PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION | **RESOLUTION E-4642**
March 13, 2014

R E D A C T E D
R E S O L U T I O N

Resolution E-4642. San Diego Gas & Electric Company requests approval of Transition Agreement with CP Kelco U.S., Inc.

PROPOSED OUTCOME: This Resolution approves the Transition Power Purchase Agreement ("Transition Agreement") between San Diego Gas & Electric Company ("SDG&E") and CP Kelco U.S., Inc ("Kelco"), pursuant to the terms of the Qualifying Facility and Combined Heat and Power Program Settlement Agreement.

SAFETY CONSIDERATIONS: The Transition Agreement is between SDG&E and Kelco. The Commission's jurisdiction extends only over SDG&E, but not Kelco. Based on the information presented, this PPA does not appear to result in any adverse safety impacts on the facilities or operations of SDG&E.

ESTIMATED COST: The energy price for this Agreement will be SDG&E's Short Run Avoided Cost ("SRAC")[1] and the capacity price in the Agreement conforms to the pricing established in D.07-09-040[2].

By Advice Letter 2517-E Filed on September 5, 2013.

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[1] http://www2.sdge.com/srac/

[2] D.07-09-040 adopted policies and pricing mechanisms applicable to the IOUs' purchase of energy and capacity from QFs pursuant to PURPA. Specifically, the Market Index Formula, which includes market and administrative heat rates to calculate avoided cost energy pricing, a Standard Short Term As-Available Power Contract, and a Standard Long Term Firm, Unit-Contingent Power Contract for QFs.

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SUMMARY

San Diego Gas & Electric Company ("SDG&E") seeks approval of a Transition Standard Contract ("Transition Agreement" or "Agreement") with CP Kelco U.S., Inc ("Kelco", "CP Kelco" or "Seller"). The Transition Agreement complies with the requirements of Decision ("D.") 10-12-035, in which the Commission adopted the Qualifying Facility ("QF") and Combined Heat and Power ("CHP") Settlement Agreement ("QF/CHP Settlement" or "Settlement"), and the Transition Agreement is approved without modifications.

On September 5, 2013, SDG&E filed Advice Letter ("AL") 2517-E requesting Commission approval of a Transition Agreement with Kelco effective upon CPUC approval that will be effective until the completion of the Settlement Transition Period, no later than June 30, 2015.[3] The Kelco facility consists of three gas turbines with nameplate ratings of 8.0, 9.3, and 9.35 MW. When operating, the natural gas burning turbines route the hot exhaust gases through a heat recovery steam generator to generate steam for the manufacturing plant.

Section 3 of the QF/CHP Settlement Term Sheet ("Term Sheet"), which was adopted by the Commission in D.10-12-035, covers all matters with regards to transition PPA's and describes the eligibility requirements for QF and CHP facilities to enter into a Transition PPA. Per Section 3.1.1 of the Term Sheet, Kelco is eligible for Transition PPAs with SDG&E because they are currently operating under extensions of Legacy PPAs that are expiring during the Transition Period.

Initial discussion about negotiations between SDG&E and Kelco began November, 2011. Over the course of 2012, Kelco placed five requests for additional time to transition the original legacy agreement to the Transition Agreement. On December 20, 2012, Kelco and SDG&E executed a Standard Form Transition PPA and Amendment One to the PPA on May 15, 2013. As discussed in more detail in the Discussion section of this resolution, all terms of the Transition PPA, with the exception of four, conform to the Standard Form Transition PPA.

[3] The term end date of these Transition Agreements is covered in Section 2 of the Term Sheet.

The energy price for this Agreement will be the Short Run Avoided Cost ("SRAC")[4] and the capacity price in the Agreement conforms to the pricing established in D.07-09-040[5].

Furthermore, as done previously in other QF/CHP Settlement resolutions, the Commission compares the proposed agreement to the Existing PPA. In this regard, the execution of the Transition Agreement provides customer savings and merits Commission approval. The terms of the agreement will commence thirty days after CPUC approval until, at most, July 1, 2015, the end of the transition period per the term sheet.

Detailed analyses regarding the modifications to the Standard Form Transition PPA and propriety of the affiliate transaction are, respectively, included in the Discussion section Transition PPA Matters subsection below. An analysis of the negotiations for the Transition agreement is included in the Confidential Appendix of this resolution.

