Mantz Seeking Confidential Treatment and the IOU Matrix
Confidential Appendix A:	Consistency with Commission Decisions and Rules and Project Development Status
Confidential Appendix B:	Final Independent Evaluator Report of Van Horn Consulting
Confidential Appendix C:	Contract Summary
Confidential Appendix D:	Comparison of Jasmin III PPA with SDG&E's Pro Forma CHP PPA
Confidential Appendix E:	Jasmin III PPA

SDG&E is requesting confidential treatment of portions of Appendices A, B, C, D and E. The information for which SDG&E is seeking confidential treatment is identified in the Confidentiality Declaration attached hereto. The confidential version of this Advice Letter will be made available to appropriate parties (in accordance with SDG&E's Proposed Protective Order, as discussed below) upon execution of the required non-disclosure agreement.

The information in this Advice Letter for which SDG&E requests confidential treatment, the pages on which the information appears, and the length of time for which the information should remain confidential, are provided in the Confidentiality Declaration. This information is entitled to confidentiality protection pursuant to D.06-06-066 (as provided in the Investor-Owned Utility ("IOU") Matrix). The specific provisions of the IOU Matrix that apply to the confidential information in this Advice Letter are identified in Appendix A.

These appendices contain market-sensitive information protected pursuant to Commission Decision ("D.") 06-06-066, *et seq.*, as detailed in the concurrently-filed declaration. The following

table presents the type of information within the confidential appendices and the matrix category under which D.06-06-066 permits the data to be protected.

Type of Information	D.06-06-066 Confidential Matrix Category
Analysis and Evaluation of Proposed RFO Project Offers	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

This information is being submitted in the manner directed by the *Decision Adopting Model Protective Order and Non-Disclosure Agreement, Resolving Petition For Modification and Ratifying Administrative Law Judge Ruling*, D. 08-04-023 (issued on April 18, 2008), to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided under either the terms of the IOU Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023 or General Order 66-C. In support of this request for confidential treatment, the *Declaration of E Bradford Mantz Seeking Confidential Treatment and the IOU Matrix* is attached as Appendix 2 to this advice letter.

C. Bilateral Contracting (if applicable)

1. Specify the procurement and/or portfolio needs necessitating the IOU to procure bilaterally as opposed to a solicitation.

Not applicable

2. Describe why the Project did not participate in the solicitation and why the benefits of the Project cannot be procured through a subsequent solicitation.

Not applicable

D. Interim Emissions Performance Standard

In D.07-01-039, the Commission adopted a greenhouse gas Emissions Performance Standard ("EPS") which is applicable to an electricity contract for baseload generation, as defined in D.07-01-039, having a delivery term of five years or more.

The California EPS establishes a facility threshold based on the power plant's capacity factor. More specifically, the EPS applies to any and all long-term financial commitments with base load facilities, defined as power plants that are designed and intended to provide electricity at an annualized plant capacity factor of at least 60%. These are facilities that essentially operate continuously and are not able to ramp up and down quickly, provide spinning reserves, or exhibit other operating characteristics that are associated with load-following or peaking resources.

Jasmin III is a baseload facility and is subject to and is expected to be compliant with the EPS and will not exceed the emissions rate of 1,100 lbs CO₂/MWh.

E. Procurement Review Group (“PRG”) or Cost Allocation Mechanism Group (“CAM”) Participation

The Procurement Review Group (“PRG”) for SDG&E includes the Commission’s Energy Division and Division of Ratepayer Advocates (DRA), the Utility Reform Network (“TURN”), the Coalition of California Utility Employees (“CCUE”), Department of Water Resources (“DWR”) and the Union of Concerned Scientists (“UCS”). The Cost Allocation Mechanism (“CAM”) Group consists of the PRG plus two members representing CCA customers and one member representing Direct Access (“DA”) customers.

