



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

2014

LOCAL CAPACITY REQUIREMENT

REQUEST FOR OFFERS
(“RFO”)

ENERGY EFFICIENCY

VERSION 5 – UPDATED 12/18/2014

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
9/17/2014	Footnotes 14, 15 and 16 were incorrect (they had been referencing DR related materials). They have been updated to reference EE related materials.	7.0, A; p. 16
10/7/2014	Updated language regarding the limit on the number of bids that may be provided.	4.0, p. 10
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 	<p>11, p. 25</p> <p>8. p. 19</p> <p>4, p. 10</p>
12/18/2014	Deleted participation criteria stating that the EE resource must have a minimum Total Resource Cost of 0.9. Note that a completed E3 calculator should still be submitted as part of the offer package.	7.0, A. 4., p. 16

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1.0 BACKGROUND AND SCOPE OF REQUEST

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, San Diego Gas and Electric (“SDG&E”) is issuing its 2014 Energy Efficiency (“EE”) Request for Offers (“RFO”) to solicit bids (“Bids”) for energy efficiency program design and implementation approaches for innovative program(s) under SDG&E’s administration which meet the targeted objectives described in this RFO. The Track 4 Decision authorized SDG&E to procure between 500 MW and 800 MW of incremental local capacity by 2022 to meet local capacity needs, at least 200 MW of which must come from preferred resources¹.

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 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 EE RFO. By responding to this RFO, the Respondent 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, prior to the Respondent’s response.

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 Respondent’s obligations with respect to the RFO as well as describe the procedures that each Respondent 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 Model Agreement attached to these instructions, the terms and conditions in the Model Agreement 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 Respondents, proceedings before the CPUC, and efforts to obtain regulatory approval. SDG&E intends to notify Respondents of any

¹ 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

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 3, RFO Schedule.

Once Respondents have accepted their shortlisted position with SDG&E and remitted the Shortlist Acceptance Fee², further contract negotiations may commence and continue until mutual agreement has been achieved and a contract has been executed. Being short listed does not guarantee that an Agreement will be negotiated or signed with the Respondent.

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

A. PROGRAM OBJECTIVE AND PROCUREMENT NEEDS

The primary objective of this EE RFO is to acquire EE capacity that is **incremental**³ to SDG&E's current 2013-2014 and proposed 2015 EE program portfolios that would meet LCR needs in SDG&E's service territory.

To demonstrate that the EE products resources bid into the EE RFO are incremental, SDG&E defers to descriptions and references to the EE assumptions used in the CAISO Track 4 Studies and the CEC EE studies in its solicitation materials and advises Respondents that they must explain how their EE products are incremental to these assumptions. SDG&E encourages RFO participants to provide creative products that are not part of existing or planned programs that made up the assumptions used by the CAISO Track 4 Studies or CEC EE studies.

Respondents may refer to the following sources, which describe SDG&E's EE baseline, in order to determine whether their programs is incremental: (1) SDG&E's current 2013-2014 EE program portfolio; (2) SDG&E's proposed 2015 EE program portfolio; (3) the market potential, which is currently the basis of the Commission's 2015 EE goals;⁴ and (4) 2013 CAISO Demand Response and Energy Efficiency Roadmap: Maximizing Preferred Resources⁵. In addition to these sources, a Respondent may also propose programs that target hard-to-reach markets that have not been traditionally addressed by programs and are therefore incremental and / or EE technologies that are not currently in Emerging Technologies or in the market potential or existing programs.

Final determination of the offer's compliance with the incremental requirement will be determined by the CPUC's approval of any Agreement resulting from the offer.

As stated above, the purpose of this RFO is to procure capacity (MW). Thus, all compensation associated with any submitted offer shall be based on delivery of capacity. Although

² See section 12 of this RFO for further details

³ See D.14-03-004, ordering paragraph 6. This refers to D.13-02-015, ordering paragraph 4. Subparagraph b states "the resource must be demonstrably incremental to the assumptions used in the California ISO studies, to ensure that a given resource is not double counted."

⁴ See Navigant Consulting, Inc., 2013 California Energy Efficiency Potential and Goals Study, reflected as Attachments 1, 2, 3 and 4 to the March 3, 2014 Assigned Commissioner's Ruling Amending Scoping Memorandum, and Providing Guidance on Energy Savings Goals for Program Year 2015.

⁵ http://www.caiso.com/informed/Pages/CleanGrid/Demand_Response.aspx

energy savings (MWh) are to be verified and owned by SDG&E, no payments shall be made for delivery of energy savings.

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, Resource Criteria.

