APPENDIX A

SUMMARY OF KEY ITEMS

The attached decision reviews and conditionally accepts the 2009 Renewables Portfolio Standard (RPS) Procurement Plans of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E). It reviews each Supplement to the Integrated Resource Plan (IRP) of Sierra Pacific Power Company (Sierra) and PacifiCorp. The orders and guidance, while not limited to those stated in this abstract, are summarized below:

1. **Sunrise Issues:**

    a. **Special Bidders Conference:** Require that PG&E, SCE, and SDG&E each hold a special Imperial Valley bidders conference at a time a place most reasonable for the utility and stakeholders; conference must include presentation of certain information (*e.g.*, Commission approval and express intentions; project information; estimates of renewable deliveries; SDG&E commitments); conference must be open to any bidder within the area of the Western Electricity Coordinating Council (WECC) whose project may create a significant power flow on Sunrise.

    b. **Specific Imperial Valley Monitoring:** Require utilities to provide data, as and when requested by Energy Division, to permit specific monitoring of Imperial Valley proposals and projects.

    c. **2010 Remedial Measures:** Decline to adopt remedial measures now for 2010 solicitation (except for SDG&E regarding Imperial Valley-only sub-solicitation discussed below).

d. Project Viability Methodology and Calculator

i. **Standardization:** Adopt standardized project viability methodology and calculator with details to be specified by Energy Division (minimum elements include at least three major categories; non-binary weights; definitions or descriptions for criteria).

ii. **Transparency:** Solicitation-wide aggregate data reported in public version of advice letters; project specific information in confidential versions of advice letters.

iii. **Development Security:** Decline to link project viability score and development security.

iv. **Categories for Approvals:** Decline to adopt categories for approval of contracts and amendments.

v. **Flexible Compliance:** Decline to adopt link between flexible compliance provisions and project viability score.

2. **Exclusivity Agreement Date:** Adopt a uniform date before which an investor-owned utility (IOU) may not require that a bidder execute an agreement requiring exclusive negotiations with the IOU; that date is the day each IOU notifies bidders of shortlist positions.

3. **TRECs:** Decline to accept conditional authorized use of tradable renewable energy credits (TRECs) to meet RPS Program targets until the Commission authorizes the use of TRECs; must remove discussion from the 2009 Plan regarding use of TRECs to meet RPS Program targets.

4. **STC 5 and 25-Year Contract Term:** Affirm that Standard Term and Condition 5 (STC 5) is a modifiable STC, and that a bidder may mark the box "non-standard delivery term" with an entry for a period longer than 20 years.

Direct each IOU to exclude language in its Procurement Plan which would discourage or prohibit bids longer than 20 years. Direct that each IOU consider and evaluate all bids, including those for more than 20 years, using its least-cost and best-fit (LCBF) methodology and other reasonable screening tools, and discuss acceptance or rejection of each bid with its Procurement Review Group, as appropriate.

5. **Network Upgrades:**

   a. **Cash Flow:** Issues to be examined in R.08-03-009/I.08-03-010.

   b. **Component of Plan**: To the extent not already addressed but intended as a component of the 2009 RPS Procurement Plan to reach RPS Program goals, each IOU should include upfront funding as a component of revised 2009 RPS Procurement Plan.

   c. **Justify Decisions**: IOUs are already on notice of responsibility for reasonable RPS outcomes, within application of flexible compliance criteria. May address further in R.08-03-009/ I.08-02-010.

6. **LCBF Proposals**: IOU proposals for modifications to their LCBF protocols are accepted, along with several recommendations regarding project viability (see Sunrise Issues above). IOUs shall continue to work with Energy Division and parties to make LCBF analysis clear, and continue to modify and improve methodologies, if and as necessary, to promote meeting RPS Program goals.

7. **TOU Factors**: Decline to order IOUs to file benchmarking studies. Direct SDG&E to explain in its next showing why it uses an energy only approach to setting time-of-use (TOU) factors, and to provide both energy only and all-in factors.

8. **UOG**: Each IOU must actively consider utility ownership of RPS facilities, and continue to include information on utility-owned generation (UOG) in its RPS Plan. PG&E's proposal to include joint development and ownership has

merit, and other utilities are encouraged to consider similar opportunities. The revised Plans filed pursuant to this order should include discussion, if and where appropriate, of UOG that reflect important economy-wide events that have occurred since 2007.

