



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

SDG&E'S COMBINED HEAT AND POWER ("CHP")

2014
LOCAL CAPACITY
REQUIREMENT
REQUEST FOR OFFERS
("RFO")
seeking
COMBINED HEAT AND POWER
POWER PURCHASE AGREEMENTS

VERSION 3 – UPDATED 10/21/2014

ISSUED
SEPTEMBER 5, 2014

OFFERS DUE
JANUARY 5, 2015

RFO WEBSITE
[http://www.sdge.com/All SourceRFO2014](http://www.sdge.com/AllSourceRFO2014)

EMAIL QUESTIONS/COMMENTS TO
AllSourceRFO@semprautilities.com

Record of Changes

Date	Explanation of Change	Section / Page of Document
10/7/2014	Updated language regarding the limit on the number of bids that may be submitted.	8.0, p. 21
10/21/2014	<ul style="list-style-type: none">- Added language to the 'Credit Terms and Conditions' section to clarify that credit costs should not be included in the offer price.- Added language to the 'Quantitative Evaluation' section to explain how credit costs will be evaluated.- Added a sentence within the 'Offer Form' section to highlight that a separate credit cost offer form is required	3.0 D, p. 10 5.0, p. 14 8.0, p. 21

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1.0 BACKGROUND

In accordance with Decision (“D.”)14-03-004 – Decision Authorizing Long-Term Procurement for Local Capacity Requirements due to Permanent Retirement of the San Onofre Nuclear Generation Station (the “Track 4 Decision”) approved on March 13, 2014, and the Qualifying Facility (“QF”) and Combined Heat and Power (“CHP”) Program Settlement Agreement and related documents (including the CHP Program Settlement Agreement Term Sheet) approved by the California Public Utilities Commission (“CPUC”) on December 16, 2010 in D.10-12-035 (collectively, the “Settlement Agreement”), San Diego Gas and Electric (“SDG&E”) is issuing its 2014 Combined Heat and Power (“CHP”) Request for Offers (“RFO”) to solicit offers from owners and operators of CHP facilities and Utility Prescheduled Facility (“UPF”) conversions within the San Diego Local Subarea (as defined by the CAISO¹). Additionally, resources procured through this RFO will count towards SDG&E’s CHP Program Settlement² goal. Under the CHP Program Settlement, SDG&E seeks to acquire a total of 160 MW of CHP nameplate capacity under a CHP Pro Forma PPA or CHP UPF PPA (“PPAs” or “Agreements”) during the Initial Program Period (2011-2014) and 51 MW during the Second Program Period (2016-2020). Both periods are defined in the Settlement Agreement.

SDG&E is issuing this 2014 CHP RFO to help meet its Local Capacity Requirements (“LCR”) established in the Track 4 Decision (specifically, the Track 4 Decision authorizes procurement of a minimum of 200 MW of preferred resources³ - of which at least 25 MW must come from energy storage) and to make progress towards its CHP Program Settlement goals. This RFO solicits offers from owners and operators of CHP and UPF facilities.

As authorized in the Track 4 Decision, SDG&E is seeking up to 775 MW from qualifying CHP facilities. CHP capacity acquired through this solicitation will also allow SDG&E to make progress toward its Initial CHP Program Period goal of 160 MW and potentially its Second Program Period goal of 51 MW.

SDG&E has separately filed an application for Commission approval of a 600 MW bilateral contract with a Conventional resource, the Carlsbad Energy Center (A.14-07-009). If approved, 600 MW of SDG&E’s need will be filled by this contract and SDG&E will be authorized to procure only 200 MW of preferred resources, including at least 25 MW of energy storage. In this event, bidders shall be notified that 600 MW of the need eligible under this RFO has been filled. **SDG&E encourages respondents to take this possibility into account and submit offers with both**

¹ See the CAISO “Local Capacity Technical Analysis” – draft version for 2015 available at: <http://www.caiso.com/Documents/DraftReport-2015LocalCapacityTechnicalAnalysis.pdf>; final version for 2014 located at: http://www.caiso.com/Documents/May1_2013-2014FinalReport-LocalCapacityTechnicalAnalysisR11-10-023.pdf To summarize, projects that interconnect within SDG&E’s service territory connecting to transmission or distribution facilities at a point that is electrically west of the ECO or Suncrest substations bidding as fully deliverable will meet this requirement.

