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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ITEM#36 I.D.# 6636

ENERGY DIVISION **RESOLUTION E-4081**

May 24, 2007

R E D A C T E D

R E S O L U T I O N

Resolution E-4081. San Diego Gas & Electric (SDG&E) Company requests approval of a five-year extension to an existing renewable energy contract resulting from its 2005 RPS solicitation. This contract extension is approved with modifications.

By Advice Letter 1879-E filed on March 1, 2007 and Supplemental Advice Letter 1879-E-A Filed on April 20, 2007.

SUMMARY

SDG&E's contract extension complies with the Renewable Portfolio Standard (RPS) procurement guidelines and is approved with modifications

SDG&E's renewable contract complies with the Renewable Portfolio Standard (RPS) procurement guidelines and is approved. SDG&E's request for approval of the contract extension is granted pursuant to D.05-07-039. The energy acquired from this contract will count towards SDG&E's Renewable Portfolio Standard (RPS) requirements, provided that SDG&E can show in its RPS compliance reports that, in 2007, the company entered into contracts with new facilities or long-term contracts for renewable energy that are equivalent to at least 0.25% of SDG&E's 2006 total retail sales.

Facility	Tech	Term	MW	GWh	COD	Location
San Diego Metropolitan Wastewater Department	Digester gas	5 base years + 5 option years	4.6	22	01/08	San Diego

The non-standard contract length is justified based on the developer's need for a shorter contract term. The contract price, which is below a 5-year Market Price Referent (MPR) calculated by SDG&E using a methodology similar to the

Commission-approved 2005 long-term MPR methodology, is fully recoverable in rates over the life of the contract, subject to Commission review of SDG&E's administration of the contracts. Because deliveries from this power purchase agreement (PPA) are priced below the 2005 MPR adjusted for a 5-year contract, it does not require supplemental energy payments (SEPs) from the California Energy Commission (CEC). (In addition, per Public Utilities Code § 399.14(b)(1), the project would be ineligible for SEPs if the developer does not use its option years to extend the contract to ten years.)

Confidential information about the contract should remain confidential

This resolution finds that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

BACKGROUND

The RPS Program requires each utility to increase the amount of renewable energy in its portfolio

The California Renewables Portfolio Standard (RPS) Program was established by Senate Bill 1078, effective January 1, 2003. It requires that a retail seller of electricity such as SDG&E purchase a certain percentage of electricity generated by Eligible Renewable Energy Resources (ERR). The RPS program is set out at Public Utilities Code Section 399.11, et seq. Each utility is required to increase its total procurement of ERRs by at least 1% of annual retail sales per year so that 20% of its retail sales are supplied by ERRs by 2017.

The State's Energy Action Plan (EAP) called for acceleration of this RPS goal to reach 20 percent by 2010. This was reiterated again in the Order Instituting Rulemaking (R.04-04-026) issued on April 28, 2004.[1] On September 26, 2006, Governor Schwarzenegger signed Senate Bill 107 (SB 107, Chapter 464, Statutes of 2006), which officially accelerates the State's RPS targets to 20 percent by 2010. The bill went into effect on January 1, 2007.

In addition, the Commission established an APT for each utility, which consists of two separate components: the baseline, representing the amount of renewable

[1] http://www.cpuc.ca.gov/Published/Final_decision/36206.htm

generation a utility must retain in its portfolio to continue to satisfy its obligations under the RPS targets of previous years; and the incremental procurement target[2] (IPT), defined as at least one percent of the previous year's total retail electrical sales, including power sold to a utility's customers from its DWR contracts.

R.04-04-026 established procurement guidelines for the RPS Program

The Commission has issued a series of decisions that established the regulatory and transactional parameters of the utility renewables procurement program. On June 19, 2003, the Commission issued its "Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program," D.03-06-071. On June 9, 2004, the Commission adopted its Market Price Referent methodology[3] for determining the Utility's share of the RPS seller's bid price, as defined in Public Utilities Code Sections 399.14(a)(2)(A) and 399.15(c). On the same day the Commission adopted standard terms and conditions for RPS power purchase agreements in D.04-06-014 as required by Public Utilities Code Section 399.14(a)(2)(D). Instructions for evaluating the value of each offer to sell products requested in a RPS solicitation were provided in D.04-07-029.