9. **Data for 2010 Plans:** IOUs should work with Energy Division and parties on improvements in form and format for 2010 Plans, including increased standardization and uniformity in form and format, plus proposed changes to presentations on STCs, to improve understandability and ease of presentation.

10. **PG&E:**

    a. **Pilot Program for Pre-Approvals:** Not accepted, and PG&E must remove from 2009 Plan. The proposal will be addressed in another decision.

    b. **Development Security:** Accept PG&E's proposal to increase project development security amounts with limitation of damages in certain situations, with PG&E remaining responsible for program success and meeting RPS targets.

    c. **Other:** Accept other changes, with PG&E remaining responsible for program success and meeting RPS targets.

11. **SCE:**

    a. **Pre-Approvals for Short-Term Contracts:** Not accepted, and SCE must remove from 2009 Plan. The proposal will be addressed in another decision.

    b. **RPS Standard Contract Program:** SCE's initiative and innovation with this RPS Standard Contract Program are to be commended, and other utilities should consider adopting the same approach. We accept SCE's RPS Standard Contract Program as part of its 2009 Procurement Plan. Specific decisions

on SCE's standard contracts and prices are reserved to a subsequent filing wherein SCE states that it will seek approval of such agreements and prices.

c. **Credit and Collateral:** Accept SCE's proposals with SCE remaining responsible for program success and meeting RPS targets.

d. **Other:** Accept other changes, with SCE remaining responsible for program success and meeting RPS targets; SCE to consult with staff on improved AMF term.

12. SDG&E:

a. **Imperial Valley-Specific Solicitation:** SDG&E may include an Imperial Valley-specific sub-solicitation within its 2009 Plan and 2009 general solicitation.

b. **Financial Impacts:** The Commission will take action when warranted and will do so in a manner consistent with the urgency presented.

c. **Other:** Accept other changes, with SDG&E remaining responsible for program success and meeting RPS targets.

13. PacifiCorp: 2009 IRP Supplement accepted; must improve its showing in 2010 on how it will reach 20% by 2010 (or 2013 using the maximum flexible compliance period).

14. Sierra: 2009 IRP Comprehensive Supplement addresses Sierra's unique, fully-RPS resourced position, and is accepted.

15. <u>Schedule and Plans</u>:

a. **<u>2009</u>:** The schedule in Appendix B is adopted. This includes a date before which an IOU may not request a bidder to enter into a negotiation exclusivity agreement.

b. **<u>2010</u>:** The assigned Commissioner or Administrative Law Judge will set the specific schedule. The assigned Commissioner shall rule on the proposed Transmission Ranking Cost Reports. Parties should continue to consider and, where feasible, propose alternatives that accomplish RPS Program objectives while mitigating some of the burden placed on all stakeholders from an annual solicitation. IOUs and parties are encouraged to consider and propose a solicitation cycle other than an annual period. IOUs must continue to coordinate form and format; each must report on their experience with the 2009 special Imperial Valley bidders conference and make a recommendation on the reasonableness of a special Imperial Valley bidders conference in 2010.

(END OF APPENDIX A)

APPENDIX B

ADOPTED SCHEDULE FOR 2009 SOLICITATION

LINE NO.	ITEM	NO. OF DAYS (cumulative)	DATES
1	Mailing of Commission's conditional approval of RPS Plans	0	
2	IOUs file amended RPS Plans	14	
3	IOUs issue RFOs (unless amended Plans are suspended by Energy Division Director by Day 21)	21 (a)	(a)
4	IOUs notify Commission when bidding is closed	113	
5	Date IOUs notify bidders of shortlist; no exclusivity agreements may be required before this date	151	
6	IOUs submit shortlists to Commission and PRG	151	
7	IOUs submit report on evaluation criteria and section process; Independent Evaluators submit Preliminary Reports	165	
8	IOUs submit ALs with PPAs for Commission consideration (as necessary for earmarking)	By ___	By 4/30/2010

Note: The Energy Division Director may change these dates. Party requests for changes must be directed to the Executive Director (Rule 16.6).

(a) An IOU may adjust this date to a day after day 21, as necessary, without Commission approval.

