

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ID #8945
RESOLUTION E-4277
November 20, 2009

REDACTED

R E S O L U T I O N

Resolution E-4277. San Diego Gas & Electric Company

PROPOSED OUTCOME: This Resolution approves cost recovery for a San Diego Gas & Electric renewable energy power purchase agreement with NaturEner Rim Rock Wind Energy, LLC. The agreement is approved without modifications.

ESTIMATED COST: Actual costs of this contract are confidential at this time.

By Advice Letter 2088-E filed on May 29, 2009.

SUMMARY

San Diego Gas & Electric Company's contract complies with the Renewables Portfolio Standard (RPS) procurement guidelines and is approved.

San Diego Gas & Electric Company (SDG&E) filed Advice Letter 2088-E on May 29, 2009 requesting Commission review and approval of renewable energy power purchase agreement (PPA) executed with NaturEner Rim Rock Wind Energy, LLC (Rim Rock). The PPA is a bilateral contract for generation from a new wind facility located in Montana. The contract term is for 15 years beginning December 31, 2010.

Generating facility	Technology Type	Term (Years)	Minimum Capacity (MW)	Minimum Energy (GWh)	Commercial Operation Date	Location
Rim Rock	Wind, new	15	300	1,053	December 31, 2010	Kevin, Montana

Deliveries from this PPA are reasonably priced and fully recoverable in rates over the life of the contract, subject to Commission review of SDG&E's administration of the contract.

BACKGROUND

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

The California RPS Program was established by Senate Bill (SB) 1078 and has been subsequently modified by SB 107 and SB 1036. The RPS program is set forth in Public Utilities (Pub. Util.) Code Sections 399.11-399.20. An RPS is a market-based policy mechanism that requires a retail seller of electricity to increase a certain percentage of electricity in its portfolio that is generated by Eligible Renewable Energy Resources (ERR). Under the California RPS, each utility is required to increase its total procurement of ERRs by at least one percent of annual retail sales per year so that twenty percent of its retail sales are supplied by ERRs by 2010.¹

In response to SB 1078 and SB 107, the Commission has issued a series of decisions that establish the regulatory and transactional parameters of the investor owned utility (IOU) renewables procurement program.²

- On June 19, 2003, the Commission issued its "Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program," D.03-06-071.
- In D.03-06-071, the Commission allowed utilities to enter bilateral contracts under certain conditions. In D.06-10-019 the Commission clarified the conditions required under D.03-06-071 and added the requirement that all bilaterals must be submitted to the Commission for approval by advice letter. More recently, in D.09-06-050, this Commission determined that bilateral RPS contracts should be evaluated using the same methods and criteria as are used to review contracts that result from a competitive solicitation.

¹ On November 17, 2008, Governor Schwarzenegger signed Executive Order S-14-08, which established a 33 percent PRS target by 2020.

² RPS decisions are available on the Commission's RPS website:

<http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>

- Instructions for utility evaluation of each offer to sell ERRs requested in an RPS solicitation were provided in D.04-07-029, as required by Pub. Util. Code Section 399.14(a)(2)(B). The bid evaluation methodology is known as 'least-cost, best-fit' (LCBF).
- The Commission adopted standard terms and conditions (STCs) for RPS power purchase agreements in D.04-06-014, as required by Pub. Util. Code Section 399.14(a)(2)(D). These STCs are compiled in D.08-04-009, as modified by D.08-08-028, and as a result there are now thirteen STCs of which four are non-modifiable.
- In D.06-05-039, the Commission required participation of an Independent Evaluator (IE) in the IOU's competitive RPS procurement process. The IE's role is to ensure that the IOU's RPS solicitation is undertaken in a fair, consistent, and objective manner. The IE also provides additional oversight during contract negotiations.
- D.06-10-050, as modified by D.07-03-046, outlined the RPS reporting and compliance methodologies and rules. In this decision, the Commission established methodologies to calculate a load serving entities' (LSE) initial baseline procurement amount, annual procurement target (APT) and incremental procurement amount (IPT).
- The Commission adopted a market price referent (MPR) methodology in D.04-06-015 for determining the utility's share of the RPS seller's bid price (the contract payments at or below the MPR), as defined in Pub. Util. Code Section 399.14(a)(2)(A) and 399.15(c). The Commission refined the MPR methodology in D.05-12-042 and D.08-10-026. Resolutions adopted MPR values for the 2005, 2006, 2007, and 2008 RPS solicitations.³
- In D.07-01-039, the Commission established a greenhouse gas emissions performance standard (EPS) for new, long-term energy commitments. The EPS requires that the emissions resulting from the contract do not exceed the GHG emissions of a combined-cycle gas turbine power plant.
- In D.07-05-028, the Commission established a minimum quota for contracting with new facilities or executing long-term contracts for RPS-eligible generation. Specifically, for each calendar year, in order for an LSE to count deliveries from contracts of less than 10 years' duration with RPS-eligible facilities that commenced commercial operation prior to January 1,