² The CHP Program Settlement was approved by D.10-12-035 on December 21, 2010 and became effective on November 23, 2011 (when the conditions precedent were satisfied).

³ Preferred Resources are defined in the Energy Action Plan – as updated in the Energy Action Plan II and 2008 update to the Energy Action Plan II in the loading order as follows: “The loading order identifies energy efficiency and demand response as the State’s preferred means of meeting growing energy needs. After cost-effective efficiency and demand response, we rely on renewable sources of power and distributed generation, such as combined heat and power applications. To the extent efficiency, demand response, renewable resources, and distributed generation are unable to satisfy increasing energy and capacity needs, we support clean and efficient fossil-fired generation.” – See the Energy Action Plan II, p.2 at: http://www.energy.ca.gov/energy_action_plan/2005-09-21_EAP2_FINAL.PDF

levels of need in mind (maximum of 775 MW if this application is not approved or 175 MW if approved).

This solicitation sets forth the terms and conditions of SDG&E’s 2014 CHP RFO. By responding to this RFO, the bidder agrees to be bound by all the terms, conditions, and other provisions of this RFO and any changes or supplements to it that may be issued by SDG&E at any time.

The Independent Evaluator (“IE”) for this solicitation is PA Consulting.

In this RFO, SDG&E will entertain offers for the following resources: New CHP, Repowered CHP, Expanded CHP, and Existing CHP Facilities Converting to UPF⁴. SDG&E will give preference for offers that are low cost, and have either low associated GHG emissions or provide GHG emissions reductions through changes in operations or technology. Any facility that offers operating flexibility will be considered favorably.

Table 1 – CHP Product Types

Generating Facility	CHP Baseload Facility ("CHP")	Utility Prescheduled Facility ("UPF")
Facility Vintage	New, Existing, Repowered, Expanded	
Maximum Term	In accordance with the Track 4 Decision all contract terms will be considered, however SDG&E has a preference for a 7 Year or less term for Repowered facilities and, 12 Years or less for New and Expanded facilities that meet the Credit requirements (Section 3). SDG&E prefers start dates as early as October of 2017.	In accordance with the Track 4 Decision all contract terms will be considered, however SDG&E has a preference for 12 Years or less. SDG&E prefers start dates as early as October 2017.
PPA Type	CHP Pro Forma PPA	CHP UPF PPA
Nameplate	Larger than 5 MW ⁵	
Interconnection/Delivery Point	Within the San Diego Local Subarea – as defined by the CAISO ⁶	

The purpose of this document is to provide an overview of the process that SDG&E will use to implement this RFO. It will serve to set forth each bidder’s obligations with respect to the

⁴ Only if the CHP facility provides capacity that is demonstrably incremental to the assumptions included in the CAISO studies that form the basis for the 500 MW – 800 MW authorization found in the Track 4 Decision. For example, if a CHP facility converted to a UPF facility, the Net Qualifying Capacity (NQC) would need to increase, thus providing incremental capacity for SDG&E to include on its Resource Adequacy (“RA”) showings.

⁵ Note that SDG&E will consider the administrative burden/feasibility of negotiating a high volume of agreements when selecting its shortlist.

⁶ See the CAISO “Local Capacity Technical Analysis” – draft version for 2015 available at: <http://www.aiso.com/Documents/DraftReport-2015LocalCapacityTechnicalAnalysis.pdf>; final version for 2014 located at: http://www.aiso.com/Documents/May1_2013-2014FinalReport-LocalCapacityTechnicalAnalysisR11-10-023.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.

RFO as well as describe the procedures that each bidder must adhere to. If there is a conflict or inconsistency between the terms and conditions contained here and the terms and conditions contained within the PPAs attached to these instructions, the terms and conditions in the PPAs applicable to the offers will prevail.

To be considered in this RFO, an offer must be uploaded to the SDG&E RFO website in accordance with this RFO protocol no later than 1:00 PM Pacific Prevailing Time (“PPT”), on January 5, 2015.

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 (but not limited to) 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. A schedule detailing SDG&E’s plans throughout the entire solicitation can be found in Section 6.

Once bidders have accepted their shortlisted position with SDG&E and have remitted the Shortlist Acceptance Fee⁷, further PPA contract negotiations may commence and continue until mutual agreement has been achieved and a contract has been executed. Being shortlisted does not guarantee that a PPA will be negotiated or signed with the bidder.

SDG&E will seek CPUC approval of all executed agreements resulting from this 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.

