



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

2012
REQUEST FOR OFFERS

ELIGIBLE RENEWABLE RESOURCES

ISSUED
DECEMBER 10, 2012

OFFERS DUE
FEBRUARY 6, 2013

RFO WEBSITE
<http://www.sdge.com/renewablerfo2012>

EMAIL QUESTIONS/COMMENTS TO
renewablerfo@semprautilities.com

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1.0 SCOPE OF REQUEST

As required by the Decision Conditionally Accepting 2012 Renewables Portfolio Standard Procurement Plans and Integrated Resource Plan Off-Year Supplement (D.12-11-016), San Diego Gas & Electric Company (“SDG&E”) is issuing this Request for Offers (“RFO”) to solicit offers from eligible renewable energy generators (“Respondents”). By responding, Respondents are bound by the terms of this RFO. SDG&E is seeking resources to expand its renewable portfolio as part of its SB2(1X) RPS Compliance effort. Resources offered must meet the California Renewables Portfolio Standard (“RPS”) eligibility criteria set forth by the California Energy Commission (“CEC”). (See Section 5.0 RPS Program Parameters for additional information.)

A. Procurement Needs

SDG&E is required to serve its customers in the following manner: (a) with an average of 20% of retail sales from renewable resources between January 1, 2011 and December 31, 2013, inclusive¹ (“Compliance Period 1”) (b) with 25% of retail sales from renewable resources by December 31, 2016, with reasonable progress made in 2014 and 2015² (“Compliance Period 2”); (c) with 33% of retail sales from renewable resources by December 31, 2020, with reasonable progress made in 2017, 2018 and 2019³ (“Compliance Period 3”); and (d) with 33% of retail sales from renewable resources in each year beyond 2020⁴ (“Post 2020 Compliance Period”).

SDG&E must meet these goals by procuring renewable resources that meet the requirements of the products outlined in Public Utilities Code 399.16(b). A summary of each product type is provided below:

Category 1 (Public Utilities Code 399.16(b)(1)(A-B)): Bundled Products

- Must have first point of interconnection (“POI”) with a California Balancing Authority (“CBA”); **or**
- Must have first POI with distribution facilities used to serve end users within a CBA; **or**
- Must be scheduled from the eligible renewable resource (“ERR”) into a CBA without substituting electricity from another source⁵; **or**
- Have an agreement to dynamically transfer electricity to a CBA;

Category 2 (Public Utilities Code 399.16(b)(2)): Firmed and Shaped Products

¹ Compliance towards Compliance Period 1 goals shall be measured as required by D.11-12-020, Ordering Paragraph (“OP”) 1.

² Compliance towards Compliance Period 2 goals shall be measured as required by D.11-12-020, OP 2.

³ Compliance towards Compliance Period 3 goals shall be measured as required by D.11-12-020, OP 3.

⁴ Compliance towards Post 2020 Compliance Period goals shall be measured as required by D.11-12-020, OP 4.

⁵ If using another source to provide real-time ancillary services required to maintain an hourly or sub-hourly import schedule into a CBA is permitted, but only the fraction generated by the ERR will count as Category 1.

- Firmed and shaped ERR products providing incremental electricity and scheduled into a CBA

Category 3 (Public Utilities Code 399.16(b)(3): Unbundled Renewable Energy Credits (“RECs”)

- ERR products, or any fraction of the electricity generated, **including unbundled RECs**, that do not qualify under 399.16(b)(1-2)

The table below provides a high level overview of SDG&E’s procurement needs for this RFO. SDG&E’s need is defined in terms of the time frame within which deliveries are needed and the product categories with which SDG&E intends to meet such needs. A more detailed discussion of RFO eligibility requirements is provided at Section 7.0.

	CP 1: January 1, 2011- December 31, 2013	CP 2: January 1, 2014- December 31, 2016	CP 3: January 1, 2017- December 31, 2020
SDG&E Overall Procurement Need⁶	None	None	A Tier 3 contingent shortlist ⁷ of 845 GWh
Category 1	None	None	Long-term energy only or fully deliverable products (term of 20 years or less and CODs in December 2016 at the earliest, with preference for 2018 and 2019 CODs)
Category 2	None	None	Long-term energy only or fully deliverable products (term of 20 years or less, with 2018 or 2019 CODs)
Category 3	None	None	Unbundled RECs that will be generated in December of 2013 with preference for those generated in 2015 and later

Proposed products may be for Peaking, Baseload, Dispatchable (unit firm), As-available or unbundled RECs. Proposed resources may include capacity, energy, or unbundled RECs from:

- 1) Re-powering of existing facilities;
- 2) Incremental capacity upgrades of existing facilities;
- 3) New facilities;
- 4) New facilities that are scheduled to come online during the years specified in this RFO that have excess or uncontracted quantities of power for a short time frame;
- 5) Existing facilities with expiring contracts; or

⁶ Note- SDG&E’s 2012 RPS RFO GWh procurement needs for CP3 are dependent upon the performance of SDG&E’s RPS portfolio in the first quarter of 2013.

⁷ Projects will be shortlisted on a Tier 3 “stand-by” basis as discussed in Section 9 below.

- 6) Eligible resources currently under contract with SDG&E. SDG&E shall consider offers to extend terms of or expand contracted capacities for existing agreements.