(END OF APPENDIX B)

APPENDIX C

SUMMARY OF 2009 PROCUREMENT PLANS FOR RENEWABLES PORTFOLIO STANDARD PROGRAM

The Commission must review and accept, modify or reject each electrical corporation's renewable energy procurement plan prior to the commencement of renewable procurement. (§ 399.14(c).) We do this for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E). The Commission must then accept or reject proposed contracts with eligible resources based on consistency with the approved plan. (§ 399.14(d).)

The Commission expects each Plan to reasonably identify all sources of electricity generated by facilities using renewable resources that the electrical corporation may use to meet Renewables Portfolio Standard (RPS) Program obligations, including utility-owned generation.[1] A brief summary of the 2009 RPS Procurement Plans of PG&E, SCE, and SDG&E follows.

1. PACIFIC GAS AND ELECTRIC COMPANY

1.1. Overview

PG&E says its 2009 RPS Plan describes the actions it will take to help meet California's goal of 20% renewable deliveries by 2010. PG&E states that it does this in accordance with eligibility standards set by the

[1] See, for example, Amended Scoping Memo and Ruling of Assigned Commissioner Regarding 2009 RPS Procurement Plans dated June 20, 2008.

California Energy Commission. PG&E explains that it currently anticipates achieving this goal by using the provisions of flexible compliance adopted in Decision (D.) 08-02-008. PG&E reports that it has executed contracts with RPS-eligible resources for up to 24% of its retail sales, but actual deliveries at the 20% level are not expected to occur until 2012 or 2013, given the lag time between contract signing, construction of facilities, and commencement of actual deliveries.

PG&E states that in addition to current procurement efforts from its ongoing 2008 solicitation, PG&E plans to sign additional renewable contracts amounting to 1% to 2% (approximately 800 to 1,600 gigawatt-hours (GWh)) of its annual retail sales. These contracts will come from offers PG&E expects to receive in its upcoming 2009 solicitation. PG&E says that it procures above the 1% to 2% target in order to provide an additional margin of safety, and does this through both solicitations and bilateral efforts. It does this, according to PG&E, when opportunities are available for additional, cost-effective renewable resources that meet PG&E's evaluation requirements. PG&E reports that its actual contract signings, on average, exceeded 2% of retail sales each year in the period of 2004 to 2007.

PG&E identifies the following key assumptions in its 2009 RPS Plan:

- Flexible Compliance will be used to achieve the 2010 RPS goal (with actual deliveries of 20% estimated to occur about 2012 or 2013);

- An average of 75% of existing RPS contracts will renew;

- A generic procurement resource mix in future solicitations will be approximately 70% solar, 18% wind, 9% biomass, 2% geothermal and 1% small hydro;

- Project development lead times (from solicitation to delivery) will be from 4 to 6 years, with wind projects estimated to come online the earliest;

- Reasonable resolution will occur of all relevant issues related to transmission interconnection, investment tax credit (ITC) and production tax credit (PTC).

PG&E reports RPS procurement of 11.4% of its retail sales for 2007 (the most recent year of publicly available data). Even though PG&E says it has contracts for future deliveries representing about 24% of retail sales (thereby securing sufficient quantities of renewables to achieve its RPS goals), PG&E asserts that it expects to continue to procure additional amounts of renewable energy for several reasons. These reasons include load growth, potential for contract delay and failure, and potential for expansion of RPS targets. A major source of uncertainty, according to PG&E, is the reduction in load that may occur due to community choice aggregation (CCA), which is currently being considered in at least five counties in PG&E's service area. PG&E says it prefers deliveries in earlier years and within the California Independent System Operator (CAISO) service territory, but out-of-state offers will continue to be evaluated.

PG&E identifies several possible impediments to, or uncertainties in, reaching 20% by 2010. These include:

- The continued availability of federal tax subsidies (ITC and PTC) and the California Solar Property Tax Abatement (PTA).

- The amount of above market funds (AMFs) available to fund projects at costs in excess of the market price referent.

- Siting and permitting uncertainties, which may lead to delays and project failures.

- Transmission constraints to RPS-rich areas.

