Memorandum

To: ISO Board of Governors

From: Nancy Saracino, Vice President, General Counsel & Chief Administrative Officer

Date: May 9, 2013

Re: **Regulatory Update**

This memorandum does not require Board action.

Highlights

- *FERC accepts the ISO's suspension of intertie convergence bidding under the current market design and instructs the ISO to focus its efforts towards fixing the underlying market design issues that led to the need for the suspension*

- *FERC accepts improvements to the ISO's real-time local market power mitigation mechanisms that build on the day-ahead improvements FERC accepted last year, to further increase the accuracy and efficiency of the ISO's automated local market power mitigation processes*

- *FERC accepts proposed market rules for entities whose market-based rate authority has been suspended subject to further clarification that payment will be based on the maximum of the market clearing price or the resource's default energy bid*

- *FERC largely accepts the ISO's filing in compliance with FERC's Order No. 1000 reforming transmission planning requirements*

- *The ISO files an agreement at FERC between the ISO and PacifiCorp setting forth the terms under which the ISO will modify and extend its existing real-time energy market systems to provide energy imbalance market service to PacifiCorp, including transmission customers taking transmission service under PacifiCorp's open access*

Federal Energy Regulatory Commission and related Court of Appeals matters

- **Suspension of intertie convergence bidding (ER11-4580)**

On May 2, 2013, FERC issued an order conditionally accepting the ISO's suspension of intertie convergence bidding at intertie scheduling points, finding that the suspension under the current market design is just and reasonable, and not unduly discriminatory. FERC also ordered that within 12 months of the order, the ISO either: 1) file tariff changes to reinstate intertie convergence bidding and address the underlying issues with the dual real-time market structure; or 2) submit an informational filing explaining why the ISO has not addressed the dual real-time market structure issues and cannot reinstate intertie convergence bidding at that time. On September 21, 2011, after observing unwarranted increases in the real-time imbalance energy offset charges, the ISO sought authority to suspend intertie convergence bidding, which had significantly increased the offset while not providing any notable benefits to the market.

- **Report on developing software functionality to support exports for ancillary services and motion to eliminate FERC directive (ER06-615)**

On April 30, 2013, in accordance with FERC's June 2012 order in the above stated proceeding, the ISO submitted a report to FERC concerning the development of software and market rules to support exports of ancillary services above and beyond the ISO's capabilities that existed at the time the ISO initiated its nodal markets in 2009. Since initiating its nodal markets, the ISO has adopted market rules to support new dynamic transfer functionality that facilitates the export of ancillary services. These market rules support the directive enunciated by FERC that the ISO implement this functionality as part of new software releases. This report weighs the ISO's current functionality, which allows scheduling of ancillary service exports, against the costs and benefits of implementing a more complicated bid-based mechanism. The report concludes that any benefits associated with allowing export bids for ancillary services are difficult to quantify. The ISO also reports that at this time it cannot justify the costs to develop an additional, alternative market mechanism—such as an auction market—to support exports of ancillary services. Therefore the ISO also requested that FERC find that the ISO has satisfied the directive in the *September 2006 MRTU Order*. To the extent FERC contemplated that the ISO would develop a bid-based, auction market for ancillary service exports, the ISO asked that FERC remove any such compliance obligation.

- **Local market power mitigation (ER13-967)**

On February 23, 2013, the ISO filed a proposed tariff amendment to implement additional improvements to its real-time local market power mitigation mechanisms that build on the day-ahead improvements that FERC accepted last year. These changes will further increase the accuracy and efficiency of the ISO's automated local market power mitigation processes. In particular, they will extend the benefits of more accurate and efficient market power mitigation for the day-ahead market and the hour-ahead scheduling process to the real-time market by: 1) utilizing the dynamic competitive path assessment to determine transmission constraint competitiveness in the hour-ahead scheduling process and the real-time market; and 2) adding the automated market power mitigation process every 15 minutes for use in the real-time market processes. The ISO is also proposing to implement a default competitive path assessment process that will be employed under two types of circumstances: 1) to use as a back-up in the event dynamic competitive path assessment fails, so as to prevent the potential exercise of market power under such circumstances; and 2) to determine whether a transmission constraint is non-competitive for purposes of exceptional dispatch mitigation. On April 29, 2013, FERC issued an order accepting the ISO's tariff amendment as filed effective May 1, 2013, as requested.

