



SAN DIEGO GAS AND ELECTRIC COMPANY
ELECTRIC AND FUEL PROCUREMENT DEPARTMENT
8315 CENTURY PARK COURT, CP21D
SAN DIEGO, CA 92123

2016 PREFERRED
RESOURCES LOCAL
CAPACITY REQUIREMENT
REQUEST FOR OFFERS
("RFO")

Distributed Generation
Product Type Background information and
Conformance Requirements

VERSION 3 – ISSUED MAY 3, 2016

ISSUED
FEBRUARY 26, 2016

OFFERS DUE
JULY 1, 2016

RFO WEBSITE
<http://www.sdge.com/2016PrefResourcesLCRRFO>

EMAIL QUESTIONS/COMMENTS TO
PrefResourcesRFO@semprautilities.com

[Record of Changes](#)

Date	Explanation of Change	Section / Page of Document
4/8/2016	1. Safety. Operation of third party owned project or programs must be in accordance with accepted electrical practices, applicable law and industry standards including those related to safety. If not, the offer will be considered nonconforming. 2. Encouragement for offers of various delivery terms.	1. 2.A.16., p. 18 2. 1., p. 5
5/3/2016	The conformance requirements have been updated to include a contingency for offers that include energy storage (contingent on approval of updated TOU periods that SDG&E has requested) and to clarify that customer-sited, aggregated resources are considered conforming provided they meet the requirements listed. The following participation criteria have been updated in this version: 2, 5, 7, 8, 10, 11, 12 and 14.	2.0, pp. 17-19

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1.0 BACKGROUND

A. GENERAL BACKGROUND

In accordance with the California Public Utilities Commission (“CPUC”) Decision (D.) 14-03-004 Authorizing Long-Term Procurement for Local Capacity Requirements due to the Permanent Retirement of the San Onofre Nuclear Generation Station (the “Track 4 Decision”) approved on March 13, 2014, and associated documents¹, San Diego Gas and Electric (“SDG&E”) is seeking offers for preferred resources (Energy Efficiency (“EE”), Demand Response (“DR”), renewables, Distributed Generation (“DG”)) and Energy Storage (“ES”). For each of these resource types, SDG&E has issued a Request for Offers (“RFO”) document associated with its 2016 Preferred Resources LCR solicitation and respondents with resources that fall into those categories should look to those RFO documents for guidance in submitting their offer. Guidance for DG offers is contained in this document and resources that otherwise do not fall into the other resource types and interconnect at distribution voltage must meet the conformance requirements discussed in section 2.0 of this document, below².

SDG&E is issuing its 2016 Preferred Resources LCR solicitation to achieve the megawatt (“MW”) targets associated with its Local Capacity Requirements (“LCR”) established in the Track 4 Decision. As authorized in the Track 4 Decision, and following SDG&E’s 2014 All Source RFO, SDG&E is seeking up to 140 MW from qualifying programs and projects³. SDG&E encourages Respondents to provide offers of various delivery terms. For example, 3, 5 or 10 years for EE and DR related offers and 10, 15 or 20 years for other product types.

The purpose of this document is to provide background on the 2016 Preferred Resources LCR solicitation and an overview of the conformance requirements for the DG product type. Many of the other product types listed above may also be DG (for example, a relatively small renewable may be interconnected at distribution voltage and therefore be DG), but in those circumstances Respondents are directed to follow the guidance provided in those more specific product type RFOs (the renewables RFO in this example). For other DG facilities, that do not fit into one of the above product types, SDG&E will consider DG offers that meet the below conformance requirements. In cases where a Respondent’s offer does not fit into any of the other resource types and the Respondent believes they will provide strictly a DG offer, Respondents are required to contact SDG&E (e-mail: PrefResourcesRFO@semprautilities.com) in order for SDG&E to understand the nature of the offer (and begin work to provide the appropriate form contract). Respondents should then fill out the associated DG offer form and provide it to SDG&E in accordance with the instructions included below.

¹ For example, SDG&E submitted both its updated Preferred Resources Procurement Plan and its Conventional Procurement Plan to the Energy Division of the CPUC. The Conventional Resources Procurement Plan was approved on July 17, 2014 and the Preferred Resources Procurement Plan was approved on July 22, 2014. These plans and the associated approval letters can be found at: <http://www.sdge.com/request-proposals> (scroll down to the bottom of the page).

² For further information regarding Distributed Generation in California, see: <http://www.cpuc.ca.gov/PUC/energy/DistGen/>

³ The Track 4 Decision authorizes SDG&E to procure up to 800 MW, at least 200 MW of which must come from preferred resources. Of this 200 MW of preferred resources, at least 25 MW must come from energy storage leaving up to 175 MW for other preferred resource types. In this solicitation, SDG&E is targeting up to 140 MW in aggregate from all product types.

To be considered in SDG&E’s 2016 Preferred Resources LCR RFO, a DG offer must meet the below listed conformance requirements and must be uploaded to the Power Advocate ® platform no later than 1:00 PM Pacific Prevailing Time (“PPT”), on July 1, 2016.

B. SCHEDULE

The RFO Schedule is subject to change at SDG&E’s sole discretion at any time. All changes to the RFO Schedule will be posted to SDG&E’s RFO website. The RFO Schedule may be affected by issues such as: discussions with shortlisted bidders, proceedings before the CPUC, and efforts to obtain regulatory approval. SDG&E intends to notify bidders of any schedule change, but will not be liable for any change in schedule or for failing to provide notice of any change.

