

Application No.: A.12-06-xxx  
Exhibit No.: \_\_\_\_\_  
Witness: Sally Chen  
Date: June 1, 2012

SAN DIEGO GAS & ELECTRIC COMPANY  
PREPARED DIRECT TESTIMONY OF  
SALLY CHEN

**\*\*REDACTED PUBLIC VERSION\*\***

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

June 1, 2012



## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>II.</b>	<b>DESCRIPTION OF EXPENSES.....</b>	<b>1</b>
	<b>A. Load ISO Charges.....</b>	<b>1</b>
	<b>B. Supply ISO Revenues .....</b>	<b>1</b>
	<b>C. Contract Costs (non-Competition Transition Charge [“CTC”]) .....</b>	<b>1</b>
	<b>D. Contract Costs (CTC up to market).....</b>	<b>2</b>
	<b>E. Generation Fuel.....</b>	<b>2</b>
	<b>F. Other ISO Related Costs .....</b>	<b>3</b>
	<b>G. Hedging Costs &amp; Financial Transactions .....</b>	<b>3</b>
	<b>H. Rebalancing Costs related to OMEC .....</b>	<b>3</b>
	<b>I. Other Expenses.....</b>	<b>3</b>
<b>III.</b>	<b>CONTRACT ADMINISTRATION .....</b>	<b>3</b>
	<b>A. Contract Administration Routine Tasks .....</b>	<b>4</b>
	<b>1. Kick Off Meetings.....</b>	<b>4</b>
	<b>2. Invoice Verification.....</b>	<b>4</b>
	<b>3. Western Renewable Energy Generation Information     System (“WREGIS”) Administration .....</b>	<b>4</b>
	<b>4. Active Monitoring .....</b>	<b>5</b>
	<b>5. Contract System Administration.....</b>	<b>6</b>
	<b>B. Renewable Resources.....</b>	<b>6</b>
	<b>1. Bio-Mass.....</b>	<b>6</b>
	<b>3. Wind .....</b>	<b>10</b>
	<b>4. Hydro .....</b>	<b>12</b>
	<b>5. Geothermal .....</b>	<b>12</b>
	<b>1. Payments to QFs .....</b>	<b>14</b>
	<b>2. Efficiency Monitoring.....</b>	<b>14</b>
	<b>3. Insurance Monitoring.....</b>	<b>15</b>
	<b>4. QF Performance.....</b>	<b>16</b>
	<b>D. Bilateral Power Purchase Contracts .....</b>	<b>18</b>
	<b>E. Tolling Agreements.....</b>	<b>20</b>
	<b>F. CDWR Power Purchase Contracts .....</b>	<b>22</b>
	<b>G. Historical Purchases .....</b>	<b>27</b>
<b>IV.</b>	<b>CONCLUSION .....</b>	<b>28</b>
<b>V.</b>	<b>QUALIFICATIONS .....</b>	<b>29</b>



1 Cajon Energy, LLC; and Orange Grove Energy, LP) and bilateral contracts (Escondido Energy  
2 Center and Celerity 1), including capacity, energy, fuel and transportation costs associated with the  
3 tolling agreements. In addition, the in-lieu of gas franchise fees payable to the County of San Diego  
4 related to the Otay Mesa Energy Center (“OMEC”) were included in this expense category.

5 **D. Contract Costs (CTC up to market)**

6 The monthly expenses recorded in ERRRA for the Portland General Electric Boardman (“PGE  
7 Boardman”) power purchase agreement only included the market benchmark value of the contract in  
8 accordance with D.02-12-074. For the record period, D.11-07-041 established the benchmark to  
9 4.25 cents/kilowatt-hour (“kWh”). To determine the market value expenses for PGE Boardman, the  
10 kWh of energy received each month from PGE Boardman was multiplied by the effective market  
11 benchmarks.

12 In addition, this category also includes the monthly expenses recorded in ERRRA for the  
13 Qualifying Facilities (“QFs”) power purchase agreements included the market benchmark value of  
14 the contract in accordance with D.02-12-074. Similar to PGE Boardman as mentioned above, to  
15 determine the market value of expenses for the eligible QFs, the kWh of energy received each month  
16 from eligible QFs was multiplied by the market benchmark. Pursuant to D.02-12-074, ongoing  
17 transition costs (above market) associated with eligible QF contracts and PGE Boardman, were  
18 recorded in the TCBA. The 2011 activity in SDG&E’s TCBA is described in more detail in the  
19 testimony of Ms. Jenison, specifically in Attachment B.

20 **E. Generation Fuel**

21 In accordance with Commission Resolutions E-3953 and E-3988, D.09-01-008, and D.07-11-  
22 046, the monthly recorded fuel and transportation expenses for the following facilities were recorded  
23 in ERRRA: Miramar Energy Center I (“MEF I”), Miramar Energy Center II (“MEF II”) (collectively,  
24 MEF I and II are known as “Miramar”), Palomar Energy Center (“Palomar”), and Desert Star  
25 Energy Center (“Desert Star”). In addition, the in-lieu of gas franchise fees paid to the Cities of  
26 Escondido and San Diego related to Palomar and Miramar respectively were included in this  
27 expense category.

28 This category also captures the monthly expenses recorded for the nuclear fuel expenses for  
29 Units 2 and 3 for San Onofre Nuclear Generating Station (“SONGS”). These expenses consist of the  
30 amortization of nuclear fuel based on power generated, the Department of Energy spent fuel disposal

1 fee based on power generated, and nuclear fuel carrying costs for nuclear fuel in inventory and in the  
2 reactor.

3 **F. Other ISO Related Costs**

4 Included in this category are: SDG&E's share of ISO expenses for SONGS that were billed  
5 by Southern California Edison ("SCE") as the Scheduling Coordinator for SONGS; revenues and  
6 charges associated with transmission losses, ancillary services, and real-time energy in SDG&E's  
7 role as a scheduling coordinator for the California Department of Water Resources ("CDWR")  
8 allocated contracts with Sunrise Power Plant, CalPeak Power (Escondido, El Cajon, Border),  
9 Whitewater Hill Wind, and Whitewater Cabazon Wind, according to a March 13, 2009 Assigned  
10 Commissioner's Ruling,<sup>1</sup> adopting changes to the Investor-Owned Utilities' ("IOUs") operation and  
11 administration of allocated CDWR contracts.

12 **G. Hedging Costs & Financial Transactions**

13 This expense category captured the monthly expenses for hedging generation fuel and QF  
14 energy expenses.

15 **H. Rebalancing Costs related to OMEC**

16 SDG&E recorded the monthly rebalancing costs associated with the Revised OMEC power  
17 purchase agreement in compliance with D.06-09-021.<sup>2</sup>

18 **I. Other Expenses**

19 The other categories capture any true-ups, rebates and ERRA audit costs.

20 **III. CONTRACT ADMINISTRATION**

21 The Settlements and Administration ("SA") section within SDG&E's Electric and Fuel  
22 Procurement department is responsible for administering all of the active power purchase  
23 agreements.

24 During the record period, SDG&E's electricity portfolio consisted of both Utility Electric  
25 Generation ("UEG") and various resources under contract with CDWR. The UEG portion of the  
26 portfolio is comprised of utility owned generation and a combination of renewable, QF and bilateral

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<sup>1</sup> In preparation for MRTU, on February 13, 2009, in R.06-07-010, the IOUs filed a joint motion describing operation and administrative changes under MRTU agreed to with CDWR. On March 13, 2009 an Assigned Commissioner's Ruling was issued agreeing to these changes. This included inclusion of expenses in ERRA that previously had been included in CDWR's annual revenue requirement.

<sup>2</sup> See also, D.11-07-041 at Ordering Paragraph 2.

1 agreements. SDG&E's generating facilities during the record period were SDG&E's 20%  
2 ownership of SONGS, 100% ownership of MEF I & II (each with a 46 MW capacity), 100%  
3 ownership of Palomar (565 MW), and 100% ownership of the newly acquired Desert Star (480  
4 MW). Beginning January 1, 2003, SDG&E administered various CDWR contracts allocated to  
5 SDG&E pursuant to D.01-10-024. SDG&E's administrative activities are performed in accordance  
6 with the Operating Agreement between SDG&E and CDWR, executed in February 2003. During  
7 the record period, the SA section provided limited administrative support to CDWR for the contracts  
8 allocated to SDG&E.

9 **A. Contract Administration Routine Tasks**

10 Below are the tasks SA performs on a routine basis to ensure compliance to both contract  
11 terms and regulatory requirements. Administration for QF and CDWR contracts are different, which  
12 will be explained in later sections.

13 **1. Kick Off Meetings**

14 Before a new project reaches its Commercial Operating Date ("COD"), SA conducts a  
15 kickoff meeting with the new counterparty to introduce staff, review the scheduling communication  
16 protocol, and discuss the invoicing procedure. The purpose of the meeting is to ensure a smooth  
17 transition from construction phase to operation.

