

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

Application of San Diego Gas & Electric Company) (U 902 E) to Amend Renewable Energy Power) Purchase Agreement with NaturEner Rim Rock Wind) Energy, LLC and for Authority to Make a Tax Equity) Investment in the Project.)	Application 10-07-____ (Filed July 15, 2010)
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**APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) TO AMEND
RENEWABLE ENERGY POWER PURCHASE AGREEMENT WITH NATURENER
RIM ROCK WIND ENERGY, LLC AND FOR AUTHORITY TO MAKE A TAX
EQUITY INVESTMENT IN THE PROJECT**

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NOTICE OF AVAILABILITY

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(U 902 E) to Amend Renewable Energy Power)	Application 10-07-____
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**I.
INTRODUCTION**

Pursuant to California Public Utilities Code (“P.U. Code”) Sections 399.11 *et seq.*, 454, 454.5 and 701, and the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) hereby submits this application (“Application”) to amend an existing renewable energy power purchase agreement (“PPA”) with NaturEner Rim Rock Wind Energy, LLC (“Rim Rock Wind”) and for authority to make a tax equity investment in the project.

In Resolution E-4277, the Commission approved a renewable energy PPA between SDG&E and Rim Rock Wind.^{1/} In this Application, SDG&E seeks to amend the term, pricing and commercial operation date of the PPA. SDG&E also seeks to amend the PPA to allow the project to be built in phases.^{2/}

^{1/} November 20, 2009.

^{2/} As stated above, SDG&E’s counterparty in the existing PPA is with Rim Rock Wind. If the project is developed in phases, there may be differently-named counterparties to each Amended PPA.

In conjunction with SDG&E’s request to amend its existing PPA with Rim Rock Wind, SDG&E also seeks the Commission’s authority to make a tax equity investment of up to \$600 million in a project holding company that will develop the project. As SDG&E describes in its testimony supporting this Application, because of the financing difficulties renewable energy developers are facing in today’s constrained markets, SDG&E’s proposed tax equity investment will significantly enhance the viability of this important 309 MW wind project.

II. BACKGROUND ON RENEWABLE ENERGY PROCUREMENT

The 2010 deadline for compliance with the State of California’s Renewables Portfolio Standard (“RPS”) is rapidly approaching. In recent decisions approving the RPS Procurement Plans for the three California investor-owned utilities (“IOUs”), the Commission has reaffirmed that the IOUs are to “undertake all reasonable actions to comply with RPS targets, including Utility Owned Generation (“UOG”) when necessary and appropriate.”^{3/} In discussing its role in assessing the IOU’s RPS compliance efforts, the Commission further noted that it would consider:

[T]he degree to which each utility implements Commission orders; reasonably elects to take or reject the guidance provided herein; reasonably demonstrates creativity, innovation and vigor in program execution; reaches program targets and requirements; and shows it took all reasonable actions to achieve compliance.^{4/}

Among the guidance provided in the referenced decision, the Commission noted that utilities should build and operate their own plants, if necessary, to meet the RPS targets.^{5/} The Commission further noted with approval the proposal from Pacific Gas and Electric Company

^{3/} Decision (D.) 09-06-018. Conclusion of Law 24.

^{4/} *Id.* at Ordering Paragraph 5.

^{5/} *Id.* at p. 32-33, *citing* D.08-02-008 at pp. 16, 32. *See also* D.07-12-052 at p.79 and D.07-02-011 at pp. 23-24 (as modified by D.08-11-008) *citing* D.06-05-039 at p. 24.

(“PG&E”) to expand its contracting options to include joint development and ownership of projects along with the developer, and encouraged SDG&E and Southern California Edison to adopt a similar expansion of their contracting options.^{6/}

In directing the IOUs to explore their options, the Commission observed that certain federal income tax credits that had previously not been available to utility owned or developed projects had been extended to the utilities by Congress. Along with those tax credits, the Commission observed that financial markets had deteriorated^{7/} - all of which dramatically changed the landscape with respect to the possibility of utility investment in renewable generation.

The above language from the Commission highlights the “hybrid” state of California’s markets for electricity generation, wherein UOG exists side-by-side with generation facilities developed and operated by independent power producers (“IPPs”). As described below, SDG&E’s proposed transaction reflects this hybrid market concept by contemplating direct utility investment in an IPP project, thus representing both UOG and IPP elements of facility ownership and operation in a single project.

III. THE ROLE OF TAX EQUITY IN FINANCING RENEWABLE GENERATION

The federal government offers significant tax incentives to assist in the development of renewable resources. First, Production Tax Credits (“PTCs”) are direct dollar-for-dollar reductions in an investor’s tax liability. A wind project will generate a benchmark PTC of \$15 for each megawatt hour of electricity produced; this benchmark is escalated annually for inflation and currently stands at \$22 for 2010. Next, the Modified Accelerated Cost Recovery System (“MACRS”) allows for faster recovery of the costs of a wind energy facility. Most of the

^{6/} D.09-06-018 at p. 50.

^{7/} Id. at p. 51.

facility can be depreciated within five years, rather than the normal 20-25 year book life of the equipment. PTCs and MACRS together provide investors with a very large percentage – nearly 45% - of the return on their investment.

Traditionally, tax equity investors have been large investment or commercial banks, with large appetites for tax credits and low financing costs. The U.S. economic recession has reduced corporate profitability. With the onset of the financial crisis, fewer of these tax equity investors have a sizeable tax appetite. Additionally, a tight credit market has made the availability of low cost financing more scarce.

The impact of this credit crisis and global economic crisis has caused a disruption in renewable energy project development. One major cause of this is the lack of capital available for financing renewable energy projects by typical bank investors. As one market analyst study noted at the time:

The current US financial crisis, which began in earnest in September 2008, has created turmoil in the US wind project debt and tax equity investment markets [internal citations omitted]. The credit crunch has virtually frozen wind project debt finance, and the cost of debt that is available has risen sharply. At the same time, the supply of US third-party wind project tax equity has shrunk significantly. The two major dominant investors—JP Morgan and GE Energy Financial Services (GEFS)—have scaled back, and the bankruptcy of Lehman Brothers and near bankruptcy of Wachovia and AIG has further reduced the pool of investors.^{8/}

Although the market for renewable project finance may have improved somewhat, SDG&E does not believe the market is as robust as it was prior to the September 2008 Lehman bankruptcy. For example, the size of SDG&E's proposed investment (up to \$600 million) would demand a level of liquidity in the market that would be hard to access without a complex syndication of the transaction. For example, in an April 2010 panel discussion regarding

^{8/} Emerging Energy Research, "US Wind Hit by Financial Crisis", November 12, 2008.

regarding renewable finance, one panelist observed that of the banks investing in renewable energy this year, “about half of them will commit to \$100 million on a transaction, with the average bank debt per transaction being about \$40 million.”⁹ This reduction in available financing is occurring at a time when the requirements for renewable power are increasing and the pipeline for projects seeking financing also is increasing. This competing demand for tax equity investment, not just for wind but for other technologies such as solar and geothermal, creates further challenges.

In addition to the reduction in the amount of capital available to monetize tax benefits available for investment in renewable generation, there also has been an increase in the cost of tax equity capital. While in years past the utility rate of return had been higher than rates charged by financial institutions, that relationship has now been reversed. SDG&E can offer renewable projects lower financing and these savings can be passed through directly to ratepayers.