Regarding building and owning its own RPS resources, PG&E says it will seek (for the first time in 2009) proposals for joint development and ownership of renewable projects. PG&E is also pursuing cost-effective ownership opportunities primarily focused on small hydro, ocean, wind and solar technologies.

1.2. Important Proposed Changes from 2008 Plan

PG&E identifies 11 important proposed changes between its 2008 and 2009 Plans. PG&E says it proposes these changes for the purpose of further streamlining offer evaluation, offer shortlisting, contract negotiations and contract approvals. These are:

- Ownership Options: Expand ownership options that may be offered in the solicitation to include joint development and ownership opportunities (in addition to three existing options: (a) Power Purchase Agreement (PPA) with buyout, (b) Purchase and Sale Agreement (PSA) and (c) site for development).

- Evaluation Protocols: Revise the Solicitation Protocol to clarify the least cost best fit (LCBF) evaluation process with respect to Locational Marginal Pricing (LMP), counterparty concentration considerations and hybrid offers.

- Additional Information: Modify the protocol to solicit additional information from sellers regarding their plans for using diverse suppliers.

- Development Security: Increase project development security requirements in exchange for capped damages prior to commercial operation if failure to achieve contract milestones is due solely to force majeure, permitting delays, transmission interconnection delays or transmission upgrade delays beyond seller's control.

- More Flexibility in Milestones and Performance: Modify contract terms to provide more flexibility in construction start date and commercial online date due to delays in tax credit extensions, permitting and transmission upgrades, and to provide an opportunity for the counterparty to "cure" deficits in guaranteed energy production prior to being in default.

- Scheduling Coordinator: Modify scheduling coordinator (SC) responsibility, so that PG&E is now the default SC for all projects located within the CAISO control area. The counterparty continues to be the SC for projects located outside the CAISO control area.

- Minimum Energy Production: Specify minimum guaranteed annual energy production by technology (baseload versus as-available).

- Model Contract: Streamline and simplified the form PPAs by combining the as-available PPA, baseload/dispatchable/ peaking PPA and short term PPA from an existing eligible renewable resources (ERR) into a single PPA.

- STC: Make minor revisions to the non-modifiable terms in the PPA to conform precisely to those non-modifiable terms as specified in D.08-04-009, as modified by D.08-08-028.

- Pilot Program for Streamlined Approval: Propose to implement a Pilot Program to streamline contract negotiation and approval. Under the proposed pilot, if PG&E chooses to execute a PPA with a counterparty that has accepted the terms

and conditions in the form PPA without revision, and has provided a price below the 2008 MPR, that contract would be "per se" reasonable, and would not require CPUC review and approval. The proposed Pilot Program would not limit the per project capacity and would permit any term of contract allowed in the model contract, but would limit the total subscription to 800 GWh.

- TRECs: PG&E may seek authority to make changes to its 2009 plan if the CPUC authorizes Renewable Energy Credit (REC) trading for RPS compliance.

2. SOUTHERN CALIFORNIA EDISON COMPANY

2.1. Overview

SCE states that it is difficult to assess its RPS needs for 2009 since SCE is still in the process of completing its 2007 RPS solicitation, and has just recently completed the initial bid evaluation for its 2008 RPS solicitation. Generally, however, SCE says its planned procurement activities for 2009 will include seeking resources to augment those under contract as a result of prior solicitations to the extent necessary to ensure that SCE meets the overall goal of 20% renewables as soon as possible. SCE asserts that it is seeking in the 2009 solicitation both near and long-term proposals; delivery terms of 10, 15 or 20 years, or non-standard terms of no less than one month and no longer than 20 years; and that it prefers facilities interconnected in the CAISO's control area.

SCE reports that it considers "Base Case" and "High Need Case" procurement scenarios. SCE's Base Case assumes 100% delivery at the currently expected on-line dates for all executed contracts while the High Need Case assumes only 70% delivered energy from executed, but not yet

delivering, contracts.[2] SCE asserts that it intends to procure renewable resources based on the High Need Case procurement scenario in order to account for potential project success rates and other contingencies. SCE explains that it also seeks to procure resources to meet the 20% goal as soon as possible.

To achieve future annual procurement targets (APTs), SCE expects to use its surplus procurement bank balance. SCE also expects to earmark future deliveries from RPS contracts. SCE says it will use earmarking from a pool of contracts that are eligible for earmarking, and apply banked surplus generation if an earmarked contract does not deliver (or delivers less than forecasted) as permitted by D.08-02-008.