- **Order No. 755 Market Design – frequency regulation compensation (ER12-1630; ER13-995; ER13-1055)**

In April 2012, the ISO submitted a tariff amendment pursuant to FERC Order No. 755 to compensate regulation resources based on the actual service provided, including both a capacity payment that reflects the marginal unit's opportunity costs and a performance payment that reflects the quantity of regulation service actually provided in response to dispatch signals. The Board approved this tariff amendment at its March 2012 meeting. On September 20, 2012, FERC issued an order accepting the ISO's tariff revisions, subject to conditions, including that the ISO submit a report on this market enhancement after collecting one year of operational data. On March 27, 2013, FERC accepted an additional filing in compliance with the conditions specified in its September 20, 2012 order. On April 26, 2013, FERC also accepted additional refinements the ISO submitted to its Order No. 755 market design. Separately, FERC has granted a motion to delay activation of the ISO's Order No. 755 market design until June 1, 2013, due to a desire by market participants for additional time to conduct market simulation.

- **Distributed generation deliverability (ER12-2643)**

On November 16, 2012, FERC issued an order conditionally accepting the ISO's tariff amendment to implement the ISO's ability to provide resource adequacy deliverability status to distributed generation resources from transmission capacity identified in the ISO's annual transmission plan. In its order, FERC directed that the available transmission capacity be allocated to load serving entities instead of to local regulatory authorities and that it must be allocated on a first-come, first-served basis. The ISO consulted with stakeholders to develop the compliance proposal and filed it on April 15, 2013.

- **Tariff clarifications amendment**

On April 12, 2013, the ISO submitted a number of amendments to its tariff, the purpose of which were to clarify the meaning of existing tariff provisions, ensure consistency throughout the tariff as well as between the tariff and business practices, and correct typographical and other inadvertent errors. These amendments are similar to other previous "clean up" amendments that the ISO has filed with FERC and are not intended to materially change established policies or the rights and obligations of the ISO or its market participants. The ISO has requested FERC to issue an order accepting these tariff changes by June 12, 2013.

- **Real-time disturbance dispatch enhancement (ER13-69)**

On October 10, 2012, the ISO filed a tariff amendment with FERC to implement an alternative mode of the existing real-time contingency dispatch of resources in the ISO market referred to as the real-time disturbance dispatch to assist ISO operations in dealing with loss of generation or transmission in contingency dispatch mode in real-time operations. The contingency dispatch activates all operating —spinning and non-spinning— reserves and co-optimizes these with available energy-only resources. At its May 2012 meeting, the Board approved Management's proposal to implement an alternative mode of the real-time contingency dispatch in the event of major disturbances. On December 10, 2012, Commission staff issued a deficiency letter requesting more information regarding responsiveness of resources to contingency dispatch instructions. The ISO complied in a January 17, 2013 submittal which demonstrated that resources with operating reserve awards responded more reliably to contingency dispatch instructions than resources without operating reserves. In an order dated March 18, 2013, FERC agreed and accepted the ISO's tariff amendment as filed. In addition, FERC ordered the ISO to file a report within 14 months of its order indicating how frequently each mode of the contingency dispatch has been used and evaluating resources' responses.

- **Enhancement of price consistency (ER13-957)**

On February 19, 2013, the ISO filed a proposed tariff amendment intended to reduce the incidence of inconsistencies between settlement prices and bid-in prices associated with the amounts scheduled through the ISO market. Specifically, the amendment revises the manner in which the ISO calculates prices for load aggregation points and trading hubs to account for the effectiveness of the aggregated nodes in relieving congestion, rather than the average effectiveness of the individual nodes**.** The ISO requested an effective date of May 1, 2013. On April 3, 2013, FERC issued an order accepting all tariff revisions without further modification.