18 **2. Invoice Verification**

19 For all non-QF contracts, the Sellers issue monthly invoices at the end of every month to  
20 SDG&E. Based on contract terms, and the daily communication records, the SA staff verifies the  
21 details of the invoice, including, but not limited to: price and quantity of energy delivered or  
22 scheduled, price of capacity, time of delivery factors, index prices, number of startups, and validity  
23 of any adjustment in the invoice. The SA staff follows the complete payment process to verify it is  
24 done in a timely manner according to the contract.

25 If there is any dispute over the historical settlement, the SA staff is responsible for  
26 coordinating, investigating, and making corrections if necessary in the time frame given in the  
27 contract and applicable tariffs.

28 **3. Western Renewable Energy Generation Information System**  
29 **("WREGIS") Administration**

30 Starting in 2007, as part of the Renewable Portfolio Standard ("RPS") compliance effort, the  
31 California Energy Commission ("CEC"), Western Governors' Association and Western Electricity

1 Coordinating Council jointly launched implementation of WREGIS, which tracks renewable energy  
2 generation from units that register in the system using verifiable data and creates renewable energy  
3 certificates (“RECs”) for this generation. In 2008, SDG&E became an account holder and qualified  
4 reporting entity within WREGIS, and worked with the renewable counterparties to register each  
5 facility into the system. SDG&E began reporting renewable generation from these facilities through  
6 WREGIS starting on May 1, 2008. During the record period, SA staff diligently monitored and  
7 administrated the accounts, and worked closely with WREGIS and CEC staff. During December of  
8 the record period, to be compliant with CPUC’s three-year RPS compliance rule, SDG&E retired the  
9 Whitewater Cabazon Wind and Whitewater Hill Wind RECs associated with 2009 and 2010  
10 generation into WREGIS.

#### 11 **4. Active Monitoring**

12 Most of the power purchase contracts require contract administrators to monitor and track  
13 generation to ensure Sellers’ compliance with the contract terms through the life of the contracts.  
14 This includes, but is not limited to: generation, insurance, credit requirements and status, and  
15 compliance with regulatory requirements and reporting. The Contract Administrators work closely  
16 with the Sellers immediately when any noticeable abnormal operating behavior occurs, and also  
17 work with the Sellers to address any needs they should have from SDG&E regarding the Power  
18 Purchase Agreements (“PPAs”).

19 Particularly for the renewable contracts, D.10-06-004 mandated SDG&E to actively monitor  
20 Sellers’ compliance with Standard Terms and Conditions 6 (“STC 6”), as defined in the California  
21 Public Utilities Code.<sup>3</sup> SDG&E implemented the following method of active monitoring:

- 22 (i) request Sellers’ copies of CEC certification;
- 23 (ii) request Sellers to register the contracted facility with WREGIS;
- 24 (iii) verify the Seller-provided CEC RPS ID through the WREGIS certificates and  
25 upload periodically; and
- 26 (iv) send out a questionnaire after the year end to each Seller to certify the product  
27 SDG&E received during the record period was indeed in compliance with  
28 STC 6.

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<sup>3</sup> STC 6 requires the Sellers warrant throughout the term of the PPA that (i) the Project qualifies and is certified by the CEC as an Eligible Renewable Energy Resource (“ERR”) as such term is defined in the Public Utilities Code (“P.U. Code”) Section 399.12 or Section 399.16; and (ii) the Project’s output delivered to Buyer qualifies under the requirements of the California Renewable Portfolio Standard. To the extent a change in Law occurs after execution of this agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in Law.

1 As a result of its active monitoring, SDG&E found all RPS sellers' projects are compliant to  
2 STC6 based on above activities (i), (ii) and (iii). All Sellers responded to our questionnaire at year  
3 end according to (iv) above, confirming compliance with STC 6.

#### 4 **5. Contract System Administration**

5 During the record period, SDG&E converted its electronic contract management system from  
6 Enterprise Contract Management, to Allegro, a trading and tracking system used in the front, mid  
7 and back office of SDG&E's Electric and Fuels Procurement Department. Allegro offers repository  
8 features for SA contract administration, with flexibility to research the contract information. It also  
9 creates an audit trail when changes are made to contracts in the system.

#### 10 **B. Renewable Resources**

11 SDG&E's renewable portfolio is comprised of resources from PPAs stemming from  
12 competitive solicitations, bilateral agreements and standard offer QFs.

13 A description of renewable resource projects that delivered energy to SDG&E during the  
14 record period, arranged by technology type, is provided below along with discussions of activities  
15 unique to each project agreement. Unless stated otherwise, all agreements resulted from competitive  
16 solicitations.<sup>4</sup>

#### 17 **1. Bio-Mass**

18 SDG&E has agreements with two projects supplying 60 MW of generation from biomass  
19 projects. The agreements are with:

- 20 • Covanta Delano: As extended from the previous contract, which terminated on  
21 December 31, 2007, this contract became effective January 1, 2008. The total  
22 nameplate output rating is 49 MW and the guaranteed minimum annual delivery  
23 is 300,468 MWh. This contract has a term of ten years, January 1, 2008 through  
24 December 31, 2017. The energy price in 2008 was \$40.20/MWh and escalates to  
25 approximately \$54.08/MWh in 2017. The annual capacity price in 2008 was  
26 \$268.00/kW-yr and reduces to \$146.00/kW-yr in 2017.

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<sup>4</sup> Descriptions are limited to Edison Electric Institution ("EEI") renewable agreements signed in 2002 and beyond that actually delivered energy or required contract administration activities during the record period. Consistent with testimony in previous years, SDG&E is not elaborating on the standard offer QF-renewable facilities which existed before 2002. These pre-existing renewable projects account for less than 0.3% of SDG&E's electric portfolio and only add up to 10.6 MW.



- Blue Lake: This PPA with SDG&E was executed on June 9, 2008 for a term of fifteen years starting on April 30, 2010. Under the PPA, the project provides SDG&E with 11 MW of delivered energy at the price of [REDACTED]. During the record period, [REDACTED]

## 2. BIO-GAS

SDG&E has agreements with eleven projects supplying 29 MW of generation from bio-gas projects during the record period. These agreements were authorized by CPUC Resolutions E-3803, E-3965, E-4070, E-4081 and D.08-09-033. Nine of the eleven projects are located in San Diego County. The agreements are with:

- Gas Recovery Systems, Inc (“GRS”) – Coyote Canyon: The GRS agreement for the Coyote Canyon landfill facility in Irvine, California was signed on October 31, 2002. The project began deliveries on schedule in January 2003. The facility provides SDG&E with about 7 MW of as-available capacity and energy for a term of ten years. The all-in price is \$53.70/MWh, which is fixed for the term of the agreement. Due to the landfill’s declining supply of bio-gas, GRS Coyote’s capacity and annual guaranteed energy production also declines over the years. In 2011, the annual guaranteed energy production was 37,055 MWhs, and the capacity level was at 5.6 MW. On February 27, 2009, SDG&E and GRS Coyote Canyon executed the First Amendment to enable ISTs between the two parties post MRTU, and has been transacting Inter Scheduling Coordinator Transactions (“ISTs”) since April 2009.
- GRS – Sycamore: The GRS agreement for the Sycamore landfill facility in Santee, California was signed on October 31, 2002. The project began deliveries in April 2004.

1 The facility provides SDG&E 2.5 MW of as-available capacity and energy for a term of  
2 ten years. The all-in price is \$53.70/MWh, which is fixed for the term of the agreement.  
3 The plant provides SDG&E with a Guaranteed Annual Energy Production of 16,425  
4 MWhs. On February 27, 2009, SDG&E and GRS Sycamore executed the First  
5 Amendment to enable Inter Scheduling Coordinator Transactions (“ISTs”) between the  
6 two parties post MRTU, and has been transacting ISTs since April 2009.