SDG&E requests approval of an extension of a renewable energy contract

On March 1, 2007, SDG&E filed Advice Letter (AL) 1879-E requesting Commission approval of a five-year extension (with an additional five option years) to an existing renewable energy contract with the San Diego Metropolitan Wastewater Department (SDMWD). The initial Advice Letter filed with the original contract, AL 1445-E, was filed on November 4, 2002. The Resolution approving the initial contract was Resolution E-3803 and was issued December 5, 2002.

The PPA extension is a result of SDG&E's September 30, 2005 solicitation for renewable bids, which was authorized by Decision D.05-07-039. SDG&E's original PPA with SDMWD terminates at the end of 2007.

The Commission's approval of this PPA will contribute towards SDG&E's renewable procurement goals. In 2005, the year of this RPS solicitation, SDG&E's

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[2]IPT - The incremental procurement target (IPT) represents the amount of RPS-eligible procurement that the LSE must purchase in a given year, over and above the total amount the LSE was required to procure in the prior year. An LSE's IPT equals at least 1% of the previous year's total retail electrical sales, including power sold to a utility's customers from its DWR contracts.

[3] D.04-07-015

IPT was approximately 158 GWh. The extended PPA will allow the project to contribute approximately 22 GWh per year though at least 2012.[4]

SDG&E requests final "CPUC Approval" of PPA

SDG&E requests the Commission to issue a resolution containing the findings required by the definition of "CPUC Approval" in Appendix A of D.04-06-014. In addition, SDG&E requests that the Commission issue a resolution that approves:

1. The PPA is approved in its entirety, including payments to be made by SDG&E, subject to CPUC review of SDG&E's administration of the PPA. Costs to SDG&E may include items such as congestion and transmission upgrades.
2. Any procurement pursuant to this PPA is procurement from an eligible renewable energy resource for purposes of determining SDG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.03-06-071, or other applicable law;
3. Any procurement pursuant to this PPA constitutes incremental procurement or procurement for baseline replenishment by SDG&E from an eligible renewable energy resource for purposes of determining SDG&E's compliance with any obligation to increase its total procurement of eligible renewable energy resources that it may have pursuant to the California Renewables Portfolio Standard, CPUC D.03-06-071, or other applicable law.

SDG&E's Procurement Review Group participated in review of the contracts

In D. 02-08-071, the Commission required each utility to establish a "Procurement Review Group" (PRG) whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of:

1. Overall transitional procurement strategy;
2. Proposed procurement processes including, but not limited to, RFO; and

[4] The California Energy Commission is responsible for determining the RPS-eligibility of a renewable generator. See Public Utilities Code Sect. 399.12 and CPUC decision D.04-06-014.

3. Proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.

The PRG for SDG&E consists of: California Department of Water Resources (DWR), the Commission's Energy Division, Natural Resources Defense Council (NRDC), Union of Concerned Scientists (UCS), Division of Ratepayer Advocates (DRA), and The Utility Reform Network (TURN).

SDG&E periodically met with its PRG to brief them during the course of LCBF analysis, shortlist development and negotiation. SDG&E first briefed its PRG on December 5, 2005, regarding SDG&E's preliminary assessment of the bids received in response to the 2005 RFO. SDG&E provided further briefings on January 24, 2006, to summarize its recommendations for a preliminary shortlist.

On March 24, 2006, SDG&E briefed the PRG on its final shortlist and provided an update on the status of its negotiations. The March 24th meeting included a summary of the terms of the proposed extension. On June 13, 2006, SDG&E provided further analysis of the final shortlist to the PRG, including contributions to the 20% RPS target and summaries of the qualitative and quantitative factors used to evaluate each project on the shortlist. SDG&E provided an additional update regarding the 2005 final shortlist.

None of the PRG members have expressed any objection to the price or terms presented to them in connection with the proposed extension.

Although Energy Division is a member of the PRG, it reserved its judgment on the contracts until the resolution process. Energy Division reviewed the transactions independent of the PRG, and allowed for a full protest period before concluding its analysis.

NOTICE

Notice of AL 1879-E-A was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

AL 1879-E was not protested. As requested by SDG&E, the protest period for AL 1879-E-A is waived, since no material changes to the contract were made and the

Supplemental Advice Letter sought to only demonstrate compliance with D.04-06-014 and calculate a 5-year MPR to better evaluate the contract's price.