Once bidders have accepted their shortlisted position with SDG&E and remitted the Shortlist Acceptance Fee⁴, further contract negotiations may commence and continue until mutual agreement has been achieved and a contract has been executed. Being short listed does not guarantee that a contract will be negotiated or signed with the bidder.

SDG&E will seek CPUC approval of all executed agreements resulting from its 2016 Preferred Resources LCR RFO. SDG&E reserves the right to execute agreements with individual bidders at any time after short listing and to seek CPUC approval for individual agreements in order to expedite the approval process.

NO.	ITEM	DATE
1.	RFO Issued	February 26, 2016
2.	Pre-Bid Conference / Bidder Outreach Event	April 13, 2016
3.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on the website no later than June 24, 2016.	June 17, 2016
4.	DEADLINE TO REGISTER for PowerAdvocate® access / to download RFO forms and documents	June 24, 2016
5.	CLOSING DATE: Offers must be uploaded to and received on PowerAdvocate ® no later than 1:00 PM Pacific Prevailing Time on July 1, 2016.	July 1, 2016
6.	SDG&E Begins Bid Evaluation Process	July 2, 2016
7.	Shortlist determination	October 24, 2016
8.	SHORTLIST NOTIFICATION SDG&E notifies Shortlisted Bidders	October 28, 2016

⁴ The Shortlist Acceptance Fee is the greater of \$100,000 or \$2 per kW of project nameplate and shall be required to be paid to SDG&E within ten (10) business days of notification by SDG&E that the offer has been shortlisted. The Shortlist Acceptance Fee shall be refunded (with interest for cash deposits) to Respondent if Respondent and SDG&E fail to reach an agreement and such failure is not due to Respondent’s withdrawal of its offer or a material misrepresentation of pricing or non-pricing information provided by Respondent.

NO.	ITEM	DATE
9.	SHORTLISTED BIDDERS ACCEPTANCE/WITHDRAWAL Letter due from Shortlisted Bidders indicating: a. Withdrawal from SDG&E's solicitation; OR b. Acceptance of shortlisted standing and including Shortlist Acceptance Fee	+10 Days after Shortlist Notification
10.	SDG&E issues appreciation notices to unsuccessful Respondents	+3 week after Shortlisted Bidders accept/withdraw
11.	SDG&E commences with PPA negotiations	+11 Days after Shortlist Notification
12.	Target date to complete PPA negotiations	End of Q1, 2017
13.	SDG&E Submits Application with PPAs to CPUC for approval	Q2 2017
	* Negotiation time will vary depending on proposal specifics including proposed contract modifications.	

C. RESOURCE ADEQUACY (“RA”) / INTERCONNECTION INFORMATION

SDG&E intends for projects selected from this solicitation to count towards its local Resource Adequacy (“RA”) obligations. Respondents must perform all activities necessary to facilitate local RA recognition for the projects and shall be responsible for all costs to facilitate local RA recognition, including any deliverability study fees or upfront funding of deliverability upgrade costs and should include these costs in their offer price. For more information regarding interconnection, please see:

SDG&E Interconnection Website: <http://www.sdge.com/business/interconnection.shtml>

- Download and review SDG&E Interconnection Handbook,
- Links to CASIO interconnection queue, tariffs and websites,
- Links to SDG&E interconnection queue, tariffs and websites,
- Link to NERC/WECC Reliability Standards,
- Links to Process Summaries,
- Link to SDG&E Self Generation Technologies site.

CAISO Generation Interconnection Process Contact:

- Project Manager: Judy Brown (916) 608-7062,
- JBrown@caiso.com

SDG&E Contact:

- Transmission level - Gen. Interconnection Project Manager: Marlene Mishler (858) 654-8640 ; MMishler@semprautilities.com
- Distribution level – Customer Generation Manager: Ken Parks (858) 636-5581; KParks@semprautilities.com

D. CREDIT TERMS AND CONDITIONS

Winning bidders will be required to comply with the credit and collateral requirements which will be determined by SDG&E at the time of shortlisting and will be based on product, deliveries,

price, and term, among other variables. For clarity, bidders should **not** include credit costs within their bid price (note: respondents are required to provide information regarding the added cost of collateral per \$100,000 increment to satisfy the initial collateral requirement if SDG&E decides not to extend unsecured credit - this information will be gathered via the credit application form. These costs will be considered as discussed in the quantitative evaluation section within this document).

For questions regarding credit terms, please contact Ms. Judy Delgadillo at (213) 244-4343. Project-specific questions and answers will not be disclosed to other Respondents.

E. ASC 810 (FIN46(R), CONSOLIDATION OF VARIABLE INTEREST ENTITIES) REQUIREMENTS

Generally Accepted Accounting Principles and SEC rules require SDG&E to evaluate whether or not SDG&E must consolidate a Seller's financial information. SDG&E will require access to financial records and personnel to determine if consolidated financial reporting is required. If SDG&E determines at any time that consolidation is required, SDG&E shall require the following during every calendar quarter for the term of any resultant agreement:

- a) Unaudited financial statements with footnotes, within 15 calendar days of the end of each quarter;
- b) Audited financial statements with footnotes within 90 calendar days of the end of the year,
- c) Financial schedules underlying the financial statements, within 15 calendar days of the end of each quarter;
- d) Access to records and personnel, so that SDG&E's internal or independent auditor can conduct financial audits (in accordance with generally accepted auditing standards) and internal control audits (in accordance with Section 404 of the Sarbanes-Oxley Act of 2002)) and SDG&E can meet its SEC filing requirements. The rights and obligations under the agreement shall survive the termination of this agreement for a period of two years;
- e) Certifications by duly authorized representatives as may be reasonably requested by SDG&E; and
- f) Such other information as reasonably requested by SDG&E.
- g) If consolidation is required and considered material by the buyer to buyer's financial statements or its parent company's financial statements and buyer reasonably determines seller's internal controls over financial reporting are considered to be significantly deficient or a material weakness, then seller is to remediate within 30 calendar days;
- h) Seller to provide to buyer any SEC Form 8K disclosures, two calendar days after the occurrence of the SEC Form 8K event; and
- i) Seller to notify buyer at any time during the term of the agreement of any consulting (non-independent) services proposed to be provided to seller by the buyer's independent auditor.

Any information provided to SDG&E shall be treated as confidential, except that it may be disclosed for financial statement purposes. Full details of SDG&E's requirements in connection with consolidation are set forth in the Model PPA.

F. PROCUREMENT PROCESS / EVALUATION

All incoming offers will be assessed for conformance. Respondents are responsible for the accuracy of all information provided. Errors discovered during evaluation may impact a Respondent's potential short-list status.

As required by the Track 4 Decision, SDG&E is soliciting a broad range of resources as discussed above. SDG&E has provided a separate RFO document outlining instructions and requirements for each resource type with the exception of DG. SDG&E's valuation and selection approach is intended to evaluate the different resource types on as equal a footing as possible. Following conformance checks, conforming offers will then go through a Least-Cost / Best-Fit (LCBF) / Net Market Value ("NMV") analysis.

QUANTITATIVE EVALUATION

SDG&E evaluates and ranks offers based on Least-Cost/Best-Fit ("LCBF") principles. The LCBF analysis evaluates both quantitative and qualitative aspects of each offer to estimate its value to SDG&E's customers and its relative value in comparison to other offers. The valuation of an offer takes into account both benefits and costs. The primary quantitative metric used in SDG&E's LCBF process is a Net Market Value ("NMV") calculation. The NMV calculation is a quantification of the value of an offer when compared to a set of price benchmarks for capacity, electrical energy which includes Green House Gas ("GHG") compliance costs, ancillary services, and natural gas. Additionally, SDG&E may consider portfolio effects (costs or benefits) associated with the offer on the portfolio. These benefit and cost components are netted and discounted to yield a NMV for each offer. The NMV of an offer is compared to the NMV of other offers to determine whether that offer is one of the highest ranked. The initial evaluation will be done without regard to credit costs. Once an initial listing of the highest ranked offers is determined, a credit analysis will be conducted and credit costs will be considered. The economic evaluation normalizes the MW size differences of offers by finding the most attractive NMV per MW of capacity ("Least Cost").

SDG&E evaluates the quantifiable attributes of each offer individually. These individual attributes will include: capacity benefits, energy benefits, ancillary service benefits, contract payments, upgrade costs, GHG emissions costs, congestion costs, and transmission losses and costs as applicable.

i. NET CAPACITY BENEFITS

Capacity benefits are calculated by comparing the capacity costs in the offer to the capacity value to SDG&E.

ii. NET ENERGY AND ANCILLARY SERVICES BENEFITS

The energy benefit valuation is an optimized energy and Ancillary Service (A/S) dispatch profile multiplied by the corresponding energy and A/S forward price curves.

iii. DISTRIBUTION SYSTEM IMPACTS

Upgrade costs that solely benefit the project and are paid for by the developer (Gen-tie Costs) should be reflected in the offer pricing, and reimbursable network upgrade costs that benefit

the grid broadly and are ultimately borne by customers will be considered in the economic evaluation of the offer (Upgrade Costs). SDG&E requires WDAT or Rule 21, or CAISO Phase 1 or 2 study results as the basis for including appropriate interconnection cost estimates in its evaluation.

iv. RESOURCE SPECIFIC BENEFITS AND COSTS

Any quantifiable benefits or costs that are unique to a particular resource type, will be added to the NMV calculation. For example, renewable resources that offer Renewable Energy Credits will have the value of those credits added as a benefit to the NMV.

QUALITATIVE EVALUATION

Qualitative factors and benefits will be used to determine which projects are the “Best Fit” for SDG&E’s portfolio. SDG&E may use these factors to determine advancement onto the short list or evaluate tie-breakers, if any. Qualitative factors may include, but are not limited to:

I. PROJECT VIABILITY

SDG&E is seeking experienced companies and development teams to develop and operate facilities utilizing known and proven technology to the degree available. Another aspect of project viability will include its ability to contribute to meeting the Local Capacity Requirement. SDG&E works with the CAISO in modeling resource and program portfolios to ensure SDG&E’s LCR is met.

II. ADHERENCE TO CONTRACT TERMS AND CONDITIONS

Respondents that utilize the DG offer form will be provided with a form contract to evaluate. Respondents may modify the form contract as part of their submittal package to the extent that modifications add value to the offer. SDG&E will review modifications to any terms and conditions proposed in the offer and consider the materiality of these changes.