B. Transmission and Deliverability

The generating facility and transmission interconnection must be designed and constructed in conformance with the CAISO's various reliability agreements, procedures, protocols, tariffs and standards. In order to submit proposals under this solicitation, Respondent's Project must have the minimum of a completed CAISO Generator Interconnection Procedures ("GIP") Phase I or equivalent study for new facilities, and an existing interconnection agreement for the duration of the Power Purchase Agreements ("PPA") for existing facilities. See RFO Section 4.0 – "RFO Response Instructions" for additional information.

C. Power Purchase Agreements ("PPA")

Respondents offering bundled energy ("Category 1"), or firmed and shaped energy ("Category 2") products shall propose a power purchase agreement for energy and/or energy plus capacity attributes. PPA pricing may be subject to reduction if the total cost of network upgrades required to make the project deliverable exceed a dollar cap determined by SDG&E. Respondents offering Category 1 or 2 products must be poised to sign an agreement in substantially the form of the Model Power Purchase Agreement ("Model PPA") (See Section 4.0 RFO Response Instructions). Category 1 or 2 products may be either fully deliverable or energy only, and the Model PPA will include the relevant set of Time-of-Day Factors ("TODs"), as set forth below. Any resultant agreement shall be subject to CPUC approval, and must be executed within twelve (12) months from the date upon which the shortlist was submitted to the CPUC. Additional resource criteria are described in Section 7.0 Resource Criteria.

TOD Period	Period Days and Hours	Energy Only Time of Day Factor	Full Capacity Deliverability Status Time-of-Day Factor
Winter On-Peak	Nov 1 – Jun 30 Weekdays 1 pm to 9 pm PST (HE 14 to HE 21)	1.192	1.089
Winter Semi-Peak	Nov 1 – Jun 30 Weekdays 6 am to 1 pm PST (HE 7 to HE 13) Weekdays 9 pm to 10 pm PST (HE 22)	1.078	0.947
Winter Off-Peak	Nov 1 – Jun 30 All Weekend Hours, NERC Holiday Hours, and Weekday Hours not already considered On-Peak or Semi-Peak	0.774	0.679
Summer On-Peak	Jul 1 – Oct 31 Weekdays 11 am to 7 pm PST (HE 12 to HE 19)	1.531	2.501
Summer Semi-Peak	Jul 1 – Oct 31 Weekdays 6 am to 11 am PST (HE 7 to HE 11) Weekdays 7 pm to 10 pm PST (HE 20 to HE 22)	1.181	1.342
Summer Off-Peak	Jul 1 – Oct 31 All Weekend Hours, NERC Holiday Hours, and	0.900	0.801

	Weekday Hours not already considered On-Peak or Semi-Peak		
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D. Unbundled REC Agreements

Respondents offering unbundled RECs (Category 3) products shall offer unbundled RECs from an eligible renewable resource that can meet the criteria described herein and is registered in WREGIS. Seller of Category 3 products shall enter into an Edison Electric Institute (“EEI”) Master Agreement with SDG&E if it has not done so already. The Model REC Agreement will be appropriate for Respondents offering Category 3 products (See Section 4.0 RFO Response Instructions). Any resultant agreement shall be subject to CPUC approval, and must be executed within twelve (12) months from the date upon which the shortlist was submitted to the CPUC. Additional resource criteria are described in Section 7.0 Resource Criteria.

E. Participation from Diverse Business Enterprises

SDG&E encourages Diverse Business Enterprises (“DBEs”), as defined in G.O. 156⁸, to participate in the RPS program and 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 and verify their DBE contractors/subcontractor spending if any.

Additional information on SDG&E’s DBE program and utilizing DBEs can be found at:

<http://www.sempra.com/about/supplier-diversity/>

and

<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 Respondents 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-bidding conference on January 11th). DBEs can request additional information by contacting SDG&E at vendorrelations@semprautilities.com.

⁸ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

2.0 RFO WEBSITE AND COMMUNICATIONS

The RFO and all subsequent revisions and documents are available for download from the RFO Website (<http://www.sdge.com/procurement/2012RPSRFO>). Potential Respondents are responsible for monitoring the RFO Website for subsequent updates, notices and postings.

The RFO website contains RFO forms and documents, RFO Schedule, and a Question and Answer forum.

All questions or other communications regarding this RFO must be submitted via email to renewablerfo@semprautilities.com by the DEADLINE TO SUBMIT QUESTIONS as specified in Section 3.0 RFO Schedule. SDG&E will not accept questions or comments in any other form.

3.0 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 accessing the RFO Website for updated schedules and possible amendments to the RFO or the solicitation process.