DISCUSSION

Description of the project

The following table summarizes the substantive features of the PPA extension. See confidential Appendix B for a detailed discussion of contract prices, terms, and conditions:

Facility	Tech	Term	MW	GWh	COD	Location
San Diego Metropolitan Wastewater Department	Digester gas	5 base years + 5 option years	4.6	22	01/08	San Diego

PPA is consistent with SDG&E's CPUC adopted 2005 RPS Plan

California's RPS statute (SB 107) requires the Commission to review the results of a renewable energy resource solicitation submitted for approval by a utility. The Commission will then accept or reject proposed PPAs based on their consistency with the utility's approved renewable procurement plan (Plan). On September 7, 2005 the Energy Division notified SDG&E that no protests were received in response to its revised 2005 plan and authorized SDG&E to issue its 2005 RFO. The Proposed PPA is consistent with SDG&E's Commission-approved RPS plan.

<u>PPA fits with identified renewable resource needs and are consistent with RPS Solicitation Protocol</u>

SDG&E's 2005 RPS plan called for SDG&E to issue competitive solicitations for eligible renewable resources from both large-scale generation projects and small, distributed renewable projects. The solicitations were entitled: "Eligible Renewable Resources" and "Distributed Renewable Technologies." Both solicitations were issued on September 30, 2005 and responses were due on November 1, 2005. Offers from both solicitations were evaluated collectively under one LCBF analysis. One short list was created that encompassed offers from both RFOs.

For Eligible Renewable Resources, SDG&E sought large-scale generation for as-available or unit-firm capacity and/or energy from:

1) Re-powered facilities;
2) Incremental capacity upgrades of existing facilities;
3) New facilities;
4) Existing facilities with expiring contracts; or
5) Eligible resources currently under contract with SDG&E. SDG&E shall consider offers to extend terms of or expand contracted capacities for existing agreements.

In order to submit proposals under the solicitation, the Projects had to have participated in the 2005 Transmission Ranking Cost Report ("TRCR") study applicable to the specific utility's transmission grid to which each of the Projects will tie-in. Responses from Respondents who had system impact studies approved by the CAISO were also acceptable and deemed in conformance of the RFO.

The RFO provided that Respondents could offer 10, 15 or 20-year PPAs with deliveries commencing in 2006, 2007 or 2008. Resources located in Imperial Valley were required to commence in 2010, unless the resource had adequate transmission capability to deliver to SP-15 sooner. The RFO required that any PPA executed for resources from Imperial Valley without such adequate transmission capability be contingent upon SDG&E obtaining approval for and being able to license and construct a new 500 kV line from Imperial Valley to the San Diego area.

In addition to the PPAs described above, Respondents offering new renewable resources were also allowed to provide an option price for SDG&E to acquire the facility along with all environmental attributes, land rights, permits and other licenses – thus enabling SDG&E to own and operate the facility at the end of the PPA term.

Finally, Respondents were allowed to propose turnkey projects to develop, permit, and construct new, RPS-eligible generating facilities to be acquired by SDG&E. The same transmission contingency applied to turnkey projects as to PPA offers. An open and competitive playing field was established for the procurement effort.

Bid evaluation process consistent with Least-Cost Best Fit (LCBF) decision

SDG&E evaluated all offers in accordance with the LCBF process outlined in D.03-06-071 and D.04-07-029.

Bid Evaluation Process

Upon conclusion of the bidding process, SDG&E performed an initial screening to determine if each bid met minimum requirements of the RFO. Each bid was required to be received by the RFO deadline and must have included all required documentation. Bids not received by the RFO deadline (unless there was a technical difficulty and notification was received by SDG&E prior to the deadline) were disqualified. Once SDG&E had a list of viable projects, SDG&E began to narrow the field of bidders for its short list. For its LCBF analysis, SDG&E assessed various cost elements associated with a qualified offer, including average all-in bid price, transmission cost adders, congestion cost/benefit and Reliability Must Run ("RMR") benefits. The following describes how SDG&E determined each of the cost elements:

