

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION E-4458  
January 12, 2012**

**REDACTED**

**R E S O L U T I O N**

Resolution E-4458. San Diego Gas & Electric Company requests approval of a renewable energy power purchase agreement, as amended, with Ocotillo Express LLC.

PROPOSED OUTCOME: This resolution approves cost recovery for the long-term renewable energy power purchase agreement, as amended, between San Diego Gas & Electric Company and Ocotillo Express LLC. The power purchase agreement, as amended, is approved without modification.

ESTIMATED COST: Costs of the power purchase agreement are confidential at this time.

By Advice Letter 2234-E filed on March 4, 2011 and Advice Letter 2234-E-A filed on October 5, 2011.

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**SUMMARY**

**San Diego Gas & Electric Company's renewable energy power purchase agreement with Ocotillo Express complies with the Renewables Portfolio Standard procurement guidelines and is approved without modification.**

San Diego Gas & Electric Company (SDG&E) filed Advice Letter 2234-E on March 4, 2011 requesting California Public Utilities Commission (Commission) approval of a 20 year renewable energy power purchase agreement between SDG&E and Ocotillo Express LLC. On October 5, 2011, SDG&E filed supplemental Advice Letter 2234-E-A, requesting approval of an amendment to the power purchase agreement that reduces the price of the power purchase agreement and modifies the online date of the facility.

The power purchase agreement is the result of SDG&E's 2009 RPS solicitation. Generation pursuant to the amended power purchase agreement will be from a new wind facility that will be between 265 and 315 megawatts capacity. The wind facility is being developed 25 miles west of El Centro, California, and it is expected to achieve commercial operation in 2012.

**Table 1: Summary of the Ocotillo Express LLC power purchase agreement**

<b>Generating Facility</b>	<b>Technology Type</b>	<b>Term (Years)</b>	<b>Maximum Capacity (MW)</b>	<b>Energy (GWh/year)</b>	<b>Online Date</b>	<b>Location</b>
Ocotillo Express	Wind	20	265 - 315	891	December 31, 2012	25 miles west of El Centro, CA

This resolution approves the Ocotillo Express LLC power purchase agreement, as amended, without modification. SDG&E's execution of this power purchase agreement, as amended, is consistent with SDG&E's 2011 RPS Procurement Plan, including its resource need, which the Commission approved in Decision 11-04-030. Deliveries under the Ocotillo Express LLC power purchase agreement, as amended, are reasonably priced and fully recoverable in rates over the life of the power purchase agreement, subject to Commission review of SDG&E's administration of the power purchase agreement.

## **BACKGROUND**

### **Overview of the Renewables Portfolio Standard (RPS) Program**

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).<sup>1</sup> The RPS program is codified in Public Utilities Code Sections 399.11-399.20.<sup>2</sup> Under SB 2 (1X), the RPS program administered by the Commission requires each retail

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<sup>1</sup> SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

<sup>2</sup> All further references to sections refer to Public Utilities Code unless otherwise specified.

seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.<sup>3</sup>

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

## **NOTICE**

Notice of Advice Letters 2234-E and 2234-E-A was made by publication in the Commission's Daily Calendar. SDG&E states that copies of the Advice Letters were mailed and distributed in accordance with Section IV of General Order 96-B.

## **PROTESTS**

SDG&E Advice Letter 2234-E was timely protested by the Californians for Renewable Energy, Inc. (CARE) on March 5, 2011. SDG&E responded to the protest on March 31, 2011.

## **DISCUSSION**

**San Diego Gas & Electric Company requests approval of a renewable energy power purchase agreement, as amended, with Ocotillo Express LLC.**

On March 4, 2011, San Diego Gas and Electric Company (SDG&E) filed Advice Letter (AL) 2234-E requesting California Public Utilities Commission (Commission) approval of a long-term power purchase agreement (PPA) with Ocotillo Express LLC (Ocotillo). On October 5, 2011, SDG&E filed supplemental AL 2234-E-A requesting approval of an amendment that reduces the price of the

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<sup>3</sup> D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods covered in SB 2 (1X) (2011-2013, 2014-2016, and 2017-2020).

Ocotillo PPA, advances the project's commercial online date by one year from December 15, 2013 to December 31, 2012, and modifies the dates by which certain conditions precedent and milestones must be satisfied.

The Ocotillo PPA, as amended, concerns generation from a new wind facility located approximately 25 miles west of El Centro, California. The Ocotillo facility will connect to the Sunrise Powerlink via a new 500 kilovolt (kV) substation. SDG&E expects that project will provide 299 MW of capacity and generate annual RPS-eligible deliveries of approximately 891 gigawatt-hours (GWh). However, the Ocotillo PPA allows the developer flexibility to construct a facility within the range of 265-315 MW. The Ocotillo project is being developed by Pattern Energy Group, LP.<sup>4</sup> The facility is expected to come online in 2012; thus, Commission approval of the PPA, as amended, will authorize SDG&E to accept future RPS-eligible generation that will contribute towards SDG&E's RPS requirements in Compliance Period 2011-2013 and its longer term 33 percent RPS mandate.<sup>5</sup>

**SDG&E requests that the Commission issue a resolution that finds:**

1. The amended Ocotillo PPA is consistent with SDG&E's CPUC-approved RPS Plan and procurement from the Ocotillo PPA will contribute towards SDG&E's RPS procurement obligation.
2. SDG&E's entry into the amended Ocotillo PPA and the terms of such agreement are reasonable; therefore, the Ocotillo PPA is approved in its entirety and all administrative and procurement costs associated with the Ocotillo PPA, including for energy, green attributes, and resource adequacy, are fully recoverable in rates over the life of the Ocotillo PPA, subject to Commission review of SDG&E's administration of the Ocotillo PPA.

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<sup>4</sup> Information about Pattern Energy Group, LP is available here:  
<http://www.patternenergy.com/>

<sup>5</sup> In addition to raising California's RPS requirement to 33% from 20%, SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session) establishes three different compliance periods, 2011-2013, 2014-2016, and 2017-2020.

3. Generation procured pursuant to the amended Ocotillo PPA 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 Renewable Portfolio Standard program (Public Utilities Code §§ 399.11, et seq. and/or other applicable law) and relevant Commission decisions.
4. The Ocotillo PPA will contribute to SDG&E's minimum quantity requirement established in D.07-05-028.

**Energy Division Evaluated the Ocotillo PPA on the following criteria:**

- Consistency with SDG&E's 2009 and 2011 RPS Procurement Plans
- Consistency with SDG&E's Least-Cost, Best-Fit requirements
- Consistency with RPS standard terms and conditions
- Independent Evaluator review
- Cost reasonableness
- Cost containment
- Project viability assessment and development status
- Compliance with the Interim Greenhouse Gas Emissions Performance Standard
- Procurement Review Group participation
- Contribution to minimum quantity requirement for long-term/new facility contracts

**Consistency with SDG&E's 2009 and 2011 RPS Procurement Plan**

As stated above, the Ocotillo PPA is the result of SDG&E's 2009 RPS solicitation. Thus, the PPA was reviewed for consistency with SDG&E's 2009 RPS Procurement Plan. The Ocotillo PPA was also reviewed for consistency with SDG&E's 2011 RPS Procurement Plan because an amendment to the PPA was filed after SDG&E's 2011 RPS Procurement Plan was approved.

Pursuant to statute, SDG&E's 2009 and 2011 RPS Procurement Plans include assessments of supply and demand to determine the optimal mix of renewable generation resources, consideration of flexible compliance mechanisms established by the Commission, and a bid solicitation protocol setting forth the

need for renewable generation of various operational characteristics.<sup>6</sup> California's RPS statute also requires that the Commission review the results of a renewable energy resource solicitation submitted for approval by a utility.<sup>7</sup> The Commission reviews the results to verify that the utility conducted its solicitation according to its Commission-approved procurement plan.<sup>8</sup>

SDG&E's 2009 RPS Plan called for SDG&E to issue a competitive solicitation for electric energy generated by eligible renewable resources that could begin delivering in 2010, 2011, 2012, and 2013, for preferred terms of 10, 15, or 20 years, with terms greater than 20 years also being acceptable. Proposals could be for peaking, baseload, dispatchable, or as-available deliveries. Additionally, SDG&E expressed a commitment to contract in excess of its mandated annual procurement targets. SDG&E also stated in its Plan that bilateral offers would be considered if they were competitive when compared against recent RFO offers and provide benefits to SDG&E customers.

In SDG&E's 2011 RPS Plan, SDG&E expressed similar preferences in their solicitation. Additionally, SDG&E expressed a commitment to contract in excess of 33 percent renewables by 2020.<sup>9</sup> SDG&E also expressed preference for projects that could contribute towards SDG&E's Sunrise Powerlink commitment. Last of all, SDG&E's Plan discussed utility plans to pursue renewable energy generation development partnerships and utility-owned resources.

The PPA is a contract for renewable generation that fits SDG&E's identified renewable resource needs. The proposed PPA is for as-available generation pursuant to a 20 year contract from a renewable energy facility that is expected to provide renewable energy deliveries beginning in 2012 that will contribute towards SDG&E's RPS requirement.

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<sup>6</sup> Pub. Util. Code, Section §399.14(a)(3).

<sup>7</sup> Pub. Util. Code, Section §399.14.

<sup>8</sup> SDG&E's 2011 RPS Procurement Plan was approved by D.11-04-030 on April 14, 2011.

<sup>9</sup> In D.08-12-058, which approved SDG&E's Sunrise Powerlink, SDG&E committed to procuring 33 percent of its electricity from renewables by 2020 in advance of the 33 percent RPS law being enacted.

The Ocotillo PPA is consistent with SDG&E's 2009 and 2011 RPS Procurement Plan, as approved by D.11-04-030.

### **Consistency with SDG&E's least-cost best-fit (LCBF) methodology**

In D.04-07-029, the Commission directs the utilities to use certain criteria in their LCBF selection of renewable resources.<sup>10</sup> The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. As described in its 2011 RPS Procurement Plan, SDG&E's LCBF bid evaluation includes a quantitative analysis and qualitative criteria. SDG&E's quantitative analysis or market valuation includes evaluation of price, time of delivery factors, transmission costs, congestion costs, and resource adequacy. SDG&E's qualitative analysis focuses on comparing similar bids across numerous factors, such as location, benefits to minority and low income areas, resource diversity, etc.

The Ocotillo PPA is the result of SDG&E's 2009 RPS solicitation. In AL 2234-E, SDG&E explains that it evaluated and selected the Ocotillo bid consistent with its 2009 LCBF evaluation methodology. In AL 2234-E-A, SDG&E explains that it evaluated the amended Ocotillo PPA consistent with its 2011 LCBF evaluation methodology. See the "Cost Reasonableness" section of this resolution for a discussion of how the project compares to SDG&E's 2011 RPS solicitation, recent bilateral offers, and recently executed contracts.

The Ocotillo PPA was evaluated consistent with the LCBF methodology identified in SDG&E's 2009 and 2011 RPS Procurement Plans.

### **Consistency with RPS Standard Terms and Conditions**

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, four of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More recently, the Commission further refined these STCs in D.10-03-021, as modified by D.11-01-025.

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<sup>10</sup> See §399.14(a)(2)(B)

The Ocotillo PPA includes the Commission adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

### **Independent Evaluator Review**

SDG&E retained independent evaluator (IE) Jonathan Jacobs of PA Consulting Group to oversee its 2009 and 2011 RPS solicitations and to evaluate the overall merits for CPUC approval of the PPA. AL 2234-E included a public and confidential independent evaluator’s report. The IE also evaluated the amended PPA and revised his original report, which SDG&E included in supplemental AL 2234-E-A.

In the original and revised IE report, the IE states that he believes that Ocotillo was not provided any advantage over bidders and that the Ocotillo PPA reflects fair negotiations. Additionally, the IE states that, after reviewing it for contract price (including transmission cost adders), portfolio fit, project viability, and other factors, the Ocotillo PPA merits approval. See Confidential Appendix B for an excerpt of the revised IE report.

Consistent with D.06-05-039 and D.09-06-050, an independent evaluator oversaw SDG&E’s 2009 and 2011 RPS solicitations and negotiations with Ocotillo.

### **Cost Reasonableness**

The Commission’s reasonableness review for RPS PPA costs includes a comparison of the proposed PPA’s value and price to offers received in recent RPS solicitations, recent bilateral offers, and recently executed contracts. A PPA’s value is determined by the IOU’s LCBF methodology. As stated above, SDG&E initially evaluated the Ocotillo bid using its 2009 LCBF methodology and provided that information in AL 2234-E. Then, in AL 2234-E-A, SDG&E explains that it evaluated the amended PPA using its 2011 LCBF methodology and compared the results to its 2011 RPS shortlist and recently executed bilateral contracts. Based on the Commission’s analysis of the PPA’s value and the confidential analysis provided by SDG&E in AL 2234-E and supplemental AL 2234-E-A, the Commission determines that the PPA’s costs are reasonable. The amended PPA is reasonable because its market valuation is comparable to SDG&E’s 2011 RPS solicitation, other comparable contracts, and the project is to provide RPS-eligible energy when SDG&E has identified a specific need in



relation to its RPS compliance requirements. (See Confidential Appendix A for a detailed discussion of the contractual pricing terms.)

The Ocotillo PPA compares reasonably to the results of SDG&E's 2011 RPS solicitation and other comparable contracts.

Payments made by SDG&E under the Ocotillo PPA, as amended, are fully recoverable in rates over the life of the PPA, subject to Commission review of SDG&E's administration of the PPA.

### **Cost Containment**

Pursuant to statute, the Commission calculates a market price referent (MPR) to assess whether a proposed PPA has above-market costs.<sup>11</sup> The MPR is used by the Commission to assess the above-market costs of RPS contracts. There is a statutory limit on above-MPR costs, which serves as a cost containment mechanism for the RPS program.<sup>12</sup> Contracts that meet certain criteria are eligible for above-MPR funds (AMFs).<sup>13</sup> Once an electrical corporation has exhausted its AMFs provided by statute, it is not required to procure RPS-eligible generation at above-MPR costs but may voluntarily choose to do so.<sup>14</sup>

Based on the 2012 commercial online date for the Ocotillo PPA, the 20-year PPA, as amended, is below the 2009 MPR. Thus, the Ocotillo PPA does not have any above-market costs.

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<sup>11</sup> See Pub. Util. Code § 399.15(c).

<sup>12</sup> See Pub. Util. Code §399.15.

<sup>13</sup> Pursuant to Pub. Util. Code §399.15 (d) and Resolution E-4199, a PPA between a utility and a developer must meet the following requirements for the utility to achieve AMFs eligibility: (1) the PPA must have Commission approval and be selected through a competitive solicitation, (2) it must cover a duration of at least 10 years; (3) it must develop a new or repowered facility commencing operations on or after January 1, 2005; (4) it must not be a purchase of renewable energy credits; and (5) it must not include any indirect expenses as set forth in the statute.

<sup>14</sup> See Pub. Util. Code § 399.15(d).

## **Project Viability Assessment and Development Status**

SDG&E asserts that the Ocotillo project is viable and will be developed according to the terms and conditions in the PPA. SDG&E bases its assertion on its evaluation of the project's viability using the Commission-approved project viability calculator, which uses standardized criteria to quantify a project's strengths and weaknesses in key areas of renewable project development. See Confidential Appendix A for the scoring of the project's viability. Additionally, SDG&E provided the following information about the project's developer and the project's development status.

### Developer experience

Pattern Energy Group, LLC is the developer of the project. Pattern Energy has developed over 21 wind projects in the United States. Projects developed in California include the 101.2 MW Hatchet Ridge Project, 50 MW Kumeyaay Wind Project, and the 38 MW Buena Vista Project.

### Resource quality and technology

The project will use commercially proven wind turbines. Five on-site meteorological towers have been on the project site for over 12 months collecting resource data confirming project site suitability.

### Site control and permitting status

The proposed facility is to be located on United States Department of Interior, Bureau of Land Management (BLM) lands for which Ocotillo has applied for Right-of-Way grants. On July 22, 2011 the BLM issued a draft Environmental Impact Statement/Environmental Impact Report. All other necessary permits are expected to be obtained in a timely manner to achieve the conditions precedent in the PPA.

### Interconnection and transmission

Ocotillo will connect to the Sunrise Powerlink via a new 500 kilovolt (kV) substation. The Phase I and Phase II CAISO Transmission Studies for the project are complete.

### Financing Plan

The project is expected to be financed through a combination of debt and equity. Additionally, the project is expected to qualify for Production Tax Credits.

### **Compliance with the Interim Greenhouse Gas Emissions Performance Standard**

California Pub. Util. Code §§ 8340 and 8341 require that the Commission consider emissions associated with new long-term (five years or greater) baseload power contracts procured on behalf of California ratepayers.<sup>15</sup>

D.07-01-039 adopted an interim Emissions Performance Standard (EPS) that establishes an emission rate for obligated facilities at levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine power plant. Generating facilities using certain renewable resources are deemed compliant with the EPS.<sup>16</sup>

The Ocotillo PPA meets the conditions for EPS compliance because generation pursuant to the PPA will be from a facility that uses wind technology, which is one of the renewable energy technologies listed in D.07-01-039 that is deemed EPS compliant.

### **Procurement Review Group Participation**

The Procurement Review Group (PRG) was initially established in D.02-08-071 as an advisory group to review and assess the details of the IOUs' overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission.<sup>17</sup> SDG&E asserts that the Ocotillo PPA was discussed at three PRG meetings in 2009 and two meetings in 2011.

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<sup>15</sup> "Baseload generation" is electricity generation at a power plant "designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." Pub. Util. Code § 8340 (a).

<sup>16</sup> D.07-01-039, Attachment 7, p. 4

<sup>17</sup> SDG&E's PRG includes representatives of the Union of Concerned Scientists, the Coalition of California Utility Employees, The Utility Reform Network, the California Public Utility Commission's Energy Division and Division of Ratepayer Advocates, and the California Department of Water Resources.

Pursuant to D.02-08-071, SDG&E's Procurement Review Group participated in the review of the Ocotillo PPA.

### **Contribution to Minimum Quantity Requirement for Long-Term/New Facility Contracts**

D.07-05-028 established a "minimum quantity" condition on the ability of the utilities to count an eligible contract of less than 10 years duration for compliance with the RPS program.<sup>18</sup> In the calendar year that a short-term contract with an existing facility is executed, the utility must also enter into long-term contracts or contracts with new facilities equivalent to at least 0.25 percent of the utility's previous year's retail sales.

As a new facility, delivering pursuant to long-term contracts, the Ocotillo PPA will contribute to SDG&E's minimum quantity requirement established in D.07-05-028.

### **CARE's protest regarding procedural appropriateness is denied.**

CARE asserts in its protest to SDG&E AL 2234-E that it is procedurally improper at this time to approve AL 2234-E because the San Francisco Superior Court (Court) found the Environmental Impact Report (EIR) on the California Air Resources Board (CARB) adopted Scoping Plan for implementing Assembly Bill 32 unlawful and that California's three large investor-owned utilities have filed a Petition for Enforcement Pursuant to Section 210(h) of the Public Utility Regulatory Policies Act of 1978 at the Federal Energy Regulatory Commission (FERC) in response to the Commission's combined heat and power (CHP) feed-in tariff<sup>19</sup> and that as a result AL 2234-E should be rejected. CARE argues that the Commission lacks any lawful basis to approve AL 2234-E and it is premature to consider greenhouse gas (GHG) procurement related issues until the Court can determine if the EIR is lawful. CARE also states that it objects to AL 2234-E

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<sup>18</sup> For purposes of D.07-05-028, contracts of less than 10 years duration are considered "short-term" contracts and facilities that commenced commercial operations prior to January 1, 2005 are considered "existing."

<sup>19</sup> The petition filed at FERC was in response to the Commission approved CHP feed-in tariff. See <http://www.cpuc.ca.gov/PUC/energy/Climate+Change/chpfeedin.htm> for more information.

as an unlawful attempt to prejudice the constitutional due process rights to judicial review of the plaintiffs challenging the above mentioned EIR. Lastly, CARE argues that it is unclear how the Ocotillo PPA benefits reliability or the ratepayers.

In SDG&E's reply to CARE's protest, SDG&E recommends that CARE's protest should be denied because it raises issues that are not relevant to review of AL 2234-E. SDG&E argues that the PPA was entered into for compliance with California RPS requirements irrespective of any current or future regulation of GHG emissions. Additionally, SDG&E asserts that the facility does not use CHP technology; thus, the question of whether pricing for CHP generators can be set by the Commission is irrelevant.<sup>20</sup>

The Commission agrees with SDG&E that CARE's protest is out of scope for the reasons that SDG&E has argued. Thus, CARE's protest for rejection of AL 2234-E is denied because it raises issues that are not relevant to the Commission's consideration of the Advice Letter or the underlying PPA.

### **RPS Eligibility and CPUC Approval**

Pursuant to Pub. Util. Code § 399.13, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "Eligible Renewable Energy Resource," that the project's output delivered to the buyer qualifies under the requirements of the California RPS, and that the seller uses commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.<sup>21</sup>

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<sup>20</sup> FERC declined to pursue the utility request in Docket No. EL11-19-000, i.e., an enforcement action against the Commission under section 210(h)(2)(A) of the Public Utility Regulatory Policies Act. (*Southern California Edison Company et al.*, 134 FERC ¶ 61,271 (March 31, 2011) ("Notice of Intent Not to Act").)

<sup>21</sup> See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

The Commission requires a standard and non-modifiable clause in all RPS contracts that requires “CPUC Approval” of a PPA to include an explicit finding that “any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer'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.*), Decision 03-06-071, or other applicable law.”<sup>22</sup>

Notwithstanding this language, the Commission has no jurisdiction to determine whether a project is an eligible renewable energy resource, neither can the Commission determine prior to final CEC certification of a project, that “any procurement” pursuant to a specific contract will be “procurement from an eligible renewable energy resource.”

Therefore, while we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS-eligible resource to count towards an RPS compliance obligation. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract. Such contract enforcement activities shall be reviewed pursuant to the Commission’s authority to review the utilities’ administration of contracts.

### **Confidential Information**

The Commission, in implementing Pub. Util. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, such as price, is confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their affiliates, which are public.

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<sup>22</sup> See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

## **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 December 9, 2011.

No comments were filed.

## **FINDINGS AND CONCLUSIONS**

1. The Ocotillo power purchase agreement is consistent with SDG&E's 2009 and 2011 RPS Procurement Plan, as approved by D.11-04-030.
2. The Ocotillo power purchase agreement was evaluated consistent with the least-cost best-fit methodology identified in SDG&E's 2009 and 2011 RPS Procurement Plans.
3. The Ocotillo power purchase agreement includes the Commission-adopted RPS "non-modifiable" standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as amended by D.11-01-025.
4. Consistent with D.06-05-039 and D.09-06-050, an independent evaluator oversaw SDG&E's RPS procurement process.
5. The Ocotillo power purchase agreement compares reasonably to the results of SDG&E's 2009 and 2011 solicitation, bilateral offers, and recently executed contracts.
6. Payments made by SDG&E under the Ocotillo power purchase agreement are fully recoverable in rates over the life of the Ocotillo power purchase agreement, subject to Commission review of SDG&E's administration of the Ocotillo power purchase agreement.

7. The Ocotillo power purchase agreement price, as amended, is below the applicable 2009 market price referent.
8. The Ocotillo power purchase agreement does not have any above-market costs.
9. SDG&E asserts that the Ocotillo project is viable and will provide renewable energy according to the terms and conditions in the Ocotillo power purchase agreement.
10. The Ocotillo PPA meets the conditions for EPS compliance because generation pursuant to the PPA will be from a facility that uses wind technology, which is one of the renewable energy technologies listed in D.07-01-039 that is deemed EPS compliant.
11. Pursuant to D.02-08-071, SDG&E's Procurement Review Group participated in the review of the Ocotillo power purchase agreement.
12. The Ocotillo power purchase agreement will contribute to SDG&E's minimum quantity requirement established in D.07-05-028.
13. CARE's protest for rejection of AL 2234-E is denied because it raises issues that are not relevant to the Commission's consideration of the Advice Letter or the underlying PPA.
14. Procurement pursuant to the Ocotillo power purchase agreement is 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.), D.03-06-071 and D.06-10-050, or other applicable law.
15. The immediately preceding finding shall not be read to allow generation from a non-RPS eligible renewable energy resource under this power purchase agreement to count towards an RPS compliance obligation. Nor shall that finding absolve SDG&E of its obligation to enforce compliance with this power purchase agreement.
16. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.
17. AL 2234-E and 2234-E-A should be approved effective today without modification.



