

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4600
July 25, 2013

REDACTED

R E S O L U T I O N

Resolution E-4600. San Diego Gas and Electric Company (SDG&E) requests approval of a bundled renewable energy sales contract to Exelon Generation Company.

PROPOSED OUTCOME: This resolution approves SDG&E's request to enter into a renewable energy sales contract with Exelon Generation Company. The contract is approved without modification.

SAFETY CONSIDERATIONS: This resolution approves a contract for the sale of renewable energy that will not alter existing contracts or any facility operations. Because this sales contract does not require a change in facility operations, there are no incremental safety implications associated with approval of this contract beyond the status quo.

ESTIMATED COST: Costs of this contract are confidential at this time.

By Advice Letter 2476-E filed on May 8, 2013

SUMMARY

San Diego Gas and Electric Company’s proposed bundled renewable energy sales contract to Exelon Generation Company is consistent with the Renewables Portfolio Standard guidelines and other Commission rules and decisions and is therefore approved.

San Diego Gas and Electric Company (SDG&E) filed Advice Letter (AL) 2476-E on May 8, 2013 requesting California Public Utilities Commission (Commission) review and approval of a contract for the resale of bundled renewable energy to Exelon Generation Company (Exelon).¹ The sales contract is a short-term bilateral contract for renewable generation from various RPS-certified facilities that are currently operating in California and under contract to SDG&E.

This resolution approves the sales contract without modification. SDG&E’s execution of this contract is consistent with its 2012 RPS Procurement Plan, including its resource needs, which the Commission approved in Decision 12-11-016. Sales from SDG&E pursuant to the contract are reasonably priced over the life of the sales contract, subject to Commission review of SDG&E’s administration of the sales contract. Payments received by SDG&E under the sales contract shall be credited to SDG&E’s ratepayers via SDG&E’s Energy Resource Recovery Account (ERRA).

The following table summarizes the contract:

Table 1: Summary of the Sales Contract between SDG&E and Exelon

Seller	Buyer	Technology Type	Term	Expected Energy	Contract Start-Finish Date	Location
SDG&E	Exelon Generation Company	Various, existing RPS-eligible technologies	4 months	200 GWh in 2012	9/1/13 - 12/31/13	All facilities are located in California

¹ Exelon’s subsidiary, Constellation NewEnergy Inc., is one of the largest Energy Service Providers in the State of California with service to direct access retail and commercial power consumers.

BACKGROUND

Overview of the Renewables Portfolio Standard (RPS) Program

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).² The RPS program is codified in Public Utilities Code Sections 399.11-399.31.³ Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.⁴ Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

NOTICE

Notice of SDG&E AL 2476-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the AL was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

No protests were filed.

² SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

³ All further references to sections refer to Public Utilities Code unless otherwise specified.

⁴ D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods covered in SB 2 (1X) (2011-2013, 2014-2016, and 2017-2020).

DISCUSSION

SDG&E requests approval of a bundled renewable energy sales contract to Exelon Generation Company.

On May 8, 2013 SDG&E filed AL 2476-E requesting Commission approval of a bundled renewable energy sales contract to Exelon. The sales contract provides that SDG&E will sell RPS-eligible energy and associated RECs to Exelon. The RPS-eligible energy that SDG&E will sell to Exelon will be generated by one or a combination of the facilities listed in Table 2 with which SDG&E currently has Commission-approved power purchase agreements. All of the facilities are located in California and are interconnected to the California Independent System Operator grid at various points within the Western Electricity Coordinating Council.

Table 2: List of Facilities under contract to SDG&E that may provide RPS-eligible energy to Exelon pursuant to the sales contract

