Application No.: A.11-06-xxx
Exhibit No.:
Witness: Sally Chen
Date: June 1, 2011

SAN DIEGO GAS & ELECTRIC COMPANY

PREPARED DIRECT TESTIMONY OF

SALLY CHEN

****REDACTED VERSION****

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

June 1, 2011

255552

TABLE OF CONTENTS

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, 2010 through December 31, 2010. 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 Gregory Shimansky. These expenses are recorded in compliance with California Public Utilities Commission ("CPUC") Decision ("D").02-12-074.

A. Load ISO Charges

This expense category included the expenses from the invoices that the California Independent System Operator ("ISO") issues to SDG&E. Included in this category are any Congestion Revenue Rights ("CRR") expenses or revenues; revenue and expenses related to the Day-Ahead and Real-Time Market post-Market Redesign Technology Upgrade ("MRTU") and relevant imbalance energy charges and payments from the ISO associated with SDG&E load.

B. Supply ISO Revenues

This category included the revenues from the ISO payments to SDG&E as the scheduling coordinator for the supply resources.

C. Contract Costs (non-Competitive Transition Charge ["CTC"])

This expense category captured the monthly expenses for renewable power purchase agreement, SDG&E's tolling agreements (Cabrillo I., LLC; Otay Mesa Energy Center, LLC; El Cajon Energy, LLC; and Orange Grove Energy, LP) and bilateral contracts (Escondido

Energy Center and Celerity 1), including capacity, energy, fuel and transportation costs associated with the tolling agreements.

D. Contract Costs (CTC up to market)

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. 10-04-010 established the market benchmark of 5.854 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 Gregory Shimansky, Attachment B.)

In addition, this category also includes the monthly expenses recorded in ERRA for the Qualifying Facilities ("QFs") power purchase agreements included the market benchmark value of the contract in accordance with D.02-12-074. To determine the market value of expenses for the eligible QFs, the kWh of energy received each month from eligible QFs were multiplied by the market benchmark. Also, pursuant to D.02-12-074, ongoing transition costs (above market) associated with eligible QF contracts were recorded in the TCBA (see testimony of SDG&E witness Gregory Shimansky, Attachment B).

E. Generation Fuel

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

This category also captures the monthly expenses recorded for the nuclear fuel expenses for Unit 2 and 3 for San Onofre Nuclear Generating Station ("SONGS"). These expenses 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.

F. Other ISO Related Costs

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

G. Hedging Costs

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

III. CONTRACT ADMINISTRATION

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

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

---

[1] 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.

A. CONTRACT ADMINISTRATION ROUTINE TASKS

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

1. KICK OFF MEETINGS

Before a new project reaches its Commercial Operating Date ("COD"), SA holds a kick off meeting with the new counterparty to introduce to each other the staff involved, review the scheduling communication protocol, and invoicing procedure. The purpose of the meeting is to ensure a smooth transition from construction phase to operation.

2. INVOICE VERIFICATION

For all non-QF contracts, the Sellers issue monthly invoices at the end of every month to SDG&E. Based on contract terms, and the daily communication records, SA staff verify the details of the invoice, including, but not limited to: price and quantity of energy delivered or scheduled, price of capacity, time of delivery factors, index prices, numbers of startups, and validity of any adjustment in the invoice to approve the monthly payment to the seller. SA staff follow the complete payment process to make sure it is done in the timely manner according to the contract.

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

3. WESTERN RENEWABLE ENERGY GENERATION INFORMATION SYSTEM ("WREGIS") ADMINISTRATION

Starting in 2007, as part of the Renewable Program Standard ("RPS") compliance effort, the California Energy Commission, Western Governors' Association and Western Electricity Coordinating Council jointly launched implementation of WREGIS, which tracks renewable energy generation from units that register in the system using verifiable data and creates renewable energy certificates ("RECs") for this generation. In 2008, SDG&E became an account holder and qualified reporting entity within WREGIS, and worked with the renewable counterparties to register each facility into the system. SDG&E began reporting renewable generation from these facilities through WREGIS starting on May 1, 2008. During the record period, SDG&E SA staff diligently monitored and administrated the accounts, and worked closely with WREGIS and CEC staff to provide feedback and suggestions in order to improve the system. At the end of the record period, to be compliant with CEC's RPS guidebook, SDG&E retired the RECs in the account from 2008 in WREGIS.

4. <u>ACTIVE MONITORING</u>

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

In particular for the renewable contracts, in the record period, the Commission issued D.10-06-004, which mandated SDG&E to actively monitor Sellers' compliance with Standard Terms and Conditions 6 ("STC 6"), as defined in the California Public Utilities Code.[2] SDG&E implemented the following method of active monitoring:

(i) request Sellers' copies of CEC certification;

(ii) request Sellers to register the contracted facility with WREGIS;

(iii) verify the Seller-provided RPS ID through the WREGIS certificates and upload periodically; and

(iv) send out a questionnaire after the year end to each Seller to certify the product SDG&E received during the record period was indeed in compliance with STC 6.