- 7 • Minnesota Methane San Diego LLC (“MM San Diego”): The two MM San Diego  
8 projects, Miramar and North City Landfills, converted their QF Power Purchase and Sale  
9 Agreements (“PPSAs”) into renewable agreements in May 2003. Under the original  
10 PPSA, both projects sold their excess energy to SDG&E under terms pre-approved by the  
11 CPUC. The PPSAs terminated and the renewable agreements became effective on May  
12 21, 2003. The initial price was \$48.39/MWh and escalates based on the change in the  
13 Consumer Price Index – All Urban Consumers, San Diego Area, as published by the U.S.  
14 Department of Labor, Bureau of Labor Statistics. The annual escalation is capped at  
15 1.5% per year. During the record period, the price from January 1 through April 30 was  
16 \$53.70/MWh; and the price from May 1 through December 31 was \$54.50/MWh.
  - 17 ○ Miramar Landfill: This is a 3 MW project located at the Miramar Land Fill. Under  
18 the new agreement, Miramar continues to deliver 3 MW of as-available capacity and  
19 energy to SDG&E. The term of the agreement is ten years, beginning May 20, 2003.  
20 The project guarantees to deliver to SDG&E 20,000 MWhs each year.
  - 21 ○ North City Landfill (“North City”): North City is a 1 MW facility. Under the new  
22 agreements, the project will continue to deliver 1 MW of as-available capacity and  
23 energy to SDG&E. The term of the agreement is ten years from May 21, 2003.  
24 North City guarantees to deliver to SDG&E 5,000 MWhs each year.
- 25 • Minnesota Methane Prima Deshecha Energy LLC (“Prima”): As of October 1, 2007, this  
26 facility is under a new agreement replacing a prior contract. The contract term is fifteen  
27 years. Throughout the term of the contract, the capacity increases from 6.1 MW to 15.25  
28 MW, and the contract price increases from \$48.50/MWh to \$68.53/MWh. During the  
29 record period, the contract capacity was 6.1 MW, and the guaranteed annual delivery to  
30 SDG&E was 34,554 MWhs. In the record period, the price from January 1 through

1 October 31 was \$52.23/MWh; and the price from November 1 to December 31 was  
2 \$53.53/MWh.

- 3 • City of San Diego Metropolitan Wastewater Department (“Point Loma”): Point Loma  
4 executed an amendment with SDG&E on December 22, 2006. It became effective on  
5 January 1, 2008. The contract has a termination date of December 31, 2012, with the  
6 Seller’s option to extend the delivery period beyond December 31, 2012 for consecutive  
7 one year periods up to five times. Point Loma delivers 4.8 MW of as-available capacity  
8 and energy to SDG&E, and is guaranteed to deliver to SDG&E 10,000 MWhs each year  
9 at a price of \$75.60/MWh for the duration of the agreement.
- 10 • Covanta Otay 3: This PPA was executed on August 31, 2005. Under the agreement, the  
11 project delivers 3.75 MW of as-available capacity and energy to SDG&E. The term of  
12 the agreement is ten years from March 8, 2007. Covanta Otay 3 is guaranteed to deliver  
13 to SDG&E 20,000 MWh each year at a price of \$57.00/MWh.
- 14 • Otay I and Otay II Landfills:
  - 15 ○ Otay 1 Landfill: As Authorized by D.08-09-033, Otay Landfill I executed a Customer  
16 Renewable Energy (“CRE”) Agreement with SDG&E in the record period, and was  
17 effective on May 1, 2009. The agreement has a fixed price of \$100.43/MWh over the  
18 ten-year term with 1.5 MW of capacity and annual expected delivery of 13,140  
19 MWhs.
  - 20 ○ Otay II Landfill: As Authorized by D.08-09-033, Otay Landfill II executed a Feed-In-  
21 Tariff (“FIT”) Agreement with SDG&E in the record period, and was effective on  
22 July 1, 2011. The agreement has a fixed price of \$100.98/MWh over the twenty year  
23 term with 1.5 MW capacity and annual expected delivery of 13,140 MWhs.
- 24 • San Marcos and Sycamore 1 Landfills:
  - 25 ○ San Marcos Landfill: San Marcos Energy executed a Customer Renewable Energy  
26 (“CRE”) Agreement with SDG&E on November 20, 2009, and it began operating on  
27 May 18, 2011. The agreement has a fixed price of \$117.30/MWh over the twenty  
28 year term with 1.5 MW capacity and annual expected delivery of 11,784 MWhs.
  - 29 ○ Sycamore Landfill 1: Sycamore Energy 1 executed a CRE Agreement with SDG&E  
30 on November 20, 2009, and it began operating on May 16, 2011. The agreement has

1 a fixed price of \$117.30/MWh over the twenty year term with 1.5 MW capacity and  
2 annual expected delivery of 11,784 MWhs.

3 **3. Wind**

4 Pursuant to CPUC Resolutions E-3803, E-4335; E-3867, E-4372, E-4192, E-3883 and E-  
5 3890, SDG&E had ten agreements that delivered energy during the record period. Descriptions of  
6 each of the projects, the associated agreements and administration activities are provided below.  
7 The ten agreements provided nameplate capacity totaling 473.3 MW. The agreements are as  
8 follows:

- 9 • Cabazon Wind Partners, LLC: This is a Green Attribute Purchase and Sale Agreement  
10 executed on September 10, 2009. SDG&E purchased the Green Attributes associated  
11 with energy delivered from this 42.9 MW wind facility between January 1, 2009 and  
12 December 31, 2011. The contract price for the Green Attributes is \$ [REDACTED]/MWh for 2009  
13 - 2010 deliveries and \$ [REDACTED]/MWh for 2011 deliveries.
- 14 • Whitewater Hill Partners, LLC: This is a Green Attribute Purchase and Sale Agreement  
15 executed on September 10, 2009. SDG&E purchased the Green Attributes associated  
16 with energy delivered from this 61.5 MW wind facility between January 1, 2009 and  
17 December 31, 2011. The contract price for the Green Attributes is \$ [REDACTED]/MWh for 2009  
18 - 2010 deliveries and \$ [REDACTED]/MWh for 2011 deliveries.
- 19 • Coram Energy, LLC: This is a fifteen year PPSA executed on July 12, 2010. Coram  
20 provides 7.5 MW of as-available wind energy, Green Attributes and Resource Adequacy.  
21 The contract has a tiered pricing structure starting at [REDACTED] and escalated to  
22 [REDACTED]. The project is located in the Tehachapi area of California and delivers to  
23 SP-15. Deliveries under the agreement commenced on February 19, 2011.
- 24 • NEXTERa (also known as WTE Acquisitions, LLC) ("WTE"), and FPL Energy  
25 ("FPLE"): This agreement is a fifteen year PPSA. The original agreement was executed  
26 on October 31, 2002 and the assignment was effective April 7, 2004. NEXTERa provides  
27 16.5 MW of as-available capacity and energy with a price of \$52.60/MWh. The project  
28 is located in the Gorgonio Pass area of Riverside County, California and delivers to SP-  
29 15. Deliveries under the agreement commenced on June 29, 2004. SDG&E and  
30 NEXTERa have been transacting IST's since April 2009, post MRTU.

- 1 • Iberdrola Renewables, Inc (also known as PPM Energy, Inc., and PacifiCorp Power  
2 Marketing): There are two projects under agreements with SDG&E. One agreement is a  
3 fifteen year PPSA. It was executed on October 31, 2002, and the project began deliveries  
4 in December 2003. The amount is 22.8 MW of as-available capacity with an energy  
5 price of \$49.15/MWh. The other agreement is also a fifteen year PPA executed on  
6 November 7, 2003, with 2.1 MW of as-available capacity with an energy price of  
7 \$49.15/MWh. Both projects are located in the Palm Springs area of California and  
8 deliver to SP-15. SDG&E and Iberdrola Renewables have been transacting IST's under  
9 their MRTU Agreement since April 2009, post MRTU implementation.
- 10 • Oasis Power Partners, LLC. ("Oasis"): This agreement is a fifteen year power sale  
11 agreement. It was executed on October 30, 2002 and the project commenced deliveries  
12 in December 2004. The project delivers 60 MW of as-available capacity and energy with  
13 a price of \$49.20/MWh. The project is located in the Tehachapi area of California and  
14 delivers to SP-15. SDG&E and Oasis have been transacting IST's under their MRTU  
15 Agreement since April 2009, post MRTU implementation.
- 16 • Kumeyaay Wind LLC ("Kumeyaay"): This agreement is a twenty year power sale  
17 agreement for 50 MW of as-available capacity and energy with an estimated annual  
18 output of 167,900 MWhs. The project is located on the Campo Indian Reservation in  
19 eastern San Diego County. The contract has a tiered pricing structure starting at  
20 \$49.00/MWh and escalating to \$51.75/MWh. The agreement includes an Energy  
21 Production Guarantee of 100,740 MWhs. SDG&E began taking deliveries of the energy  
22 on March 21, 2006. SDG&E and Kumeyaay have been transacting IST's under their  
23 MRTU Agreement since April 2009, post MRTU implementation.
- 24 • Naturener Glacier I: This bilateral agreement was executed on May 16, 2008. This is a  
25 fifteen year power sale agreement for 106.5 MW of as-available wind energy starting  
26 December 29, 2008. The annual estimated output is 325,000 MWhs. The project is  
27 located in Ethridge, Montana. The transaction is a combination of two products. First,  
28 SDG&E buys the output, including green attributes. Second, Glacier I buys back the  
29 output, excluding green attributes, at the same delivery point. The prices for the products  
30 are \$89.00/MWh and \$68.00/MWh respectively.