III. SUPPLIER DIVERSITY

SDG&E strongly encourages Diverse Business Enterprises (“DBEs”), “Women-Owned Businesses” or “Minority-Owned Businesses” or “Disabled Veteran Business Enterprises” as defined in G.O. 156⁵, to participate in this RFO. Furthermore, SDG&E strongly encourages developers to utilize DBEs during various stages of project development and construction. As a part of G.O. 156, SDG&E will require developers to identify, verify and report their DBE contractors/subcontractor spending if any. Additional information on SDG&E’s DBE program can be found at:

<http://www.sempira.com/about/supplier-diversity/>
<http://www.cpuc.ca.gov/puc/supplierdiversity/>

⁵ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

SDG&E's DBE Program representatives will provide a presentation during the pre-bid conference. DBEs can request additional information by contacting SDG&E at vendorrelations@semprautilities.com.

IV. LOADING ORDER RANKING

SDG&E seeks resources in accordance with the loading order described in the Energy Action Plan (see footnote 2, above). SDG&E will give preference to higher loading order ranked resources.

SDG&E WILL NOT REIMBURSE RESPONDENTS FOR THEIR EXPENSES UNDER ANY CIRCUMSTANCES, REGARDLESS OF WHETHER THE RFO PROCESS PROCEEDS TO A SUCCESSFUL CONCLUSION OR IS ABANDONED BY SDG&E IN ITS SOLE DISCRETION.

V. CATEGORY 1 FLEXIBLE RA CAPABILITES

SDG&E will give preference to resources that are able to meet the CAISO's prevailing Flexible Resources Availability Criteria and Must Offer Obligations ("FRAC-MOO")⁶ and obtain an Effective Flexible Capacity ("EFC") greater than zero. In addition, SDG&E will differentiate flexible attributes based on their Flexible Resource Categories, with Base Ramping (Category 1 Flex) providing the greatest benefit. More information on EFC and current resource category requirements can be found in section 10 of the CAISO Business Practice Manual for Reliability Requirements located here:

<https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Reliability%20Requirements>.

Respondents providing Flexible RA value will be presented with contracts reflecting those requirements and this value.

G. PRE-BID CONFERENCE / BIDDER OUTREACH EVENTS

SDG&E will host one bidder outreach event. The event is scheduled for April 13, 2016 and will be an in-person event for all resource types (with dial-in / webinar available for those that cannot attend in-person). Participation in this event is NOT mandatory in order to submit an offer.

Please monitor the RFO Website for further details (such as conference presentation materials and final arrangements for the event (time and location)). SDG&E will make efforts to notify bidders of outreach event details via e-mail as well as providing this information via the RFO Website.

⁶ A must-offer obligation, or MOO, is a commitment to be available for dispatch by the CAISO. The MOO is distinct from the four hour capability requirement for continuous operation upon dispatch. System and Local RA resources, whether DR or storage, may either bid into the CAISO markets or self-schedule. The proposed MOO for Flexible RA resources (FRAC-MOO) aims to ensure that flexible resources will be available to contribute to the times of greatest system ramping. The proposed FRAC-MOO requirements can be found at <https://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleResourceAdequacyCriteria-MustOfferObligations.aspx>

Any party interested in attending these events should email the following information to PrefResourcesRFO@semprautilities.com

- Company name, and
- Attendees' names, titles and contact information

H. RFO WEBSITE AND COMMUNICATION

Information associated with SDG&E's 2016 Preferred Resources LCR solicitation and all subsequent revisions and documents are available for download from the RFO Website (<http://www.sdge.com/2016PrefResourcesLCRRFO>) and the 2016 Distributed Generation (DG) RFO event on the PowerAdvocate® website. Potential Respondents are responsible for monitoring the RFO Website and PowerAdvocate® for subsequent updates, notices and postings.

The 2016 Distributed Generation (DG) RFO event on the PowerAdvocate® website contains the following: required RFO forms, documents, and schedule. Respondents intending to bid but who do not yet have an existing account with PowerAdvocate® must first register to create a username/password in order to receive access to the event. See below log in instructions:

Logging In

You access the PowerAdvocate platform via a web browser.

To log in

1. Open a web browser and go to www.poweradvocate.com.

PowerAdvocate functions in most web browsers; however, using browsers other than Internet Explorer (IE) version 6 or higher may cause certain functionality to work unexpectedly. Should you encounter problems, PowerAdvocate support may be unable to provide assistance until the issue has been replicated in a supported version of Internet Explorer.

2. Click **Login**.

The Login page appears; you may wish to bookmark it for quick access.

3. Enter your account **User Name** and **Password**.

Both are case-sensitive.

If you do not have an account, go to poweradvocate.com and click the **Registration** link at the top of the page. If you have an account but do not remember your user information, click **Forgot User Name** or **Forgot Password** and they will be emailed to you.

4. Click **Login**.

First-time users must register as a Supplier using the instructions above and the Referral information below to access the RFO event:

Referral Information

Are you registering for a specific Event: * Yes
 No, I would simply like to register.

Who referred you to this Event: *

Name of that individual's company: *

Name or description of the Event: *

* Required Field

Users with an existing PowerAdvocate® account may request access to the event using the link below:

<https://www.poweradvocate.com/pR.do?okey=56977&pubEvent=true>

The RFO website contains RFO forms and documents, the RFO Schedule, and a Question and Answer forum. All questions or other communications regarding this RFO must be submitted via email to PrefResourcesRFO@semprautilities.com by June 17, 2016. SDG&E will not accept questions or comments in any other form, except during scheduled bidders conference.