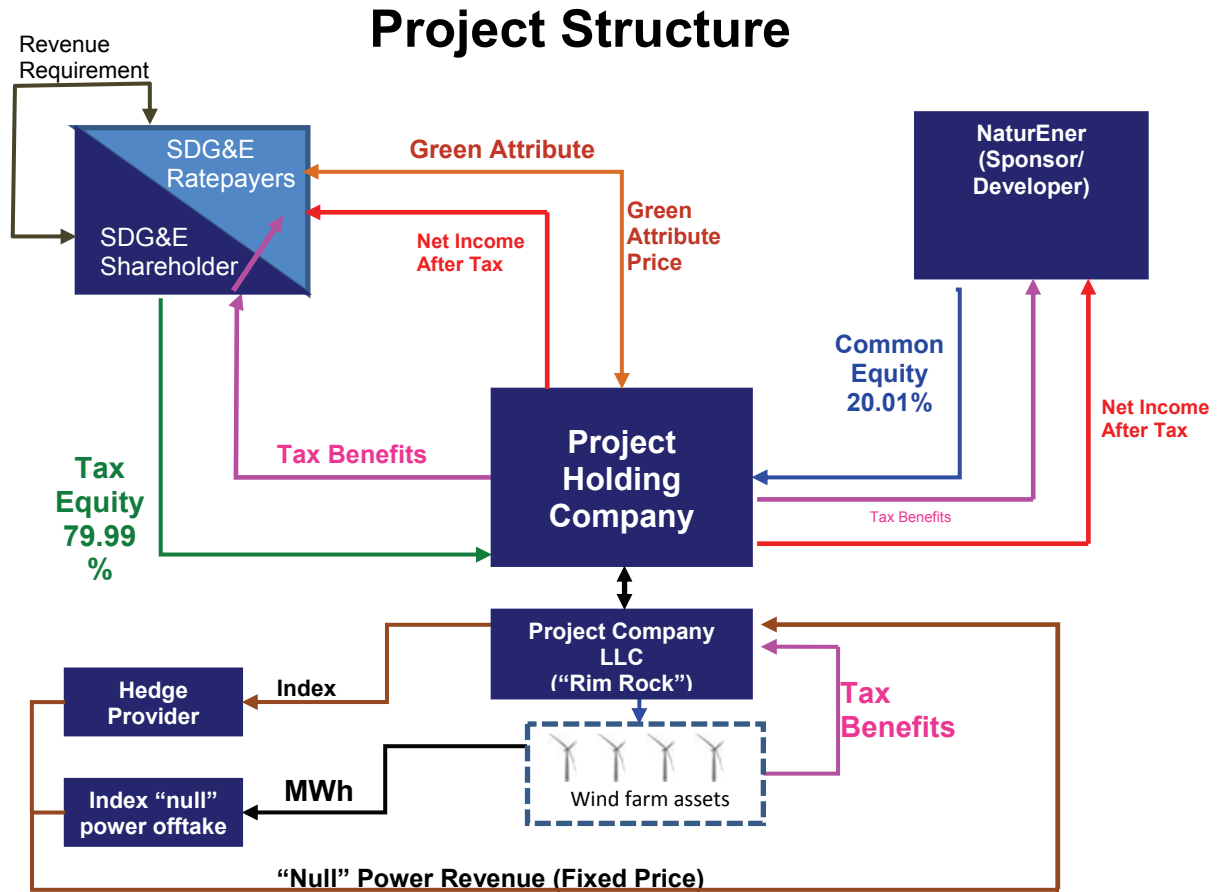
The important point is that SDG&E believes that there is a constructive role utilities can play in financing renewable energy projects to facilitate their development and construction, and bring down the delivered price of renewable energy for the benefit of customers.

IV. RIM ROCK WIND PROJECT STRUCTURE

The structure of this proposed transaction (graphically depicted below) is common for renewable generation projects in contrast with conventional (non-renewable) generation. The key difference that allows for this sharing of the project ownership between the IPP and the utility is the role of tax equity – tax equity is fundamental to an RPS project. The financing of renewables is generally 100% equity financing, whereas financing of conventional generation is

⁹ Novogradac Journal of Tax Credits, “Panelists Predict Sunny Skies for Energy Tax Credit Projects.” June 2010, Volume I, Issue VI (at p. 1).

a combination of debt and equity. The debt in a renewables project is replaced by funds from a tax equity investor who will monetize the PTCs and depreciation in the project as part of the return on and of their investment. In this case, SDG&E would simply be a tax equity investor, taking on the role typically played by a financial institution. The project remains an IPP project, and the developer's stake and interest in the project are essentially unchanged.



The basic PPA transaction structure remains unchanged from the currently-approved PPA, with the proposed amendment revising only the term, pricing and online date of the project.¹⁰ SDG&E also seeks to amend the PPA to allow the project to be built in phases.^{11/} As

¹⁰ In Resolution E-4150 (April 10, 2008), the Commission provided guidance regarding the standard it would employ in evaluating proposed pricing amendments of already-approved PPAs. That guidance states:

“A project requesting a price amendment will only be considered if it is compared with bids in the recent RPS solicitation, and the request is filed with extensive documentation in the forms of

described in the advice letter SDG&E filed seeking approval of the original PPA with Rim Rock Wind,¹² during the operating life of the project, SDG&E ratepayers will pay for the power produced by the project when it is online and producing energy, then resell the null power back to the project company. SDG&E will retain the Green Attributes, which will be delivered to California pursuant to the California Energy Commission's RPS deliverability guidelines. The project company will resell the null power into the energy markets in Alberta, Canada. As described in the testimony of Mr. McClenahan, SDG&E may engage in some hedging arrangements to support the null power sales by the project to unrelated third parties. Under SDG&E's currently-approved long-term procurement plan, SDG&E has the authority to hedge power sales only for periods up to five years.¹³ In this Application, SDG&E seeks authority from the Commission to engage in hedging associated with the null power sales from the project company for a period of up to ten years in order to ensure price stability for the null power sales for longer periods.

The project will be generating PTCs for a period of ten years from the online date. As the tax equity investor, SDG&E will be able to monetize the value of the PTCs by reducing its federal income tax obligations, which savings will be passed on to ratepayers. In addition, the project's capital costs will be eligible for accelerated depreciation as authorized by the Tax Reform Act of 1986, Pub. L. No. 99-514. This depreciation benefit also will pass through to

balance of plan [sic], cash flow and shadow models, and detailed documentation (from manufacturer and/or developer) clearly showing the reasoning for the increase.”

In this Application and supporting testimony, SDG&E demonstrates that it clearly meets this standard for re-pricing an already-approved PPA.

^{11/} The official name of SDG&E's counterparty also may change from Rim Rock Wind (with whom SDG&E has the existing PPA) to the name of one of the project companies.

^{12/} See SDG&E Advice Letter 2088-E filed May 29, 2009.

¹³ D.08-11-008.

ratepayers as part of the repayment of their investment. At the end of ten years, ratepayers are forecast to have been fully repaid their total investment.

V.
THE BENEFITS OF SDG&E'S TAX EQUITY INVESTMENT IN RIM ROCK WIND

The current environment is well suited for IOU investment in tax equity wind projects. With few developers able to fully monetize tax benefits (PTCs and MACRS) or secure construction financing without a long-term financing arrangement in place, it makes sense to look to IOUs to monetize these tax benefits. IOUs that have healthy balance sheets and established customer bases are able to secure financing at a reasonable cost in this constrained credit environment. If approved by the Commission, the Rim Rock Wind transaction could potentially serve as a template for future IOU tax equity investments.

The deal is structured such that, upon completion of construction and achievement of commercial operations, SDG&E will make an equity investment in the project holding company equal to the lesser of \$600 million or up to 79.99% of the total equity to be invested. SDG&E's tax equity investment will be treated as an intangible capital asset and earn a return similar to ratebased plant in service at SDG&E's currently authorized cost of capital (8.4% pre-tax, or 7.36% after tax). By virtue of its investment, SDG&E will become a passive partner (with certain approval rights for major decisions), along with the developer/manager, in a limited liability project holding company that will own and manage the wind project. The developer will remain an owner/manager and serve the same role as if the tax equity investor had been a bank rather than SDG&E. Thus, the tax equity investment simultaneously exhibits the benefits and characteristics of both a UOG and IPP project. The utility lends its strong balance sheet to the project to assure financing and the IPP lends its development and managerial expertise to the wind facility.

Ratepayers benefit from the development, in a difficult financial environment, of an important new renewable resource that supports SDG&E's RPS goals. Ratepayers also benefit because tax equity offers a risk profile that is lower than UOG. In a UOG investment, ratepayers are the sole investor and bear the risk of poor performance by the generation project. As an investor in a tax-equity arrangement, ratepayers will receive the benefits of project ownership while at the same time incurring lower risk. This is due to a number of factors.

First, SDG&E's portion of the overall investment retains characteristics that are similar to debt in that ratepayers are repaid their investment in full prior to the developer receiving the bulk of the return of, and on, its investment. In fact, while ratepayers will reimburse SDG&E for its investment over the 20-year project life, the ratepayer investment should be fully repaid after ten years, meaning that the expected benefits of the project will have fully offset the cost of their investment. After ten years, ratepayers will retain a small interest in the project and share cash flows through year 20, such that the impact of the investment on rates should be \$0 over the life of the project (the PPA, like all PPAs will impact rates).¹⁴

Second, throughout the term of the investment, ratepayers will have a PPA with the project through which SDG&E as the buyer obtains the project's Green Attributes; if the project does not perform, ratepayers are largely free of any obligation to pay for these green attributes (as discussed in the attached testimony, it may, however, be beneficial for SDG&E to enter into certain hedging or collateral arrangements to support the null power sales from the project).