SCE reports actual RPS procurement of 15.8% of its retail sales for 2007 (the most recent year of publicly available data). SCE forecasts 16.0% for 2008, and 20% by 2013. SCE states that whether, when and how direct access is restored presents a significant uncertainty regarding future retail sales, RPS targets and RPS results.

Regarding building its own RPS resources, SCE points out that it is seeking Commission authorization to spend up to $875 million (2008 dollars) in customer funds to develop the Solar Photovoltaic Program (SPVP). (A.08-03-015.) The SPVP proposes the installation of 250 megawatts (MW) of solar photovoltaic panels on rooftops at the

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[2] SCE says its High Need Case is modeled to represent project development success rates as well as any contingency that would make meeting RPS goals less likely (e.g., delays due to transmission problems, extensions required due to material shortages, load growth beyond that which is forecast, less than expected output from resources). (SCE Procurement Plan at 6.)

distribution level in urban areas in Southern California. Further, SCE notes that the Commission has provided base-rate funding to study future generation needs, including renewables.[3] SCE reports that it has begun generation studies contemplated in the GRC decision. These include studying the characteristics and costs for emerging generation technologies, potential sites, and transmission network upgrades.

SCE identifies two other procurement methods it will use to reach its RPS goals. First, SCE intends to extend it current Biomass Standard Contract program to include other renewable technologies.[4] Second, SCE will use energy obtained via its feed-in tariffs for water, wastewater and other customers with projects up to 1.5 MW pursuant to Pub. Util. Code § 399.20.

SCE identifies four primary factors that may hinder SCE's ability to reach the overall goal of 20% by 2010: transmission constraints, uncertainty regarding federal ITC and PTC, increasingly congested interconnection queue, and developer performance. SCE's Plan addresses each.

First, transmission is the single biggest constraint in bringing new RPS resources on-line in the near-term, according to SCE. SCE says contract evaluation and negotiation often occur in the early stages of project development when little or no transmission information is known. SCE asserts that increased procurement activity (i.e., execution of more

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[3] *See* SCE's Test Year 2006 General Rate Case (GRC) decision, D.06-05-016.

[4] SCE says does not necessarily seek approval of the standard contracts for projects between 1.5 and 20 MW as part of its 2009 Procurement Plan.

contracts) will not accelerate the planning, permitting and construction of transmission upgrades and new transmission needed to accomplish delivery of new RPS energy. SCE also notes that it has received relatively few bids from RPS projects that do not require significant transmission upgrades or new transmission.

Second, SCE says uncertainty regarding federal ITC and PTC jeopardizes projects since the economics of many projects rely on these tax credits. To mitigate this uncertainty, RPS contracts often have no fault termination rights if tax credits are not extended.

Third, SCE says congestion on the CAISO interconnection queue, and the administration of the interconnection process by CAISO, impacts resource development. SCE describes various reforms to that process now being considered. SCE concludes that the ability to deliver the large magnitude of renewable energy needed to meet California's aggressive RPS requirements by 2010 and beyond will be greatly impacted by the success or failure of the CAISO's interconnection process reform.

Finally, SCE notes that developers must plan, construct and operate their facilities according to milestones set in contracts. Developers face hurdles and it is possible that milestone schedules will be altered, according to SCE. SCE assert that these delays may impact the amount of delivered RPS energy on which SCE can rely for compliance.

2.2. Important Proposed Changes from 2008 Plan

2.2.1. Overview

SCE identifies 6 important proposed changes between its 2008 and 2009 Plans. These are:

- Biomass Standard Contract Program: Expand program beyond biomass to include other eligible renewable resources.

- §399.20 Tariffs/Standard Contracts: Inclusion of these tariffs/standard contracts as part of the RPS Program.

- Pre-approvals: SCE is requesting Commission pre-approval of certain short-term transactions (e.g., maximum of 10,000 GWh, contract delivery consistent with D.07-12-052, which is generally five years or less).

- TRECs: SCE seeks authority to enter into tradable REC transactions as part of its 2009 Plan.