I. RESPONSE INSTRUCTIONS

DG Respondents are required to contact SDG&E via e-mail (at PrefResourcesRFO@semprautilities.com) prior to submitting their offer so that SDG&E can understand the nature of the DG resource and provide guidance and the proper pro-forma agreement. Respondents must then submit the below files / forms / documents in response to this solicitation. Forms are available on the RFO Website and through the PowerAdvocate site. Failure to provide the listed information may result in the proposal being deemed non-conforming and may disqualify the proposal from further consideration.

Limit on Number of Bids

A MAXIMUM OF SIX (6) OFFERS PER RESPONDENT PER PROJECT OR PROGRAM WILL BE ACCEPTED.

Defining what a separate project entails: Variation of significant project details, including the following, will constitute a separate 'project' or 'program':

- Differing commercial operation dates or delivery start dates
- Differing delivery terms
- Differing energy deliveries or dispatchable configurations
- Differing maximum capacity
- Differing points of interconnection
- Differing operational constraints
- Differing equipment suppliers

Fill out separate offer forms for each offer. Only one Project Description Form is required per Respondent (per project) to the extent that all bids can be adequately summarized in the space provided.

If the respondent has questions or concerns regarding bid limits, please contact SDG&E at: PrefResourcesRFO@semprautilities.com

Required Participation Forms:

- 1) **Distributed Generation Offer Form** – Bidders must include in their offer form proposed pricing and if multiple pricing or capacity or other options are contemplated, multiple offer forms should be submitted. The SDG&E RFO team may direct you to other forms to fill out, depending on the nature of your offer. Please contact SDG&E to discuss any DG offer prior to the Q&A deadline in the RFO schedule.
- 2) **Project Description Form**
- 3) **Electric Interconnection Information** – Please provide copies of completed studies (if any), provide the name of the substation and interconnection voltage applicable to the facility as well as the nearest substation (if known) in the offer form (listed above).
- 4) **Credit Application** –Changes to terms and conditions will render the offer non-conforming and disqualify the project from further consideration.
- 5) **Diverse Business Enterprise Subcontracting Commitment and Reporting Requirements (DBE) Form (optional)** - Provide a copy of certification documents received from the California Public Utilities Commission. An application can be made before submission of the offer and referenced in the offer.

Note: Pro-forma Agreement. A pro-forma agreement will be provided to the respondent once SDG&E evaluates the offer and understands the nature of the facility. Respondent will then be given the opportunity to provide a redline version back to SDG&E for their consideration. Note that for DG resources (including behind-the-meter resources) SDG&E will pay for energy that is delivered to the distribution grid.

The Project Description Form and Credit Application must be in Word or Word-compatible format (not in PDF). The offer form must be in Excel or Excel-compatible format (not in PDF).

Submissions containing unsolicited materials or submissions of individual bid documents in file formats other than the formats of the original bid forms may be rejected. This is an electronic only solicitation; Respondents need not submit paper documents, or e-binders.

Any party interested in submitting an offer must register to receive access to the 2016 Distributed Generation (DG) RFO event on PowerAdvocate® in order to submit an offer. To register, Respondents must follow the instructions outlined in Section H, RFO Website and Communications. All offers must be uploaded to the PowerAdvocate® no later than **1:00 p.m.**,

Pacific Prevailing Time, on the CLOSING DATE (see RFO Schedule). If Respondents encounter technical difficulties with the uploading process, they should provide evidence of such difficulties (e.g. a screen shot of the error message) and email the bid to:

The RFO mailbox: PrefResourcesRFO@semprautilities.com

Carbon Copy (CC) to: Jon.Jacobs@paconsulting.com and
Barbara.Sands@PAConsulting.com.

Emails shall be received by 1:00 p.m., Pacific Prevailing Time, on the Closing Date.

All offer materials submitted in accordance with the above Response Instructions shall be subject to the confidentiality provisions of Section 4 Confidentiality, below.

SDG&E will review and may utilize all information, if any, submitted by a Respondent that is not specifically requested as a part of any forms. During all stages of the RFO process, SDG&E reserves the right to request additional information from individual Respondents or to request any Respondent to submit supplemental materials in fulfillment of the content requirements of this RFO or to meet additional information needs. SDG&E also reserves the unilateral right to waive any technical or format requirements contained in the RFO.

J. PROCUREMENT REVIEW GROUP / INDEPENDENT EVALUATOR

PROCUREMENT REVIEW GROUP

The Procurement Review Group (PRG) and Cost Allocation Mechanism (CAM) PRG are CPUC-endorsed entities and are composed of non-market participants such as ratepayers' advocacy groups, state energy and water commissions, power authorities, utility-related labor unions and other non-commercial, energy-related special interest groups. Each IOU has its own PRG and CAM PRG. The PRG and CAM PRG are charged with overseeing the IOU's procurement process, reviewing procedural fairness, examining overall procurement prudence and providing feedback during all stages. From RFO language development to offer evaluation to contract negotiation, IOU's brief the PRG and/ or the CAM PRG on a periodic basis during the entire process.

Respondents are hereby notified that revealing confidential offer information to the PRG and/or CAM PRG is required during briefings in accordance with Section 11 ("Confidentiality"). Each Respondent must clearly identify, as part of its offer, what type of information it considers to be confidential.

INDEPENDENT EVALUATOR

The CPUC requires each IOU to use an Independent Evaluator ("IE") to evaluate and report on the IOU's entire solicitation, evaluation, and selection process. The IE will review SDG&E's implementation of the RFO process and final selections. The IE also makes periodic presentations regarding its findings to the IOU and the IOU's PRG, including the CPUC Energy Division staff. The intent of these IE presentations is to preserve the independence of the IE by ensuring free and unfettered communication between the IE and the CPUC, as well as an open, fair, and transparent process that the IE can affirm.