- **Treatment of market participants with suspended market-based rate authority (ER13-872)**

On February 1, 2013, the ISO filed a proposed tariff amendment to include the terms and conditions applicable when FERC has suspended market-based rate authority for a market participant, but nonetheless has permitted the entity to continue participating in the ISO market. This amendment is necessary for the ISO to address the implementation of FERC's November 14, 2012 order in Docket No. EL12-103 suspending the market-based rate authority of JP Morgan Ventures Energy Corp. for a period of six months beginning April 1, 2013. The tariff provisions submitted in this filing would apply to any similarly-situated market participant whose market-based rate authority has been suspended. Two days before the ISO filed, JP Morgan proposed its own tariff language to address how it would bid into the ISO market and be paid for energy and other services. In the ISO's filing, the ISO argued that FERC should accept the ISO's filing rather than JP Morgan's proposed tariff because: 1) FERC precedent establishes that market participants cannot unilaterally file to change the terms of the ISO tariff for the benefit of specific resources; 2) the JP Morgan proposal is based on a mischaracterization of the November 14 order; and 3) the ISO's proposed tariff amendment is needed to address the impacts of the November 14 order not only on JP Morgan but also on the dispatch of other resources needed to maintain system reliability and on the market clearing prices to be paid to other market participants. The ISO requested a FERC order by March 18, 2013 and an effective date of April 1, 2013. On February 27, 2013, the ISO filed an answer to JP Morgan's protest to the ISO's tariff amendment arguing that JP Morgan's arguments were without merit. On March 19, 2013, FERC issued an order conditionally accepting the ISO's proposal. FERC accepted the ISO's proposal in large part, but required that the ISO make an additional compliance filing to amend its tariff further to provide that JP Morgan would be paid the higher of the market clearing price or its default energy price for all intervals in which JP Morgan's resources are dispatched by the ISO. The ISO made its compliance filing consistent with this order on April 3, 2013. Southern California Edison filed comments to the ISO's compliance filing, requesting that FERC order the ISO to further clarify in its tariff that JP Morgan cannot avoid FERC's order by merely replacing the entity responsible for scheduling its resources in the ISO's market.

- **Flexible capacity and local reliability resource retention amendment (ER13-550)**

On December 12, 2012, the ISO filed a proposed tariff amendment seeking approval of its flexible capacity and local reliability resource retention mechanism. The mechanism would have provided an incentive for a resource that is uneconomic and at risk of retirement to remain available if needed for flexible capacity or local reliability over the next two to five years. This proposal was intended as an interim measure to prevent the retirement of resources that are necessary for reliability while the ISO works with the California Public Utilities Commission, other local regulatory authorities and stakeholders toward the implementation of multi-year forward procurement obligations for flexible and local resources. The ISO did not receive stakeholder support for the proposal, with parties protesting on a variety of grounds, including complaints that the payments would be too high, other complaints that the payment structure was insufficient, and concerns that the procurement would infringe on state authority. On March 29, 2013, FERC issued an order rejecting the ISO's proposal, reciting the litany of stakeholder opposition and concluding that it could not find that the ISO's proposal was just and reasonable. FERC found that further efforts to address the deficiencies of the proposal would be misplaced, concluded that the ISO should focus on developing a durable, market-based mechanism to provide incentives to ensure reliability needs are met. FERC directed staff to convene a technical conference to review the reliability issues raised in the proceeding.