SDG&E informed its PRG Group of its CHP RFO procurement process, because that is one of the means by which SDG&E’s CHP procurement will address the CHP capacity procurement obligations of CCA and DA customer groups located within SDG&E’s service territory. On February 17, 2012, SDG&E presented its draft CHP RFO Protocol to the PRG and sought comments and questions. SDG&E also provided an overview of its CHP RFO offer evaluation methodology. PRG members were also invited to attend the CHP RFO Bidder’s Conference, which was publicly held on March 7, 2012. SDG&E completed its preliminary evaluation and ranking of the CHP offers after a number of weeks. After performing an initial review of the submitted offers, on April 20, 2012, SDG&E reported the number and types of offers, in general terms, to the PRG. SDG&E’s ranking of offers was presented to the CAM on May 23, 2012. After the Jasmin III contract was executed, SDG&E provided an update to CAM members on May 17, 2013.

During each of these information sessions, PRG and CAM members assembled in a group, whether in person or telephonically, for a briefing on SDG&E’s progress toward the selection of the most valuable offers received in response to its CHP RFO. There was ample opportunity for a complete discussion of the terms and conditions under which the solicitation was undertaken, the features and merits of the offers received, and the methodology and reasons for SDG&E’s ranking of the offers. Throughout this process, SDG&E provided answers in response to any comments or questions from CAM members. SDG&E presented its CHP RFO at several meetings, July 12, 2011 to the PRG, November 8, 2011 to the PRG and CAM Group, December 13, 2011 to the PRG, and February 28, 2012 to the PRG and CAM Group. On April 25, 2012, the Jasmin III transaction was presented as part of the CHP RFO shortlist to SDG&E’s PRG and CAM Group. A description of the transaction was subsequently circulated for comment by email to the PRG and CAM Group on May 18, 2012. There were no adverse comments raised by members of the PRG or CAM Group on the Jasmin III transaction.

F. Independent Evaluator (“IE”)

As required by D.10-12-035 and D.07-12-052, SDG&E engages an IE to monitor the integrity of its competitive solicitations, selection, and contracting for electric supply-side resources with a delivery term of two years or more. The IE for the CHP RFO is Van Horn Consulting (“VHC”). In the course of its CHP RFO evaluation, VHC also evaluates the integrity of the means by which SDG&E executes an agreement with a participant in the CHP RFO and the merit of the resulting agreement. In this case, VHC was represented by Mike Katz.

The IE reviewed the development of the evaluation criteria and protocols for the evaluation of offers prior to the opening of offers in the CHP RFO. A representative of the IE was present at offer opening, received a copy of all offer documents, and performed an independent evaluation of the Offers. In addition to participating in the material negotiations between the parties and discussions within SDG&E, the IE’s representative participated in every PRG meeting related to

SDG&E's CHP RFO solicitation. Against this background, Mr. Katz evaluated the Jasmin III PPA and provided his findings on the CHP RFO solicitation, the project bid, and/or contract negotiations in the IE Report. His observations were shared with the PRG and CAM Group on April 20, 2012. He has concluded that the Jasmin III PPA merits Commission approval, subject to the approval of the GHG reduction credits calculated for Jasmin III, as noted in the attached IE report.

The public version of the IE Report on the Jasmin III PPA is attached as Appendix 1. The confidential version is attached as Confidential Appendix B.

G. Additional Information (optional)

Discuss any additional characteristics of the Project not addressed above that will help the Commission evaluate the Project's merits.

The Jasmin III agreement would be the first PPA with a DBE firm that will own and control a power project contracted by SDG&E and probably is the first in California contracted by an IOU.

III. REGULATORY PROCESS

SDG&E Requests that the Commission issue a resolution approving this advice filing no later than December 15, 2013.

IV. COST RECOVERY MECHANISM

In its decision approving the QF/CHP Settlement, the Commission determined that it had the statutory authority to require DA, CCAs and departing load customers to bear a portion of the CHP resource costs incurred by the IOUs under the Settlement. The Commission also determined that the utilities should procure "CHP resources on behalf of non-IOU LSEs [i.e., load serving entities] and [allocate the] net capacity costs and associated benefits as described in Section 13.1.2.2 of the Term Sheet".