As a result of its active monitoring, SDG&E found all RPS sellers' projects are compliant to STC6 based on above activities (i), (ii) and (iii). All Sellers, but one, responded to our questionnaire at year end confirming compliance with STC 6. The only Seller who did not respond is PacifiCorp, despite SDG&E's repeated efforts to obtain a response.

[2] 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 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.

However, PacifiCorp satisfied all the other review items: (i), (ii), and (iii), and SDG&&E has no reason to believe that PacifiCorp has any non-compliance issue during the record period. In addition, PacifiCorp's PPA does not obligate it to answer the questionnaire, and the PPA ended at the end of record period.

5. CONTRACT SYSTEM ADMINISTRATION

During the record period, SDG&E uses Enterprise Contract Management as a centralized system for storing all contracts and related documents. It offers functional features for contracts, such as commitments, workflows, correspondence and history tracking. The workflows provide the ability to track the agreement approval process. The correspondence and history sections create an audit trail of changes made to the contracts for regulatory filings.

B. Renewable Resources

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

A description of renewable resource projects that delivered energy to SDG&E during the record period, arranged by technology type, is provided below along with discussions of activities unique to each project agreement. Unless stated otherwise, all agreements resulted from competitive solicitations.[3]

1. Bio-Mass

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

- Covanta Delano: As extended from the previous contract terminated on December 31, 2007, this contract became effective January 1, 2008. The total nameplate output rating is 49 MW and the guaranteed minimum annual delivery is 300,468 MWh. This contract has a term of 10 years, January 1, 2008 through December 31, 2017. The energy price in 2008 was

[3] 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.

$40.20/MWh and escalates to approximately $54.08/MWh in 2017. The annual capacity price in 2008 was $268.00/kW-yr and reduces to $146.00/kW-yr in 2017.

- Blue Lake: This PPA with SDG&E was executed on June 9, 2008 for a term of 15 years starting on April 30, 2010. Under the PPA, the project provides SDG&E with [redacted] MW of delivered energy at the price of [redacted].

2. Bio-Gas

SDG&E has agreements with eight 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. Six of the eight 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 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 during 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 2010, the annual guaranteed energy production was 38,399 MWhs, and the capacity level was at 5.8 MW.
- 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. The facility provides SDG&E 2.5 MW of as-available capacity and energy for a term of ten years. The all-in price is $53.70/MWh, which is fixed during the term of the agreement. The plant provides SDG&E with a Guaranteed Annual Energy Production of 16,425 MWhs. On February 27, 2009, SDG&E and GRS Sycamore 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.
- Minnesota Methane San Diego LLC (MM San Diego): The two MM San Diego projects converted their QF Power Purchase and Sale Agreements ("PPSAs") into renewable agreements in May 2003. Under the original PPSA, both projects sold their excess energy to SDG&E under terms pre-approved by the CPUC. The PPSAs terminated and the renewable agreements became effective on May 21, 2003. The initial price was $48.39/MWh and

escalates based on the change in the Consumer Price Index – All Urban Consumers, San Diego Area. The annual escalation is capped at 1.5% per year. During the record period, the price from January 1 through April 30 was $52.91/MWh; and the price from May 1 through December 31 was $53.70/MWh.

- Miramar Landfill (Miramar): Miramar is a 3 MW project located at the Miramar Land Fill. Under the new agreement, Miramar continues to deliver 3 MW of as-available capacity and energy to SDG&E. The term of the agreement is 10 years, beginning May 20, 2003. Miramar guarantees to deliver to SDG&E 20,000 MWhs each year.
- North City Water Reclamation Facility (North City): North City is a 1 MW facility. Under the new agreements, the project will continue to deliver 1 MW of as-available capacity and energy to SDG&E. The term of the agreement is 10 years from May 21, 2003. North City guarantees to deliver to SDG&E 5,000 MWhs each year.

- Minnesota Methane Prima Deshecha Energy LLC (Prima): As of October 1, 2007, this facility is under a new agreement replacing a prior contract. The contract term is 15 years, and throughout the term, the capacity increases from 6.1 MW to 15.25 MW, and contract price increases from $48.50/MWh to $68.53/MWh. During the record period, the contract capacity is 6.1 MW, and the guaranteed annual delivery to SDG&E is 34,554 MWhs. In the record period, the price from January 1 through October 31 was $50.96/MWh; and the price from November 1 to December 31 was $52.23/MWh.
- City of San Diego Metropolitan Wastewater Department (Point Loma): Point Loma executed an amendment with SDG&E on December 22, 2006. It became effective on January 1, 2008, and will terminate on December 31, 2012. Point Loma delivers 4.8 MW of as-available capacity and energy to SDG&E, and is guaranteed to deliver to SDG&E 10,000 MWhs each year at a price of $75.60/MWh for the duration of the agreement.
- Covanta Otay 3: This PPA was executed on August 31, 2005. Under the agreement, the project delivers 3.75 MW of as-available capacity and energy to SDG&E. The term of the agreement is 10 years from March 8, 2007. Covanta Otay 3 is guaranteed to deliver to SDG&E 20,000 MWh each year at a price of $57.00/MWh.
- Otay I: As Authorized by D.08-09-033, Otay Landfill I executed this Customer Renewable Energy ("CRE") Agreement with SDG&E in the record period, and was effective on May 1,