**THEREFORE IT IS ORDERED THAT:**

1. San Diego Gas & Electric Company's Advice Letters 2234-E and 2234-E-A requesting Commission review and approval of a power purchase agreement, as amended, with Ocotillo Express, LLC, is approved.

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 January 12, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON  
PAUL CLANON  
Executive Director

MICHAEL R. PEEVEY  
President  
TIMOTHY ALAN SIMON  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
MARK J. FERRON  
Commissioners

## **Confidential Appendix A**

### Evaluation Summary of the Ocotillo PPA

**[Redacted]**

## **Confidential Appendix B**

Excerpt from Independent Evaluator's Report  
regarding SDG&E's PPA with Ocotillo<sup>23</sup>

**[Redacted]**

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<sup>23</sup> Excerpt from Confidential Appendix B to Advice Letter 2234-E-A, Report of the Independent Evaluator on the 265-315 MW Pattern Ocotillo Express contract selected in the 2009 Request for Offers from Eligible Renewable Resources (2009 Renewable RFO) October 5, 2011



Clay Faber - Director  
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March 4, 2011

**ADVICE LETTER 2234-E  
(U 902-E)**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**SUBJECT: REQUEST FOR APPROVAL OF RENEWABLE POWER PURCHASE WITH  
OCOTILLO EXPRESS, LLC.**

**I. INTRODUCTION**

**A. PURPOSE OF THE ADVICE LETTER**

San Diego Gas & Electric Company ("SDG&E") seeks approval from the California Public Utilities Commission (the "Commission" or the "CPUC") for a Power Purchase Agreement ("PPA") with Ocotillo Express, LLC ("Ocotillo Express"). The proposed PPA between SDG&E and Ocotillo (the "Proposed Agreement") is for 20 years of wind energy from new plant. Deliveries will begin no later than December 15, 2013.

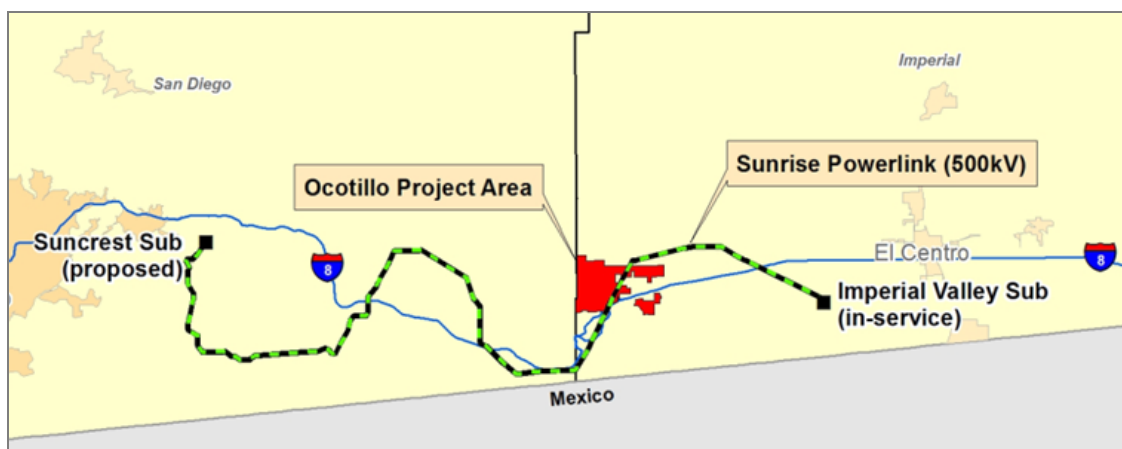
Approval of the Proposed Agreement by the Commission will support SDG&E's efforts to achieve its RPS objective of achieving an RPS portfolio of 33% by 2020. This project presents a unique opportunity for a significant volume of energy to flow on the Sunrise Powerlink ("SPL") in short order once the SPL is completed.

**B. SUBJECT OF THE ADVICE LETTER**

- 1. PROJECT NAME:** Ocotillo Express Wind Project
- 2. TECHNOLOGY (INCLUDING LEVEL OF MATURITY):** Wind / Mature, Commercially Proven
- 3. GENERAL LOCATION AND INTERCONNECTION POINT:** Ocotillo, California
- 4. OWNER(S) / DEVELOPER(S):**
  - a. **NAME(S):** Ocotillo Express, LLC
  - b. **TYPE OF ENTITY(IES) (E.G. LLC, PARTNERSHIP):** Limited Liability Company
  - c. **BUSINESS RELATIONSHIPS BETWEEN SELLER/OWNER/DEVELOPER:** Ocotillo Express, LLC is a wholly-owned subsidiary of Pattern Energy Group, LP.

## 5. **PROJECT BACKGROUND**

This greenfield project is located approximately 25 miles west of El Centro in the Imperial Valley. It is sited on federal land managed by the U.S Bureau of Land Management. The Sunrise Powerlink (SPL) will directly pass through the project footprint. If the SPL is completed on time, and the wind project's permits are received on a timely basis, the project can interconnect onto the SPL and generate nearly 891GWH of energy annually to flow on the 500KV line, starting by the end of 2012.



## 6. **SOURCE OF AGREEMENT, I.E., RPS SOLICITATION YEAR OR BILATERAL NEGOTIATION**

The Proposed Agreement is a product of SDG&E's 2009 Request for Offers – Eligible Renewable Resources (the “2009 Renewable RFO” or the “RFO”).

## C. **GENERAL PROJECT(S) DESCRIPTION**

<b>PROJECT NAME</b>	Ocotillo Express Wind Project
<b>TECHNOLOGY</b>	Wind
<b>CAPACITY (MW)</b>	265MW – 315MW
<b>CAPACITY FACTOR</b>	34%
<b>EXPECTED GENERATION (GWH/YEAR)</b>	891GWH
<b>INITIAL COMMERCIAL OPERATIONAL DATE</b>	12/15/2013
<b>DATE CONTRACT DELIVERY TERM BEGINS</b>	12/15/2013
<b>DELIVERY TERM (YEARS)</b>	20 years
<b>VINTAGE (NEW / EXISTING / REPOWER)</b>	New
<b>LOCATION (CITY AND STATE)</b>	Ocotillo, California
<b>CONTROL AREA (E.G., CAISO, BPA)</b>	CAISO
<b>NEAREST COMPETITIVE RENEWABLE ENERGY ZONE (CREZ) AS IDENTIFIED BY THE RENEWABLE ENERGY TRANSMISSION INITIATIVE (RETI)<sup>1</sup></b>	Between CREZ 27 (San Diego) and CREZ 30 (Imperial South)
<b>TYPE OF COOLING, IF APPLICABLE</b>	N/A
<b>PRICE<sup>2</sup> RELATIVE TO MPR (I.E. ABOVE/BELOW)</b>	Above

<sup>1</sup> Information about RETI is available at: <http://www.energy.ca.gov/reti/>

<sup>2</sup> Refers to the maximum price under the contract

**D. GENERAL DEAL STRUCTURE**

***CHARACTERISTICS OF CONTRACTED DEAL (I.E. PARTIAL/FULL OUTPUT OF FACILITY, DELIVERY POINT (E.G. BUSBAR, HUB, ETC.), ENERGY MANAGEMENT (E.G. FIRM/SHAPE, SCHEDULING, SELLING, ETC.), DIAGRAM AND EXPLANATION OF DELIVERY STRUCTURE***

The Proposed Agreement calls for Ocotillo Express to deliver wind energy on an as-available basis for 20 years. SDG&E will take title to energy, renewable energy credits and other capacity attributes at the delivery point, which will be a new station immediately adjacent to the SPL.

**E. RPS STATUTORY GOALS**

***THE PROJECT IS CONSISTENT WITH AND CONTRIBUTES TOWARDS THE RPS PROGRAM'S STATUTORY GOALS SET FORTH IN PUBLIC UTILITIES CODE §399.11.***

Public Utilities Code section 399.11 states, in part, that “increasing California's reliance on eligible renewable energy resources may promote stable electricity prices, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.”

1. The Proposed Agreement will help promote stable electricity prices given the PPA's nature as a predictable pricing arrangement for 20 years of deliveries.
2. Energy generated from the project produces zero greenhouse gas emissions, thus help improve environmental quality. On a related note, the project helps protect public health. Wind energy emits no emissions, protecting the public from acid rain, mercury contamination and other health-related concerns associated with particulate emissions
3. As a wind resource, the project will generate energy with zero fuel costs, thereby reducing the need for foreign fuel imports.
4. The project's impact on local economic development will be significant. The Imperial Valley is home to many low-income residents, and has the highest unemployment rate in the nation. The developer prefers to hire local workers to the extent possible. During construction, the project is expected to provide 250 to 300 construction jobs for the year-long construction period. Businesses will benefit as workers purchase local goods and services. During the 20 year delivery term, the project will support at least 15 to 20 full-time, permanent positions ranging from skilled turbine technicians (green-collar jobs) to professional managers. The project is expected to survive beyond the 20 year PPA term and continue to support the permanent positions.

**F. CONFIDENTIALITY**

***CONFIDENTIAL TREATMENT OF SPECIFIC MATERIAL IS BEING REQUESTED. THE INFORMATION AND REASON(S) FOR CONFIDENTIAL TREATMENT IS CONSISTENT WITH THE SHOWING REQUIRED BY D.06-06-066, AS MODIFIED.***

As directed by the CPUC's Energy Division, confidential information in support of the Proposed Agreement is provided in Confidential Appendices A through G, as listed below:

Appendix A:	Consistency with Commission Decisions and Rules and Project Development Status
Appendix B:	Solicitation Overview
Appendix C:	Final RPS Project-Specific Independent Evaluator Report
Appendix D:	Contract Summary
Appendix E:	Comparison of Contract with Utility's Pro Forma Power Purchase Agreement
Appendix F:	Power Purchase Agreement
Appendix G:	Project's Contribution Toward RPS Goals

The appendices contain market sensitive information protected, pursuant to Commission Decision D.06-06-066, as detailed in the concurrently-filed declaration. The table below presents the type of information within the confidential appendices and the matrix category under which D.06-06-066 permits the data to be protected.

Type of Information	D.06-06-066 Confidential Matrix Category
Analysis and Evaluation of Proposed Projects	VII.G
Contract Terms and Conditions	VII.G
Raw Bid Information	VIII.A
Quantitative Analysis	VIII.B
Net Short Position	V.C
IPT/APT Percentages	V.C

**II. CONSISTENCY WITH COMMISSION DECISIONS**

SDG&E's RPS procurement process complies with the Commission's RPS-related decisions, as discussed below.

**A. RPS PROCUREMENT PLAN**

**1. THE COMMISSION APPROVED SDG&E'S RPS PROCUREMENT PLAN AND SDG&E ADHERED TO COMMISSION GUIDELINES FOR FILING AND REVISIONS.**

On September 15, 2008 SDG&E filed its draft 2009 Renewable Procurement Plan (the "2009 RPS Plan") with the Commission in accordance with the Administrative Law Judge's rulings issued on June 20, 2008 and August 12, 2008. On June 8, 2009, the CPUC issued D.09-06-018 ("the Decision") conditionally approving SDG&E's 2009 RPS Plan. In compliance with the direction set forth in the Decision,

SDG&E filed a revised 2009 RPS Plan to incorporate changes required by the Commission. The Decision authorized SDG&E to proceed with its amended Plan unless suspended by the Energy Division Director. No such suspension was issued by the Energy Division; therefore, on June 29, 2009 SDG&E issued the 2009 RPS RFO.

2. **THE PROCUREMENT PLAN'S ASSESSMENT OF PORTFOLIO NEEDS.**

The 2009 RPS Plan expresses SDG&E's commitment to contract in excess of its mandated annual procurement targets in the near term and adopted a goal of serving 33% of its retail sales with renewable resources by 2020. SDG&E's goal is to develop and maintain a diversified renewable portfolio, selecting from offers using the Least-Cost, Best-Fit (LCBF) evaluation criteria. The RFO, approved as part of the 2009 RPS Plan, sought offers from all technologies of renewable projects that meet the requirements for eligible facilities as specified in applicable statute and as established by the CEC. The 2009 RFO sought unit firm or as-available deliveries starting in 2010, 2011, 2012, or 2013. The 2009 RPS Plan also states that to the extent an unsolicited bilateral offer complies with RPS program requirements, fits within SDG&E's resource needs, is competitive when compared against recent RFO offers and provides benefits to SDG&E customers, SDG&E will pursue such an agreement. Amended contracts, like bilateral offers, will be compared to alternatives presented in the most recent RPS RFO.

3. **THE PROJECT IS CONSISTENT WITH SDG&E'S PROCUREMENT PLAN AND MEETS SDG&E'S PROCUREMENT AND PORTFOLIO NEEDS (E.G. CAPACITY, ELECTRICAL ENERGY, RESOURCE ADEQUACY, OR ANY OTHER PRODUCT RESULTING FROM THE PROJECT).**

The Proposed Agreement conforms to SDG&E's most recent Commission-approved RPS procurement plan by delivering renewable energy and associated and Green Attributes that fill a portion of SDG&E's RPS net short position. The Proposed Agreement also provides resource adequacy capacity.

4. **THE PROJECT MEETS REQUIREMENTS SET FORTH IN THE SOLICITATION.**

The minimum requirements established in the RFO were as follows:

- a. Deliveries must begin in 2010, 2011, 2012 or 2013
- b. The project must be RPS-eligible.
- c. The Net Contract Capacity must be  $\geq 1.5\text{MW}$ , net of all auxiliary and station parasitic loads; (if within SDG&E service area)
- d. The Net Contract Capacity must be  $\geq 5\text{MW}$ , net of all auxiliary and station parasitic loads; (if outside of SDG&E service area)

The Proposed Agreement fulfills these minimum requirements. Deliveries will begin by 2013. The project is RPS eligible. The Net Contract Capacity is at least 265MW.



**B. BILATERAL CONTRACTING – IF APPLICABLE****1. THE CONTRACT COMPLIES WITH D.06-10-019 AND D.09-06-050.**

The Proposed Agreement is not the result of bilateral negotiations. Ocotillo Express submitted the project as an offer into the 2009 RPS RFO.

**2. THE PROCUREMENT AND/OR PORTFOLIO NEEDS NECESSITATING SDG&E TO PROCURE BILATERALLY AS OPPOSED TO A SOLICITATION.**

The Proposed Agreement is not the result of bilateral negotiations. Ocotillo Express submitted the project as an offer into the 2009 RPS RFO.

**3. WHY THE PROJECT DID NOT PARTICIPATE IN THE SOLICITATION AND WHY THE BENEFITS CANNOT BE PROCURED THROUGH A SUBSEQUENT SOLICITATION.**

The Proposed Agreement is not the result of bilateral negotiations. Ocotillo Express submitted the project as an offer into the 2009 RPS RFO.

**C. LEAST COST BEST FIT (LCBF) METHODOLOGY AND EVALUATION – IF APPLICABLE****1. THE SOLICITATION WAS CONSISTENT WITH SDG&E'S COMMISSION-APPROVED REQUEST FOR OFFERS (RFO) BIDDING PROTOCOL.**

As specified by the Commission-approved RFO bidding protocol, the 2009 RFO was issued on June 29, 2009. Responses for projects not served by the Sunrise Powerlink were due August 25, 2009. Responses for projects that would flow on the Sunrise Powerlink were due September 8, 2009. SDG&E solicited bids from all RPS-eligible technologies.

SDG&E sought proposals for peaking, baseload, dispatchable (unit firm) or as-available deliveries. Such proposals could include capacity and energy from:

- a) Re-powering of existing facilities;
- b) Incremental capacity upgrades of existing facilities;
- c) New facilities;
- d) Existing facilities that are scheduled to come online during the years specified in the RFO that have excess or uncontracted quantities of power for a short time frame;
- e) Existing facilities with expiring contracts; or
- f) Eligible resources currently under contract with SDG&E. SDG&E shall consider offers to extend terms of or expand contracted capacities for existing agreements.

SDG&E solicited three types of projects:

- a) Power purchase agreements for short-term deliveries of up to nine years and long-term deliveries for ten years or more.
- b) A power purchase agreement with 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.

- c) Turnkey projects to develop, permit, and construct new, RPS-eligible generating facilities to be acquired by SDG&E.

SDG&E established an open, transparent and competitive playing field for the procurement effort. The following protocols were established within its solicitation:

- a) An RFO website was created, allowing respondents to download solicitation documents, participate in a Question and Answer forum and see updates or revisions associated with the process;
- b) Internet upload capabilities were available to accept electronic offers; and,
- c) SDG&E adhered to the following RFO schedule:

DATE	EVENT
June 29, 2009	RFO Issued
August 5, 2009	Pre-Bid Conference (in San Diego, California)
August 12, 2009	Pre-Bid Conference (in El Centro, California)
August 25, 2009	Offers Due (projects not flowing on SPL)
September 8, 2009	Offers Due (projects flowing on SPL)
September 25, 2009	Briefed PRG on all offers received, preliminary LCBF ranking, preliminary list of highest ranked offers and preliminary shortlist.
October 23, 2009	Briefed PRG and sought PRG feedback on SDG&E's need determination, selection criteria based on the need, final LCBF ranking and final shortlist based on the selection criteria.
November 23, 2009	Notified Energy Division of final shortlist.
December 4, 2009	Final LCBF Report to the CPUC
August 20, 2010	Notified PRG that negotiations are nearing completion. Informed PRG about major terms of the PPA.
January 21, 2011	Presented the PRG with updated terms and conditions.
mmm dd, yyyy	PPA Executed

**2. THE LCBF BID EVALUATION AND RANKING WAS CONSISTENT WITH COMMISSION DECISIONS ADDRESSING LCBF METHODOLOGY; INCLUDING SDG&E'S APPROACH TO/APPLICATION OF:**

SDG&E evaluated all offers in accordance with the LCBF process outlined in D.03-06-071, D.04-07-029 and its' approved 2009 RPS Plan. The Commission established in D.04-07-029 a process for evaluating "least-cost, best-fit" renewable resources for purposes of IOU compliance with RPS program requirements. SDG&E has adopted such a process in its renewable procurement plan. In D.06-05-039, the Commission observed that "the RPS project evaluation and selection process within the LCBF framework cannot ultimately be reduced to mathematical models and rules that totally

eliminate the use of judgment.”<sup>3</sup> It determined, however, that each IOU should provide an explanation of its “evaluation and selection model, its process, and its decision rationale with respect to each bid, both selected and rejected,” in the form of a report to be submitted with its short list of bids (the “LCBF Report”).

**A. MODELING ASSUMPTIONS AND SELECTION CRITERIA**

To incorporate a “best-fit” element into evaluation of offers, instead of simply comparing prices for all offers (“least-cost”), SDG&E calculated an “All-In Bid Ranking Price” for each offer. Elements of the All-In Bid Ranking Price are described below.

The All-In Bid Ranking Price of the proposed project, as calculated and presented in Confidential Appendix A, compared favorably versus the All-In Price of other bids and fell within the shortlist range.

SDG&E compares bids by sorting all projects by the All-In Bid Ranking Price, from lowest to highest. Those projects with the lowest All-In Bid Ranking Price and passed through qualitative filters for location and viability were short listed. From a “best-fit” perspective for 2009, projects SDG&E’s portfolio needed included in-state projects that would flow on the Sunrise Powerlink. In the RFO, SDG&E recognized the Commission requirement and SDG&E’s commitment to replace failed Imperial Valley projects with projects that would flow on the Sunrise Powerlink. Energy from this project will flow on Sunrise, it ranked high quantitatively and qualitatively, is a resource using commercially proven technology and can begin deliveries in short order after the SPL goes into service.

**B. QUANTITATIVE FACTORS**

- i. Market valuation (the “All-In Bid Ranking Price”) – The following discussion describes how SDG&E calculates an All-In Bid Ranking Price that includes the factors listed. Included in confidential Appendix D is a detailed description of how each of these factors applies to the Proposed Agreement.
  - a. Bundled energy prices. The offered bundled energy prices are included in the All-In Price, as modified below.
  - b. Time of Delivery (“TOD”) cost adjustment. SDG&E accounts for differences in the value of various delivery profiles. To properly assess the value of the deliveries from an RPS resource, SDG&E divides the proposed energy price by SDG&E’s Time-of-Delivery factors for each MWH the project delivers during each delivery hour over the term of the PPA. The total cost is summed and divided by energy delivered. A present value figure is calculated for the payment and energy streams and an overall levelized TOD Adjusted Bid Price on a \$/MWH is calculated. The difference between the levelized TOD Adjusted Bid Price and an unadjusted levelized bid price represents the TOD Adjustment Adder. Projects that provide a greater proportion of their annual deliveries in summer on-peak, winter on-peak, and summer semi-peak periods will receive a credit that will effectively reduce the project bid price, whereas projects that provide a greater proportion of annual

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<sup>3</sup> See D.06-05-039, *mimeo*, p. 42.

deliveries in summer and winter off-peak periods will receive a debit that will increase the project bid price. Baseload units deliver equally in all hours, which results in a net TOD Adjustment Adder at or close to zero.

- c. Transmission Cost Adder. SDG&E calculated costs for transmission network upgrades or additions, using the information provided through the Transmission Ranking Cost Report ("TRCR") approved by the CPUC. To be as inclusive as possible, SDG&E used TRCR-based transmission costs even for offers that were not submitted to the TRCR rather than considering those offers to be non-conforming. The total amount of contemplated generation interconnections studied in the TRCR have always exceeded the amount of generating capacity that SDG&E would ever consider shortlisting
- d. Resource Adequacy ("RA"). All bids received a credit based on the amount of Resource Adequacy ("RA") benefits provided by each bid. The RA benefit (in MW) of a wind or solar resource is a fraction of its capacity, derived from the Net Qualifying Capacity values that CAISO has assigned to resources of that technology. The RA credit is computed using a benefit per MW equal to the estimated market price, or to the shortage penalty, for local and/or system RA.
- e. Congestion cost adders. Congestion analysis was performed using a model which provides hourly Locational Marginal Prices ("LMP") for specific years for each of the bids. Congestion costs (\$/MWh) was calculated based on the difference between the hourly LMP at each generator's injection point and the hourly LMP values for SDG&E's Load Aggregation Point ("LAP"). The LMP values in the LAP were weighted for all bus points within SDG&E's service territory using approved CAISO allocation factors. SDG&E subtracted the LMPs for each generator's injection point from the LMPs in SDG&E's LAP and multiplied the differences by the generator's hourly production profile (MWh). The congestion adder for each bid is the weighted average of the differences.
- f. Duration equalization adders ("Begin Effects" and "End Effects"). SDG&E used weighted average bid prices from its 2008 shortlist as market replacement costs to normalize bids of different starting periods and terms. SDG&E assumed the same level of generation for each project as replacement energy during the Begin and End Effects. SDG&E then levelized each bid from 2009 through the end of the evaluation period, putting all projects on equal terms.

**A. PORTFOLIO FIT**

SDG&E's 2009 RPS 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. However, as explained above, time of delivery factors, transmission cost, congestion costs and resource adequacy adjustment were evaluated to determine the impact to SDG&E's portfolio. These factors were included in the economic comparison of options in order to ensure the least-cost projects were also best-fit selections for the portfolio.

By virtue of this project's high ranking in the LCBF analysis, its high score in the Project Viability Calculator and its ability to contribute to SDG&E's RPS portfolio and Sunrise commitment, this project fits nicely within SDG&E's portfolio need. Confidential Appendix A illustrates the merits of this project by discussing how the project scored across all LCBF categories and how the project ranks overall.

**B. TRANSMISSION ADDER**

The project was included in SDG&E's TRCR and transmission cost adders were included in the LCBF evaluation's All-In Price.

**C. APPLICATION OF TIME OF DELIVERY FACTORS (TODs)**

For this Proposed Agreement, SDG&E utilized TOD factors in its LCBF evaluation via the aforementioned TOD Cost Adjustment. The average all-in bid price was adjusted to reflect the relative value of projected energy deliveries during peak, semi-peak and off-peak periods. The projected delivery profiles were provided by Ocotillo Express. Application of the TOD's to in the evaluation of the Proposed Agreement is explained in Confidential Appendix A.