1) Average All-in Bid Price – SDG&E determined the average all-in bid price ($/MWH) of each project based on the total capacity and energy cost over the term of the PPA's divided by the projected output over the term. SDG&E expected the offered pricing to include any costs necessary for a Respondent to deliver energy to the delivery point and project gen-tie costs. If the actual output from a project differs from the projected output, the average all-in bid price could either increase or decrease. SDG&E used offered pricing inclusive of PTC or ITC if the Respondents indicated the dependence on such credits. If no mention was made of such credits, SDG&E confirmed with the Respondents whether they would rely on PTCs or ITCs. If after the confirmation, the Respondents acknowledged they did not include PTC's or ITC's that they were entitled to in their original bid, SDG&E requested that the Respondent recalculate its bid prices to include them.
2) Transmission Cost Adders – As required by D.04-06-013 issued on June 9, 2004 and D.05-07-040 issued on July 21, 2005, SDG&E estimated transmission upgrade costs necessary to accommodate the proposed projects. Total transmission cost adders were derived from CAISO-approved system impact studies or TRCR's published by the utilities. The

2005 transmission upgrade costs were inflated to 2006 dollars using an average cost of inflation. An annualized carrying cost value was calculated by multiplying the estimated cost of transmission upgrade costs times SDG&E's total weighted average Levelized Annual Capital Costs (LACC). The resulting annualized value was then divided by the expected annual deliveries (MWh) of each project which resulted in a $/MWh adder for project.

3) Congestion Cost/Benefit – SDG&E hired ABB Consulting to determine the congestion cost to deliver output from a project's delivery point to SDG&E's load aggregation point. ABB used its GridView Market Simulation Software for this analysis. Input included publicly available information regarding projected transmission upgrades and included information from Respondents. SDG&E requires that Respondents pursue all applicable options for obtaining PTC or ITC benefits or other alternative funding that may be available regarding the offered projects. The resultant congestion cost/benefit was also calculated on a $/MWh basis.

4) Reliability Must-Run ("RMR") – SDG&E assessed the potential RMR benefits a proposed project may provide to local system reliability. Similar to the other cost elements, RMR benefits, if any, are on a $/MWH basis.

Once all cost elements were determined, SDG&E summed up the four $/MWh cost elements in 2006 dollars to determine the overall unit cost ("OUC") of a proposed project for ranking purposes. SDG&E ranked each OUC in the order of least cost. Those projects with acceptable OUC's were initially shortlisted.

Portfolio Fit

SDG&E's 2005 plan stated that SDG&E does not have a preference for a particular product or technology type and that SDG&E has latitude in the resources that it selects. The PPA, therefore, was not selected due to a pre-determined preference for the product type or technology type. SDG&E fairly reviewed all offers and selected the Project due to factors applicable to its LCBF analysis, as explained above.

Consistent Application of Time of Delivery ("TOD") Factors

In its solicitation documents, SDG&E notified potential Respondents that it utilizes Time of Delivery factors for non-baseloaded resources. During its LCBF evaluation, SDG&E applied TOD factors to all offers with intermittent products such as wind and solar. The average all-in bid price, as described above, was adjusted to reflect the relative value of projected energy deliveries during peak, semipeak and off-peak periods. The projected delivery profiles were provided by the Respondents.

Qualitative Factors

As stated in the RFO, SDG&E differentiates offers of similar cost by reviewing qualitative factors including (in no particular order of preference):

1) Location
2) Benefits to minority and low income areas
3) Resource diversity
4) Environmental stewardship

Minority/low-income areas and environmental stewardship were not factors in SDG&E's ranking process because those factors were not applicable to the offers. However, SDG&E did consider its own service territory and resource diversity in its ranking.

Consistency with Adopted Standard Terms and Conditions

D.04-06-014 adopted standard RPS contract terms and conditions to be used in RPS PPAs. The decision identified certain terms as either modifiable or non-modifiable. All non-modifiable terms and conditions in the proposed PPA extension are consistent with D.04-06-014. SDG&E has, as required by D.04-06-014[5], demonstrated to the Commission the need on the developer's part for a contract with a non-standard delivery term. The justification for the non-standard term is confidential, as requested in SDG&E Supplemental Advice Letter 1889-E-A.

[5] D.04-06-014 p. A-9 states "If the 'Non-Standard Delivery' contract term is selected, Parties need to apply to the CPUC justifying the need for non standard-delivery."

