

DOCKET

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SDG&E Credit Policy

Terry Farrelly
Vice President, Electric & Gas Procurement

for

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A  Sempra Energy utility



SDG&E General Credit Policy

- Proposed contracts submitted to Risk Management for calculation of the potential peak exposure
- Credit Risk is based upon current Market-to-Market Gain/Loss



Creditworthiness Evaluation

- The credit evaluation may include a review of public information, reports, findings
 - Unsecured Credit may be granted based on the financial strength of the company or the company's credit support provider. In this latter case, a parental guarantee would be executed
 - Secured Credit may be provided using the following options:
 - Letters of Credit
 - Surety Bonds
 - Cash Deposits

SDG&E Renewable Contract Credit Policy

- Key components:

- **Project Development Fee** = at least \$3/kW not to exceed \$100,000/project

- Due at time of bid
- Refundable if bidder does not make short-list or CPUC does not approve contract

Note: SDG&E is currently evaluating its Project Development Fee requirements internally.

- **Project Development Security** - minimum of 2 x Estimated Annual Production x Development Security Target

- Security target in recent RFO is \$5/MWh
- Due when conditions precedent are either met or waived
- Refundable once project achieves Commercial Operation Date (COD)



SDG&E Renewable Contract Credit Policy

- **Default Security** = minimum of 2 x Estimated Default Security Target
 - Default security target in recent RFO is \$15/MWh
 - In place for entire term of contract
- **Options for Step-in Rights**
 - Applied on a case-by-case basis for larger projects