- Credit and Collateral Provisions (described more below):

    i. Eliminated the option of Reduced Development Security;
    ii. Increased requirements for Development Security;
    iii. Eliminated provisions for subordinated security interest;
    iv. Revised requirement for sellers to post performance assurance.

- Other
    i. Revised insurance provisions
    ii. Added North American Reliability Council requirements
    iii. Added cap on expenditures required of sellers to comply with RPS changes
    iv. Deleted STC 3 (Supplemental Energy Payments) and replaced it with an AMF term
    v. Modified certain terms (e.g., delivery point) to prepare for CAISO Market Redesign and Technology Update (MRTU).

vi. Modified definition of Green Attribute (D.08-08-028).

2.2.2. Credit and Collateral

SCE describes the following changes to its credit and collateral provisions.

Eliminated the Reduced Development Security Option

The Reduced Development Security Option allowed sellers to post half of the normally requested cash or cash equivalent development security when supported by a first-priority lien on the seller's generating facility and related assets. It was available only in the pre-construction period during which no third parties had been granted senior liens, or to projects completing balance-sheet financing. It required the further negotiation and filing of a suite of security documents (e.g., deed of trust, security agreement, pledge of seller's equity). SCE contends that the benefits were outweighed by the increased complexity of the process, added negotiation and administration time, short duration of the secured interest, and the limited value of a security interest in a pre-construction projection without significant assets. SCE also asserts that the elimination of this option streamlines the development security process and the pro forma agreement.

Increasing Development Security Requirements

SCE is tripling its Development Security requirements as follows:

FACILITY	DEVELOPMENT SECURITY ($/KW)	
	2008	2009
Baseload	$20.00	$60.00
Intermittent	10.00	30.00

SCE contends the increases provide more substantial, yet reasonable, collateral for SCE and its customers. SCE says self-selection as a result of the increased development security will produce more viable project proposals.

Subordinated Security Interest Provisions

These provisions cover the operating period of the contract but, according to SCE: (a) often require a significant amount of negotiation and modification to the pro forma agreement without a commensurate benefit to SCE, (b) require follow-up documentation provided well after contract execution (complicating contract administration), and (c) require scrutiny and approval of seller's third party lenders (leading to additional rounds of negotiation between SCE, seller and lender). SCE asserts that eliminating the subordinated security interest provisions benefit SCE and the seller by shortening the contracting process and simplifying performance assurance discussions.

Performance Assurance

Successful projects were required in 2008 to post performance assurance deposits equal to six or twelve months of revenue. For 2009, SCE requires that sellers post performance assurance deposits equal to 5% of the total revenue the seller expects to receive over the full term of the agreement, but not less than $1 million. SCE asserts this change is consistent with industry practice and simplifies performance assurance discussions.

3. SAN DIEGO GAS & ELECTRIC COMPANY

3.1. Overview

SDG&E says its 2009 RPS Procurement Plan is designed to achieve the goal of serving 20% of its retail sales with renewable energy by 2010 and, by adding at least an additional 1% of cost effective renewable energy each year thereafter in accordance with its Long Term Procurement Plan, to potentially achieve 33% by 2020. In order to reach 20% within the brief period before 2010, SDG&E states it intends to solicit short-term contracts in its 2009 RFO, and use flexible compliance mechanisms in 2010 and later.

SDG&E describes its procurement strategy goal as one of contracting for deliveries of up to 24% to 26% of its retail sales in 2011 through 2013. This provides a margin of safety which, according to SDG&E, protects against several contingencies including contract failure in an emerging market, delays in projects achieving commercial operation, under-delivery from operating projects, and project failures. SDG&E says transmission is a major factor, however, and if new transmission facilities are not available, SDG&E says it is highly unlikely that it will be able to achieve the 20% RPS mandate within the compliance period.

According to SDG&E, its Request for Offers (RFO) will solicit bids from all types of renewable technologies located anywhere in California, as well as outside of California. SDG&E says a renewable project outside of California, however, must be connected to the Western Electricity Coordinating Council (WECC) transmission system and meet the requirements set forth in Pub. Util. Code § 399.16. SDG&E's RFO will solicit capacity and energy services from repowered, upgraded or new facilities. Products may include unit firm or as-available deliveries starting

in 2010, 2011, 2012, or 2013 for terms ranging from spot market up to 20 years, SDG&E says.