N O.	ITEM	APPROX. DATE
1.	RFO Issued	12/10/12*
2.	Pre-Bidder's Conference in San Diego, California (including webinar)	1/11/13
3.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on the website no later than 1 week following question submittal cutoff date	1/18/13
4.	CLOSING DATE: Offers must be emailed to and received by the RFO email inbox no later than NOON (Pacific Prevailing Time).	2/6/13
5.	SDG&E notifies the CPUC (Executive Director) that the RFO has closed.	2/6/13
6.	SDG&E notifies short-listed Respondents	4/5/13
7.	Letter due from short-listed Respondents indicating: a. Withdrawal from SDG&E's solicitation; OR b. Acceptance of short-listed standing, withdrawal of participating in any other solicitation and evidence of withdrawal notice to all other solicitors.	4/12/13
8.	Due from short-listed Respondents accepting shortlist standing a Bid Acceptance Fee (see Section 12.0 Credit Terms and Conditions). In addition, interconnection documentation must be assigned to the entity that will sign the PPA, if not already in the name of such entity.	4/15/13
9.	SDG&E submits FINAL short list to Commission and PRG	4/17 5/8/13
10.	SDG&E issues appreciation notices to unsuccessful Respondents	5/10/13
11.	SDG&E files by Tier 2 advice letter (a) Evaluation Criteria and Selection Process Report and (b) Independent Evaluator's Report	5/17 6/7/13
12.	SDG&E commences with PPA negotiations	By June October 2013
13.	SDG&E's 2012 RPS RFO Shortlist Expires	4/17 5/8/14
14.	SDG&E submits Tier 3 Advice Letters with contracts/PPAs for Commission approval	TBD

*Note: SDG&E has changed this date from 12/7/12 to 12/10/12 per discussion with Energy Division

PRE-BID CONFERENCES

SDG&E will host one pre-bid conference on January 11th) in San Diego, California. The conference will also be available via webinar for those who cannot attend in person. Though encouraged,

participation in the pre-bid conference is NOT mandatory in order to submit an offer. Please monitor the RFO Website periodically. The venue and time will be posted as soon as arrangements are finalized.

Any party interested in attending this pre-bid conference and/or webinar should email the following information to renewablerfo@semprautilities.com. Please limit your participation to two representatives per organization.

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

4.0 RFO RESPONSE INSTRUCTIONS

Respondents may submit one or more offers to this solicitation by submitting the forms listed below. Forms are available on the RFO Website. The failure to provide the listed information may result in the proposal being deemed non-conforming and may disqualify the proposal from further consideration.

Required Forms for Category 1 Offers:

- 1) **Participation Summary**
- 2) **Project Description Form** – Submit one per project⁹.
- 3) **Pricing Form** – Respondents may submit up to three pricing options per project.
- 4) **Credit Application**
- 5) **Model PPA** – Required for offers that include energy deliveries. Respondents shall populate and redline the Model PPA.
- 6) **Project Viability Calculator** – Respondents must self assess the viability of the proposed project using the CPUC's Project Viability Calculator.
- 7) **Interconnection Documents** – Respondents must provide an electronic copy of the proposed project's completed CAISO GIP Phase I or equivalent study if the facility is new, or if the facility is existing, Respondent must provide the facility's interconnection agreement.¹⁰

Required Forms for Category 2 Offers:

- 1) **Participation Summary**
- 2) **Project Description Form** – Submit one per project¹¹.
- 3) **Pricing Form** – Respondents may submit up to three pricing options per project.
- 4) **Credit Application**
- 5) **Model PPA** – Required for offers that include energy deliveries. Respondents shall populate and redline the Model PPA.
- 6) **Project Viability Calculator** – Respondents must self assess the viability of the proposed project using the CPUC's Project Viability Calculator.
- 7) **Interconnection Documents** – Respondents must provide an electronic copy of the proposed project's completed CAISO GIP Phase I or equivalent study (System Impact Study or Facility Study from official North American Electric Reliability Corporation Transmission Operator) if the facility is new, or if the facility is existing, Respondent must provide the facility's interconnection agreement.¹²

⁹ Please note this form MUST describe the substation at which the project interconnects

¹⁰ Note that interconnection documents should be in the name of the entity that will sign the PPA. If not, Respondent must assign such documents to the entity that will sign the PPA by the time that Respondent accepts its position on the shortlist.

¹¹ Please note this form MUST describe the substation at which the project interconnects

¹² Note that interconnection documents should be in the name of the entity that will sign the PPA. If not, Respondent must assign such documents to the entity that will sign the PPA by the time that Respondent accepts its position on the shortlist.

- 8) **Firming and Shaping/Substitute Energy Agreement** – Respondent must provide evidence of the proposed project's firming and shaping agreement (either draft, or executed version if completed).

Required Forms for Category 3 Offers:

- 1) **Participation Summary**
- 2) **Project Description Form** – Submit one per project¹³.
- 3) **REC Pricing Form** – Respondents may submit up to three pricing options per project.
- 4) **Model REC Agreement** – Required for offers for unbundled RECs only. Respondents shall populate and redline the Model REC Agreement.

The Participation Summary, Project Description Form, Credit Application, and redlines to the Model PPA and/or Model REC Agreement 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, submissions in ZIP archives or other compressed formats, or submissions of individual bid documents in file formats other than the formats of the original bid forms, will be rejected. This RFO is an electronic only Solicitation; Respondents need not submit paper documents, nor e-binders.

Any party interested in submitting an offer must submit the offer via electronic mail (email) to renewablerfo@semprautilities.com, which is the RPS RFO inbox, and attach all required forms and bid materials to the email. All offers must be emailed to renewablerfo@semprautilities.com no later than 12:00 p.m. (i.e. Noon), Pacific Standard Time, on the CLOSING DATE (see RFO Schedule). The Subject line of the email should be as follows: Bid Submission for SDG&E's 2012 RPS RFO. A reply email from the RPS RFO inbox will be sent to the email address submitting the offer to confirm receipt of the offer.