³ MPR resolutions are available here:

<http://www.cpuc.ca.gov/PUC/energy/Renewables/mpr>

2005 for RPS compliance, they must enter into contracts of at least 10 years' duration and/or short-term contracts with facilities that commenced commercial operation on or after January 1, 2005 for energy deliveries equivalent to at least 0.25% of that LSE's prior year's retail sales.

Energy from RPS facilities located out-of-state must be delivered to California

Out-of-state renewable energy facilities that have their first points of interconnection to the transmission network outside of California must satisfy all of the following additional requirements:⁴

1. It is connected to the transmission network within the Western Electricity Coordinating Council (WECC) service territory.
2. It commences initial commercial operation after January 1, 2005.
3. Electricity produced by the facility is delivered to an in-state location.
4. It will not cause or contribute to any violation of a California environmental quality standard or requirement.
5. If the facility is outside of the United States, it is developed and operated in a manner that is as protective of the environment as a similar facility located in the state.
6. It participates in the Western Renewable Energy Generation Information System (WREGIS), the accounting system to verify compliance with the renewables portfolio standard by retail sellers

For each advice letter requesting Commission approval of a PPA with an out-of-state RPS facility, the California Energy Commission (CEC) provides written documentation to the Commission addressing whether a proposed RPS contract's delivery structure would be eligible pursuant to the guidelines in the CEC's RPS Eligibility Guidebook⁵.

RPS statute requires the Energy Commission to implement a tracking system to verify compliance with the RPS

⁴ Public Resources Code (PRC) 25741(b)(2)(B)

⁵ *Renewables Portfolio Standard (RPS) Eligibility Guidebook*

(<http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>) (THIRD Edition), publication # CEC-300-2007-006-ED3-CMF, January 2008.

To verify compliance with the RPS, SB 1078 charged the CEC with designing and implementing an accounting system “to verify compliance with the renewable portfolio standard by retail sellers, to ensure that electricity generated by an eligible renewable energy resource is counted only once for the purpose of meeting the RPS of this state or any other state, and to verify retail product claims in this state or any other state.”⁶

WREGIS, designed to fulfill the CEC’s obligation to track and verify renewable energy generation, was launched in June 2007. WREGIS generates WREGIS Certificates, or renewable energy credits (RECs), which represent that one megawatt hour of renewable energy was generated. Consistent with the CEC’s Guidebook, 2008 was the first calendar year that WREGIS data was reported to the Energy Commission to verify RPS procurement. All generating facilities, retail sellers, procurement entities, and third parties participating in California’s RPS were required to register with WREGIS by January 1, 2008, with the exception of California’s three large IOUs,⁷ which must have registered with and begun to use WREGIS to verify RPS compliance by May 1, 2008.

SDG&E requests approval of renewable energy contract

On May 29, 2009, SDG&E filed AL 2088-E requesting Commission approval of a renewable power procurement agreement with Rim Rock.

The Commission’s approval of the PPA will authorize SDG&E to accept future deliveries of renewable resources that will contribute towards the renewable energy procurement goals required by California’s RPS statute.⁸ Beginning in 2011, procurement from Rim Rock is expected to contribute a minimum of 1,054 GWh annually towards SDG&E’s requirement.