SDG&E is committed to ensuring an open and transparent solicitation, and to providing a fair, reasonable and competitive process.

The IE for this solicitation is PA Consulting.

2.0 CONFORMANCE REQUIREMENTS

BID CONFORMANCE EVALUATION

SDG&E may reject an offer if:

1. SDG&E uncovers evidence of market manipulation in the bid preparation and offer process;
2. the Respondent does not provide adequate evidence that it meets minimum participation criteria;
3. there is a question as to whether or not the projects meet minimum resource criteria;
4. the Respondent cannot fulfill the terms and conditions of the contract; and/or,
5. the Respondent is unable to comply with RFO timing and other solicitation requirements.

Respondents to this solicitation shall comply with the requirements herein. SDG&E, at its sole discretion, may change the terms, requirements and schedule of the solicitation. Respondents should monitor the RFO Website for announcements regarding any change.

A. TIME OF USE PERIOD CONTINGENCY FOR DG OFFERS THAT INCLUDE ENERGY STORAGE

SDG&E will consider any distributed generation offers that include energy storage technology that may be shortlisted to be contingent upon the adoption by the CPUC of SDG&E's proposed new Time of Use ("TOU") periods as set forth in SDG&E's application number A.15-04-012 filed on February 9, 2016⁷. If the CPUC does not adopt SDG&E's proposed changes to the TOU periods included in this application, then any distributed generation offer that includes an energy storage component that may be shortlisted from this solicitation may be considered non-conforming in accordance with the eligibility requirement included below in section 2.B.11. (subsidization).

B. PARTICIPATION CRITERIA

Expected terms of participation are listed below. SDG&E will work with DG Respondents to determine whether any of these criteria will be waived. Respondents not meeting all minimum participation criteria may be deemed ineligible / nonconforming and their offers may not be considered.

1. The DG facility must be located and interconnect within the San Diego local sub-area, as defined by the CAISO⁸.

⁷ A. 15-04-012, second amended application, available here: <http://www.sdge.com/sdge-2016-GRC-Phase-2> .For a summary of the TOU period change request, see Chapter 1 - Testimony of Cynthia Fang, Table 2, pages CF-20 & CF-21.

⁸ See the CAISO "Local Capacity Technical Analysis" –for 2015 available at: http://www.aiso.com/Documents/Final2015LocalCapacityTechnicalStudyReportApr30_2014.pdf . To summarize, San Diego Local subarea projects are those located in SDG&E's service territory connecting to SDG&E owned transmission or distribution facilities at a point that is at or electrically west of the Miguel or Suncrest substations and electrically south of the San Onofre Nuclear Generating Station 230 kV switchyard.

2. SDG&E will consider start dates as early as January 2018, but some portion of the project's delivery term must encompass calendar year of 2022.
3. Respondents with DG projects are required to contact SDG&E⁹ to discuss project details and ensure the appropriate information is gathered in order to allow an accurate evaluation of the resource and so that SDG&E can provide the proper pro-forma agreement to the Respondent.
4. The DG Facility must be incremental to the assumptions used in the CAISO studies¹⁰ associated with the 2012 long term procurement plan proceeding that served as a basis for SDG&E's 500 MW – 800 MW authorized need.
5. Facility size:
 - a. Individual generation resources, on a single site, requiring an interconnection study - The minimum capacity of the resource shall be equal to or greater than 500 kW.¹¹ The maximum facility size will be determined through the interconnection process and depending on location and interconnection point will likely be in the 5 – 10 MW range.
 - b. Aggregated, customer sited resources - The total capacity of the aggregated sites must be equal to or greater than 500kW and in addition, each individual customer sited installation shall be limited to a capacity equal to or less than the peak demand of the customer account associated with the premise upon which the customer sited resources will be located. Maximum capacity of the aggregated resources may be up to 140 MW.
6. The facility must interconnect at distribution voltage (for SDG&E, this is BELOW 69kV - generally, 12kV.)
7. The project must have obtained a WDAT or Rule 21, or CAISO Phase 1 or 2 study. This is not applicable for aggregated, customer sited resources.
8. The DG facility must meet the requirements to count towards SDG&E's annual and monthly RA showing filed with the CPUC and / or the CAISO. This requires that the resource be found to be fully deliverable (that is, Respondents must seek and receive Full Capacity Deliverability Status ("FCDS") from the CAISO). For Respondents that have not received such a finding, evidence of the application or an explanation of interconnection status must be included in the offer. Aggregated, customer sited resources will not appear on SDG&E's RA showings and the FCDS status is not applicable. Instead, because the RA contribution is based on the amount of load modification, aggregated, customer sited resources will be paid according to the lower of customer usage and generation output meter in each hour for each site.
9. The DG facility's GHG emissions must be equal to or less than the an emission factor of .320 metric tons of CO₂e per MWh.¹²
10. Respondents must assume all costs associated with energy deliveries to SDG&E (that is, include in the offer pricing any non-reimbursable interconnection upgrades necessary to be found FCDS). For aggregated, customer sited resources, although FCDS is not applicable, each installation/site will require an interconnection

⁹ Respondents should utilize the RFO e-mail box to contact SDG&E: PrefResourcesRFO@semprautilities.com

¹⁰ See ordering paragraph 6 of the Track 4 Decision.

¹¹ Note that SDG&E will consider the administrative burden/feasibility of negotiating a high volume of agreements when selecting its shortlist.