2009. The agreement has a fixed price of $100.43/MWh over the 10 year term with 1.5 MW capacity and annual expected delivery of 13,140MWhs.

3. Wind

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

- NEXTera (a.k.a. WTE Acquisitions, LLC (WTE), a.k.a. FPL Energy (FPLE): This agreement is a 15-year PPSA. The original agreement was executed on October 31, 2002 and the assignment was effective April 7, 2004. NEXTera_is to provide 16.5 MW of as-available capacity and energy with a price of $52.60/MWh. The project is in the Palm Springs area of California with deliveries to SP-15. Deliveries under the agreement commenced on June 29, 2004. SDG&E and NEXTera have been transacting IST's since April 2009, post MRTU implementation.
- Iberdrola Renewables (a.k.a. PPM Energy, Inc., a.k.a. PacifiCorp Power Marketing): There are two projects under agreements with SDG&E. One agreement is a 15-year PPSA. It was executed on October 31, 2002, and the project began deliveries in December 2003. The amount is 22.8 MW of as-available capacity and energy with a price of $49.15/MWh. The other agreement is a 15-year PPA executed on November 7, 2003, with 2.1 MW of as-available capacity and energy with a price of $49.15/MWh. Both projects are in the Palm Springs area of California with deliveries to SP-15. SDG&E and Iberdrola Renewables have been transacting IST's under their MRTU Agreement since April 2009, post MRTU implementation.
- Oasis Power Partners, LLC. (Oasis): This agreement is a 15-year power sale agreement. It was executed on October 30, 2002, and the project commenced deliveries in December 2004. The amount is 60 MW of as-available capacity and energy with a price of $49.20/MWh. The project is in the Tehachapi area of California with deliveries to SP-15. On April 1, 2009. SDG&E and Oasis have been transacting IST's under their MRTU Agreement since April 2009, post MRTU implementation.
- Kumeyaay Wind LLC (Kumeyaay): This agreement is a 20 year power sale agreement for 50 MW of as-available capacity and energy with an estimated annual output of 167,900

MWhs. The project is located on the Campo Indian Reservation in eastern San Diego County. The contract has a tiered pricing structure: $49.00/MWh for Contract Year 1, $49.75/MWh for Contract Year 2, $50.50/MWh for Contract Year 3, $51.50 for Contract Year 4, and $51.75/MWh for Contract Years 5-20, with no further escalation. The agreement includes an Energy Production Guarantee of 100,740 MWhs. SDG&E began taking deliveries of the energy on March 21, 2006. SDG&E and Kumeyaay have been transacting IST's under their MRTU Agreement since April 2009, post MRTU implementation.

- Naturener Glacier I: This bilateral agreement was executed on May 16, 2008. This is a fifteen-year power sale agreement for 106.5 MW of as-available wind energy starting December 29, 2008. The annual estimated output is [redacted]s. 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 I buys back the output, excluding green attributes, at the same delivery point. The prices for the products are [redacted] and [redacted] 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 [redacted]s. 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 [redacted] and [redacted] respectively.
- PacifiCorp: 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 Marengo Wind II, near Dayton, WA). The expected deliveries could range from [redacted]s in 2009 and 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

- San Diego County Water Authority – Rancho Penasquitos: This PPA was executed 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 of as-available capacity and energy at the price of $53.70/MWh.

5. Geothermal

- Calpine Geysers: This agreement is a 5-year Geo-thermal contract executed on February 26, 2010. It came online on March 2, 2010. This project operates fifteen (15) geothermal power plants which provide 25 MW each hour of as-available capacity and Green Attributes Energy to SDG&E with a price of [redacted]. The annual estimated output is [redacted] MWhs. These power plants are located in Sonoma and Lake Counties in California.

C. QF Resources

During the record period, SDG&E purchased 1,206 GWhs from QF projects. The total nameplate rating of the QF projects with PPAs that delivered energy to SDG&E during the record period was 258 MW. The total number of operational QF Agreements that delivered energy in 2010 was 18. The breakdown of the types of operational QF projects is as follows: three Non-standard Agreements; seven Standard Offer 4 ("SO4"); two Standard Offer 2 ("SO2"); and six Uniform Standard Offer 1 ("USO1")/Standard Offer 1 ("SO1"). One SO4 contract (Sycamore Landfill I) expired, and one (San Marcos Landfill) was terminated during the record period. 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 other agreements, with the exception of CP Kelco. The SA division has payment calculation responsibility for Kelco.

