

PUBLIC VERSION

Application No.: A.10-06-

Exhibit No.:

Witness: Sally Chen

Date: June 1, 2010

SAN DIEGO GAS & ELECTRIC COMPANY

PREPARED DIRECT TESTIMONY OF

SALLY CHEN

****REDACTED AND PUBLIC VERSION****

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

June 1, 2010



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**PREPARED DIRECT TESTIMONY OF
SALLY CHEN
ON BEHALF OF SDG&E**

I. INTRODUCTION

The purpose of my testimony is to describe the expenses that are recorded in San Diego Gas & Electric Company's (SDG&E's) Energy Resource Recovery Account (ERRA) and Transition Cost Balancing Account (TCBA) for the record period of January 1, 2009 through December 31, 2009. In addition, my testimony will explain SDG&E's contract administration activities during the record period associated with SDG&E's power purchase agreements.

II. DESCRIPTION OF EXPENSES

The expenses recorded in ERRA and TCBA for the record period are summarized in the Expenses section of Attachment A and Attachment B of the Direct Testimony of SDG&E witness Ms. Le Mieux. These expenses are recorded in compliance with California Public Utilities Commission (CPUC) Decision (D).02-12-074.

A. San Onofre Nuclear Generating Station (SONGS)

The monthly expenses recorded for 2009 were the nuclear fuel expenses for Unit 2 and Unit 3 only. These consist of the amortization of nuclear fuel based on power generated, the Department of Energy spent fuel disposal fee based on power generated, and nuclear fuel carrying costs for nuclear fuel in inventory and in the reactor.

B. Portland General Electric

The monthly expenses recorded in ERRA for the Portland General Electric (PGE) power purchase agreement only included the market benchmark value of the contract in accordance with D.02-12-074. For the record period, D. 09-04-0211 established the market benchmark of 7.048 cents/kWh. To determine the market value expenses for PGE, the kWh of energy received each month from PGE were multiplied by the market benchmark. Pursuant to D.02-12-074, ongoing transition costs (above market) associated with PGE were recorded in the TCBA (see testimony of SDG&E witness Ms. Le Mieux, Attachment B.)

¹ D. 09-04-021, Decision Adopting SDG&E's 2009 ERRA Revenue Requirement Forecast and Reviewing its Power Procurement Balancing Account.

1 **C. Qualifying Facilities**

2 The monthly expenses recorded in ERRA for the Qualifying Facilities (QFs) power purchase
3 agreements included the market benchmark value of the contract in accordance with D.02-12-074.
4 To determine the market value of expenses for the eligible QFs, the kWh of energy received each
5 month from eligible QFs were multiplied by the market benchmark. Also, pursuant to D.02-12-074,
6 ongoing transition costs (above market) associated with eligible QF contracts were recorded in the
7 TCBA (see testimony of SDG&E witness Ms. Le Mieux, Attachment B).

8 **D. Renewable Energy**

9 This expense category captured the monthly expenses for renewable power purchase
10 agreements.

11 **E. Net Short, Including Self Procured Ancillary Services**

12 This expense category captured the expenses for all short-term purchases of power and self
13 procured ancillary services, including broker fees for exchange, sleeve or location swap transactions.
14 The expense, if any, from exchanges, as described in the Direct Testimony of SDG&E witness Mr.
15 Choi, was also included here.

16 **F. Other Long Term Purchased Power**

17 The monthly recorded expenses for SDG&E's tolling agreements (LSP South Bay, LLC and
18 Cabrillo I, LLC, Otay Mesa Energy Center, LLC) and bilateral contracts (CP Kelco and EnerNoc),
19 included capacity, energy, fuel and transportation costs associated with the tolling agreements were
20 recorded in this expense category. In addition, Independent System Operator (ISO) Market & GMC
21 invoice and Reliability Must Run (RMR) invoice charges or credits associated with LSP South Bay,
22 LLC agreements were recorded in ERRA in accordance with the terms and conditions of the
23 contracts.

24 **G. Sale of Surplus Energy**

25 In accordance with the Operating Agreement between the California Department of Water
26 Resources (CDWR) and SDG&E, the revenue from SDG&E's sale of surplus energy was shared
27 with CDWR during January, February and March during the record period. The entry to ERRA for
28 these sales was SDG&E's pro rata share of the proceeds from the sales, net of expenses such as
29 broker fees.

1 On April 1, 2009, CAISO implemented a new market structure MRTU, which significantly
2 changed the electricity market in California. The sharing of surplus sales with DWR was
3 terminated.

4 **H. Generation Fuel**

5 In accordance with Advice Letter 1711-E/Resolution E-3953 for Miramar I, Advice Letter
6 1778-E/Resolution E-3988 for Palomar, and D.09-01-008 for Miramar II, the monthly recorded
7 expenses for Miramar I & II and Palomar's fuel and transportation costs were recorded in ERRA. In
8 addition, the annual adjustments for in-lieu payments to the city of Escondido and San Diego related
9 to Miramar I and Palomar were included in this expense category.

10 **I. ISO Related Costs**

11 This expense category included the expenses from the invoices that the ISO issues to
12 SDG&E. Included in this category are any Congestion Revenue Rights (CRR) expenses or
13 revenues; revenue and expenses related to the Day-Ahead and Real-Time Market post-MRTU and
14 relevant imbalance energy charges and payments from the CAISO. In addition, this category also
15 includes SDG&E's share of ISO expenses for SONGS that were billed by Southern California
16 Edison as the Scheduling Coordinator of SONGS.

17 Finally, this category also captured the revenues and charges associated with transmission
18 losses, ancillary services, and real-time energy in SDG&E's role as a scheduling coordinator for
19 CDWR allocated Sunrise Power Plant contract, according to a March 13, 2009 Assigned
20 Commissioner's Ruling² adopting changes to the IOUs' operation and administration of allocated
21 CDWR contracts.

22 **J. Utility Retained Generation (URG) Hedging Costs**

23 This expense category captured the monthly expenses for hedge generation fuel and QF
24 energy expenses.

² 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.

1 **III. CONTRACT ADMINISTRATION**

2 The Settlements and Administration (SA) Division within SDG&E's Electric and Fuel
3 Procurement Department is responsible for administering all of the active power purchase
4 agreements.

