BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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Application of San Diego Gas & Electric Company (U 902 M) for Approval of The SDG&E Solar Energy Project	Application 08-07-017 (Filed July 11, 2008)

JOINT MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M), UTILITY CONSUMERS ACTION NETWORK, WESTERN POWER TRADING FORUM AND CALIFORNIANS FOR RENEWABLE ENERGY FOR ADOPTION OF SETTLEMENT AGREEMENT AND CONTINUED SUSPENSION OF THE PROCEDURAL SCHEDULE IN THIS PROCEEDING

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APPENDIX A: Settlement Agreement

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In accordance with Article 12 of the Commission's Rules of Practice and Procedure ("Rules"), San Diego Gas & Electric Company ("SDG&E"), Utility Consumers Action Network ("UCAN"), Western Power Trading Forum (WPTF") and CAlifornians For Renewable Energy ("CARE") (collectively "Joint Parties") hereby move the Commission to adopt the Settlement Agreement ("SA") attached hereto in Appendix A, which resolves the issues set for resolution in SDG&E's Solar Energy Project Application, and to continue the suspension of the procedural schedule in this proceeding.[1] As discussed below in more detail, the SA represents agreement among a diverse group and majority of the parties submitting testimony in this proceeding and resolves the issues set forth in the "Scoping Memo"[2] issued in this proceeding. The Joint Parties urge adoption of the SA by not later than the final Commission business meeting of June, 2009.

[1] As permitted by Rule 1.8(d), Counsel for Applicants has been authorized to sign this motion on behalf of each of the Joint Parties.

[2] *See* "Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge" ("Scoping Memo") issued November 3, 2008, in this proceeding.

I.
BACKGROUND

SDG&E's application in this proceeding was filed on July 11, 2008 to address a gap in the construction of solar power plants in its service territory between 1MW and 10 MW.

Timely protests or responses to SDG&E's application were filed by DRA, Recurrent Energy, TURN, CARE, The Solar Alliance, The Vote Solar Initiative, The California Solar Energy Industries Association, Independent Energy Producers Association, UCAN, Western Power Trading Forum, Greenlining and the City of San Diego. A reply to the protests and responses was filed by SDG&E on August 28, 2008.

A prehearing conference ("PHC") was noticed and held on October 7, 2008 to discuss the issues raised by the application and papers filed by parties, the need for evidentiary hearings, the schedule for resolving the issues, and to determine whether the proceeding should be consolidated with Southern California Edison Company's Solar Photovoltaic Program Application A.08-03-015, SDG&E, TURN, DRA, Greenlining and Recurrent, filed and served PHC statements on October 2, 2008. On January 14, 2009 DRA, CARE, Greenlining and UCAN served opening testimony. SDG&E, CARE and WPTF served rebuttal testimony on February 3, 2009.

The Scoping Memo sets the following issues for resolution:

1. Whether to approve the proposed SDG&E Solar Energy Project and funding either as proposed in the application or with modifications?

(a) What should be the standard of review for evaluating the reasonableness of this proposal?

- Whether the cost estimates are reasonable?
- Whether elements of the proposed SDG&E Solar Energy Project are reasonable?
- Whether the proposed SDG&E Solar Energy Project is cost-effective?
- What are the benefits to the ratepayers?

2. Whether to approve SDG&E's proposed cost recovery mechanism, including the rate of the return?
3. Whether the proposed costs are reasonable in comparison to other renewable portfolio standards (RPS) projects bidding into SDG&E's competitive solicitation for renewable energy projects?
4. Whether the proposed costs are reasonable in comparisons to other potential utility-owned renewable energy projects?
5. Whether the proposed costs are reasonable in comparison to customer-owned distributed solar installations under the CSI?
6. What is the appropriate standard of review for individual projects submitted under the Solar Energy Program, should it be approved, and is the Advice Letter process the appropriate vehicle for submitting these projects to the Commission?
7. Whether any specific measure or mechanism should be established to ensure system performance and safeguard ratepayers from cost overruns?

These issues are addressed below.

II.
THE SA IS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST

Rule 12.1(d) states that the Commission will not approve a settlement "unless the settlement is reasonable in light of the whole record, is consistent with law, and in the public interest." As discussed below in more detail, the SA fully meets these criteria.

A. The SA is Reasonable in Light of the Whole Record.

The SA represents agreement among a diverse group and majority of the parties that submitted testimony in Phase One of this proceeding. As discussed below in more detail, the SA promotes the public interest and resolves the issues identified in the Scoping Memo in a manner that reflects a compromise among the litigation positions taken by the Joint Parties in this proceeding. The SA is therefore reasonable in light of the whole record.