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

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

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

2. Efficiency Monitoring

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

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

SDG&E solicited operating and efficiency data for calendar year 2010 in early 2011. No QF under a PPA with SDG&E failed to meet efficiency standards in the record period.

3. Insurance Monitoring

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

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

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

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

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

4. QF Performance

During the record period, the firm capacity operational QFs totaled 204 MW of capacity. Firm capacity QFs are required to meet minimum performance provisions during the summer on-peak period.

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

- Applied Energy Incorporated: SDG&E has four agreements with Applied Energy Inc.: AEI Naval Station SO4, AEI North Island SO4, and AEI Naval Training Center/Marine Corps Recruit Depot SO1 and SO4. There were no contract administration issues during the record period.
  - AEI Naval Station: This QF is located at the Naval Station, San Diego. The agreement term extends to December 31, 2019. The SO4 is for 46.5 MW of firm capacity and energy. The energy price during the record period was at the SRAC.
  - AEI North Island: This QF is located at the Navy Base Coronado. The term for the SO4 is to December 31, 2019. The amount equals 33.5 MW of firm capacity and energy. The energy price during the record period was at the SRAC.
  - AEI Naval Training Center/Marine Corps Recruit Depot: The term for the SO4 extends until December 31, 2019. The amount is 21.6 MW of firm capacity and energy. The energy price during the record period was at SRAC. The term for the 2.6 MW nameplate SO1 is indefinite with all output sold to SDG&E at SRAC energy and as-available capacity.
- Yuma Cogeneration Associates ("YCA"): YCA is a cogeneration project located in Yuma, Arizona that delivers its energy and capacity to Arizona Public Service Company for delivery to SDG&E at the North Gila Substation over SDG&E's 500 kV Southwest Powerlink between Arizona and San Diego. The term of the agreement extends through May 28, 2024. Firm capacity is 50 MW at a price of $140/kW-yr with energy purchased up to 56.5 MW at a price equal to SDG&E's monthly posted SRAC. The YCA agreement has economic curtailment provisions where SDG&E may exercise its rights to pay YCA an alternative energy price rather than SRAC during the curtailment hours. When YCA receives a

curtailment notice from SDG&E, YCA may do one of the following: (1) physically curtail generation or (2) continue to generate and receive the alternate energy price, which is the ISO SP-15 hourly Local Marginal Price ("LMP") for supplemental energy. YCA's curtailment provision was exercised when the ISO LMP was expected to be lower than the SRAC.

- Goal Line LLP**:** This QF PPSA provides SDG&E with 49.9 MW of firm capacity and energy. The plant is located in Escondido, California. During the record period, the energy price SDG&E paid Goal Line was at the SRAC, and the firm capacity price at $172/KW-yr. The agreement provides SDG&E the option to economically curtail deliveries of the project. During the record period, Goal Line elected to shut down for the majority of hours of curtailment. The term of this SO2 agreement expires on February 14, 2025.
- C.P. Kelco (Kelco): This is a facility with an agreement which allows SDG&E to purchase excess power from three (3) gas turbines for a total of 25 MW at SRAC prices for both energy and capacity. The original agreement ended on December 31, 2009; and an amendment was executed to extend the term to when the new QF Contract is approved by the Commission. In addition, the amendment also changed the fixed price to SRAC energy and capacity prices.

D. Bilateral Power Purchase Contracts

- Portland General Electric Company ("PGE"): The PGE Agreement (PPA) consists of a Long Term Power Sale Agreement ("LTPSA") and a Long Term Transmission Service Agreement ("LTTSA") between PGE and SDG&E. The PPAs were executed on November 5, 1985 and will terminate on December 31, 2013. PGE's Boardman Unit 1 coal-fired plant and associated facilities are located near Boardman, Oregon. PGE is a majority owner and makes all operational decisions. SDG&E has a contractual right to 15% (about 89 MW) of the plant output, but has no ownership rights to make or veto PGE's operational decisions.

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

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

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

- <u>Escondido Energy Center, LLC (EEC)</u>

On July 9, 2010, SDG&E executed a contract with EEC for a dispatch option and resource adequacy (RA) effective June 1, 2010. It is an existing quick start peaking plant and has a current contract capacity of [redacted] MW. The plant is located in Escondido, California. It is owned by Wellhead Energy. The capacity price was [redacted] and the energy price [redacted] The RA price was [redacted].

On September 21, 2010, SDG&E executed a 1-year contract with the EEC for dispatch and RA effective January 1, 2011.