Facility Name/Owner	Location (all CA)	Technology	CEC ID	Online Date
Blue Lake Power, LLC	Humboldt	Biomass	60690A	04/30/2010
Calpine Geysers	Sonoma and Lake County	Geothermal	60002A-60009A, 60012D, 60013D, 60014C-60016C	01/01/2007
Coram Energy, LLC	Tehachapi	Wind	60376E	11/27/2010
AES Delano Inc.	Delano	Biomass	60431A	01/01/2008
Catalina Solar, LLC	Kern County	Solar PV	61590C	12/31/12
Sycamore Landfill	Santee	Biogas	60886A	12/01/2003
Mountain View III	Riverside County	Wind	60430A	12/01/2003
Phoenix West	Riverside County	Wind	60445A	12/01/2003
Kumeyaay Wind Energy Facility	Boulevard	Wind	60432A	12/31/2005
Manzana Wind	Tehachapi	Wind	61671C	12/31/2012
Mesa Wind Farm	Riverside County	Wind	60370A	04/15/2012

MM Prima Deshecha Energy, LLC	San Juan Capistrano	Biogas	60552A	10/01/2007
Borrego PV Solar I	Borrego Springs	Solar PV	61211C	10/1/2012
Oasis Power Partners, LLV	Mojave	Wind	60489A	12/31/2004
Covanta Otay 3 Company	Chula Vista	Biogas	60571A	03/01/2007
Pacific Wind, LLC	Tehachapi	Wind	61555C	08/31/2012
Ocotillo Wind Energy Facility	Imperial Valley	Wind	61400C	12/31/2012
Rancho Penasquitos	San Diego	Conduit Hydro	60470A	01/23/2007
FPL Energy Green Power Wind LLC	Palm Springs	Wind	60443A	6/28/2004

In AL 2476-E, SDG&E states that it entered into the sales transaction because it forecasts that it will have surplus RPS procurement relative to its RPS requirements for Compliance Period 2011-2013. Sales to Exelon are expected to reduce SDG&E's forecasted RPS procurement portfolio by 200 gigawatt-hours (GWh) over the contract's four month term. Pursuant to the sales contract, SDG&E will provide firm deliveries of generation to Exelon at the South of Path 15 Existing Zone Generation Hub (SP-15 EZ Gen Hub).

SDG&E requests the Commission to issue a resolution that includes the following findings:

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 Exelon 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.

Energy Division Review Of The Proposed Sales Contract

Energy Division evaluated the sales contract using the following criteria:

- Consistency with bilateral contracting guidelines;
- Consistency with SDG&E's 2012 RPS Procurement Plan (Plan) and RPS Procurement Portfolio Need;
- Consistency with RPS standard terms and conditions (STCs);
- Independent Evaluator review;
- Procurement Review Group (PRG) participation;
- Price and cost reasonableness;
- Public safety; and
- Contract viability.

Consistency With Bilateral Contracting Guidelines

In D.06-10-019, the Commission established rules pursuant to which the IOUs could enter into bilateral RPS contracts. In D.09-06-050, the Commission established review standards and processes for short-term and bilateral contracts. SDG&E adhered to these bilateral contracting rules and processes because: the sales contract is longer than one month in duration, was filed by advice letter, was reviewed by SDG&E's Procurement Review Group, negotiations were overseen by an independent evaluator, and the sales contract is reasonable, as discussed in more detail below.

The sales contract is consistent with the bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.

Consistency With SDG&E's 2012 RPS Procurement Plan and RPS Portfolio Need

SDG&E's 2012 RPS Procurement Plan

Pursuant to statute, SDG&E's 2012 RPS Procurement Plan (2012 RPS Plan) includes: an assessment of supply and demand to determine the optimal mix of renewable generation resources; description of potential RPS compliance delays; status update of projects within its RPS portfolio; and an assessment of the project failure and delay risk within its RPS portfolio.⁵ Specifically, SDG&E states in its 2012 RPS Plan that it will seek to procure resources and to look for opportunities to maximize ratepayer value through banking, sales and short-term purchases.⁶

SDG&E's RPS Portfolio Need

In AL 2476-E, SDG&E states that it is projecting a long RPS portfolio position for Compliance Period 2011-2013. SDG&E asserts that the sale of 200 GWh to Exelon in Compliance Period 2011-2013 is not expected to materially change SDG&E's overall procurement need in relation to its RPS procurement requirements.