- **Petition for distribution of forfeited funds collected in processing generator interconnection process requests (ER13-547)**

On March 13, 2013, FERC issued an order approving the ISO's petition seeking approval to distribute certain forfeited funds of $6,325,179 plus any market interest collected under the ISO's generator interconnection process from interconnection customers that withdrew during calendar year 2011. Under this process, each interconnection customer must submit deposits that cover: 1) interconnection study costs; and 2) if they continue through the process, financial security to cover the customer's cost responsibility for its interconnection network upgrades. A portion of the study deposit is forfeited if the customer withdraws its request from the interconnection queue before the first interconnection study phase is completed. At a later point in the process, part of the financial security deposit is forfeited if the customer withdraws before actual construction of the network upgrades. The generator interconnection process provides that forfeited funds are distributed to scheduling coordinators in largely the same manner as the ISO distributes penalties collected under the tariff.

- **Order No. 1000- Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities- Order on Compliance Filing (ER13-103-000)**

On April 18, 2013, FERC issued a decision on the ISO's tariff compliance filing that proposed certain modifications to its regional transmission planning process consistent with the regional directives set forth in Order 1000. The ISO conducted a stakeholder process and filed tariff amendments on October 11, 2012, as required by the order. In its compliance filing, the ISO argued that its transmission planning process was largely in compliance with the Order 1000 regional process and cost allocation principles, and that the tariff changes being proposed simply provided clarification or enhancements to the existing process and regional cost allocation. FERC conditionally accepted the filing subject to a further compliance filing within 120 days, but approved all of the more controversial tariff amendments and rejected stakeholder arguments that the ISO's existing planning process must be substantially revamped in order to comply with Order 1000. FERC approved the ISO's long-standing cost allocation methodology (namely that costs of projects below 200 kV are allocated to the applicable participating transmission owner and recovered through its low voltage transmission rates and costs of facilities 200 kV and above are allocated region-wide through the ISO's transmission access charge). FERC also approved the ISO proposal to post the "key" selection criteria applicable to each transmission solution that is subject to competitive solicitation, finding that the criteria and methodology were transparent and not unduly discriminatory. FERC agreed with the ISO that it was inappropriate to require the ISO to list in its tariff "key" selection criteria applicable to all projects; rather, the ISO should post them on a project-by-project basis. FERC found that the ISO's public-policy-related tariff provisions provided sufficient details regarding the framework for stakeholder inputs into the Unified Planning Assumptions and Study Plan development process. FERC approved the ISO's right-of-first refusal provisions, in particular, the provisions providing that participating transmission owners have a right-of-first-refusal for transmission facilities under 200kV that are located entirely within their service territory or footprint (local facilities). FERC also approved the ISO's proposal to eliminate all right-of-first-refusals for facilities of 200 kV and above (regional facilities). Although not specifically discussed in the order, FERC's approval of these provisions includes approval of the ISO's proposed elimination of the special category of reliability and long-term congestion revenue rights upgrades that also provided incidental public policy or economic benefits. FERC directed the ISO to eliminate the provision in the competitive solicitation process that allowed a siting agency to choose a project sponsor when all applicants would apply to the same agency. Starting with the 2013-2014 planning cycle, the ISO will choose the project sponsor regardless of the siting agency chosen by applicants. FERC also directed the ISO to clarify the information that a project sponsor must submit to be evaluated in the solicitation process, and to explain in the compliance filing how it will determine which factors are "key" for each transmission facility subject to competitive solicitation. In addition, the ISO must clarify the qualification criteria that must be met for a proposal to be selected in the solicitation process. The ISO will make its compliance filing to address FERC's directives in August.

Regulatory Agreements

- **CalWind larger generator agreement (ER13- 1216)**

Southern California Edison Company filed an unexecuted large generator agreement among CalWind Resources, the ISO and SCE on April 1, 2013. CalWind is a qualifying facility previously exempt from ISO tariff compliance while subject to a power purchase agreement pursuant to the Public Utility Regulatory Policy Act executed prior to ISO inception. As these agreements expire, qualifying facilities must enter into three-party interconnection agreements. As an existing generator, CalWind is eligible to enter into an interconnection agreement without going through the interconnection process applicable to new resources or expanded facilities. The dispute between CalWind, on the one hand, and SCE and the ISO, on the other hand, is how much capacity should be reflected in the agreement. SCE and the ISO agree that section 25 of the ISO tariff limits the capacity to the maximum of the existing facility, which is 21.795 MWs. This position is supported by the ISO tariff and FERC Order 2003. CalWind argues that the amount of capacity should be increased to 37.5 MWs, an amount reflected in a study performed by SCE prior to ISO inception that contemplated the potential for additional generating capacity to be developed on site.