⁷ See section 3.D.i. of this RFO for further details

2.0 PROCUREMENT PROCESS

Respondents to this solicitation shall comply with the requirements described in this RFO document.

All offers shall meet the minimum eligibility requirements as set forth in Section 3.0. All conforming offers will be evaluated in accordance with the evaluation criteria described in Section 5.0 of the RFO. SDG&E will initially select a shortlist of up to 800 MW from the broad range of resources being sought in this overall solicitation including: energy efficiency, demand response, renewables, energy storage, CHP, and conventional resources by selecting offers that best fit in with the quantitative and qualitative methodology described in Section 5.0. Of the resources shortlisted, SDG&E can include up to 775 MW of CHP resources (in accordance with the Track 4 Decision, at least 25 MW must come from Energy Storage).

SDG&E is mindful of the impact that interconnection costs have on successful project development. Distribution level interconnection costs and/or any transmission level interconnection costs allocated to the project and to be paid by Respondent (i.e. non-reimbursable) should be incorporated in the offer price. Any offer shall include studies and estimates of such costs.

SDG&E intends for projects selected from this RFO Program to count towards SDG&E's Resource Adequacy ("RA") obligations. Respondents must achieve Full Capacity Deliverability Status ("FCDS") by obtaining a deliverability study from the CAISO so that the projects can become eligible for RA, if not already eligible (i.e. the project must have been assessed for deliverability, or the Respondent will request a deliverability assessment through the next available CAISO cluster window). Power Purchase Agreements resulting from this RFO will require Respondents to perform all activities necessary to facilitate RA recognition for the projects. The Respondent shall be responsible for all costs to facilitate RA recognition, including any deliverability study fees and/or non-reimbursable interconnection costs, and should include these costs in the bid price. Reimbursable costs should not be included in the bid price. Respondents with winning bids that result in an executed and approved Agreement must obtain final interconnection studies during the development process (i.e. for transmission level projects, a final Phase II interconnection study report, or for distribution level projects, a final interconnection facilities study report (or equivalent)).

On July 2, 2013, the CAISO published the 'Generator Interconnection and Deliverability Study Methodology Technical Paper' and Section One of the paper provides background information and an overview of the deliverability study methodology. Respondents may find this paper at: <http://www.caiso.com/Documents/TechnicalPaper-GeneratorInterconnection-DeliverabilityStudyMethodology.pdf>. For projects that will interconnect at distribution level, information on the interconnection process can be found at: <http://www.sdge.com/generation-interconnections/overview-generation-interconnections>.

3.0 ELIGIBILITY 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 this solicitation. Respondents should monitor the RFO Website for announcements regarding any change.

A. PARTICIPATION CRITERIA

Terms of participation are listed below. Respondents not meeting all minimum participation criteria could be deemed ineligible and their offers may not be considered.

1. The Facility and its associated delivery point must be located within the San Diego Local Subarea, as defined by the CAISO.
2. Some portion of the project's term must include the entire calendar year of 2022.
3. The Facility must be incremental to the assumptions used in the CAISO studies⁸ associated with the 2012 long term procurement plan proceeding that served as a basis for SDG&E's 500 MW – 800 MW authorized need.
4. The project must have a completed interconnection agreement, or Wholesale Distribution Access Tariff ("WDAT") or CAISO Phase I or Phase II Interconnection Study, Facilities Study or System Impact Study.
5. Respondents with new projects must obtain a CAISO deliverability study so the project can be evaluated as an RA resource. Evidence of the pending request or study results must be included in the offer.
6. Respondents with existing facilities must either be an RA resource or the Respondent must seek to become an RA resource, which requires a CAISO deliverability study. Evidence of current RA status or pending request for a deliverability study must be included in the offer.
7. Respondents must demonstrate how their project will meet the requirements of the current RA counting rules⁹.

NOTE: 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 - AllSourceRFO@semprautilities.com) and the IE (jon.jacobs@paconsulting.com and Barbara.Sands@PAConsulting).

⁸ See ordering paragraph 6 of the Track 4 Decision.

⁹ See the following CPUC decisions for guidance: D.10-06-036, D.11-06-022, D.12-06-025 and D.13-06-024 among others. Additionally, see the CAISO's "Flexible Resource Adequacy Criteria and Must-Offer Obligation", Market and Infrastructure Policy Revised Draft Final Proposal of March 7, 2014. To summarize, currently the requirement for energy limited resources is availability of the resource for three consecutive days for four hours per day.