SDG&E requests “CPUC Approval” of PPA

SDG&E requests a Commission Resolution containing the following findings:

⁶ Public Utilities Code Section 399.13 (b), as enacted by SB 1078

⁷ California’s three largest investor-owned utilities are: Pacific Gas and Electric, San Diego Gas & Electric, and Southern California Edison.

⁸ California Public Utilities Code Section 399.11 et seq., as interpreted by D.03-07-061, the “Order Initiating Implementation of the Senate Bill 1078 Renewables Portfolio Standard Program”, and subsequent Commission decisions in Rulemaking (R.) 04-04-026.

1. The Proposed Agreement is approved in its entirety, which includes the purchase of renewable energy and instantaneous resale energy, and use of the CEC import methodology (as outlined under the CEC eligible firming-and-shaping arrangements) including approval of full cost recovery in rates through the Energy Resource Recovery Account (ERRA) mechanism of all payments, to be made by SDG&E in association with this contract, including approval of full cost recovery in rates of all payments to be made to SDG&E and costs of importing power if SDG&E must buy imports to comply with the delivery requirements, subject to Commission review of SDG&E's administration of the Proposed Agreement;
2. Any generation procured pursuant to the Proposed Agreement constitutes generation 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 program (Public Utilities Code §§ 399.11, et seq. or other applicable law) and relevant Commission decisions SDG&E reserves the right to designate the generation from these PPAs for earmarking in any given year;
3. Recovery of any costs that should accrue to SDG&E should any part of this structure be classified as a derivative subject to mark-to-market treatment under FASB Statement 133;
4. The PPA does not constitute a Tradable Renewable Energy Credit (TREC) transaction;
5. The rules regarding GHG accounting are still being formed; and
6. SDG&E's execution of the proposed PPA solely for purposes of complying with RPS obligations is prudent and reasonable.

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

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

SDG&E's PRG was formed on or around September 10, 2002. Current participants include representatives from the Commission's Energy Division, the Division of Ratepayer Advocates (DRA), The Utility Reform Network, the Union of Concerned Scientists, and the California Department of Water Resources.

Discussions with SDG&E's PRG regarding a PPA between SDG&E and Rim Rock occurred on several occasions, with the earliest discussions taking place on November 20, 2008. Discussions occurred at several subsequent meetings with final discussions taking place April 16, 2009 when SDG&E briefed the PRG concerning the final discussions with Rim Rock.

Although Energy Division is a member of the PRG, it reserved its conclusions for review and recommendation on the PPA to the advice letter process.

NOTICE

Notice of AL 2088-E 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 3.14 of General Order 96-B.

PROTESTS

Advice Letter 2088-E was not protested.

DISCUSSION

Description of the project

The following table summarizes the substantive features of the PPA. See Confidential Appendix C for a detailed discussion of contract price, terms, and conditions:

Generating facility	Technology Type	Term (Years)	Minimum Capacity (MW)	Minimum Energy (GWh)	Commercial Operation Date	Location
Rim Rock	Wind, new	15	300	1,053	December 31, 2010	Kevin, Montana

Energy Division examined the contract on multiple grounds:

- PPA's consistency with SDG&E's Commission approved 2008 RPS Procurement Plan

- Conformance with Commission adopted standard terms and conditions
- Reasonableness of the levelized price
- Compliance with RPS bilateral guidelines
- Sufficient showing that the project is viable relative to other projects that were bid into the 2008 solicitation
- Consistency with Emissions Performance Standard
- Consistency with the RPS delivery rules, as set forth in the CEC's PRS Eligibility Guidebook

The PPA is consistent with SDG&E's Commission adopted 2008 RPS Plan

California's RPS statute requires the Commission to review the results of a renewable energy resource solicitation submitted for approval by a utility.⁹ The Commission will then accept or reject proposed PPAs based on their consistency with the utility's approved renewable procurement plan (Plan). SDG&E's 2008 Plan expresses SDG&E's commitment to meet the mandate of delivering 20% of its retail sales from renewable resources by 2010 using a diversified portfolio of technologies. The Commission conditionally approved SDG&E's 2008 RPS procurement plan in D.08-02-008. As ordered by D.08-02-008, on February 29, 2008 SDG&E filed and served its amended 2008 Plan. The proposed PPA is consistent with SDG&E's Commission-approved RPS Plan.