- **First Amended Operating Agreement between PacifiCorp and the ISO (ER13 - 794)**

On January 24, 2013, the ISO submitted the First Amended Operating Agreement between the ISO and PacifiCorp to FERC. The Amended Operating Agreement provides for PacifiCorp and its customers the opportunity to elect to receive "option" congestion revenue rights for transactions scheduled at a specific ISO scheduling point as the sink. This treatment contrasts with the current treatment, where the ISO honors existing transmission ownership rights by reversing all the congestion charges for their transactions (a process called the “perfect hedge”). Powerex Corp., Iberdrola Renewables, LLC, and Pacific Gas and Electric Company filed comments and supported the Amended Operating Agreement. On March 29, FERC issued an order accepting the Amended Operating Agreement as filed.

- **PacifiCorp Energy Imbalance Market Implementation Agreement (ER13-1372)**

On April 30, 2013, the ISO submitted for filing and acceptance an Implementation Agreement between the ISO and PacifiCorp. The agreement sets forth the terms under which the ISO will modify and extend its existing real-time energy market systems to provide energy imbalance market service to PacifiCorp, including transmission customers taking transmission service under PacifiCorp’s open access transmission tariff. Also under the agreement, PacifiCorp will compensate the ISO for its $2.1 million share of the costs of these system changes, software licenses, and other configuration activities. The ISO has also initiated a concurrent stakeholder process to design the energy imbalance market and establish its governing market rules. The ISO requested that the Commission accept the agreement effective July 1, 2013, so the extension of real-time energy market to include PacifiCorp’s participation in the energy imbalance market may proceed without delay. Additional filings will be submitted for FERC’s review of the rules of the expanded energy imbalance market and the terms of participation in the market before the market commences operation, which is targeted for October 1, 2014.

- **Amendment to the Imperial Irrigation District Adjacent Balancing Authority Operating Agreement (ER13-1280)**

On April 12, 2013, the ISO submitted for filing and acceptance an amendment to the Adjacent Balancing Authority Operating Agreement between the ISO and the Imperial Irrigation District. The purpose of the amendment is to revise certain interconnection and scheduling points that reflect changes in the balancing authority area boundary. These changes are necessary to implement an ISO-approved Southern California Edison transmission project. The ISO requested a waiver of the 60-day prior notice requirement to allow the amendment to be made effective on the planned implementation date.

Reports filed

- **Informational Filing - AES Huntington Beach Reliability Must-Run Agreement (ER13-351)**

On April 12, 2013, the ISO submitted an informational filing to advise FERC that the ISO, AES Huntington Beach, L.L.C. Southern California Edison Company and San Diego Gas & Electric Company are exercising their rights pursuant to Schedule B of the Reliability Must-Run Agreement (RMR Agreement), and have agreed to a further extension of time to May 31, 2013 for satisfaction of the conditions precedent set forth in Section 2.1(a) of the RMR Agreement, including the consent of BE CA, an affiliate of JP Morgan Ventures Energy

Corp., to the synchronous condenser project. The purpose of the RMR Agreement is to construct the synchronous condensers and to have them in service by June 2013 to provide voltage support in the absence of SONGS. No amendment to the RMR Agreement is required for this extension.

- **Market disruption reports (ER06-615)**

A market disruption is an action or event that causes a failure of the ISO market, related to system operation issues or system emergencies. The ISO reports these market disruptions to FERC on a monthly basis. On March 15, the ISO submitted its monthly report of market disruptions that occurred January 16 through February 15. On April 15, the ISO submitted its monthly report of market disruptions that occurred February 16 to March 15.