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

E. <u>Tolling Agreements</u>

- <u>Cabrillo I, LLC</u>

On December 13, 2006, SDG&E and Cabrillo Power I, LLC (a subsidiary of NRG Energy) entered into a tolling agreement, starting on January 1, 2007, and terminating on December 31, 2009, for the entire output of the five steam units and a combustion turbine unit located in Carlsbad, California. The facility was fully dispatchable by SDG&E. The product includes: Contract Capacity, the Net Electrical Output, the Ancillary Services and the Resource Adequacy Attributes.

The Contract Capacity was 964 MW. Monthly invoices sent directly to SDG&E from NRG Energy for the tolling agreement are reviewed for accuracy and completeness. Availability, schedules, deliveries, rates and fuels costs were verified, and any discrepancies were addressed and resolved prior to payments.

On September 17, 2009 and August 30, 2010 the parties signed and executed PPA amendments to extend the term to December 31, 2010 and December 31, 2011, respectively. [redacted]

[redacted]

- Otay Mesa Energy Center, LLC (OMEC)

OMEC is a 608 MW combined cycle plant located in Otay Mesa in San Diego County near the U.S./Mexico International Border. The plant is owned by Calpine Corporation and is comprised of two (2) GE MS7001FA combustion turbine-generators and one Siemens Westinghouse steam turbine. SDG&E is responsible for supply of the fuel. The capacity price is [redacted], and the O&M cost was [redacted] during the record period, escalated by [redacted] each calendar year. Additionally, pursuant to the Commission's approval in D.06-09-021 of the revised OMEC PPA, SDG&E's ERRA forecast for 2010 included $[redacted] in equity rebalancing cost recovery associated with the impact of Generally Accepted Accounting Principles ("GAAP") rules (namely, Financial Accounting Standards Board Interpretation No. 46 ["FIN 46 (R)"]) requiring SDG&E to consolidate OMEC's financial statements. Approval of SDG&E's 2010 ERRA forecast for 2010, including these OMEC rebalancing costs, was approved in D.10-04-010.

[redacted]

[redacted]

- <u>El Cajon Energy, LLC ("ECEC")</u>

ECEC is a quick start peaking plant started on June 16, 2010 with a contract capacity of 48.1 MW. The plant is comprised of one LM-6000 GE gas turbine located in El Cajon California. It is owned by Wellhead Energy. The capacity price for the record period is [redacted], and the Operating and Maintenance ("O&M") cost is [redacted], and is escalated by the CPIA each calendar year. The contract has a term of 25 years, and will terminate on June 15, 2035.

- <u>Orange Grove Energy, LP ("OG")</u>

OG is comprised of two LM-6000 GE gas turbines located in Pala California and is owned by J-Power USA Development CO, LTD ("J-Power"). On September 7, 2007, the Commission issued D.07-09-010, approving a power purchase agreement ("PPA") and corresponding lease between SDG&E and J-Power. With this approval, SDG&E would lease its land to J-Power who would construct a gas powered peaker generator (peaker) on the leased land. The PPA commits the output of that peaker to SDG&E for a period of 25 years and after which, the lease shall expire and title to the peaker shall transfer to SDG&E at no additional cost. OG is a quick start peaking plant and has a current contract capacity of 98.4 MW. The O&M price was $[redacted] during the record period[redacted]. As for the capacity price, the default was [redacted].

On September 5, 2008, SDG&E filed a Petition For Modification ("PFM") of D.07-09-010. Among other things, the PFM was based on unforeseen permitting delays resulting in the need to modify some of the PPA's terms, including pricing. As described in the PFM and the amended PPA, pricing under the amended PPA is determined according to a formula based on actual project costs and subject to a maximum price cap of [redacted]. In the PFM, including the supporting declaration, SDG&E noted that the finally determined price, subject to the maximum price cap, would be provided to the Commission as part of a future compliance advice letter filing, requiring no additional action by the Commission. Ultimately, on March 26, 2009, D.09-03-033 was issued approving amendments to the J-Power Agreements reflected in the PFM, including the amended pricing formula and maximum price cap.

On May 6, 2011, in AL 2253-E, SDG&E notified the Commission that J-Power construction costs were higher than budgeted. However, as indicated in the PFM, these costs have been reviewed by SDG&E's Independent Engineer (R.W. Beck) and have been found to be reasonable and prudent. As such, this has resulted in a contract price equal to the maximum price cap included in the PFM that was approved in D.09-03-033. No additional action by the Commission is required at this time.

[redacted].