SDG&E's statements in AL 2476-E are consistent with SDG&E's 2012 RPS Plan and SDG&E's 2011 Preliminary Annual 33% RPS Compliance Report in which SDG&E reported that its total RPS procurement for 2011 was 20.8% of its 2011 bundled retail sales.⁷ SDG&E's 2011 Preliminary Annual 33% RPS Compliance Report also shows that SDG&E is forecasting an increase in total RPS procurement for the remaining years of Compliance Period 2011-2013. Thus, it is

⁵ Pub. Util. Code, Section §399.13(a)(5).

⁶ SDG&E Final 2012 Renewables Portfolio Standard Procurement Plan, November 29, 2012, p. 8-10.

⁷ SDG&E Final 2012 Renewables Portfolio Standard Procurement Plan, November 29, 2012, Section V and SDG&E 2011 Preliminary Annual 33% RPS Compliance Report, December 28, 2012, p. 10.

likely that SDG&E will be procuring over the required average of 20 percent renewables in Compliance Period 2011-2013.⁸

Based on SDG&E's RPS portfolio needs described in its 2012 RPS Plan and AL 2746-E, the Commission concludes that the Exelon sales contract is consistent with SDG&E's 2012 RPS Plan.⁹ The short-term sales contract is for four months in Compliance Period 2011-2013 and is for generation from renewable energy facilities that will reduce the amount of forecasted surplus RECs that SDG&E is projected to have in its RPS procurement portfolio. See Confidential Appendix A for details on SDG&E's forecasted RPS procurement needs.

The RPS Generation being sold by SDG&E in the Exelon bundled sales contract optimizes SDG&E's portfolio subject to SDG&E's Renewable Net Short.

The sales contract is consistent with SDG&E's 2012 RPS Procurement Plan, approved by D.12-11-016.

Consistency With RPS Standard Terms and Conditions

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, four of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More recently in D.10-03-021, as modified by D.11-01-025, the Commission further refined these STCs.

The sales contract includes the Commission adopted RPS "non-modifiable" standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

⁸ The amount of electricity generated per year from eligible renewable resources is to be increased to an amount that averages 20 percent of the total electricity sold to retail customers in California for the period 2011-2013.

Independent Evaluator Review

SDG&E retained independent evaluator (IE) Jonathon Jacobs of PA Consulting Group to oversee SDG&E's bilateral negotiations with Exelon and to evaluate the contract's overall merit for CPUC approval. AL 2476-E included a public and confidential independent evaluator's report.

In the IE report (p. 3-4), the IE states:

“In my opinion the Exelon contract is economically beneficial to SDG&E's ratepayers...I recommend that the Commission approve these contracts”

Consistent with D.06-05-039 and D.09-06-050, an independent evaluator oversaw SDG&E's negotiations with Exelon.

Procurement Review Group Participation

The Procurement Review Group (PRG) was initially established in D.02-08-071 as an advisory group to review and assess the details of the IOUs' overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission.¹⁰ SDG&E asserts that the sales contract was discussed during its January 2013 and February 2013 PRG meetings.

Pursuant to D.02-08-071, SDG&E's Procurement Review Group participated in the review of the sales contract.

Price Reasonableness

SDG&E's evaluation of the sales contract price was based primarily on data from brokerage firms. The IE also examined price reasonableness by comparing the pricing of the proposed transaction to SDG&E's recently executed sale contract with Noble Americas Energy Solutions. To review the sales contract's price reasonableness, the Commission compared the contract price to SDG&E's recently executed bundled renewable energy sales contract and market data.

¹⁰ SDG&E's PRG includes representatives of the California Department of Water Resources, the CPUC - Energy Division, the CPUC - Division of Ratepayer Advocates, the Utility Reform Network, the Union of Concerned Scientists, and the Coalition of California Utility Employees.

Based on this analysis, the confidential analysis provided by SDG&E in AL 2476-E, and the confidential analysis provided by the IE, we determine that the sales contract's price is reasonable. We note, however, that the Commission has not established rules for price reasonableness review of contracts for RPS sales by IOUs and that the analysis of the sales contract's price reasonableness here is not precedent setting. Confidential Appendix A includes a detailed discussion of the contractual pricing terms and the analysis of the reasonableness of the contract price.

The total expected revenues of the sales contract are reasonable based on their comparison to SDG&E's recently executed renewable energy sales contracts and market data.