Threshold requirements of SDG&E's 2009 RFO include:

(i) Projects within SDG&E's service area must be greater than or equal to 1.5 MW, net of all auxiliary and station parasitic loads.

(ii) Projects outside of SDG&E's service area must be greater than or equal to 5 MW, net of all auxiliary and station parasitic loads.

(iii) Respondents are required to satisfy all certification, eligibility and program requirements established by the Commission and California Energy Commission.

(iv) Respondents must be willing to execute an agreement in substantially the form of SDG&E's pro forma PPA.

In addition to its RPS RFO, SDG&E says it will use the WECC bilateral market. SDG&E contends this market is well-established, liquid, and is available year-around (unlike annual RPS solicitations). SDG&E explains it has had equal or greater success negotiating bilateral offers compared to securing projects via competitive solicitation. According to SDG&E, projects that are mature and viable seem to prefer bilateral deals. (SDG&E Plan, at 24.)

SDG&E reports actual RPS procurement of 5.2% of its retail sales for 2007 (the most recent year of publicly available data). SDG&E forecasts 26.0% by 2013.

Regarding building its own RPS resources, SDG&E notes it continues to study this issue, and will bring proposals to the Commission when they are developed. SDG&E's first such proposal is its Solar Energy

Project, in which SDG&E proposes to pursue installations that are larger in size than those in the California Solar Initiative (CSI) or SDG&E's Sustainable Communities Program but smaller than central station photovoltaic facilities connected at transmission level. (A.08-07-017.) SDG&E says the focus will be on distributed solar generation on the distribution system.

SDG&E says its 2009 RPS solicitation will include the opportunity for bidders to offer ownership options for SDG&E. SDG&E reports it is open to a range of ownership forms, from SDG&E acting as the sole owner/developer to joint ownership (where SDG&E assists a smaller developer, acts as financier, or adds other expertise). SDG&E also indicates it will use RPS electricity procured via its standard tariff from eligible water and wastewater companies to meet RPS targets. (PU Code § 399.20.)

SDG&E identifies several impediments to reaching 20% by 2010 including:

- Lack of transmission infrastructure
- Uncertainty about availability of federal ITC and PTC
- Increasing costs of build RPS projects
- Uncertainty around availability and timely issuance of land leases from Bureau of Land Management
- Debit equivalency of power purchase agreements affecting SDG&E's credit profile and financial standing
- Potential necessity to consolidate seller's financial information with that of SDG&E pursuant to Financial

Accounting Standards Board Interpretation No. 46. (FASB FIN 46(R).)

3.2. Important Proposed Changes from 2008 Plan

SDG&E identifies seven important proposed changes between its 2008 and 2009 Plans. These are:

- One Team for Evaluations: SDG&E has been using two teams to process offers and perform LCBF analysis (Processing Team and Evaluation Team). The Processing Team created aliases for affiliate offers to ensure that SDG&E would not favor offers from an SDG&E affiliate. SDG&E's Independent Evaluator (IE) noted that creation of aliases was burdensome, inefficient, and delayed evaluation by several weeks. For 2009, affiliate offers will no longer be disguised by the use of aliases, but the IE will protect the integrity of the process.

- LCBF Quantitative Analysis: LCBF analysis has been performed in-house. For 2009, SDG&E may use outside consultants (including the IE) to provide additional flexibility in resource management and allow more focus on qualitative factors.

- TOU Cost Adjustment: SDG&E adjusts prices from baseload, peaking or intermittent resources to improve the assessment of deliveries from various resources. For 2009, SDG&E will revise the calculation and the description of the calculation. SDG&E expects the result to be the same, but the description and change in approach should reduce confusion.

- LCBF Duration Equalization: SDG&E previously equalized offers of various terms and starting dates by using the MPR. The MPR does not include RECs, according to SDG&E, so for 2009 SDG&E will use average bid prices (which will include RECs).

- UOG: SDG&E previously did not identify any utility owned generation. For 2009, SDG&E proposes 20 MW to 35 MW of utility owned distributed, solar PV.

- Pricing Forms: In response to suggestions from bidders, SDG&E proposes new, simpler pricing forms.