PPA fits with identified renewable resource needs

SDG&E's 2008 RPS Plan called for SDG&E to issue a competitive solicitation for electric energy generated by eligible renewable resources that could deliver in 2009, 2010, 2011, or 2012 for terms ranging from spot market up to 20 years. Proposals could be for peaking, baseload, dispatchable, or as-available deliveries. SDG&E also stated that bilateral offers would be considered if they were competitive when compared against recent RFO offers and provide benefits to SDG&E customers. The proposed Rim Rock PPA fits SDG&E's identified renewable resource needs. The facility is currently in construction and will be able to provide renewable energy deliveries in 2011.

⁹ Pub. Util. Code, Section §399.14

PPA selection is consistent with least-cost best-fit (LCBF) requirements

The Commission's LCBF decisions direct the utilities to use certain criteria to evaluate and rank projects bid into a competitive solicitation. They offer guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence contract negotiations.

SDG&E's LCBF bid review process used for its 2008 solicitation is in compliance with the applicable Commission decisions. SDG&E's LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate its value to SDG&E's customers and relative value in comparison to other proposals. While the PPA was negotiated bilaterally, SDG&E compared the PPA to the offers it received in its 2008 RPS solicitation using the same LCBF methodology.

Quantitative Assessment

SDG&E quantitatively evaluates bids based on a market valuation approach. The calculation of an "all-in price" is based on capacity and energy prices, time of delivery cost adjustment, transmission cost adder, resource adequacy, congestion cost adders, and duration equalization adders.

The market valuation for the Rim Rock contract is favorable in comparison to the bids in SDG&E's 2008 solicitation. See Confidential Appendix B for more detailed comparison of Rim Rock to SDG&E's 2008 RPS bids.

Qualitative factors were considered during project evaluation

SDG&E considered qualitative factors to differentiate between bids of similar cost. Possible qualitative factors considered in reviewing projects include, but are not limited to: location, benefits to minority and low income areas, resource diversity, promotion of stable electricity prices, public health, environmental benefits, and new employment opportunities.

Consistency with adopted standard terms and conditions

The proposed PPA conforms to the Commission's decisions requiring STCs for RPS contracts.

"May Not be Modified" Terms

The PPA does not deviate from the non-modifiable terms and conditions.

“May be Modified” Terms

During the course of negotiations, the parties identified a need to modify some of the modifiable standard terms in order to reach agreement. The changes were based upon mutual agreement reached during negotiations.

PPA price is reasonable and recoverable in rates

The Rim Rock contract price is at or below the 15-year 2008 MPR for a facility beginning operation in 2011.¹⁰ Additionally, Confidential Appendix B shows that the Rim Rock contract price compares favorably both to all bids in SDG&E’s 2008 solicitation as well as to its short-listed bids. Confidential Appendix C includes a detailed discussion of the contractual pricing terms.

The PPA is in compliance with RPS bilateral guidelines

The proposed PPA is consistent with Commission decisions regarding RPS bilateral contracts for the following reasons:

- 1) The PPA does not require above-MPR funds (AMFs)
- 2) The PPA was filed by advice letter
- 3) The PPA term length is longer than one month in duration
- 4) The Commission deems the contract reasonable.

More recently, the Commission adopted D.09-06-050, which determined that the Commission should evaluate bilateral RPS contracts using the same methods and criteria that are used to review contracts that result from a competitive solicitation. AL 2088-E was submitted before D.09-06-050 was adopted, however. Thus, the Commission conducted its review of the contract based on previous bilateral decisions. Specifically, the contract was evaluated based on the four requirements listed above, as identified in D.06-01-019.