- Naturener Glacier II: This bilateral agreement was executed on May 23, 2008. This is a fifteen year power sale agreement for 103.5 MW of as-available wind energy starting October 16, 2009. The annual estimated output is 310,000 MWhs. The project is located in Ethridge, Montana. The transaction is a combination of two products. First, SDG&E buys the output, including green attributes. Second, Glacier 2 buys back the output, excluding green attributes, at the same delivery point. On May 5, 2009, this contract was amended, and the prices for the products are \$98.00/MWh and \$68.00/MWh respectively.

#### 4. Hydro

Pursuant to CPUC Resolution E-3868, SDG&E had one agreement that delivered energy during the record period, which is described as follows:

- San Diego County Water Authority (“SDCWA”) – Rancho Penasquitos: This PPA was executed with SDG&E on November 20, 2003 for a term of ten years starting on January 23, 2007. Under the PPA, the project provides SDG&E with 4.5 MW of as-available capacity and energy at the price of \$53.70/MWh.

#### 5. Geothermal

Authorized by CPUC Resolutions E-4448, E-4429, and E-4342, SDG&E had three agreements that delivered energy during the record period. The agreements are as follows:

- Calpine Energy Services, L.P. – WSPP: This agreement was a three month contract executed on September 23, 2011 with energy delivered from October 1, 2011 through December 31, 2011. The contracted firm capacity for the month of October was 10 MW and 12 MW for November-December with a contract price [REDACTED].
- Silicon Valley Power - WSPP: This one year bilateral agreement was executed on June 30, 2011 with a commercial online date of July 1, 2011. This existing project was approved as purchase of renewable power for 40 MW of firm fixed geothermal energy delivered to SDG&E with a price of \$ [REDACTED]/MWh. This project is located in Sonoma and Lake Counties in California.
- Calpine Geysers: This agreement is a five year geothermal contract executed on February 26, 2010. It came online on March 2, 2010. This project operated fifteen separate geothermal power plants from which Calpine provided 25 MW of as-available capacity and energy, including all Green Attributes Energy to SDG&E with a price of

1 [REDACTED]/MWh. The annual estimated output is [REDACTED] MWhs. These power plants are  
2 located in Sonoma and Lake Counties in California.

3 **6. Hybrid Combination**

- 4 • Southern California Edison Company – WSPP: This is a two and one-fourth years  
5 bilateral contract. It was executed on September 26, 2011. As was authorized in CPUC  
6 Resolution E-4448, SDG&E takes delivery of bundled renewable energy (wind, solar,  
7 and geothermal) that began delivery on October 1, 2011 from existing California  
8 facilities. The contracted firm capacity was 164 MW for 2011, and is 29 MW for 2012-  
9 2013 with a contract price [REDACTED]

10 [REDACTED].  
11 **C. QF Resources**

12 During the record period, SDG&E purchased 1,035 GWhs from sixteen QF projects. The  
13 total nameplate rating from these QF projects that delivered energy to SDG&E during the record  
14 period was 253 MW. These QF projects consisted of the following: two Non-standard Agreements;  
15 five Standard Offer 4 (“SO4”); two Standard Offer 2 (“SO2”); and seven Uniform Standard Offer 1  
16 (“USO1”)/Standard Offer 1 (“SO1”).

17 The following four QF contracts, that had sold SDG&E power in the past years, were  
18 terminated during the record period:

- 19 • SO1 - The Miramar Hydro Facility, Alvarado Hydro Facility and Coronado Island  
20 Marriott cogeneration facility.  
21 • SO4 - The Otay Landfill II contract expired and the counterparty executed a CRE  
22 contract.

23 All QF projects that have agreements with SDG&E are located within SDG&E’s electric  
24 service territory with the exception of the Yuma Cogeneration Association, which is located in  
25 Yuma, Arizona.

26 Pursuant to D.07-09-040, the Combined Heat and Power (“CHP”) Settlement became  
27 effective on November 23, 2011. SDG&E’s SA staff sent out letters to each impacted QF  
28 counterparty, notifying them of the Settlement Effective Date. In addition, an Amendment to  
29 Legacy PPAs was provided for execution no later than 180 days from the Settlement Effective Date.  
30 The Amendment allowed the counterparty to select different energy pricing options, which will have  
31 impacts beyond the 2011 record period.

1                   **1.       Payments to QFs**

2                   SDG&E’s Major Markets Billing (“Billing”) department was responsible for the actual  
3 calculation of energy and capacity payments to firm capacity (SO2 and SO4) and as-available QF  
4 agreements with the exception of CP Kelco. The SA section was responsible for paying CP Kelco.

5                   On a monthly basis, Billing calculated the payments due to the firm capacity QFs by using:  
6 (1) the contract payment provisions provided by the SA staff; (2) energy production data for QFs  
7 aggregated by Time-of-Use (this data is provided by SDG&E’s Metering Services Department); (3)  
8 Short Run Avoided Costs (“SRAC”) published monthly by the SA staff; and (4) scheduled  
9 maintenance outage reports for firm capacity QFs.

10                  After the QF’s monthly account total was calculated for SO2 and SO4 agreements, Billing  
11 prepares the QF’s Power Purchase Statements. Additionally, throughout the term of the agreements,  
12 the SA staff ensures that QFs were properly paid by reviewing each SO2 and SO4 Power Purchase  
13 Statement for compliance with the payment provisions of their respective agreements before sending  
14 to the QFs. Along with preparing the monthly billing statement for the firm capacity QFs, Billing  
15 initiated the preparation and mailing of the checks to the QFs.

16                  Billing was also responsible for the preparation of the monthly billing statements for the  
17 other QF PPSAs. Statements for the other QFs are calculated using basically the same information  
18 as outlined above. As with the firm capacity QFs, if the other QF’s account has a credit rather than a  
19 debit balance from the purchase of QF energy, Billing initiated the preparation and mailing of checks  
20 to the QFs.

21                   **2.       Efficiency Monitoring**

22                  In 1991, D.91-05-007 authorized the utilities to monitor the compliance of co-generators with  
23 operating and efficiency standards of the Federal Energy Regulatory Commission (“FERC”). The  
24 program implementing this decision is known as QF Efficiency Monitoring. As a result, SDG&E  
25 QFs were required to submit operating data to SDG&E to demonstrate compliance with FERC  
26 standards.

27                  When it is cost effective, SDG&E takes measures necessary to file complaints at FERC  
28 against those QFs that cannot demonstrate compliance. QFs out of compliance by FERC standards  
29 may lose their QF status and be ordered to refund overpayments to the utility. Based upon the  
30 reported energy use and production for a calendar year, SDG&E determines conformity with the  
31 FERC performance requirements on an annual basis.



1 SDG&E solicited and reviewed the operating and efficiency data for calendar year 2011 in  
2 early 2012. According to the data provided by the counterparties, no QFs had failed to meet  
3 efficiency standards in the record period.

### 4 **3. Insurance Monitoring**

5 The CPUC-approved standard offer agreements required QFs to obtain and maintain  
6 comprehensive general liability insurance during the term of their agreements. SDG&E requires  
7 each QF to provide SDG&E with evidence of insurance coverage that will reimburse SDG&E for all  
8 costs incurred, and any judgments against or damages suffered by SDG&E, as a result of a QF's  
9 actions. In D.82-01-103, the CPUC reaffirmed SDG&E's policy on insurance. In that decision, the  
10 Commission ruled that it is appropriate for QFs to provide insurance coverage at a commercially  
11 reasonable amount; consistent with utility's actual risk of loss; and to name the utility as an  
12 additional insured party under the QF's insurance policy, provided the QF was larger than 100 kW.  
13 Besides QFs, there are a few other bilateral contracts that also have provisions requiring Sellers to  
14 maintain proper insurance.

15 An insurance administration procedure has been established by the SA staff, which is  
16 designed to ensure that SDG&E's counterparties provide their initial insurance certificates before  
17 their projects are first operated in parallel with SDG&E, the insurance policies and insurance carriers  
18 meet SDG&E's approval, and SDG&E's counterparties maintain their insurance throughout the term  
19 of the relevant agreement.

20 Before interconnecting with a generator, SDG&E conducts an insurance check. The SA staff  
21 verifies that the counterparty's insurance is in place and that it meets the requirements of the relevant  
22 agreement. Counterparties that provide the required insurance are authorized to interconnect, while  
23 those who fail to secure the required insurance are denied interconnection until acceptable evidence  
24 of insurance is furnished to SDG&E. This review is completed as part of SDG&E's standard pre-  
25 operational review for PPAs.

26 The SA staff tracks the insurance certificates for compliance and ensures current insurance is  
27 maintained using TrackCertsNow, an Ebix BPO system. At the end of 2008, SDG&E contracted  
28 with ConfirmNet, now Ebix BPO, an industry leader specializing in insurance tracking, and began  
29 officially using TrackCertNow at the beginning of 2009. Ebix generates letters to SDG&E's  
30 counterparties, on SDG&E's behalf, alerting them of upcoming insurance expiration. SDG&E's SA

1 section is responsible for contacting the counterparties when action is required to ensure contract  
2 compliance.