B. The SA Promotes the Public Interest

The SA is a negotiated compromise rationally reached by the Joint Parties focusing their efforts on achieving an agreement which serves the public interest. The Joint Parties used the guiding principles developed from filed testimony in this proceeding and set out in the SA as their roadmap. In so doing, the Joint Parties produced an SA that:

- Establishes a constructive role for the utility to promote lower cost PV;
- Reduces the SDG&E Solar Energy Project capital expenditures by SDG&E from $250 million to $125 million or 26 MW_{dc} whichever comes first;
- Opens up the SDG&E Solar Energy Project to incorporate all cost-competitive PV technologies and applications;
- Establishes a competitive bidding process for turnkey solar PV projects on utility property and PPAs on host customer/commercial properties;
- Accelerates the deployment of cost-efficient solar PV in the SDG&E service area, open to all commercial PV technologies;
- Increases the amount of financial and technical information about PV costs and applications available to the marketplace;
- Stimulates a PV installation and support infrastructure in the San Diego service area, including more companies with PV installation experience and consultants with expertise and experience in PV deployment and design;
- Provides a modest incentive to the utility for promoting distributed generation through an adder to its rate of return and through debt equivalence for PPAs;
- Develops specific criteria for use in evaluating solar PV in the SDG&E Solar Energy Project;
- Uses pre-established solar PV evaluation criteria in support of SDG&E's Tier 3 advice letter filings;
- Uses a Solar Evaluation Engineer (SEE) in the bid evaluation process described in this SA;
- Where commercially reasonable, gives priority consideration to San Diego-based and diverse entities;
- Promotes innovative applications and emerging commercial-ready PV technologies;
- Places a cap on the cost of the SDG&E Solar Energy Project to ensure such costs do not exceed CSI costs.

C. The SA Resolves the Issues set forth in the Scoping Memo.

The first issue, with subparts, identified in the Scoping Memo is:

> Whether to approve the proposed SDG&E Solar Energy Project and funding either as proposed in the application or with modifications?

(a) What should be the standard of review for evaluating the reasonableness of this proposal?

- Whether the cost estimates are reasonable?
- Whether elements of the proposed SDG&E Solar Energy Project are reasonable?
- Whether the proposed SDG&E Solar Energy Project is cost-effective?
- What are the benefits to the ratepayers?

In its Application, SDG&E identified staffing needs and sought approval for recovery of costs expected in 2008 of $214,000 and $1,662,000 ($2008) per year for 5 years starting in 2009[3]. These costs were based upon a staffing plan and non-labor costs presented in the Application and total $8.5 million ($2008)[4]. As noted in its rebuttal testimony, SDG&E was not seeking approval for immediate funding of $250 million. The $250 million, now $125 million, amount represented a cap for the program under which one or more individual solar PV projects or tranches of projects would be presented to the Commission for approval via separate Advice Letter filing process[5].

The issues concerning the reasonableness of the elements of a particular solar PV project, its cost, its cost efficiency and benefits for ratepayers would be addressed in an individual Advice Letter filing. The SA endorses this project approval structure.

CARE and UCAN expressed concerns over the staffing and program development costs[6]. The Solar Energy Project, as modified by the SA, results in an overall lower total of $7.2 million ($2008), with $3.7 million designated for outside consultants/services. Relative to the $250 million, these administrative and development cost are less than 3% of the original Application $250 million cap.

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[3] Somerville p. IV-2
[4] Thomas p.II-28/29
[5] Rebuttal testimony p.4
[6] Anthony p.9, Croyle p. 57-60

Further, the SA provides for a thorough independent review of solicitation development, evaluation, and bid selection to achieve market based costs via a competitive process such that projects brought forward for approval via the Advice Letter process will be the most cost efficient.

Since this represents a compromise of the Joint Parties' litigation positions, and each of the and each of the Joint Parties addressing this issue supported its litigation position with testimony and exhibits served in this proceeding, there is no question that the resolution of this issue in the SA is supported by the whole record in this proceeding.

The second issue identified in the Scoping Memo is:

> Whether to approve SDG&E's proposed cost recovery mechanism, including the rate of the return?

SDG&E proposed in its testimony to use the existing Non-fuel Generation Balancing Account (NGBA) as the primary vehicle in which to recover administrative, pre-development, and individual project costs from bundled customers since it is the bundled customers that will benefit from the energy, capacity, and renewable attributes provided under the Solar Energy Project. The SA seeks approval and recovery of $3.7 million (2008$) in non-labor costs associated with the use of external consultants and $3.5 million (2008$) in labor costs for administrative and development costs evenly over the proposed five year program period.[7] SDG&E proposes a Solar Energy Project Balancing Account (SEPBA) as a true-up mechanism to record authorized revenue and actual expenditures. As part of its annual NGBA Advice Letter filing, the amounts in SEPBA will be transferred to, and identified within the NGBA. No intervenors provided testimony disagreeing with the proposed recovery mechanism.

[7]An escalation rate of 3% will be applied to the 2008$ requested.