BACKGROUND

On December 16, 2010, the Commission adopted the Qualifying Facility and Combined Heat and Power Program Settlement Agreement with the issuance of D.10-12-035. The Settlement resolves a number of longstanding issues regarding the contractual obligations and procurement options for facilities operating under legacy and new qualifying facility ("QF") contracts.

The QF/CHP Settlement establishes Megawatt ("MW") procurement Targets and Greenhouse Gas ("GHG") Emissions Reduction Targets the investor-owned utilities ("IOUs") are required to meet by entering into contracts with eligible CHP facilities, as defined in the Settlement. Pursuant to D.10-12-035, the three large electric IOUs must procure a minimum of 3,000 MW of CHP and reduce GHG emissions consistent with the California Air Resources Board ("CARB") Scoping Plan currently set at 4.8 million metric tonnes ("MMT") by the end of 2020.

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[4] This report is published monthly and summarizes SDG&E's SRAC paid to QFs: http://www2.sdge.com/srac/

[5] Decision establishing QF pricing methodologies and calculation of the SRAC price.

Among other things, D.10-12-035 updates methodologies and formulas for calculating the Short Run Avoided Cost ("SRAC") energy price for QFs to be used in the Standard Offer Contracts for QFs with a Power Rating that is Less than or Equal to 20 MW (the "QF Standard Offer Contract"), Transition PPAs, amendments to existing QF PPAs, and Optional As-Available PPAs. The SRAC methodology under the QF/CHP Settlement includes:

(1) By January 1, 2015, transitioning SRAC pricing from a formula that is based in part on administratively-determined heat rates to a formula that solely uses market heat rates;

(2) IOU-specific time-of-use ("TOU") factors to be applied to energy prices to encourage energy deliveries during the times when the energy is most needed by customers;

(3) A locational adjustment based on California Independent System Operator ("CAISO") nodal prices; and,

(4) Pricing options based on whether a cap-and-trade program or other form of greenhouse gas ("GHG") regulation is developed in California or nationally.

One of the three stated goals and objectives of the Settlement (Section 1.1.2) was to create a smooth transition from the existing QF CHP PURPA Program to a State-Administered CHP Program. Section 2.1 of the Term Sheet defines a Transition period, beginning on the Settlement Effective Date, November 23, 2011, and ending on July 1, 2015. During the Transition Period, existing CHP Facilities will obtain a new PPA per Section 4, sell into the wholesale market, shut down, or cease to export to the grid.

The Settlement makes the Transition PPA available to CHP facilities currently selling to an IOU under a Legacy PPA[6] or an extension thereof that is expiring during the Transition Period. Discussed in detail in the "discussion" section of this resolution, the non-standard terms and conditions of the transition PPA are as follows: 1) Termination right of the buyer; 2) Termination right of the seller; 3) Modified scheduling coordinator set-up fee; 4) Modified monthly scheduling coordinator fee. Modifications to the standard term PPA are discussed in detail

[6] Defined in detail on Section 11 of the QF/CHP Settlement Term Sheet

on Section 3.4 of the Settlement Term Sheet; specifically these changes to the Standard Form PPA are permitted per section 3.4.1.1 of the term sheet.

NOTICE

Notice of AL 2517-E was made by publication in the Commission's Daily Calendar. A copy of SDG&E's Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B and served to the service list of R.12-03-014, regarding the Long Term Procurement Plans.

PROTESTS

There were no protests to Advice 2517-E.

DISCUSSION

On September 5, 2013, SDG&E filed Advice Letter ("AL") 2517-E requesting Commission approval of a Transition Agreement with Kelco that replace their existing Legacy PPAs. The Transition Agreements will become effective upon CPUC approval, and the Transition Agreements will end at the election of the Seller but no later than June 30, 2015.

Specifically, SDG&E requests that the Commission issue a final resolution that contains:

1. Approval of the Transition Agreements in their entirety; and
2. Any other and further relief as the Commission finds just and reasonable.