3 D.00-12-037, issued on December 21, 2000, adopted a new set of interconnection standards,  
4 including insurance amounts different from those of the original QF standard offers. During the  
5 record period, the SA staff enforced the insurance requirements in the same manner as they did for  
6 the original standard offers, and there was no non-compliance in terms of insurance tracking by the  
7 end of record period.

#### 8 **4. QF Performance**

9 During the record period, the firm capacity operational QFs totaled about 200 MW. Firm  
10 capacity QFs are required to meet minimum performance provisions during the summer on-peak  
11 period, unless the QF is unable to perform due to an uncontrollable force outage. In those instances,  
12 SDG&E would continue to make firm capacity payments pursuant to the relevant QF contract  
13 provisions.

14 Except for the Yuma Cogeneration Associates (“YCA”) SO2, the SO2 and SO4 agreements  
15 required QFs to maintain a minimum 80 percent capacity factor during the summer on-peak period.  
16 QFs that fail to meet this minimum provision may be placed on probation for a period not to exceed  
17 fifteen months. Those who can operate above an 85% capacity factor during the same period can  
18 earn a capacity bonus.

19 The following describes the largest QF agreements currently under contract with SDG&E:

- 20 • Applied Energy Incorporated: SDG&E has five agreements with Applied Energy Inc.:  
21 AEI Naval Station SO4, AEI North Island SO1 and SO4, and AEI Naval Training  
22 Center/Marine Corps Recruit Depot SO1 and SO4. There were no contract  
23 administration issues during the record period.
  - 24 ○ AEI Naval Station: This QF is located at the Naval Station, San Diego. The  
25 agreement terminates in 2019. The SO4 is for 46.5 MW of firm capacity and energy.  
26 The energy price during the record period was at the SRAC.
  - 27 ○ AEI North Island: This QF is located at the Navy Base, Coronado. The SO4  
28 terminates in 2019. It provides 33.5 MW of firm capacity and energy to SDG&E.  
29 The energy price during the record period was at the SRAC. The SO1, however, has  
30 an indefinite term with a 4 MW nameplate, all output sold to SDG&E at SRAC  
31 energy and as-available capacity.

- 1           ○ AEI Naval Training Center/Marine Corps Recruit Depot: The SO4 terminates in  
2           2019. The amount is 21.6 MW of firm capacity and energy. The energy price during  
3           the record period was at the SRAC. The term for the 2.6 MW nameplate SO1 is  
4           indefinite with all output sold to SDG&E at SRAC energy and as-available capacity.
- 5           • Yuma Cogeneration Associates (“YCA”): YCA is a cogeneration project located in  
6           Yuma, Arizona that delivers its energy and capacity to Arizona Public Service Company  
7           for delivery to SDG&E at the North Gila Substation over SDG&E’s 500 kV Southwest  
8           Powerlink between Arizona and San Diego. The term of the agreement extends through  
9           May 28, 2024. Firm capacity is 50 MW at a price of \$140/kW-yr with energy purchased  
10          up to 56.5 MW at a price equal to SDG&E’s monthly posted SRAC. The YCA  
11          agreement has economic curtailment provisions where SDG&E may exercise its rights to  
12          pay YCA an alternative energy price rather than the SRAC during the curtailment hours.  
13          When YCA receives a curtailment notice from SDG&E, YCA may do one of the  
14          following: (1) physically curtail generation or (2) continue to generate and receive the  
15          alternate energy price, which is the ISO SP-15 hourly Local Marginal Price (“LMP”) for  
16          supplemental energy. YCA’s curtailment provision was exercised when the ISO LMP  
17          was expected to be lower than the SRAC. The plant is dispatchable under the SO2 and  
18          requires that the plant be available to operate when called upon by SDG&E. Otherwise,  
19          the plant is not required to operate and receives no penalty. However, to earn a CBF of  
20          greater than 1.0, the plant must operate above an 85% capacity factor during the on-peak  
21          hours of the peak summer months (May through September).
- 22          • Goal Line LLP: This QF PPSA provides SDG&E with 49.9 MW of firm capacity and  
23          energy. The plant is located in Escondido, California. During the record period, the  
24          energy price SDG&E paid Goal Line was at the SRAC, and the firm capacity price at  
25          \$172/KW-yr. The agreement provides SDG&E the option to economically curtail  
26          deliveries of the project. During the record period, Goal Line elected to shut down for  
27          the majority of hours of curtailment. The term of this SO2 agreement expires on  
28          February 14, 2025.
- 29          • C.P. Kelco (“Kelco”): This is a facility with an agreement which allows SDG&E to  
30          purchase excess power from three gas turbines for a total of 25 MW at SRAC prices for  
31          both energy and capacity. The original agreement had a fixed price with a term that

1 ended on December 31, 2009. An amendment was executed to change the price to the  
2 SRAC, and extended the term until Kelco signs a CPUC-approved transition agreement  
3 pursuant to D.07-09-040. [REDACTED]  
4 [REDACTED]

5 **D. Bilateral Power Purchase Contracts**

- 6 • PGE Boardman: The PGE Boardman PPA consists of a Long Term Power Sale  
7 Agreement (“LTPSA”) and a Long Term Transmission Service Agreement (“LTTSA”)   
8 between PGE and SDG&E. The PPAs were executed on November 5, 1985 and will  
9 terminate on December 31, 2013. PGE Boardman’s Unit 1 coal-fired plant and  
10 associated facilities are located in Boardman, Oregon. PGE is a majority owner and  
11 makes all operational decisions. SDG&E has a contractual right to 15% (about 89 MW)  
12 of the plant output, but has no ownership rights to make or veto PGE’s operational  
13 decisions.

14 This agreement is not unit contingent. If PGE elects to operate the plant, SDG&E  
15 may elect to purchase electricity from PGE at a formula price based on the coal costs and  
16 a predetermined plant heat rate. At any time, SDG&E may elect to reduce its share of the  
17 plant output in any amount between SDG&E’s entitlement and zero, or displace plant  
18 output by purchasing power from PGE’s system power, if available, or from a third party.  
19 If the plant is not operating, SDG&E may obtain replacement power, if available, at a  
20 mutually agreed upon rate from PGE’s system or from third parties using marketing  
21 assistance.

22 Under terms of the LTPSA, PGE obtains, on behalf of SDG&E, third party  
23 transmission service from Boardman to the John Day substation, where service under the  
24 LTTSA begins. Under the terms of the LTTSA, PGE is responsible to transmit the power  
25 to the California/Oregon Border. The CAISO is responsible for transmission inside  
26 California.

27 For services under the LTPSA, SDG&E pays PGE the following: (1) a base price  
28 for entitlement for an annual fixed cost of \$28.8 million annually; (2) a price for capital  
29 additions as escalated by an annual escalation rate; (3) plant fixed operating costs; (4)  
30 carrying costs; (5) plant variable operating costs; and (6) third party transmission charges.

- 1 • Escondido Energy Center, LLC (“EEC”): On September 21, 2010, SDG&E executed a  
2 one year contract with EEC for a dispatch option, effective January 1, 2011. It is an  
3 existing quick start peaking plant and has a current contract capacity of 35.5 MW. The  
4 plant is located in Escondido, California. It is owned by Wellhead Energy. The monthly  
5 Dispatch Option price was [REDACTED] and the energy price was [REDACTED]  
6 [REDACTED]  
7 [REDACTED], [REDACTED]. The plant was not dispatched by SDG&E  
8 during the record period.
- 9 • EEC RA: On September 17, 2010, SDG&E executed a one year contract with EEC for  
10 resource adequacy (“RA”) effective as of January 1, 2011. SDG&E paid EEC equivalent  
11 to [REDACTED] for RA rights of the plant’s contract capacity of 35.5 MW during the  
12 record period.
- 13 • Celerity 1: Celerity Energy Partners executed this ten year contract on February 21, 2005,  
14 effective December 31, 2006, and terminates on December 31, 2016. This agreement  
15 permits SDG&E to startup and brings on-line 25 MW of customer-owned back up  
16 generation. Under the existing contract, these generators can be operated at up to eight  
17 hours per day for a maximum of 200 hours per year. This contracted product is  
18 dispatchable with a capacity price of \$77.00/kW-year. The cost of energy is based on the  
19 index fuel price for the period in which the generators run. This facility was not  
20 dispatched in 2011.
- 21 • Olivenhain-Hodges Pump Storage Facility (“Hodges”): This Hydroelectric Pumped  
22 Storage Facility consists of two 20 MW hydroelectric turbines for a total of 40 MW. The  
23 contract capacity price is a combination of a fixed portion of \$65/kW-year and a variable  
24 portion at \$5/kW-year escalated at CPI. The O&M is \$2.00/MWh escalated at CPI. The  
25 original PPA with SDG&E was executed on January 29, 2004, and was approved by  
26 D.04-08-028. Like most hydro projects, Hodges draws water during offpeak hours using  
27 power provided by the grid, and generate power during onpeak hours by flowing water,  
28 to take advantage of the price spread between the on/off peak time periods. According to  
29 the PPA, SDG&E manages the economics through dispatching the generation and  
30 pumping water.