F. <u>CDWR Power Purchase Contracts</u>

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

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

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

- CalPeak–Border: On August 14, 2001, CDWR and CalPeak Power–Border, LLC (CalPeak–Border) executed a Master Power Purchase Agreement. On May 2, 2002, CDWR and CalPeak–Border executed an Amended and Restated Power Purchase Agreement. On May 24, 2006, CDWR and CalPeak–Border executed a settlement agreement. On September 1, 2007, CDWR and Calpeak–Border executed a Second Amended and Restated Power Purchase Agreement and a Settlement Agreement. The agreement is for capacity and dispatchable energy. The simple cycle plant is located at Otay Mesa, California. The facility output that is dedicated to CDWR is 1,200 hours during Peak Periods[4] and 1,300 hours during non-peak periods. On May 1, 2009, CDWR and Calpeak-Border executed the MRTU Protocol Agreement to address MRTU related issues. Effective July 1, 2010, as a result of the annual performance test, the new Rated Capacity value is 52.234 MW. The CDWR and CalPeak–Border Agreement will terminate on December 12, 2011.

- CalPeak–El Cajon: On August 14, 2001, CDWR and CalPeak Power–El Cajon, LLC (CalPeak – El Cajon) executed a Master Power Purchase Agreement. On May 2, 2002, CDWR and CalPeak–El Cajon executed an Amended and Restated Power Purchase Agreement. On May 24, 2006, CDWR and CalPeak–El Cajon executed a settlement agreement. On September 1, 2007, CDWR and CalPeak–El Cajon executed a Second Amended and Restated Power Purchase Agreement and a Settlement Agreement. The agreement is for capacity and dispatchable energy. The simple cycle plant is located in El Cajon, California. The facility output that is dedicated to CDWR is 1,200 hours during Peak Periods and 1,300 hours during non-peak periods. On May 1, 2009, CDWR and Calpeak-El Cajon executed the MRTU Protocol Agreement to address MRTU related issues. Effective August 1, 2010, as a result of the annual performance test the new Rated Capacity value is 50.52 MW. The CDWR and CalPeak–El Cajon Agreement will terminate on January 1, 2012.
- CalPeak–Enterprise: On August 14, 2001, CDWR and CalPeak Power–Enterprise, LLC (CalPeak–Enterprise) executed a Master Power Purchase Agreement. On May 2, 2002, CDWR and CalPeak–Enterprise executed an Amended and Restated Power Purchase Agreement. On May 24, 2006, CDWR and CalPeak–Enterprise executed a settlement agreement. On September 1, 2007, CDWR and CalPeak–Enterprise executed a Second Amended and Restated Power Purchase Agreement and a Settlement Agreement. The agreement is for capacity and dispatchable energy. The simple cycle plant is located in Escondido, California. The facility output that is dedicated to CDWR is 1,200 hours during Peak Periods and 1,300 hours during non-peak periods. On May 1, 2009, CDWR and Calpeak-Enterprise executed the MRTU Protocol Agreement to address MRTU related issues.

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

Effective July 1, 2010, as a result of the annual performance test, the new Rated Capacity value is 51.495 MW. The CDWR and CalPeak–Enterprise Agreement terminate on December 8, 2011.

- Sunrise Power Company (Sunrise): On June 21, 2001, CDWR and Sunrise executed a Master Power Purchase Agreement. On December 31, 2002, CDWR and Sunrise executed an Amended and Restated Power Purchase and Sale Agreement, Amended and Restated Confirmation Agreement and a Settlement Agreement. The CDWR–Sunrise agreement terminates on June 30, 2012. The agreement is for a dispatchable, combined cycle plant located near Bakersfield, California. On March 30, 2009, CDWR and Sunrise Power Company, LLC executed the MRTU Protocol Agreement to address MRTU related issues. Sunrise performs an annual capacity test to determine the capacity output level for the year. Sunrise performed a capacity test on February 19, 2009, resulting in a capacity of 581.28 MW. This capacity level was applicable during the record period from January through May. Another capacity test was performed on April 22, 2010. The resultant capacity of 579.12 MW was applicable during the record period from June through December.

  In July of the record period, Kern River Gas Transmission Company ("Kern"), who provides gas transportation service to Sunrise, informed CDWR of a gas meter configuration error on one of the meters in the gas system for seventeen months, and sought compensation for approximately 1 bcf of gas that was unpaid due to the error. CDWR subsequently advised SDG&E of the claim from Kern. As the fuel manager for Sunrise, SDG&E provided operational data to CDWR to support the analysis of the claim. On February 14, 2011 Kern filed a request for a limited waiver of its FERC gas tariff to resolve the large imbalance by reimbursing Kern over an eight month period beginning April 1, 2011. On March 15, 2011, FERC approved this request. On the power side, the error in the meter reads caused CDWR $1.7 million of availability bonus penalty during the dispute period. Sunrise paid it back to CDWR upon request during the record period.