Third, the method of ratepayer repayment of their investment comes primarily through reasonably assured tax benefits. Fourth, ratepayers' investment is not made until construction is complete and upon commercial operations, thus mitigating construction risk for ratepayers.

¹⁴ After ratepayers' investment has been fully repaid, which SDG&E forecasts to occur after ten years, NaturEner would have the option to buy out SDG&E's share of the project holding company. SDG&E would seek the Commission's approval under P.U. Code Section 851 if NaturEner elects to exercise this option.

Lastly, and perhaps most importantly, tax equity financing by SDG&E will provide enhanced project economics – to the benefit of ratepayers – in the current financial environment. As discussed above, there currently exists a gap between the utility’s cost of capital and the rate charged by traditional tax equity investors for capital. While in years past the utility rate of return had been higher than rates charged by financial institutions, that relationship has now been reversed. SDG&E can offer the project lower financing and this savings is passed through directly to ratepayers. For every 100 basis points that SDG&E’s cost of capital is below the market cost of capital, customers will save approximately \$120 million over the life of the project.

VI. SUPPORTING TESTIMONY

In support of the Application, SDG&E attaches the testimony of the following witnesses:

- **Chapter 1 (Michael R. Niggli)** – This chapter provides an overview of the rationale for and benefits of SDG&E’s proposed tax equity investment in the Rim Rock Wind project holding company.
- **Chapter 2 (Mike McClenahan)** – This chapter provides the justification for the proposed amendments to the existing Rim Rock Wind PPA and describes the commercial structure of the transaction and why this particular investment furthers the public interest in renewable generation to serve SDG&E ratepayers and meet California’s ambitious renewable energy goals, representing value for ratepayers both as owners of the project and as customers under the PPA. If the Commission rejects SDG&E’s proposed tax equity investment, this chapter describes the alternative relief SDG&E seeks – to adopt the proposed amendments to the PPA on a stand-alone basis.

- **Chapter 3 (Amir Moftakhar)** – This chapter describes the financial structure and supporting details of SDG&E’s tax equity investment, some of the market dynamics that give rise to SDG&E’s proposed investment and how ratepayers’ contribution in reimbursing SDG&E for the revenue requirement associated with this investment is expected to be fully offset by allocations of cash flows and tax benefits from the project.
- **Chapter 4 (Ragan G. Reeves)** – This chapter describes the federal tax incentives that the project will be eligible to receive, which are an important driver for SDG&E’s proposed tax equity investment, and how SDG&E will monetize these benefits on behalf of its customers.
- **Chapter 5 (Kenneth J. Deremer)** – This chapter describes the ratemaking treatment and cost recovery proposals for SDG&E’s proposed tax equity investment.

**VII.
STATUTORY AND PROCEDURAL REQUIREMENTS**

A. Category, Need for Hearings, Issues, and Schedule - Rule 2(1)(c)

1. Category

SDG&E proposes that this proceeding be categorized as “ratesetting.”

2. Need for Hearings

SDG&E believes that evidentiary hearings may be required.

3. Issues to be Considered

The issues to be considered in this proceeding are whether the Commission should approve SDG&E’s proposed (1) amendments to the existing Rim Rock Wind PPA and (2) tax equity investment in the Rim Rock Wind project holding company. If the Commission

rejects the request for authorization to make the tax equity investment, then the Commission still should consider approval of the proposed amendments to the PPA on a stand-alone basis.

4. Proposed Schedule

SDG&E respectfully requests that the Commission approve its Application expeditiously due to the time sensitive nature of its investment. In order to be eligible for PTCs, the project currently must achieve commercial operation by no later than December 31, 2012. In order to achieve that commercial operation date, the project must have its Construction Financial Closing by June 1, 2011. In order to achieve Construction Financial Closing by that date, the Commission would need to issue a decision approving the Application no later than the last business meeting of March 2011. During the period between the filing of this Application and the requested decision, SDG&E will continue to engage in due diligence, so that the Equity Capital Contribution Agreement (“ECCA”) can be executed upon receiving all necessary regulatory approvals and NaturEner can arrange for construction financing. The availability of PTCs is a critical part of the economics of the project, and the loss of them would be a severe setback for the project. Accordingly, SDG&E requests approval of the Application no later than the last meeting in March 2011.

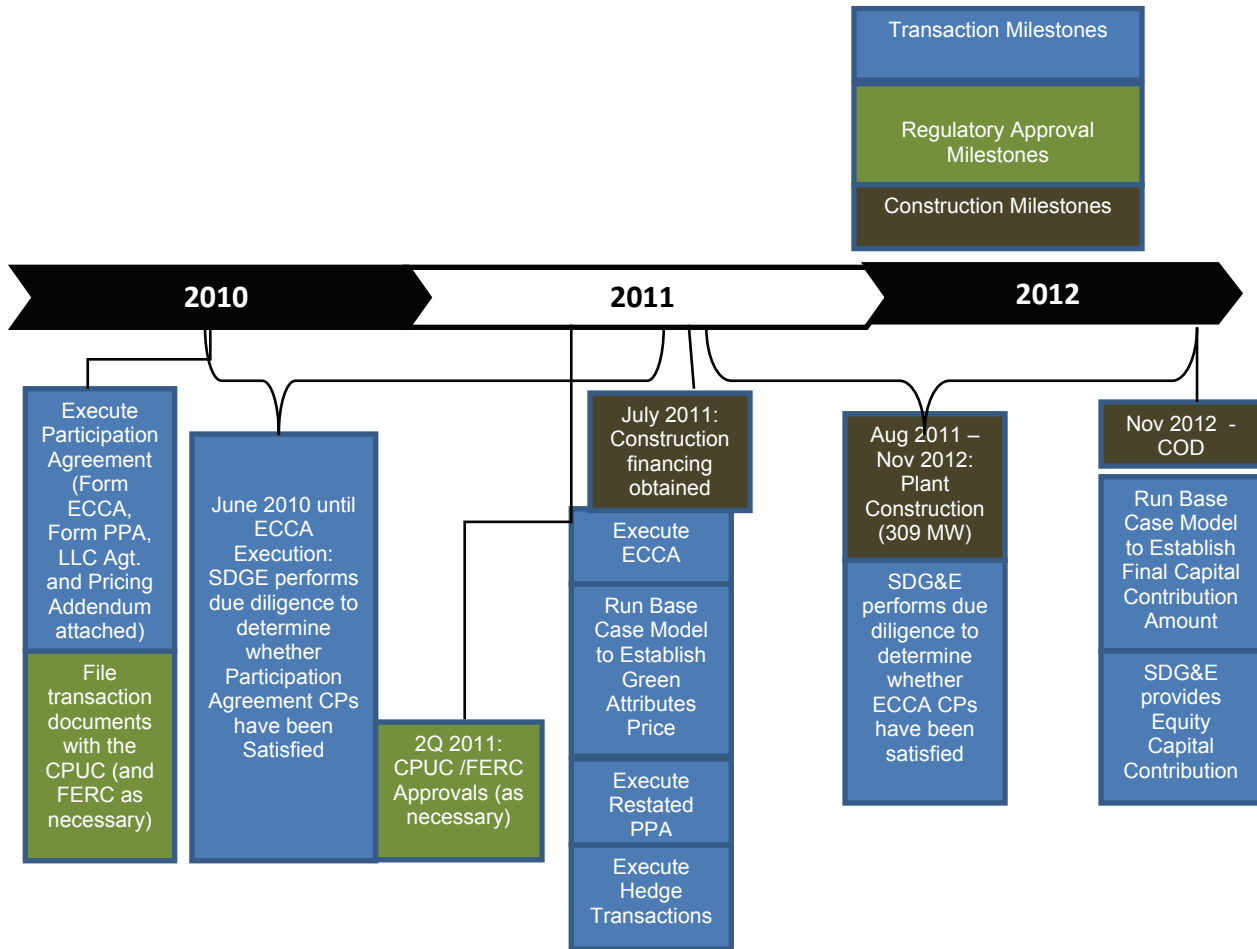
SDG&E proposes the following schedule to achieve these goals:

<u>DATE</u>	<u>EVENT</u>
July 15, 2010	Application filing date
August 16, 2010	Protests
August 26, 2010	Replies to protests
August 31, 2010	Prehearing conference
October 11, 2010	Opening intervenor testimony
October 28, 2010	Concurrent rebuttal testimony

November 3-9, 2010	Evidentiary hearings (if needed)
December 7, 2010	Opening briefs
December 21, 2010	Reply briefs
February 2011	CPUC issues Proposed Decision
March 2011	CPUC issues Final Decision

Adoption of SDG&E’s proposed schedule will allow the project to proceed under the timeline graphically depicted below:

PROJECT TIMELINE



B. Authority - Rule 2.1

This Application is filed in accordance with P.U. Code Sections 399.11 *et seq*, 454, 454.5 and 701, the Commission's Rules of Practice and Procedure and prior Commission decisions, orders and resolutions.