In its Application, SDG&E requested a 100 basis points adder to its rate of return per Section 454.3 of the Public Utilities Code because this program would allow SDG&E demonstrate, assess, and understand the operational benefits and impacts of relatively large concentrations of solar PV on its distribution system, thereby seeking to perfect a renewable technology in terms of a real world application. DRA points out that PV installations are not experimental in that the equipment is already readily deployed[8]. SD&E does not argue that the equipment is commercially available, but rather it is the resource intermittency of notable installed capacity on individual distribution circuits that SDG&E feels is of utmost importance to understand and evaluate since more and more PV is expected to be interconnected to its distribution system in the forthcoming years (with or without the Solar Energy Project). CARE testifies that the rate of return is not unreasonable[9]. With acknowledgement of DRA's points, the SA reduces the requested ROR adder to 50 basis points.

Since the approach set forth in the SA is a compromise of proposals made by the Joint Parties and others submitting testimony in this proceeding, it is supported by the whole record developed in this proceeding.

The third issue and fifth issues identified in the Scoping Memo are:

> Whether the proposed costs are reasonable in comparison to other renewable portfolio standards (RPS) projects bidding into SDG&E's competitive solicitation for renewable energy projects?; and

[8] Peck p.18
[9] Anthony p.12

Whether the proposed costs are reasonable in comparison to customer-owned distributed solar installations under the CSI?

In its Application, SDG&E explained its process of undertaking competitive solicitations for solar projects to secure market prices and offered a plausible range of direct capital costs ranging from \$4,000/kW_{dc} to \$7000/$kW_{dc,}$ with the higher range being reflective of CSI installations[10]. Although the DRA cites the illustrative cost estimate assuming the high end of the range to explain that the cost of the SDG&E Solar Energy Project is 5 times greater than the market price referent used for the RPS evaluations[11], this is by no means comparable. SDG&E explained that its Solar Energy Project was not directly comparable to RPS projects given the unique differences. Serving load areas tied to the distribution system, it is more comparable to CSI. Ignoring customer funded subsidies, the SDG&E Solar Energy project will be less expensive than CSI[12].

The SA establishes a cap of \$6,000/kWdc measured against installations subject to changes in CSI experience. As stated in its Rebuttal Testimony on page 17 and as reflected in the SA, no individual project under the Solar Energy Project would move forward if it proved to be more costly than expected under CSI. The Joint Parties agree that it is cost efficient and reasonable for SDG&E to build solar projects at less than the CSI reference cost, which will be demonstrated in each solar PV project Advice Letter filing.

[10] Thomas II-24 starting at line 21.
[11] Peck, p.5
[12] Rebuttal testimony p. 17 starting at line 12.

Since the approach set forth in the SA is a compromise of proposals made by the Joint Parties and others submitting testimony in this proceeding, it is supported by the whole record developed in this proceeding.

The fourth issue identified in the Scoping Memo is:

> Whether the proposed costs are reasonable in comparison to other potential utility-owned renewable energy projects?

As described in its Application, SDG&E's limited experience as an owner of renewable generation stems from its Sustainable Communities Program[13]. It does not have firm cost information for other potential utility-owned renewable energy projects. The proposed Solar Energy Project is different from larger scale, transmission connected projects.

The SA resolves this issue by providing for two phases of project development. In Phase 1a, SDG&E will issue competitive RFOs to build UOG solar PV generating stations on utility property gaining experience and data. In Phase 1b, this data will be evaluated and used to inform a cost based competition at Borrego Springs for 8-12 MW of solar PV between a UOG project and PPAs. The knowledge gained from these experiences will allow evaluation criteria for subsequent PPAs to be adjusted from solicitation to solicitation to better reflect changing market conditions, thereby supporting cost reasonableness.

The Joint Parties agree that through the settlement of this application and consistent with Commission decisions, as an incentive to SDG&E to actively solicit the above referenced PPAs, it is reasonable that SDG&E should be allowed to recover additional incremental revenues necessary to cover equity re-balancing of SDG&E's capital structure associated with the recognition of debt-equivalence or consolidation requirements per FIN 46(R) resulting from delivery under PPAs.

Since the PPA approach set forth in the SA is a creative compromise position of proposals made by the Joint Parties in this proceeding, it is supported by the whole record developed in this proceeding.

The sixth issue identified in the Scoping Memo is:

> What is the appropriate standard of review for individual projects submitted under the Solar Energy Program, should it be approved, and is the Advice Letter process the appropriate vehicle for submitting these projects to the Commission?

SDG&E proposes to an use individual Tier 3 Advice Letter Filing to seek approval to construct each solar PV project and recover that individual project's associated turnkey capital and on-going O&M costs[14]. UCAN testified that the process as proposed lacked satisfactory review standards for which the Energy Division could rely upon to make this process efficient[15]. In addition, Greenlining also questioned the adequacy of oversight and the additional burden placed on Commission staff by not being privy to details until the filing of the Advice letter under the process originally proposed by SDG&E[16].