If Respondents encounter technical difficulties with emailing, they should provide evidence of such difficulties (e.g. a screen shot of the error message) and email the bid again to the RPS RFO inbox by 1:00 p.m., Pacific Standard Time, on the Closing Date. If the Respondent encounters further technical difficulties with the RPS RFO inbox, they should provide evidence of such difficulties (e.g. a screen shot of the error message or a sent email notice with a time stamp before 1:00 p.m. on the Closing Date) and submit a hard copy and a CD of the bid package to SDG&E and the Independent Evaluator at the addresses below by close of business on the day following the Closing Date.

San Diego Gas & Electric Company
Electric and Fuel Procurement Department
Attn: RPS RFO Response
8315 Century Park Court, CP21D

¹³ Please note this form MUST describe the substation at which the project interconnects

San Diego, CA 92123-1593

Jonathan Jacobs
PA Consulting Group
1700 Lincoln Street
Suite 4600
Denver, CO 80203

All offer materials submitted in accordance with the above Response Instructions shall be subject to the confidentiality provisions of Section 11 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.

5.0 RPS PROGRAM PARAMETERS

CALIFORNIA RPS PROGRAM

California's Renewable Portfolio Standard (RPS) Program was adopted in 2002 and is codified at Public Utility Code sec 399.11, *et seq.*¹⁴ In adopting the RPS legislation, the Legislature specifically found and declared that increasing California's reliance on renewable energy resources promotes the purpose of and may accomplish each of the following:

- Increase the diversity, reliability, public health and environmental benefits of the energy mix
- Promote stable electricity prices
- Protect public health and improve environmental quality
- Stimulate sustainable economic development and create new employment opportunities
- Reduce reliance on imported fuels
- Ameliorate air quality problems
- Improve public health by reducing the burning of fossil fuels

Current law requires Investor Owned Utilities (IOU's) to procure renewable energy in the amount of 33% of retail sales by 2020¹⁵. Unlike the prior annual RPS program, the 33% regime sets increasing targets for three multi-year Compliance Periods ("CPs"). The targets are set at 20% by the end of CP1 (2011-2013), 25% at the end of CP2 (2014-2016), and 33% by the end of CP3 (2017-2020). The CPUC issued its first decision implementing the RPS Program, D.03-06-071 on June 19, 2003. This decision established certain basic RPS Program parameters. The CPUC has subsequently issued several additional RPS-related decisions in rulemaking proceeding R.04-04-026, and successor proceedings R.06-02-012, R.06-05-027, R.08-08-009 and R.11-05-005. SDG&E will comply with all CPUC decisions governing RPS procurement. These decisions are publicly available on the CPUC's website at <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

This RFO is being conducted in compliance with relevant statutory and regulatory directives. Requirements set forth within the law and all directives shall be incorporated herein by reference. A full text of the law and the above-mentioned CPUC decisions can be downloaded from the CPUC website. Respondents are encouraged to review all RPS-related, CPUC issued directives available on the same Internet websites and are responsible for understanding and abiding by all RPS provisions.

RPS ELIGIBILITY CRITERIA

Respondents successfully signing agreements with SDG&E must warrant that the resources being offered in response to this solicitation are certifiable as an "eligible renewable resource" by the California Energy Commission (CEC). Eligibility criteria are set forth by the CEC in its Renewable Portfolio Standard Eligibility Guidebook. The most recent revision to the CEC guidebook was adopted on August 29th, 2012. It can be downloaded from the CEC's website at <http://www.energy.ca.gov/renewables/documents/index.html>. Respondents are encouraged to

¹⁴ See, Senate Bill (SB) 1078 (Stats. 2002 Ch. 516), as amended by SB 107, (Stats. 2006, Ch. 464).

¹⁵ See, Senate Bill (SB) 2 (1x) (Simitian), stats. 2011, ch. 1

review all RPS-related, CEC issued directives available on the same Internet website and are responsible for understanding and abiding by all RPS provisions. All requirements set forth within the CEC's guidebooks and all RPS-related documents shall be incorporated herein by reference. SDG&E has no preferred "eligible renewable resource" or resource stack and will judge the merits of each bid based on the provisions of Section 9.0.

Respondents are encouraged, although not required, to apply for pre-certification from the CEC in advance of submitting an offer. Pre-certification forms are available from the above-entitled guidebook.

PROCUREMENT REVIEW GROUP

The Procurement Review Group (PRG), a CPUC-endorsed entity, is 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. CPUC Decision D.03-06-071 established the role of the PRG in the RPS Program. 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, IOU's brief the 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 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 to separately evaluate and report on the IOU's entire solicitation, evaluation, and selection process for this solicitation. This will serve as an independent review of SDG&E's implementation of the RFO process and final selections. The Independent Evaluator shall make periodic presentations regarding its findings to the IOU, and the IOU's PRG including the CPUC Energy Division staff. The intent is to preserve the independence of the Independent Evaluator by ensuring free and unfettered communication between the Independent Evaluator and the CPUC as well as an open, fair, and transparent process that the Independent Evaluator can affirm.