C. Corporate Information and Correspondence - Rules 2.1(a) and 2.1(b)

SDG&E is a public utility organized and existing under the laws of the State of California. SDG&E's principal place of business and mailing address is 8306 Century Park Court, San Diego, California, 92123.

All correspondence and communications to SDG&E regarding this Application should be addressed to:

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D. Organization and Qualification to Transact Business – Rule 2.2

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was filed with the Commission on August 31, 2009 in connection with SDG&E's Application No. 09-08-019, and is incorporated herein by reference.

E. Balance Sheet and Income Statement – Rule 3.2(a)(1)

Attachment A to this Application is SDG&E’s Balance Sheet as of March 31, 2010. Attachment B to this Application is SDG&E’s Income Statement for the three-month period ended March 31, 2010.

F. Rates - Rules 3.2(a)(2) and 3.2(a)(3)

The potential rate changes for SDG&E that will result from this Application are described in Section VII.K below. A statement of all of SDG&E’s presently effective electric rates is Attachment C to this Application.

G. Property and Equipment - Rule 3.2(a)(4)

A general description of SDG&E’s property and equipment was previously filed with the Commission on October 5, 2001, in connection with SDG&E’s Application No. 01-10-005 and is incorporated herein by reference. A statement of the original cost and depreciation reserve attributable thereto is Attachment D to this Application.

H. Summary of Earnings - Rules 3.2(a)(5) and (6)

Attachment E to this Application is a SDG&E Summary of Earnings for the three months ended March 31, 2010.

I. Depreciation - Rule 3.2(a)(7)

For financial statement purposes, depreciation of utility plant for SDG&E has been computed on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SDG&E generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes, “flow through accounting” has been adopted for such properties. For tax property

additions in years 1981 through 1986, SDG&E has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SDG&E has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

J. Proxy Statement - Rule 3.2(a)(8)

A copy of SDG&E's most recent proxy statement, dated April 29, 2010, as sent to all shareholders of SDG&E's parent company, Sempra Energy, was mailed to the Commission on May 13, 2010, and is incorporated herein by reference.

K. Pass Through of Costs - Rule 3.2(a)(10)

The rate change SDG&E seeks in this Application reflects projected costs from SDG&E's tax equity investment in the project. Although SDG&E anticipates that rates will increase in some years due to SDG&E's equity investment, the investment is forecasted to be rate neutral when factoring in the net present value costs and benefits over the life of the project.

L. Service and Notice - Rule 1.9

SDG&E is serving this Application on all parties to the Commission's 2010 RPS proceeding (R.08-08-009) and SDG&E's most recent LTPP proceeding (R.06-02-013). Within ten days of filing, SDG&E will mail notice of this Application to the State of California and to cities and counties served by SDG&E (in accordance with the service list provided in Attachment F), and SDG&E will post the notice in their offices and publish the notice in newspapers of general circulation in each county in their service territory. In addition, within forty-five days of filing, SDG&E will include notices with the regular bills mailed to all customers affected by the proposed rate changes.

VIII.
CONFIDENTIAL INFORMATION

SDG&E is submitting opening written testimony supporting this Application in both public (redacted) and non-public (unredacted and confidential) form, consistent with SDG&E's declarations of confidential treatment attached to its opening written testimony, in conformance with P.U. Code Section 454.5(g) and S.B. 1488, the decisions arising out of R.05-06-040 (including D.06-06-066 and D.08-04-023), P.U. Code Section 583 and General Order 66-C. Confidential treatment and redaction of such information is necessary in this proceeding to protect against inappropriate disclosure of confidential, commercially sensitive information pertaining to SDG&E's electric procurement resources and strategies and the NaturEner companies' confidential and proprietary cost information.

IX.
AFFILIATE ISSUES

If SDG&E ultimately makes its proposed tax equity investment in the Rim Rock Wind project holding company (after CPUC approval of this Application **and** after all of the conditions precedent of the transaction documents have been met, including commercial operation of the project), the project companies likely would be considered "Affiliates" of SDG&E under the Commission's Affiliate Transaction Rules.¹⁵ SDG&E intends to fully comply with these rules. Indeed, recognizing the likelihood that the Commission would view SDG&E and the project companies to be affiliates, SDG&E has ensured that the negotiations between SDG&E and

¹⁵ See, e.g., D.06-12-029. In *AES Creative Resources, L.P., et al*, 129 FERC P 61,239 (FERC 2009), FERC found that passive tax equity investments in several wind projects did not confer control on the investors and, as such, did not render the investors affiliates of the wind projects. Due to the passive nature of SDG&E's proposed tax equity investment in the Rim Rock Wind project holding company, the Commission could find, as FERC did in *AES Creative Resources*, that the tax equity investment will not make SDG&E an affiliate of the project. SDG&E intends to seek a determination at FERC on the applicability of *AES Creative Resources* to the facts and circumstances of this transaction. However FERC decides this question, SDG&E stands ready to seek all FERC approvals necessary for this transaction. Moreover, FERC already has and will continue to have jurisdiction over SDG&E's wholesale power sales, and FERC will have jurisdiction over the project company's wholesale power sales.

NaturEner of the proposed tax equity investment by SDG&E were conducted at arms length, and had an Independent Evaluator present to witness these negotiations. The request for approval of the Amended PPA - even if SDG&E's proposed investment is denied - further demonstrates that the Amended PPA is an arms-length transaction.

If SDG&E's tax equity investment in the project holding company triggers an obligation (e.g., pursuant to Rule IV.F or any other of the Commission's Affiliate Transaction Rules) to make public certain confidential information identified in the declarations attached to this Application, SDG&E requests a limited waiver of such rules to preserve the confidentiality of NaturEner's cost and counterparty data - which NaturEner considers highly proprietary, extremely commercially sensitive, and whose disclosure would prejudice both NaturEner and its various vendors and suppliers - and any particularly sensitive SDG&E information pertaining to SDG&E's electric procurement resources and strategies. The NaturEner and SDG&E confidential information which would be the subject of this waiver request is identified in the attached declarations of confidential treatment. SDG&E observes that most parties during the course of this proceeding already will have access to this confidential information pursuant to a protective order to the extent consistent with the decisions arising out of R.05-06-040.

When the project goes into commercial operations, SDG&E will have no role in the project's day-to-day operations. SDG&E will have the right, however, to participate in "major decisions" impacting the project. These major decisions are identified in the LLC Agreement between SDG&E and the project. When participating in discussions with the project company regarding these major decisions, SDG&E will convey no non-public utility information to the project (any information flows will be the other way - from the project to SDG&E). Moreover, preserving SDG&E's right to participate in these major decisions will benefit ratepayers by providing SDG&E with an opportunity to further protect its interests in the project. SDG&E

does not believe it would need to seek any waivers of the Commission’s Affiliate Transaction Rules to participate in discussions with the project company regarding major decisions, but is providing this information to the Commission by way of background.

Finally, as described in the testimony of Mr. McClenahan and above in Section IV, it is possible that SDG&E may elect to provide some form of credit support associated with the hedge of the price of the null power to be sold by the project company. This credit support would benefit ratepayers by facilitating the project power sale hedge, which acts in part to ensure repayment of ratepayers’ investment in the project. P.U. Code Section 701.5 generally prohibits a regulated utility such as SDG&E from providing credit support to an affiliate unless such actions:

[S]upport the electric . . . corporation in its operations or service, these activities are, or will be, regulated either by the commission or a comparable federal agency, and the issuance of the bond, note, lien, guarantee, or indebtedness is specifically approved in advance by the commission.¹⁶

In considering such requests, the Commission also must find that “the proposed financing will benefit the interests of the utility and its ratepayers.”¹⁷

In this instance, the Commission should approve SDG&E’s request because (1) the project company will support SDG&E and benefit SDG&E’s ratepayers by helping SDG&E fulfill its RPS goals at a reasonable cost, (2) the project company’s wholesale power sales will be regulated by FERC and (3) SDG&E is requesting the Commission’s advance approval of this activity.¹⁸

¹⁶ P.U. Code Section 701.5(c).

¹⁷ Id.