Contract prices are at or below a 5-year 2005 MPR calculated by SDG&E

The contract term is variable, at a minimum of five years with five additional option years at the developer's option. The 10-year MPR is therefore not a reasonable price benchmark to use. Given that the Commission has not yet developed a short-term RPS price benchmark methodology, Energy Division requested that SDG&E demonstrate price reasonableness using a price benchmark that could apply to a 5-year contract. Using the same CPUC-approved MPR model developed by the Energy Division for the 2005 solicitation year, SDG&E modified the model's formulas to calculate a 5-year MPR for the proposed contract. SDG&E did not modify any of the model's input assumptions such as gas forecasts or capital costs. SDG&E simply changed the way the model levelized prices from 10, 15 or 20 to 5 years. SDG&E's calculated equivalent 5-year 2005 MPR is $78.90/MWh, which is higher than the 10-year MPR and higher than the contract price.

Because it is below the SDG&E-calculated 5-year MPR, the proposed PPA extension (like the initial PPA approved in Res. E-3803) does not require Supplemental Energy Payments. (In addition, per Public Utilities Code § 399.14(b)(1), the project would be ineligible for SEPs if the developer does not use its option years to extend the contract to ten years.)

The Commission's approval of SDG&E's methodology for calculating a 5-year MPR for this contract does not set precedent for any future Commission decision regarding a methodology for an MPR that may apply to RPS contracts of less than 10 years.

The Commission has approved a decision setting minimum quotas of RPS contracting from long-term contracts or contracts with new facilities

Public Utilities Code 399.14(b)(2) states that before the Commission may approve an RPS contracts of less than ten years' duration ("short-term contracts"), the Commission must establish "for each retail seller, minimum quantities of eligible renewable energy resources to be procured either through contracts of at least 10 years' duration or from new facilities commencing commercial operations on or after January 1, 2005." On May 3, 2007, the Commission approved D.07-05-028 establishing a minimum percentage of the prior year's retail sales that must be contracted with contracts of at least 10 years' duration ("long-term contracts")or from new facilities commencing commercial operations on or after January 1, 2005 ("new facilities"). Because such a minimum percentage has now been established, the Commission is now permitted to authorize renewable contracts of less than 10 years' duration.

Pursuant to D.07-05-028 Ordering Paragraph 1, in order to use deliveries from this or any other short-term contract with an existing facility signed in 2007 for RPS compliance in future years, SDG&E must also show in its compliance report that, in 2007, the company entered into contracts with new facilities or long-term contracts for renewable energy that are equivalent to at least 0.25% of SDG&E's 2006 total retail sales.

PPAs are viable projects

SDG&E believes that the project is viable due to the fact that the facility is already online and generating energy reliably. In particular:

Financing

Because the project is already constructed and online, it does not require financing.

Creditworthiness and Experience

SDMWD has been delivering energy reliably from the project since 2003. As a result, SDG&E has no concerns about creditworthiness or developer experience.

Transmission

No new transmission is required as the project is already online and no expansions in energy or capacity are planned.

Site Control & Permitting

Nothing additional is needed for either site control or permitting to extend the existing PPA.

Technology

The facility burns bio-gas (more precisely, digester gas) using a proven and well-commercialized technology. Digesters at the wastewater treatment plant use heat and bacteria to break down organic solids removed from wastewater. One by-product of this biological process is methane gas. The methane is collected and used to fuel electric generators.

Production or Investment Tax Credits

The Proposed PPA extensions are not contingent on Production Tax Credits, nor are they PTC-eligible for them under current rules.

Confidential information about the contracts should remain confidential

Certain contract details were filed by SDG&E under confidential seal. Energy Division recommends that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583, General Order (G.O.) 66-C, and D.06-06-066, and considered for possible disclosure, should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

COMMENTS

This is an uncontested matter in which the decision grants the requested relief. Therefore, pursuant to Public Utilities Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment was shortened to 10 days (6 days for comments and an additional 4 days for reply comments).

FINDINGS

1) SDG&E filed Advice Letter 1879-E on March 1, 2007, and Supplemental Advice Letter 1879-E-A on April 20, 2007, requesting Commission review and approval of an extension to an existing renewable energy contract with San Diego Metropolitan Wastewater Department. The existing renewable energy contract was approved by the Commission on December 5, 2002 in Resolution E-3803.