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

6.0 SDG&E BACKGROUND

SDG&E provides electricity to 3.4 million consumers. It delivers the electricity through 1.4 million meters in San Diego County and an adjacent portion of southern Orange County. SDG&E also delivers natural gas through 855,000 meters in San Diego County and transports electricity and natural gas for others. 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, and via the San Onofre Nuclear Generating Station 230-kV switchyard.

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

7.0 RESOURCE CRITERIA

A. Compliance Period 3 Procurement Needs

In order to meet its RPS goals for Compliance Period 3, SDG&E intends to solicit long term Category 1, 2, and 3 projects with CODs no earlier than December of 2016, with a preference for CODs in 2018 or later. SDG&E will accept offers for Unit Contingent Structures only (from a single facility). Requirements for such products are defined below.

I. Category 1 Products

- a. Term: 20 years or less;
- b. Pricing: fixed price for the bundled product, expressed in \$/MWh;
- c. Eligible Renewable Resources: All proposed resources must be CEC-certifiable as an eligible renewable resource ("ERR"), and cannot be subject to any moratorium or injunction against procurement by the California Energy Commission, California Public Utility Commission, or other legal authority with jurisdiction over utility procurement;
- d. Minimum Size: Net Contract Capacity must be ≥ 20 MW (rated in alternating current, or "AC");
- e. Maximum Size: Net Contract Capacity must be ≤ 250 MWs AC SDG&E encourages Respondents to limit deliveries to 400 GWh and Net Contract Capacity to up to 150 MW¹⁶s AC.;
- f. Deliverability: Offers may provide energy only products or fully deliverable products SDG&E will incorporate any deliverability value in its evaluation of these offers¹⁷;
- g. Green Attributes: All green attributes associated with the project must be tendered to SDG&E;
- h. Dynamic Transfers: Proposed resources using dynamic transfer for delivery to a CBA must provide documentation certifying the existence of the dynamic transfer arrangements. Such documentation must have a sufficient level of detail for SDG&E to determine conformance with Category 1 specifications, and to ensure

¹⁶ This project size nameplate guidance may change between the time this RFO Document is filed and the pre-bidders conference. If such, it will be described at the pre-bid conference. More guidance of the GWh sought in CP3 will be provided at the pre-bid conference.

¹⁷ Resource Adequacy (RA) is a capacity attribute of a CAISO Participating Generator. An RA resource can provide either Local and/or System RA attributes based on its location as determined by the CAISO. Annually the CPUC and the CAISO assign a Net Qualifying Capacity (NQC) to each RA resource. In order to receive an NQC the resource's capacity output must be deliverable to load as described in the CAISO Tariff. The methodology for determining a resource's NQC can be found in the CPUC's Qualifying Capacity Methodology Manual located at: <http://www.cpuc.ca.gov/NR/rdonlyres/2526B26C-BEEA-46FE-904F-A99D2F042FD8/0/AdoptedQCmethodologymanualfromD1006036APPENDIXB.doc>.

that the dynamic transfer arrangement conforms with all other California state laws and decisions issued by the California Public Utilities Commission, the California Energy Commission, and any other regulatory authorities with jurisdiction over utility procurement in California;

- i. Project Stewardship: The Respondent will own and operate¹⁸ the facility(ies) associated with the offer and be responsible for development, land acquisition, fuel supply source and transportation, permitting, financing and construction for the facility(ies).

II. Category 2 Products

- j. Term: 20 years or less;
- k. Pricing: fixed price, expressed in \$/MWh;
- l. Eligible Renewable Resources: All proposed resources must be CEC-certifiable as an eligible renewable resource (“ERR”), and cannot be subject to any moratorium or injunction against procurement by the California Energy Commission, California Public Utility Commission, or other legal authority with jurisdiction over utility procurement;
- m. Minimum Size: Net Contract Capacity must be \geq 20 MW AC;
- n. Maximum Size: Net Contract Capacity must be \leq 250 MWs AC. SDG&E encourages Respondents to limit deliveries to 400 GWh and Net Contract Capacity to up to 150 MW¹⁹s AC.;
- o. Deliverability: Offers may provide energy only products or fully deliverable products SDG&E will incorporate any deliverability value in its evaluation of these offers²⁰;
- p. Green Attributes: All green attributes associated with the project must be tendered to SDG&E;
- q. Firmed and Shaped: The transaction must conform to the Commission’s definition of a firmed and shaped product²¹. The energy and associated RECs from the facility must be sold simultaneously to SDG&E; the energy must not be sold back to the

¹⁸ A direct contractual relationship with the operator of the facility is sufficient to meet this criteria.

¹⁹ This project size nameplate guidance may change between the time this RFO Document is filed and the pre-bidders conference. If such, it will be described at the pre-bid conference. More guidance of the GWh sought in CP3 will be provided at the pre-bid conference.

²⁰ Resource Adequacy (RA) is a capacity attribute of a CAISO Participating Generator. An RA resource can provide either Local and/or System RA attributes based on its location as determined by the CAISO. Annually the CPUC and the CAISO assign a Net Qualifying Capacity (NQC) to each RA resource. In order to receive an NQC the resource’s capacity output must be deliverable to load as described in the CAISO Tariff. The methodology for determining a resource’s NQC can be found in the CPUC’s Qualifying Capacity Methodology Manual located at: <http://www.cpuc.ca.gov/NR/rdonlyres/2526B26C-BEEA-46FE-904F-A99D2F042FD8/0/AdoptedQCmethodologymanualfromD1006036APPENDIXB.doc>.