8. The contract term start date must be:
 - i. Within 36 months of CPUC Approval (Expanded Facilities)
 - ii. Within 60 months of CPUC Approval (New and Repowered Facilities)
9. Respondents must assume all costs associated with energy deliveries to SDG&E.
10. Repowered, Expanded and Utility Prescheduled Facilities must submit evidence that all interconnection agreements and permits have been received and the facility can operate under those permits and conditions for the entirety of the proposed contract term.
11. The Respondent must have, at time of bidding, site control for the duration of the term proposed within the PPA. Site control may be evidenced by documentation of:
 - a. direct ownership;
 - b. a lease; or
 - c. an option to lease or purchase upon PPA approval. The option must be an exclusive option to the Bidder that will last until the completion of the RFO cycle.
12. Respondents must submit at least two pricing proposals per project (one by which the respondent assumes all of the GHG emissions costs, and a second where the respondent passes on some specified portion or all of those costs to SDG&E).
13. The Respondent will own the facility and have responsibility for development, land acquisition, permitting, financing, construction and operation for the facilities.
14. The Respondent must state the affiliate relationship with Sempra Energy, if one exists.

B. RESOURCE CRITERIA

Any CHP Facility located / interconnecting within the San Diego Local Subarea with a nameplate larger than 5 MW may bid into the CHP RFO provided that the CHP Facility meets the definition of cogeneration under California Public Utilities Code (“PUC”) §216.6 and the Emissions Performance Standard established by PUC §8341 (Senate Bill 1368). A CHP Facility must meet the federal definition of a qualifying cogeneration facility under the Code of Federal Regulations (“CFR”) 18 CFR §292.205 implementing PURPA. RA-only offers will not be accepted in this RFO.

This RFO also provides for CHP Facilities converting to Utility Prescheduled Facilities as long as the conversion would result in incremental (additional) capacity being made available (such as an increase in net qualifying capacity). Only the incremental capacity is eligible for this RFO. A CHP Facility that met the PURPA efficiency requirements (18 C.F.R. §292.205) as of September 2007 and converts to a Utility Prescheduled Facility is eligible to participate in this CHP RFO. After the Existing CHP Facility converts to a Utility Prescheduled Facility, it may be either a Qualifying Facility or an Exempt Wholesale Generator (“EWG”) if the facility otherwise meets the criteria in Section 4.2.2.2 of the Settlement Agreement.

SDG&E &E will consider offers for incremental volumes from the following resources in this RFO as defined in the Settlement Agreement:

New CHP Facility: A CHP Facility that became or will become operational after the Settlement Effective Date, *i.e.*, November 23, 2011.

Repowered CHP Facility: If the CHP Facility contains combustion turbines, then each combustion turbine must be replaced with: (1) a new combustion turbine that has been certified as new by the original manufacturer of the equipment provided, however, a CHP Facility that has replaced its combustion turbines with a substantially identical engine (e.g., as is common during major overhauls of aero derivative combustion turbines or as part of a spare engine program), does not qualify as a Repowered CHP Facility; or (2) a refurbished combustion turbine, so long as such refurbished combustion turbine has been certified by the entity that refurbished such combustion turbine (which may be the manufacturer) to achieve Heat Rate and total power output performance guarantees comparable to a new combustion turbine, prior to operational degradation; or (3) if the CHP Facility contains only steam turbines, then each steam turbine must be replaced with a refurbished steam turbine, and this refurbishment must have been accomplished with new or near-new condition parts, including (i) a replacement of all stop and throttle control valves, seals, bearing, rotors, and turbine blades of each steam turbine, and (ii) a replacement or rebuilding of the stationary part of each steam turbine back to new condition, including seal system, lube oil system and all associated piping and auxiliary equipment.

In addition to the above turbine requirement, all of the following conditions must be met: (1) The repowering of the Generating Facility as described in this definition must be completed before the Term Start Date, (2) Section 1.02(a) of the CHP PPA must provide that the Generating Facility will be a Repowered CHP Facility on the Term Start Date, (3) Seller must provide to Buyer a written certification, including all supporting data, from a qualified independent engineer, and this certification must provide that the total useful life of the CHP Facility (including, as applicable, the combustion turbine(s), the steam turbine(s), the electrical generator(s) and the heat recovery steam generator) will operate for at least the Term of this Agreement, subject to industry standard maintenance practices, and (4) the repowering results in incremental (additional) capacity being made available (such as an increase in net qualifying capacity).