- Offer Narratives: SDG&E proposes to move topics previously stated in an outline to a separate form. This will encourage bidders to respond to each question, stay on point, and focus discussions on details important to SDG&E.

SDG&E specifically requests that the Commission's decision on SDG&E's Procurement Plan:

- expressly acknowledge the importance of acting to mitigate any negative impact on SDG&E's balance sheet and/or credit profile caused by application of debt equivalence and/or FIN 46(R) requirements; and

- affirm that to the extent that a PPA negatively affects SDG&E's credit rating and SDG&E files a capital structure adjustment application pursuant to D.08-05-035, the Commission will seek to mitigate such impacts through expeditious consideration of such application.

(END OF APPENDIX C)

APPENDIX D

SUMMARY OF 2009 SUPPLEMENTS TO IRPs

The Commission must review and accept, modify or reject each electrical corporation's renewable energy procurement plan prior to the commencement of renewable procurement. (§ 399.14(c).) This is done recognizing the special rules established by the Legislature for multi-jurisdictional utilities (MJUs). (§ 399.17; Decision 08-05-029.) In particular, each MJU must file its Integrated Resource Plan (IRP) for Commission review, along with certain supplemental information. In years when an IRP is not filed, we require the MJU to file a more comprehensive Supplement to its previous IRP.

IRPs were not filed this year. A brief summary of the 2009 RPS Procurement Plan Supplements of PacifiCorp and Sierra Pacific Power Company (Sierra) follows.

1. PACIFICORP

PacifiCorp reports that its California service territory is relatively small, serving approximately 46,500 California customers. PacifiCorp has operations in six states, and says it must be attentive to the regulatory authority of each state jurisdiction regarding resource requirements. According to PacifiCorp, it develops and implements a robust IRP process in order to achieve a level of certainty in addressing resource requirements on a system-wide basis.

For 2007, PacifiCorp reports RPS-eligible procurement in the amount of 5.3% of retail sales. It says it continues its work to meet 20% by 2010.

On a system-wide basis, PacifiCorp's updated action plan shows a goal of acquiring 2,000 MW of renewables by 2013.[5]

PacifiCorp says it does not plan to use a bid solicitation for RPS resources, but uses a request for proposal (RFP) consistent with the Action Plan in its IRP. PacifiCorp states that it intends to release two RFPs in 2008 for renewable resources seeking 900 MW of resources over the period of 2008-2011.

PacifiCorp reports that it uses a multi-state process allocation methodology to allocate revenues, costs and renewables output generated by utility-owned resources to the six jurisdictions in which it operates. The methodology presents a challenge to PacifiCorp in meeting California's 2010 RPS targets, according to PacifiCorp, since the allocation structure has been established to accommodate all of PacifiCorp's states. PacifiCorp says it is unable to simply earmark renewable resources for the purpose of meeting state-specific RPS requirements, and that it may propose to implement a renewbles pilot program to allow for intra-Company transfer of renewable resources for California compliance purposes. PacifiCorp says it may also use tradable renewable energy credits and California specific renewable resources earmarked to serve California RPS requirements.

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[5] PacifiCorp says its renewables categories include wind, solar, hydrokinetic (wave, tidal, ocean thermal), biomass/biomass byproducts, geothermal, low-impact hydroelectric, and waste gas/waste heat capture or recovery. Bidders may also submit renewable resources with energy storage, according to PacifiCorp, such as pumped hydro, compressed air, or battery technologies.

2. SIERRA PACIFIC POWER COMPANY

Sierra states that the vast majority of its service territory and customers are in Nevada, but that it also serves about 46,000 California customers in the Lake Tahoe region of California. Sierra says it has issued a request for proposals (RFP) for additional generation resources pursuant to its efforts to comply with its Nevada-based procurement requirements. The RFP is consistent with its IRP and RPS program requirements. Sierra says the RFP was issued based on anticipated system needs in Nevada, and responses may include renewables, but that it has no solicitation pending or scheduled that is specific to California.

For 2007, Sierra reports 9.0% renewables procurement as a percentage of its retail sales. Sierra states it is currently sufficiently resourced to meet its RPS procurement obligation of 20% by 2010. Sierra says no additional resource planning or procurement is necessary in its planning horizon in order to meet California's RPS requirements.

(END OF APPENDIX D)