²¹ Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program, p. 46-47

generator and must not be already committed to another party; and the initial contract for substitute energy may be acquired no earlier than the time the energy is purchased by SDG&E and no later than prior to the initial date of generation of the energy under the terms of the contract between SDG&E and the facility;

- r. Substitute Energy: The contract for substitute energy must be at least five years in duration, or as long as the contract for RPS-eligible energy, whichever is shorter.
- s. Incremental Energy: The facility must provide incremental energy, as defined by the CPUC²². The energy must not be in the portfolio of the retail seller claiming the transaction for RPS compliance prior to the firmed and shaped transaction.
- t. Project Stewardship: The Respondent will own and operate²³ the facility(ies) associated with the offer and be responsible for development, land acquisition, fuel supply source and transportation, permitting, financing and construction for the facility(ies).

III. Category 3 Products

- a. Facility Location: directly connected or dynamically scheduled to a CBA;
- b. Pricing: the implied price for the Green Attributes, expressed in \$/MWh;
- c. Eligible Renewable Resource: All proposed resources must be CEC-certifiable as an eligible renewable resource ("ERR"), and cannot be subject to any moratorium or injunction against procurement by the California Energy Commission, California Public Utility Commission, or other legal authority with jurisdiction over utility procurement;
- d. REC Shelf Life: SDG&E will accept offers for RECs that have been generated no earlier than December 2013, with a preference for 2015 and later [to accommodate 36 month shelf life for unbundled RECs];
- u. Respondents must take all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the Western Renewable Energy Generation Information System prior to the first delivery under the contract.

Additional Requirements for Shortlisted Category 1 and 2 Offers:

Additional requirements for Respondents successfully entering into an agreement for Category 1 or 2 products with SDG&E, for deliveries in Compliance Period 3, may include, but are not limited to:

- a. Respondents shall be financially and operationally responsible for the transmission gen-tie up to the point of interconnection with the local transmission/distribution network in accordance with applicable laws. Gen-tie costs must be included in the offer price for energy and/or capacity;

²² Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program, p. 49

²³ A direct contractual relationship with the operator of the facility is sufficient to meet this criteria.

- b. Respondents must have a verifiable fuel resource plan for the duration of the PPA;
- c. Respondents will provide personnel required to operate the Facility;
- d. Resource operations will be scheduled in accordance with the CAISO Tariff, as from time to time modified. CAISO compliant real-time metering of the generation will be required for Energy Management System (EMS) data;
- e. Respondents must execute Participating Generator Agreements and Meter Service Agreements as required by the CAISO. If the project is outside of CAISO's jurisdiction, Respondents must make all interconnection and wheeling arrangements required;
- f. To facilitate monthly settlement processes, Respondents shall authorize Buyer to view the Facility's CAISO on-line meter data by identifying SDG&E as an authorized user with "read only" privileges on Schedule 3 of Respondent's Meter Service Agreement with the CAISO. For resources outside of CAISO's area, Respondent will provide similar access to SDG&E, if such an interface exists, with the system operator having jurisdiction over the project;
- g. Respondents offering fully deliverable projects must obtain a CAISO deliverability study at the next available opportunity pursuant to the CAISO's cluster study schedule;
- h. Respondents must take all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the Western Renewable Energy Generation Information System prior to the first delivery under the contract;
- i. Note for Portfolio Structure offers: The Model PPA will be adjusted to accommodate these projects.

8.0 FIN46 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) Complete 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 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.

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 or REC Agreement.

9.0 EVALUATION CRITERIA AND SHORTLISTING

SDG&E will utilize the Offer Response Forms and narratives to evaluate all offers. Respondents are responsible for the accuracy of all figures and calculations. Errors discovered during negotiations may impact Respondents standing on the short-list.

SDG&E will periodically brief the members of the PRG during the various stages of evaluation. Upon completion of SDG&E's evaluation process, SDG&E will brief the PRG members regarding SDG&E's recommendations for its short-list. Based upon the comments and recommendations received from the PRG, SDG&E may modify the preliminary short-list as necessary.

SDG&E will consider any proposal by shortlisted counterparties to reduce the price for shortlisted projects provided that no other material changes are made to the terms of the offer.

EVALUATING OFFERS

In order to be considered a conforming long-term offer, bids for renewable projects must, at a minimum, declare:

- a. A single specific geographical location where the project will be located, with an address, coordinates, or a legal description of the project that conforms with the standards of the township/range/section methods of the Public Land Survey System;
- b. A single Guaranteed Commercial Operation Date when the project will provide the product described in the Bid Pricing Form, or a single Initial Commercial Operation Date for the beginning of deliveries from a project's initial phase together with a single Guaranteed Commercial Operation Date when the project will provide the maximum capacity described in the Bid Pricing Form;
- c. A single contract term, in years, between the Guaranteed Commercial Operation Date and the ending date of the contract;
- d. A single set of net output capacities, estimated contract deliveries, and energy prices for the duration of the contract term for quantities and prices as delivered to SDG&E, using alternating current (AC) and in the appropriate units of measure as specified on the Bid Pricing Form and inclusive of all losses due to expected curtailment, transmission losses, distribution losses, and transmission costs up to the point of delivery;
- e. Expected hourly capacity factors in the Typical Profile of the Bid Pricing Form, which shall be the ratio of estimated contract deliveries in megawatts (AC) delivered to SDG&E in a typical hour to the net output capacity at the point of delivery to SDG&E in megawatts (AC) during that same hour, in Pacific Time (including Pacific Standard Time and Pacific Daylight Time for appropriate time periods).