Section 13.1.2.2 of the QF/CHP Settlement Term Sheet provides: Discuss any additional characteristics of the Project not addressed above that will help the Commission evaluate the Project's merits.

If the CPUC determines that the IOUs should purchase CHP generation on behalf of DA and CCA customers, then D.06-07-029 (and D.08-09-012, if necessary) shall be superseded to the extent necessary to authorize the IOUs to recover the net capacity costs associated with the CHP Program from all bundled service, DA and CCA customers and all Departing Load Customers, except for CHP Departing Load Customers, and from Municipal Departing Load (MDL) Customers, only to the extent as described below, on a non-bypassable basis. The net capacity costs of the CHP Program shall be defined as the total costs paid by the IOU under the CHP Program less the value of the energy and any ancillary services supplied to the IOU under the CHP Program. No energy auction shall be required to value such energy and ancillary services. In exchange for paying a share of the net costs of the CHP Program, the LSEs serving DA and CCA customers will receive a pro-rata share of the RA credits procured via the CHP Program.

Because the Jasmin III PPA is being entered into pursuant to the terms of the Settlement, and to satisfy the Settlement requirements for both the MW and GHG Reduction targets, it is appropriate that its costs be allocated consistent with the Settlement and D.10-12-035, as modified. In particular, SDG&E proposes that the net capacity costs associated with the Jasmin III PPA be

proportionately allocated annually to all bundled, DA, CCA, and specified Departing Load Customers and be collected on a non-bypassable basis. Net capacity costs will be billed via SDG&E's Cost Allocation Mechanism ("CAM") rate and recovered through SDG&E's New System Generation Balancing Account ("NSGBA") from all benefiting customers, i.e., bundled, DA, CCA, and other non-exempt departing load customers.

In addition to this proportionate allocation of costs, SDG&E will also proportionately allocate all RA benefits associated with the Jasmin III PPA to bundled, DA, CCA and other non-exempt departing load customers. Finally, SDG&E requests that the costs associated with the Jasmin III PPA be recovered through its Energy Resource Recovery Account ("ERRA").

V. REQUEST FOR COMMISSION APPROVAL

SDG&E requests that the Commission issue a resolution no later than December 15, 2013, that:

1. Approves the Jasmin III PPA in its entirety, including payments to be made thereunder, subject only to Commission review of the reasonableness of SDG&E's administration of the contract.
2. Determines that the rates and other terms and conditions set forth in the Jasmin III PPA are reasonable.
3. Finds that the 56 megawatts ("MW") associated with the Jasmin III PPA apply toward SDG&E's procurement target of 160 MW of CHP capacity in the Initial Program Period, as established by the Settlement.
4. Finds that Jasmin III PPA contributes about 213,938 Tonnes CO₂e toward the GHG Reduction target assigned to SDG&E under the Settlement, because it is replacing an existing coal-fired CHP facility with a new natural gas-fired CHP facility. Additional GHG reductions of about 78,298 tonnes CO₂e will be obtained from eliminating fugitive CO₂e emissions from coal created by removing coal storage at the Jasmin plant.
5. Finds that SDG&E's costs under the Jasmin III PPA shall be recovered through SDG&E's ERRA.
6. Adopts the following findings of fact and conclusions of law in support of cost recovery for the Jasmin III PPA:
 - a. SDG&E shall be entitled to allocate the net capacity costs and associated RA benefits to bundled, DA, CCA, and departing load (to the extent not exempted) customers consistent with D.10-12-035, as modified by D.11-07-010, and SDG&E's Advice 3922-E approved December 19, 2011.
 - b. The net capacity costs of the Jasmin III PPA will be billed via SDG&E's CAM rate and recovered through SDG&E's NSGBA from all benefiting customers.
 - c. Actual Jasmin III PPA costs will be recovered through ERRA, since the NSGBA is a credit in the ERRA, bundled, DA, CCA, and other non-exempt departing load.