Energy Division evaluated the Proposed PPAs based on the following criteria:

- Consistency with D.10-12-035, which approved the QF/CHP Program Settlement, including:
  - Consistency with Transition PPA Matters
  - Consistency with MW Counting Rules
  - Consistency with GHG Accounting Methodology
  - Consistency with Cost Recovery Requirements
- Need for Procurement
- Cost Reasonableness
- Public Safety
- Project Viability
- Consistency with the Emissions Performance Standard

- Consistency with D.02-08-071 and D.07-12-052, which respectively require Procurement Review Group ("PRG") and Cost Allocation Mechanism Group participation

In considering these factors, Energy Division typically considers the analysis and recommendations of an Independent Evaluator ("IE"), if available.[7] SDG&E elected not to use an IE for the modified standard form PPA with Kelco.

Consistency with D.10-12-035 which approved the QF/CHP Program Settlement:

On December 16, 2010, the Commission adopted the QF/CHP Program Settlement with the issuance of D.10-12-035. The Settlement resolves a number of longstanding issues regarding the contractual obligations and procurement options for facilities operating under legacy and new QF contracts. Among other things, it establishes methodologies and formulas for calculating SRAC to be used in the new QF Standard Offer Contract. Furthermore, the Settlement allows for bilaterally negotiated contracts with QF CHPs to determine energy and capacity payments mutually agreeable by relevant parties and subject to CPUC approval. Finally, the Settlement establishes a MW and GHG target for the IOUs. The IOUs must procure a minimum of 3,000 MW of CHP. The IOUs must reduce greenhouse gas emissions consistent with their allocation of the CARB Scoping Plan CHP Recommended Reduction Measure in proportion to the IOUs' and ESPs/CCAs' current share of statewide retail electricity load. The QF/CHP Settlement became effective on November 23, 2011. The Settlement Term Sheet establishes criteria for contracts with Facilities including:

Consistency with Settlement Requirements for Transition PPA Matters

Per Section 2.1.1 of the Settlement Term Sheet, the Transition Period is a period in which a CHP Facility will either: obtain a new PPA as per Section 4, sell into the wholesale market, shut down, or cease export to the grid. In addition, per Section 3.1, during the Transition Period only certain CHP Facilities are eligible to execute a Transition PPA. These Transition Period actions are permitted in part to meet the Objectives of the State CHP Program ("CHP Program") outlined

[7] Per Term Sheet 4.3.2: Use of an IE shall be required for any negotiations between an IOU and its affiliate and may be used, at the election of either the buyer or the Seller, in other negotiations.

in Section 1.2.2, which include providing an orderly exit strategy for CHP Facilities that cannot participate, or are unsuccessful, in the new CHP Program.[8]

The Transition Period and Transition PPA are part of the CHP Program as defined in the Settlement Term Sheet.

Per Section 3.1 of the Settlement Term Sheet, a CHP Facility currently selling to an IOU under a Legacy PPA or an extension thereof that is expiring during the Transition Period is eligible to sign a Transition PPA with the same IOU-Buyer.

Pursuant to the QF/CHP Settlement, SDG&E is permitted to enter Transition Agreements with CP Kelco since the facility is currently selling to SDG&E under a Legacy PPA.

Per Section 3.1.2 of the Settlement Term Sheet, the Kelco Transition Agreement will terminate on July 1, 2015 or at an earlier date upon election of the seller or buyer. The Transition PPA will commence thirty days after the Commission approval.

The Transition Agreement will terminate on July 1, 2015 or upon election of the seller prior to that date.. The Transition PPA will commence thirty days after the Commission approval.

The Transition PPA is a modification of the QF Standard Offer Contract ("SOC") for duration of the Transition Period. The Standard Form Transition PPA was attached to the QF/CHP Settlement Agreement Term Sheet as Exhibit 4. Section 3.4 of the Term Sheet outlines the modifications to the SOC for the Transition PPA.

As briefly discussed in the background section of this resolution, the Kelco Transition PPAs contain the terms of the Standard Form Transition PPA with four non-standard terms. Kelco and SDG&E agreed to modify or add sections regarding: 1) Termination right of the buyer; 2) Termination right of the seller; 3) Modified scheduling coordinator set-up fee; 4) Modified monthly scheduling coordinator fee.

1) Termination right of the buyer

[8] D.10-12-035 p. 2.

The standard transition PPA has been modified to allow SG&E a termination right over the agreement. This modification was made in concert with expanding the termination rights of the seller.

2) Termination right of the seller

Similarly the standard transition PPA has been modified to allow Kelco to have termination rights over the agreement. This was primarily negotiated due to concerns Kelco has over its future business operations.