Absence of any of the above may result in a bid being rejected due to nonconformance. SDG&E may require clarifying information for certain projects in addition to those specified above; failure to provide such clarifying information in a timely fashion, or the provision of information which conflicts with original bid documents, may also result in a bid being rejected due to nonconformance.

SDG&E will evaluate all offers via a three-step process. Passing each step is required in order to advance to the next level, with the eventual Short Listed offers having to pass all levels. The following provides a general description of each evaluation level.

- Step I: Preliminary Ranking and Short Listing. This assessment will be based on a project's Net Market Value, which consists of (1) a project's Levelized Contract Cost, (2) transmission network upgrade costs as determined by the costs of network upgrades as presented in the project's transmission cost studies, (3) congestion costs and (4) the deliverability value of the project to SDG&E, less (5) the Energy Benefit, a project's MPR cost as determined by the CPUC's AMF Calculator which incorporates TOD factors) and (6) the Capacity Benefit, which shall be the deliverability value of the project if it were to provide full deliverability and local resource adequacy within SDG&E's service territory, on the Sunrise Powerlink, or on the Southwest Powerlink west of the Imperial Valley substation. Offers will be ranked on a levelized Net Market Value, \$/MWh basis from highest to lowest value.
- Step II: Check for Conformance. Check to ensure that all offers meet minimum RFO criteria. All offers meeting minimum requirements will pass Step II, will be deemed "conforming" and will move on to Step III.
- Step III: Modeling/Detailed Analysis. After the preliminary short list has been approved by the PRG, the Offers may be modeled to determine impacts to SDG&E's portfolio. If modeling occurs, the shortlist may be updated based on modeling results which identify offers that best meet SDG&E's bundled customer needs.

SDG&E is evaluating long-term offers in accordance with CPUC direction and criteria established for the RPS Program. SDG&E will place high emphasis on the offer pricing in its evaluations, not only in terms of the initial cost to SDG&E, but also the long-term costs. Upon completion of Step III, SDG&E may differentiate offers of similar cost²⁴ by reviewing qualitative factors including: (in no particular order of preference)

- a) Project viability
- b) Local reliability
- c) Benefits to low income or minority communities
- d) Resource diversity

²⁴ The term "similar cost" is used to indicate expected indifference by the PRG and CPUC as to the cost of one offer or another. The PRG will have access to SDG&E's evaluation and the quantitative and qualitative components of those offers prior to SDG&E's recommendation filing to the CPUC.

- e) Environmental stewardship
- f) Rate Impacts
- g) DBE factor

These factors will be used to differentiate long-term offers with similar costs for those resources under consideration near the annual procurement target. SDG&E requests that Respondents elaborate in their offer on the benefits of their project with regard to these factors. SDG&E notes that a project scoring low on the Project Viability Calculator may not be shortlisted even if it ranks high on the LCBF quantitative evaluation.

Consistent with CPUC Decision D.04-07-029 issued on July 8, 2004, SDG&E will treat dispatchability, curtailability and repowering as quantitative attributes and will evaluate these factors using quantitative methods. SDG&E requests that Respondents elaborate in their offer on the benefits of their project with regard to these factors.

SHORTLISTING

In the 2012 RFO, SDG&E's shortlists will be organized in 3 categories or Tiers:

Tier 1 "Nominal Need": projects are shortlisted because they fulfill any Nominal Need, e.g. prior to applying probability weighting to the RPS projects in its portfolio, SDG&E needs to procure additional eligible renewable energy to meet RPS requirements. Projects on this list will be required to agree on exclusivity as a condition for Tier 1 short-listing and must withdraw their offer from all other solicitations or risk being removed from the short-list. Respondent's shall confirm such withdrawal by submitting to SDG&E a copy of the written correspondence sent to all other solicitations pertaining to such withdrawal.. SDG&E is very likely but not certain to reach a deal on these projects.

Tier 2 "Probability Weighted Need": the projects that are shortlisted because they fulfill any Probability Weighted Need (e.g. SDG&E's RPS procurement need after taking into account the probabilities of success of each RPS project in its portfolio). For this list, SDG&E will not require exclusivity as a condition to short-listing but will grant preference to projects willing to offer such exclusivity for a reasonable timeframe. SDG&E may or may not reach a deal on these projects.

Tier 3 "Contingency Need": projects are shortlisted on the basis that the need assessment may change during the course of the solicitation, and the 2012 RFP shortlist is uncertain until successful negotiations are completed and some meaningful development progress is made. These projects will be shortlisted on a "stand-by" basis and counterparties will be informed of such. Exclusivity will not be required for Tier 3 short-listing. SDG&E is not as likely to reach a deal on these projects.

ALL OFFERS SHALL BE VALID AND BINDING UPON THE RESPONDENT AFTER BEING SELECTED FOR THE SHORT LIST UNTIL CONTRACT EXECUTION.