5 During the record period, SDG&E's electricity portfolio consisted of both Utility Electric
6 Generation (UEG) and various resources under contract with CDWR. The UEG portion of the
7 portfolio is comprised of utility owned generation and a combination of renewable, QF and bilateral
8 agreements. SDG&E's generating facilities during the record period were SDG&E's 20% share of
9 ownership in SONGS, 100% ownership of the two 46 MW Miramar Energy Center I & II and 100%
10 ownership of the 565 MW Palomar Energy Center. Beginning January 1, 2003, SDG&E administers
11 various CDWR contracts allocated to SDG&E pursuant to D.01-10-024. SDG&E's administrative
12 activities are performed in accordance with the Operating Agreement between SDG&E and CDWR,
13 executed in February 2003. During the record period, the SA division provided limited
14 administrative support to CDWR for the contracts allocated to SDG&E.

15 On April 1, 2009, CAISO implemented MRTU. During the record period, SDG&E and
16 CDWR both executed either amendments or MRTU Protocol Agreements with the counterparties
17 necessary to address MRTU changes to issues including billing, scheduling, delivery of electricity,
18 and related contract matters arising out of the implementation of MRTU, and also preserve the
19 current respective rights, obligations and benefits of the Parties under each PPA.

20 **A. Renewable Resources**

21 SDG&E's renewable portfolio is comprised of resources from power purchase agreements
22 stemming from competitive solicitations, bilateral agreements and standard offer QFs originating
23 from the 1980's and 1990's.

24 SDG&E's administrative duties for all renewable agreements included verifying invoices and
25 tracking deliveries to comply with the CPUC's Renewable Portfolio Standard (RPS). A description
26 of renewable resource projects that delivered energy to SDG&E during the record period, arranged
27 by technology type, is provided below along with discussions of activities unique to each project
28 agreement. Unless stated otherwise, all agreements resulted from competitive solicitations.³

³ Descriptions are limited to "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,

1 **1. Bio-Mass**

2 Delano: During the record period, SDG&E had one agreement with a bio-mass (wood-waste
3 burning) facility with Covanta Delano.

4 As extended from the previous contract terminated on December 31, 2007, this contract
5 became effective January 1, 2008. The total nameplate output rating is 49 MW and the guaranteed
6 minimum annual delivery is [REDACTED]. This contract has a term of 10 years, January 1, 2008
7 through December 31, 2017. The energy price in 2008 is [REDACTED] and escalates to
8 approximately [REDACTED] in 2017. The annual capacity price in 2008 is [REDACTED] and
9 reduces [REDACTED] in 2017.

10 **2. Bio-Gas**

11 SDG&E has agreements with eight projects supplying 29 MW of generation from biogas
12 projects. These agreements were authorized by CPUC Resolutions E-3803, E-3965, E-4070, E-4081
13 and D.08-09-033. Six of the eight projects are located in San Diego County. The agreements are
14 with:

- 15 • Gas Recovery Systems, Inc (GRS) – Coyote Canyon: The GRS agreement for the Coyote
16 Canyon landfill facility in Irvine, California was signed on October 31, 2002. The project
17 began deliveries on schedule in January 2003. The facility provides SDG&E with 7 MW of
18 as-available capacity and energy for a term of ten years. The all-in price is \$53.70/MWh,
19 which is fixed during the term of the agreement. Due to the landfill’s declining supply of
20 bio-gas, GRS Coyote’s capacity and annual guaranteed energy production also declines over
21 the years. In 2009, the annual guaranteed energy production was 39,792 MWh, and the
22 capacity level was at 6.1 MW. On February 27, 2009, SDG&E and GRS executed the First
23 Amendment to enable both parties to enable Inter Scheduling Coordinator Trades (ISTs)
24 under MRTU.
- 25 • Gas Recovery Systems, Inc (GRS) – Sycamore: The GRS agreement for the Sycamore
26 landfill facility in Santee, California was signed on October 31, 2002. The project began
27 deliveries in April 2004. The facility provides SDG&E 2.5 MW of as-available capacity
28 and energy for a term of ten years. The all-in price is \$53.70/MWh, which is fixed during
29 the term of the agreement. The plant provides SDG&E with a Guaranteed Annual Energy

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.

1 Production of 16,425 MWh. On February 27, 2009, SDG&E and GRS Sycamore executed
2 the First Amendment to enable ISTs between the two parties post MRTU.

- 3 • MM San Diego LLC (MM San Diego): The two MM San Diego projects converted their QF
4 Power Purchase and Sale Agreements (PPSA) into renewable agreements in May 2003.
5 Under the original PPSA, both projects sold their excess energy to SDG&E under terms pre-
6 approved by the CPUC. The PPSAs terminated and the renewable agreements became
7 effective on May 21, 2003. The initial price was \$48.39/MWh and escalates based on the
8 change in the Consumer Price Index – All Urban Consumers, San Diego Area. The annual
9 escalation is capped at 1.5% per year. During the record period, the price from January 1
10 through April 30 was \$52.13/MWh; and the price from May 1 through December 31 was
11 \$52.91/MWh.
 - 12 ○ Miramar Landfill (Miramar): Miramar is a 3 MW project located at the Miramar
13 Land Fill. Under the new agreement, Miramar continues to deliver 3 MW of as-
14 available capacity and energy to SDG&E. The term of the agreement is 10 years,
15 beginning May 21, 2003. Miramar guarantees to deliver to SDG&E 20,000 MWh
16 each year.
 - 17 ○ North City Water Reclamation Facility (North City): North City is a 1 MW facility.
18 Under the new agreements, the project will continue to deliver 1 MW of as-available
19 capacity and energy to SDG&E. The term of the agreement is 10 years from May
20 21, 2003. North City guarantees to deliver to SDG&E 5,000 MWh each year.
- 21 • MM Prima Deshecha Energy LLC (Prima): As of October 1, 2007, this facility is under a
22 new agreement replacing a prior contract. The contract term is 15 years, and throughout the
23 term, the capacity increases from 6.1 MW to 15.25 MW, and contract price increases from
24 [REDACTED] to [REDACTED]. During the record period, the contract capacity is 6.1 MW,
25 and the guaranteed annual delivery to SDG&E is [REDACTED]; the price from January 1
26 through October 31 was [REDACTED]; and the price from November 1 to December 31 was
27 [REDACTED].
- 28 • City of San Diego Metropolitan Wastewater Department (Point Loma): Point Loma
29 executed an amendment with SDG&E on December 22, 2006. It became effective on
30 January 1, 2008, and will terminate on December 31, 2012. Point Loma delivers 4.8 MW of

1 as-available capacity and energy to SDG&E, and is guaranteed to deliver to SDG&E [REDACTED]
2 [REDACTED] each year at a price of [REDACTED] for the duration of the agreement.