- J. P. Morgan Ventures Energy Corporation ("JPMVEC") (a.k.a. Bear Energy, LLP, a.k.a. Williams Products A, B & C): On November 11, 2002, CDWR and Williams Energy Marketing & Trading Company ("Williams") entered into the Amended and Restated Master Power Purchase and Sale Agreement for Products A, B & C. All products are delivered at SP15. Effective September 1, 2008, Bear Energy LLC merged with and into JPMVEC, with

JPMVEC as the surviving entity. On March 30, 2009, CDWR and BE CA LLC, an indirect wholly-owned subsidiary of JPMVEC executed the MRTU Agreement to address MRTU related issues.

  - Product B is for firm 6X16 energy. The amount was 275 MW, beginning January 1, 2008 through December 31, 2010. The price was $74.07 in 2010.
  - Product C is firm 6X16 energy. The amount is 50 MW from July 1, 2003 through December 31, 2010. The price was $70.00/MWh.

The contract ended at the end of the record period.

- Whitewater Cabazon: On April 1, 2002, CDWR and Whitewater Energy Corporation entered into the Amended and Restated Master Power Purchase and Sale Agreement for Whitewater Cabazon. The agreement terminates on December 31, 2013. The agreement amount is 42.9 MW of as-available energy with a price of $54.00/MWh. The project is in the Palm Springs area of California.
- Whitewater Hill: On January 2, 2003, CDWR and Whitewater Energy Corporation entered into the Amended and Restated Master Power Purchase and Sale Agreement for Whitewater Hill. The agreement terminates on December 31, 2013. The agreement amount is 61.5 MW of as-available energy with a price of $51.50/MWh. The project is in the Palm Springs area of California.

///

///

///

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 in 2010	Contract MW	Contract Dates		CPUC Authorization
						Start	Stop	
Resource Adequacy / RMR / Tolling	NRG - Encina	Natural Gas / Oil	Dispatchable	334,204	964.0	01/01/2007	12/31/2011	CPUC Decision D.06-07-031
Bilateral	Portland General Electric - Boardman Power Purchase	Coal	Firm	603,763	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	-	89.0	01/01/89	12/31/13	
Tolling	Otay Mesa Energy Center, LLC.	Natural Gas	Dispatchable	2,161,480	608.0	10/03/09	10/02/19	CPUC Decision D. 04-06-011
QF	AEI Naval Station	Natural Gas	Firm	321,632	46.5	12/01/89	11/30/19	CPUC Decision D.83-09-054
QF	AEI North Island	Natural Gas	Firm	309,816	33.5	12/01/89	11/30/19	CPUC Decision D.83-09-055
QF	AEI NTC/MCRD	Natural Gas	Firm	145,083	21.6	12/01/89	11/30/19	CPUC Decision D.83-09-056
QF	Yuma Cogeneration Associates	Natural Gas	Firm	187,431	50.0	05/28/94	05/27/24	CPUC Decision D.90-06-028
QF	Goal Line	Natural Gas	Firm	193,567	49.9	02/15/95	02/14/25	CPUC Decision D.91-09-071
Renewable	AES Delano	Bio-Mass	As-Available	312,074	49.0	01/01/08	12/31/17	CPUC Resolution E-4070
Renewable	Gas Recovery Systems - Coyote Canyon	Bio-Gas	As-Available	49,383	6.3	01/01/03	12/31/12	CPUC Resolution E-3803
Renewable	Gas Recovery Systems - Sycamore	Bio-Gas	As-Available	9,513	2.5	03/31/04	03/30/14	CPUC Resolution E-3803
Renewable	MM San Diego - Miramar	Bio-Gas	As-Available	32,004	3.0	05/01/03	04/30/13	CPUC Resolution E-3803
Renewable	MM San Diego - North City	Bio-Gas	As-Available	4,746	1.0	05/21/03	05/20/13	CPUC Resolution E-3803
Renewable	MM Prima Deshecha	Bio-Gas	As-Available	42,481	6.1	10/01/07	09/30/22	CPUC Resolution E-3965
Renewable	Covanta 3	Bio-gas	Firm	20,901	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	21,987	4.8	01/01/08	12/31/12	CPUC Resolution E-4081
Renewable	Kumeyaay	Wind	As-Available	122,715	50.0	03/21/06	12/31/25	CPUC Resolution E-3890
Renewable	WTE/FPL Acquisition	Wind	As-Available	37,075	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	84,974	24.9	12/15/03	01/01/19	CPUC Resolution E-3803 & E 3867
Renewable	Oasis Power Partners	Wind	As-Available	138,273	60.0	12/15/04	01/01/20	CPUC Resolution E-3803 & E 3883
Renewable	Naturener (Glacier Wind Energy 1)	Wind	RECs	231,245	106.5	12/29/08	12/28/23	CPUC Resolution E-4192
Renewable	Naturener (Glacier Wind Energy 2)	Wind	RECs	226,846	103.5	10/16/09	10/16/24	CPUC Resolution E-4192
Renewable	Otay Landfill II	Bio-gas	Firm	10,602	1.8	05/01/91	06/30/11	Standard Offer Contracts per CPUC D.82-01-103 on 1/21/82
Renewable	Alvarado Hydro Facility	Hydro	As-Available	-	2.0	03/01/85	Evergreen	
Renewable	Badger Filtration Plant	Hydro	As-Available	235	1.5	07/01/87	06/30/17	
Renewable	Bear Valley Hydro	Hydro	As-Available	452	1.5	09/01/94	Evergreen	
Renewable	Olivenhain Municipal Water Dist	Hydro	As-Available	889	0.5	11/01/88	Evergreen	
Renewable	San Francisco Peak Hydro Plant	Hydro	As-Available	588	0.4	09/15/85	Evergreen	
Renewable	San Marcos Landfill	Bio-gas	Firm	3,539	0.8	05/01/89	08/31/10	
Renewable	Sycamore Landfill	Bio-gas	Firm	3,753	0.5	12/31/88	12/31/10	
Renewable	SDCWA - Rancho Penasquitos	Hydro	As-Available	20,206	4.5	01/23/07	01/22/17	CPUC Resolution E-3868
Renewable	PacifiCorp	Wind	Firm	341,410	200.0	10/01/09	12/31/10	CPUC Resolution E-4260
Renewable	Otay Landfill I - CRE	Bio-gas	Firm	11,163	1.5	05/01/09	04/30/19	CPUC Resolution E-4137
CDWR	Cal-Peak Border	Natural Gas	Dispatchable	11,391	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	12,872	48.9	06/01/02	01/01/12	
CDWR	Cal-Peak Enterprise	Natural Gas	Dispatchable	16,122	48.4	10/26/01	10/26/11	
CDWR	Sunrise	Natural Gas	Dispatchable	3,254,247	581.0	12/31/02	06/30/12	
CDWR	JP Morgan Ventures (Bear B)	System	Firm	1,346,400	275.0	01/01/08	12/31/10	
CDWR	JP Morgan Ventures (Bear C)	System	Firm	244,800	50.0	07/01/03	12/31/10	
CDWR	Whitewater Cabazon	Wind	As-Available	163,808	42.9	10/01/02	12/31/13	
CDWR	Whitewater Hill	Wind	As-Available	125,931	61.5	08/31/02	12/31/13	
Use Limited Dispatch	EnerNoc	Diesel	Dispatchable	134	25.0	12/31/06	12/31/16	CPUC Resolution E-3926
Renewable	Blue Lake Power	Bio-gas	As-Available	27,825	11.0	04/30/10	04/29/20	CPUC Resolution E-4208 & E-4348
Renewable	Calpine - Geyser	Geothermal	As-Available	183,000	25.0	03/01/10	12/31/14	CPUC Resolution E-4342
Tolling	JPower - Orange Grove	Natural Gas	Dispatchable	63,903	99.2	06/17/10	06/16/35	CPUC Decision D.07-09-10 & D. 09-03-033
Tolling	Wellhead - Escondido	Natural Gas	Dispatchable	-	35.5	07/01/10	12/31/11	Not Applicable
Tolling	Wellhead - El Cajon	Natural Gas	Dispatchable	23,440	48.3	06/16/10	06/15/35	CPUC Decision D.07-09-10 & D. 09-12-026