The project is viable relative to other projects that were bid into SDG&E’s 2008 solicitation

SDG&E believes the project is viable relative to SDG&E’s 2008 bids (See Confidential Appendix D for SDG&E’s project viability evaluation of the Rim Rock PPA.)

¹⁰ Resolution E-4118: http://docs.cpuc.ca.gov/published/Final_resolution/73594.htm

Site Control and Permitting Status

NaturEner has secured full site control through leases from private land owners.

Fuel Resource and Technology

The NaturEner project will be using proven wind turbine technology. Acciona 1.5 megawatt turbines have been selected for the project. SDG&E believes that the project is economically viable based on the wind data collected over a two year period and Acciona's confirmation that their turbines are suitable for the site.

Interconnection and transmission

The Rim Rock wind farm plans to interconnect with the 230 kilovolt (kV) Montana-Alberta Tie, Ltd. (MATL) transmission line. MATL is a new transmission line to be built between Great Falls, Montana and Lethbridge, Alberta. While the MATL line still needs to be constructed it has obtained several permits, including: permit to construct from Canada's National Energy Board; Certificate of Compliance from Montana's Department of Environmental Quality; and a Presidential Permit to construct, operate, maintain, and connect from U.S. Department of Energy and Office of Electricity Delivery and Energy Reliability.¹¹ A permit to construct and license to operate from Alberta Energy and Utilities Board (AEUB) has also been obtained, but it has been appealed to the Supreme Court of Canada. SDG&E expects a decision on whether or not the appeal will be heard in the next few months.

Rim Rock is to interconnect to MATL at a new substation, Hay Lake, which is located near the mid-point of the MATL line. The System Impact Study is complete and the Facilities Study is underway. No transmission upgrades are identified in addition to the MATL line. In AL 2088-E SDG&E explains that NaturEner is currently negotiating an Interconnection Agreement with MATL, and firm transmission rights are secured.

Permitting

NaturEner has obtained or is in the process of obtaining several federal, state, and county permits.

¹¹ MATL's Regulatory webpage : http://www.matl.ca/project/reg_neb.php

Developer experience

The Rim Rock project is being developed by NaturEner which has successfully developed the Glacier 1 wind facility. Additionally, Grupo NaturEner, NaturEner's parent company, has developed, financed, and built 14 wind farms in Spain.

Seller's creditworthiness and financing experience

SDG&E believes that Rim Rock has a reasonable likelihood of obtaining financing for the project. Although the current credit crisis has increased the difficulty for new renewable energy projects to find financing, NaturEner has a proven ability to obtain financing. Additionally, NaturEner's parent company is complementing equity investment by providing balance sheet funding for the purchase of the wind turbines and other long lead time equipment.

Tax Credits and Cash Grants

The Rim Rock wind farm is eligible for federal Production Tax Credits (PTC) or Investment Tax Credits (ITC). NaturEner intends to seek PTCs, ITCs, or cash grants.

Section 45 of the Internal Revenue Code provides a PTC based on the electricity generated by facilities placed into service by a set date. For certain types of commercial energy projects, including wind technologies, Section 48 of the Internal Revenue Code provides a 30 percent ITC which is realized in the year that the project begins commercial operation.¹² The deadline for wind projects to qualify for either the PTC or ITC is December 31, 2012.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (ARRA 2009) was signed into law by President Obama. ARRA 2009 seeks to substantially impact the market for renewable energy technologies. ARRA 2009 focuses in two areas: (i.) appropriations for government programs; and (ii.) tax-based incentives. Specifically, ARRA 2009 allows projects to forego the PTC and ITC and instead elect a cash grant of equivalent value. To qualify for a cash grant in lieu of the PTC or ITC, a wind project must begin construction by December 31, 2010 and begin operation by December 31, 2012. If construction does not begin by that date, the project is eligible for the PTC or ITC.

¹² <http://eetd.lbl.gov/EA/EMP/reports/lbnl-1642e.pdf>

Project milestones

The PPA identifies agreed upon project milestones, including the construction start date and commercial operation date. Rim Rock's obligations to meet these milestones are supported by performance assurance securities. While SDG&E believes that Rim Rock's project development plan allows all milestones to be achieved, there are also contingencies in the PPA that allow COD to be extended based upon delays such as financing, interconnection, force majeure, and CPUC approval.