The SA resolves this issue by requiring a joint process with the PRG, Solar Energy Engineer or SEE, and SDG&E to develop, review, and/or utilize fully vetted evaluation criteria as the basis for selecting projects that would then move forward with Tier 3 Advice Letter filings. This process provides assurances to the Energy Division that the projects brought forward for approval have passed a robust evaluation, thereby streamlining Energy Division efforts. The filing would document this process and identify costs.

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[13] Thomas, p. II-21 starting at line 10.
[14] Somerville IV-2 and IV-5/6
[15] Croyle p.43
[16] Gnaizda p.2

The seventh issue identified in the Scoping Memo is:

> Whether any specific measure or mechanism should be established to ensure system performance and safeguard ratepayers from cost overruns?

UCAN's testimony raises the concern of project performance measurement[17]. CARE acknowledges the low maintenance requirements of operating PV and identifies many of the capabilities of third party vendors to efficiently monitor performance and undertake O&M work[18]. In its rebuttal testimony, SDG&E states that it will not supplant market supplied O&M services.[19] Furthermore, SDG&E indicates that the solicitation process will result in the selection of commercially viable products with proven longevity[20]. To protect against cost over runs, SDG&E will submit only fixed priced turnkey projects and will rely on manufacturer and vendor guarantees and warranties to back up performance[21].

The SA provides, as part of the PRG and SEE overview, both turnkey and O&M costs will be reviewed. As further outlined in the SA, the PRG and SEE will be able to review the bids received and assess the credit worthiness and product history of the vendor and underlying equipment manufacturers to ensure only the best projects proceed forward for Advice Letter approval.

Since the approach set forth in the SA is a compromise of proposals made by the Joint Parties and others submitting testimony in this proceeding, it is supported by the whole record developed in this proceeding.

It bears emphasis that the SA represents a compromise of disputed litigation positions. None of the Joint Parties would advocate the adoption of the compromises made in the SA if this

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[17] Croyle p. 70
[18] Anthony p.10
[19] Rebuttal testimony p.20
[20] Rebuttal testimony p.15
[21] Rebuttal testimony p.16

proceeding were instead to continue to a litigated outcome. Each party has agreed to the SA in recognition of the uncertain possible outcomes associated with further litigation.

Thus, there can be no question that the SA is reasonable in light of the whole record in this proceeding.

D. The SA is Consistent With Law.

Since the issues resolved by the SA are issues clearly of a "ratesetting" nature, there is no question that they are well within the legal authority of the Commission. Accordingly, the SA is fully consistent with law.

Thus, it is clear that the SA promotes the overall public interest. The SA therefore is reasonable in light of the whole record in this proceeding, is consistent with law, and promotes the public interest. The SA clearly meets the requirements of Rule 12.1(d) and should be approved in its entirety.

III.
THE COMMISSION SHOULD CONTINUE TO SUSPEND THE PROCEDURAL SCHEDULE IN THIS PROCEEDING AND CONSIDER THE SA INSTEAD OF PROCEEDING FURTHER TOWARD A LITIGATED OUTCOME

The SA represents agreement of a diverse group of the parties submitting testimony in this proceeding. Proceeding further toward a litigated outcome would only serve to consume the resources of the Commission and the parties. The Commission instead should focus squarely on approving the SA so that construction of solar generated stations of between 1-2 MW contemplated in the SA can move forward.

In furtherance thereof, the Commission should continue the suspension of the procedural schedule in this proceeding. Should the Commission reject the SA, the procedural schedule should be reinstituted.

There is no need for hearings. All of the issues addressed in the SA were addressed by the testimony filed in this proceeding and the SA is itself fully supported by the whole record as shown above. Should a party contest the SA, it may cite to the evidentiary record as necessary to support its comments on the SA. The Commission should not, however, divert its own resources and those of the parties to hearings since they are unnecessary given the record already developed in this proceeding.

IV.
CONCLUSION

As shown herein, the SA is reasonable in light of the whole record, is consistent with law, and clearly promotes the public interest. The Commission therefore should approve the SA and immediately suspend the current procedural schedule while the SA is pending Commission approval. The Commission should approve the SA by not later than its last business meeting of 2008

Respectfully submitted,

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APPENDIX A

SETTLEMENT AGREEMENT

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SETTLEMENT AGREEMENT

Pursuant to Article 12 of the Commission's Rules of Practice and Procedure ("Rules"), San Diego Gas & Electric Company ("SDG&E"), Utility Consumers Action Network ("UCAN"), and CAlifornians for Renewable Energy, ("CARE"), Western Power Trading Forum ("WPTF") (collectively referred to hereafter as "Joint Parties") respectfully submit to the Commission this Settlement Agreement ("SA"). In this SA, the Joint Parties provide to the Commission a recommended resolution of the issues developed in this proceeding as a result of the Application of SDG&E to the Commission to construct utility owned solar generation plants in its service territory.