- 3 • Covanta Otay 3: This PPA was executed on August 31, 2005. Under the agreement, the
4 project delivers 3.75 MW of as-available capacity and energy to SDG&E. The term of the
5 agreement is 10 years from March 8, 2007. Covanta Otay 3 is guaranteed to deliver to
6 SDG&E 20,000 MWh each year at a price of \$57.00/MWh.
- 7 • Otay I: As the original QF renewable contract expired on April 30, 2009, authorized by
8 D.08-09-033, Otay Landfill I executed this Customer Renewable Energy (CRE) Agreement
9 with SDG&E in the record period, and was effective on May 1, 2009. The agreement has a
10 fixed price of \$100.43/MWh over the 10 year term with 1.5 MW capacity and annual
11 expected delivery of 13,140,000 KWh.

12 3. Wind

13 Authorized by CPUC Resolutions E-3803, E-3867, E-3867 and E-3890, SDG&E has eight
14 agreements that delivered energy during the record period. Descriptions of each of the projects, the
15 associated agreements and administration activities are provided below. The eight agreements
16 provided nameplate capacity totaling 561.4MW. The agreements are as follows:

- 17 • NEXtera (a.k.a. WTE Acquisitions, LLC (WTE), a.k.a. FPL Energy (FPLE)): This
18 agreement is a 15-year power sale agreement. The original agreement was executed on
19 October 31, 2002 and the assignment was effective April 7, 2004. NEXtera is to provide
20 16.5 MW of as-available capacity and energy with a price of \$52.60/MWh. The project is in
21 the Palm Springs area of California with deliveries to SP-15. Deliveries under the
22 agreement commenced on June 29, 2004.
- 23 • Iberdrola Renewables (a.k.a. PPM Energy, Inc., a.k.a. PacifiCorp Power Marketing): There
24 are two projects under agreements with SDG&E. One agreement is a 15-year power sale
25 agreement. It was executed on October 31, 2002, and the project began deliveries in
26 December 2003. The amount is 22.8 MW of as-available capacity and energy with a price
27 of \$49.15/MWh. The other agreement is a 15-year PPA executed on November 7, 2003,
28 with 2.1 MW of as-available capacity and energy with a price of \$49.15/MWh. Both
29 projects are in the Palm Springs area of California with deliveries to SP-15. On March 31,
30 2009, SDG&E and Iberdrola executed the Second Amendment to enable ISTs between the
31 two parties under MRTU.

- 1 • Oasis Power Partners, LLC. (Oasis): This agreement is a 15-year power sale agreement. It
2 was executed on October 30, 2002, and the project commenced deliveries in December
3 2004. The amount is 60 MW of as-available capacity and energy with a price of
4 \$49.20/MWh. The project is in the Tehachapi area of California with deliveries to SP-15.
5 On April 1, 2009, SDG&E and Oasis executed the Second Amendment to enable ISTs
6 between the two parties under MRTU.
- 7 • Kumeyaay Wind LLC (Kumeyaay): This agreement is a 20 year power sale agreement for
8 50 MW of as-available capacity and energy with an estimated annual output of 167,900
9 MWh. The project is located on the Campo Indian Reservation in eastern San Diego
10 County. The contract has a tiered pricing structure: \$49.00/MWh for Contract Year 1,
11 \$49.75/MWh for Contract Year 2, \$50.50/MWh for Contract Year 3, \$51.50 for Contract
12 Year 4, and \$51.75/MWh for Contract Years 5-20, with no further escalation. The
13 agreement includes an Energy Production Guarantee of 100,740 MWh. SDG&E began
14 taking deliveries of the energy on March 21, 2006. On February 27, 2009, SDG&E and
15 Kumeyaay executed the Third Amendment to enable ISTs between the two parties post
16 MRTU.
- 17 • Naturener Glacier I: This bilateral agreement was executed on May 16, 2008. This is a
18 fifteen-year power sale agreement for 106.5 MW of as-available wind energy starting
19 December 29, 2008. The annual estimated output is [REDACTED]. The project is located
20 in Ethridge, Montana. The transaction is a combination of two products. First, SDG&E
21 buys the output, including green attributes. Second, Glacier I buys back the output,
22 excluding green attributes, at the same delivery point. The prices for the products are
23 [REDACTED] and [REDACTED] respectively.
- 24 • Naturener Glacier II: This bilateral agreement was executed on May 23, 2008. This is a
25 fifteen-year power sale agreement for 103.5 MW of as-available wind energy starting
26 October 16, 2009. The annual estimated output is [REDACTED]. The project is located in
27 Ethridge, Montana. The transaction is a combination of two products. First, SDG&E buys
28 the output, including green attributes. Second, Glacier 2 buys back the output, excluding
29 green attributes, at the same delivery point. On May 5, 2009, this contract was amended,
30 and the prices for the products are [REDACTED] and [REDACTED] respectively. In the
31 record period, SDG&E took delivery of test energy starting August 4, 2009.

- Pacific Corp: This bilateral agreement was executed on May 26, 2009. This is a power sale agreement of firm energy of up to 200 MW from a pool of four wind facilities out of California that are Laws, Ordinances, Regulations and Standards (LORS) Certified (Wolvering Creek-Idaho Falls, ID; Leaning Juniper, Arlington, OR; Marengo, and Margeno Wind II, near Dayton, WA). The expected deliveries could range from [REDACTED] in 2009 & 2010 for three non contiguous quarterly delivery periods starting from the fourth quarter of 2009. Delivery point is Palo Verde. PacifiCorp has the right to exercise their option of the firm capacity quantities on or before the LORS Determination Dates. The projects started delivering on October 1, 2009. For the record period, the contract price is the [REDACTED]

4. Hydro

- SDCWA – Rancho Penasquitos: executed this PPA with SDG&E on November 20, 2003 for a term of 10 years starting on January 23, 2007. Under the PPA, the project provides SDG&E with 4.5 MW as-available capacity and energy at the price of \$53.70/MWh.

B. QF Resources

During the record period, SDG&E purchased 1,403 GWhs from QF projects. The total nameplate rating of the QF projects with power purchase agreements that delivered energy to SDG&E during the record period was 260 MW. The total number of operational QF Agreements that delivered energy in 2008 was 21. The breakdown of the types of operational QF projects is as follows: four Non-standard Agreements; eight Standard Offer 4 (SO4); two Standard Offer 2 (SO2); and seven Uniform Standard Offer 1 (USO1)/Standard Offer 1 (SO1). One SO4 contract (Otay Landfill I) expired during the record period, and a replacement Customer Renewable Energy (CRE) Agreement was signed and took effective immediately after the expiration.