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.

V. QUALIFICATIONS

My name is Sally Chen. My business address is 8315 Century Park Court, San Diego, CA 92123. I am employed by SDG&E as the Energy Contract Lead in the Electric and Fuel Procurement Department. My present duties include management and administration of existing agreements, including renewable agreements, QF agreements, allocated CDWR agreements and bilateral agreements. I have been employed by SDG&E since 2001. I have been in my current position since July 2009.

I received a MBA, with a Finance concentration, from San Diego State University. I have previously testified before the Commission.

BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION
OF SALLY CHEN

A.11-06-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 2010, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account and Transition Cost Balancing Account in 2010 and (iii) Costs Recorded in Related Regulatory Accounts in 2010

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, 2010 through December 31, 2010, 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 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 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 SDG&E 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-7 lines 5-6	VII.G	Contract terms; confidential for 3 years
SC-10 lines 13,17,20,24	VII.G	Contract terms; confidential for 3 years
SC-10 line 29, SC-11 lines 3-4	VII.G	Contract terms; confidential for 1 year
SC-11 line 14	VII.G	Contract terms; confidential for 3 years
SC-16 lines 14-17	VII.E	Contract terms; confidential for 3 years
SC-17 lines 8-14,20-21,23, and 28-31	VII.E	Contract terms; confidential for 3 years
SC-18 lines 1-6,11,23-25, and 30	VII.E	Contract terms; confidential for 3 years
SC-19 lines 11-22	VII.E	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 31st day of May, 2011, at San Diego, California.

Sally Chen

Sally Chen
Energy Contracts Lead
San Diego Gas & Electric Company