The TOD Cost Adjustments were derived from the TOD factors shown below:

	<u>SUMMER</u> July 1 – October 31	<u>WINTER</u> November 1 – June 30
On-Peak	Weekdays 11am – 7pm 1.6411	Weekdays 1pm - 9pm 1.1916
Semi-Peak	Weekdays 6am – 11am; Weekdays 7pm - 10pm 1.0400	Weekdays 6am – 1pm; Weekdays 9pm – 10pm 1.0790
Off-Peak*	All other hours 0.8833	All other hours 0.7928
*All hours during NERC holidays are off-peak.		

**D. OTHER FACTORS CONSIDERED**

No other quantitative factor was considered.

**C. QUALITATIVE FACTORS (E.G., LOCATION, BENEFITS TO MINORITIES, ENVIRONMENTAL ISSUES, ETC.)**

As stated in the RFO, SDG&E differentiates offers of similar cost or may establish preferences for projects by reviewing, if applicable, qualitative factors including the following:

- a) Project viability
- b) Local reliability
- c) Benefits to low income or minority communities
- d) Resource diversity
- e) Environmental stewardship

This Proposed Agreement not only ranked high quantitatively but also scored high on the Project Viability Calculator.

#### **D. COMPLIANCE WITH STANDARD TERMS AND CONDITIONS**

##### **1. THE PROPOSED CONTRACT COMPLIES WITH D.08-04-009 AND D.08-08-028**

The Proposed Agreement complies with D.08-04-009, D.08-08-028 and D.10-03-021. The PPA contains standard terms and conditions as authorized by the Commission in D.04-06-014 issued on June 9, 2004 and R.06-02-012 issued on October 29, 2008. Commission decision D.04-06-014 originally adopted standard contract terms and conditions for use in the RPS and updated the requirements in D.08-04-009, D.08-08-028 and D.10-03-021. The decisions labeled some terms and conditions as being non-modifiable. All non-modifiable terms and conditions remain intact in the Proposed Agreement and are used in the appropriate context. A summary of major contract provisions is provided in Confidential Appendix D. Copies of the PPA and supporting documentation are also provided in Confidential Appendix F.

##### **2. SPECIFIC PAGE AND SECTION NUMBER WHERE THE COMMISSION'S NON-MODIFIABLE TERMS ARE LOCATED IN THE PPA.**

The locations of non-modifiable terms are indicated in the table below:

<b>Non-Modifiable Term</b>	<b>PPA Section and PPA Page Number</b>
CPUC Approval	Article One, General Definitions, Page 7
RECs and Green Attributes	Article One, General Definitions, Pages 12 and 18  Article Three Section 3.1(i) Page 27
Eligibility	Article Ten Section 10.2 Page 52
Applicable Law	Article 13 Section 13.8 Page 60
Transfer of RECs	Article 10 Section 10.2(b) Page 52
Tracking of RECs	Article 3 Section 3.1(l) Page 27

3. **REDLINE OF THE CONTRACT AGAINST SDG&E'S COMMISSION-APPROVED PRO FORMA RPS CONTRACT.**

A redline of the PPA against SDG&E's Commission-approved pro forma RPS contract is provided in Confidential Appendix E of this advice letter. Modifiable terms are highlighted in green and non-modifiable terms are highlighted in purple.

E. **UNBUNDLED RENEWABLE ENERGY CREDIT (REC) TRANSACTIONS**

The PPA is for bundled purchase of energy and RECs.

F. **MINIMUM QUANTITY**

**MINIMUM CONTRACTING REQUIREMENTS APPLICABLE TO SHORT TERM CONTRACTS WITH EXISTING FACILITIES**

1. **THE PROPOSED CONTRACT DOES NOT TRIGGER THE MINIMUM QUANTITY REQUIREMENT SET FORTH IN D.07-05-028.**

In D.07-05-028, the Commission indicated that the ability to count short term contracts (less than ten years) toward SDG&E's RPS Compliance goal will be dependent upon satisfying Commission-established requirements for minimum quantities of long-term contracts (with new or existing facilities) and/or short-term contracts with newer facilities.

This PPA does not trigger the minimum quantity requirement because it is a long term contract.

2. **THE EXTENT TO WHICH SDG&E HAS SATISFIED THE MINIMUM QUANTITY REQUIREMENT**

This PPA does not trigger the minimum quantity requirement because it is a long term contract.

G. **TIER 2 SHORT-TERM CONTRACT "FAST TRACK" PROCESS**

SDG&E is not seeking Fast Track Approval. This Proposed Agreement is a long-term contract and is therefore ineligible for the "fast track" process set forth in D.09-06-050.

1. **THE FACILITY IS NOT IN COMMERCIAL OPERATION.**

SDG&E is not seeking "fast track" treatment for this long-term contract. The facility will begin operations by December 15, 2013.

2. **CONTRACT MODIFICATIONS TO THE COMMISSION-APPROVED SHORT-TERM PRO FORMA CONTRACT.**

SDG&E is not seeking "fast track" treatment for this long-term contract. SDG&E utilized the Commission-approved long-term pro-forma. This Proposed Agreement adopted, without any changes, non-modifiable standard terms and conditions as compiled by Decision D.08-04-009 and modified in Decision D.08-08-028. Changes to modifiable language are described in Confidential Appendix A.

**H. MARKET PRICE REFERENCE (MPR)****1. CONTRACT PRICE RELATIVE TO THE MPR.**

The levelized contract price is above the MPR.

**2. TOTAL COST RELATIVE TO THE MPR.**

The levelized contract price is above the MPR. Please see confidential Appendix D for discussions regarding potential indirect costs for this contract.

**I. ABOVE MARKET FUNDS (AMFs)****1. ELIGIBILITY FOR AMFs UNDER PUBLIC UTILITIES CODE 399.15(D) AND RESOLUTION E- 4199**

This Proposed Agreement is eligible for AMFs. It was selected through a competitive solicitation, is a long-term contract, is with a project that commenced operations after January 1, 2005 and is not a RECs-only purchase.

**2. THE STATUS OF THE UTILITY'S AMFs LIMIT.**

SB 1036 establishes five explicit criteria for the award of AMFs and states that once AMFs reach a cap that is equal to the maximum SEPs that would have been allotted to SDG&E, SDG&E is no longer required to procure renewable energy at above market prices. SDG&E's Commission approved contracts have exhausted SDG&E's AMFs and, therefore, SDG&E is no longer required to procure renewable energy at above market prices<sup>4</sup>.

**3. EXPLAINING WHETHER SDG&E VOLUNTARILY CHOOSES TO PROCURE AND INCUR THE ABOVE-MPR COSTS.**

SDG&E continues to voluntarily procure RPS-eligible energy that are above the MPR and seeks Commission approval for full rate recovery, including above MPR costs. Discussions regarding SDG&E's procurement of above MPR contracts and related considerations regarding above MPR costs, if applicable, are contained in confidential Appendix D.

**J. INTERIM EMISSIONS PERFORMANCE STANDARD**

COMPLIANCE WITH D.07-01-039, WHERE THE COMMISSION ADOPTED A GREENHOUSE GAS EMISSIONS PERFORMANCE STANDARD (EPS) APPLICABLE TO CONTRACTS FOR BASELOAD GENERATION, AS DEFINED, WITH DELIVERY TERMS OF FIVE YEARS OR MORE.

**1. EXPLAIN WHETHER OR NOT THE CONTRACT IS SUBJECT TO THE EPS.**

Under SB 1368 and enforced by D.07-01-039, the requirement to comply with the EPS is triggered if there is a "long-term financial commitment" by an LSE to baseload generation. A long-term financial commitment occurs when an LSE enters into a new or renewed contract with a term of five or more years. This PPA is not subject to the EPS as it is for as-available, wind energy, not baseload deliveries.

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<sup>4</sup> On May 28<sup>th</sup>, 2009 SDG&E received a letter from the CPUC's Energy Division (Ms. Julie Fitch) stating that SDG&E's AMF balance is zero.



2. **HOW THE CONTRACT IS IN COMPLIANCE WITH D.07-01-039**

The PPA is not subject to the EPS as it is for as-available, wind energy, not baseload deliveries.

3. **HOW SPECIFIED BASELOAD ENERGY USED TO FIRM/SHAPE MEETS EPS REQUIREMENTS (ONLY FOR PPAS OF FIVE OR MORE YEARS AND WILL BE FIRMED/SHAPED WITH SPECIFIED BASELOAD GENERATION.)**

The project is an internal CAISO resource that obtains any required firming and shaping energy through PIRP. Nonetheless, the PPA is not subject to the EPS as it is for as-available, wind energy, not baseload deliveries.

4. **UNSPECIFIED POWER USED TO FIRM/SHAPE WILL BE LIMITED SO THE TOTAL PURCHASES UNDER THE CONTRACT (RENEWABLE AND NONRENEWABLE) WILL NOT EXCEED THE TOTAL EXPECTED OUTPUT FROM THE RENEWABLE ENERGY SOURCE OVER THE TERM OF THE CONTRACT. (ONLY FOR PPAS OF FIVE OR MORE YEARS.)**

The project is an internal CAISO resource that obtains any required firming and shaping energy through PIRP. Nonetheless, the PPA is not subject to the EPS as it is for as-available, wind energy, not baseload deliveries.

5. **SUBSTITUTE SYSTEM ENERGY FROM UNSPECIFIED SOURCES**

a. **A SHOWING THAT THE UNSPECIFIED ENERGY IS ONLY TO BE USED ON A SHORT-TERM BASIS**

All contract energy must be provided from the project, as verified by meter reads. Therefore, the PPA will not use substitute system energy from unspecified sources, other than as provided by PIRP.

b. **THE UNSPECIFIED ENERGY IS ONLY USED FOR OPERATIONAL OR EFFICIENCY REASONS;**

All contract energy must be provided from the project, as verified by meter reads. Therefore, this PPA will not use substitute system energy from unspecified sources other than as provided by PIRP.

c. **THE UNSPECIFIED ENERGY IS ONLY USED WHEN THE RENEWABLE ENERGY SOURCE IS UNAVAILABLE DUE TO A FORCED OUTAGE, SCHEDULED MAINTENANCE, OR OTHER TEMPORARY UNAVAILABILITY FOR OPERATIONAL OR EFFICIENCY REASONS**

All contract energy must be provided from the project, as verified by meter reads. Therefore, this PPA will not use substitute system energy from unspecified sources other than as provided by PIRP.

d. **THE UNSPECIFIED ENERGY IS ONLY USED TO MEET OPERATING CONDITIONS REQUIRED UNDER THE CONTRACT, SUCH AS PROVISIONS FOR NUMBER OF START-UPS, RAMP RATES, MINIMUM NUMBER OF OPERATING HOURS.**

All contract energy must be provided from the project, as verified by meter reads. Therefore, this PPA will not use substitute system energy from unspecified sources other than as provided by PIRP.

**K. PROCUREMENT REVIEW GROUP (PRG) PARTICIPATION****1. PRG PARTICIPANTS (BY ORGANIZATION/COMPANY).**

SDG&E's PRG is comprised of over fifty representatives from the following organizations:

- a. California Department of Water Resources
- b. California Public Utilities Commission – Energy Division
- c. California Public Utilities Commission – Division of Ratepayers Advocate
- d. The Utility Reform Network
- e. Union of Concerned Scientists
- f. Coalition of California Utility Employees

**2. WHEN THE PRG WAS PROVIDED INFORMATION ON THE CONTRACT**

SDG&E provided the PRG information about this project and other projects submitted to the 2009 RFO on 09/25/2009, 10/23/2009 and 11/23/2009. Data provided included a list of all bids submitted and pricing, project size, annual delivery estimates, technology, online date and LCBF results for each offer. In addition, SDG&E presented to the PRG specific terms and conditions associated with this Proposed Agreement on August 20, 2010 and January 21, 2011. No PRG member voiced opposition to the shortlisting of the project nor the terms and conditions of the PPA.

**3. SDG&E CONSULTED WITH THE PRG REGARDING THIS CONTRACT**

For this project and all other projects SDG&E considers, the PRG is briefed and consulted on major aspects of an agreement including, shortlisting rationale, RPS contribution, portfolio fit and contract terms and conditions.

**4. WHY THE PRG COULD NOT BE INFORMED (FOR SHORT-TERM CONTRACTS ONLY)**

As described above, SDG&E was able to inform the PRG of this proposed long term agreement.

**L. INDEPENDENT EVALUATOR (IE)**

THE USE OF AN IE IS REQUIRED BY D.04-12-048, D.06-05-039, 07-12-052, AND D.09-06-050

**1. NAME OF IE: PA Consulting Group****2. OVERSIGHT PROVIDED BY THE IE:**

PA Consulting Group has been heavily involved in all aspects of SDG&E's 2009 RPS RFO process including, but not limited to: reviewing RFO document development and creation of evaluation criteria, reviewing and monitoring of all received bids, involvement in bid evaluation for conformance and ranking, conducting the LCBF analysis, monitoring of all communications and negotiations with affiliated parties. Besides being involved in the process, the IE independently presented to the PRG on the progress/evaluation of RFOs and expressed its opinions on the shortlist and negotiations.

SDG&E closely worked with its IE during the evaluation of the PPA. In fact PA Consulting performed the LCBF analysis for all offers. SDG&E and PA Consulting conferred on all major decisions during evaluation and shortlisting. The IE has reviewed

the major contract terms for this Proposed Agreement and recommends that the Commission approve it. The IE report is attached as Appendix C.

**3. IE MADE ANY FINDINGS TO THE PROCUREMENT REVIEW GROUP**

The IE presented findings to the PRG that included a concurrence with the projects on SDG&E 2009 shortlist, of which the proposed project was a part. Attached to the Confidential Appendices is an IE report which concludes that the Proposed PPA merits approval.

**4. PUBLIC VERSION OF THE PROJECT-SPECIFIC IE REPORT**

Please see Appendix H.

### **III. PROJECT DEVELOPMENT STATUS**

#### **A. COMPANY / DEVELOPMENT TEAM**

**1. RELEVANT EXPERIENCE OF PROJECT DEVELOPMENT TEAM AND/OR COMPANY PRINCIPALS**

Ocotillo Express is a wholly-owned subsidiary of Pattern Energy Group, LP. Pattern Energy Group is an independent, fully integrated energy company that develops, constructs, owns, and operates power projects and transmission assets across North America and parts of Latin America. Pattern Energy was formed in June 2009, when Riverstone Holdings LLC, an energy and power-focused private equity firm with \$17 billion under management, purchased Babcock & Brown's thriving North American energy development team and development pipeline. Riverstone Holdings LLC is committing a significant amount of capital to expand and support Pattern Energy's business, which will be an important growth platform for Riverstone in North America.

Pattern Energy retains an 80-person staff with offices in San Francisco, San Diego, Houston and New York, which successfully developed, financed and placed into operation more than 2,000 MW of power generation projects in eleven states while working with Babcock & Brown. Pattern Energy's development pipeline exceeds 4,500 MW of power projects in eleven states and four countries, in addition to several power transmission projects.

**2. SUCCESSFUL PROJECTS (RENEWABLE AND CONVENTIONAL)**

The Pattern Energy team completed development and placed into commercial operation over 21 wind projects throughout the U.S. since the inception of the RPS Program. These projects include the 50MW Kumeyaay Wind Project in San Diego County, CA, which was the first wind project developed on Native American lands. The Pattern team also developed the 38MW Buena Vista Project in Contra Costa County, CA, the first successful complete repowering of an existing wind project in the Altamont Pass area, replacing old-style turbine technology with modern turbines with much less potential for avian mortality. Significantly, the team completed in 2006 the 300MW Cedar Creek Project in Colorado, which is the same size project proposed for Ocotillo Wind. Most recently, in 2010, the team completed the 101.2MW Hatchet Ridge wind project in Shasta County, California - selling the output to Pacific Gas & Electric.

**B. TECHNOLOGY****1. TECHNOLOGY TYPE AND LEVEL OF TECHNOLOGY MATURITY****a. THE TYPE AND STAGE OF THE PROJECT'S PROPOSED TECHNOLOGY**

The project will utilize commercially proven wind turbines to generate electricity. Please see confidential Appendix A for information regarding turbines and balance of plant equipment.

**b. COMMERCIAL DEMONSTRATION**

Wind generation is a proven technology and currently operates worldwide. Please see confidential Appendix A for information regarding reliability of the project's planned turbines.

**c. THE CONFIGURATION AND POTENTIAL ISSUES AND/OR BENEFITS CREATED BY THE HYBRID TECHNOLOGY.**

This project does not utilize a hybrid technology.

**2. QUALITY OF RENEWABLE RESOURCE****a. THE QUALITY OF THE RENEWABLE RESOURCE THAT THE PROJECT WILL RELY UPON.**

Generation projections and delivery guarantees for the Proposed Agreement are based on long-term historical weather data for Ocotillo, California. In addition, the developer deployed 5 on-site meteorological towers, collecting 12 months worth of actual on-site weather data to refine results from the weather modeling.

**b. FUEL RESOURCE ANALYSIS AND THE DEVELOPER'S FUEL SUPPLY PLAN (FOR BIOMASS PROJECTS ONLY)****i. FROM WHOM/WHERE IS THE FUEL BEING SECURED; AND**

This proposed contract will not depend on biomass fuel.

**ii. WHERE THE FUEL IS BEING STORED**

This proposed contract will not depend on biomass fuel.

**c. CONFIDENCE THAT THE PROJECT WILL BE ABLE TO MEET THE TERMS OF THE CONTRACT GIVEN SDG&E'S INDEPENDENT UNDERSTANDING OF THE QUALITY OF THE RENEWABLE RESOURCE.**

SDG&E is confident the project will meet the terms of the Proposed Agreement. The results seen by the developer is consistent with wind resource maps from AWS Truewind and verified by the National Renewable Energy Laboratory. In addition, Ocotillo is a seasoned owner and operator of wind resources, experienced in prospecting for projects that (1) are attractive to potential investors and lenders and (2) can provide adequate returns to fulfill the conditions of power purchase agreements.

**3. OTHER RESOURCES REQUIRED****a. OTHER FUEL SUPPLY (OTHER THAN THE RENEWABLE FUEL SUPPLY DISCUSSED ABOVE) NECESSARY TO THE PROJECT AND THE ANTICIPATED SOURCE OF THAT SUPPLY;**

This proposed contract will not depend on any fuel supply other than wind discussed above.

**b. EXPLAIN WHETHER THE DEVELOPER HAS SECURED THE NECESSARY RIGHTS FOR WATER, FUEL(S), AND ANY OTHER REQUIRED INPUTS TO RUN THE PROJECT.**

Water needs will be minimal for the project. Ocotillo does not anticipate problems securing waters rights for the construction and operational stages of the project, and has already identified multiple potential sources.

**c. ESTIMATED ANNUAL WATER CONSUMPTION OF THE FACILITY (GALLONS OF WATER/YEAR)**

This project, comprising of approximately 137 wind turbines, will consume approximately 365,000 gallons of water annually during the operations phase.

**d. CONFIDENCE THAT THE PROJECT WILL BE ABLE TO MEET THE TERMS OF THE CONTRACT GIVEN SDG&E'S INDEPENDENT UNDERSTANDING OF THE ADEQUACY OF THE ADDITIONAL FUEL OR ANY OTHER NECESSARY RESOURCE SUPPLY.**

As mentioned above, TrueWind, the NREL and Ocotillo's own met tower data confirms the project is located in an area where the wind resource can support the terms of the contract. In addition, the developer's experience provides SDG&E with additional cause for confidence.

**C. DEVELOPMENT MILESTONES****1. SITE CONTROL STATUS****a. SITE CONTROL TYPE (E.G. OWNERSHIP, LEASE, BLM, ETC.)**

Ocotillo Express applied, and was the first to apply, to the BLM for Right-of-Way grants on approximate 15,000 acres where the project will be sited. The BLM published a Notice of Intent to conduct an Environmental Impact Study for the project and is in that process now.

**i. DURATION OF SITE CONTROL AND ANY EXERCISABLE EXTENSION OPTIONS (LEASE ONLY)**

If granted a Right-of-Way from the BLM, it would cover the duration of the twenty year term of the PPA, and an additional ten years beyond that term.

**ii. LEVEL OR PERCENT OF SITE CONTROL ATTAINED – IF LESS THAN 100%, DISCUSS SELLER'S PLAN FOR OBTAINING FULL SITE CONTROL**

As stated above, Ocotillo Express is the first to apply for a Right-of-Way to the land required for the project. To Ocotillo Express's knowledge, no other party

sought the same land parcels for any other reason. BLM is currently processing the application and issued on December 13, 2010 a Notice of Intent to Prepare a Land Use Plan Amendment and an Environmental Impact Statement for the project. The first public meetings on the project were held on January 5, 2011 in El Centro and January 6, 2011 in Ocotillo.

## **2. EQUIPMENT PROCUREMENT STATUS**

### **a. STATUS OF THE PROCUREMENT OF MAJOR EQUIPMENT (E.G. EQUIPMENT IN-HAND, CONTRACTS EXECUTED AND EQUIPMENT IN DELIVERY, NEGOTIATING CONTRACTS WITH SUPPLIER(S), ETC.).**

Please see Confidential Appendix A of this Advice Letter for discussions regarding status of major equipment procurement.

### **b. THE DEVELOPER'S HISTORY OF ABILITY TO PROCURE EQUIPMENT.**

Ocotillo Express' ability to procure equipment is solid, as evidenced by the portfolio of successful projects built by the development team. Most recently, Ocotillo Express energized the Hatchet Ridge project.

### **c. IDENTIFIED EQUIPMENT PROCUREMENT ISSUES, SUCH AS LEAD TIME, AND THEIR EFFECT ON THE PROJECT'S DATE OF OPERABILITY.**

Ocotillo Express is aware of current lead times for major project components and anticipates no equipment procurement issues that could impact the Project's planned COD.

## **3. PERMITTING / CERTIFICATIONS STATUS**

### **a. STATUS OF THE PROJECT'S RPS-ELIGIBILITY CERTIFICATION FROM THE CEC. EXPLAIN IF THERE IS ANY UNCERTAINTY REGARDING THE PROJECT'S ELIGIBILITY.**

Ocotillo Express expects to submit its application to the California Energy Commission for RPS certification shortly. Since wind energy is a commercially proven technology, there is no uncertainty regarding the project's eligibility.

### **b. DESCRIBE THE STATUS OF ALL MAJOR PERMITS OR AUTHORIZATIONS NECESSARY FOR DEVELOPMENT AND OPERATION OF THE PROJECT.**

All permits necessary to construct and operate the project for the duration of the 20-year term are expected to be completed by the date required to support the milestones stipulated in the PPA.

## **4. PRODUCTION TAX CREDIT (PTC) / INVESTMENT TAX CREDIT (ITC) – IF APPLICABLE**

### **a. THE PROJECT'S POTENTIAL ELIGIBILITY FOR TAX CREDITS BASED ON THE TECHNOLOGY OF THE PROJECT AND CONTRACT OPERATION DATE.**

Please see the discussions surrounding PTC and ITC eligibility in Confidential Appendix A.

**b. WHETHER THE DEVELOPER INTENDS TO SEEK PTCs/ITCs, ANY PLANS FOR OBTAINING THE PTCs/ITCs, AND ANY CRITERIA THAT MUST BE MET.**

Please see the discussions surrounding Ocotillo Express' intention regarding PTC and ITC in Confidential Appendix A.

**c. PARTY (SDG&E OR DEVELOPER) BEARING THE RISK IF THE ANTICIPATED TAX CREDITS ARE NOT OBTAINED.**

Please see the discussions surrounding PTC risk in Confidential Appendix A.

**5. TRANSMISSION**

**a. STATUS OF THE PROJECT'S INTERCONNECTION APPLICATION, WHETHER THE PROJECT IS IN THE CAISO OR ANY OTHER INTERCONNECTION QUEUE, AND WHICH TRANSMISSION STUDIES ARE COMPLETE AND/OR IN PROGRESS.**

Please see Confidential Appendix A for discussions surrounding the status of the project's interconnection application.

**b. STATUS OF THE INTERCONNECTION AGREEMENT WITH THE INTERCONNECTING UTILITY (E.G., DRAFT ISSUED, EXECUTED AND AT FERC, FULLY APPROVED).**

Please see Confidential Appendix A for discussions surrounding the status of the project's interconnection agreement.