Contract is compliant with Emissions Performance Standard (EPS)

The EPS requires any new, long-term generation contracts to meet a minimum emissions performance requirement. The Rim Rock contract is a new, long-term wind contract that will have its green attributes matched with either unspecified system power, generation from pre-existing long-term contracts¹³, or the El Dorado combined cycle gas-fired facility. The El Dorado facility is expected to begin operation in October 2011. SDG&E plans to match Rim Rock's green attributes exclusively with its generation once El Dorado is online. Until that time, the green attributes will be matched to either unspecified system power or generation from pre-existing long-term contracts. Since D.07-11-046 found that the El Dorado facility meets the current GHG performance standards and that the other generation sources are allowed under the EPS, the contract is in compliance with the D.07-01-039.

Proposed delivery structure complies with CEC's guidelines

The CEC is responsible for determining whether out-of-state RPS projects satisfy the delivery requirements for the RPS program. For each out-of-state project that the Commission reviews, the CEC provides the Commission with written documentation addressing whether the proposal satisfies the delivery requirements.

On August 26, 2009, the CEC provided the Commission with a letter declaring that the proposed Rim Rock delivery structure satisfies the RPS delivery requirements. This letter, which also includes a brief overview of Rim Rock's delivery structure, can be found in Appendix A.

¹³ Any generation from pre-existing long-term contracts would be from contracts executed prior to adoption of D.07-01-039 (SDG&E AL 2088-E, p. 14)

Market sensitive information in the contracts should remain confidential

This Resolution finds 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 should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

Pursuant to D.06-06-066 and the decision's Appendix I "IOU Matrix", this Commission adopted a "window of confidentiality" for individual contracts for RPS energy or capacity. Specifically, this Commission determined that RPS contracts should be confidential for 3 years from the date the contract states that energy deliveries begin, except contracts between IOUs and their own affiliates, which should be public.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. The Renewables Portfolio Standard 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.
2. SDG&E filed Advice Letter (AL) 2088-E on May 29, 2009 requesting Commission review and approval of a renewable energy resource power purchase agreement (PPA) with Rim Rock.
3. D.03-06-071 allows for a utility and a generator to enter into bilateral contracts outside of the competitive solicitation process.
4. The California Energy Commission is responsible for designing and implementing an accounting system to verify compliance with the renewable portfolio standard by retail sellers, to ensure that electricity generated by an

eligible renewable energy resource is counted only once for the purpose of meeting the RPS of this state or any other state, and to verify retail product claims in this state or any other state.

5. The Commission requires each utility to establish a Procurement Review Group (PRG) to review the utilities' interim procurement needs and strategy, proposed procurement process, and selected contracts.
6. SDG&E briefed its PRG on the negotiation status of the proposed project. SDG&E also briefed the PRG concerning the successful conclusion of discussions with Rim Rock.
7. The PPA is consistent with SDG&E's approved 2008 RPS Procurement Plan, which was approved by D.08-02-008.
8. The PPA is consistent with the bilateral procurement rules established in D.03-06-071 and D.06-10-019.
9. D.06-05-039 requires participation of an independent evaluator (IE) in RPS solicitations.
10. The IE employed for SDG&E's 2008 RPS solicitation concluded in its report that SDG&E's bid evaluation and selection process was conducted fairly.
11. D.04-06-014 and D.07-11-025 set forth standard terms and conditions to be incorporated into each RPS PPA. Those terms were compiled and published by D.08-04-009, as modified by D.08-08-028.
12. The contract price is at or below the MPR and reasonable relative to other projects that were bid into SDG&E's 2008 RPS solicitation.
13. The project is viable relative to other projects that were bid into SDG&E's 2008 RPS solicitation.
14. The PPA includes the Commission adopted RPS standard terms and conditions deemed "non-modifiable", which were not modified.
15. The PPA is reasonable and should be approved in its entirety.
16. Energy procurement pursuant to this PPA constitutes procurement from eligible renewable energy resources 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. or other applicable law), and relevant Commission decisions.
17. Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, 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.