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

1. Payments to QFs

SDG&E's Major Markets Billing (Billing) department is responsible for the actual calculation of energy and capacity payments to firm capacity (SO2 and SO4) QFs as well as the

1 other agreements, with the exception of CP Kelco. The SA division has payment calculation
2 responsibility for Kelco.

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

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

14 Billing is also responsible for the preparation of the monthly billing statements for the other
15 QF PPSAs. Statements for the other QFs are calculated using basically the same information as
16 outlined previously. As with the firm capacity QFs, if the other QF's account has a credit rather than
17 a debit balance from the purchase of QF energy, Billing will initiate the preparation and mailing of a
18 check to the QF.

19 **2. QF Performance**

20 During the record period, the firm capacity operational QFs totaled 206 MW of capacity.
21 Firm capacity QFs are required to meet minimum performance provisions during the summer on-
22 peak period.

23 The SO2 and SO4 agreements require QFs to maintain a minimum 80 percent capacity factor
24 during the summer on-peak period. QFs that fail to meet this minimum provision may be placed on
25 probation for a period not to exceed 15 months. The following describes the largest QF agreements
26 currently under contract with SDG&E:

- 27 • Applied Energy Incorporated: SDG&E has four agreements with Applied Energy Inc.: AEI
28 Naval Station SO4, AEI North Island SO4, and AEI Naval Training Center/Marine Corps

1 Recruit Depot SO1 and SO4. There were no contract administration issues during the record
2 period.

- 3 ○ AEI Naval Station: This QF is located at the Naval Station, San Diego. The
4 agreement term extends to December 31, 2019. The SO4 is for 46.5 MW of firm
5 capacity and energy. The energy price during the record period was at the SRAC.
- 6 ○ AEI North Island: This QF is located at the Navy Base Coronado. The term for the
7 SO4 is to December 31, 2019. The amount equals 33.5 MW of firm capacity and
8 energy. The energy price during the record period was at the SRAC.
- 9 ○ AEI Naval Training Center/Marine Corps Recruit Depot: The term for the SO4
10 extends until December 31, 2019. The amount is 21.6 MW of firm capacity and
11 energy. The energy price during the record period was at SRAC. The term for the
12 2.6 MW nameplate SO1 is indefinite with all output sold to SDG&E at SRAC energy
13 and as-available capacity.

- 14 • **Yuma Cogeneration Associates (YCA)**: YCA is a cogeneration project located in Yuma,
15 Arizona that delivers its energy and capacity to Arizona Public Service Company for
16 delivery to SDG&E at the North Gila Substation over SDG&E's 500 kV Southwest
17 Powerlink between Arizona and San Diego. The term of the agreement extends through
18 May 28, 2024. Firm capacity is 50 MW at a price of \$140/kW-yr with energy purchased up
19 to 56.5 MW at a price equal to SDG&E's monthly posted SRAC. The YCA agreement has
20 economic curtailment provisions where SDG&E may exercise its rights to pay YCA an
21 alternative energy price rather than SRAC during the curtailment hours. When YCA
22 receives a curtailment notice from SDG&E, YCA may do one of the following: (1)
23 physically curtail generation or (2) continue to generate and receive the alternate energy
24 price, which is the ISO hourly SP-15 Ex Post price for supplemental energy. YCA's
25 curtailment provision was exercised when the ISO SP-15 Ex Post price was expected to be
26 lower than the SRAC.

- 27 • **Goal Line LLP**: This QF PPSA provides SDG&E with 49.9 MW of firm capacity and
28 energy. The plant is located in Escondido, California. During the record period, the energy
29 price SDG&E paid Goal Line was at the SRAC, and the firm capacity price at \$172/KW-yr.
30 The agreement provides SDG&E the option to economically curtail deliveries of the project.
31 During the record period, Goal Line elected to shut down rather than run during economic

1 curtailment hours for the majority of hours of curtailment. The term of this SO2 agreement
2 expires on February 14, 2025.

- 3 • **C.P. Kelco (Kelco)**: This is a facility with an agreement which allows SDG&E to purchase
4 excess power from three (3) gas turbines for a total of 25 MW at fixed prices of 7.193
5 cents/kWh for On-Peak and 4.785 cents/kWh for Off-Peak generation at the beginning of
6 year 2008. However, in 2008, due to a change in its manufacturing needs and lower limits
7 on allowed emissions, Kelco typically only operated one generating unit on a regular basis
8 and significantly reduced the generation of the other units. In addition, Kelco no longer
9 operated its third generating unit. This change in the operational nature of Kelco's QF
10 triggered the execution of an amendment to the existing PPA on June 1, 2008. Key
11 components of the amendment include:

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]

25 In June 2009, Kelco experienced a catastrophic failure of its gas turbine, SDG&E derated the
26 dispatched capacity from [REDACTED] for the remainder of the Record Period.

27 **C. Bilateral Power Purchase Contracts**

- 28 • **Portland General Electric Company (PGE)**: The PGE Agreement (PPA) consists of a Long
29 Term Power Sale Agreement (LTPSA) and a Long Term Transmission Service Agreement
30 (LTTSA) between PGE and SDG&E. The PPAs were executed on November 5, 1985 and
31 will terminate on December 31, 2013. PGE's Boardman Unit 1 coal-fired plant and

1 associated facilities are located near Boardman, Oregon. PGE is a majority owner and
2 makes all operational decisions. SDG&E has a contractual right to 15% (about 89 MW) of
3 the plant output, but has no ownership rights to make or veto PGE's operational decisions.

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

11 Under terms of the LTPSA, PGE obtains, on behalf of SDG&E, third party transmission
12 service from Boardman to the John Day substation, where service under the LTTSA begins. Under
13 the terms of the LTTSA, PGE is responsible to transmit the power to the California Oregon Border.
14 The CAISO is responsible for transmission inside California.

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

19 In the record period, SDG&E's Audit Services Department performed an audit for years
20 2007 and 2008. The audit objective is to verify that fixed demand charges, and charges for energy
21 purchases and plant operating costs were accurate, properly supported and in compliance with the
22 PPA. As the result of the audit, \$26,631.69 was refunded to SDG&E on the invoice dated
23 September 15, 2009.