Expanded CHP Facility: A CHP Facility that is (i) an existing topping-cycle CHP Facility that, on or after the Settlement Effective Date, has added at least one new combustion turbine and increased the Power Rating of the Generating Facility by not less than 90% of the Power Rating of the largest existing combustion turbine at the Generating Facility, or (ii) an existing bottoming-cycle CHP Facility that has increased its total Power Rating by at least 30% as compared to the Power Rating before such expansion.

C. POWER PURCHASE AGREEMENT CRITERIA

Bidders may modify the CHP Pro Forma PPA or UPF PPA submitted as part of their offer package to the extent such modifications add value to the offer. However, SDG&E discourages extensive modification of the PPA and will consider materiality of such changes on a qualitative basis as it evaluates and ranks the offers received.

D. CREDIT TERMS AND CONDITIONS

Winning bidders will be required to comply with the credit and collateral requirements set forth in the CHP Pro Forma PPA or UPF PPA. The amount of such requirements 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 via a separate offer form. These costs will be considered as discussed in the quantitative evaluation section within this document).

E. SHORTLIST ACCEPTANCE FEE.

The Shortlist Acceptance Fee is the greater of \$100,000 or \$2 per kW of project nameplate capacity 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) 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.

Repowered Facilities

A bidder who currently has an active CHP contract in place with SDG&E will continue to have the same credit terms as in its current contract. Existing CHP facilities with other IOUs will not be subject to new credit terms or conditions.

New or Expanded Facilities

A bidder submitting an offer with respect to a new, expanded CHP or repowered facility for a term that is greater than 7 years, must comply with credit and collateral requirements set forth in the CHP PPA. Existing facilities wishing to convert to UPF, must also meet the same credit requirements as new and expanded CHP facilities regardless of the proposed term. A bidder submitting an offer with respect to an existing CHP facility, repowered or an expanded CHP facility for a term that is less or equal to 7 years under the CHP PPA Exhibit F is not required to meet the aforementioned requirements.

SDG&E has the right to evaluate and determine the credit-worthiness of the Respondent relative to this RFO. The Respondent is required to complete, execute and submit the RFO credit application as part of its offer. The application requests financial and other relevant information needed to demonstrate creditworthiness. Respondents may download the application from the RFO Website.

If the Generating Facility is a New CHP Facility, a Repowered CHP Facility, or an Expanded CHP Facility that has elected in Section 1.02(a) of the CHP PPA to comply with the credit and collateral requirements, the provisions of this Section 1.07 also apply to Seller.

- Seller shall post and thereafter maintain the Development Security in accordance with Section 4(b) of Exhibit F.
- Seller shall post and thereafter maintain the Performance Assurance, in accordance with Section 2(a) of Exhibit F, in an amount equal to
 - [Option 1: 12 months of expected total Net Contract Capacity revenues],
 - [Option 2: 12 months of expected total revenues],

- [Option 3: five percent of the expected total revenues,
- [Option 4: [As proposed by Seller, subject to further negotiations between the Parties]] of the Generating Facility under this Agreement (the “Performance Assurance Amount”) The initial Performance Assurance Amount equals \$[___]. The Performance Assurance Amount will be revised upon any change to the Expected Term or Yearly Energy Production.

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.

F. 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 as the primary beneficiary of a variable interest entity. If SDG&E determines at any time during the term of the agreement that consolidation is required, SDG&E shall require the following during every calendar quarter for the term of any resultant agreement:

- a) Complete unaudited financial statements and notes to financial statements, within 15 days of the end of each quarter;
- b) Financial schedules underlying the financial statements, within 15 days of the end of each quarter;
- c) 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 so that SDG&E can meet its SEC filing requirements;
- d) Certifications by duly authorized representatives as may be reasonably requested by SDG&E; and
- e) Such other information as reasonably requested by SDG&E.
- f) 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 days;
- g) Seller to provide to buyer any SEC Form 8K disclosures, two days after the occurrence of the SEC Form 8K event; and
- h) Seller to notify buyer at any time during the term of the agreement of any consulting (non-independent) services provided or 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.