**c. REQUIRED NETWORK AND GEN-TIE UPGRADES AND THE CAPACITY TO BE AVAILABLE TO THE PROJECT UPON COMPLETION, INCLUDING PROPOSED CURTAILMENT SCHEMES.**

Please see Confidential Appendix A for discussions surrounding the required network and gen-tied upgrades.

**d. REQUIRED SUBSTATION UPGRADES OR CONSTRUCTION.**

Please see Confidential Appendix A for discussions surrounding the required substation upgrades or construction.

**e. TIMING AND PROCESS FOR ALL TRANSMISSION-RELATED UPGRADES, INCLUDING CRITICAL PATH ITEMS AND POTENTIAL CONTINGENCIES IN THE EVENT OF DELAYS.**

Please see Confidential Appendix A for discussions surrounding the timing and process for all transmission-related upgrades.

**f. ISSUES RELATING TO OTHER GENERATING FACILITY PROJECTS IN THE TRANSMISSION QUEUE AS THEY MAY AFFECT THE PROJECT.**

Please see Confidential Appendix A for discussions relating to other generating facilities and how they may or may not affect the project.

**g. DEPENDENCY ON TRANSMISSION THAT IS LIKELY TO BE CONGESTED AT TIMES, LEADING TO A PRODUCT THAT IS LESS THAN 100% DELIVERABLE FOR AT LEAST SEVERAL YEARS AND HOW SDG&E FACTORED THE CONGESTION INTO THE LCBF BID ANALYSIS.**

Please see Confidential Appendix A for discussions surrounding transmission congestion and the potential impact to this project.

**h. ALTERNATIVE TRANSMISSION ARRANGEMENTS AVAILABLE AND/OR CONSIDERED TO FACILITATE DELIVERY OF THE PROJECT'S OUTPUT.**

There are no alternative transmission arrangements.

**D. FINANCING PLAN**

**1. DEVELOPER'S MANNER OF FINANCING (E.G. PROJECT FINANCING, BALANCE SHEET FINANCING, UTILITY TAX EQUITY INVESTMENT, ETC.)**

Please see Confidential Appendix A for discussions surrounding the developer's manner of financing.

**2. DEVELOPER'S GENERAL PROJECT FINANCING STATUS.**

Please see Confidential Appendix A for discussions regarding the status of project financing.

**3. THE EXTENT (%) THE DEVELOPER RECEIVED FIRM COMMITMENTS FROM FINANCIERS (BOTH DEBT AND EQUITY), AND HOW MUCH FINANCING IS EXPECTED TO BE NEEDED TO BRING THE PROJECT ONLINE.**

Please see Confidential Appendix A for discussions regarding firm commitments from potential financiers.

**4. GOVERNMENT FUNDING OR AWARDS RECEIVED BY THE PROJECT.**

Please see Confidential Appendix A for discussions regarding government funding for this project.

**5. CREDITWORTHINESS OF ALL RELEVANT FINANCIERS.**

Please see Confidential Appendix A for discussions regarding creditworthiness of potential financiers.

**6. DEVELOPER'S HISTORY OF ABILITY TO PROCURE FINANCING.**

Please see Confidential Appendix A for discussions regarding Ocotillo Express' ability to obtain financing.

**7. PLANS FOR OBTAINING SUBSIDIES, GRANTS, OR ANY OTHER THIRD PARTY MONETARY AWARDS (OTHER THAN PRODUCTION TAX CREDITS AND INVESTMENT TAX CREDITS) AND HOW THE LACK OF ANY OF THIS FUNDING WILL AFFECT THE PROJECT.**

Please see Confidential Appendix A for discussions regarding the developer's plan to obtain subsidies, grants or other awards.

**IV. CONTINGENCIES AND/OR MILESTONES**

**A. MAJOR PERFORMANCE CRITERIA AND GUARANTEED MILESTONES.**



The Project will deliver an estimated 891GWH per year and will begin deliveries by December 15, 2013.

**B. OTHER CONTINGENCIES AND MILESTONES**

**(I.E. 500 KV LINE, INTERCONNECTION COSTS, GENERATOR FINANCING, PERMITTING)**

Please see the Confidential Appendix A for contingencies and milestones.

**V. PROCEDURAL MATTERS**

**A. REQUESTED RELIEF**

SDG&E respectfully requests that the Commission review and approve the Proposed Agreement through the issuance of a resolution no later than 08/18/2011.

As detailed in this Advice Letter, the proposed agreement is consistent with SDG&E's CPUC-approved RPS Plan and procurement from the proposed agreement will contribute towards SDG&E's APT starting in 2013. SDG&E's entry into the Proposed Agreement and the terms of such agreement are reasonable; therefore, all costs associated with the Proposed Agreement, including energy, green attributes, resource adequacy, and load uplift should be fully recoverable in rates.

The Proposed Agreement is conditioned upon "CPUC Approval." SDG&E, therefore, requests the following Commission findings in its approval of the PPA:

1. The Proposed Agreement is consistent with SDG&E's CPUC-approved RPS Plan and procurement from the Proposed Agreement will contribute towards SDG&E's RPS procurement obligation.
2. SDG&E's entry into the Proposed Agreement and the terms of such agreement are reasonable; therefore, the Proposed Agreement is approved in its entirety and all costs of the purchase associated with the Proposed Agreement, including for energy, green attributes, resource adequacy, and load uplift are fully recoverable in rates over the life of the Proposed Agreement, subject to Commission review of SDG&E's administration of the Proposed Agreement.
3. 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 Renewable Portfolio Standard program (Public Utilities Code §§ 399.11, *et seq.* and/or other applicable law) and relevant Commission decisions.
4. The Proposed Agreement will contribute to SDG&E's minimum quantity requirement established in D.07-05-028.

**B. PROTEST**

Anyone may protest this advice letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received by March 24, 2011, 20 days of the date this advice letter was filed with the

Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies should also be sent via e-mail to the attention of Honesto Gatchallian (jnj@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest be sent via electronic mail and facsimile to SDG&E on the same date it is mailed or delivered to the Commission (at the addresses shown below).

Attn: Megan Caulson  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. 858-654-1788  
E-Mail: MCaulson@semprautilities.com

**C. EFFECTIVE DATE**

SDG&E believes that this Advice Letter is subject to Energy Division disposition and should be classified as Tier 3 (effective after Commission approval) pursuant to GO 96-B. SDG&E respectfully requests that the Commission issue a resolution approving this advice letter on or before its scheduled meeting on August 18, 2011.

**D. NOTICE**

In accordance with Section III.G of General Order No. 96-B, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.08-08-009, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1788 or by e-mail to SDG&ETariffs@semprautilities.com.

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CLAY FABER  
Director – Regulatory Affairs

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

☒ ELC

☐ GAS

☐ PLC

☐ HEAT

☐ WATER

Contact Person: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2234-E

Subject of AL: Request for Approval of Renewable Power Purchase with Ocotillo Express, LLC.

Keywords (choose from CPUC listing): Procurement, Power Purchase Agreement

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☐ One-Time ☒ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: None

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: None

Resolution Required? ☒ Yes ☐ No

Tier Designation: ☐ 1 ☐ 2 ☒ 3

Requested effective date: 8/18/2011

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: \_\_\_\_\_

Service affected and changes proposed<sup>1</sup>: None

Pending advice letters that revise the same tariff sheets: None

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Megan Caulson**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**mcaulson@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

General Order No. 96-B  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling  
S. Cauchois  
J. Greig  
R. Pocta  
W. Scott

Energy Division

P. Clanon  
S. Gallagher  
H. Gatchalian  
D. Lafrenz  
M. Salinas

CA. Energy Commission

F. DeLeon  
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell  
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham  
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes  
G. Lonergan  
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill  
J. Pau

Dept. of General Services

H. Nanjo  
M. Clark

Douglass & Liddell

D. Douglass  
D. Liddell  
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell  
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg  
J. Heather Patrick  
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard  
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark  
M. Huffman  
S. Lawrie  
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman  
J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander  
K. Cini  
K. Gansecki  
H. Romero

TransCanada

R. Hunter  
D. White

TURN

M. Florio  
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi  
N. Furuta  
L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.08-08-009

San Diego Gas & Electric Advice Letter 2234-E  
March 4, 2011

## ATTACHMENT A

### DECLARATION OF THEODORE E. ROBERTS REGARDING CONFIDENTIALITY OF CERTAIN DATA

**BEFORE THE PUBLIC UTILITIES  
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF THEODORE E. ROBERTS REGARDING  
CONFIDENTIALITY OF CERTAIN DATA**

I, Theodore E. Roberts, do declare as follows:

1. I am an Energy Contractor Originator for San Diego Gas & Electric Company ("SDG&E"). I have reviewed Advice Letter 2234-E, requesting approval of the Power Purchase Agreement (PPA) with Ocotillo Express, LLC (with attached confidential and public appendices), dated March 4, 2011 ("Advice Letter"). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or belief.
2. I hereby provide this Declaration in accordance with D.06-06-066, as modified by D.07-05-032, and D.08-04-023, to demonstrate that the confidential information ("Protected Information") provided in the Advice Letter submitted concurrently herewith, falls within the scope of data protected pursuant to the IOU Matrix attached to D.06-06-066 (the "IOU Matrix").<sup>1/</sup> In addition, the Commission has made

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<sup>1/</sup> The Matrix is derived from the statutory protections extended to non-public market sensitive and trade secret information. (See D.06-06-066, *mimeo*, note 1, Ordering Paragraph 1). The Commission is obligated to act in a manner consistent with applicable law. The analysis of protection afforded under the Matrix must always produce a result that is consistent with the relevant underlying statutes; if information is eligible for statutory protection, it must be protected under the Matrix. (See *Southern California Edison Co. v. Public Utilities Comm.* 2000 Cal. App. LEXIS 995, \*38-39) Thus, by claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

clear that information must be protected where “it matches a Matrix category exactly . . . or consists of information from which that information may be easily derived.”<sup>2/</sup>

3. I address below each of the following five features of Ordering Paragraph 2 in D.06-06-066:

- That the material constitutes a particular type of data listed in the Matrix,
- The category or categories in the Matrix to which the data corresponds,
- That it is complying with the limitations on confidentiality specified in the Matrix for that type of data,
- That the information is not already public, and
- That the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.<sup>3/</sup>

4. SDG&E’s Protected Information: As directed by the Commission, SDG&E demonstrates in table form below that the instant confidentiality request satisfies the requirements of D.06-06-066.<sup>4/</sup>

<b>Data at issue</b>	<b>D.06-06-066 Matrix Requirements</b>	<b>How moving party meets requirements</b>
<b><i>Bid Information</i><sup>5</sup></b>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The data provided is non-public bid data from SDG&E’s Renewable RFOs.
<b><i>Locations:</i></b> <b><i>1. Confidential Appendix A</i></b> ▪ <i>Consistency with Commission Decisions and Rules section,</i>	Identify the Matrix	This information is

<sup>2/</sup> See, *Administrative Law Judge’s Ruling on San Diego Gas & Electric Company’s April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027, p. 2 (emphasis added).

<sup>3/</sup> D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

<sup>4/</sup> See, *Administrative Law Judge’s Ruling on San Diego Gas & Electric Company’s Motions to File Data Under Seal*, issued April 30 in R.06-05-027, p. 7, Ordering Paragraph 3 (“In all future filings, SDG&E shall include with any request for confidentiality a table that lists the five D.06-06-066 Matrix requirements, and explains how each item of data meets the matrix”).

<sup>5</sup> The confidential information referenced has a **GREEN** font color / has a green box around it in the confidential appendices.

<p><i>paragraph C.2 (Portfolio Fit) – project ranking with other bids in 2009 RPS RFO and Application of TODs on p.2;</i></p> <ul style="list-style-type: none"> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.2 (Portfolio Fit) – Qualitative Factors p.3, 4 and 5</i></li> <li>▪ <i>Analysis of whether the deal is for Unbundled RECs, paragraph E, p. 25;</i></li> <li>▪ <i>Project Development Status section, paragraph G.2. – RPS Workpaper Graphs – “Viability of 2009 Bids by Technology” and “Viability of 2009 Shortlisted vs Rejected Bids” on pp.26-36;</i></li> <li>▪ <i>Project Development Status section, paragraph G.2. – Project Viability Calculator (PVC) scoring and associated narrative on p. 32-36;</i></li> <li>▪ <i>Project’s PVC results, paragraph G.3. – Project Viability Calculator (PVC) scoring, narrative and comparison on pp. 32-36.</i></li> </ul> <p><b>2. Confidential Appendix B – embedded 2009 Solicitation Overview Report on p. 37.</b></p> <p><b>3. Confidential Appendix C – embedded project specific IE Report on p. 38</b></p> <p><b>4. Project Site information, p. 40.</b></p> <p><b>5. Confidential Appendix D</b></p> <ul style="list-style-type: none"> <li>▪ <i>Contract Price Section, paragraph 12, Graphs from RPS Workpapers – “RPS Solicitation BSC - 2009 – All Bids vs Current Shortlist”; “2009 RFO Mean and Median Bid Prices by Technology” on p.70-71.</i></li> </ul>	category or categories to which the data corresponds	protected under IOU Matrix category VIII.A.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential until the final contracts from each of the RFOs have been submitted to the CPUC for approval.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	SDG&E cannot summarize or aggregate the bid data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.



<p><b><i>Specific Quantitative Analysis<sup>6</sup></i></b></p> <p><b><i>Location:</i></b></p> <p><b><i>1. Confidential Appendix A</i></b></p> <ul style="list-style-type: none"> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.1 (Project Bid Scores) – computed factors for Project in 2009 LCBF evaluation on p.3;</i></li> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.2 (Portfolio Fit) - computed factors for Project in 2009 LCBF evaluation and embedded SDG&amp;E's LCBF Ranking for the 2009 RPS RFO on p.3-4;</i></li> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph C.3 (LCBF Adders and Impact on Ranking) - computed factors for Project in 2009 LCBF evaluation on p. 4-6;</i></li> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph H – MPR on p.43;</i></li> <li>▪ <i>Consistency with Commission Decisions and Rules section, paragraph I – AMFs on p.43;</i></li> <li>▪ <i>Project Development Status section, paragraph G.3. – RPS Workpaper Graphs – “Viability of 2009 Bids by Technology”; “Viability of 2009 Shortlisted vs Rejected Bids” on p.53-54;</i></li> </ul> <p><b><i>2. Confidential Appendix B – embedded 2009 Solicitation Overview Report on p.56.</i></b></p>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	This data is SDG&E's specific quantitative analysis involved in scoring and evaluating renewable bids. Some of the data also involves analysis/evaluation of proposed RPS projects.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix categories VII.G and/or VIII.B.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential for three years.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	SDG&E cannot summarize or aggregate the evaluation data while still providing project-specific details. SDG&E cannot provide redacted or masked versions of these data points while maintaining the format requested by the CPUC.
<b><i>Contract Terms<sup>7</sup></i></b>	Demonstrate that the material submitted	This data includes specific contract terms.

<sup>6</sup> The confidential information referenced has a **BLUE** font color / has a blue box around it in the confidential appendices

<sup>7</sup> The confidential information referenced has a **RED** font color / has a red box around it in the confidential appendices

<p><b>Locations:</b></p> <p><b>1. Confidential Appendix A</b></p> <ul style="list-style-type: none"> <li>Consistency with Commission Decisions and Rules section paragraph D – Standard Terms and Conditions, Nonmodifiable and Modifiable Contract Terms Summary Table (Modifiable Terms) and Modifiable Terms Red-line table on p.6-24;</li> <li>Consistency with Commission Decisions and Rules section Paragraph I – MPR (narrative) on p. 25</li> <li>Paragraph D – PTC/ITC on pp. 27-28</li> <li>Paragraph C.1. – Delivery Point and Scheduling Coordinator, p. 42</li> </ul> <p><b>2. Confidential Appendix D, Contract Summary</b> Paragraph D.2. - Major Contract Provisions, pp. 42-54</p> <p><b>3. Confidential Appendix E</b></p> <ul style="list-style-type: none"> <li>Embedded files containing comparison of Proposed Power Purchase Agreement with SDG&amp;E's Pro Forma PPA on p.60.</li> </ul> <p><b>4. Confidential Appendix F</b></p> <ul style="list-style-type: none"> <li>Embedded files –Executed Version of Proposed Power Purchase Agreement on p.61.</li> </ul>	constitutes a particular type of data listed in the IOU Matrix	
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category VII.G.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that this information be kept confidential for three years.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	In order to include as much detail as possible, SDG&E has provided specific contract terms instead of summaries. SDG&E has provided summaries of certain contract terms in public portions of the Advice Letter.
<p><b>Analysis and Evaluation of Proposed RPS Projects<sup>8</sup></b></p> <p><b>Locations:</b></p> <p><b>1. Confidential Appendix G –</b></p>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The Commission has concluded that Actual Procurement Percentage data must be protected in order to avoid disclosing

<sup>8</sup> The confidential information referenced has a VIOLET font color / has a violet box around it in the confidential appendices

<b>Projects's Contribution to RPS Goals</b> ■ Chart and narrative, p. 63.		SDG&E's Bundled Retail Sales data. <sup>9/</sup>
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category V.C.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the "front three years" of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	It is not possible to provide this data point in an aggregated, redacted, summarized or masked fashion.
<b><i>IPT/APT Percentage<sup>10</sup></i></b>  <b><i>Locations:</i></b>  1. <b><i>Confidential Appendix D - Consistency with Commission Decisions and Rules section, paragraph B, the project's contribution numbers to the SDG&amp;E's RPS obligations on p.41.</i></b>	Demonstrate that the material submitted constitutes a particular type of data listed in the IOU Matrix	The Commission has concluded that since APT Percentage is a formula linked to Bundled Retail Sales Forecasts, disclosure of APT would allow interest parties to easily calculate SDG&E's Total Energy Forecast – Bundled Customer (MWH). <sup>11/</sup> The same

<sup>9/</sup> *Id.*

<sup>10</sup> The confidential information referenced has a AQUA font color / has a aqua box around it in the confidential appendices

<sup>11/</sup> See, *Administrative Law Judge's Ruling on San Diego Gas & Electric Company's April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027; *Administrative Law Judge's Ruling Granting San Diego Gas & Electric Company's May 21, 2007 Amendment to April 3, 2007 Motion and May 22, 2007 Amendment to August 1, 2006 Motion*, issued June 28, 2007 in R.06-05-027.

2. <i>Confidential Appendix G - table on p. 63.</i>		concern exists with regard to IPT percentage.
	Identify the Matrix category or categories to which the data corresponds	This information is protected under IOU Matrix category V.C.
	Affirm that the IOU is complying with the limitations on confidentiality specified in the Matrix for that type of data	In accordance with the limitations on confidentiality set forth in the IOU Matrix, SDG&E requests that the “front three years” of this information be kept confidential.
	Affirm that the information is not already public	SDG&E has not publicly disclosed this information and is not aware that it has been disclosed by any other party.
	Affirm that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.	It is not possible to provide these data points in an aggregated, redacted, summarized or masked fashion.

5. As an alternative basis for requesting confidential treatment, SDG&E submits that the Power Purchase Agreement enclosed in the Advice Letter is material, market sensitive, electric procurement-related information protected under §§ 454.5(g) and 583, as well as trade secret information protected under Govt. Code § 6254(k). Disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.<sup>III</sup>

<sup>III</sup> This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See, Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead

6. Public Utilities Code § 454.5(g) provides:

The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.

7. General Order 66-C protects "[r]eports, records and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage."

8. Under the Public Records Act, Govt. Code § 6254(k), records subject to the privileges established in the Evidence Code are not required to be disclosed.<sup>12/</sup> Evidence Code § 1060 provides a privilege for trade secrets, which Civil Code § 3426.1 defines, in pertinent part, as information that derives independent economic value from not being generally known to the public or to other persons who could obtain value from its disclosure.

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inconsistent, mutually exclusive remedies, such as breach of contract and specific performance, in the same complaint); *Tanforan v. Tanforan*, 173 Cal. 270, 274 (1916) ("Since . . . inconsistent causes of action may be pleaded, it is not proper for the judge to force upon the plaintiff an election between those causes which he has a right to plead.")

<sup>12/</sup> See also Govt. Code § 6254.7(d).

9. Public Utilities Code § 583 establishes a right to confidential treatment of information otherwise protected by law.<sup>13/</sup>

10. If disclosed, the Protected Information could provide parties, with whom SDG&E is currently negotiating, insight into SDG&E's procurement needs, which would unfairly undermine SDG&E's negotiation position and could ultimately result in increased cost to ratepayers. In addition, if developers mistakenly perceive that SDG&E is not committed to assisting their projects, disclosure of the Protected Information could act as a disincentive to developers. Accordingly, pursuant to P.U. Code § 583, SDG&E seeks confidential treatment of this data, which falls within the scope of P.U. Code § 454.5(g), Evidence Code § 1060 and General Order 66-C.

11. Developers' Protected Information: The Protected Information also constitutes confidential trade secret information of the developer listed therein. SDG&E is required pursuant to the terms of its original Power Purchase Agreement as amended to protect non-public information. Some of the Protected Information in the original Power Purchase and Sale Agreement as amended and my supporting declaration (including confidential appendices), relates directly to viability of the respective projects. Disclosure of this extremely sensitive information could harm the developers' ability to negotiate necessary contracts and/or could invite interference with project development by competitors.

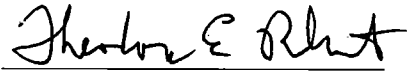
12. In accordance with its obligations under its Power Purchase and sale Agreement and pursuant to the relevant statutory provisions described herein, SDG&E hereby requests that the Protected Information be protected from public disclosure.

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<sup>13/</sup> See, D.06-06-066, *mimeo*, pp. 26-28.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 4<sup>th</sup> day of March, 2011 at San Diego, California.

A handwritten signature in black ink, appearing to read "Theodore E. Roberts", written over a horizontal line.

Theodore E. Roberts  
Energy Contract Originator  
Electric and Fuel Procurement  
San Diego Gas & Electric

San Diego Gas & Electric Advice Letter 2234-E

March 4, 2011

## ATTACHMENT B

REQUEST FOR APPROVAL OF RENEWABLE POWER  
PURCHASE WITH OCOTILLO EXPRESS, LLC.

### PUBLIC VERSION

(Distributed to Service List R.08-08-009)



## PART 2 – CONFIDENTIAL APPENDICES OF ADVICE LETTER

PROTECTED INFORMATION WITHIN PART 2 OF THIS ADVICE LETTER IS IDENTIFIED WITH COLOR FONTS AND CATEGORIZED IN ACCORDANCE WITH THE CONFIDENTIALITY CODE SHOWN BELOW:

### CONFIDENTIALITY KEY

**VIOLET FONT = ANALYSIS AND EVALUATION OF PROPOSED RPS PROJECTS (VII.G)**

**RED FONT = CONTRACT TERMS & CONDITIONS (VII.G)**

**GREEN FONT = BID INFORMATION (VIII.A)**

**BLUE FONT = SPECIFIC QUANTITATIVE ANALYSIS (VIII.B)**

**BROWN FONT = NET SHORT POSITION (V.C)**

**AQUA FONT = IPT/APT (V.C)**

**BURGUNDY FONT = ACTUAL PROCUREMENT PERCENTAGE (V.C)**

## **Confidential Appendix A**

### **Consistency with Commission Decisions and Rules and Project Development Status**

This Confidential Appendix A

1. Provides, where appropriate, confidential information necessary to fully answer any items in Part 1 of the advice letter.
2. Provide answers to the additional items included in this Appendix A. To the extent such information is not confidential, it is included in the public version of the Advice Letter.

## CONSISTENCY WITH COMMISSION DECISIONS AND RULES

### A. RPS Procurement Plan

Part 1 of the Advice Letter provides a full and complete discussion of how this Proposed Agreement is consistent with SDG&E's 2009 RPS Plan.

### B. BILATERALS

This Proposed Agreement is not a result of bilateral negotiations. Ocotillo Express submitted this project into and was shortlisted as part of SDG&E's 2009 RPS solicitation.

### C. LEAST-COST BEST-FIT - IF APPLICABLE

#### 1. THE PROJECT'S BID SCORES UNDER SDG&E'S APPROVED LCBF EVALUATION CRITERIA.

LCBF Criteria / Components	Project Score / Details
Levelized Bid Price	
Begin/End Affects Adder	
TOD Adjustment Adder	
TRCR Adder	
RA Capacity Adder	
Congestion Adder	
Total LCBF Ranking Price	

Attached are the LCBF results showing the ranking of the proposed project.