- **Exceptional dispatch reports (ER08-1178)**

An exceptional dispatch is a dispatch or a commitment issued by the ISO to a resource outside the operation of the ISO market to address operational needs that cannot be addressed by the ISO market. The ISO submits two types of monthly exceptional dispatch reports to FERC. On March 15, 2013 and April 15, 2013, the ISO submitted transactional data including incremental and decremental megawatt volume, duration and location for exceptional dispatches occurring during the months of January and February 2013, respectively. On March 29, 2013 and April 30, 2013, the ISO submitted megawatt hour data and cost data for exceptional dispatches occurring during the months of January 2013 and February 2013, respectively.

- **Total megawatt-hours of transmission service in interstate commerce**

On April 5, 2013, the ISO submitted its report on total megawatt-hours of transmission service in interstate commerce for the calendar year 2012, in compliance with FERC Reporting Requirement No. 582. The ISO reported 229,983,085 megawatt-hours of transmission service in interstate commerce.

- **Annual demand response report (ER06-615)**

On January 15, 2013, the ISO filed its annual demand response report summarizing the participation of demand response resources in the ISO’s market. The January 15 report provided data for 2012 calendar year. The ISO filed a corrected version of the report on April 12, 2013, and a second corrected report on April 16, 2013 to correct the data, to revise the description of participating load in response to comments by the California Department of Water Resources, and to remove erroneous references to 2011 calendar year.

- **Interconnection queue quarterly progress report, Q1 2013**

On April 30, 2013, the ISO submitted its interconnection queue quarterly progress report for the first quarter of 2013 pursuant to the following orders of the Commission: (1) Order Conditionally Approving Tariff Amendment, 124 FERC ¶ 61,292 at P 200 (2008); and (2) Order Conditionally Accepting Tariff Revisions, 133 FERC ¶ 61,223 at PP 97, 117 (2010).

Other FERC matters

- **CSOLAR complaint re interconnection agreement termination (EL13-37)**

On January 3, 2013, CSOLAR entities filed a complaint at FERC requesting that FERC interpret the ISO tariff as prohibiting the ISO termination of an interconnection agreement where a phase of a project is not constructed, but an earlier phase of the project is in operation or under construction. The ISO filed its answer and motion to dismiss on January 23, 2013, arguing that in the absence of any notice of termination on the specified grounds, the complaint was not ripe for Commission review. In its answer, the ISO explained that it regarded termination as a last resort, indicated that the termination would have to be filed and accepted by FERC, agreed to address further downsizing and partial termination options in a stakeholder process, and committed not to terminate any interconnection agreement meeting the specified conditions until after the stakeholder process and tariff amendment is filed. On March 29, 2013, FERC issued an order dismissing the complaint, agreeing with the ISO that the complaint was not ripe for review.

- **SunPower tariff waiver request (ER13-958)**

On February 19, 2013, SunPower, a generator interconnection customer, submitted a petition requesting that FERC "waive" the deadline for it to withdraw its request to downsize its project by 49 MWs. FERC recently approved the ISO's tariff amendment to allow interconnection customers a one-time opportunity to reduce the amount of capacity required to be developed under existing interconnections requests. The ISO designed and timed the new downsizing process to study the total amount of MWs to be downsized by all interested customers in time for the results to be considered in the next transmission cluster study process for new interconnection requests. Downsizing customers have the right, under the tariff, to withdraw their requests within five days of the downsizing study results. That deadline was February 19, 2013. SunPower requested that FERC allow it to extend its right to withdraw into the mid-April time-frame—ten business days from the date it anticipates that investor-owned utilities will publish the "short list" names of projects in response to their pending request for offers. On March 8, 2013, the ISO filed a protest objecting to the waiver on procedural and substantive grounds. FERC denied SunPower's tariff waiver request on March 29, 2013. In its order, FERC found that SunPower failed to satisfy the requirements for a limited waiver noting that it agreed with the ISO that granting such a request would undermine the ISO's ability to fairly and efficiently administer its tariff and establish precedent that would allow market participants to avoid tariff requirements.