¹⁸ As previously described, SDG&E also is asking the Commission to approve in this Application a modification to its current long-term procurement plan to allow SDG&E to enter into hedging arrangements for the project company’s null power sales for a period of up to ten years. SDG&E’s current long-term procurement plan only allows SDG&E to enter into hedging arrangements for periods up to five years. *See D.07-12-052 as modified by D.08-11-008.*

X.
RELIEF REQUESTED

SDG&E respectfully requests that the Commission approve this Application in all respects including:

- Approval of SDG&E’s proposed tax equity investment in the Rim Rock Wind project holding company of up to \$600 million and SDG&E’s request to enter into the implementing transactional documents attached to the Application.
- Approval of SDG&E’s proposed amendments to the existing Rim Rock Wind PPA and adoption of the following findings:
 - The PPA, as amended, is consistent with SDG&E’s CPUC-approved RPS Plan and procurement from the proposed agreement will contribute towards SDG&E’s RPS procurement obligation.
 - The terms and conditions of the Amended PPA are reasonable and the Amended PPA is approved in its entirety. All costs of the purchase associated with the Amended PPA, including for energy, green attributes, resource adequacy, and load uplift are fully recoverable in rates over the life of the Amended PPA, subject to Commission review of SDG&E’s administration of the Amended PPA.
 - Generation procured pursuant to the Amended PPA constitutes generation from an eligible renewable energy resource for purposes of determining SDG&E’s compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California RPS program (Public Utilities Code §§ 399.11, et seq. and/or other applicable law) and relevant Commission

decisions.

- Approval of SDG&E's ratemaking and cost recovery proposals, including a return on investment that is fixed for the life of the investment at SDG&E's currently-authorized return.
- Approval of SDG&E's request to modify its current long-term procurement plan to allow SDG&E to enter into hedging arrangements for a period of up to ten years in order to ensure price stability for the null power sales associated with the transaction.
- Approval of SDG&E's request to provide credit support as necessary to the project company pursuant to P.U. Code Section 701.5(c).
- Approval, as necessary, of any limited waivers of the Commission's Affiliate Transaction Rules to effect the transactions described herein and to preserve the confidentiality of certain NaturEner cost data and sensitive SDG&E renewable procurement information.
- Approval of any other relief as necessary and proper.

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**XI.
CONCLUSION**

In conclusion, SDG&E respectfully requests that the Commission approve this Application in its entirety.

DATED at San Diego, California, this 15th day of July, 2010.

Respectfully submitted,

SAN DIEGO GAS & ELECTRIC COMPANY

By: 

Steven C. Nelson
Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY
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VERIFICATION

I am an officer of San Diego Gas & Electric Company and am authorized to make this verification on its behalf. The matters stated in the foregoing Application are true of my own knowledge, except as to matters that are therein stated on information and belief, and as to those matters I believe them to be true.

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

Executed this 15th day of July 2010, at San Diego, California

A handwritten signature in black ink, appearing to read "Matt Burkhart", with a long horizontal flourish extending to the right.

Matt Burkhart
Vice President
Electric and Fuel Procurement

ATTACHMENT A

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2010

1. UTILITY PLANT		<u>2010</u>
101	UTILITY PLANT IN SERVICE	\$10,154,007,366
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	18,343,359
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	615,118,905
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(4,257,482,670)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(270,727,451)
118	OTHER UTILITY PLANT	683,088,004
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(152,192,654)
120	NUCLEAR FUEL - NET	<u>49,220,932</u>
TOTAL NET UTILITY PLANT		<u>6,839,375,791</u>
 2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	5,165,500
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(529,653)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	<u>706,678,903</u>
TOTAL OTHER PROPERTY AND INVESTMENTS		<u>711,314,749</u>

Data from SPL as of May 28, 2010

**SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2010**

3. CURRENT AND ACCRUED ASSETS		2010
131	CASH	9,367,847
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	3,000
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	177,965,627
143	OTHER ACCOUNTS RECEIVABLE	63,798,926
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(3,189,707)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	16,024,261
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	936,122
151	FUEL STOCK	550,278
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	58,993,058
156	OTHER MATERIALS AND SUPPLIES	-
163	STORES EXPENSE UNDISTRIBUTED	-
164	GAS STORED	301,419
165	PREPAYMENTS	35,177,059
171	INTEREST AND DIVIDENDS RECEIVABLE	4,010,221
173	ACCRUED UTILITY REVENUES	53,406,000
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	197,151,076
175	DERIVATIVE INSTRUMENT ASSETS	36,491,600
TOTAL CURRENT AND ACCRUED ASSETS		650,986,786

4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	23,615,905
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,570,026,675
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	2,412,194
184	CLEARING ACCOUNTS	134,263
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	2,402,860

**SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2010**

5. PROPRIETARY CAPITAL

	<u>2010</u>
201 COMMON STOCK ISSUED	(\$291,458,395)
204 PREFERRED STOCK ISSUED	(78,475,400)
207 PREMIUM ON CAPITAL STOCK	(592,222,753)
210 GAIN ON RETIRED CAPITAL STOCK	-
211 MISCELLANEOUS PAID-IN CAPITAL	(279,618,042)
214 CAPITAL STOCK EXPENSE	25,688,571
216 UNAPPROPRIATED RETAINED EARNINGS	(1,694,678,348)
219 ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>9,402,776</u>
TOTAL PROPRIETARY CAPITAL	<u>(2,901,361,591)</u>

6. LONG-TERM DEBT

221 BONDS	(1,936,905,000)
223 ADVANCES FROM ASSOCIATED COMPANIES	-
224 OTHER LONG-TERM DEBT	(253,720,000)
225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	<u>3,777,870</u>
TOTAL LONG-TERM DEBT	<u>(2,186,847,130)</u>

7. OTHER NONCURRENT LIABILITIES

227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(677,760,115)
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**SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2010**

8. CURRENT AND ACCRUED LIABILITES		2010
231	NOTES PAYABLE	(23,700,000.00)
232	ACCOUNTS PAYABLE	(207,540,524)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(43,332,515)
235	CUSTOMER DEPOSITS	(57,005,027)
236	TAXES ACCRUED	(15,106,812)
237	INTEREST ACCRUED	(42,228,726)
238	DIVIDENDS DECLARED	(1,204,918)
241	TAX COLLECTIONS PAYABLE	(5,011,447)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(445,965,053)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(41,436,813)
244	DERIVATIVE INSTRUMENT LIABILITIES	(267,750,769)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	0
TOTAL CURRENT AND ACCRUED LIABILITIES		(1,150,282,601)

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	(16,359,835)
253	OTHER DEFERRED CREDITS	(136,077,984)
254	OTHER REGULATORY LIABILITIES	(951,688,510)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(25,606,904)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	(5,201,256)
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(763,139,793)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(243,489,382)

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2010

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		\$745,704,347
401	OPERATING EXPENSES	\$465,099,780	
402	MAINTENANCE EXPENSES	43,084,720	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	85,101,209	
408.1	TAXES OTHER THAN INCOME TAXES	19,496,106	
409.1	INCOME TAXES	22,732,382	
410.1	PROVISION FOR DEFERRED INCOME TAXES	18,938,680	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(11,037,956)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(658,623)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS	642,756,298	
	NET OPERATING INCOME		102,948,049

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(15,845)	
418	NONOPERATING RENTAL INCOME	106,178	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	500,186	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	9,310,840	
421	MISCELLANEOUS NONOPERATING INCOME	200,028	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	10,101,387	
421.2	LOSS ON DISPOSITION OF PROPERTY	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(9,931)	
	TOTAL OTHER INCOME DEDUCTIONS	(9,931)	
408.2	TAXES OTHER THAN INCOME TAXES	93,562	
409.2	INCOME TAXES	(1,172,350)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	-	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	2,119,810	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	1,041,022	

ATTACHMENT B

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2010

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		\$745,704,347
401	OPERATING EXPENSES	\$465,099,780	
402	MAINTENANCE EXPENSES	43,084,720	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	85,101,209	
408.1	TAXES OTHER THAN INCOME TAXES	19,496,106	
409.1	INCOME TAXES	22,732,382	
410.1	PROVISION FOR DEFERRED INCOME TAXES	18,938,680	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(11,037,956)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(658,623)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT		
	TOTAL OPERATING REVENUE DEDUCTIONS		642,756,298
	NET OPERATING INCOME		102,948,049

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(15,845)	
418	NONOPERATING RENTAL INCOME	106,178	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	500,186	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	9,310,840	
421	MISCELLANEOUS NONOPERATING INCOME	200,028	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	10,101,387	
421.2	LOSS ON DISPOSITION OF PROPERTY	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(9,931)	
	TOTAL OTHER INCOME DEDUCTIONS	(9,931)	
408.2	TAXES OTHER THAN INCOME TAXES	93,562	
409.2	INCOME TAXES	(1,172,350)	
410.2	PROVISION FOR DEFERRED INCOME TAXES		
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	2,119,810	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	1,041,022	

**SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2010**

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$1,611,830,266
NET INCOME (FROM PRECEDING PAGE)	84,052,999
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(1,204,917)
OTHER RETAINED EARNINGS ADJUSTMENTS	
RETAINED EARNINGS AT END OF PERIOD	<u>\$1,694,678,348</u>

SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT
MARCH 31, 2010

(a) Amounts and Kinds of Stock Authorized:

Preferred Stock	1,375,000	shares	Par Value \$27,500,000
Preferred Stock	10,000,000	shares	Without Par Value
Preferred Stock	Amount of shares not specific		\$80,000,000
Common Stock	255,000,000	shares	Without Par Value

Amounts and Kinds of Stock Outstanding:

PREFERRED STOCK

5.0%	375,000	shares	\$7,500,000
4.50%	300,000	shares	6,000,000
4.40%	325,000	shares	6,500,000
4.60%	373,770	shares	7,475,400
\$1.70	1,400,000	shares	35,000,000
\$1.82	640,000	shares	16,000,000

COMMON STOCK

116,583,358	shares	291,458,395
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(b) Terms of Preferred Stock:

Full information as to this item is given in connection with Application Nos. 93-09-069, 04-01-009 and 06-05-01: to which references are hereby made.

(c) Brief Description of Mortgage:

Full information as to this item is given in Application No. 06-05-015 and 08-07-029 to which reference is hereby made.

(d) Number and Amount of Bonds Authorized and Issued

<u>First Mortgage Bonds:</u>	<u>Nominal Date of Issue</u>	<u>Par Value Authorized and Issued</u>	<u>Outstanding</u>	<u>Interest Paid in 2009</u>
6.8% Series KK, due 2015	12-01-91	14,400,000	14,400,000	979,200
Var% Series OO, due 2027	12-01-92	250,000,000	150,000,000	7,612,500
5.85% Series RR, due 2021	06-29-93	60,000,000	60,000,000	3,510,000
2.539% Series VV, due 2034	06-17-04	43,615,000	43,615,000	1,877,679
2.539% Series WW, due 2034	06-17-04	40,000,000	40,000,000	1,724,949
2.516% Series XX, due 2034	06-17-04	35,000,000	35,000,000	1,502,592
2.832% Series YY, due 2034	06-17-04	24,000,000	24,000,000	1,067,817
2.832% Series ZZ, due 2034	06-17-04	33,650,000	33,650,000	1,494,416
2.8275% Series AAA, due 2039	06-17-04	75,000,000	75,000,000	295,705
5.35% Series BBB, due 2035	05-19-05	250,000,000	250,000,000	13,375,000
5.30% Series CCC, due 2015	11-17-05	250,000,000	250,000,000	13,250,000
6.00% Series DDD, due 2026	06-08-06	250,000,000	250,000,000	15,000,000
Var Series EEE, due 2018	09-21-06	161,240,000	161,240,000	947,581
6.125% Series FFF, due 2037	09-20-07	250,000,000	250,000,000	15,312,500
6.00% Series GGG, due 2039	05-14-09	300,000,000	300,000,000	9,850,000
 <u>Unsecured Bonds:</u>				
5.9% CPCFA96A, due 2014	06-01-96	129,820,000	129,820,000	7,659,380
5.3% CV96A, due 2021	08-02-96	38,900,000	38,900,000	2,061,700
5.5% CV96B, due 2021	11-21-96	60,000,000	60,000,000	3,300,000
4.9% CV97A, due 2023	10-31-97	25,000,000	25,000,000	1,225,000

**SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT
MARCH 31, 2010**

<u>Other Indebtedness:</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>	<u>Interest Paid 2009</u>
Commercial Paper & ST Bank Loans	Various	Various	Various	0	\$39,858

Amounts and Rates of Dividends Declared:

The amounts and rates of dividends during the past five fiscal years are as follows:

<u>Preferred Stock</u>	<u>Shares Outstanding</u>	<u>Dividends Declared</u>				
	<u>12-31-09</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
5.0%	375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000
4.50%	300,000	270,000	270,000	270,000	270,000	270,000
4.40%	325,000	286,000	286,000	286,000	286,000	286,000
4.60%	373,770	343,868	343,868	343,868	343,868	343,868
\$ 1.7625	0	1,321,875	1,145,625	969,375	242,344	0
\$ 1.70	1,400,000	2,380,000	2,380,000	2,380,000	2,380,000	2,380,000
\$ 1.82	640,000	1,164,800	1,164,800	1,164,800	1,164,800	1,164,800
	<u>3,413,770</u>	<u>\$6,141,543</u>	<u>\$5,965,293</u>	<u>\$5,789,043</u>	<u>\$5,062,012 [2]</u>	<u>\$4,819,668</u>

Common Stock

Amount	\$75,000,000	\$0	\$0	\$0	\$150,000,000 [1]
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A balance sheet and a statement of income and retained earnings of Applicant for the three months ended March 31, 2010, are attached hereto.

[1] San Diego Gas & Electric Company dividend to parent.

[2] Includes \$242,344 of interest expense related to redeemable preferred stock.

ATTACHMENT C



TABLE OF CONTENTS

Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA).....	19415, 19416-E
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EI Paso Turned-Back Capacity Balancing Account (EPTCBA).....	19425-E
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Sheet 2

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Generation Divestiture Transaction Costs Memorandum Account (GDTCMA).....	19458-E
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142-05302	10-06	Notice to Add, Change, or Terminate Aggregator for Capacity Bidding Program.....	19666-E
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San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 19529-E

Canceling Original Cal. P.U.C. Sheet No. 15392-E

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13C10

Advice Ltr. No. 1820-E

Decision No. _____

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Aug 15, 2006

Effective _____

Resolution No. _____

ATTACHMENT D

SAN DIEGO GAS & ELECTRIC COMPANY
COST OF PROPERTY AND
DEPRECIATION RESERVE APPLICABLE THERETO
AS OF MARCH 31, 2010

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
ELECTRIC DEPARTMENT			
302	Franchises and Consents	\$ 222,841	\$ 202,900
303	Misc. Intangible Plant	27,996,892	25,648,030
	TOTAL INTANGIBLE PLANT	28,219,733	25,850,930
310.1	Land	14,526,518	46,518
310.2	Land Rights	0	0
311	Structures and Improvements	46,579,390	12,721,294
312	Boiler Plant Equipment	116,763,426	21,347,387
314	Turbogenerator Units	100,089,723	20,130,360
315	Accessory Electric Equipment	33,468,903	6,479,072
316	Miscellaneous Power Plant Equipment	18,895,260	2,762,972
	Steam Production Decommissioning	0	0
	TOTAL STEAM PRODUCTION	330,323,220	63,487,603
320.1	Land	0	0
320.2	Land Rights	283,677	283,677
321	Structures and Improvements	274,526,649	269,428,812
322	Boiler Plant Equipment	397,221,503	393,147,583
323	Turbogenerator Units	140,259,938	135,890,627
324	Accessory Electric Equipment	167,916,346	166,708,073
325	Miscellaneous Power Plant Equipment	291,332,127	221,956,320
107	ICIP CWIP	0	0
	TOTAL NUCLEAR PRODUCTION	1,271,540,241	1,187,415,092
340.1	Land	143,476	0
340.2	Land Rights	2,428	2,428
341	Structures and Improvements	16,473,840	1,324,172
342	Fuel Holders, Producers & Accessories	15,295,980	2,136,690
343	Prime Movers	21,550,498	4,062,637
344	Generators	235,196,151	19,171,339
345	Accessory Electric Equipment	10,921,111	1,484,121
346	Miscellaneous Power Plant Equipment	359,058	67,045
	TOTAL OTHER PRODUCTION	299,942,542	28,248,431
	TOTAL ELECTRIC PRODUCTION	1,901,806,003	1,279,151,126