Respondents as part of responding to the shortlist letter will have an opportunity to improve the pricing – keeping unchanged all other terms – of their offer as well as any time thereafter. SDG&E

reserves the right to prioritize negotiation or to amend the tier status based on the price improvement.

SDG&E WILL NOT REIMBURSE RESPONDENT'S 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.

10.0 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 RENEWABLE ENERGY AND IS VIGOROUSLY PURSUING THE GOALS OF THE RPS, IT MAKES NO GUARANTEE THAT A CONTRACT AWARD SHALL RESULT FROM THIS RFO EVEN AFTER AN OFFER HAS BEEN SHORTLISTED. IN ADDITION, SDG&E NOTES THAT SHORTLISTING AN OFFER DOES NOT CONSTITUTE SDG&E ACCEPTANCE OF ALL REDLINED CHANGES TO THE PROFORMA CONTRACT. 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.

11.0 CONFIDENTIALITY

EXCEPT AS STATED BELOW OR 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. RESPONDENT MAY DISCLOSE THEIR PARTICIPATION IN THIS RFO, THEIR OFFER INFORMATION, AND THE NEGOTIATION PROCESS, TO THE CPUC, ITS STAFF, THE PRG AND THE IE UNDER APPROPRIATE CONFIDENTIALITY PROTECTIONS.

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") FOR THE PURPOSE OF EVALUATING RESPONDENT'S OFFER, 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, AND THE PRG. 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 FOR THE PURPOSES OF OBTAINING REGULATORY APPROVAL. SDG&E WILL ALSO SEEK CONFIDENTIALITY PROTECTION FROM THE CEC FOR RESPONDENT'S CONFIDENTIAL INFORMATION AND WILL SEEK CONFIDENTIALITY AND/OR NON-DISCLOSURE AGREEMENTS WITH THE 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, SEMPR 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.

12.0 CREDIT TERMS AND CONDITIONS

SDG&E has the unilateral 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.

CREDIT PROVISIONS FOR OFFERS WITH TERMS OF 2 YEARS OR LESS

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SDG&E's anticipated credit requirements are provided below. The Bid 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 made by Respondent.

<u>Collateral to Support Long Term PPAs</u>	<u>From</u>	<u>To</u>	<u>Category 1 and 2 Security Amount</u>	<u>Category 3 Security Amount</u>
<u>Bid Acceptance Fee</u>	<u>Within 5 business days from formal notification of SDG&E's intent to negotiate</u>	<u>Contract Execution</u>	<u>\$100,000</u>	<u>10% of contract value</u>
<u>Development Period Security</u>	<u>Contract Execution</u>	<u>Date on which all Conditions Precedent are satisfied or waived</u>	<u>\$5.00/MWh multiplied by 2 times expected annual generation</u>	<u>N/A</u>
<u>Construction Period Security</u>	<u>Date on which all Conditions Precedent are satisfied or waived</u>	<u>COD</u>	<u>\$10.00/MWh multiplied by 2 times expected annual generation</u>	<u>N/A</u>
<u>Delivery Term Security</u>	<u>COD</u>	<u>End of Term</u>	<u>\$20.00/MWh multiplied by 2 times expected annual generation</u>	<u>N/A</u>

CREDIT PROVISIONS FOR OFFERS WITH TERMS LONGER THAN 2 YEARS

SDG&E's anticipated credit requirements are provided below. The Bid 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 made by Respondent.

Collateral to Support Long Term PPAs	From	To	Category 1 and 2 Security Amount	Category 3 Security Amount
Bid Acceptance Fee	within 5 business days from formal notification of shortlisting	Contract Execution	\$100,000	10% of contract value
CPUC Approval Security	Contract Execution	CPUC Approval Date	\$2.50/MWh multiplied by 2 times expected annual generation	Security amount, reflecting credit exposure, to be posted by the seller within 30 days following final, non-appealable CPUC approval. The amount of credit exposure is determined by SDG&E based on its internal models using available market data and/or best estimates.
Development Period Security	CPUC Approval Date	Date on which all Conditions Precedent are satisfied or waived	\$5.00/MWh multiplied by 2 times expected annual generation	N/A
Construction Period Security	Date on which all Conditions Precedent are satisfied or waived	COD	\$10.00/MWh multiplied by 2 times expected annual generation	N/A
Delivery Term Security	COD	End of Term	\$20.00/MWh multiplied by 2 times expected annual generation	N/A

See Section 8 of the Model PPA for more information regarding SDG&E's credit terms.

All credit support arrangements (e.g., parent guaranty, deed of trust, letter of credit) must be negotiated prior to an offer being accepted as a winning offer. The form of the security (e.g. parent guaranty, deed of trust, letter of credit) will be at SDG&E's sole discretion and will depend on various factors including Respondent's credit worthiness, the estimated annual delivery amount and the term of the agreement. A model guaranty and a model letter of credit may be downloaded from the RFO Website as attachments to the Model PPA.

13.0 CPUC APPROVAL

SDG&E shall submit all signed contracts to the CPUC for approval. CPUC approval will be required as a condition precedent to the effectiveness of any contract resulting from this RFO, however, SDG&E, in its sole discretion, may choose to take deliveries prior to such approval.