- 24 • Celerity 1: Celerity Energy Partners Executed this ten year contract on February 21, 2005
25 effective December 31, 2006 and terminates on December 31, 2016. This agreement
26 permits SDG&E to startup and bring on-line 25 MW of customer owned Back Up
27 Generation. Under the existing contract, these generators can be operated at up to 8 hours
28 per day for a maximum of 200 hours per year. This contracted product is dispatchable with
29 capacity price of \$77.00/kWyear. The cost of energy is based on the index fuel price for the
30 period in which the generators run.

1 **D. Tolling Agreements**

2 ▪ **Dynegy (LSP) South Bay, LLC**

3 On March 30, 2007, SDG&E and LSP South Bay, LLC entered into a tolling agreement,
4 starting on May 1, 2007, and terminating on December 31, 2009, for the entire output of the five gas
5 and oil fueled generation units located in Chula Vista, California. The facility was fully dispatchable
6 by SDG&E. The product included: Contract Capacity, the Net Electrical Output, the Ancillary
7 Services and the Resource Adequacy Attributes. During the record period, the Local Resource
8 Adequacy Attributes were allocated to other parties by virtue of the RMR contract between Dynegy
9 and CAISO. The Contract Capacity is 704.0 MW. The Capacity Rate was \$57.00/kW-yr for the
10 term of the contract. On April 2, 2007, Dynegy, Inc. acquired certain LS Power entities, including
11 South Bay units. Thus, the Tolling Agreement was assigned to Dynegy.

12 Monthly invoices sent directly to SDG&E from Dynegy were reviewed for accuracy and
13 completeness by the SA division. Availability, schedules, deliveries, rates and fuel costs were
14 verified, and any discrepancies were addressed and resolved prior to payments. Separately, Dynegy
15 passed along to SDG&E all CAISO payments for RMR and all Settlement charges and revenues.

16 During the Record Period, SDG&E and Dynegy agreed to the clarification of the 3%
17 deviation band calculation methodology described under Section 5.3(d) of the tolling agreement. In
18 December 2009, Dynegy paid SDG&E the difference of \$331,601.42 for the pre-MRTU period from
19 May 2007 through March 2009. The contract expired on December 31, 2009.

20 ▪ **Cabrillo I, LLC**

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

1 During the Record Period, SDG&E participated in the Distributed Control System (DCS)
2 replacements in the Extraordinary Repair Capital Expenditures for Encina Units 4 & 5. SDG&E's
3 share of the costs was \$1.5 million total.

4 On September 17, 2009, the parties signed and executed a PPA extension from January 1,
5 2010 through December 31, 2010. [REDACTED]

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 **▪ Otay Mesa Energy Center, LLC (OMEC)**

13 OMEC is a new 608 MW combined cycle plant that reached its Commercial Operating Date
14 (COD) on October 3, 2009. It is located in Otay Mesa in San Diego County near the U.S./Mexico
15 International Border. The plant is owned by Calpine Corporation and is comprised of two (2) GE
16 MS7001FA combustion turbine-generators and one Siemens Westinghouse steam turbine. SDG&E
17 is responsible for supply of the fuel. The capacity price is [REDACTED], and Operating and
18 Maintenance (O&M) cost is [REDACTED], escalated by [REDACTED] each calendar year. [REDACTED]

19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 **E. CDWR Power Purchase Contracts**

23 In D.02-12-069, the CPUC approved an operating agreement between SDG&E and CDWR.
24 Exhibit E of the operating agreement specifies that CDWR will retain the majority of contract
25 administration duties, including the following management responsibilities: performance
26 assessment; formal correspondence and notifications with Generators; agreement interpretation; and
27 dispute resolution. SDG&E engages in limited duties in support of CDWR's administrative
28 function. SDG&E, in its role as limited agent for California Energy Resources Scheduling (CERS),
29 brings any contract issues that it discovers to the attention of CERS. However, the administration of
30 disputes associated with the CDWR contract remains a CERS function. Any costs associated with

1 these contract disputes, though they may have been identified by SDG&E, are ultimately dealt with
2 and resolved by CERS. SDG&E's duties include:

- 3 • Verifying invoices for the allocated agreements: Monthly invoices are sent directly to
4 SDG&E from the Generators. SDG&E works with CDWR, the Generator and the
5 Generator's scheduling coordinators to ensure consistency between all schedules. If there
6 are discrepancies, SDG&E works with all parties to reconcile the schedules. SDG&E also
7 reviews the ISO metered data online. After schedules and metered data are confirmed to be
8 correct, SDG&E verifies invoices for payment pursuant to the agreement price.
- 9 • Conducting weekly meetings with CDWR to discuss administration issues: As part of the
10 coordination efforts between SDG&E and CDWR, the parties hold weekly conference calls
11 to discuss issues related to administration of the agreement. Face-to-face meetings may also
12 be conducted as necessary. Members from SDG&E's SA division and scheduling teams
13 participate in the weekly conference calls with CDWR as specific issues arise. These
14 meetings are a forum where a wide range of issues, including least cost dispatching, are
15 discussed and processes are coordinated.
- 16 • Coordination of Annual Performance tests: Most of the CDWR contracts require the
17 generators to perform an annual test as demonstration of capacity. According to the
18 Operating Agreement between DWR and SDG&E approved in D.03-04-029, SDG&E filed
19 Advice Letter 2048-E on December 12, 2008 seeking Commission approval of the transfer
20 of DWR's annual performance test monitoring obligation to SDG&E.

21 The following briefly describes the agreements allocated to SDG&E:

- 22 • CalPeak–Border: On August 14, 2001, CDWR and CalPeak Power–Border, LLC (CalPeak–
23 Border) executed a Master Power Purchase Agreement. On May 2, 2002, CDWR and
24 CalPeak–Border executed an Amended and Restated Power Purchase Agreement. On May
25 24, 2006, CDWR and CalPeak–Border executed a settlement agreement. On September 1,
26 2007, CDWR and Calpeak–Border executed a Second Amended and Restated Power
27 Purchase Agreement and a Settlement Agreement. The agreement is for capacity and
28 dispatchable energy. The simple cycle plant is located at Otay Mesa, California. The
29 facility output that is dedicated to CDWR is 1,200 hours during Peak Periods⁴ and 1,300

⁴ "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

1 hours during non-peak periods. On May 1, 2009, CDWR and Calpeak-Border executed the
2 MRTU Protocol Agreement to address MRTU related issues. Effective September 1, 2009,
3 as a result of the annual performance test, the new Rated Capacity value is 51.865 MW. The
4 CDWR and CalPeak–Border Agreement will terminate on December 12, 2011.