#### 2. HOW THE PROJECT COMPARES WITH OTHER BIDS RECEIVED IN THE SOLICITATION WITH REGARD TO EACH LCBF FACTOR AND WHY THE SUBMITTED CONTRACT RANKED HIGHER (QUANTITATIVELY AND/OR QUALITATIVELY) THAN THE OTHER BIDS USING THE LCBF CRITERIA.

- **PORTFOLIO FIT**

As stated in Part 1 of the Advice Letter, SDG&E's LCBF methodology is a means to estimate a project's impact to, and fit within, SDG&E's portfolio. This project merits shortlisting due to its high overall ranking in the LCBF quantitative analysis, its low contract price relative when compared to other in-state greenfield projects, its high score in the Project Viability Calculator, the experience of the project team to develop projects in California and the project's ability to contribute a significant amount of energy on to the Sunrise Powerlink soon after completion of the 500KV line. No other projects submitted to SDG&E's 2009 RFO can boast all these attributes.

- **TRANSMISSION ADDER**

Part 1 of the Advice Letter provides a full and complete discussion of how transmission cost adders were assessed for this project and how the methodology used was consistent with the other offers submitted to the solicitation.



- **APPLICATION OF TODS**

Part 1 of this Advice Letter presents a full and complete discussion of how TOD factors were used in the LCBF to determine the TOD Cost Adjustments. SDG&E applied the same method to this project. The results can be seen in the attached LCBF spreadsheet.

- **QUALITATIVE FACTORS**

Part 1 of this Advice Letter presents a full and complete discussion of the project's qualitative benefits, rendering it a nice fit for SDG&E's portfolio need.

3. THE ADDERS APPLIED IN THE LCBF ANALYTICAL PROCESS AND THE IMPACT OF THOSE ADDERS ON THE PROJECT'S RANKING.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. HOW AND WHY THE PROJECT'S BID RANKING CHANGED AFTER NEGOTIATIONS.

[REDACTED]

5. USING LCBF CRITERIA AND OTHER RELEVANT CRITERIA, EXPLAIN WHY THE SUBMITTED CONTRACT WAS PREFERRED RELATIVE TO OTHER SHORTLISTED BIDS OR OTHER PROCUREMENT OPTIONS.

As stated earlier, this project merits shortlisting due to its high overall ranking in the LCBF quantitative analysis, its low contract price relative when compared to other in-state greenfield projects, its high score in the Project Viability Calculator, the experience of the project team to develop projects in California and the project's ability to contribute a significant amount of energy on to the Sunrise Powerlink soon after completion of the 500KV line. No other projects submitted to SDG&E's 2009 RFO can boast all these attributes.

D. STANDARD TERMS AND CONDITIONS

The table on the next page lists standard terms and conditions, whether or not changes were made and the rationale for the changes. A redline of the contract against SDG&E's Commission-approved pro forma RPS contract is provided in Confidential Appendix E of this advice letter. Modifiable terms are highlighted in green and non-modifiable terms are highlighted in purple.

Modifiable? (Yes/No)	STC No.	STANDARD TERM AND CONDITION	Modified? (Yes/No)	Description of Change and Rational
No	1	CPUC Approval	No	Term included without modification.
No	2	RECs and Green Attributes	No	Term included without modification.
No	6	Eligibility	No	Term included without modification.
No	17	Applicable Law	No	Term included without modification.
No	REC-1	Transfer of RECs	No	Term included without modification.
No	REC-2	Tracking of RECs	No	Term included without modification.
Yes	4	Confidentiality	<input checked="" type="checkbox"/>	[REDACTED]
Yes	5	Contract Term	No	The standard 20-year term is applicable to this contract. References to other terms are removed because they are not relevant.
Yes	7	Performance Standards/ Requirements	<input checked="" type="checkbox"/>	[REDACTED]

Modifiable? (Yes/No)	STC No.	STANDARD TERM AND CONDITION	Modified? (Yes/No)	Description of Change and Rational
Yes	8	Product Definitions	<input checked="" type="checkbox"/>	[REDACTED]
Yes	9	Non-Performance or Termination Penalties and Default Provisions	<input type="checkbox"/>	[REDACTED]
Yes	12	Credit Terms	<input type="checkbox"/>	[REDACTED]
Yes	15	Contract Modifications	No	Term included without modification. Language is added to avoid ambiguity.
Yes	16	Assignment	<input type="checkbox"/>	[REDACTED]
Yes	18	Application of Prevailing Wages	No	Term included without modification.


Note: Decision D.08-04-009 removed STC 3, stating:  
"Given implementation of SB 1036, STC 3 has no continuing relevance and should be deleted from the current 14 STCs"



The table below presents redlines to Standard Terms and Conditions which were adopted for the executed Power Purchase Agreement.

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
1	CPUC Approval	<div></div> <div></div> <div></div> <div></div> <div></div>
2	RECs and Green Attributes	<div></div>

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		[REDACTED]
6	Eligibility	[REDACTED]
17	Applicable Law	<p>Language is not modified. The PPA capitalizes the text to provide emphasis.</p> <p><u>Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. TO THE EXTENT ENFORCEABLE AT SUCH TIME, EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.</u></p>
REC-1	Transfer of RECs	[REDACTED]
REC-2	Tracking of RECs	[REDACTED]
4	Confidentiality	[REDACTED]

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		 <p>The table contains four rows of redlined standard terms. Each row has a large blacked-out section covering the majority of the text. The first row has a small white box in the top left of the redacted area. The second row has a small blue mark in the top left. The third row has a small blue mark in the top right. The fourth row has a small blue mark in the bottom right.</p>

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		<div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div>
5	Contract Term	<div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div>
7	Performance Standards/ Requirements	<div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div>

[illegible]

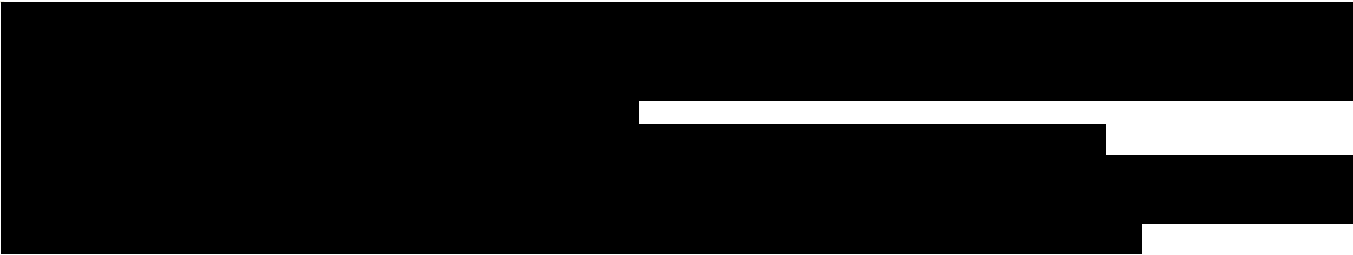


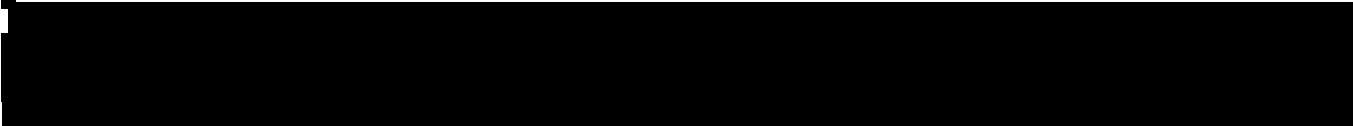
STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
8	Product Definitions	[REDACTED]

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		[REDACTED]
9	Non-Performance or Termination Penalties and Default Provisions	[REDACTED]

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		<div data-bbox="615 349 667 430">■</div> <div data-bbox="615 695 667 743">■</div> <div data-bbox="615 792 667 841">■</div> <div data-bbox="615 857 667 906">■</div> <div data-bbox="674 1295 726 1377">■</div> <div data-bbox="674 1425 726 1474">■</div>



STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
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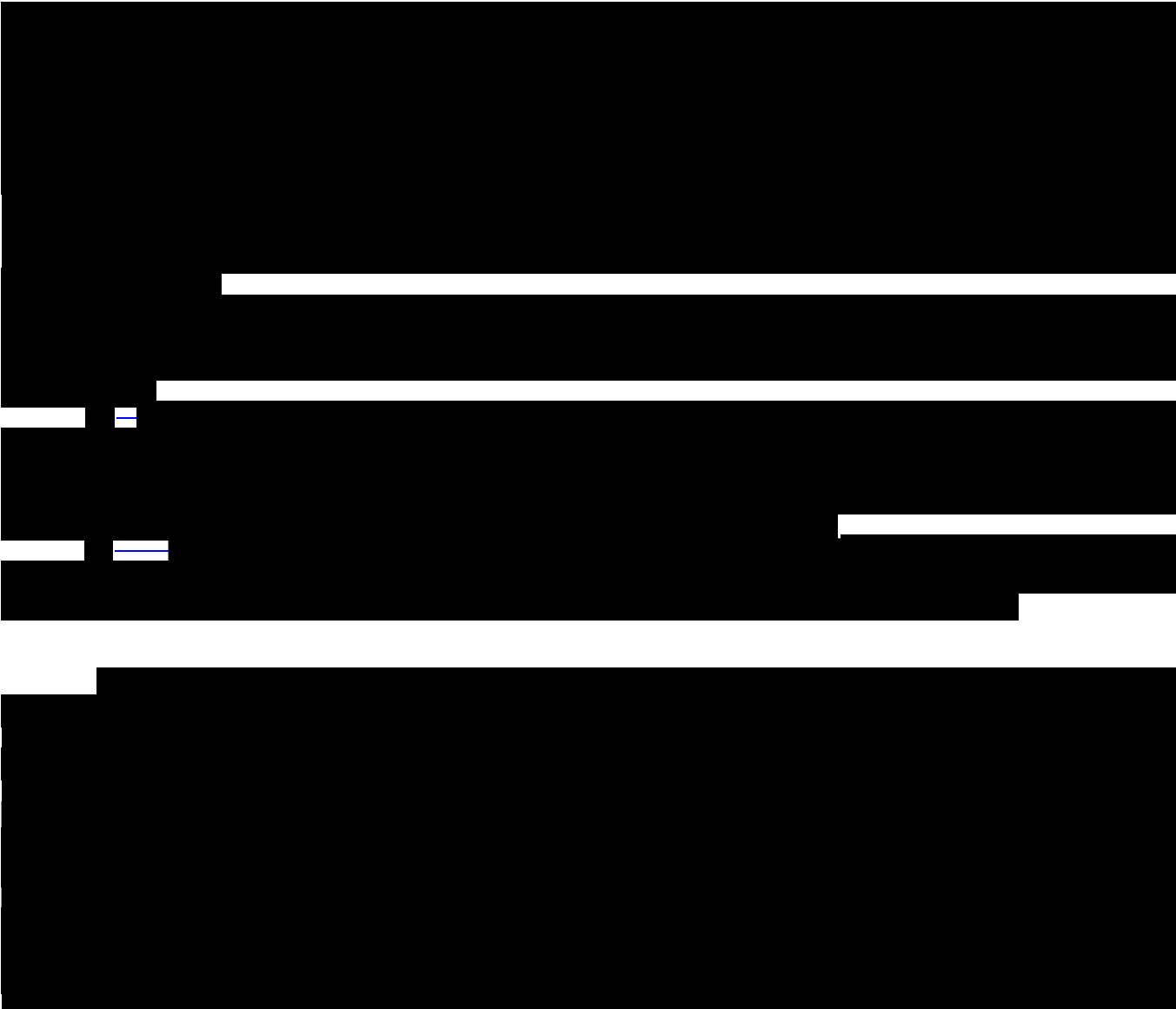
STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		   

18

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		<div></div> <div></div> <div></div> <div></div>
12	Credit Terms	<div></div> <div></div> <div></div>

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		

STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
		



STC No.	STANDARD TERM AND CONDITION	Redlines to Standard Terms
15	Contract Modifications	
16	Assignment	
18	Application of Prevailing Wages	

**E. UNBUNDLED RENEWABLE ENERGY CREDIT TRANSACTIONS**

[REDACTED]

**F. MINIMUM QUANTITY (IF APPLICABLE)**

Part 1 of the Advice Letter provides a full and complete discussion of how the Proposed Agreement does not trigger the minimum quantity requirements set forth in D.07-05-028.

**G. SHORT-TERM CONTRACT (IF APPLICABLE)**

The Proposed Agreement is not a short term contract. SDG&E is not seeking Fast Track approval.

**H. MPR**

[REDACTED]

**I. AMFs**

SDG&E's Commission approved contracts have exhausted SDG&E's AMFs and, therefore, SDG&E is no longer required to procure renewable energy at above market prices<sup>1</sup>. SDG&E continues to voluntarily procure RPS-eligible energy that are above the MPR and seeks Commission approval for full rate recovery, including above MPR costs.

[REDACTED]

**J. EMISSIONS PERFORMANCE STANDARD**

Part 1 of the Advice Letter provides a full and complete discussion of how the Proposed Agreement complies with EPS requirements of D.07-01-039.

**K. PRG PARTICIPATION AND FEEDBACK**

Part 1 of the Advice Letter provides a full and complete discussion of PRG briefings and feedback on the Proposed Agreement.

**L. INDEPENDENT EVALUATOR**

The Independent Evaluator, PA Consulting, was involved in every step of the 2009 RPS RFO process and evaluated bids for the 2009 RPS RFO. The Independent Evaluator also monitored the negotiations between the parties and provided information in this Advice Letter to evaluate the fairness of this Project's evaluation compared to other bids the 2009

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<sup>1</sup> On May 28<sup>th</sup>, 2009 SDG&E received a letter from the CPUC's Energy Division (Ms. Julie Fitch) stating that SDG&E's AMF balance is zero.

RPS RFO. The Independent Evaluator's report is included as Confidential Appendix C, and recommends approval of the PPA.

## PROJECT DEVELOPMENT STATUS

### A. COMPANY/DEVELOPMENT TEAM

Part 1 of the Advice Letter presents a full and complete discussion of the company and development team's background.

### B. TECHNOLOGY

#### 1. TYPE AND LEVEL OF TECHNOLOGY MATURITY.

The project will utilize commercially proven wind turbines to generate electricity. [REDACTED]

#### 2. RESOURCE AND/OR AVAILABILITY OF FUEL

[REDACTED]

### C. DEVELOPMENT MILESTONES

#### 1. SITE CONTROL

Part 1 of the Advice Letter presents a full and complete discussion of surrounding site control for the project..

#### 2. EQUIPMENT PROCUREMENT

[REDACTED]

The table below presents the permits necessary to construct and operate the project.

[illegible]

[REDACTED]

[REDACTED]

E. TRANSMISSION

[REDACTED]

[REDACTED]

[REDACTED]

1. HOW ELECTRICITY WILL BE DELIVERED UNDER THE CONTRACT IN TERMS OF COST, TIMING, AND LOCATION. ANY IMPROVEMENTS, TRANSACTIONS, AND OTHER CONTINGENCIES THAT MUST BE MET, TO ENABLE DELIVERY AS PLANNED

[REDACTED]

2. CONFIDENTIAL INFORMATION ON GEN-TIE AND NETWORK UPGRADES AND COSTS THAT IS NOT PROVIDED IN THE PUBLIC PORTION OF THE ADVICE LETTER.

[REDACTED]

3. LOCATIONAL ATTRIBUTES OF THE CONTRACT SUCH AS, CONGESTION RISK, IMPACT ON THE STATUS OF RUN MUST RUN (RMR) GENERATORS, AND RESOURCE ADEQUACY REQUIREMENTS.

The scope of the Deliverability Network Upgrades is summarized below:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. TRANSMISSION DETAILS:

TRANSMISSION DETAILS	
QUEUE NUMBER (SPECIFY CONTROL AREA : CAISO, IID, ETC) AND RELATIVE POSITION	
IF IN CAISO SERIAL GROUP, STATUS OF:	
FEASIBILITY STUDY	
SYSTEM IMPACT STUDY	
FACILITIES STUDY	
IF IN CAISO CLUSTER:	
NAME OF CLUSTER	
STATUS OF PHASE I AND II STUDIES	
INTERCONNECTION AGREEMENT - DATE SIGNED OR ANTICIPATED	
PREFERRED POINT OF INTERCONNECTION (LINE, SUBSTATION, ETC.)	
EARLY INTERCONNECTION DETAILS, IF APPLICABLE	
GEN-TIE TYPE (NEW LINE, RECONDUCTOR, INCREASED TRANSFORMER BANK CAPACITY, INCREASED BUS CAPACITY, INCREASED SUB AREA)	
GEN-TIE LENGTH	
GEN-TIE VOLTAGE	
DEPENDENT NETWORK UPGRADE(S)	
EXPECTED NETWORK UPGRADE COMPLETION DATE	

F. FINANCING

1. PLAN

[REDACTED]

[REDACTED]

2. **STATUS**

[REDACTED]

3. **FIRM COMMITMENTS FROM FINANCIERS**

[REDACTED]

[REDACTED]

[REDACTED]



**G. PROJECT VIABILITY CALCULATOR (PVC) – NOT APPLICABLE IF PROJECT IS COMMERCIALY OPERATIONAL**

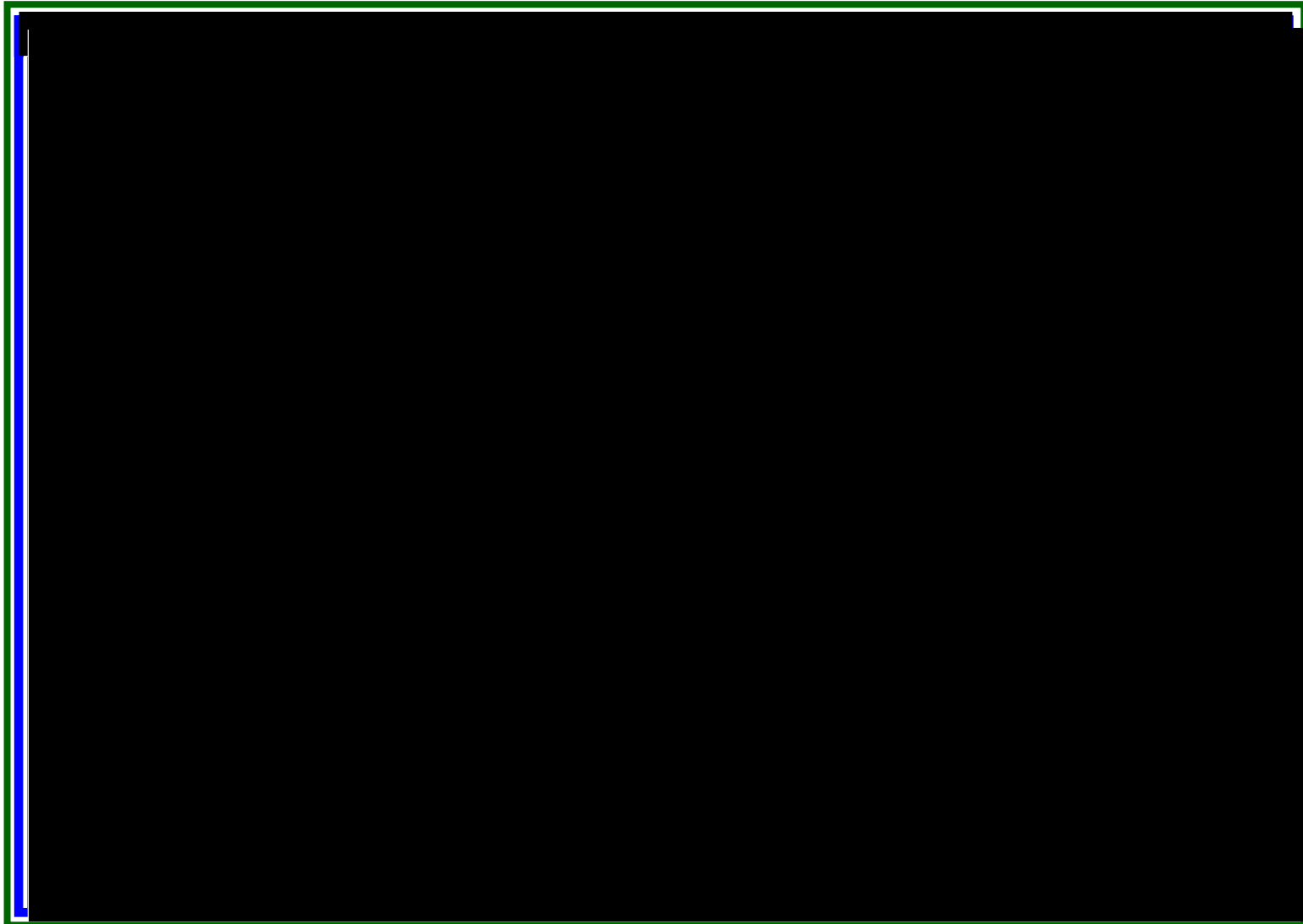
**1. MODIFICATIONS THAT WERE MADE TO THE PVC**

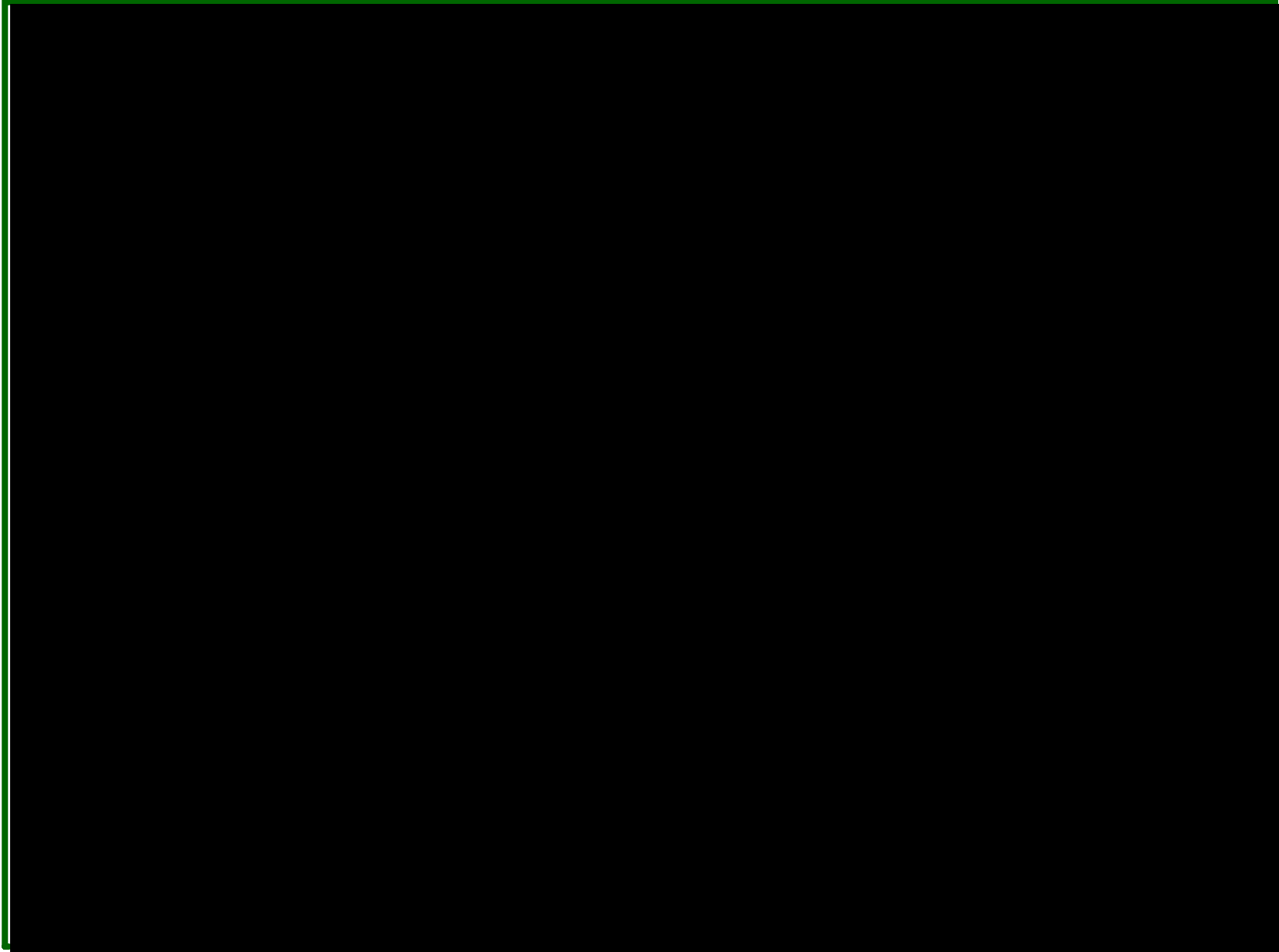
SDG&E did not make any modifications to the Energy Division issued PVC.