1 The project was expected to be online in the year 2008. However, it was delayed  
2 due to construction and mechanical problems with both units. In August 2011, the  
3 SDCWA completed its repairs and commission testing of Unit 1, but not Unit 2.  
4 Contractually, the project cannot declare COD until both units completed their  
5 contractual testing. Nonetheless, SDCWA conducted a performance test with the CAISO  
6 demonstrating the availability of capacity of 20 MW from Unit 1. They then made Unit 1  
7 available for SDG&E to dispatch in early September 2011. Between the months of  
8 September and November 2011, SDG&E included Unit 1 in the resource portfolio,  
9 dispatched it, and paid for the energy and capacity received.

10 By the end of the record period, the project did not reach its COD.

11 **E. Tolling Agreements**

- 12 • Cabrillo I, LLC: On December 13, 2006, SDG&E and Cabrillo Power I, LLC (a  
13 subsidiary of NRG Energy) entered into a tolling agreement, starting on January 1, 2007  
14 and terminating on December 31, 2009, for the entire output of the five steam units and a  
15 combustion turbine unit located at the Encina Power Plant in Carlsbad, California. The  
16 facility was fully dispatchable by SDG&E. The product includes: Contract Capacity, the  
17 Net Electrical Output, the Ancillary Services and the Resource Adequacy Attributes. The  
18 Contract Capacity was 964 MW. Monthly invoices sent directly to SDG&E from NRG  
19 Energy for the tolling agreement are reviewed for accuracy and completeness.  
20 Availability, schedules, deliveries, rates and fuels costs were verified, and any  
21 discrepancies were addressed and resolved prior to payments.

22 On August 30, 2010, the parties signed and executed a one year PPA amendment  
23 to extend the term to December 31, 2011. The 2011 extension essentially kept the tolling  
24 agreement provisions the same except for the following:

25 [REDACTED]

26 [REDACTED]

27 - [REDACTED]

28 [REDACTED].

- 29 • Otay Mesa Energy Center, LLC (“OMECE”): On May 1, 2007, SDG&E and OMECE (a  
30 subsidiary of Calpine Corporation) entered into an Amended and Restated Power

1 Purchase Agreement. The Agreement has a ten year term after which SDG&E has the  
2 option to purchase the plant.

3 OMEC is a 608 MW combined cycle plant located in Otay Mesa in San Diego  
4 County near the United States/Mexico International Border. The plant is owned by  
5 Calpine Corporation and is comprised of two combustion turbine-generators and one  
6 steam turbine. SDG&E is responsible for supply of the fuel. [REDACTED]

7 [REDACTED]

8 [REDACTED].

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

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[REDACTED]

- El Cajon Energy, LLC (“ECEC”): On May 24, 2010, SDG&E and ECEC (a subsidiary of Wellhead Services, Inc.) entered into a Power Purchase Tolling Agreement. The contract has a term of twenty-five years, and the plant started operating on June 16, 2010.

ECEC is a quick start peaking plant with a contract capacity of 48.1 MW. The plant is comprised of one LM-6000 GE gas turbine located in El Cajon California. [REDACTED]

[REDACTED]

- Orange Grove Energy, LP (“OGE”): On July 14, 2009, SDG&E and OGE (a subsidiary of J-Power USA Development Co., Ltd) entered into a Power Purchase Tolling Agreement. The contract has a term of twenty-five years. Pursuant to D.07-09-010, SDG&E leases its land to J-Power who constructed the peaker generator on the leased land and provides its output to SDG&E for a period of twenty-five years, after which the lease shall expire and the title to the peaker shall be transferred to SDG&E at no additional cost. The plant started operating on June 16, 2010.

OGE is comprised of two gas turbines located in Pala, California. OGE is a quick start peaking plant and has a current contract capacity of 99.2 MW. [REDACTED]

[REDACTED]

**F. CDWR Power Purchase Contracts**

In D.02-12-069, the CPUC approved an operating agreement between SDG&E and CDWR. Exhibit E of the operating agreement specifies that CDWR will retain the majority of contract administration duties, including the following management responsibilities: performance assessment; formal correspondence and notifications with generators; agreement interpretation; and dispute resolution. SDG&E engages in limited duties in support of CDWR’s administrative function. SDG&E, in its role as limited agent for California Energy Resources Scheduling (“CERS”), brings any contract issues that it discovers to the attention of CERS. However, the



1 administration of disputes associated with the CDWR contract remains a CERS function. Any costs  
2 associated with these contract disputes, though they may have been identified by SDG&E, are  
3 ultimately handled and resolved by CERS. SDG&E's duties include:

- 4 • Verifying invoices for the allocated agreements: Monthly invoices are sent directly to  
5 SDG&E from the generators. SDG&E works with CDWR, the generator and the  
6 generator's scheduling coordinators to ensure consistency between all schedules. If there  
7 are discrepancies, SDG&E works with all parties to reconcile the schedules. SDG&E  
8 also reviews the ISO metered data online. After schedules and metered data are  
9 confirmed to be correct, SDG&E verifies invoices for payment pursuant to the agreement  
10 price.
- 11 • Conducting bi-weekly meetings with CDWR to discuss administration issues: As part of  
12 the coordination efforts between SDG&E and CDWR, the parties hold bi-weekly  
13 conference calls to discuss issues related to administration of the agreement. Face-to-  
14 face meetings may also be conducted as necessary. Members from SDG&E's SA section  
15 and scheduling teams participate in the bi-weekly conference calls with CDWR as  
16 specific issues arise. These meetings are a forum where a wide range of issues, including  
17 least cost dispatch, are discussed and processes are coordinated.
- 18 • Coordination of annual performance tests: All of the existing CDWR contracts require  
19 the generators to perform an annual test as demonstration of capacity. During the record  
20 period, SDG&E performed as CDWR's agent to assume responsibility for coordinating  
21 the tests, including test procedure approval, witnessing the tests, and issuing the approval  
22 of test results. This is consistent with the Operating Agreement between DWR and  
23 SDG&E, approved in D.03-04-029.

24 The following sections briefly describe the agreements allocated to SDG&E:

- 25 ○ CalPeak-Border: On August 14, 2001, CDWR and CalPeak Power-Border, LLC  
26 ("CalPeak-Border") executed a Master Power Purchase Agreement ("MPPA").  
27 On May 2, 2002, CDWR and CalPeak-Border executed an Amended and  
28 Restated Power Purchase Agreement. On May 24, 2006, CDWR and CalPeak-  
29 Border executed a settlement agreement. On September 1, 2007, CDWR and  
30 CalPeak-Border executed a Second Amended and Restated Power Purchase  
31 Agreement and a Settlement Agreement. The agreement is for capacity and

1 dispatchable energy. The simple cycle plant is located at Otay Mesa, California.  
2 The facility's output that is dedicated to CDWR is 1,200 hours during Peak  
3 Periods<sup>5</sup> and 1,300 hours during non-peak periods.

4 On May 1, 2009, CDWR and CalPeak-Border executed the MRTU Protocol  
5 Agreement to address MRTU-related issues. Effective July 1, 2011, as a result of  
6 the annual performance test, the new Rated Capacity value is 52.191 MW. On  
7 April 1, 2010, SDG&E and CalPeak-Border executed a Scheduling Coordinator  
8 Services Agreement with a term to last until termination of the MPPA. The  
9 CDWR and CalPeak-Border Agreement terminated on December 12, 2011.

- 10 ○ CalPeak-El Cajon: On August 14, 2001, CDWR and CalPeak Power-El Cajon,  
11 LLC ("CalPeak - El Cajon") executed a MPPA. On May 2, 2002, CDWR and  
12 CalPeak-El Cajon executed an Amended and Restated Power Purchase  
13 Agreement. On May 24, 2006, CDWR and CalPeak-El Cajon executed a  
14 settlement agreement. On September 1, 2007, CDWR and CalPeak-El Cajon  
15 executed a Second Amended and Restated Power Purchase Agreement and a  
16 Settlement Agreement. The agreement is for capacity and dispatchable energy.  
17 The simple cycle plant is located in El Cajon, California. The facility output that  
18 is dedicated to CDWR is 1,200 hours during Peak Periods and 1,300 hours during  
19 non-peak periods.

20 On May 1, 2009, CDWR and CalPeak-El Cajon executed the MRTU Protocol  
21 Agreement to address MRTU related issues. Effective July 1, 2011, as a result of  
22 the annual performance test the new Rated Capacity value is 50.482 MW. On  
23 April 1, 2010, SDG&E and CalPeak-El Cajon executed a Scheduling Coordinator  
24 Services Agreement with a term to last until termination of the MPPA. The  
25 CDWR and CalPeak-El Cajon Agreement terminated on January 1, 2012.