- 5 • CalPeak–El Cajon: On August 14, 2001, CDWR and CalPeak Power–El Cajon, LLC
6 (CalPeak – El Cajon) executed a Master Power Purchase Agreement. On May 2, 2002,
7 CDWR and CalPeak–El Cajon executed an Amended and Restated Power Purchase
8 Agreement. On May 24, 2006, CDWR and CalPeak–El Cajon executed a settlement
9 agreement. On September 1, 2007, CDWR and CalPeak–El Cajon executed a Second
10 Amended and Restated Power Purchase Agreement and a Settlement Agreement. The
11 agreement is for capacity and dispatchable energy. The simple cycle plant is located in El
12 Cajon, California. The facility output that is dedicated to CDWR is 1,200 hours during Peak
13 Periods and 1,300 hours during non-peak periods. On May 1, 2009, CDWR and Calpeak-El
14 Cajon executed the MRTU Protocol Agreement to address MRTU related issues. Effective
15 September 1, 2009, as a result of the annual performance test the new Rated Capacity value
16 is 51.257MW. The CDWR and CalPeak–El Cajon Agreement will terminate on January 1,
17 2012.
- 18 • CalPeak–Enterprise: On August 14, 2001, CDWR and CalPeak Power–Enterprise, LLC
19 (CalPeak–Enterprise) executed a Master Power Purchase Agreement. On May 2, 2002,
20 CDWR and CalPeak–Enterprise executed an Amended and Restated Power Purchase
21 Agreement. On May 24, 2006, CDWR and CalPeak–Enterprise executed a settlement
22 agreement. On September 1, 2007, CDWR and CalPeak–Enterprise executed a Second
23 Amended and Restated Power Purchase Agreement and a Settlement Agreement. The
24 agreement is for capacity and dispatchable energy. The simple cycle plant is located in
25 Escondido, California. The facility output that is dedicated to CDWR is 1,200 hours during
26 Peak Periods and 1,300 hours during non-peak periods. On May 1, 2009, CDWR and
27 Calpeak-Enterprise executed the MRTU Protocol Agreement to address MRTU related
28 issues. Effective September 1, 2009, as a result of the annual performance test, the new

American Electric Reliability Corporation (NERC) holidays or the Monday following any NERC holiday that falls on a Sunday.

1 Rated Capacity value is 51.113 MW. The CDWR and CalPeak–Enterprise Agreement
2 terminates on December 8, 2011.

- 3 • Sunrise Power Company (Sunrise): On June 21, 2001, CDWR and Sunrise executed a
4 Master Power Purchase Agreement. On December 31, 2002, CDWR and Sunrise executed
5 an Amended and Restated Power Purchase and Sale Agreement, Amended and Restated
6 Confirmation Agreement and a Settlement Agreement. The CDWR–Sunrise agreement
7 terminates on June 30, 2012. The agreement is for a dispatchable, combined cycle plant
8 located near Bakersfield, California. On March 30, 2009, CDWR and Sunrise Power
9 Company, LLC executed the MRTU Protocol Agreement to address MRTU related issues.
10 Sunrise performs an annual capacity test to determine the capacity output level for the year.
11 Sunrise performed a capacity test on April 24, 2008, resulting in a capacity of 570.08 MW.
12 This capacity level was applicable during the record period from January through May.
13 Another capacity test was performed on February 19, 2009. The resultant capacity of
14 581.28 MW was applicable during the record period from June through December.
- 15 • J. P. Morgan Ventures Energy Corporation (“JPMVEC”) (a.k.a. Bear Energy, LLP , a.k.a.
16 Williams Products A, B & C): On November 11, 2002, CDWR and Williams Energy
17 Marketing & Trading Company (Williams) entered into the Amended and Restated Master
18 Power Purchase and Sale Agreement for Products A, B & C. All products are delivered at
19 SP15. Effective September 1, 2008, Bear Energy LLC merged with and into JPMVEC, with
20 JPMVEC as the surviving entity. On March 30, 2009, CDWR and BE CA LLC, an indirect
21 wholly-owned subsidiary of JPMVEC executed the MRTU Agreement to address MRTU
22 related issues.
 - 23 ○ Product B is for firm 6X16 energy. The amount was 275 MW, beginning January 1,
24 2008 through December 31, 2010. The price was \$77.07/MWh in 2007, \$76.07 in
25 2008, \$75.07 in 2009 and \$74.07 in 2010.
 - 26 ○ Product C is firm 6X16 energy. The amount is 50 MW from July 1, 2003 through
27 December 31, 2010. The price is \$70.00/MWh.
- 28 • Whitewater Cabazon: On April 1, 2002, CDWR and Whitewater Energy Corporation entered
29 into the Amended and Restated Master Power Purchase and Sale Agreement for Whitewater
30 Cabazon. The agreement terminates on December 31, 2013. The agreement amount is 42.9

1 MW of as-available energy with a price of \$54.00/MWh. The project is in the Palm Springs
2 area of California with deliveries to SP-15.

- 3 • Whitewater Hill: On January 2, 2003, CDWR and Whitewater Energy Corporation entered
4 into the Amended and Restated Master Power Purchase and Sale Agreement for Whitewater
5 Hill. The agreement terminates on December 31, 2013. The agreement amount is 61.5 MW
6 of as-available energy with a price of \$51.50/MWh. The project is in the Palm Springs area
7 of California with deliveries to SP-15.

8 **F. Miscellaneous Contract Administration Issues**

9 In addition to the daily responsibilities associated with administering the power purchase
10 agreements already discussed, SDG&E implements various obligations that are supplementary to the
11 power purchase agreements. A summary of these duties are discussed below:

12 **1. Efficiency Monitoring**

13 In 1991, D.91-05-007 authorized the utilities to monitor the compliance of co-generators with
14 operating and efficiency standards of the Federal Energy Regulatory Commission (FERC). The
15 program implementing this decision is known as QF Efficiency Monitoring. As a result, SDG&E
16 QFs are required to submit operating data to SDG&E to demonstrate compliance with FERC
17 standards.

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

23 SDG&E solicited operating and efficiency data for calendar year 2009 in early 2010. No QF
24 under a power purchase agreement with SDG&E failed to meet efficiency standards in the record
25 period.