**2. THE PROJECT’S PVC SCORE RELATIVE TO OTHER PROJECTS ON THE SHORTLIST AND IN THE SOLICITATION.**

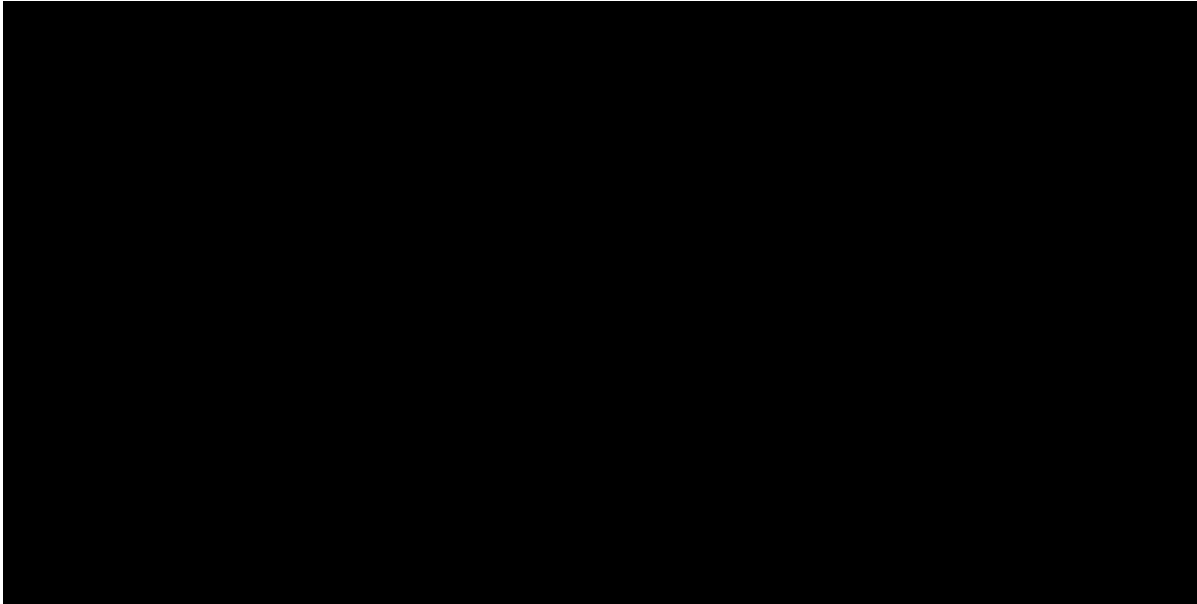
[REDACTED]

3. GENERATED GRAPHS FROM THE RPS WORKPAPERS:





4. THE PROJECTS PVC RESULTS





## **Confidential Appendix B 2009 Solicitation Overview**

**ATTACH IS SDG&E'S 2009 SOLICITATION OVERVIEW, SUBMITTED  
AS SECTION 3 OF SDG&E'S 2009 LCBF REPORT.**



**Confidential Appendix C**  
**Final RPS Project-Specific Independent Evaluator Report**

ATTACHED IS THE FINAL, CONFIDENTIAL VERSION OF THE  
IE'S PROJECT-SPECIFIC REPORT



## **Confidential Appendix D**

### **Contract Summary: Ocotillo Express, LLC**

<p>This Confidential Appendix D sets forth the information required to develop the Project contract summary.</p>
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## CONTRACT SUMMARY

### A. SITE

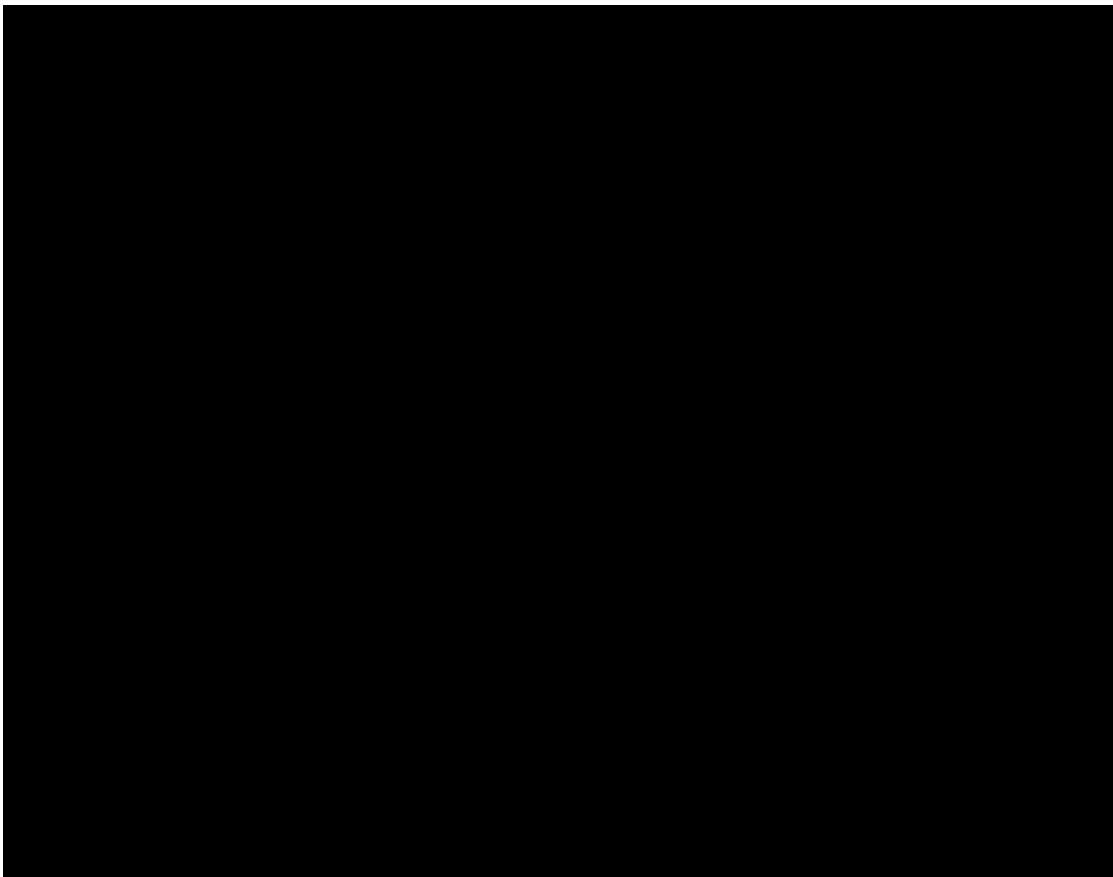
1. ADDRESS AND LATITUDE AND LONGITUDE OF THE PROJECT'S SITE  
(IN DECIMAL DEGREE AND DEGREES: MINUTES: SECONDS FORM)

[REDACTED]

[REDACTED]  
[REDACTED]

2. GENERAL MAP OF THE PROJECT'S ACTUAL LOCATION.

[REDACTED]



**B. THE PROJECT'S CONTRIBUTION TO SDG&E'S RPS PROCUREMENT TARGETS**

The table below sets forth the Project's contribution to SDG&E's APT and IPT goals on a MWH and percentage basis.



**C. TERMS AND CONDITIONS OF DELIVERY**

1. THE POINT OF DELIVERY FOR THE PROJECT'S ENERGY AND THE SCHEDULING COORDINATOR.

[REDACTED]

[REDACTED]

2. INFORMATION REGARDING FIRING AND SHAPING ARRANGEMENTS, OR OTHER PLANS TO MANAGE DELIVERY OF THE ENERGY THAT IS NOT INCLUDED IN THE PUBLIC SECTION OF THE ADVICE LETTER.

The project's first point of interconnection and delivery point is within the CAISO grid. Part 1 of the Advice Letter filing presents a full and complete explanation that this contract will not require any firing and shaping arrangements, other than participation in the CAISO PIRP program, to manage delivery of the energy.

**D. MAJOR CONTRACT PROVISIONS**

1. MAJOR CONTRACT PROVISIONS ARE SUMMARIZED IN THE MATRIX BELOW.

All major provisions of the Proposed Agreement are summarized in the table below.

2. CONTROVERSIAL AND/OR MAJOR PROVISIONS NOT EXPRESSLY IDENTIFIED IN THE MATRIX BELOW.

All major provisions of the Proposed Agreement are listed or paraphrased in the table below. There are no controversial provisions associated with this PPA.

TERM/CONDITION	RPS CONTRACT
TYPE OF PURCHASE (CONVENTIONAL HYBRID, RENEWABLE, ETC.)	[REDACTED]
UTILITY OWNERSHIP OPTION	[REDACTED]

TERM/CONDITION	RPS CONTRACT
<p>CONDITIONS PRECEDENT AND DATE TRIGGERS</p>	<p>[REDACTED]</p>
	<p>[REDACTED]</p>
	<p>[REDACTED]</p>
	<p>[REDACTED]</p>
	<p>[REDACTED]</p>

TERM/CONDITION	RPS CONTRACT
AVERAGE ACTUAL PRICE (\$/MWH)	[REDACTED]
PRODUCT TYPE	[REDACTED]
KEY CONTRACT DATES (INITIAL STARTUP DEADLINE, COD, PTC DEADLINES, ETC.)	[REDACTED]
FIRMING/SHAPING REQUIREMENTS	[REDACTED]
EXPECTED PAYMENTS	[REDACTED]
SCHEDULING COORDINATOR	[REDACTED]
ALLOCATION OF CAISO CHARGES (OR OTHER CONTROL AREA)	[REDACTED]
ALLOCATION OF CONGESTION RISK	[REDACTED]
PROJECT DEVELOPMENT SECURITY	[REDACTED]
DAILY DELAY DAMAGES	[REDACTED]
SELLER-REQUIRED PERFORMANCE	[REDACTED]
SELLER PERFORMANCE ASSURANCES (CALCULATION METHOD, FORM OF PERFORMANCE ASSURANCE, AMOUNT)	[REDACTED]
AVAILABILITY GUARANTEES	[REDACTED]

TERM/CONDITION	RPS CONTRACT
<b>ENERGY DELIVERY REQUIREMENTS</b>	
<b>LIQUIDATED DAMAGES ("LD") / PENALTIES FOR FAILURE TO PERFORM</b>	

## FORCE MAJEURE ("FM") PROVISIONS

TERM/CONDITION	RPS CONTRACT
NO FAULT TERMINATION	
SELLER'S TERMINATION RIGHTS	
UTILITY'S TERMINATION RIGHTS	
RIGHT OF FIRST REFUSAL OR RIGHTS OF FIRST OFFER	
CHANGE IN LAW LIMITATIONS	



**OTHER CONTRACT PROVISIONS**

- a. ANY OTHER SIGNIFICANT OR UNIQUE CONTRACT PROVISIONS TOO DETAILED AND/OR COMPLICATED TO INCLUDE IN THE MATRIX ABOVE.**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- b. WHETHER THE DEVELOPER IS TAKING ON THE FULL RISK UNDER CURRENT CONTRACT TERMS AND PRICE (FOR BIOMASS CONTRACTS ONLY).**

The project is a wind, not biomass energy project.

1. THE LEVELIZED CONTRACT PRICE USING SDG&E'S BEFORE TAX WEIGHTED AVERAGE COST OF CAPITAL DISCOUNT RATE IS INDICATED BELOW.

	Price	Notes:
LEVELIZED BID PRICE - INITIAL (\$/MWh)		
LEVELIZED CONTRACT PRICE - FINAL (\$/MWh)		
TOTAL SUM OF CONTRACT PAYMENTS		

[REDACTED]

[illegible]

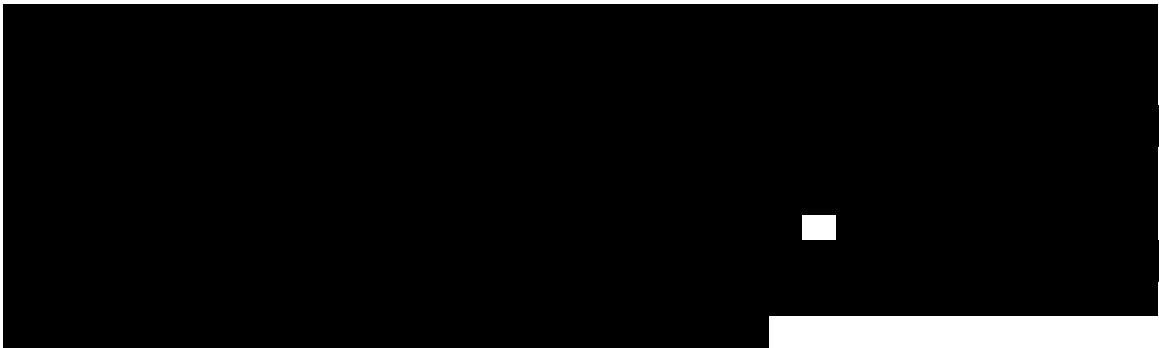
3. CONTRACT TERMS THAT PERMIT MODIFICATIONS TO THE CONTRACT PRICE.



4. PRICE ADJUSTMENTS/MODIFICATIONS REQUESTED OF THE DEVELOPER DURING THE NEGOTIATION PERIOD. PRICE ADJUSTMENTS/MODIFICATIONS REQUESTED OF THE UTILITY DURING THE NEGOTIATION PERIOD. REASON(S) FOR THE PRICE ADJUSTMENT(S). HOW THE INITIAL BID PRICE COMPARES TO THE FINAL CONTRACT PRICE.



5. PROJECT CHARACTERISTICS (E.G. NETWORK UPGRADE COSTS, EQUIPMENT COSTS, CHANGES IN CAPACITY FACTOR, ETC.) THAT COULD CHANGE THE CONTRACT PRICE AND THEIR EFFECT ON THE LEVELIZED CONTRACT PRICE.



6. FOR BIOMASS PROJECTS:

a. WHAT LENGTH FUEL CONTRACT(S) HAS BEEN SIGNED, AND FOR HOW MANY YEARS OF THE PPA HAVE FUEL CONTRACT(S) BEEN SECURED?

The project will not depend on biomass fuel.

b. DESCRIBE THE DEVELOPER'S FORECASTED PRICE FOR FUEL SUPPLIES.

The project will not depend on biomass fuel.

c. HOW THE CONTRACT PRICE TAKES FUEL PRICE VOLATILITY INTO ACCOUNT.

The project will not depend on biomass fuel.

d. WHAT DEVELOPER PLANS TO DO IF FUEL SOURCE DISAPPEARS/BECOMES MORE EXPENSIVE.

The project will not depend on biomass fuel.

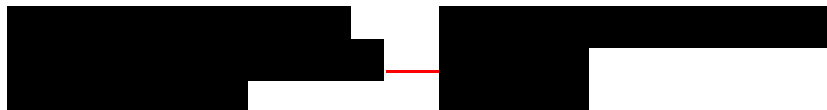
7. THE FOLLOWING TABLE ESTIMATES/PROVIDES ALL APPLICABLE ASSUMPTIONS REGARDING DIRECT OR INDIRECT CONTRACT COSTS THAT ARE PART OF THE CONTRACT, BUT NOT INCLUDED IN THE CONTRACT'S \$/MWH PRICE.

Costs	Direct or Indirect?	Description	\$/Year (Levelized)	\$/MWh* (Levelized)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL \$/MWH CONTRACT PRICE			[REDACTED]	[REDACTED]

\*Based on expected MWh/year

8. INDIRECT EXPENSES ARE NOT BUILT INTO THE CONTRACT PRICE, PROVIDE:

- a. A CALCULATION THAT SUBTRACTS THE INDIRECT EXPENSES FROM THE CONTRACT'S TOTAL ABOVE-MARKET COSTS, AND



- b. A DESCRIPTION OF THE METHODOLOGY USED FOR THE CALCULATION.



9. FOR AN OUT-OF-STATE CONTRACT IN WHICH THE ENERGY WILL BE FIRMED AND SHAPED, THE TABLE BELOW IDENTIFIES ALL FIRMING AND SHAPING COSTS ASSOCIATED WITH THE PROJECT AND WHETHER THEY ARE INCLUDED IN THE CONTRACT PRICE. (IF THERE ARE MULTIPLE POTENTIAL DELIVERY OPTIONS, THE TABLE IDENTIFIES THE FIRMING AND SHAPING COSTS ASSOCIATED WITH EACH OPTION, AND A NARRATIVE BELOW EXPLAINS WHICH OPTION SDG&E EXPECTS IS THE MOST AND LEAST LIKELY.)

The project is an in-state contract with an in-state delivery point. Energy will not need to be firmed and shaped, beyond participation in the CAISO PIRP program.

(\$/MWH)	EXPECTED CASE	BEST CASE	WORST CASE	IMPORTING INTO CALIFORNIA
<b>PPA PRICE</b>				
MAXIMUM PRICE				
<b>FIRMING/SHAPING</b>				
TRANSMISSION LOSSES:*				
TRANSMISSION SERVICE (WHEELING):*				
IMBALANCE ENERGY CHARGES:*				
ANCILLARY SERVICE CHARGES:*				
TOTAL FIRMING/SHAPING:*				
<b>ALL-IN TOTAL</b>				
RELEVANT, PROJECT SPECIFIC MPR				
MAXIMUM PRICE + TOTAL FIRMING/SHAPING:				

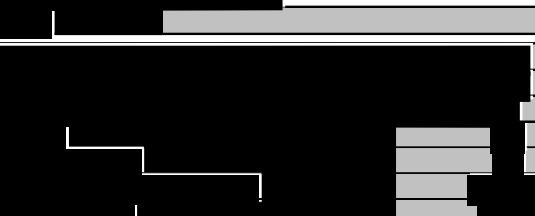
**10. RESULTS FROM THE ENERGY DIVISION'S AMFs CALCULATOR**

	(\$/MWh)	NOTES
LEVELIZED TOD-ADJUSTED CONTRACT PRICE		
LEVELIZED TOD-ADJUSTED TOTAL CONTRACT COST (CONTRACT PRICE + FIRING AND SHAPING)		
LEVELIZED MPR		
LEVELIZED TOD-ADJUSTED MPR		
ABOVE-MPR COST (\$/MWh)		
TOTAL SUM OF ABOVE-MPR PAYMENTS (\$)		

Detail results generated by the AMF Calculator are embedded and presented below.



□



Pattern

*Information submitted to the California Public Utilities Commission is subject to public disclosure unless designated confidential pursuant to the Pub. Util. Code Section 583, General Order (G.O.) 66-C.*

[illegible]

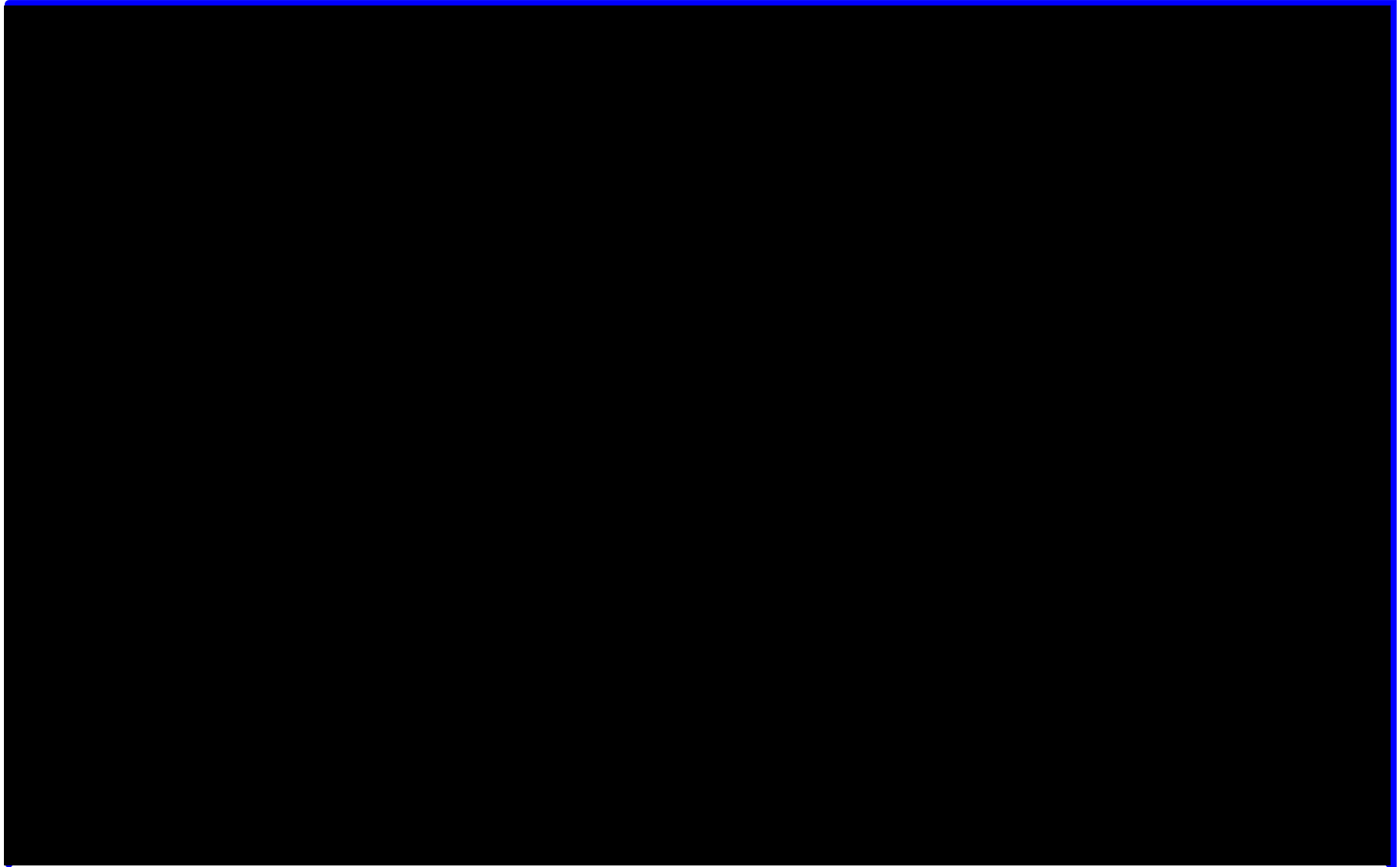
OTAL

The MPR used for the AMF cost containment calculation is the CPUC-approved MPR<sup>2</sup> for the 2009 RPS solicitation cycle. Specifically, the baseload MPR of \$108.98/MWH used as input to the AMF calculator is the 20-year MPR with deliveries starting in 2013.