- 26 ○ CalPeak-Enterprise: On August 14, 2001, CDWR and CalPeak Power-  
27 Enterprise, LLC ("CalPeak-Enterprise") executed a MPPA. On May 2, 2002,  
28 CDWR and CalPeak-Enterprise executed an Amended and Restated Power

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<sup>5</sup> "Peak Period" means 6:00 a.m. to 10:00 p.m., Monday through Saturday, during the months of January, February, June, July, August, September, October and December; provided however that Peak Period shall not include North American Electric Reliability Corporation ("NERC") holidays or the Monday following any NERC holiday that falls on a Sunday.

1 Purchase Agreement. On May 24, 2006, CDWR and CalPeak-Enterprise  
2 executed a settlement agreement. On September 1, 2007, CDWR and CalPeak-  
3 Enterprise executed a Second Amended and Restated Power Purchase Agreement  
4 and a Settlement Agreement. The agreement is for capacity and dispatchable  
5 energy. The simple cycle plant is located in Escondido, California. The facility  
6 output that is dedicated to CDWR is 1,200 hours during Peak Periods and 1,300  
7 hours during non-peak periods.

8 On May 1, 2009, CDWR and CalPeak-Enterprise executed the MRTU  
9 Protocol Agreement to address MRTU related issues. On June 16, 2011, pursuant  
10 to Section 7 of Appendix F of the Agreements, CDWR rejected CalPeak-  
11 Enterprise's 2011 annual performance test results and demanded a retest within  
12 sixty days. Given that the Agreement terminated on December 8, 2011, the  
13 Parties agreed not to conduct a retest. Per the CDWR and CalPeak-Enterprise  
14 letter agreement dated September 16, 2011, both Parties agree to continue the  
15 2010 Rated Capacity of 51.495 MW to be the Rated Capacity for the remainder of  
16 2011. On April 1, 2010, SDG&E and CalPeak-Enterprise executed a Scheduling  
17 Coordinator Services Agreement with a term to last until the termination of the  
18 agreement. The CDWR and CalPeak-Enterprise Agreement terminated on  
19 December 8, 2011.

- 20 ○ Sunrise Power Company ("Sunrise"): On June 21, 2001, CDWR and Sunrise  
21 executed a MPPA. On December 31, 2002, CDWR and Sunrise executed an  
22 Amended and Restated Power Purchase and Sale Agreement, Amended and  
23 Restated Confirmation Agreement and a Settlement Agreement. The CDWR-  
24 Sunrise agreement terminates on June 30, 2012. The agreement is for a  
25 dispatchable, combined cycle plant located near Bakersfield, California.

26 On March 30, 2009, CDWR and Sunrise Power Company, LLC executed the  
27 MRTU Protocol Agreement to address MRTU-related issues. Sunrise performs  
28 an annual capacity test to determine the capacity output level for the year.  
29 Sunrise performed a capacity test on April 22, 2010, resulting in a capacity of  
30 579.12 MW. This capacity level was applicable during the record period from  
31 January through May. Another capacity test was performed on April 27, 2011.

1 The resultant capacity of 579.79 MW was applicable during the record period  
2 from June through December.

3 During the record period, [REDACTED]

4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]

- 15 ○ Whitewater Cabazon: On April 1, 2002, CDWR and Whitewater Energy  
16 Corporation entered into the Amended and Restated MPPA for Whitewater  
17 Cabazon. The agreement terminates on December 31, 2013. The agreement  
18 amount is 42.9 MW of as-available energy with a price of \$54.00/MWh. The  
19 project is in the Palm Springs area of California. On January 24, 2011, SDG&E  
20 and Cabazon Wind Partners, LLC executed a Scheduling Coordinator Services  
21 Agreement effective March 1, 2011 with a term to last until the termination of the  
22 agreement.
- 23 ○ Whitewater Hill: On January 2, 2003, CDWR and Whitewater Energy  
24 Corporation entered into the Amended and Restated Master Power Purchase and  
25 Sale Agreement for Whitewater Hill. The agreement terminates on December 31,  
26 2013. The agreement amount is 61.5 MW of as-available energy with a price of  
27 \$51.50/MWh. The project is in the Palm Springs area of California. On January  
28 24, 2011, SDG&E and Whitewater Hill Wind Partners, LLC executed a  
29 Scheduling Coordinator Services Agreement effective March 1, 2011 and with a  
30 term to last until the termination of the agreement.

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**G. Historical Purchases**

Table 1 summarizes the agreements and delivery amounts for the record period.