3) Modified Scheduling Coordinator set-up fee

Scheduling Coordinator set-up fee, was modified in part to accommodate Kelco's future uncertainty and in part due to SDG&E's current practice regarding generators of similar size.

4) Modified monthly scheduling coordinator fee

Similarly the Monthly scheduling fee was also modified because of Kelco's concerns regarding the amount of such fees. The change is consistent with SDG&E's current practice regarding generators of similar size.

Staff reviewed the four modifications explained above in detail and concluded that each modification is reasonable and that they satisfy precedential conditions and party obligations in gaining CPUC approval. Additional review of the modifications done to the Agreement can be seen in the confidential appendix of this resolution.

<u>SDG&E modified the Transition PPAs to grant both the buyer and seller termination rights due the future uncertainty of the Kelco facility. Furthermore, the Transition PPA was modified to set the Scheduling Coordinator fee and set-up fee to address the concerns of the seller.</u>

Consistency with Settlement MW Counting Rules

Per Term Sheet Section 5.1.3, the IOUs are directed to enter into PPAs to meet the MW and GHG Emissions Reduction Targets consistent with the CHP Procurement Processes in Section 4. Transition PPAs are not listed as a Procurement Process in Section 4, their terms expire no later than the end of the Transition Period, and capacity under contract in a Transition PPA does not count toward a utility's MW Targets. This is appropriately reflected in the Advice Letter.

<u>Pursuant to the QF/CHP Settlement, Sellers' contract capacities under the Transition PPAs do not count toward SDG&E's MW procurement target.</u>

Consistency with Settlement Greenhouse Gas Accounting Methodology

Per Term Sheet Section 5.1.3, the IOUs are directed to enter into PPAs to meet the MW and GHG Emissions Reduction Targets consistent with the CHP Procurement Processes in Section 4. The measure of progress of an IOU procurement activity toward the IOU's GHG Emissions Reduction Target will be determined according to the GHG Emissions Accounting Methodology in Section 7. Similar to the MW accounting principles, Transition PPAs are not listed as a Procurement Process in Section 4 nor do the Project GHG Accounting Methodologies apply to Transition PPAs. Therefore, the Kelco Transition PPA does not count toward SDG&E's GHG Targets. This is appropriately reflected in the Advice Letter.

<u>Pursuant to the QF/CHP Settlement, any change in Sellers' operations under the Transition PPAs do not count toward SDG&E's GHG Emissions Reduction Target because Transition PPAs are not an eligible procurement process and are inapplicable to the GHG Accounting Methodology.</u>

Consistency with Cost Recovery Requirements

Ordering Paragraph 5 of D.10-12-035 orders the three large electric IOUs to recover the net capacity costs from CHP Program contracts on a non-bypassable basis from all bundled service, Direct Access ("DA") and Community Choice Aggregator ("CCA"), and Departing Load Customers ("DLC"), except for CHP DLC. With this authorization, the Settlement supersedes to the extent necessary D.06-07-029 and D.08-09-012, which established and modified the Cost Allocation Mechanism, respectively. Section 13.1.2.2 of the Settlement Term Sheet requires that the IOU recover CHP contract costs, net of the value of energy and ancillary services provided to the IOU. Non-IOU load-serving entities ("LSEs") receive ("Resource Adequacy") RA credits in proportion to the allocation of the net capacity costs that they pay.

Section 13.1.2.2 of the Settlement Term Sheet states: "In exchange for paying a share of the net costs of the CHP Program, the LSEs serving DA and CCA customers will receive a pro-rata share of the RA credits procured via the CHP Program." In addition to standardized Power Product, the terms of the Transition PPA require the sale of Related Products, which include "Resource Adequacy Benefits." In its advice letter filing, SDG&E conformed to the standardized "Power Product," which includes a net contract capacity, and "related products"; "related products" in turn include Resource Adequacy Benefits, green attributes, and capacity associated with the Kelco transition agreement.

Resource adequacy benefits are to be allocated according to the share of the net capacity costs paid by load-serving entities serving direct access and community choice aggregation customers as prescribed in Section 13.1.2.2 of the QF/CHP Settlement Term Sheet.