<u>California Public Utilities Commission matters</u>

- **Bilateral Capacity Sale and Tolling Agreement Between Southern California Edison Company and BE CA LLC (Advice Letter No. 2853-E)**

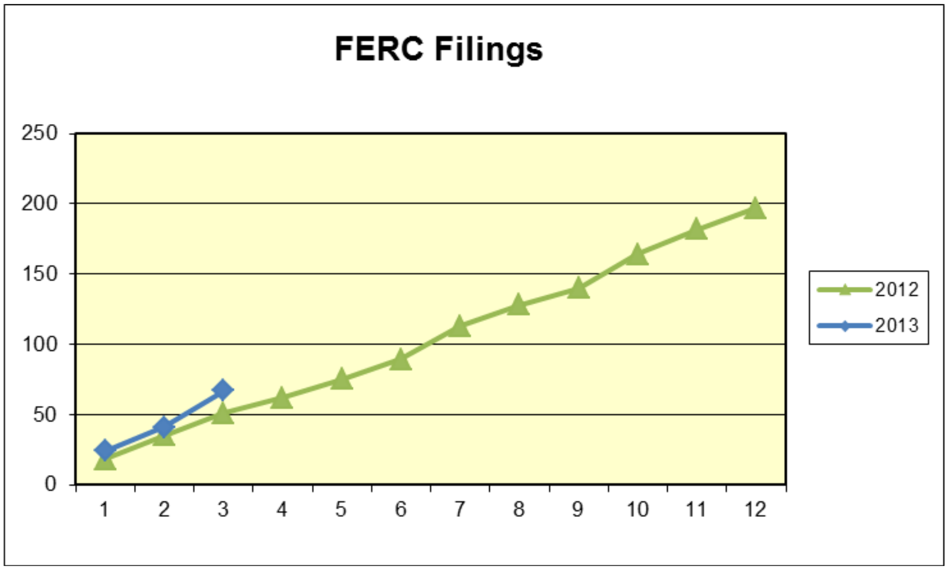
On March 6, 2013, the ISO filed a letter in support of Southern California Edison's advice letter filing, in which SCE seeks CPUC approval for a bilateral capacity sale and tolling agreement with BE CA, an affiliate of JP Morgan Ventures Energy Corp. BE CA has an existing tolling agreement with AES Corporation affiliates concerning the Huntington Beach generating units. On April 15, 2013, the ISO filed comments in support of the CPUC's draft resolution proposing to approve the bilateral capacity sale and tolling agreement. On April 24, 2013, Dynegy submitted a letter withdrawing its protest to SCE's advice letter filing and withdrawing its comments in response to the draft resolution. If approved, the SCE-BE CA agreement would allow SCE to control the capacity of the Huntington Beach generating units. In addition, as noted above, CPUC approval would also resolve the BE CA consent-related condition precedent of the reliability must-run agreement allowing the synchronous condenser project to become commercially operational once the decision becomes final. The synchronous condensers will provide voltage support to prevent load shedding under certain conditions.