¹² This level has been determined by the CPUC to be GHG-reducing in California in the long-term per D.15-11-027, Appendix B.

- agreement even though an interconnection study need not be obtained prior to bidding.
11. Offers that are supported by resources that are already being subsidized under another CPUC regulated program or rate schedule shall not be considered¹³. In addition, for aggregated, customer sited resources, the customer will continue to be billed by SDG&E for all energy used, whether or not served by the utility or the on-site resource, based on their tariff rate.
 12. For customer sited, aggregated resources, the resource must be separately metered.
 13. Respondents must include evidence that they have received or have applied for the necessary permits to allow the lawful operation of the DG facility and that the DG facility can operate under those permits for the entirety of the proposed contract term.
 14. Respondents must have, at time of bidding, site control for the duration of the contract term proposed in their offer. Site control may be evidenced by documentation of:
 - a. direct ownership;
 - b. a lease; or
 - c. an option to lease or purchase upon contract approval. The option must be an exclusive option to the Bidder that will last until the completion of the RFO cycle.

This is not applicable for aggregated, customer sited resources.

15. Respondents must own the DG facilities and have responsibility for development, land acquisition, permitting, financing, construction and operation of the DG facilities.
16. Safety. SDG&E expects that third party owned and operated facilities will be operated and maintained in accordance with accepted electrical practices, applicable law and industry standards, including those related to safety. In the project / program description form that Respondents will provide as part of the offer package, SDG&E will ask respondents to confirm that this will be the case with their project or program. If the Respondent is unable to confirm these statements, the offer will be considered nonconforming.
17. The Respondent must state any affiliate relationship with Sempra Energy, if one exists.

SDG&E is aware that the RA counting rules change frequently. If the capabilities of the system, facility or program that the Respondent is describing in its offer are currently non-conforming specifically with regard to the RA requirement, but the Respondent believes that the RA counting rules may change prior to SDG&E short-listing, the Respondent is instructed to submit their offer and note that it is currently non-conforming due to current RA rules. If and when the RA rules change resulting in the offer conforming to the new RA rules, the Respondent should notify SDG&E (via the RFO e-mail address - PrefResourcesRFO@semprautilities.com) and the IE (jon.jacobs@paconsulting.com and Barbara.Sands@PAConsulting.com).

¹³ This would include the Self Generation Incentive Program (SGIP) program and Net Energy Metering (NEM) rate, for example.

3.0 REJECTION OF OFFERS

SDG&E SHALL TREAT ALL RESPONDENTS FAIRLY AND EQUALLY AND SHALL EVALUATE ALL OFFERS IN GOOD FAITH. SDG&E MAKES NO GUARANTEE THAT A CONTRACT AWARD SHALL RESULT FROM THIS RFO, EVEN AFTER AN OFFER HAS BEEN SHORTLISTED. SDG&E RESERVES THE RIGHT AT ANY TIME, AT ITS SOLE DISCRETION, TO ABANDON THIS RFO PROCESS, TO CHANGE THE BASIS FOR EVALUATION OF OFFERS, TO TERMINATE FURTHER PARTICIPATION IN THIS PROCESS BY ANY PARTY, TO ACCEPT ANY OFFER OR TO ENTER INTO ANY DEFINITIVE AGREEMENT, TO EVALUATE THE QUALIFICATIONS OF ANY RESPONDENT OR THE TERMS AND CONDITIONS OF ANY OFFER, OR TO REJECT ANY OR ALL OFFERS, ALL WITHOUT NOTICE AND WITHOUT ASSIGNING ANY REASONS AND WITHOUT LIABILITY OF SEMPRA ENERGY, SDG&E, OR ANY OF THEIR SUBSIDIARIES, AFFILIATES, OR REPRESENTATIVES TO ANY RESPONDENT. SDG&E SHALL HAVE NO OBLIGATION TO CONSIDER ANY OFFER.

4.0 CONFIDENTIALITY

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF SDG&E, RESPONDENTS MAY NOT DISCLOSE (OTHER THAN BY ATTENDANCE ALONE AT ANY MEETING TO WHICH MORE THAN ONE RESPONDENT IS INVITED BY SDG&E) TO ANY OTHER RESPONDENT OR POTENTIAL RESPONDENT THEIR PARTICIPATION IN THIS RFO, AND RESPONDENTS MAY NOT DISCLOSE, COLLABORATE ON, OR DISCUSS WITH ANY OTHER RESPONDENT, OFFER STRATEGIES OR THE SUBSTANCE OF OFFERS, INCLUDING WITHOUT LIMITATION THE PRICE OR ANY OTHER TERMS OR CONDITIONS OF ANY INDICATIVE OR FINAL OFFER.