Need for Procurement

SDG&E's total MW procurement goal for the CHP Program is 160 MW, with 106 MW allocated to Target B. SDG&E's currently estimated 2020 GHG Emissions Reduction Target is .5 MMT[9]. As of the October 10, 2013 CHP Semi-Annual Report, SDG&E has executed seven contracts contributing 106 MW and 0.26 MT toward these goals.

The Transition PPA does not count toward the MW or GHG Targets set forth in the Settlement, as it is not an eligible procurement process. Therefore the execution of the Transition Agreements with Sycamore and KRCC do not affect the need to procure additional CHP resources required to achieve the MW and GHG Targets.

The execution of the Kelco Transition Agreement does not count towards SDG&E's obligation to procure additional CHP resources to meet the remaining MW and GHG Targets.

Cost Reasonableness

Cost of Power Products under the Pro Forma Transition PPA

The Settlement defines pricing for the *Pro Forma* Transition PPAs in Term Sheet Section 3.2. Article One, Section 1.06 of the *Pro Forma* Transition PPA outlines the Power Product Prices. Per Term Sheet Section 3.2.1, capacity prices shall be paid as established in D.07-09-040. The Firm Capacity and As-Available Capacity Prices are consistent with the methodology adopted in D.07-09-040.

Table 1: Capacity Prices ($/kW-year) established by D.07-09-040

Year	Firm Capacity	As-Available Capacity
2013	$91.97	$45.00

[9] October 10, 2013 Semi-Annual CHP Report link: http://www.cpuc.ca.gov/PUC/energy/CHP/settlement.htm

2014	$91.97	$46.97
2015	$91.97	$48.98

Per Term Sheet Section 3.2.2, energy pricing will be Short Run Avoided Cost (SRAC) as defined in Section 10 of the Term Sheet, "SRAC Energy Pricing Structure."

Time-of-Day ("TOD") Period Energy Payment = the sum from the first hour of the applicable TOD Period to the last hour of the applicable TOD Period,

> [(TOD Period Energy Price – Location Adjustment) *
> Allowed Payment Energy + Location Adjustment * Metered Accounts]

For the details on the TOD Period Energy Price (EP) and Hourly Location Adjustment Price (LA) refer to the Transition PPA, which uses an adapted form of Section 10 of the Term Sheet.

<u>The pricing terms of the Transition PPAs are determined by Commission-approved capacity pricing per D.07-09-040 and energy pricing per the SRAC Energy Pricing Structure as defined within the Settlement.</u>

Public Safety

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

<u>The Transition Agreements are between San Diego Gas & Electric Company and Kelco. The Commission's jurisdiction extends only over SDG&E, not Kelco. Based on the information before us, this PPA does not appear to result in any adverse safety impacts on the facilities or operations of SDG&E.</u>

Project Viability

Kelco facility is an existing qualifying cogeneration facility. Kelco has been in contract with SDG&E since November 19, 1998. As an existing QF, the project faces minimal project development risk. The Transition Agreement is effective upon the Commission's approval of the Transition Agreement.

<u>As an existing CHP facility, Kelco CHP is a viable project.</u>

Consistency with the Emissions Performance Standard

California Public Utilities Code Sections 8340 and 8341 require that the Commission consider emissions costs associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers. D.07-01-039 adopted an interim Emissions Performance Standard ("EPS") that establishes an emission rate for obligated facilities to levels no greater than the greenhouse gas emissions of a combined-cycle gas turbine power plant.

Pursuant to Sections 4.10.4.1 of the CHP Program Settlement Term Sheet, PPAs greater than five years that are submitted to the CPUC in a Tier 2 or Tier 3 advice letter must be compliant with the EPS.

The EPS applies to all energy contracts that are at least five years in duration for baseload generation, which is defined as a power plant that is designed and intended to provide electricity at an annualized plant capacity factor greater than 60 percent.

The term of the Kelco Transition Agreement begins upon CPUC and FERC approvals and ends no later than July 1, 2015. The term of the PPA is less than five years and therefore the EPS does not apply to this procurement.

<u>The Kelco Transition Agreement is not subject to the Emissions Performance Standard under D.07-01-039 as the term of the PPA is less than five years.</u>

Consistent with D.02-08-071 and D.07-12-052, SDG&E's Procurement Review Group ("PRG") was notified of the CHP PPA.