7. Finds that the Jasmin III PPA is covered procurement subject to the EPS under Public Utilities Code section 8340, et seq., because the generating facility was not in operation as of June 30, 2007, and therefore must comply with the Emissions Performance Standard ("EPS") adopted in R.06-04-009. Should the Commission find it is unable to approve this request as filed without modification, then SDG&E reserves its right to terminate the agreement as provided in Article 2.04 of the Jasmin III Agreement

PROTESTS

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than July 23, 2012, which is 21 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above. The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to SDG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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

EFFECTIVE DATE

SDG&E requests that this advice filing be effective on or before September 3, 2013. SDG&E submits this request as a Tier 3 advice letter.

NOTICE

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for R.12-03-014.

Address changes to the General Order 96-B service list should be directed to SDG&E at Tariffs by facsimile at (858) 654-1879 or by e-mail to SDG&ETariffs@semprautilities.com.

For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to SDG&ETariffs@semprautilities.com.

CLAY FABER
Director – Regulatory Affairs

Attachments:

Appendix 1, Final Independent Evaluator Report of Van Horn Consulting (Redacted)
Appendix 2, Letter of Support from NAER
Appendix 3, Declaration of Brad Mantz Seeking Confidential Treatment and the IOU Matrix
Confidential Appendix A: Consistency with Commission Decisions and Rules and Project Development Status
Confidential Appendix B: Final Independent Evaluator Report of Van Horn Consulting
Confidential Appendix C: Contract Summary
Confidential Appendix D: Comparison of Jasmin III PPA to SDG&E's Pro Forma CHP Power Purchase Agreement
Confidential Appendix E: Jasmin III PPA

(cc list enclosed)

Service List for R.12-03-014
Jason Houck, Energy Division, CPUC
Cem Turhal, Energy Division, CPUC
Joseph Abhulimen, DRA, CPUC

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:

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) #: 2501-E

Subject of AL: Request for Approval of SDG&E Agreement with Native American Energy Resources, LLC For Combined Heat and Power (CHP) Energy and Capacity Product from Jasmin Power III SD6000 LLC

Keywords (choose from CPUC listing): Procurement,

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 AL¹: 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: 9/3/2013

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 proposed¹: 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
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

S. Cauchois
R. Pocta
W. Scott

Energy Division

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

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Cameron

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

Children's Hospital & Health Center

T. Jacoby

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

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

Dynergy, 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

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

San Diego Regional Energy Office

S. Freedman

J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Southern California Edison Co.

M. Alexander
K. Cini
K. Gansecki
H. Romero

TransCanada

R. Hunter
D. White

TURN

M. Hawiger

UCAN

D. Kelly

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.12-03-014

San Diego Gas & Electric Advice Letter 2501-E
July 3, 2013

APPENDIX I

San Diego Gas & Electric Advice Letter 2501-E
July 3, 2013

APPENDIX II



June 26, 2013

Mr. Dan Baerman
Director, Origination & Portfolio Design
San Diego Gas & Electric Company
8315 Century Park Ct, CP21D
San Diego, CA 92123

Letter of Support for SDG&E's request to the Commission for Approval of the Jasmin III PPA

Dear Mr. Baerman,

Pursuant to the terms of Power Purchase and Sale Agreement dated December 18, 2012 between our company and SDG&E ("Jasmin PPA"), this letter is written in support of your upcoming request to the CPUC for approval of the Jasmin PPA and SDG&E's requested methodology for calculating Greenhouse Gas ("GHG") Emissions Credits ("GHG Credits") consistent with the Qualifying Facility and Combined Heat and Power Program Settlement Agreement (the "Settlement Agreement") that the Commission adopted in Decision 10-12-035. The GHG Credits are associated with both the fuel change from coal to biomass from the existing Rio Bravo Jasmin Combined Heat and Power (CHP) Facility ("Existing Facility") and for the development and operation of the new efficient gas-fired CHP Facility ("New Facility") to handle expanded steam host demands.