SDG&E WILL USE THE HIGHER OF THE SAME STANDARD OF CARE IT USES WITH RESPECT TO ITS OWN PROPRIETARY OR CONFIDENTIAL INFORMATION OR A REASONABLE STANDARD OF CARE TO PREVENT DISCLOSURE OR UNAUTHORIZED USE OF RESPONDENT'S CONFIDENTIAL AND PROPRIETARY INFORMATION THAT IS LABELED AS "PROPRIETARY AND CONFIDENTIAL" ON THE OFFER PAGE ON WHICH THE PROPRIETARY INFORMATION APPEARS ("CONFIDENTIAL INFORMATION"). RESPONDENT SHALL SUMMARIZE ELEMENTS OF THE OFFER(S) IT DEEMS CONFIDENTIAL. THE SUMMARY MUST CLEARLY IDENTIFY WHETHER OR NOT PRICE, PROJECT NAME, LOCATION, SIZE, TERM OF DELIVERY AND TECHNOLOGY TYPE (EITHER COLLECTIVELY OR INDIVIDUALLY) ARE TO BE CONSIDERED CONFIDENTIAL INFORMATION. CONFIDENTIAL INFORMATION MAY BE MADE AVAILABLE ON A "NEED TO KNOW" BASIS TO SDG&E'S DIRECTORS, OFFICERS, EMPLOYEES, CONTRACTORS, CONSULTANTS, THE INDEPENDENT EVALUATOR, AGENTS AND ADVISORS ("REPRESENTATIVES"), BUT SUCH REPRESENTATIVES SHALL BE REQUIRED TO OBSERVE THE SAME CARE WITH RESPECT TO DISCLOSURE AS SDG&E.

NOTWITHSTANDING THE FOREGOING, SDG&E MAY DISCLOSE ANY OF THE CONFIDENTIAL INFORMATION TO COMPLY WITH ANY LAW, RULE, OR REGULATION OR ANY ORDER, DECREE, SUBPOENA OR RULING OR OTHER SIMILAR PROCESS OF ANY COURT, SECURITIES EXCHANGE, CONTROL AREA OPERATOR, GOVERNMENTAL AGENCY OR GOVERNMENTAL OR REGULATORY AUTHORITY AT ANY TIME EVEN IN THE ABSENCE OF A PROTECTIVE ORDER, CONFIDENTIALITY AGREEMENT OR NON-DISCLOSURE AGREEMENT, AS THE CASE MAY BE, WITHOUT NOTIFICATION TO THE RESPONDENT AND WITHOUT LIABILITY OR ANY RESPONSIBILITY OF SDG&E TO THE RESPONDENT.

IT IS EXPRESSLY CONTEMPLATED THAT MATERIALS SUBMITTED BY A RESPONDENT IN CONNECTION WITH THIS RFO WILL BE PROVIDED TO THE CPUC, ITS STAFF, THE CEC, ITS STAFF, SDG&E'S INDEPENDENT EVALUATOR, SDG&E'S PRG, AND THE COST ALLOCATION METHODOLOGY ("CAM") GROUP. ADDITIONALLY, SDG&E MAY PROVIDE LIMITED INFORMATION SUCH AS (BUT NOT LIMITED TO) ON-LINE DATE, INTERCONNECTION POINT, TECHNOLOGY AND OTHER OPERATIONAL CHARACTERISTICS TO THE CAISO FOR MODELING PURPOSES. SDG&E WILL SEEK CONFIDENTIAL TREATMENT PURSUANT TO

PUBLIC UTILITIES CODE SECTION 583 AND GENERAL ORDER 66-C OF THE CPUC, WITH RESPECT TO ANY RESPONDENT CONFIDENTIAL INFORMATION SUBMITTED BY SDG&E TO THE CPUC. SDG&E WILL ALSO SEEK CONFIDENTIALITY PROTECTION FROM THE CALIFORNIA ENERGY COMMISSION (“CEC”) FOR RESPONDENT’S CONFIDENTIAL INFORMATION AND WILL SEEK CONFIDENTIALITY AND/OR NON-DISCLOSURE AGREEMENTS WITH THE PROCUREMENT REVIEW GROUP (“PRG”). SDG&E CANNOT, HOWEVER, ENSURE THAT THE CPUC OR CEC WILL AFFORD CONFIDENTIAL TREATMENT TO A RESPONDENT’S CONFIDENTIAL INFORMATION OR THAT CONFIDENTIALITY AGREEMENTS OR ORDERS WILL BE OBTAINED FROM AND/OR HONORED BY THE PRG, CEC, OR CPUC.

SDG&E, ITS REPRESENTATIVES, SEMPRA ENERGY, AND ANY OF THEIR SUBSIDIARIES DISCLAIM ANY AND ALL LIABILITY TO A RESPONDENT FOR DAMAGES OF ANY KIND RESULTING FROM DISCLOSURE OF ANY OF RESPONDENT’S INFORMATION.

5.0 SDG&E BACKGROUND

SDG&E provides electric service to approximately 1.3 million customers in San Diego County and the southern portion of Orange County. SDG&E also provides natural gas service to approximately 775,000 gas customers. The electric customer base comprises 89% residential and 11% commercial and industrial customers.

SDG&E's electric transmission network is comprised of 130 substations with 884 miles of 69-kV, 265 miles of 138-kV, 349 miles of 230-kV, and 215 miles of 500-kV transmission lines. Local ("on system") generating resources include the Encina plant (connected into SDG&E's grid at 138 kV and 230 kV), the Palomar Energy Center (connected at 230kV) and a number of combustion turbine facilities located around the service area (connected at 69 kV). Imported resources are received via the Miguel Substation as the delivery point for power flow on the Southwest Power Link, which is SDG&E's 500-kV transmission line that runs from Arizona to San Diego along the U.S./Mexico border as well as the Sunrise Power Link – a second 500kV transmission line that runs from the Imperial Valley substation and ending in San Diego's north county.

The figure below shows a simplified diagram of existing SDG&E's service area, which encompasses an area of 4,100 square-miles and spans 2 counties and 25 communities.



For a map California IOU service territories please visit:

http://www.energy.ca.gov/maps/serviceareas/electric_service_areas.html