**Table 1:  
Historical Purchases**

Contract Class	Contract Name/Counterparty	Technology	Product	Purchased KWH in 2011	Contract MW	Contract Dates		CPUC Authorization
						Start	Stop	
Resource Adequacy / RMR / Tolling	Cabrillo Power 1 (NRG - Encina)	Natural Gas / Oil	Dispatchable	489,756,991	964.0	1/1/2007	12/31/2011	CPUC Decision D.06-07-031
Bilateral	Portland General Electric - Boardman Power Purchase	Coal	Firm	482,590,000	89.0	01/01/89	12/31/13	CPUC Decision D. 91-11-068; Conclusions of Law #5 in A.88-07-003 (ECAC).
Bilateral	Portland General Electric Boardman Transmission Purchase	Transmission	Firm	N/A	89.0	01/01/89	12/31/13	
Bilateral	Olivenhain/Hodges Pumped Storage Facility	Hydro	Dispatchable	(2,591,381)	40.0	TBD	25 Years	CPUC Decision 04-08-028
QF	AEI Naval Station	Natural Gas	Firm	308,187,327	46.5	12/01/89	11/30/19	CPUC Decision D.83-09-054
QF	AEI North Island	Natural Gas	Firm	294,060,627	33.5	12/01/89	11/30/19	CPUC Decision D.83-09-055
QF	AEI NTC/MCRD	Natural Gas	Firm	134,764,029	21.6	12/01/89	11/30/19	CPUC Decision D.83-09-056
QF	Yuma Cogeneration Associates	Natural Gas	Firm	76,026,493	50.0	05/28/94	05/27/24	CPUC Decision D.90-06-028
QF	Goal Line	Natural Gas	Firm	192,134,191	49.9	02/15/95	02/14/25	CPUC Decision D.91-09-071
QF	Rady Children's Hospital	Natural Gas	As-Available	857,174	3.2	10/22/09	06/20/12	CPUC Decision D.07-09-040
QF	Northrop Grumman	Natural Gas	As-Available	380,471	1.3	10/02/07	10/01/12	CPUC Decision
QF	Kyocera	Natural Gas	As-Available	1,190,978	3.5	06/30/99	04/27/12	CPUC Decision D.07-09-040
QF	Grossmont	Natural Gas	As-Available	2,989	1.5	08/06/84	Evergreen	CPUC Decision 83-01-103
QF	CP Kelco	Natural Gas	As-Available	7,841,210	25.0	10/07/02	06/20/12	CPUC Decision D.07-09-040
QF	AEI NTC Steam Turbine	Natural Gas	As-Available	12,412,519	2.6	07/31/84	Evergreen	CPUC Decision 83-01-103
Renewable	Covanta Delano (aka AES)	Bio-Mass	As-Available	343,983,940	49.0	01/01/08	12/31/17	CPUC Resolution E-4070
Renewable	GRS - Coyote Canyon	Bio-Gas	As-Available	50,425,552	5.4	01/01/03	12/31/12	CPUC Resolution E-3803
Renewable	GRS - Sycamore 2	Bio-Gas	As-Available	13,290,773	2.5	03/30/04	03/29/14	CPUC Resolution E-3803
Renewable	MM San Diego - Miramar	Bio-Gas	As-Available	29,922,395	3.0	05/20/03	05/19/13	CPUC Resolution E-3803
Renewable	MM San Diego - North City	Bio-Gas	As-Available	8,137,803	1.0	05/20/03	05/19/13	CPUC Resolution E-3803
Renewable	MM Prima Deshecha	Bio-Gas	As-Available	38,249,016	6.1	10/01/07	09/30/22	CPUC Resolution E-3965
Renewable	Otay Landfill 3	Bio-gas	Firm	23,346,900	3.8	03/08/07	03/07/17	CPUC Resolution E-3965
Renewable	City of San Diego - Point Loma	Bio-Gas or Digester	As-Available	20,556,000	4.6	01/01/08	12/31/13	CPUC Resolution E-4081
Renewable	Kumejaay	Wind	As-Available	176,055,000	49.5	03/21/06	12/30/25	CPUC Resolution E-3890
Renewable	WTE/FPL Acquisition	Wind	As-Available	35,486,000	16.5	06/28/04	12/31/18	CPUC Resolution E-3803 & E 3867
Renewable	Iberdrola Renewables LLC (a.k.a. PWest/MtWind)	Wind	As-Available	80,598,000	24.9	12/16/03	12/15/18	CPUC Resolution E-3803 & E 3867
Renewable	Oasis Power Partners	Wind	As-Available	114,913,000	60.0	12/15/04	12/31/20	CPUC Resolution E-3803 & E 3883
Renewable	Naturener Glacier 1 Wind Energy	Wind	RECs	315,043,000	106.5	12/29/08	12/28/23	CPUC Resolution E-4192
Renewable	Naturener Glacier 2 Wind Energy	Wind	RECs	324,659,000	103.5	10/16/09	10/15/24	CPUC Resolution E-4192
Renewable	Santa Fe Irrigation District - Badger Filtration Plant	Hydro	As-Available	346,073	1.5	07/01/87	06/30/17	Standard Offer Contracts per CPUC D.82-01-103 on 1/21/82
Renewable	City of Escondido - Bear Valley Hydro	Hydro	As-Available	16,917	1.5	04/13/94	Evergreen	
Renewable	Olivenhain Municipal Water Dist	Hydro	As-Available	852,784	0.5	11/01/88	Evergreen	CPUC Resolution E-3868
Renewable	City of Oceanside - San Francisco Peak Hydro	Hydro	As-Available	572,582	0.4	12/15/85	Evergreen	
Renewable	SDCWA - Rancho Penasquitos	Hydro	As-Available	15,083,836	4.5	01/23/07	01/22/17	CPUC Resolution E-4448
Renewable	Whitewater Cabazon REC Deal	Wind	RECs	N/A	42.9	1/1/2009	12/31/2011	CPUC Resolution E-4435
Renewable	Whitewater Hill REC Deal	Wind	RECs	N/A	61.5	1/1/2009	12/31/2011	CPUC Resolution E-4436
Renewable	Southern California Edison (SCE) - WSPP	Geo/Wind/Solar	Firm	362,276,000	164	10/01/11	12/31/13	CPUC Resolution E-4448
Renewable	Calpine Energy Services, L.P. - WSPP	Geothermal	Firm	25,020,000	11.5	10/01/11	12/31/11	CPUC Resolution E-4448
Renewable	Silicon Valley Power (SVP) - WSPP	Geothermal	Firm	176,680,000	40	07/01/11	06/30/12	CPUC Resolution E-4429
Renewable	Coram	Wind	As-Available	26,180,808	7.5	02/01/11	01/31/26	CPUC Resolution E-4372
Renewable	REP - Blue Lake Power	Bio-Mass	As-Available	9,621,000	11.0	04/30/10	04/29/25	CPUC Resolution E-4208 & E-4348
Renewable	Calpine - Geysler	Geothermal	As-Available	218,975,000	25.0	03/01/10	12/31/14	CPUC Resolution E-4342
Renewable - FIT	San Marcos Landfill	Bio-gas	Firm	5,738,000	1.5	05/18/11	05/17/31	CRE Feed-In-Tariff CPUC D.07-07-027 & Resolution E-4137
Renewable - FIT	Sycamore Landfill 1	Bio-gas	Firm	1,745,336	1.5	05/16/11	05/15/31	CPUC Resolution E-4137
Renewable - FIT	Otay Landfill 1	Bio-gas	Firm	12,439,372	1.5	05/01/09	4/31/2019	
Renewable - FIT	Otay Landfill 2	Bio-gas	Firm	11,870,578	1.5	07/01/11	06/30/31	CPUC Resolution E-4137
CDWR	Cal-Peak Border	Natural Gas	Dispatchable	26,417,842	48.6	12/12/01	12/11/11	CPUC Decision D.02-09-053; allocated selected Department of Water Resources' contracts to SDG&E
CDWR	Cal-Peak El Cajon	Natural Gas	Dispatchable	18,292,614	48.9	06/01/02	12/31/12	
CDWR	Cal-Peak Enterprise	Natural Gas	Dispatchable	37,931,696	48.4	12/08/01	12/07/11	
CDWR	Sunrise	Natural Gas	Dispatchable	1,356,517,946	581.0	12/31/02	06/30/12	
CDWR	Whitewater Cabazon	Wind	As-Available	128,213,000	42.9	10/01/02	12/31/13	
CDWR	Whitewater Hill	Wind	As-Available	203,632,000	61.5	08/31/02	12/31/13	
CDWR	Whitewater Hill	Wind	As-Available	203,632,000	61.5	08/31/02	12/31/13	
Use Limited Dispatch	EnerNoc	Diesel	Dispatchable	0	25.0	12/31/06	12/30/16	CPUC Resolution E-3926
Tolling	Otay Mesa Energy Center, LLC.	Natural Gas	Dispatchable	2,062,460,850	608.0	10/03/09	10/02/19	CPUC Decision D. 04-06-011
Tolling	Orange Grove Energy (JPower )	Natural Gas	Dispatchable	38,975,942	99.2	06/17/10	06/16/35	CPUC Decision D.07-09-10 & D. 09-03-033
Tolling	Escondido Energy Center (Wellhead)	Natural Gas	Dispatchable	0	35.5	07/01/10	12/31/11	Not Applicable
Tolling	El Cajon Energy Center (Wellhead)	Natural Gas	Dispatchable	19,029,918	48.3	06/16/10	06/15/35	CPUC Decision D.07-09-10 & D. 09-12-026

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1 **IV. CONCLUSION**

2 Based on the foregoing, SDG&E's recorded contract expenses to the ERRRA are in  
3 conformance with the Public Utilities Code, Commission decisions, and the contract terms for the  
4 2011 record period.

5 This concludes my prepared direct testimony.

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1 **V. QUALIFICATIONS**

2 My name is Sally Chen. My business address is 8315 Century Park Court, San Diego, CA  
3 92123. I am employed by SDG&E as the Settlement and Administration Manager in the Electric  
4 and Fuel Procurement Department. My present duties include management and administration of  
5 existing agreements, including renewable agreements, QF agreements, allocated CDWR agreements  
6 and bilateral agreements. I have been employed by SDG&E since 2001. I have been in my current  
7 position since February 2012.

8 I received a MBA, with a Finance concentration, from San Diego State University.

9 I have previously testified before the Commission.

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

**DECLARATION  
OF SALLY CHEN**

**A.12-06-XXX**

Application of San Diego Gas & Electric Company (U 902-E) for Approval of: (i) Contract Administration, Least Cost Dispatch and Power Procurement Activities in 2011, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account and Transition Cost Balancing Account in 2011 and (iii) Costs Recorded in Related Regulatory Accounts in 2011

I, Sally Chen, declare as follows:

1. I am the Settlements & Administration Manager for San Diego Gas & Electric Company ("SDG&E"). I have included my Direct Testimony ("Testimony") in support of SDG&E's Application for Approval of: (i) Contract Administration, Least Cost Dispatch and Power Procurement Activities, and (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account, Incurred During the Record Period January 1, 2011 through December 31, 2011, and (iii) the Entries Recorded in Related Regulatory Accounts. Additionally, as the Settlements & Administration Manager, I am thoroughly 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 personal knowledge.

2. I am providing this Declaration to demonstrate that the confidential information ("Protected Information") in support of the referenced Application falls within the scope of data provided confidential treatment in the IOU Matrix ("Matrix") attached to the Commission's Decision ("D.") 06-06-066 (the Phase I Confidentiality



decision). Pursuant to the procedures adopted in D.08-04-023, I am addressing 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 the data correspond to;
- that SDG&E 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.

3. The Protected Information contained in my Testimony constitutes material, market sensitive, electric procurement-related information that is within the scope of Section 454.5(g) of the Public Utilities Code.<sup>1</sup> As such, the Protected Information provided by SDG&E is allowed confidential treatment in accordance with Appendix 1 – IOU Matrix in D.06-06-066.

<b>Confidential Information</b>	<b>Matrix Reference</b>	<b>Reason for Confidentiality And Timing</b>
SC-7 lines 3-13 SC-10 lines 12-13, 17-18 & 21-22 SC-12 lines 21-22 & 26 SC-13 lines 1 & 9-10	VII.G	Contract terms; confidential for 3 years
SC-18 lines 3-4 SC-19 lines 5-7 & 11 SC-20 lines 25-28 SC-21 lines 6-31 SC-22 lines 1-5, 10-12 & 21-23 SC-26 lines 3-14	VII.E	Contract terms; confidential for 3 years

<sup>1</sup> In addition to the details addressed herein, SDG&E believes that the information being furnished in my Testimony is governed by Public Utilities Code Section 583 and General Order 66-C. Accordingly, SDG&E seeks confidential treatment of such data under those provisions, as applicable.

4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

5. I will comply with the limitations on confidentiality specified in the Matrix for the Protected Information.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized, masked or otherwise protected in a manner that would allow further disclosure of the data while still protecting confidential information.

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

Executed this 31st day of May, 2012, at San Diego, California.



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Sally Chen  
Settlements & Administration Manager  
San Diego Gas & Electric Company