26 **2. Insurance Monitoring**

27 The CPUC-approved standard offer agreements required QFs to obtain and maintain
28 comprehensive general liability insurance during the term of their agreements. SDG&E requires
29 each QF to provide SDG&E with evidence of insurance coverage that will reimburse SDG&E for all
30 costs incurred, and any judgments against or damages suffered by SDG&E, as a result of a QF's
31 actions. In D.82-01-103, the CPUC reaffirmed SDG&E's policy on insurance. In that decision, the

1 Commission ruled that it is appropriate for QFs to provide insurance coverage at a commercially
2 reasonable amount; consistent with utility's actual risk of loss; and to name the utility as an
3 additional insured party under the QF's insurance policy, provided the QF was larger than 100 kW.
4 Besides QFs, there are a few other bilateral contracts that also have provisions requiring Sellers
5 maintain proper insurance.

6 An insurance administration procedure has been established by the SA division, which is
7 designed to ensure that: SDG&E's counterparties provide their initial insurance certificates before
8 their projects are first operated in parallel with SDG&E; the insurance policies and insurance carriers
9 meet SDG&E's approval; and SDG&E's counterparties maintain their insurance throughout the term
10 of the Agreement.

11 Before interconnection with a counterparty, SDG&E conducts an insurance check. The SA
12 division verifies that the counterparty's insurance is in place and that it meets the requirements of the
13 agreement. SDG&E's counterparties that provide the required insurance are authorized to
14 interconnect, while those who fail to secure the required insurance are denied interconnection until
15 acceptable evidence of insurance is furnished to SDG&E. This review is completed as part of
16 SDG&E's standard pre-operational review for power purchase agreements.

17 The SA division tracks the insurance certificates for compliance and ensures current
18 insurance is maintained using TrackCertsNow, an Ebix BPO system. At the end of 2008, SDG&E
19 contracted with ConfirmNet, now Ebix BPO, an industry leader specializing in insurance tracking,
20 and began officially using TrackCertNow beginning of 2009. Ebix generates letters to SDG&E's
21 counterparties, on SDG&E's behalf, alerting them of upcoming insurance expiration. SDG&E's SA
22 division is responsible for contacting the counterparties when action is required to ensure contract
23 compliance.

24 Commission D.00-12-037 issued on December 21, 2000 adopted a new set of interconnection
25 standards including insurance amounts different from those of the original QF standard offers.
26 During the record period, the SA division enforced the insurance requirements in the same manner
27 as they did for the original standard offers, and there was no non-compliance contract in terms of
28 insurance tracking by the end of record period.

29 **3. Contract Management System**

30 During the record period, SDG&E commenced implementation of the Enterprise Contract
31 Management system (ECM). It went into production in 2007 and became fully implemented in the

1 beginning of 2008. ECM is a centralized system for storing all contracts and related documents. It
2 offers functional features for contracts, such as commitments, workflows, correspondence and
3 history tracking. The workflows provide the ability to track the agreement approval process. The
4 correspondence and history sections create an audit trail of changes made to the contracts for
5 regulatory filings.

6 **4. WREGIS (Western Renewable Energy Generation Information System)**

7 Starting in 2007, as part of the Renewable Program Standard compliance effort, the
8 California Energy Commission, Western Governors' Association and Western Electricity
9 Coordinating Council jointly launched implementation of WREGIS, which tracks renewable energy
10 generation from units that register in the system using verifiable data and creates renewable energy
11 certificates (RECs) for this generation. In 2008, SDG&E became an account holder and qualified
12 reporting entity within WREGIS, and worked with our renewable counterparties to register each
13 facility into the system. SDG&E began reporting renewable generation from these facilities through
14 WREGIS starting on May 1, 2008.

