

Application No: 07-09-017  
Exhibit No.: \_\_\_\_\_  
Witness: Michael McClenahan

Application of San Diego Gas & Electric Company (U 902 E) for Approval of a Power Purchase Agreement with Envirepel Energy, Inc., for Authority to Recover the Costs of Such Power Purchase Agreement in Rates and for Issuance of Certain Findings Related to Compliance with Renewable Portfolio Standard Program Requirements.

Application 07-09-017  
(Filed September 26, 2007)

**PREPARED SUPPLEMENTAL TESTIMONY  
OF MICHAEL McCLENAHAN**

**SAN DIEGO GAS & ELECTRIC COMPANY**

***\*\*public version\*\****

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

October 9, 2007

1 **PREPARED SUPPLEMENTAL TESTIMONY**  
2 **OF MICHAEL McCLENAHAN**

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4 **I. PURPOSE**

5 The purpose of my supplemental testimony is to provide additional detail regarding  
6 the negotiation of the Power Purchase Agreement and First Amendment thereto (together,  
7 the “Proposed Agreement”) with Envirepel Energy, Inc. (“Envirepel”). Specifically, I  
8 provide context for the length of time required to negotiate the proposed agreement vis-à-  
9 vis other contracts from the same solicitation, and describe certain specific issues that  
10 affected the duration of negotiations. I also provide information regarding certification of  
11 Envirepel’s Vista facility by the California Energy Commission (“CEC”) as RPS-eligible.

12 **II. CONTRACT NEGOTIATION PERIOD**

13 SDG&E presented its shortlist from the 2007/08/09 All Source RFO to its  
14 procurement review group (“PRG”) on August 14, 2006 and signed the Proposed  
15 Agreement with Envirepel on June 1, 2007. The last conventional resource contract that  
16 resulted from this RFO was signed at the end of March, 2007. The parties spent  
17 approximately nine months negotiating this renewable contract. As indicated in SDG&E’s  
18 Comments on Draft Opinion Conditionally Accepting Procurement Plans for 2007 RPS  
19 Solicitations, the average RPS negotiation period for SDG&E is approximately nine  
20 months.<sup>1/</sup>

21 A primary focus of the negotiation of the Proposed Agreement was project viability  
22 because a previous PPA between Envirepel and SDG&E was terminated [REDACTED]  
23 [REDACTED] Therefore, SDG&E worked

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<sup>1/</sup> SDG&E Comments on Draft Opinion Conditionally Accepting Procurement Plans for 2007 RPS Solicitations, filed February 1, 2007 in R.06-05-027, p. 8.

1 closely with the developer to draft provisions that would protect SDG&E from devoting  
2 resources into the project without any assurance of its continued viability, while at the  
3 same time providing the developer with the opportunity to prove its technology. In  
4 addition, SDG&E had the opportunity to discuss the interconnection process with the  
5 developer since the Vista facility is a distribution level project. Once the developer had  
6 submitted its initial interconnection application and associated fees to SDG&E, which  
7 occurred on February 2, 2007, SDG&E and the developer worked to ensure that the online  
8 date provided in the contract was reasonable based on the anticipated interconnection work  
9 required.

### 10 **III. RPS Eligibility**

11 In my prepared direct testimony served on September 26, 2007, I indicated that  
12 Envirepel had not yet received RPS certification for the Vista facility. Envirepel has now  
13 received this certification and has been issued CEC-ID number 60630C.

14 This concludes my prepared supplemental testimony.