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
350.1	Land	\$ 38,673,080	\$ 0
350.2	Land Rights	62,145,855	10,754,304
352	Structures and Improvements	98,248,243	30,456,254
353	Station Equipment	640,472,041	140,278,215
354	Towers and Fixtures	108,348,985	80,639,361
355	Poles and Fixtures	172,215,204	40,295,760
356	Overhead Conductors and Devices	257,332,129	158,459,902
357	Underground Conduit	129,526,601	16,305,402
358	Underground Conductors and Devices	111,895,144	18,729,621
359	Roads and Trails	25,733,635	5,713,898
	TOTAL TRANSMISSION	1,644,590,916	501,632,719
360.1	Land	16,176,228	0
360.2	Land Rights	70,341,070	29,431,790
361	Structures and Improvements	3,253,642	1,340,419
362	Station Equipment	342,992,562	70,485,165
364	Poles, Towers and Fixtures	444,339,660	198,838,514
365	Overhead Conductors and Devices	351,745,190	124,952,475
366	Underground Conduit	868,162,853	325,573,875
367	Underground Conductors and Devices	1,147,070,491	637,125,402
368.1	Line Transformers	436,419,197	74,750,561
368.2	Protective Devices and Capacitors	16,959,185	(4,853,779)
369.1	Services Overhead	109,709,475	120,540,046
369.2	Services Underground	287,449,885	183,685,530
370.1	Meters	138,108,256	33,982,970
370.2	Meter Installations	54,373,062	11,011,585
371	Installations on Customers' Premises	6,252,726	10,207,334
373.1	St. Lighting & Signal Sys.-Transformers	0	0
373.2	Street Lighting & Signal Systems	24,135,367	16,511,310
	TOTAL DISTRIBUTION PLANT	4,317,488,850	1,833,583,197
389.1	Land	7,511,040	0
389.2	Land Rights	0	0
390	Structures and Improvements	29,776,375	14,729,274
392.1	Transportation Equipment - Autos	0	49,884
392.2	Transportation Equipment - Trailers	26,034	3,013
393	Stores Equipment	52,833	49,524
394.1	Portable Tools	16,417,305	5,088,415
394.2	Shop Equipment	350,581	168,497
395	Laboratory Equipment	320,845	3,658
396	Power Operated Equipment	92,162	149,134
397	Communication Equipment	119,354,315	54,186,270
398	Miscellaneous Equipment	462,560	55,780
	TOTAL GENERAL PLANT	174,364,048	74,483,450
101	TOTAL ELECTRIC PLANT	8,066,469,550	3,714,701,421

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
GAS PLANT			
302	Franchises and Consents	\$ 86,104	\$ 86,104
303	Miscellaneous Intangible Plant	713,559	574,758
	TOTAL INTANGIBLE PLANT	799,663	660,862
360.1	Land	0	0
361	Structures and Improvements	43,992	43,992
362.1	Gas Holders	0	0
362.2	Liquefied Natural Gas Holders	0	0
363	Purification Equipment	0	0
363.1	Liquefaction Equipment	0	0
363.2	Vaporizing Equipment	0	0
363.3	Compressor Equipment	0	0
363.4	Measuring and Regulating Equipment	0	0
363.5	Other Equipment	0	0
363.6	LNG Distribution Storage Equipment	1,839,981	451,428
	TOTAL STORAGE PLANT	1,883,973	495,420
365.1	Land	4,649,144	0
365.2	Land Rights	2,217,185	1,112,063
366	Structures and Improvements	11,517,963	8,441,628
367	Mains	125,606,085	53,937,472
368	Compressor Station Equipment	69,908,998	46,518,571
369	Measuring and Regulating Equipment	17,422,588	12,432,870
371	Other Equipment	0	0
	TOTAL TRANSMISSION PLANT	231,321,963	122,442,604
374.1	Land	102,187	0
374.2	Land Rights	8,051,718	5,487,680
375	Structures and Improvements	43,447	61,253
376	Mains	521,965,936	292,884,996
378	Measuring & Regulating Station Equipment	9,998,057	6,058,226
380	Distribution Services	234,766,332	266,079,391
381	Meters and Regulators	95,064,857	29,479,313
382	Meter and Regulator Installations	67,336,136	22,274,470
385	Ind. Measuring & Regulating Station Equipm	1,516,811	890,718
386	Other Property On Customers' Premises	0	0
387	Other Equipment	5,274,409	4,511,650
	TOTAL DISTRIBUTION PLANT	944,119,890	627,727,696

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
392.1	Transportation Equipment - Autos	\$ 0	\$ 25,503
392.2	Transportation Equipment - Trailers	74,501	74,501
394.1	Portable Tools	7,078,499	2,731,813
394.2	Shop Equipment	84,181	19,344
395	Laboratory Equipment	283,094	111,794
396	Power Operated Equipment	162,284	42,013
397	Communication Equipment	2,177,345	1,367,542
398	Miscellaneous Equipment	280,519	98,984
	TOTAL GENERAL PLANT	10,140,423	4,471,494
101	TOTAL GAS PLANT	1,188,265,911	755,798,076
COMMON PLANT			
303	Miscellaneous Intangible Plant	235,912,596	177,597,076
350.1	Land	0	0
360.1	Land	0	0
389.1	Land	5,612,511	0
389.2	Land Rights	1,385,339	27,275
390	Structures and Improvements	185,700,405	72,935,324
391.1	Office Furniture and Equipment - Other	26,553,816	14,071,898
391.2	Office Furniture and Equipment - Computer E	47,410,246	15,585,253
392.1	Transportation Equipment - Autos	33,942	(338,930)
392.2	Transportation Equipment - Trailers	33,369	(46,029)
393	Stores Equipment	138,816	(28,344)
394.1	Portable Tools	707,800	31,221
394.2	Shop Equipment	310,478	166,843
394.3	Garage Equipment	1,603,804	223,264
395	Laboratory Equipment	2,538,331	921,060
396	Power Operated Equipment	0	(192,979)
397	Communication Equipment	86,461,629	47,992,146
398	Miscellaneous Equipment	2,261,924	440,853
118.1	TOTAL COMMON PLANT	596,665,007	329,385,931
	TOTAL ELECTRIC PLANT	8,066,469,550	3,714,701,421
	TOTAL GAS PLANT	1,188,265,911	755,798,076
	TOTAL COMMON PLANT	596,665,007	329,385,931
101 & 118.1	TOTAL	9,851,400,467	4,799,885,429 4,761,249,983
101	PLANT IN SERV-SONGS FULLY RECOVER	\$ (1,164,131,236)	\$ (1,164,131,236)
101	PLANT IN SERV-ELECTRIC NON-RECON Electric	\$ 0	\$ 0

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
101	Accrual for Retirements		
	Electric	\$ (1,867,076)	\$ (1,867,076)
	Gas	(71,699)	(71,699)
	TOTAL PLANT IN SERV-NON RECON ACC	(1,938,774)	(1,938,774)
	Electric	0	0
	Gas	0	0
	TOTAL PLANT PURCHASED OR SOLD	0	0
105	Plant Held for Future Use		
	Electric	18,343,359	0
	Gas	0	0
	TOTAL PLANT HELD FOR FUTURE USE	18,343,359	0
107	Construction Work in Progress		
	Electric	639,648,458	
	Gas	5,353,460	
	Common	85,605,396	
	TOTAL CONSTRUCTION WORK IN PROGRESS	730,607,314	0
108	Accum. Depr SONGS Mitigation/Spent Fuel Disallowance		
	Electric	0	221,468
108	Accum. Depr SONGS SGRP Removal		
	Electric	0	3,998,499
108.5	Accumulated Nuclear Decommissioning		
	Electric	0	630,162,713
	TOTAL ACCUMULATED NUCLEAR DECOMMISSIONING	0	630,162,713
101.1	ELECTRIC OMEC CAPITAL LEASE	717,747,941	17,534,842
118.1	COMMON CAPITAL LEASE	20,921,833	1,938,004
		738,669,774	19,472,846
120	NUCLEAR FUEL FABRICATION	97,538,885	78,200,965
143	FAS 143 ASSETS - Legal Obligation	126,668,513	(550,079,147)
	FIN 47 ASSETS - Legal Obligation	34,751,219	14,256,308
143	FAS 143 ASSETS - Non-legal Obligation	0	(1,164,607,080)
	TOTAL FAS 143	161,419,732	(1,700,429,920)
	UTILITY PLANT TOTAL	\$ 10,431,909,520	\$ 2,665,441,990

ATTACHMENT E

**SAN DIEGO GAS & ELECTRIC COMPANY
SUMMARY OF EARNINGS
THREE MONTHS ENDED MARCH 31, 2010
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$746
2	Operating Expenses	<u>643</u>
3	Net Operating Income	<u><u>\$103</u></u>
4	Weighted Average Rate Base	\$4,454
5	Rate of Return*	8.40%

*Authorized Cost of Capital

ATTACHMENT F

State of California
Attorney General's Office
P.O. Box 944255
Sacramento, CA 94244-2550

City of Chula Vista
Attn. City Attorney
276 Fourth Ave
Chula Vista, Ca 91910-2631

United States Government
General Services Administration
300 N. Los Angeles
Los Angeles, CA 90012

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Attn. Director Dept of General
Services
PO Box 989052
West Sacramento, CA 95798-9052