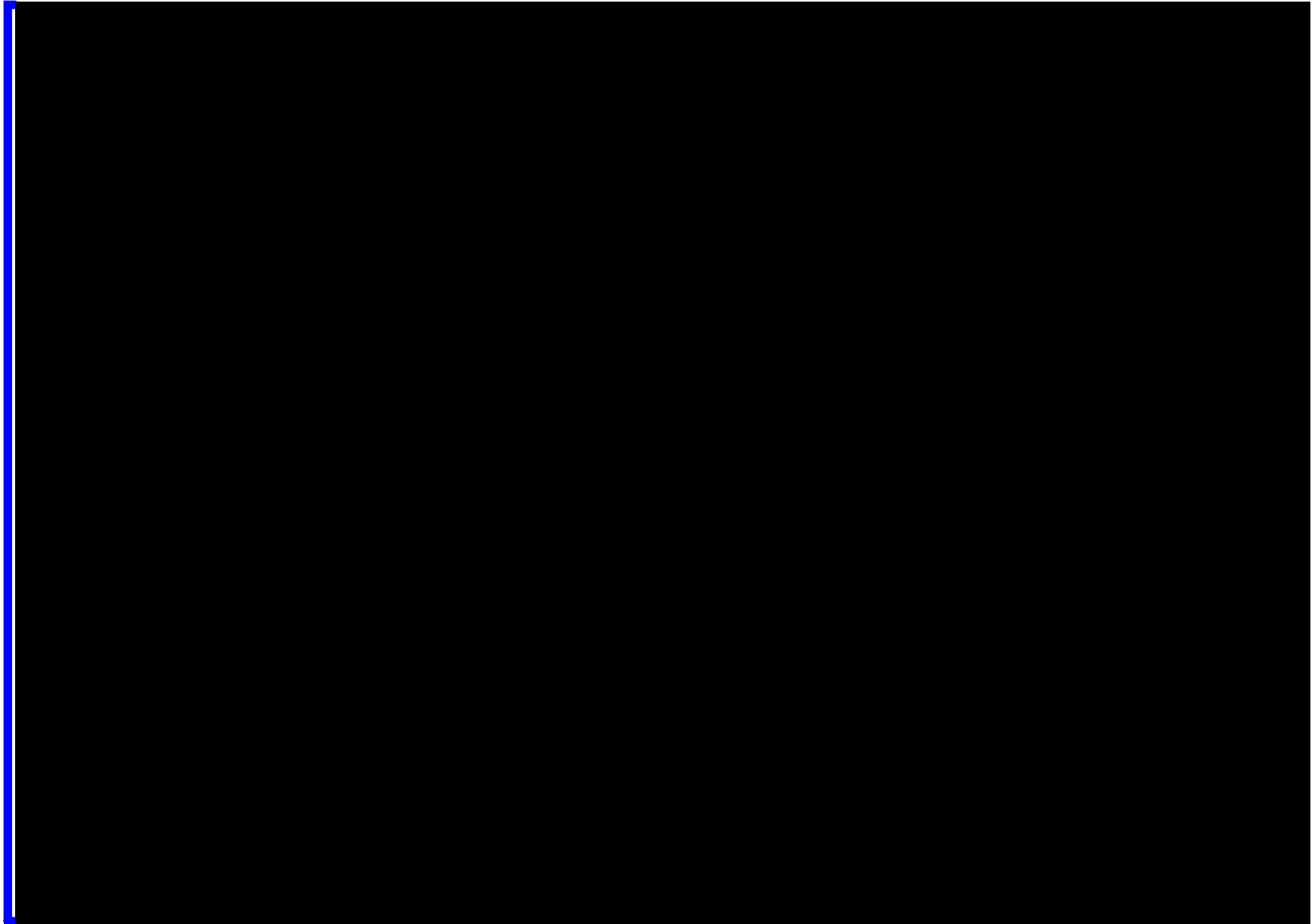
\_\_\_\_\_

**12. GRAPHS FROM THE RPS WORKPAPERS:**

**RPS SOLICITATION BID SUPPLY CURVE: 2009 ALL BIDS VS. CURRENT SHORT LIST**







**RPS CONTRACT PRICE SUPPLY CURVE: 2004 - 2009 ALL EXECUTED CONTRACTS**



**13. HOW THE CONTRACT PRICE COMPARES WITH THE FOLLOWING:**

**a. OTHER BIDS IN THE SOLICITATION,**

[REDACTED]

**b. OTHER BIDS IN THE RELEVANT SOLICITATION USING THE SAME TECHNOLOGY,**

[REDACTED]

[REDACTED]

**c. RECENTLY EXECUTED CONTRACTS**

[REDACTED]

d. OTHER PROCUREMENT OPTIONS (E.G. BILATERALS, UTILITY-SPECIFIC PROGRAMS, ETC.)

[REDACTED]

[REDACTED]

14. THE RATE IMPACT OF THE PROPOSED CONTRACT (CENTS PER KILOWATT-HOUR) BASED ON THE RETAIL SALES FOR THE YEAR WHICH THE PROJECT IS EXPECTED TO COME ONLINE.

[REDACTED]

[REDACTED]

## **Confidential Appendix E**

### **Comparison of Contract with SDG&E's Pro Forma Power Purchase Agreement**

THE FILE ATTACHED BELOW IS A REDLINE OF THE CONTRACT AGAINST SDG&E'S COMMISSION-APPROVED PRO FORMA RPS CONTRACT. MODIFIABLE TERMS ARE HIGHLIGHTED IN GREEN AND NON-MODIFIABLE TERMS ARE HIGHLIGHTED IN PURPLE.



## **Confidential Appendix F**

### **Power Purchase Agreement**

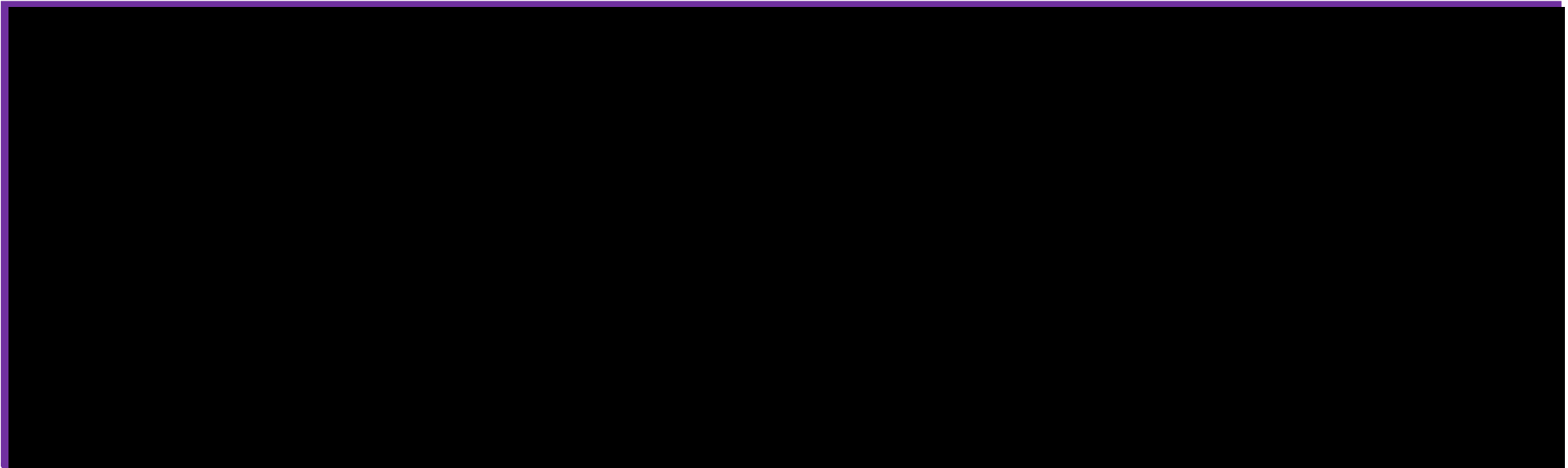
THE FILE ATTACHED BELOW IS A COPY OF THE POWER PURCHASE AGREEMENT



## **Confidential Appendix G**

### **Project's Contribution Toward RPS Goals**

## Project's Contribution to RPS Goals





THIS PROJECT WAS NOT PREVIOUSLY INCLUDED AS PART OF THE UTILITY'S BASELINE. THEREFORE, THE TABLE BELOW IS NOT APPLICABLE TO THIS FILING.

	DELIVERIES (GWH/YR)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PRE-2002/ BASELINE	0	0	0	0	0	0	0	0	0	0	0
DELIVERIES FROM PROPOSED PROJECT	0	0	0	0	0	0	0	0	0	0	0
UPDATED BASELINE	0	0	0	0	0	0	0	0	0	0	0

THIS PROJECT WAS NOT PREVIOUSLY UNDER A CONTRACT THAT WAS EXPIRING BEFORE 2020. THEREFORE, THE TABLE BELOW IS IRRELEVANT TO THIS FILING.

	DELIVERIES (GWH/YR)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EXPIRING CONTRACTS	0	0	0	0	0	0	0	0	0	0	0
EXPIRING DELIVERIES FROM PROPOSED PROJECT	0	0	0	0	0	0	0	0	0	0	0
UPDATED EXPIRING CONTRACTS	0	0	0	0	0	0	0	0	0	0	0

San Diego Gas & Electric Advice Letter 2234-E  
March 4, 2011

Public Version of the Project Specific IE Report

# San Diego Gas & Electric Co.

Report of the Independent Evaluator on the  
265 to 315 MW Pattern Ocotillo Express  
contract selected in the 2009 Request for  
Offers from Eligible Renewable Resources  
(2009 Renewable RFO)

March 3, 2011

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Report of the Independent Evaluator on the  
265 to 315 MW Pattern Ocotillo Express  
contract selected in the 2009 Request for  
Offers from Eligible Renewable Resources  
(2009 Renewable RFO)

March 3, 2011

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Version: 1.1

## ***FOREWORD***

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This is PA Consulting Group's Independent Evaluator (IE) Report analyzing the contract between San Diego Gas & Electric Company (SDG&E) and Pattern Energy for a 265-315 MW wind energy project. This project was bid into and shortlisted in SDG&E's 2009 Renewables RFO.

This report is based on PA Consulting Group's Preliminary Report on the 2009 RFO. The Preliminary Report addressed the conduct and evaluation of San Diego Gas & Electric Company's 2009 Renewables RFO through the selection of its preliminary short list. This report contains all the text of the Preliminary Report except for placeholder text in chapters 6 and 7. In the body of the report (that is, except for this Foreword), text from the Preliminary Report is in gray while new text is presented in black. This should help the reader identify the new text.

This report contains confidential and/or privileged materials. Review and access are restricted subject to PUC Sections 454.5(g), 583, D.06-06-066, GO 66-C and the Confidentiality Agreement with the CPUC.

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**1. INTRODUCTION**

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PA Consulting Group, Inc. (PA) has served as the Independent Evaluator (IE) of San Diego Gas & Electric Co.'s (SDG&E's) 2009 Request for Offers from Eligible Renewable Resources (2009 Renewable RFO). This Report provides PA's evaluation of the fairness of the solicitation, up to and including the identification of a "short list" of bidders with whom SDG&E may pursue contract negotiations. This document has been formatted in accord with a template provided by Cheryl Lee of the CPUC Energy Division in an email dated Oct. 27, 2009.

## **2. ROLE OF THE INDEPENDENT EVALUATOR (IE)**

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*Template language: “Describe the IE’s role.”*

This chapter describes the history of the requirements for Independent Evaluators at the Federal level and in California. It includes a list of the roles of the IE as well as a summary of PA’s activities in fulfilling those roles.

### **2.1 THE IE REQUIREMENT**

*Template language: “Cite CPUC decisions requiring IE participation in RPS solicitations: D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8).”*

Regulatory requirements for an IE of resource procurement can be traced to the Federal Energy Regulatory Commission’s (FERC’s) “Opinion and Order ... Announcing New Guidelines for Evaluating Section 203 Affiliate Transactions” (108 FERC ¶ 61,081 (2004)). That decision addressed ways to demonstrate that a utility’s procurement of power from an affiliate was not abusive or unfair, under the standards of the *Edgar* decision (55 FERC ¶ 61,382 (1991)). FERC provided a set of guidelines, which presumably would be sufficient to demonstrate that the utility had not unfairly favored its affiliate. One of those guidelines was that “an independent third party should design the solicitation, administer bidding, and evaluate bids prior to the company’s selection.” FERC proposed not just independent evaluation but independent conduct of all aspects of the solicitation (except, presumably, the need determination).

The California Public Utilities Commission (CPUC) referenced those guidelines in its December 2004 decision on long-term resource procurement.<sup>1</sup> The CPUC stated that although it had not previously required the use of an IE for resource procurement, it would “require the use of an IE in resource solicitations where there are affiliates, IOU-built, or IOU-turnkey bidders” from that point forward.<sup>2</sup> The CPUC’s intention was clearly that the IE should ensure that the utility did not favor itself, its affiliates or its shareholders (shareholders would earn a return on “ownership projects” – IOU-built or turnkey – but not on independent PPAs). The CPUC stated explicitly that it would not require the IE to conduct or administer the solicitation, nor would it “allow the IEs to make binding decisions on behalf of the utilities.” Under this decision the role of the IE is to provide advice to the utility in “the design, administration, and evaluation aspects of the RFO” and to observe the utility’s procurement and evaluation process in order to provide a fairness opinion.

D. 04-12-048 did not require IEs for procurements in which there were no affiliate or ownership bids. But in its decision approving the utilities’ plans for 2006 Renewable Portfolio Standard (RPS) solicitations, the CPUC determined that Independent Evaluators would be required for these and “all future solicitations” (it is unclear whether this means only all future

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<sup>1</sup> California Public Utilities Commission, Decision (D.) 04-12-048, May 26, 2006, p. 135f and Findings of Fact 94-95 on pp. 219-220.

<sup>2</sup> D. 04-12-084, p. 135f and Ordering Paragraphs 26i and 28 on p. 245.

## 2. Role of the Independent Evaluator (IE)

RPS solicitations).<sup>3</sup> The role of the IE is still not to conduct or administer the solicitation but to “separately evaluate and report on the IOU’s entire solicitation, evaluation and selection process”.<sup>4</sup> The Decisions that approved the utility RPS solicitation plans for 2007 and 2008<sup>5</sup> did not further elaborate on the IE role but took the participation of an IE as a given.

D. 09-06-018, which approved the utility RPS solicitation plans for 2009, contained additional requirements related to the use of Project Viability Calculators and directed “that project-specific project viability information should be included in the confidential appendices to advice letters and validated by the IE in the confidential versions of IE reports.”<sup>6</sup> The reference to the Project Viability Calculator has been incorporated by Energy Division in its template language for Section 7, which is only completed in the final IE report submitted with each contract Advice Letter.

This report deals with a project that was shortlisted in the 2009 RPS RFO. The evaluation is relative to other shortlisted bids in that RFO, although it also considers subsequent information about the bid (namely, the CAISO Phase I interconnection cost estimate) for which corresponding information about other shortlisted offers may not be available.

### 2.2 PA’S ROLE AS INDEPENDENT EVALUATOR

*Template language: “Description of key IE roles: IEs provide an independent evaluation of the IOU’s RPS bid evaluation and selection process:*

- “1. Did the IOU do adequate outreach to potential bidders and was the solicitation robust?”*
- “2. Was the IOU’s LCBF methodology designed such that all bids were fairly evaluated?”*
- “3. Was the IOU’s LCBF bid evaluation and selection process fairly administered?”*
- “4. Did the IOU make reasonable and consistent choices regarding which bids were brought to CPUC for approval?”*

In April 2006, SDG&E retained PA to be the Independent Evaluator for an All-Source Request for Offers (All-Source RFO). SDG&E anticipated that there might be affiliate bids in that RFO, as in fact there were. The CPUC Energy Division, as well as the rest of SDG&E’s Procurement Review Group (PRG), participated in the decision to select PA. PA’s contract was subsequently amended to include the independent evaluation of additional SDG&E procurement activities.

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<sup>3</sup> California Public Utilities Commission, Decision (D.) 06-05-039, May 26, 2006, p. 46, Finding of Fact 20b on p. 78, Conclusion of Law 3e(2) on p. 82 and Ordering Paragraph 8 on p. 88.

<sup>4</sup> D. 06-05-039, p. 46.

<sup>5</sup> California Public Utilities Commission, Decision (D.) 07-02-011, Feb. 15, 2007 and Decision (D.) 08-02-008, Feb. 15, 2008. The decisions actually only conditionally approved the plans but the conditions were not connected with the use of IEs.

<sup>6</sup> California Public Utilities Commission, Decision (D.) 09-06-018, June 8, 2009, p. 24.

## 2. Role of the Independent Evaluator (IE)

When PA was contracted as IE for the All-Source RFO, PA and SDG&E agreed on an interpretation of the IE role that would not include a complete LCBF evaluation or full replication of the utility's computations, although PA would spot-check them. PA's role would be that of an observer and an adviser as needed. PA subsequently served as Independent Evaluator for SDG&E's 2006 Renewable RFO and the Local Peaker RFO (conducted in 2006-7). In each case, PA and SDG&E used the above interpretation of the IE role, and it was adopted for the 2009 Renewables RFO.

PA's emphasis has been on issues of fairness and equity. PA reviews the reasonableness of SDG&E's evaluation criteria and algorithms and spot-checks the calculations but does not enforce a single standard of evaluation. While PA may have an opinion about the "best" way to value certain attributes or even to conduct a multi-attribute evaluation, its role as IE has not been to judge SDG&E's evaluation against a standard, but rather to determine that SDG&E's evaluation has not unfairly favored affiliates or ownership bids, or favored SDG&E and its shareholders in any other way<sup>7</sup>.

For the 2009 RFO, SDG&E also asked PA to conduct the quantitative LCBF evaluation of bids, except for the congestion adder computation. This was a direct response to experience of past RFOs, and the efforts that SDG&E had to make to avoid any appearance of conflict in its evaluation of affiliate bids. PA also determined the TRCR clusters, and hence TRCR costs, in cases where the bidder had not specified them. PA's approach to conducting this evaluation was consistent with its approach to reviewing SDG&E's evaluation: the criteria to be applied were SDG&E's, not PA's, the spreadsheet model used to apply those criteria had been developed by SDG&E, and PA ensured that the criteria and model were reasonable and then applied them. PA did not itself determine the evaluation standards but PA did advise SDG&E on the definition and refinement of the evaluation criteria.

### 2.3 PA'S ACTIVITIES

*Template language: "Description of activities undertaken by the IE to fulfill the IE's role (i.e. attended negotiation meetings, reviewed Request for Proposals materials, attended pre-bid conference, evaluated proposals and/or reviewed evaluation process and results, etc.) and reporting/consultation with CPUC, PRG and others."*

PA and SDG&E began to discuss plans for the 2009 RFO during and after the 2008 RPS RFO evaluation, including the possibility of PA conducting the LCBF evaluation. SDG&E provided PA the draft RPS plan for review prior to its filing, and PA responded with a number of specific comments based on past experience. SDG&E and PA discussed several of these areas at length, most notably the treatments of duration equivalence and resource adequacy. SDG&E adopted several of PA's suggestions and declined to adopt others. In all these cases SDG&E's decisions were reasonable (even if they were to disagree with PA).

PA was provided access to all the SDG&E staff involved in the evaluation of the Renewables RFO. In general, the bid evaluation criteria were similar to those that had been used in past

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<sup>7</sup> E.g., it would have been unfair for SDG&E to design an evaluation method that favored a category of bidders on whose behalf SDG&E would have to make extensive rate-based transmission or distribution investments.

## 2. Role of the Independent Evaluator (IE)

RFOs. PA met with SDG&E to review the evaluation criteria and reviewed the LCBF model constructed by SDG&E.

PA was present at both bidder conferences: in San Diego on August 5 and in El Centro on August 12. PA was provided all questions submitted by bidders either at the bidder conference or later in writing, as well as SDG&E's answers. PA received the electronic bids from SDG&E in San Diego on both days bids were due.

PA was in regular contact with the SDG&E evaluation team. PA was provided all the data in the evaluation process. PA was responsible for interpreting all bids in order to conduct the LCBF evaluation. PA identified missing or incomplete information, including viability scorecards, and requested additional data from bidders. PA also reviewed questions put by SDG&E to bidders, and bidders' answers. PA advised SDG&E on judgments that certain bids did not conform to RFO requirements. PA participated in Procurement Review Group (PRG) meetings during the evaluation period. SDG&E discussed the short list with PA as well as with the PRG.

SDG&E in no way prevented PA from observing its process and analyzing its methods, and did not interfere with PA's conduct of the LCBF evaluation.

### 2.4 CONFIDENTIALITY AND ADDITIONAL COMMENTS

*Template language: "Any other relevant information or observations."*

It is PA's understanding that confidential treatment of the information in an IE report is obtained through procedures defined in CPUC Rulemaking (R.) 05-06-040.<sup>8</sup> Under that Ruling a person or party that serves testimony, supplies data or files an advice letter requests confidential treatment of some data within that submittal and must accompany the data by a declaration under penalty of perjury that justifies the claim of confidentiality.

PA delivers its IE report to SDG&E and SDG&E in turn submits it to the CPUC. It is PA's understanding that each utility separately submits its IE's report and requests confidential treatment for parts of that report. Because it is the utility that identifies confidential data and provides the associated declaration, PA believes that it is the utility's right to determine which data in the report is confidential and the utility's responsibility to defend that determination. SDG&E's view of confidentiality may be more or less expansive than PA's. While PA has in the past provided recommendations to SDG&E about which parts of its IE reports should be held confidential, in general PA takes a "minimal redaction" (redaction only of information about identifiable bids) view. SDG&E always makes the ultimate determination of data to redact.

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<sup>8</sup> "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066", August 22, 2006.

### 3. Adequacy of outreach and robustness of the solicitation

#### **3. ADEQUACY OF OUTREACH AND ROBUSTNESS OF THE SOLICITATION**

---

*Template language: “Did the IOU do adequate outreach to bidders and was the solicitation robust?”*

This chapter describes the information provided by the utility to potential bidders, and the utility’s efforts to stimulate a wide and robust response to the RFO.

##### **3.1 SOLICIATION MATERIALS**

*Template language: “Were the solicitation materials clear and concise to ensure that the information required by the utility to conduct [sic] its evaluation was provided by the bidders?”*

PA reviewed SDG&E’s RFO and supporting forms. PA’s opinion was that the RFO was clear and supporting forms were generally well-designed and would elicit appropriate information except as noted in the next paragraph. Even so, not all bidders entered data correctly and completely, but PA does not believe this was the fault of the forms.

SDG&E held two pre-bid conferences, in San Diego and El Centro, and also posted on its website answers to questions submitted by bidders. Even so, the solicitation forms and posted responses did not always elicit the type of information required by the Project Viability Calculator. In particular, the PVC scoring criteria are based on specific information – e.g., identification of projects to support assertion of project development experience, or an explanation of why a particular interconnection milestone with IID is or is not equivalent to a CAISO milestone.

##### **3.2 ADEQUACY OF OUTREACH**

*Template language: “Identify guidelines used to determine whether IOU did adequate outreach (e.g., sufficient publicity, emails to expected interested firms). Did IOU do adequate outreach? If not, explain how it was deficient.”*

California’s Renewable Procurement Standard and its utilities’ attempts to meet that standard have been widely publicized. The investor-owned utilities have conducted annual RFOs for renewable resources for several years. Because of the publicity, it should not have been necessary for SDG&E to take on the responsibility of informing bidders that California has a renewables program or that utilities would be contracting with renewable suppliers.

Furthermore, it was well-known in the California energy industry that at the time of the adoption of the RPS, SDG&E was the furthest of the three utilities from satisfying the RPS (least renewable energy relative to retail sales). It would have been adequate for SDG&E to advertise the RPS solicitation on its website and to a sizable email list.

In PA’s opinion, SDG&E did adequate outreach. SDG&E provided PA with a list of 686 email addresses, associated with 545 separate organizations, to which it sent the RFO. Some of those addresses are consultants probably not working with any particular bidder. In addition, SDG&E publicized the RFO with a press release, and notices appeared in Platt’s *MW Daily* and *California Energy Markets*.

### 3. Adequacy of outreach and robustness of the solicitation

#### 3.3 SOLICITATION ROBUSTNESS

*Template language: "Identify guidelines used to determine adequate robustness of solicitation (e.g., number of proposals submitted, number of MWhs associated with submitted proposals). Was solicitation adequately robust?"*

PA judges the robustness of the solicitation by the number of bids received. In PA's opinion, the solicitation engendered a robust response. ■ separate organizations responded to the solicitation with a total of ■ project proposals with ■ pricing options. The CPUC had encouraged SDG&E to do specific outreach to the Imperial Valley and, more generally, the SPL area. ■ project proposals were submitted from the SPL area, with ■ pricing options, from a total of ■ separate bidders.

#### 3.4 FEEDBACK

*Template language: "Did the IOUs seek adequate feedback about the bidding/bid evaluation process from all bidders after the solicitation was complete?"*

SDG&E did not formally seek bidder feedback.

#### 3.5 ADDITIONAL ISSUES

*Template language: "Any other relevant information or observations"*

PA has nothing else to add to this chapter.

#### **4. FAIRNESS OF THE DESIGN OF SDG&E'S METHODOLOGY FOR BID EVALUATION AND SELECTION**

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*Template language: "Was the IOU's LCBF methodology designed such that bids were fairly evaluated?"*

This chapter describes SDG&E's quantitative evaluation methodology and PA's opinion of its application.