SDG&E's PRG consists of representatives from: the Division of Ratepayer Advocates, The Utility Reform Network, California Department of Water Resources-California Energy Resources Scheduling, Coalition of California Utility Employees, the Union of Concerned Scientists, the Independent Evaluator, and the Commission's Energy and Legal Divisions.

Negotiations on the Transition Agreements between the Seller and SDG&E began in November 2011 and were completed in December 2012. SDG&E noticed the Transition Agreements to its Peer Review Group on April 19, 2013.

<u>SDG&E has complied with the Commission's rules for involving the PRG group.</u>

Independent Evaluator Review

<u>In accordance with the Term Sheet Section 4.3.2, SDG&E elected to not use an Independent Evaluator for the CP Kelco Transition PPA negotiations.</u>

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 on February 11, 2014. No comments were filed.

FINDINGS AND CONCLUSIONS

1. San Diego Gas & Electric Company filed Advice Letter ("AL") 2517-E on September 5, 2013, in which it requested Commission approval of a Transition Agreement with CP Kelco U.S., Inc. The Transition Agreement has been modified from the Standard Form Transition PPA approved by the Commission in Decision ("D.") 10-12-035.
2. The Kelco Transition Agreement is consistent with the Settlement Requirements for Transition PPAs.
3. The Transition Period and Transition PPA are part of the CHP Program as defined in the Settlement Term Sheet.
4. Pursuant to the QF/CHP Settlement, SDG&E is permitted to enter Transition Agreements with Kelco as it is currently selling to SDG&E under a Legacy PPA.
5. The Transition Agreement will terminate upon election of the seller, buyer or no later than July 1, 2015. The Transition PPA will commence thirty days after the Commission approval.
6. SDG&E modified the Transition PPAs to grant both the buyer and seller termination rights due the future uncertainty of the Kelco facility. Furthermore, the Transition PPA was modified to set the Scheduling Coordinator fee and set-up fee to address the concerns of the seller.
7. Pursuant to the QF/CHP Settlement, Sellers' contract capacities under the Transition PPAs do not count toward SDG&E's MW procurement target.
8. Pursuant to the QF/CHP Settlement, any change in Sellers' operations under the Transition PPAs do not count toward SDG&E's GHG Emissions

Reduction Target because Transition PPAs are not an eligible procurement process and are inapplicable to the GHG Accounting Methodology.

9. Resource adequacy benefits are to be allocated according to the share of the net capacity costs paid by load-serving entities serving direct access and community choice aggregation customers as prescribed in Section 13.1.2.2 of the QF/CHP Settlement Term Sheet.

10. The execution of the Kelco Transition Agreement does not count towards SDG&E's obligation to procure additional CHP resources to meet the remaining MW and GHG Targets.

11. The pricing terms of the Transition PPAs are determined by Commission-approved capacity pricing per D.07-09-040 and energy pricing per the SRAC Energy Pricing Structure as defined within the Settlement.

12. The Transition Agreements are between San Diego Gas & Electric Company and Kelco. The Commission's jurisdiction extends only over SDG&E, not Kelco. Based on the information before us, this PPA does not appear to result in any adverse safety impacts on the facilities or operations of SDG&E.
13. As existing an CHP facility Kelco CHP is a viable project.

14. The Kelco Transition Agreement is not subject to the Emissions Performance Standard under D.07-01-039 as the term of the PPA is less than five years.
15. SDG&E has complied with the Commission's rules for involving the PRG group.

16. In accordance with the Term Sheet Section 4.3.2, SDG&E elected to not use an Independent Evaluator for the CP Kelco Transition PPA negotiations.

17. The KelcoTransition Agreements are of reasonable cost.

18. The pricing terms of the Transition PPAs are determined by Commission-approved capacity pricing per D.07-09-040 and energy pricing per the SRAC Energy Pricing Structure as defined within the Settlement.

THEREFORE IT IS ORDERED THAT:

1. The request of the San Diego Gas & Electric Company for the Commission to approve the CP Kelco U.S., Inc. Transition Agreement in its entirety as requested in Advice Letter AL 2517-E is approved without modifications.

2. San Diego Gas & Electric Company is authorized to recover the costs associated with the Transition Agreement through the net capacity cost recovery mechanisms set forth in D.10-12-035 (as modified by D.11-07-010), Section 13.1.2.2 of the QF/CHP Settlement.

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 March 13, 2014; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

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

CONFIDENTIAL APPENDIX A

REDACTED