2) The RPS Program requires each utility, including SDG&E, to increase the amount of renewable energy in its portfolio to 20 percent by 2010, increasing by a minimum of one percent per year.

3) On September 7, 2005 the Energy Division notified SDG&E that no protests were received in response to its revised 2005 plan and authorized SDG&E to issue its 2005 RFO.

4) SDG&E issued its 2005 RPS RFO on September 30, 2005.

5) D.04-06-014 set forth standard terms and conditions to be incorporated into RPS PPAs.

6) Levelized contract prices at or below the 2005 MPR are considered per se reasonable as measured according to the net present value calculations explained in D.04-06-015 and D.04-07-029.

7) D.04-07-029 adopted least-cost, best-fit criteria which the utilities must use in their selection process after the RFO has been closed.

8) The Commission required each utility to establish a Procurement Review Group (PRG) to review the utilities' interim procurement needs and strategy, proposed procurement process, and selected contracts.

9) SDG&E first briefed its PRG on December 5, 2005, regarding SDG&E's preliminary assessment of the bids received in response to the 2005 RFO. SDG&E provided further briefings on January 24, 2006, to summarize its recommendations for a preliminary shortlist. On March 24, 2006, SDG&E briefed the PRG on its final shortlist and provided an update on the status of its negotiations. None of the PRG members have expressed any objection to the price or terms presented to them in connection with the Proposed PPAs.

10) Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583, General Order (G.O.) 66-C, and D.06-06-066, and considered for possible disclosure, should not be disclosed. Accordingly, the confidential appendices, marked "[REDACTED]" in the redacted copy, should not be made public upon Commission approval of this resolution.

11) The proposed contract price is below a five-year 2005 MPR calculated by SDG&E using a methodology similar to Commission-approved 2005 MPR methodology in Resolution E-3980 issued on April 13, 2006. The Commission's approval of SDG&E's methodology for calculating a 5-year MPR for this contract does not set precedent for any future Commission decision regarding a methodology for an MPR that may apply to RPS contracts of less than 10 years.

12) The Commission has reviewed the proposed contract extension and finds it to be consistent with SDG&E's approved 2005 renewable procurement plan.

13) On May 3, 2007, the Commission approved D.07-05-028 establishing a minimum percentage of the prior year's retail sales that must be contracted with contracts of at least 10 years' duration or from new facilities commencing commercial operations on or after January 1, 2005. Pursuant to Public Utilities Code 399.14(b), because such a minimum percentage has now been established, the Commission is now permitted to authorize renewable contracts of less than 10 years' duration.

14) Procurement pursuant to the extended PPA is procurement from an eligible renewable energy resource for purposes of determining SDG&E compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law.

15) Procurement pursuant to the extended PPA constitutes incremental procurement or procurement for baseline replenishment by SDG&E from an eligible renewable energy resource for purposes of determining SDG&E's compliance with any obligation to increase its total procurement of eligible renewable energy resources that it may have pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law.

16) Pursuant to D.07-05-028 Ordering Paragraph 1, if this contract is less than 10 years in duration, to count its deliveries for RPS compliance, SDG&E must show in its RPS compliance reports that, in 2007, the company entered into contracts with new facilities or long-term contracts for renewable energy that are equivalent to at least 0.25% of SDG&E's 2006 total retail sales.

17) Any indirect costs of renewables procurement identified in Section 399.15(a)(2) shall be recovered in rates.

18) AL 1879-E-A should be approved with modifications today.

THEREFORE IT IS ORDERED THAT:

1. Advice Letter AL 1879-E-A is approved with modifications.

2. If this contract is less than 10 years in duration, in order to count its deliveries for RPS compliance, SDG&E must show in its RPS compliance reports that, in 2007, the company entered into contracts with new facilities or long-term contracts for renewable energy that are equivalent to at least 0.25% of SDG&E's 2006 total retail sales.

3. 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 May 24, 2007; the following Commissioners voting favorably thereon:

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Paul Clanon
Executive Director

Confidential Appendix A

Solicitation Analysis

REDACTED

Confidential Appendix B

Contract Summary

REDACTED

Confidential Appendix C

Contract Pricing Analysis

REDACTED

Confidential Appendix D

Project's Contribution Toward RPS Goals

REDACTED