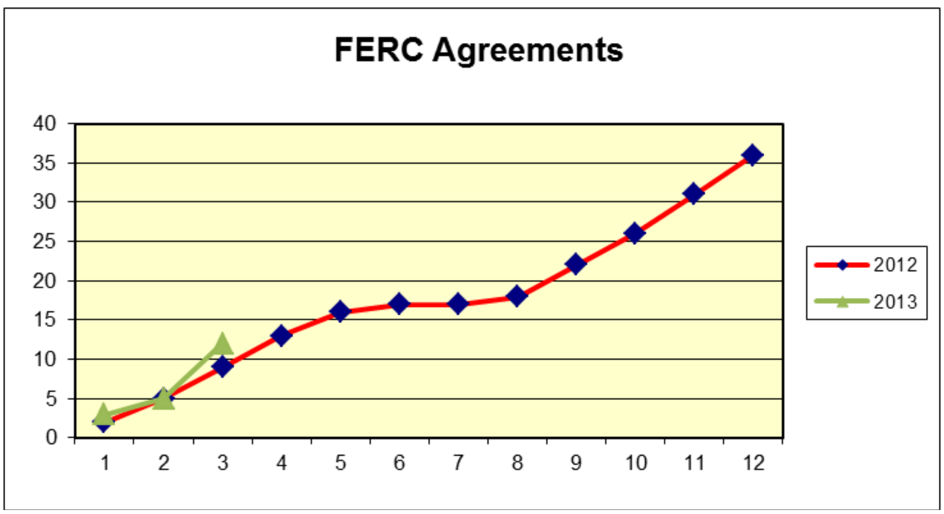
- **SDG&E Request for Approval of Purchase Power Tolling Agreements - CPUC Docket R.11-05-023**

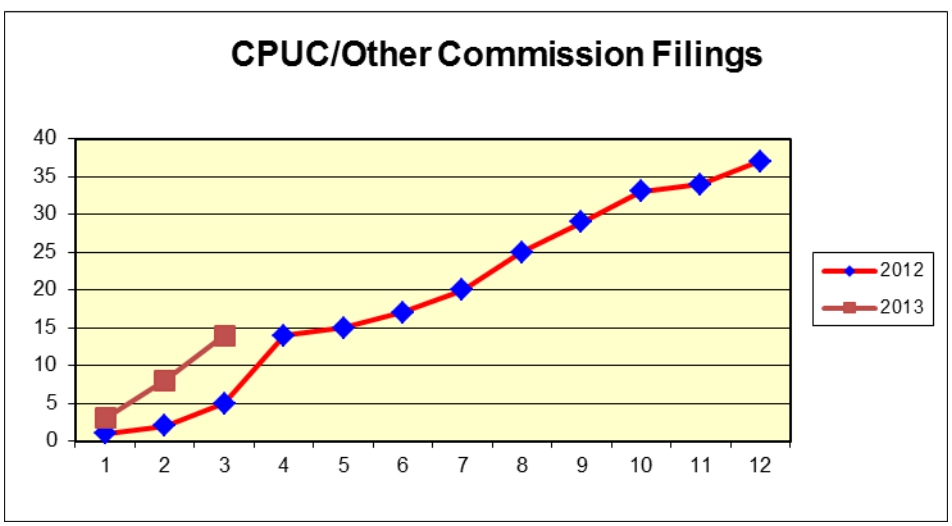
On March 28, 2013 the CPUC issued a final decision on the SDG&E request for approval of three purchase power tolling agreements with Escondido Energy Center, Pio Pico Energy Center and Quail Brush Power. The ISO was actively involved in this proceeding with regard to the need for additional capacity in the San Diego local area required by the state's once-through cooling policies and potential retirement of once-through cooling generation resources (in particular, the Encina power plant). The ISO studied four renewable portfolio scenarios using its local capacity study methodology and testified that local needs would be as high as 730 MW, starting in 2018 when the Encina facility is scheduled to retire. In the final decision, the Commission approved the ISO's study methodology and use of the renewable portfolio producing the highest need (the trajectory scenario), but adjusted the 730 MW need determination by 387 MW of demand response, uncommitted energy efficiency and combined heat and power. This produced a finding of 343 megawatts of local need in the San Diego area starting in 2018.

Of the three agreements, the Commission did not approve the Quail Brush and Pio Pico agreements because these resources were scheduled to be completed and on line prior to the 2018 need date. The Commission did approve the much smaller Escondido 45 MW agreement. Accordingly, SDG&E was directed to procure up to 298 MW of local capacity to come on line beginning in 2018. This need may be met with either the Quail Brush or Pio Pico agreements if the on line date is modified for a later date corresponding to the findings in the order.

Regulatory Filings Through April 2013







Regulatory Filings Through April 2013