4.0 FACILITY INTERCONNECTION

A. FACILITY INTERCONNECTION

Respondents with new projects or expanded projects should have a completed interconnection agreement, or WDAT or CAISO Phase I or Phase II Interconnection Study, Facilities Study or System Impact Study. A Respondent shall provide a copy of the most recently completed agreement or study with their offer. Projects must interconnect within the San Diego Local subarea. Respondents may visit: <http://www.sdge.com/business/interconnection.shtml> for additional information. Respondents are responsible for all non-reimbursable interconnection costs that are allocated to the project and these costs should be incorporated into the offer. Reimbursable network upgrade costs borne by ratepayers will be included in the evaluation and ranking of offers.

SDG&E intends that CHP projects count towards SDG&E's RA obligations. In order to become RA eligible, a new project must apply for a deliverability study to be conducted by the CAISO. Respondents with winning offers must demonstrate that: (1) the project has been assessed for deliverability, (2) an assessment is underway, or (3) the Respondent will request a deliverability assessment through the next available CAISO cluster window. This condition must be met for winning offers that will interconnect at either the distribution or transmission level. For winning bids that result in an executed and approved PPA (CHP Pro Forma PPA or CHP UPF PPA), during the project development process, the project is required to obtain final interconnection studies (i.e. for transmission level projects, a final Phase II interconnection study report, or for distribution level projects, a final interconnection facilities study report (or equivalent)), and achieve FCDS status by the delivery date in the PPA.

For more information:

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

B. GAS SUPPLY & INTERCONNECTION

Each offer with an existing natural gas interconnection for an existing CHP or Utility Prescheduled Facility must provide the information specified in the offer form to confirm gas service.

Each offer requiring a new natural gas interconnection with or requiring an increase in peak daily gas demand on an existing interconnection must have initiated a request for gas service. Any resulting studies must be submitted as part of the offer package.

5.0 EVALUATION CRITERIA

All incoming offers will be assessed for conformance. Respondents should conform with minimum participation criteria in order to be considered. In addition, projects must conform with minimum resource criteria in order to be considered.

SDG&E will utilize all the information provided in the required forms and narratives to evaluate all offers. Respondents are responsible for the accuracy of all discussions, figures and calculations. 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 including energy efficiency, demand response, renewables, energy storage, CHP, and conventional. SDG&E has provided a separate RFO document outlining instructions and requirements for each resource type. SDG&E's valuation and selection approach is intended to evaluate the different resource types on as equal a footing as possible. Initially, all offers will go through a conformance check to ensure that the project meets the requirements outlined in the RFO document for that particular resource type. 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, ancillary services, natural gas, and Green House Gas ("GHG") compliance. 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 the highest ranked offer. 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").

This ranking process may not produce enough capacity from positive NMV offers to reach the 25 MW threshold for storage offers and minimum 175 MW threshold for other preferred resource offers. In this case, SDG&E will carefully consider whether offers with a negative NMV (that is, offers whose associated costs are greater than the associated benefits) will be shortlisted and pursued or whether it is preferable to rely on alternative procurement tools to meet the 200 MW LCR preferred resource goal.

SDG&E evaluates the quantifiable attributes of each offer individually. These individual attributes will include: capacity benefits, energy benefits, contract payments, GHG emissions and costs, congestion costs, and transmission losses and costs. Each of these attributes is described below.

A. NET CAPACITY BENEFITS

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

B. NET ENERGY BENEFITS

The energy benefit valuation is an optimized energy dispatch profile multiplied by the corresponding energy forward price curves.

C. TRANSMISSION/DISTRIBUTION SYSTEM IMPACTS

Non-reimbursable interconnection costs should be incorporated in the offer pricing, and reimbursable network upgrade costs (Network Upgrade Costs) that benefit the grid broadly and are ultimately borne by ratepayers will be considered in the economic evaluation of the offer. SDG&E requires Phase 1 or Phase 2 (or distribution upgrade) study results as the basis for including appropriate interconnection cost estimates in its evaluation.

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:

A. 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.

B. ADHERENCE TO PPA TERMS AND CONDITIONS

Bidders may modify the CHP Pro Forma and Utility Prescheduled Facility (Tolling) PPA submitted as part of their submittal package to the extent that modifications add value to the offer. SDG&E will review modifications to any PPA terms and conditions proposed in the offer and consider the materiality of these changes.