I.
REASONABLENESS OF THE SETTLEMENT

As discussed in more detail in the motion to which this SA is attached, the Joint Parties submit that the SA fully complies with the Commission's requirements that settlements be reasonable, consistent with law, and in the public interest. The Joint Parties have recognized that there is risk involved in litigation, and that a party's filed position may not prevail, in whole or in part, in the Commission's final determination. The Joint Parties have vigorously argued their positions in this matter and have reached compromise positions that they believe are appropriate in light of the litigation risks. This SA reflects the Joint Parties' best judgments as to the totality

of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

II.
SETTLEMENT TERMS AND CONDITIONS

Settlement Agreement

Guiding Principles

- Accelerate the deployment of cost-efficient solar PV in the SDG&E service area, open to all commercial PV technologies; (UCAN, Powers Testimony, p. 2)
- Establish a constructive role for the utility to promote lower cost PV (SDG&E testimony, p. I-7)
- Stimulate a PV installation and support infrastructure in the San Diego service area, including more companies with PV installation experience and consultants with expertise and experience in PV deployment and design (UCAN, Croyle Testimony, pp. 27-29)
- Open up the SDG&E Solar Energy Project to incorporate all cost-competitive PV technologies and applications. (UCAN Powers testimony, p. 3-10)(SDG&E rebuttal testimony pp. 7-8)
- Reduce the SDG&E Solar Energy Project capital expenditure by SDG&E from $250 million to $125 million or 26 MW_{dc} whichever comes first. (Greenlining testimony of Aguilar p.5) (CARE Anthony testimony, pp 7-10) (DRA testimony, p. 2) (UCAN Croyle testimony, p. 52-55)
- Provide a modest incentive to the utility for promoting distributed generation through an adder to its rate of return and through debt equivalence for PPAs (SDG&E testimony, p. III-7) (CARE Anthony testimony, p. 12) (UCAN Croyle testimony, pp. 31-33)
- Develop specific criteria for use in evaluating solar PV in the SDG&E Solar Energy Project. (UCAN Croyle testimony, pp. 45-51) (CARE Anthony testimony, p. 11)
- Establish a competitive bidding process for turnkey solar PV projects on utility property and PPAs on host customer/commercial properties (UCAN Croyle testimony, pp. 18-20) (CARE Anthony testimony, p. 14) (WPTF Ackerman testimony, p. 4) (DRA testimony, p.12)
- Increase the amount of financial and technical information about PV costs and applications available to the marketplace (UCAN Croyle testimony, pp. 67-69)
- Use pre-established solar PV evaluation criteria in support of SDG&E's Tier 3 advice letter filings (UCAN Croyle testimony, p. 44)
- Use a Solar Evaluation Engineer (SEE) in the bid evaluation process described in this SA (UCAN Croyle testimony, pp. 70-71)
- Where commercially reasonable give priority consideration to San Diego-based and diverse entities (Greenlining testimony of Aguilar, p.11)
- Promote innovative applications and emerging commercial-ready PV technologies. (UCAN Powers testimony, pp. 17-25)
- Place a cap on the cost of the SDG&E Solar Energy Project to ensure such costs do not exceed CSI costs. (CARE Anthony testimony, pp. 13-15)

Project Description

The SDG&E Solar Energy Project will be implemented in two phases:

Phase 1:

a. Utility Owned Turnkey Projects
   - SDG&E will install, own and operate up to 26 MW_{dc} on company owned property
   - Evaluation will be done to screen sites for fatal flaws prior to proceeding with permitting
   - SDG&E will manage local consultants that will be responsible for environmental permitting. Turnkey vendors will be responsible for securing building permits
   - All commercially viable PV technologies will be allowed to turnkey bid on permitted sites
   - Bids will be evaluated using an upfront agreed upon criteria that focuses on cost of annual energy delivered and capacity benefits.
   - 26 MW_{dc} cap
   - Cap of $125 Million.
   - Cap of $6,000/$kW_{dc}$ measured against CSI installations subject to changes in CSI experience
   - SDG&E will outsource O&M to either the turn-key provider or independent contractors for O&M work presently not within the venue of its present workforce

b. Utility Owned Turnkey Projects/PPA Competition
   - SDG&E will obtain site control and complete environmental permitting necessary for 8 to 12 MW of PV in the Borrego Springs area. A solicitation for PPAs will be undertaken to compare PPAs with a utility owned turnkey project for the Borrego Springs project.[1] All information necessary to compete the Borrego Springs project, such as land lease costs, will be made available to PPA bidders. SDG&E will assume life of asset for comparison purposes.
   - If the turnkey project wins out, then these MWs will be attributed to the $125 Million in Phase 1. If the PPA wins, then the MWs will be attributed to Phase 2.

c. Innovative Applications Project
   - Establish a set aside of up to 4MW to develop innovative technologies in eastern San Diego that may include one or more of the following: charging stations for plug-in hybrids, battery backup, battery storage, different emerging PV technologies, and support for "cool zones" augmented with conventional rooftop PV as may be appropriate.
   - SDG&E will develop a scope of work, with the procurement review group ("PRG") oversight to address innovative applications.