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Attn. City Attorney
1825 Strand Way
Coronado, CA 92118

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Attn. City Clerk
1200 Carlsbad Village Drive
Carlsbad, CA 92008-1949

City of Carlsbad
Attn. City Attorney
1200 Carlsbad Village Drive
Carlsbad, CA 92008-19589

City of Dana Point
Attn. City Attorney
33282 Golden Lantern
Dana Point, CA 92629

City of Encinitas
Attn. City Attorney
505 S. Vulcan Ave.
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City of Del Mar
Attn. City Attorney
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Del Mar, CA 92014

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Attn. City Attorney
635 S. Highway 101
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City of Imperial Beach
Attn. City Clerk
825 Imperial Beach Blvd
Imperial Beach, CA 92032

City of Laguna Beach
Attn. City Clerk
505 Forest Ave
Laguna Beach, CA 92651

City of Imperial Beach
Attn. City Attorney
825 Imperial Beach Blvd
Imperial Beach, CA 92032

City of Laguna Niguel
Attn. City Attorney
22781 La Paz Ste. B
Laguna Niguel, CA 92656

City of La Mesa
Attn. City Attorney
8130 Allison Avenue
La Mesa, CA 91941

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Attn. City Attorney
3232 Main St.
Lemon Grove, CA 92045

City of Laguna Beach
Attn. Attorney
505 Forest Ave
Laguna Beach, CA 92651

City of Lemon Grove
Attn. City Clerk
3232 Main St.
Lemon Grove, CA 92045

City of Mission Viejo
Attn City Attorney
200 Civic Center
Mission Viejo, CA 92691

City of Mission Viejo
Attn City Clerk
200 Civic Center
Mission Viejo, CA 92691

City of Oceanside
Attn. City Clerk
300 N. Coast Highway
Oceanside, CA 92054-2885

County of Orange
Attn. County Clerk
P.O. Box 838
Santa Ana, CA 92702

City of National City
Attn. City Attorney
1243 National City Blvd
National City, CA 92050

County of Orange
Attn. County Counsel
P.O. Box 1379
Santa Ana, CA 92702

City of National City
Attn. City Clerk
1243 National City Blvd
National City, CA 92050

City of Poway
Attn. City Attorney
P.O. Box 789
Poway, CA 92064

Naval Facilities Engineering
Command
Navy Rate Intervention
1314 Harwood Street SE
Washing Navy Yard, DC 20374-5018

City of Poway
Attn. City Clerk
P.O. Box 789
Poway, CA 92064

City of San Clemente
Attn. City Attorney
100 Avenida Presidio
San Clemente, CA 92672

City of San Diego
Attn. Mayor
202 C St.
San Diego, CA 92010

City of San Clemente
Attn. City Clerk
100 Avenida Presidio
San Clemente, CA 92672

County of San Diego
Attn. County Clerk
P.O. Box 121750
San Diego, CA 92101

City of San Diego
Attn. City Attorney
202 C Street.
San Diego, CA 92101

County of San Diego
Attn. County Counsel
1600 Pacific Hwy
San Diego, CA 92101

City of San Diego
Attn. City Clerk
202 C St.
San Diego, CA 92010

City of San Marcos
Attn. City Attorney
1 Civic Center Dr.
San Marcos, CA 92069

City of San Diego
Attn. City Manager
202 C St.
San Diego, CA 92101

City of San Marcos
Attn. City Clerk
1 Civic Center Dr.
San Marcos, CA 92069

City of Santee
Attn. City Attorney
10601 Magnolia Avenue
Santee, CA 92071

City of Santee
Attn. City Clerk
10601 Magnolia Avenue
Santee, CA 92071

City of Vista
Attn. City Attorney
PO Box 1988
Vista, CA 92083

City of Vista
Attn. City Clerk
PO Box 1988
Vista, CA 92083

City of El Cajon
Attn. City Clerk
200 E. Main St.
El Cajon, CA 92020

City of Ramona
Attn. City Clerk
960 Main Street
Ramona, CA 92065

City of Lakeside
Attn. City Clerk
9924 Vine Street
Lakeside CA 92040

City of Fallbrook
Attn. City Clerk
233 E. Mission Road
Fallbrook, CA 92028

City of Julian
Attn. City Clerk
P.O. Box 1866
2129 Main Street
Julian, CA

City of Alpine
Attn. City Clerk
2707 Alpine Blvd
Alpine, CA 91901

City of Rancho San Diego - Jamul
Attn. City Clerk
3855 Avocado Blvd.
Suite 230
La Mesa, CA 91941

Borrego Springs Chamber of
Commerce
Attn. City Clerk
786 Palm Canyon Dr
PO Box 420
Borrego Springs CA 92004-0420

Spring Valley Chamber of Commerce
Attn. City Clerk
3322 Sweetwater Springs Blvd,
Ste. 202
Spring Valley, CA 91977-3142

Valley Center Chamber of Commerce
Attn. City Clerk
P.O. Box 8
Valley Center, CA 92082

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

Application of San Diego Gas & Electric Company) (U 902 E) to Amend Renewable Energy Power) Purchase Agreement with NaturEner Rim Rock Wind) Energy, LLC and for Authority to Make a Tax Equity) Investment in the Project.))	Application 10-07-____ (Filed July 15, 2010)
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**NOTICE OF AVAILABILITY
OF APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
TO AMEND RENEWABLE ENERGY POWER PURCHASE AGREEMENT
WITH NATURENER RIM ROCK WIND ENERGY, LLC AND FOR
AUTHORITY TO MAKE A TAX EQUITY INVESTMENT IN THE PROJECT**

Pursuant to Rule 1.9(c) of the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (U 902-E) (“SDG&E”) hereby gives notice of its *Application to Amend Renewable Energy Power Purchase Agreement With Naturener Rim Rock Wind Energy, LLC and for Authority to Make a Tax Equity Investment in the Project* (the “Application”) filed with the Commission today, July 15, 2010. The Application is available to all interested parties and to the public. Consistent with Rule 1.9(c), SDG&E is issuing this Notice of Availability of the above-referenced application because the Application and its related attachments exceed 50 pages in length. This Notice of Availability is being served on all parties to the Commission’s 2010 Renewables Portfolio Standard (“RPS”) proceeding, R.08-08-009, and SDG&E's most recent Long Term Procurement Plan (“LTPP”) proceeding, R.06-02-013. Any recipient of this Notice of Availability may request a copy of the filing. A copy of the document

described above will be provided immediately upon the request of the party receiving this notice. All requests should be directed to:

Jennifer Wright
Regulatory Case Administrator
8306 Century Park Court
San Diego, California, 92123
Telephone: (858) 654-1891
Facsimile: (858) 776-8611
E-mail: JWright@semprautilities.com

In addition, SDG&E has established a link <http://www.sdge.com/regulatory/cpuc.shtml> where the application may be accessed electronically.

The Application asks the Commission for authority to amend an existing renewable energy power purchase agreement (“PPA”) with NaturEner Rim Rock Wind Energy, LLC (“Rim Rock Wind”) and for authority to make a tax equity investment in the project. In Resolution E-4277, issued November 20, 2009, the Commission approved a renewable energy PPA between SDG&E and Rim Rock Wind. In this Application, SDG&E seeks to amend the term, pricing and commercial operation date of the PPA. SDG&E also seeks to amend the PPA to allow the project to be built in phases.

In conjunction with SDG&E’s request to amend its existing PPA with Rim Rock Wind, SDG&E also seeks the Commission’s authority to make a tax equity investment of up to \$600 million in a project holding company that will develop the project. As SDG&E describes in its testimony supporting this Application, because of the financing difficulties renewable energy developers are facing in today’s constrained markets, SDG&E’s proposed tax equity investment will significantly enhance the viability of this important 309 MW wind project.

Respectfully Submitted,

/s/ STEVEN C. NELSON

Steven C. Nelson

Attorney for
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Email: SNelson@sempra.com

Dated this 15th day of July, 2010.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **NOTICE OF AVAILABILITY OF APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) TO AMEND RENEWABLE ENERGY POWER PURCHASE AGREEMENT WITH NATURENER RIM ROCK WIND ENERGY, LLC AND FOR AUTHORITY TO MAKE A TAX EQUITY INVESTMENT IN THE PROJECT** by electronic mail or by U.S. mail on all parties identified in Dockets No. R.08-08-009 and R.06-02-013 since there is no official service list yet established for this proceeding, and by Federal Express overnight mail to the Commission.

Dated at San Diego, California, this 15th day of July, 2010.

/s/ JOEL DELLOSA
Joel Dellosa