C. SUPPLIER DIVERSITY

SDG&E encourages Diverse Business Enterprises (“DBEs”), “Women-Owned Businesses” or “Minority-Owned Businesses” or “Disabled Veteran Business Enterprises” as defined in G.O. 156¹⁰, to participate in this RFO. Furthermore, SDG&E 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:

¹⁰ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

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

Like other qualitative factors, in the event of a tie between two offers, SDG&E will consider a Respondent's status as a DBE and or a Respondent's plan to utilize the services of DBEs during project development. 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.

D. LOADING ORDER RANKING

SDG&E seeks resources in accordance with the loading order described in the Energy Action Plan (see footnote 3, above). SDG&E will give preference to higher loading order ranked resources.

BID CONFORMANCE EVALUATION

In addition to the elements described above, SDG&E may also 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 CHP PPA; and/or,
5. the Respondent is unable to comply with RFO timing and other solicitation requirements.

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.

6.0 RFO SCHEDULE

The following schedule and deadlines apply to this RFO. SDG&E reserves the right to revise this schedule at any time and in SDG&E's sole discretion. Respondents are responsible for monitoring the RFO Website for updated schedules and possible amendments to the RFO or the solicitation process.

NO.	ITEM	DATE
1.	RFO Issued	September 5, 2014
2.	Pre-Bid Conference / Bidder Outreach Events	1) September 26, 2014 (all resource types, in person or webinar) 2) October 24, 2014 (all resource types, webinar only) 3) November 10, 2014 (EE, DR and Energy Storage, in person or webinar)
4.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on the website no later than December 1, 2014.	November 14, 2014
3.	DEADLINE TO REGISTER for RFO Website access / to download RFO forms and documents	December 1, 2014
5.	CLOSING DATE: Offers must be uploaded to and received by the RFO Website no later than 1:00 PM Pacific Prevailing Time on January 5, 2015.	January 5, 2015
6.	SDG&E Begins Bid Evaluation Process	January 6, 2015
7.	Shortlist determination	May 18, 2015
8.	SHORTLIST NOTIFICATION SDG&E notifies Shortlisted Bidders	June 5, 2015
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 contract negotiations	+11 Days after Shortlist Notification
12.	SDG&E Submits Application with CHP Pro Forma PPA or CHP UPF PPA to CPUC for approval	Q1 2016
	* Negotiation time will vary depending on proposal specifics including proposed contract modifications.	

PRE-BID CONFERENCE / BIDDER OUTREACH EVENTS

SDG&E will host three bidder outreach events. The first event is scheduled for September 26, 2014 which will be an in-person event (with dial-in / webinar available for those that cannot attend in-person). The second event will be a conference call / webinar only geared towards all resource types and is scheduled for October 24, 2014. The third event will focus primarily on the demand response, energy efficiency and energy storage product types will be in-person (conference call / webinar available) and is scheduled for November 10, 2014. Participation in these events 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 second and third events). 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.

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

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

7.0 RFO WEBSITE AND COMMUNICATION

The RFO and all subsequent revisions and documents are available for download from the RFO Website and the 2014 CHP RFO event on the PowerAdvocate® website. Potential Respondents are responsible for monitoring the RFO Website and PowerAdvocate® for subsequent updates, notices and postings.

The 2014 CHP 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 for instructions to log in/register:

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: *

AllSourceRFO@semprautilities.com

Name of that individual's company: *

San Diego Gas & Electric

Name or description of the Event: *

44086: 2014 COMBINED HEAT AND POWER (CHP) RFO

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

<https://www.poweradvocate.com/pR.do?okey=44086&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 CHPRFO@semprautilities.com by the DEADLINE TO SUBMIT QUESTIONS as specified in Section 6.0 RFO Schedule. SDG&E will not accept questions or comments in any other form, except during the scheduled bidders conferences.

8.0 RFO RESPONSE INSTRUCTIONS

Respondents are required to submit the forms listed below. Forms are available on the RFO Website. 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) BIDS/OFFERS PER RESPONDENT WILL BE ACCEPTED. A single bid may consist of multiple locations, hybrid technologies (i.e. batteries and solar), or phased development as long as the package is priced as a single project.