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[1] Borrego Springs is in a remote part of SDG&E's service area and is served by a radial 69 kV transmission line. Located in the desert, service to this community would be enhanced by local photovoltaic generation.

Phase 2:

Phase 2 proceeds after the completion of Phase 1during which:

- SDG&E will have developed in Phase 1 (either from Phase 1 projects or through other secondary sources) comparative costs of tracking and non-tracking systems and the cost effectiveness of turnkey projects versus PPAs. SDG&E will submit this information for review by SDG&E's PRG.
- Based upon Phase 1 data, SDG&E and its PRG will have re-evaluated the bidding criteria used in Phase 1.

Upon completion of these tasks , SDG&E will solicit PPAs for PV in SDG&E's load basin.

- Minimum project size shall be 1 MW. Projects will be aggregated into PPAs with a minimum of 5 MW.
- A cost cap in $/kW will be established based upon the cost of Phase 1 installations.
- There is no program cap analogous to the 26 MW_{dc} established under Phase 1.

Advice Letter Filing

Turnkey projects and PPAs will be approved or denied via Tier 3 Advice Letter Filings. The evaluation criteria developed, reviewed, and/or utilized by the PRG, Solar Evaluation Engineer ("SEE"), and SDG&E will form the basis for selecting projects for submittal for approval upon completion of contract negotiations. All of the criteria will be geared toward demonstrating the installed cost of solar PV. If necessary, Phase 2 solar evaluation criteria will be further refined prior to its commencement. Turnkey projects must be lower than the most recent typical installed cost of commercial CSI projects. Advice Letter filings will identify energy costs and show that the proposed project resulted from a competitive solicitation, and that SDG&E's O&M costs are reasonable.

Ratemaking

Utility owned facilities will be capped at $125 million ($2008) capital expenditures. SDG&E shall solicit PV PPAs (5 MW minimum, may be aggregated) connected to the distribution system with no installation less than 1MW. All Advice Letters seeking project approval shall be submitted prior to the expiration of 5 years from date of the Decision. All projects must be in commercial operation within 6 years from the date of the Decision; if any such projects are not in commercial operation within 6 years from the date of the Commission's final decision in this proceeding, SDG&E shall have the right to terminate all such projects.

For projects under Phase 1, the investment for utility funded projects will have the allowed regulated rate of return (ROR) plus 50 basis points, which is half of that which is allowed under PUC SECTION 454.3(c).

For PPAs under Phase 1.b and 2, SDG&E shall be allowed recovery of additional incremental revenues necessary to cover equity re-balancing of the capital structure associated with the recognition of debt-equivalence or consolidation requirements per FIN 46(R) resulting from delivery under PPAs.

Program Costs

Total cost of consultants: $3.7Million (2008$).
Total cost of SDG&E internal $3.5Million (2008$)
In the evaluation and selection of consultants and contractors, SDG&E, where commercially reasonable, shall give priority consideration to the selection of San Diego based companies.

In addition to the above, SDG&E will give priority to disadvantaged business enterprises ("DBE") entities consistent with SDG&E's current practices and obligations.

The following table compares the program costs outlined in SDG&E's Application with those agreed upon pursuant to this SA, and are presented as an update to Table II-3 of the original Application.

Solar Energy Project Requirement	**Functional Requirement**	**Staffing Requirement**	**Settlement Staffing Requirement**
Project Management	Project Management	1 FTE, 5 FTE-yrs	3.5 FTE-yrs
Administrative Support	Admin. Support	1 FTE, 5 FTE-yrs	0 FTE-yrs
Identifying Facility Opportunities	Customer Installation Manage/ Facility Ident.	Utilize support from existing Account Executives	Not needed with PPAs
Technical Knowledge	PV Technical Specialist	1 FTE, 5 FTE-yrs	5 FTE-yrs
Facility Development *(Note: This included internal permitting efforts in Application)*	Facility Development	2 FTE, 10 FTE-yrs	3.5 FTE-yrs (T-key) + 1 FTE-yrs (interconnection eng & evaluation), permitting outsourced
PV System Contracting	Procurement	Utilize Support from existing Supply Management Organization	0.75 FTE-yrs (Note, SDG&E recent experience indicates Application UNDER estimated effort)
PV System Installation	Project Management	2 FTE, 10 FTE-	Outsourced for

		yrs	turnkey
Legal		Utilize support from existing Commercial Law Dept.	1.5 FTE-yrs (Note, with PPAs, effort became notable)
Environmental/Permitting *(Note: Application presumed permitting support to Development Lead)*	Environmental	Utilizing support from existing Environmental Organization	3 FTE-yrs (Note, SDG&E recent experience indicates Application UNDER estimated effort)
Project and Facility Accounting	Accounting/Business Planning	Utilize support from existing Accounting Organization	Utilize support from existing Accounting Organization
PPA RFO, Eval, & Procurement	Not in Application	Not in Application	1.75 FTE-yrs
		Total New FTE – 7, 35 FTE-yrs	20 FTE-yrs
Consultants		$1.9M ($2008) (5 yrs @ $336K/yr + $214K)	$3.7M ($2008)