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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 MWH Jan - Dec 2009	Contract MW	Contract Dates		CPUC Authorization	
						Start	Stop		
Resource Adequacy / RMR / Tolling	Dynergy - South Bay	Natural Gas	Dispatchable	354,964	704.0	5/1/2007	12/31/2009	CPUC Decision D.06-07-031	
Resource Adequacy / RMR / Tolling	NRG - Encina	Natural Gas / Oil	Dispatchable	742,485	964.0	1/1/2007	12/31/2009	CPUC Decision D.06-07-031	
Bilateral	Portland General Electric Boardman Power Purchase	Coal	Firm	486,741	89.0	01/01/89	12/31/13	CPUC Decision D.91-11-068; Conclusions of Law #6 in A.88-07-003 (ECAC).	
Bilateral	Portland General Electric Boardman Transmission Purchase	Transmission	Firm		89.0	01/01/89	12/31/13		
Tolling	Otay Mesa Energy Center, LLC.	Natural Gas	Dispatchable	782,669	608.0	10/03/09	10/02/19	CPUC Decision D. 04-06-011	
QF	AEI Naval Station	Natural Gas	Firm	312,988	46.5	12/01/89	11/30/19	CPUC Decision D.83-09-054	
QF	AEI North Island	Natural Gas	Firm	269,736	33.5	12/01/89	11/30/19	CPUC Decision D.83-09-055	
QF	AEI NT/MCRD	Natural Gas	Firm	174,595	21.6	12/01/89	11/30/19	CPUC Decision D.83-09-056	
QF	Yuma Cogeneration Associates	Natural Gas	Firm	302,987	50.0	05/28/94	05/27/24	CPUC Decision D.90-06-028	
QF	Goal Line	Natural Gas	Firm	262,875	49.9	02/15/95	02/14/25	CPUC Decision D.91-09-071	
QF	Kelco	Natural Gas	Firm	30,205	26.0	06/23/04	12/31/09	CPUC Decision D.03-06-026 & Advice Letter 1998-E-A effective July 18, 2008	
Renewable	AES Delano	Bio-Mass	As-Available	341,361	49.0	01/01/08	12/31/17	CPUC Resolution E-4070	
Renewable	Gas Recovery Systems - Coyote Canyon	Bio-Gas	As-Available	51,476	6.3	01/01/03	12/31/12	CPUC Resolution E-3803	
Renewable	Gas Recovery Systems - Sycamore	Bio-Gas	As-Available	11,725	2.5	02/01/04	01/31/14	CPUC Resolution E-3803	
Renewable	MM San Diego - Miramar	Bio-Gas	As-Available	28,391	3.0	05/01/03	04/30/13	CPUC Resolution E-3803	
Renewable	MM San Diego - North City	Bio-Gas	As-Available	4,413	1.0	05/21/03	05/20/13	CPUC Resolution E-3803	
Renewable	MM Prima Deshecha	Bio-Gas	As-Available	40,001	6.1	10/01/07	09/30/22	CPUC Resolution E-3965	
Renewable	Covanta 3	Bio-gas	Firm	24,335	3.8	03/08/07	03/07/17	CPUC Resolution E-3965	
Renewable	City of San Diego Metro Waste Dept. (Point Loma)	Bio-Gas	As-Available	13,515	4.8	01/01/08	12/31/12	CPUC Resolution E-4081	
Renewable	Kumeyaay	Wind	As-Available	143,583	50.0	03/21/06	12/31/25	CPUC Resolution E-3890	
Renewable	WTE/FPL Acquisition	Wind	As-Available	36,718	16.5	06/28/04	12/31/18	CPUC Resolution E-3803 & E 3867	
Renewable	Iberdrola Renewables LLC (a.k.a. PPM)	Wind	As-Available	89,623	24.9	12/15/03	01/01/19	CPUC Resolution E-3803 & E 3867	
Renewable	Oasis Power Partners	Wind	As-Available	162,110	60.0	12/15/04	01/01/20	CPUC Resolution E-3803 & E 3883	
Renewable	Naturener (Glacier Wind Energy 1)	Wind	RECs	257,187	106.5	12/29/08	12/28/23	CPUC Resolution E-4192	
Renewable	Naturener (Glacier Wind Energy 2)	Wind	RECs	82,402	103.5	10/16/09	10/16/24	CPUC Resolution E-4192	
Renewable	Otay Landfill I	Bio-gas	Firm	3,715	1.8	05/01/87	04/30/09	Standard Offer Contracts per CPUC D.82-01-103 on 1/21/82	
Renewable	Otay Landfill II	Bio-gas	Firm	11,308	1.8	05/01/91	04/30/11		
Renewable	San Marcos Landfill	Bio-gas	Firm	5,205	1.3	05/01/89	04/30/11		
Renewable	Sycamore Landfill	Bio-gas	Firm	3,788	1.3	12/31/88	12/30/10		
Renewable	Alvarado Hydro Facility	Hydro	As-Available	0	2.0	03/01/85	Evergreen		
Renewable	Badger Filtration Plant	Hydro	As-Available	582	1.5	07/01/87	06/30/17		
Renewable	Bear Valley Hydro	Hydro	As-Available	2,241	1.5	09/01/94	Evergreen		
Renewable	Olivenhain Municipal Water Dist	Hydro	As-Available	602	0.5	11/01/88	Evergreen		
Renewable	San Francisco Peak Hydro Plant	Hydro	As-Available	665	0.4	09/15/85	Evergreen		
Renewable	SDCWA - Rancho Penasquitos	Hydro	As-Available	20,349	4.5	01/23/07	01/22/17		CPUC Resolution E-3868
Renewable	PacifiCorp	Wind	Firm	441,080	200.0	10/01/09	12/31/10		CPUC Resolution E-4260
Renewable	Otay Landfill I - CRE	Bio-gas	Firm	7,147	1.5	05/01/09	04/30/19		
CDWR	Cal-Peak Border	Natural Gas	Dispatchable	14,926	48.6	10/23/01	10/23/11	CPUC Decision D.02-09-053; allocated selected Department of Water Resources' contracts to SDG&E	
CDWR	Cal-Peak El Cajon	Natural Gas	Dispatchable	15,224	48.9	06/01/02	01/01/12		
CDWR	Cal-Peak Enterprise	Natural Gas	Dispatchable	14,279	48.4	10/26/01	10/26/11		
CDWR	Sunrise	Natural Gas	Dispatchable	3,581,211	581.0	12/31/02	06/30/12		
CDWR	JP Morgan Ventures (Bear B)	System	Firm	1,350,800	275.0	01/01/08	12/31/10		
CDWR	JP Morgan Ventures (Bear C)	System	Firm	245,600	50.0	07/01/03	12/31/10		
CDWR	Whitewater Cabazon	Wind	As-Available	131,775	42.9	10/01/02	12/31/13		
CDWR	Whitewater Hill	Wind	As-Available	188,684	61.5	08/31/02	12/31/13		
Other	EnerNoc	Various	Dispatchable	116	25.0	12/31/06	12/31/16	CPUC Resolution E-3926	

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IV. CONCLUSION

Based on the foregoing, SDG&E recorded expenses to ERRA in conformance with D.02-12-074.

This concludes my prepared direct testimony.

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 Energy Contract Lead in the Electric and Fuel
4 Procurement Department. My present duties include management and administration of existing
5 agreements, including renewable agreements, QF agreements, allocated CDWR agreements and
6 bilateral agreements. I have been employed by SDG&E since 2001. I have been in my current
7 position since July 2009.

8 I received a MBA, with a Finance concentration, from San Diego State University. I have
9 not previously testified before the Commission.

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

**DECLARATION
OF SALLY CHEN**

A.10-06-XXX

Application of San Diego Gas & Electric Company (U 902-E) for Approval of: (i) Contract Administration, Least Cost Dispatch and Power Procurement Activities, and (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account, Incurred During the Record Period January 1, 2009 through December 31, 2009, and (iii) the Entries Recorded in Related Regulatory Accounts.

I, Sally Chen, declare as follows:

1. I am the Energy Contracts Lead 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, 2009 through December 31, 2009, and (iii) the Entries Recorded in Related Regulatory Accounts. Additionally, as an Energy Contracts Lead, 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 procedure set forth in the August 22, 2006 Ruling of ALJ

Thomas, 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 confidential 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.¹ As such, the Protected Information provided by SDGE is allowed confidential treatment in accordance with Appendix 1 – IOU Matrix in D.06-06-066.

Confidential Information	Matrix Reference	Reason for Confidentiality And Timing
SC-5 lines 6,7,8,9	VII.G	Contract terms; confidential for 3 years
SC-6 lines 24,25,26,27	VII.G	Contract terms; confidential for 3 years
SC-7 lines 1,2	VII.G	Contract terms; confidential for 3 years
SC-8 lines 19,23,26,30	VII.G	Contract terms; confidential for 3 years
SC-9 lines 5, 10-11	VII.G	Contract terms; confidential for 3 years
SC-12 lines 10-22	VII.G	Contract terms; confidential for 3 years
SC-15 lines 5-11 and 17-21	VII.G	Contract terms; confidential for 3 years

¹ 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.

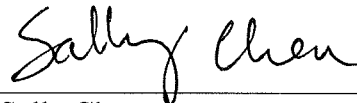
4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

5. I will comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized and continue to provide the level of support to the Application as intended; however SDG&E is certainly willing to work with the Commission regarding possible aggregations if the Commission seeks to make any of the confidential information provided in the Testimony public.

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

Executed this 1st day of June, 2010, at San Diego, California.



Sally Chen
Energy Contracts Lead
San Diego Gas & Electric Company