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November 21, 2013

ADVICE LETTER 2501-E-A
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: PARTIAL SUPPLEMENTAL OF SAN DIEGO GAS AND ELECTRIC (SDG&E) ADVICE LETTER 2501-E; REQUEST FOR APPROVAL OF SDG&E'S AGREEMENT WITH NATIVE AMERICAN ENERGY RESOURCES, LLC FOR COMBINED HEAT AND POWER (CHP) ENERGY AND CAPACITY PRODUCT FROM JASMIN POWER III – SD6000, LLC.

PURPOSE

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").

BACKGROUND

On July 3, 2013, SDG&E submitted a tier 3 Advice Letter ("AL") 2501-E for approval to the Commission with a requested effective date of September 3, 2013. No protests were filed in regards to the Advice Letter.

On August 2, 2013, a suspension notice for 120 days was issued by Energy Division ("ED"). Upon review by the ED, inconsistencies were noted in AL 2501-E in regards to references to approved tariffs and advice letters. A request by Energy Division to SDG&E was communicated to amend incorrect references to a balancing account. As the requested effective date has since past at the time of this filing, SDG&E hereby files these amendments as a partial supplemental advice letter.

DISCUSSION

SDG&E hereby submits an update to page 9 and 10 of the Advice Letter modifying language to more accurately reflect the Cost Recovery Mechanism in Section IV. In addition, references to balancing accounts were also updated on page 10 of Section IV and language in Section V for items 2, 5, 6a, 6b and 6c on page 9 and 10.

Please find enclosed an updated copy of page 9 and 10. An asterisk has been reflected in the upper right corner for those pages.

PROTEST

As no protests were filed to AL 2501-E on or before July 23, 2013, SDG&E respectfully requests that Energy Division not re-open the protest period as a result of this partial supplemental filing.

EFFECTIVE DATE

As the requested effective date of September 3, 2013 has since passed, SDG&E respectfully requests that this advice filing be approved at the Commissions earliest convenience.

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.

CLAY FABER
Director – Regulatory Affairs

(cc list enclosed)

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

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-A

Subject of AL: Partial Supplemental: Request for Approval of SDG&E's Agreement with Native American Energy Resources, LLC for CHP Energy and Capacity Product from Jasmin Power III – SD6000, LLC

Keywords (choose from CPUC listing): Balancing Account, Annual Non-Fuel

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: _____

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

Y. Schmidt
W. Scott

Energy Division

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

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

H. Nanjo
M. Clark

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate
Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing
Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.12-03-014

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 the costs be allocated consistent with the Settlement and D.10-12-035, as modified by D.11-03-051 and D.11-07-010. In particular, SDG&E proposes that:

(1) The net capacity costs associated with the Jasmin III PPA be collected on a non-by-passable basis. Net capacity costs will be recorded in SDG&E's Local Generating Balancing Account ("LGBA") and recovered 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 through the Local Generation Charge ("LGC") rate.

(2) All RA benefits associated with the Jasmin III PPA will be allocated to 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.

(3) Finally, that the value of the energy and any ancillary services supplied to the IOU under the CHP Program 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 to be paid by SDG&E 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 (the value of the energy and any ancillary services supplied to the IOU under the CHP Program) under the Jasmin III PPA shall be recorded in 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 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 consistent with D.10-12-035, as modified by D.11-07-010, and SDG&E's Advice 2499-E approved December 19, 2011.
 - b. The net capacity costs (defined as the total costs paid by SDG&E under the CHP Program less the value of the energy and any ancillary services supplied to SDG&E under the CHP Program) of the Jasmin III PPA will be recorded to SDG&E's LGBA and recovered via SDG&E's LGC rate from all benefiting customers.
 - c. The actual value of the energy and any ancillary services supplied to the IOU under the CHP Program for the Jasmin III PPA will be recorded in ERRA,