RFO Development and Process

Phase 1 Solicitations shall include:

- Provisions of the RFO for the SDG&E Solar Energy Project to ensure equal consideration of tracking and non-tracking systems, thin-film and polycrystalline panels and turnkey projects or PPAs (contingent upon project phase discussed below). The RFO must also state the requirements for vendor qualifications and experience. The RFO must also state the specific evaluation criteria to be employed for choosing among competitive bidders, including but not limited to system costs and performance, life of project, financial rates, residual value, multiple site discounts, guarantees against cost overruns, liability, and additional offerings, including annual maintenance contracts.
- Establishing shared cost responsibility (including overruns) between SDG&E and the successful bidders.
- Performance measures for monitoring PV costs and performance and cost overruns with threshold levels that trigger termination or revision of the project parameters.
- An agreed upon methodology for identifying the most cost-effective sites, evaluating competitive bids, and determining the most cost effective projects to develop at each site:

- Screening criteria for eliminating sites, e.g., excessive interconnection costs, limited distribution system benefits, excessive site-specific construction costs and/or adverse orientation for obtaining solar insolation and system efficiency.
- Screening criteria for eliminating bids, e.g., failure to satisfy RFP requirements, including vendor experience and/or technology specifications, and/or bids that are dominated by other comparable bids, e.g., lower cost for comparable system.
- Evaluation criteria for comparing bids at the same site, i.e., where the site parameters are identical but vendor and system performance/costs differ.
- Evaluation criteria for comparing bids across several sites, i.e., where the same system may perform better or cost less to install at some sites than others.

For turnkey projects and PPAs, SDG&E will solicit and accept bids from vendors offering either:

- Tracking and non-tracking systems
- Thin-film and polycrystalline panels

Vendors shall include (at a minimum) the following in turnkey bids**:**

- The cost of the solar PV system equipment, excluding installation
- The cost of installation for tracking and/or non-tracking systems
- The cost of and responsibility for site-specific construction costs
- The cost of annual maintenance or maintenance contracts, if offered
- The cost per unit of the delivered peak capacity and annual energy
- Expected system performance (efficiency, annual energy, capacity delivered late summer annual summer peak, output, degradation, delivery profile, etc.) at the site
- Expected GHG emissions savings with the proposed solar technology
- Purchase discounts for systems installed at multiple sites, if offered
- Responsibility for cost overruns; liability for system performance

For the Phase 1 PPA bids, vendors shall include (at a minimum) the following:

- PPAs must be fixed price contracts with terms of up to 20 years
- The cost per unit of the delivered peak capacity and annual energy
- Any pre-determined cost adjustment, e.g., for expected inflation
- The cost of and responsibility for site-specific construction costs
- Conditions for termination of the PPA by vendor, host or the utility
- Responsibility for cost overruns; liability for system performance, etc

- Expected system performance (efficiency, annual energy, capacity delivered late summer annual summer peak, output, degradation, delivery profile, etc.) at the site.

In consultation with the SEE and PRG, Phase 2 criteria shall incorporate all of these criteria, subject to such revisions as might be appropriate to reflect the experience and data gained in Phase 1; provided however that Phase 2 RFO(s) shall state the specific evaluation criteria to be employed for choosing among competitive bidders, as described above for Phase 1.

Procurement Process and Project Review

In implementing the terms of this SA, SDG&E will use its existing procurement practices. Specifically, the intent and use of the PRG will not be supplanted and no precedential practices will be created. The Parties recognize that specialized experience may be needed to augment the existing Independent Evaluator ("IE") as described below. Further, parties to this proceeding that do not represent market participants (non-market participants) have the right to review the existing IE's capabilities relative to photovoltaic expertise and the right to recommend an additional Solar Evaluation Engineer with such expertise. Under this SA, non-market participants may participate in PRG meetings for solicitations pursuant to this SA consistent with the otherwise applicable rules governing PRG participation. Such non-market participants will be allowed full access to materials presented to the PRG when implementing this SA, provided non-disclosure agreements are duly executed beforehand.

- Non-market participants may assist in selecting a Solar Evaluation Engineer with PV expertise to use the existing RFO process only for the SDG&E Solar Energy Project
- The use of the PRG shall be to ensure that the SEE has thorough knowledge and experience in assessing the benefits of multiple PV technologies.
- Parties shall assess the capabilities of the existing independent evaluator, and if necessary, select a SEE that is qualified to evaluate this program to work with the existing IE.
- At the end of the second year of the operation of SDG&E's Solar Energy Project, SDG&E will file a report in its Energy Resource Recovery Account showing such information as is necessary for comparing SDG&E's UOG solar energy projects to non-utility projects, including cost data, number of bids, the result of the bids, contract prices, and the levelized cost of electricity for UOG projects.