18. AL 2088-E should be approved without modification.

THEREFORE IT IS ORDERED THAT:

1. San Diego Gas & Electric Company's Advice Letter 2088-E, requesting Commission review and approval of its renewable energy contract with Rim Rock, is approved without modification.
2. The costs of the contract between San Diego Gas & Electric and Rim Rock are reasonable and in the public interest; accordingly, the payments to be made by San Diego Gas & Electric pursuant to the power purchase agreement are fully recoverable in rates over the life of the project, subject to Commission review of San Diego Gas & Electric's administration of the power purchase agreement.

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 November 20, 2009; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

Appendix A

CEC Letter Regarding Eligibility of Rim Rock's Proposed Delivery Structure

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



August 25, 2009

The California Energy Commission, through its staff, has reviewed the proposed contracting structure between Rim Rock (NaturEner) and San Diego Gas & Electric Company, as described in the excerpt from page 62 of Advice Letter #2088-E in "Attachment A: NaturEner Rim Rock Wind Energy, LLC. ("Rim Rock") – San Diego Gas & Electric Co." and as shown in the schematic design from page 63 of the Advice Letter titled, "Attachment B — NaturEner Rim Rock Wind Energy, LLC. ("Rim Rock") – San Diego Gas & Electric Co Delivery Structure."

Assuming that all eligibility requirements for the Renewables Portfolio Standard (RPS) are met regarding all relevant parties shown in Attachment B, including participation in the Energy Commission's Renewables Portfolio Standard Tracking and Verification System, the Energy Commission staff has determined that the proposed contracting structures would meet the RPS delivery requirements according to the *Renewables Portfolio Standard Eligibility Guidebook* (CEC-300-2007-006-ED3-CMF, January 2008).

A handwritten signature in black ink, appearing to read "Tony Gonçalves".

Tony Gonçalves
Manager, Renewable Energy Office
California Energy Commission

Attachments

CEC SCHEMATIC DIAGRAM WITH NARRATIVE

CEC SCHEMATIC DIAGRAM NARRATIVE

Upon CPUC approval of the Proposed Agreement, SDG&E will purchase a bundled renewable power product from Rim Rock. SDG&E will make a simultaneous sale back to Rim Rock, at the project's busbar, of conventional power. This CEC eligible firming-and-shaping method leaves SDG&E with the green attributes associated with the project. SDG&E will rebundle or match these green attributes to the energy generated by the El Dorado generating facility in Nevada and delivered at the Palo Verde point of interconnection under a long term firm transmission agreement. Until SDG&E begins procurement from El Dorado or during a potential CAISO emergency or Force Majeure with El Dorado generation or transmission, SDG&E has a number of existing long term power imports that it may use for this purpose on an interim basis, or it may use spot power imports. A true-up of the Project's net metered generation and the rebundled imported energy will be accomplished annually. Deliveries of import energy will be documented with a North American Electric Reliability Corporation ("NERC") E-tag that relates such deliveries to the energy generated from the project through a note in the miscellaneous field. The green attributes will be tracked via the project's net metered generation that will be reported to and tracked by the Western Renewable Energy Generation Information System ("WREGIS").

Confidential Appendix B

SDG&E's 2008 RPS Bid Evaluation

[REDACTED]

Confidential Appendix C

Rim Rock Contract Summary

[REDACTED]

Confidential Appendix D

Project Viability

[REDACTED]

Confidential Appendix E

Contract's Contribution to RPS Goals

[REDACTED]

Confidential Appendix F

Independent Evaluator's Contract-Specific Assessment¹⁴

[REDACTED]

¹⁴ Excerpt from "San Diego Gas & Electric Company - Report of the Independent Evaluator on the Naturener Rim Rock contract relative to the results of the 2008 Request for Offers from Eligible Renewable Resources (2008 Renewable RFO)" (PA Consulting Group, prepared by Jonathan M. Jacobs, May 27, 2009)