Payments received by SDG&E under the sales contract shall be credited to SDG&E's ratepayers through SDG&E's Energy Resource Recovery Account (ERRA) over the life of the sales contract, subject to Commission review of SDG&E's administration of the sales contract.

SDG&E is required to demonstrate in its ERRA Review Proceedings that its least-cost dispatch processes, operations and related spot market transactions comply with all applicable Standards of Conduct (SOC) (including SOC No. 4 concerning cost dispatch obligations). SDG&E shall record the transactions authorized in this Resolution in its ERRA Balancing Accounts, and these transaction shall be subject to the Commission's ERRA Review Proceeding.

Public Safety

California Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public.

This resolution approves a contract for the sale of RPS-eligible generation from operating facilities. The sales contract does not alter SDG&E's existing power purchase agreements or any facility operations. Based on the information before us, this sales contract does not appear to result in any adverse safety impacts on the facilities or operations of SDG&E.

Contract Viability

The generation to be sold under the sales contract is from operating facilities that have been certified by the CEC as RPS-eligible. Additionally, the combined

capacity and expected annual generation of the facilities that may provide generation to Exelon pursuant to the contract considered herein is greater than the amount to be sold. Thus, it is reasonable that SDG&E will be able to meet the terms and conditions of the sales contract.

CONFIDENTIAL INFORMATION

The Commission, in implementing Public Utilities Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, such as price, is confidential for three years from the date the contract states that energy deliveries begin or one year after expiration, whichever comes first, except contracts between IOUs and their affiliates, which are public. In this case, deliveries will begin on September 1, 2013 and the contract will terminate December 31, 2013; thus, the contract will be public one year after the contract terminates.

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

COMMENTS ON THIS RESOLUTION

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS AND CONCLUSIONS

1. The sales contract is consistent with the bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.
2. The RPS Generation being sold by SDG&E in the Exelon bundled sales contract optimizes SDG&E's portfolio subject to SDG&E's Renewable Net Short.
3. The sales contract is consistent with SDG&E's 2012 RPS Procurement Plan, approved by D.12-11-016.

4. The sales contract includes the Commission-adopted RPS standard terms and conditions including those deemed "non-modifiable."
5. Consistent with D.06-05-039 and D.09-06-050, an independent evaluator oversaw SDG&E's negotiations with Exelon Generation Company.
6. Pursuant to D.02-08-071, SDG&E's Procurement Review Group participated in the review of the sales contract.
7. The total expected revenues of the sales contract are reasonable based on their comparison to SDG&E's recently executed renewable energy sales contracts and market data.
8. The analysis used to determine that the sales contract price is reasonable is not precedent setting.
9. Payments received by SDG&E under the sales contract shall be credited to SDG&E's ratepayers via SDG&E's Energy Resource Recovery Account (ERRA) over the life of the sales contract, subject to Commission review of SDG&E's administration of the sales contract.
10. SDG&E is required to demonstrate in its ERRA Review Proceedings that its least-cost dispatch processes, operations and related spot market transactions comply with all applicable Standards of Conduct (SOC) (including SOC No. 4 concerning cost dispatch obligations). SDG&E shall record the transactions authorized in this Resolution in its ERRA Balancing Accounts, and these transaction shall be subject to the Commission's ERRA Review Proceeding.
11. It is reasonable that SDG&E will be able to meet the terms and conditions of the sales contract.
12. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.
13. AL 2476-E should be approved effective today without modification.

THEREFORE IT IS ORDERED THAT:

1. San Diego Gas and Electric Company's Advice Letter 2476-E, requesting Commission approval of a bundled renewable energy sale to Exelon Generation Company, is approved.
2. SDG&E shall record the transactions authorized in this Resolution in its Energy Resource Recovery Account Balancing Accounts, and these

transaction shall be subject to the Commission's Energy Resource Recovery Account Review Proceeding.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 25, 2013; the following Commissioners voting favorably thereon:

/s/Paul Clanon
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
CARLA J. PETERMAN
Commissioners

Confidential Appendix A

Analysis and Summary of the Sales Contract

[REDACTED]