Description of the Existing Facility

Rio Bravo Jasmin is an existing 38.2 MW coal-fired power station jointly owned and operated by IHI Power Generation Corp. and North American Power Group ("NAPG") near Bakersfield California. The existing Rio Bravo facility is a fossil-fuel fired steam electric plant of more than 250 MMBtu/hr heat input and is currently classified as a PSD major source for CO, NO_x, and SO₂ according to 40 CFR 52.21(b)(1)(i)(a) and is also an existing major source of greenhouse gases. The Rio Bravo facility is currently permitted to burn petroleum coke, coal, natural gas and biomass.

The PPA's Role in Facilitating Change

Pursuant to our discussions and as required by the terms of the Jasmin PPA, we have agreed that deliveries to SDG&E from the New Facility shall not occur until the Existing Facility has ceased operation as a CHP Facility. The Existing Facility is being converted to biomass to make itself an RPS eligible facility. Upon conversion, it is expected to cease providing steam for enhanced oil recovery once the New Facility is ready to commence commercial operations.. The New Facility will be used for CHP purposes, as discussed below.

Description New CHP Facility



The New Facility will be a natural gas-fired power station owned and operated by Native American Energy Resources, which is 51% Owned by Eric Hoffman and 49% owned by NAPG, from which 56 MW is subject to the Jasmin PPA.. The New Facility will be constructed near the Existing Facility, on previously disturbed land that is part of the Jasmin oilfield. The New Facility will interconnect with and use certain steam distribution and injection facilities from the Rio Bravo Jasmin oilfield which are needed for continued enhanced oil recovery from that field. Additional steam transfer and injection facilities also would be established from the New Facility to meet expanded thermal needs for Enhanced Oil Recovery (EOR) in the area.

Our Support of SDG&E's Request for Approvals

SDG&E will be requesting the GHG accounting treatment from both the fuel change from phasing out coal from the 38 MW Existing Facility and the development of the 56 MW New CHP Facility (Settlement Term Sheet §7.3.1.2 and §7.3.1.1).

We support SDG&E's requests and confirm that all information contained in this letter is accurate to the best of our knowledge. We understand that if SDG&E's requested relief contained in the advice letter filing is not approved as requested, the Jasmin PPA can be terminated.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Hoffman", is written over a large, stylized circular scribble. The signature is fluid and cursive.

Eric Hoffman
President

Native American Energy Resources, LLC.

San Diego Gas & Electric Advice Letter 2501-E
July 3, 2013

APPENDIX III

**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. 2501-E, including Confidential Appendices A, B, C, D, and E (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.07-05-032, 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 of D.06-06-066¹¹ 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:

Consistency with Commission Decisions and Rules and Project Development Status-Bid Information, Category VIIA.; Specific Quantitative Analysis, Category VIII.B.; Contract Terms and Conditions, Category VILG.; Total Energy Forecast, Category V.C.

Confidential Appendix B:

Final Independent Evaluator Report of Van Horn Consulting

Confidential Appendix C:

Contract Summary - Contract Terms and Conditions, Category VILG; Specific Quantitative Analysis, Category VIII.B. Bid Information, Category VIIA.; Total Energy Forecast, Category V.C

Confidential Appendix D:

Comparison of Jasmin III PPA with
SDG&E's Pro Forma CHP PPA -
Contract Terms and Conditions,
Category VILG.

Confidential Appendix E:

Jasmin III PPA - Contract Terms and
Conditions, Category VILG.

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.

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").

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.

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 of P.U. Code § 454.5(g), Evidence Code § 1060 and General Order 66-C.

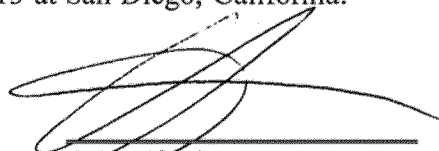
This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See, Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead inconsistent, 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.")

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 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 3rd day of July, 2013 at San Diego, California.



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

¹ See also Govt. Code § 6254.7(d).

²¹ See, D.06-06-066, *mimeo*, pp. 26-28.