Variation of significant project details, including the following, must be priced as a separate bid:

- Commercial operation date
- Term
- Energy Deliveries or Dispatchable Configuration
- Maximum Capacity
- Point of Interconnection
- Operational Constraints

Fill out separate offer forms for each bid. Only one Project Description Form is required per Respondent 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: AllSourceRFO@semprautilities.com

Required Participation Forms:

- 1) **Offer Form** – Note that separate offer forms must be completed for offer price and credit costs. Bidders must include in their offer form proposed pricing for the following items:
 - a) Firm Capacity Payment (\$/kW-yr)
 - i. Fixed O&M cost included in the Firm Capacity Payment.
 - b) As-Available Capacity Payment (\$/kW-yr)
 - i. Applicable only to CHP Pro Forma PPAs.
 - c) Energy Payment in \$/MWh or,
 - d) At a guaranteed (fixed) heat rate (Btu/kWh) applied to either the PG&E City Gate or SoCal Gas price index
 - i. Gas Transportation Service Rate (\$/MMBtu) applied to the gas price index, if applicable
 - ii. Variable O&M (\$/MWh) applied to the energy payment, if applicable.

Bidders are required to complete the offer form as well as the other applicable appendices. The offer form should be completed in conjunction with the PPA form contract when the PPA contract is required. In order for a PPA offer to be

- considered, it shall include two GHG Compliance Cost options as set forth in the pro-forma CHP RFO PPA or Utility Prescheduled Facility (“UPF”) PPA, as applicable.
- 2) **Project Description Form** –A written description of the generating facility as well as the following information: nameplate of each generating unit, heat balance diagrams, thermal host and use, contractual arrangements, and description of all interconnection systems.
 - 3) **CEC-2843 Application Form** – Submit a copy of respondent’s application to the CEC requesting qualification for the Combined Heat and Power System.
 - 4) **Electric Interconnection Information** – Please provide copies of completed studies, provide the name of the substation and interconnection voltage applicable to the facility as well as the nearest 230kV substation in the offer form (listed above).
 - 5) **Credit Application** –A credit application will be required under all PPAs. Changes to terms and conditions will render the offer non-conforming and disqualify the project from further consideration.
 - 6) **Supplier Diversity Information** - 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.
 - 7) **Redline forms of the Applicable PPA** – Submit up to one of each if respondent wishes to bid in the facility as both a base load and dispatchable resource. CHP RFO Pro Forma PPA Redline will be used for base load resources and the CHP Utility Prescheduled Facility PPA Redline will be used for dispatchable resources.

The Participation Summary, Project Description Form, Credit Application, and redlines to the CHP Pro Forma PPA or CHP UPF PPA must be in Word or Word-compatible format (not in PDF). The Pricing Form and Project Viability Calculator 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 RFO 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 2014 SDG&E CHP RFO event on PowerAdvocate® in order to submit an offer. To register, Respondents must follow the instructions outlined in Section 7, 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: AllSourceRFO@semprautilities.com
Carbon Copy (CC) to: jon.jacobs@paconsulting.com and Barbara.Sands@PAConsulting

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

All offer materials submitted shall be subject to the confidentiality provisions of Section 10.0 Confidentiality of this RFO.

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.

9.0 REJECTION OF OFFERS

SDG&E SHALL TREAT ALL RESPONDENTS FAIRLY AND EQUALLY AND SHALL EVALUATE ALL OFFERS IN GOOD FAITH. WHILE SDG&E IS MINDFUL OF THE BENEFITS OF ENERGY FROM CHP FACILITIES AND IS VIGOROUSLY PURSUING THE GOALS OF THE CHP SETTLEMENT, IT 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.

10.0 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.

11.0 CHP PROGRAM PARAMETERS / ROLE OF THE PRG / ROLE OF THE INDEPENDENT EVALUATOR

THIS RFO'S ROLE IN THE CALIFORNIA AB 32 PROGRAM

The CHP resources that SDG&E is seeking via this RFO are intended to meet both the requirements of the Track 4 Decision and CHP Settlement.

As part of the CHP Settlement, (approved in Decision (“D.”) 10-12-035) a new CHP Program was developed for California Investor Owned Utilities (“IOUs”) setting a 3,000 MW target to maintain the GHG benefits of the existing CHP fleet in California. SDG&E’s share of this allocation is 211 MW. Additionally, the Track 4 Decision requires that SDG&E procure at least 25 MW of energy storage pursuant to its LCR requirement.

PROCUREMENT REVIEW GROUP

The Procurement Review Group (PRG), a CPUC-endorsed entity, is composed of non-market bidders such as ratepayer 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. The PRG is 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, each IOU briefs its PRG on a periodic basis during the entire process.

Respondents are hereby notified that revealing confidential offer information to the PRG is required during PRG briefings in accordance with Section 10 (“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.

12.0 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