PRG

It is fundamental to the purpose of this SA that all parties recognize and agree that in implementing SDG&E's Solar Energy Project, SDG&E will use its current procurement processes and procedures, which are not intended to be and will not be modified, explicitly or implicitly, by the terms of this SA or by reason of its implementation by SDG&E.

- The PRG will review and comment upon solicitations including review of and comment on selection criteria.
- SDG&E will review and incorporate agreed upon changes prior to issuance for bids.

- Recommendations for which SDG&E cannot come to agreement will be documented and identified to the PRG along with reasons for SDG&E's position.
- The PRG will have access to bids and SDG&E's evaluation of bids. Regarding utility owned turnkey facilities:

    - Sites must be screened and prioritized to minimize, mitigate or manage the PV system interconnection, distribution system and site-specific construction costs. These benefits identified by SDG&E must be quantified as evaluation criteria. These criteria will be developed prior to Phase 1 in collaboration with the PRG. Additionally, sites must be screened to reflect the potential available acreage (project size) and solar orientation/insolation (project performance) criteria. These criteria will be developed prior to Phase 1 in collaboration with the PRG**.**

    - Utility-owned sites will be screened based on the same criteria intended to screen non-utility host sites in Phase 2. These criteria will be developed prior to Phase 1 in collaboration with the PRG. Sites that do not pass initial site screening criteria should not be developed for the SDG&E Solar Energy Project.

    - Utility-owned sites passing the screening criteria must be prioritized to determine which to develop first.

- SDG&E shall follow the same established practice with the SDG&E Solar Energy Project as SDG&E does with all other procurement solicitations.
- Prior to selection of bids for which SDG&E intends to move forward with negotiations, SDG&E shall meet with the PRG to review bid results.
- No contracts shall be binding until Advice Letter approval is received.
- Non-market participants will not, in any way, relinquish their rights to participate in other proceedings or comment on SDG&E filings in any CPUC proceeding.
- Prior to initiation of Phase 2, SDG&E and the PRG will review experience to date to review, evaluate, and change as necessary PPA criteria.

III.
ADDITIONAL TERMS AND CONDITIONS

A. The Public Interest.

The Joint Parties agree jointly by executing and submitting this SA that the relief requested herein is just, fair and reasonable, and in the public interest.

B. Non-Precedential Effect.

This SA is not intended by the Joint Parties to be precedent for any future proceeding. The Joint Parties have assented to the terms of this SA only for the purpose of arriving at the settlement embodied in this SA. Except as expressly precluded in this SA, each of the Joint

Parties expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this SA, and the Joint Parties expressly declare that, as provided in Rule 12.5 of the Commission's Rules, this SA should not be considered as a precedent for or against them. Likewise, the SA explicitly does not establish any precedent on the litigated issues in the case.

C. Indivisibility.

This SA embodies compromises of the Joint Parties' positions. No individual term of this SA is assented to by any of the Joint Parties, except in consideration of the other Joint Parties' assents to all other terms. Thus, the SA is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this SA if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Joint Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

The Joint Parties acknowledge that the positions expressed in the SA were reached after consideration of all positions advanced in the prepared testimony of SDG&E and the other interested parties, as well as proposals offered during the settlement negotiations. This document sets forth the entire agreement of the Joint Parties on all of those issues, except as specifically described within the SA. The terms and conditions of this SA may only be modified in writing subscribed by all Joint Parties.

Dated this 20th day of March, 2009.

SAN DIEGO GAS & ELECTRIC COMPANY

By: *\/s/ Steven D. Patrick*
Steven D. Patrick
Attorney for San Diego Gas & Electric

UTILITY CONSUMERS ACTION NETWORK

By: *\/s/ Michael Schames*
Michael Schames
Executive Director for Utility Consumers Action Network

CALIFORNIANS FOR RENEWABLE ENERGY, INC.

By: *\/s/ Michael E. Boyd*
Michael E. Boyd
President of CAlifornians for Renewable Energy, Inc.

WESTERN POWER TRADING FORUM

By: *\/s/ Dan Douglass*
Dan Douglass
Attorney for Western Power Trading Forum

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **JOINT MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M), UTILITY CONSUMERS ACTION NETWORK, WESTERN POWER TRADING FORUM AND CALIFORNIANS FOR RENEWABLE ENERGY FOR ADOPTION OF SETTLEMENT AGREEMENT AND CONTINUED SUSPENSION OF THE PROCEDURAL SCHEDULE IN THIS PROCEEDING** by electronic mail to each party of record in A.08-07-017. Any party on the service list who has not provided an electronic mail address was served by placing copies in properly addressed and sealed envelopes and by depositing such envelopes in the United States mail with first-class postage prepaid.

Copies were also sent via Federal Express to Administrative Law Judge Maryam Ebke and Commissioner Michael Peevey.

Dated at Los Angeles, California this 20th day of March 2009.

/s/ Marivel Munoz
Marivel Munoz

CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists: A.08-07-017 – Last Changed: March 19, 2009

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