##### **4.1 PRINCIPLES USED TO EVALUATE METHODOLOGY**

*Template language: "Identify the principles the IE used to evaluate the IOU's bid evaluation methodology. Example principles (each IE should include the specific principles he/she used in his/her evaluation):*

- "1. The IOU bid evaluation should be based only on information submitted in bid proposal documents.*
- "2. There should be no consideration of any information that might indicate whether the bidder is an affiliate.*
- "3. Procurement targets and objectives were clearly defined in IOU's solicitation materials.*
- "4. The IOU's methodology should identify quantitative and qualitative criteria and describe how they will be used to rank bids. These criteria should be applied consistently to all bids.*
- "5. The LCBF methodology should evaluate bids in a technology-neutral manner.*
- "6. The LCBF methodology should allow for consistent evaluation and comparison of bids of different sizes, in-service dates, and contract length."*

PA has used the following principles to guide its evaluation. These principles were originally codified by PA in its report on SDG&E's 2006 RPS RFO:<sup>9</sup>

- The evaluation should only be based on those criteria requested in the response form. There should be no consideration of any information that might indicate whether the bidder is an affiliate.
- The methodology should identify how quantitative measures will be considered and be consistent with an overall metric.
- The approach should not be biased for or against specific technologies, solely based on the choice of technology (as opposed to, e.g., quantifiable differences between the value of peaking and baseload technologies).

---

<sup>9</sup> Jacobs, Jonathan M., *Preliminary Report of the Independent Evaluator on the 2006 Request for Offers from Eligible Renewable Resources (Renewable RFO)*, PA Consulting Group, Los Angeles CA, January 16, 2007, p. 2-1.



#### 4. Fairness of the design of SDG&E's methodology for bid evaluation and selection

- The methodology does not have to be the one that the IE would independently have selected but it needs to be “reasonable”.

These principles do not require the upfront identification of procurement targets, as those may depend on committed contract quantities and commitments may be made between release of the RFO and selection of the shortlist. They do not also specifically address “consistent” evaluation of bids of different sizes and timing because PA considers the fairness of such analysis to fall within the area of reasonableness; and it is conceivable that a consistent evaluation may not be the most reasonable.

#### 4.2 SDG&E'S LCBF METHODOLOGY

*Template language: “Describe IOU LCBF methodology.”*

SDG&E ranked bids using a spreadsheet. The following quantitative values went into the ranking:

- Adjusted, levelized offer price
- Estimated costs of transmission network upgrades or additions
- Estimated congestion costs
- Estimated RA credit

Debt equivalence was not considered, per CPUC D. 07-12-052. The next four subsections describe the four bullet items above. The fifth subsection addresses a specific change to one of the details of the LCBF calculation relative to previous renewable RFOs. PA's opinion of the use of LCBF methodology is included in section 5.8.

##### 4.2.1 Adjusted, levelized offer price

SDG&E's bid evaluation method does not directly compare costs and benefits of individual contracts; rather it creates an “adjusted price” metric for each contract, and compares contracts based on that metric rather than on a measure of net benefits or net costs. This means that SDG&E does not compute an “avoided cost” or “market price” by hour or subperiod to be compared with contract costs. Such a computation would be appropriate if the source of contract value was energy value (avoided energy purchases). But RPS-qualified energy is not interchangeable or fungible with spot energy, because spot energy is not guaranteed to be RPS-qualified.

The benefit or value of RPS-qualified energy is in its renewability. In that sense every MWh from a renewable resource has equal benefit regardless of the contract or the time of delivery. But SDG&E also recognized that RPS-qualified energy has both “renewability value” and “energy value”, and that the energy value depends on time of delivery (TOD). To recognize this, SDG&E uses as its measure of contract cost the average of the projected contract payments in different TOD periods weighted by the product of volume and a TOD weighting factor. The weighting factors have been approved by the CPUC and PA did not investigate their source.

For each year, the adjusted or “benefit-weighted” price is the average payment, divided by a MWh-weighted average TOD factor. For contracts with TOD pricing (where in each period

#### 4. Fairness of the design of SDG&E's methodology for bid evaluation and selection

the payment per MWh equals the contract price times the TOD factor) it is the same as the contract price. The offer price term is the levelization of the adjusted price: for each year, the adjusted price in \$/MWh is multiplied by projected deliveries in MWh to get a stream of revenues, and the offer price term is the constant price in \$/MWh that would yield a stream of energy revenues having the same net present value.

##### 4.2.2 Estimated costs of transmission network upgrades or additions

For offers for new projects or projects proposing to increase the size of existing facilities, SDG&E's model calculated costs for transmission network upgrades or additions, using the information provided through the TRCRs. (Two projects had CAISO-approved, completed System Impact Studies that could have been used but since they were ranked below the shortlist cutoff before adding any transmission costs, this specialized effort was not undertaken.) If a bidder identified the cluster to which a project belonged, the transmission cost corresponded to the cost of the first plant in that cluster according to the utility's TRCR. If the bidder had not identified the cluster, PA applied its own judgment to determine the cluster based on the project location and interconnection information. Projects outside of the California ISO were expected to have internalized the cost of transmission to the ISO, as well as the cost of required transmission upgrades outside the ISO, into their bid price; they could still be assigned additional upgrade costs within California based on the TRCRs.

##### 4.2.3 Estimated congestion costs

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined after LCBF rankings had been computed without congestion information. In this way SDG&E was able to reduce the number of projects for which congestion impacts were computed. In past RFOs the congestion study had been conducted by ABB Inc. ABB was unable to do so for the 2009 study. PA agreed that it was reasonable for SDG&E's transmission planning group to conduct the study given the separation from the procurement group provided for under the FERC Code of Conduct. As for the 2008 RFO, there was no pre-Sunrise case. Congestion adders for the projects that ranked highest based on the other LCBF components were all small and therefore congestion costs did not affect the composition of the short list.

##### 4.2.4 RA credit

Renewable projects under contract to SDG&E would provide varying amounts of resource adequacy (RA) credit. In the 2008 RPS RFO for which PA served as IE, SDG&E had represented RA as a cost rather than a credit, based on the cost SDG&E would incur for additional RA credits equal to the difference between a bid's capacity and its own RA credit. PA argued that this approach unduly relied on a bid's "nameplate" capacity, which had no real relation to any commodity the bid provided to SDG&E and which could in some cases be an artificial value. SDG&E accepted PA's argument for the 2009 RFO and assigned each bid a cost credit equal to the value of the RA credit the bid would be expected to receive based on technology and the RA capacity credits that have been assigned by CAISO to projects of similar technology (normalized by capacity). The result is an annual RA credit in \$/year (a unit cost in \$/kW-yr multiplied by capacity in kW). The credit is converted to levelized \$/MWh, similar to the levelization of the offer price term.

#### 4. Fairness of the design of SDG&E's methodology for bid evaluation and selection

##### 4.2.5 Duration equalization

In past Renewables RFOs, SDG&E used a "duration equalization" approach to handle start and end effects. This has addressed principle 6 from the Template (section 4.1). All contracts were put on an equal term basis by using an early start date (in principle, the earliest start date over all bids) and a late end date (in principle, the latest end date over all bids). The pricing for each contract prior to its start date and after its end date was based on an MPR proxy, that is, a value computed using the CPUC's MPR methodology applied to contemporary cost assumptions. For the 2009 RFO, SDG&E's evaluation model was constructed to use the average bid price of bids shortlisted in 2008 as a proxy instead of the MPR; all other aspects of the design were the same as before.

#### 4.3 EVALUATION OF THE STRENGTHS AND WEAKNESSES OF SDG&E'S LCBF METHODOLOGY IN THIS SOLICITATION

*Template language: "Using the principles identified in section III.A, evaluate the strengths and weaknesses of IOU's methodology in this solicitation:*

- "1. Market valuation
- "2. Evaluation of various technologies and products
- "3. Evaluation of portfolio fit
- "4. Evaluation of bids with varying sizes, in-service dates, and contract length
- "5. Evaluation of bids' transmission costs
- "6. Evaluation of bids' project viability
- "7. Other."

Overall, PA believes that the SDG&E methodology is reasonable. This judgment is within the context of the principles set forth in 4.1, especially the last: "The methodology does not have to be the one that the IE would independently have selected but it needs to be 'reasonable'." PA has detailed comments on a limited number of the points above.

##### 4.3.1 Evaluation of various technologies and products

PA did not detect any technology bias in the methodology

[REDACTED]

#### 4.3.2 Evaluation of portfolio fit

The Renewable Portfolio Standard is based on raw renewable MWh, with no time differentiation. Furthermore, the quantitative LCBF analysis is but part of a process that includes consideration of bidders' track records and viability and extensive negotiation – another IE has characterized the process as more like a “competitive negotiation” rather than a sealed-bid auction.<sup>10</sup> SDG&E's LCBF computation bears a similar relation to a more complex time-differentiated analysis as a “screening curve” analysis does to an optimal capacity expansion model; yet as a part of a larger process the screening curve analysis is often quite adequate.

#### 4.3.3 Evaluation of bids' transmission costs

PA assigned TRCR clusters to those projects that did not provide such information. PA did not consider SCE's TRCR to contain a sufficient definition of its clusters, and requested additional information, which was received from an SCE attorney. In mid-August, PA was informed that SDG&E's procurement group was considering requesting from its transmission planning group a special TRCR-like upgrade analysis for Imperial Valley resources, but if such a study was conducted its results were not used in the LCBF evaluation. SDG&E's Evaluation Team requested a congestion analysis from SDG&E's Transmission function; PA reviewed the information provided by the Evaluation Team and ensured that no data was transmitted that could identify bidders.

#### 4.3.4 Evaluation of bids' project viability

SDG&E eliminated certain bids due to low viability. These judgments did not always accord with bidders' Project Viability Calculators, which had been self-scored. It was necessary to rescore all high-ranking bids. [REDACTED]

### 4.4 FUTURE IMPROVEMENTS

*Template language: “What future LCBF improvements would you recommend?”*

PA has no improvements to recommend at this time.

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<sup>10</sup> Private conversation.

4. Fairness of the design of SDG&E's methodology for bid evaluation and selection

**4.5 ADDITIONAL COMMENT ON THE METHODOLOGY**

*Template language: "Any additional information or observations regarding the IOU's evaluation methodology."*

PA has nothing else to add to this chapter.

## 5. PROCEDURAL FAIRNESS OF THE BID EVALUATION

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*Template language: "Was the LCBF bid evaluation process fairly administered?"*

This chapter addresses the application or administration of the methodology described in chapter 4

### 5.1 PRINCIPLES USED TO DETERMINE FAIRNESS OF PROCESS

*Template language: "A. Identify guidelines used to determine fairness of evaluation process. Example guidelines (each IE should identify the specific guidelines he/she used in his/her evaluation)"*

1. *Were all bids treated the same regardless of the identity of the bidder?*
2. *Were bidder questions answered fairly and consistently and the answers made available to all bidders?*
3. *Did the utility ask for "clarifications" that provided one bidder an advantage over others?*
4. *Was the economic evaluation of the bids fair and consistent?*
5. *Was there a reasonable justification for any fixed parameters that were a part of the IOU's LCBF methodology (e.g., RMR values; debt equivalence parameters)?*
6. *What qualitative and quantitative factors were used to evaluate bids?"*

As in the previous section, PA used principles originally codified by PA in its report on SDG&E's 2006 RPS RFO:<sup>11</sup>

- Were affiliate bids treated the same as non-affiliate?
- Were bidder questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for "clarifications" that provided the bidder an advantage over others?
- Were bids given equal credibility in the economic evaluation?
- Was the procurement target chosen so that SDG&E would have a reasonable chance of meeting its 20% target (taking into account contract failures)?
- Was there a reasonable justification for any fixed parameters that enter into the methodology (e.g., RMR values; debt equivalence parameters)?
- Were qualitative factors used only to distinguish among substantially equal bids?

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<sup>11</sup> Jacobs, op. cit., p. 3-1.

## 5.2 ADMINISTRATION AND BID PROCESSING

*Template language: "Utilizing the guidelines in Section IV.A, describe the IE methodology used to evaluate administration of the IOU LCBF process."*

A complete description of PA's activities is in section 2.3. Most of the guidelines above are addressed in detail in subsequent sections of this chapter, but three of them, which are not addressed below, can be answered here succinctly:

- Bidder questions were answered fairly and consistently.
- SDG&E did not ask for clarifications in such a way as to advantage any bidder.
- All bids were given equal credibility in the quantitative (LCBF) evaluation.

## 5.3 CONFORMANCE CHECK

*Template language: "Did the utility identify, for each bid, the terms that deviate from the utility RFO? Did the IOU identify nonconforming bids fairly – fair both to the nonconforming bidders and to conforming bidders?"*

PA verified that each offer received conformed with the requirements of the RFO. Nonconforming bids were identified as such but not immediately discarded. As in previous renewables solicitation, the RFO stated that non-conformance "may disqualify [a] proposal from further consideration". SDG&E and PA interpreted this somewhat broadly and attempted to evaluate the nonconforming bids if possible. Extensive efforts were made to contact bidders and give them opportunities to provide additional information that would bring their bids into conformance. PA recommended that SDG&E eliminate a small number of offers as non-conforming:

[REDACTED]

PA believes that SDG&E's treatment of non-conforming bids was fair and reasonable.

#### 5.4 PARAMETERS AND INPUTS FOR SDG&E'S ANALYSIS

*Template language: "If the IOU conducted any part of the bid evaluation, were the parameters and inputs determined reasonably and fairly? What controls were in place to ensure that the parameters and inputs were reasonable and fair?"*

The quantitative bid analysis was conducted by PA. Certain key parameters were supplied by SDG&E independent of any bids, including the RA price estimate, RA cost factors, the proxy price for duration equalization, TOU pricing factors, and financial parameters of the revenue requirements model for Alternative III bids. Parameters and inputs for the congestion analysis were determined by SDG&E's transmission function independent of the procurement group.

#### 5.5 PARAMETERS AND INPUTS FOR OUTSOURCED ANALYSIS

*Template language: "If the IE or a third party conducted any part of the bid evaluation, what information/data did the utility communicate to that party and what controls did the utility exercise over the quality or specifics of the out-sourced analysis?"*

PA conducted the quantitative LCBF analyzing using a spreadsheet model and parameters supplied by SDG&E. SDG&E and PA were in communication throughout the analysis, generally about modifications to the model that became necessary in the course of the analysis and about missing data. SDG&E did not exercise control over the quality or specifics of the analysis. SDG&E and PA did work together to identify and solicit missing information from bidders.

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined by a study conducted by SDG&E's transmission function. SDG&E's procurement group communicated to the transmission function the locations and general characteristics of a set of high-ranking bids for this analysis. PA reviewed that communication to ensure it included no identifying information.

#### 5.6 TRANSMISSION ANALYSIS

*Template language: "Were transmission cost adders and integration costs properly assessed and applied to bids?"*

For offers for new projects or projects proposing to increase the size of existing facilities, SDG&E's model calculated costs for transmission network upgrades or additions, using the information provided through the TRCRs or a CAISO-approved, completed System Impact Study. PA identified clusters for projects whose bids did not contain that information. Projects outside of the California ISO were expected to have internalized the cost of transmission to the ISO, as well as the cost of required transmission upgrades outside the ISO, into their bid price; they could still be assigned additional upgrade costs within California based on the TRCRs.



## 5. Procedural fairness of the bid evaluation

### 5.7 ADDITIONAL ISSUES

*Template language: “Describe any additional criteria or analysis used in creating its short list (e.g. seller concentration). Were the additional criteria included in the solicitation materials?”*

#### 5.7.1 Affiliate bids and UOG ownership proposals

The treatment of affiliate bids has been a focus of PA throughout its tenure as Independent Evaluator for SDG&E. Although the Energy Division’s template does not specifically call for discussion of the handling of affiliate bids and UOG ownership proposals, the CPUC and FERC have both expressed concern about the fair treatment of non-affiliate bids. They required particular attention in past RFOs because SDG&E was conducting the evaluation itself, rather than having the IE do so. In this case, since PA conducted the evaluation, no special “masking” was required as in past RFOs.

SDG&E provided three alternative forms for bids: PPA, PPA with buyout option, and turnkey. The latter two are utility ownership forms. Several bidders submitted Alternative II (PPA with buyout) bids. In all cases these were additional options to Alternative I bids but the buyouts did not provide identifiable value. Several bidders submitted Alternative III (turnkey) bids, which were evaluated using a variant of a “revenue requirements” model and treating the revenue requirement to finance the purchase similarly to an annual PPA payment.

#### 5.7.2 Viability

Developer and project viability have become a key concern in the Renewable RFO, because of the delays and contract failures that have affected several projects. The CPUC devoted special attention to viability in 2009, requiring “that each IOU include a project viability methodology and calculator in its amended 2009 Procurement Plan and solicitation package.”<sup>12</sup>

SDG&E requested bidders to complete a Project Viability Calculator (PVC) for each bid, rather than fill out the PVC for each bid. The PVC form was based on the format developed by the Energy Division. This was in order to avoid having the utility or IE create a PVC for every bid, since SDG&E did not know in advance how many bids would be received. In the event, [REDACTED] separate project proposals were received

SDG&E’s intent was that after the quantitative evaluation it would eliminate bids that, while scoring high, did not appear viable. One basis for doing so could have been the bidder-supplied PVCs; however, SDG&E and PA both expected bidders to take an optimistic view of viability and had therefore decided to rescore the PVCs from those bidders who scored highest in the LCBF ranking, beginning from the bidders’ own scoring. SDG&E and PA separately rescored sets of high-ranking bids. [REDACTED]

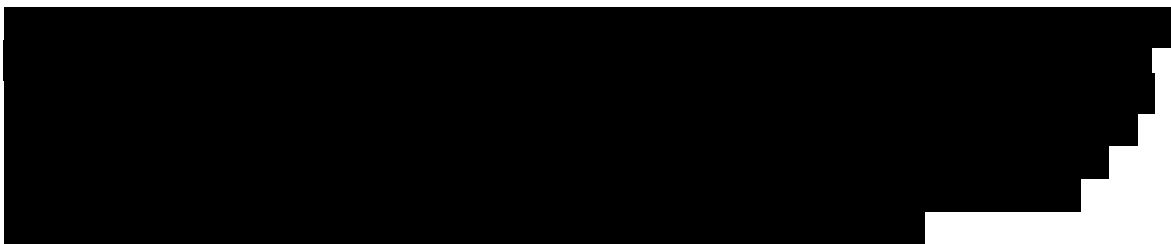
The original and revised scores are shown in Figure 1 in section 5.8.

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<sup>12</sup> D. 09-06-018, p. 21.

## 5. Procedural fairness of the bid evaluation

### 5.7.3 Concentration risk



## 5.8 RESULTS ANALYSIS

*Template language:* 1. Please identify instances where the IE and the IOU disagreed in the LCBF evaluation process.

- a. Discuss any problems and solutions
  - b. Identify specific bids if appropriate
  - c. Does the IE agree that the IOU made reasonable and justifiable decisions to exclude, shortlist and or/ execute contracts with projects? If the IE did its own separate bid ranking and selection process and it differed from the IOU's results, then identify and describe differences.
  - d. What actions were taken by the IOU to rectify any deficiencies associated with rejected bids?
  - e. Other
2. Overall, was the overall bid evaluation fairly administered?"

One of the most important aspects of the Renewables RFO is the need determination. Under the Renewable Portfolio Standard, utilities seek to obtain at least 20% of their 2010 retail deliveries from renewable sources. SDG&E has further committed to obtain 33% of its 2020 retail deliveries from renewable sources. The primary goal of RPS procurement is total renewable volume. For an individual Renewable RFO, this translates to a "need" target.

In the past, SDG&E has determined its renewable need based on a target of 24-26% of its 2010 deliveries "to provide a margin of safety in the event contracted resources do not achieve commercial operation by 2010."<sup>13</sup> In 2009, SDG&E set a target at that fraction (24-26%) in "2011-2013" since the 2009 RFO could not yield capacity in 2010. SDG&E computed the energy expected to be produced in 2012 by all contracts already signed, plus the "discounted" energy from contracts currently in negotiation, to be in excess of 26% of load. Therefore SDG&E reasoned it had no need except if it had underestimated contract failure probabilities.

SDG&E took a "largest hazard" approach, and analyzed the largest hazard in two ways: (a) the largest individual expected delivery volume; (b) the total expected delivery from contracts

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<sup>13</sup> Ibid., p. 11.

5. Procedural fairness of the bid evaluation

with viability scores [REDACTED]. [REDACTED]  
[REDACTED]  
[REDACTED] PA concurs that all  
these decisions are reasonable.

[REDACTED]

SDG&E generally shortlisted bids in order of LCBF ranking, but in two cases chose not to shortlist bids due to low viability. The viability scores are illustrated in Figure 1. The two rejected bids are indicated by red X's. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In PA's opinion, SDG&E conducted the RFO in fair and equitable manner.

[REDACTED]

[REDACTED]

[REDACTED]

## 5.9 ADDITIONAL ISSUES

*Template language: "Any other relevant information or observations."*

PA has nothing else to add to this chapter.

## 6. FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS

Pattern Energy bid the 299 MW Ocotillo Express wind project into SDG&E's 2009 Renewables RFO. [REDACTED]

PA participated in only one meeting with Pattern [REDACTED] PA had determined that since there was no affiliate relationship it would be sufficient for PA to regularly discuss the progress of negotiations with SDG&E, and to review any negotiation products.

### 6.1 PRINCIPLES OF EVALUATION

*Template language: "A. Identify principles used to evaluate the fairness of the negotiations."*

The key questions are whether SDG&E showed favoritism to this or any other bidder, and whether SDG&E negotiated harder or less hard with them than with any other bidder. Note that in the context of negotiations, favoritism toward a bidder is not the same as favoritism toward a technology.

### 6.2 PROJECT-SPECIFIC NEGOTIATIONS

*Template language: "Using the above principles (section V.A), please evaluate fairness of project-specific negotiations."*

In general PA does not directly observe most contract negotiations, except for those with affiliates. PA follows negotiations through discussions with SDG&E, summaries of current proposals and SDG&E's reports to its Procurement Review Group. This is consistent with the original understanding of PA's role as IE, which was developed when PA and SDG&E negotiated their initial contract (with the participation of the PRG).

[REDACTED]

[REDACTED]

It is PA's opinion that the Pattern Ocotillo Express contract reflects fair negotiations.

### 6.3 TERMS AND CONDITIONS

*Template language: "Identify the terms and conditions that underwent significant changes during the course of negotiations."*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>14</sup> California Public Utilities Commission, Decision (D.) 04-06-013, May 26, 2006, p. 35.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### 6.4 RELATION TO OTHER NEGOTIATIONS

*Template language: "Was similar information/options made available to other bidders, e.g. if a bidder was told to reduce its price down to \$X, was the same information made available to others?"*

PA does not believe that SDG&E provided Pattern Energy with information of the type addressed here. [REDACTED]

#### 6.5 ADDITIONAL ISSUES

*Template language: "Any other relevant information or observations."*

PA has nothing else to add to this chapter.

## 7. PROJECT-SPECIFIC RECOMMENDATION

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PA agrees with SDG&E that the Pattern Ocotillo Express contract merits CPUC approval.

### 7.1 EVALUATION

*Template language: "A. Provide narrative for each category and describe the project's ranking relative to: 1) other bids from the solicitation and 2) from an overall market perspective:*

1. *Contract Price, including transmission cost adders*
2. *Portfolio Fit*
3. *Project Viability*
  - a. *Project Viability Calculator score*
  - b. *IOU-specific project viability measures*
  - c. *Other (credit and collateral, developer's project development portfolio, other site-related matters, etc.)*
4. *Any other relevant factors."*

[REDACTED]

1. [REDACTED]

[REDACTED]

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

[REDACTED]

[REDACTED]



### 7.1.1 Relative Pricing

PA re-evaluated the Ocotillo Express contract using the same evaluation model that had been used for the 2009 Renewables RFO.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**7.1.2 Upgrade costs**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**7.1.3 Project Viability Calculator**

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

## 7.2 RECOMMENDATION

*Template language: "Do you agree with the IOU that the contract merits CPUC approval? Explain the merits of the contract based on bid evaluation, contract negotiations, final price, and viability."*

PA agrees with SDG&E that the Pattern Ocotillo Express contract merits approval.

## *7. Project-specific recommendation*

### **7.3 ADDITIONAL ISSUES**

*Template language: "Any other relevant information or observations."*

PA has nothing else to add to this chapter.