SDG&E EE Solicitation Procurement Need	Product Description
Energy Efficiency	Energy Efficiency Program that delivers long-term energy capacity and savings (although SDG&E will consider all contract terms, it prefers a contract term of 6 years or less). SDG&E prefers EE programs that start delivering capacity as early as 2017 (subject to CPUC approval), but some portion of the Delivery Period <u>must</u> encompass calendar year 2022.

B. MODEL AGREEMENTS (“AGREEMENT”)

Shortlisted respondents must be poised to sign an agreement in substantially the form of the attached Model Agreement (“Model Agreement”) (See Section 4.0 RFO Response Instructions). Elements of the Respondent’s offer may be incorporated into the Agreement.

C. ENERGY EFFICIENCY PROGRAM OPERATIONS

San Diego Gas & Electric Company (SDG&E) designs, administers, and implements a large portfolio of customer energy efficiency (EE) programs. SDG&E utilizes third-party contractors to help implement a portion of its portfolio. These third-party contractors provide a range of services, including design, analysis, planning, and operation of these programs to serve residential and non-residential customers within SDG&E’s service territory. SDG&E’s current 2013-2014 EE program portfolio was approved by California Public Utilities Commission (Commission) in Decision (D.) 12-11-015. SDG&E’s most current EE program implementation plans can be found on the Commission’s EE website California Energy Efficiency Statistics at <http://eestats.cpuc.ca.gov/Views/Documents.aspx?ReportType=PIP>. Most recently, SDG&E filed for approval its 2015 EE program portfolio, the details of which can be found at <http://www.sdge.com/regulatory-filing/10501/2015-energy-efficiency-program-portfolio-changes-phase1-rulemaking-13-11-005>.⁶

Although this RFO is seeking capacity (MW) that will be incremental to the expected EE portfolio, all contracted EE programs must be coordinated with SDG&E’s EE portfolio. During the term of an agreement, the Contractor may be expected to coordinate activities and gain SDG&E approval of marketing and operational activities.

⁶ The Commission expects to approve SDG&E’s 2015 EE program portfolio by June 2014.

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/AllSourceRFO2014>) and the 2014 SDG&E EE 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 SDG&E EE RFO event on the PowerAdvocate® website contains the following: required RFO forms, documents, and schedule. Respondents intending to bid and do not 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: *

Name of that individual's company: *

Name or description of the Event: *

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

<https://www.poweradvocate.com/pR.do?okey=44128&pubEvent=true>

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 AllSourceRFO@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, except during scheduled bidders conferences.

If there is a conflict or inconsistency between the terms and conditions or other information contained on the RFO Website and the terms and conditions contained within this Energy efficiency Resources RFO document, the terms and conditions in the RFO document(s) will prevail.

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. SDG&E will be utilizing a platform designed and maintained by PowerAdvocate® for launching and managing offers received in response to this RFO. To access the RFO event, Respondent must register to create a username and password for PowerAdvocate®. The link with instructions to register is provided in Section 2.0 RFO Website and Communications. Respondents are responsible for accessing the RFO Website and PowerAdvocate® for updated schedules and possible amendments to the RFO or the solicitation process. Respondents shall register on PowerAdvocate® for the RFO no later than December 1, 2014, and submit offers no later than January 5, 2015 at 1:00 PM PPT.

NO.	ITEM	DATE
1.	RFO Issued	September 5, 2014
2.	Pre-Bid Conference / Respondent Outreach Events (Including E3 Training)	1) September 26, 2014 (all resources, in person or webinar) 2) October 24, 2014 (all resources, webinar only) 3) November 10, 2014 (EE, DR and Energy Storage, in person or webinar)
3.	DEADLINE TO REGISTER for RFO Website access / to download RFO forms and documents	December 1, 2014
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
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 Respondents	June 5, 2015
9.	SHORTLISTED RESPONDENTS ACCEPTANCE/WITHDRAWAL Letter due from Shortlisted Respondents 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 Respondents accept/withdraw
11.	SDG&E commences with Agreement negotiations*	+11 Days after Shortlist Notification
12.	SDG&E Submits Advice letters with Agreements to CPUC for approval	Q1 2016
13.	CPUC Approval	Late 2016 / 2017
14.	Program Implementation Start (pending CPUC Approval)	2017 / 2018
	* Negotiation time will vary depending on proposal specifics including proposed contract modifications.	

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 Respondents, proceedings before the CPUC, and efforts to obtain regulatory approval. SDG&E intends to notify Respondents of any schedule changes, but will not be liable for any change in schedule or for failing to provide notice of any change.

PRE-BID CONFERENCE / BIDDER OUTREACH EVENTS

SDG&E will host three bidder outreach events, which will include training on using the E3 calculator. The first event is scheduled for September 26, 2014 which will be an in-person event for all resource types (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 focusing 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 Respondents 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

4.0 RFO RESPONSE INSTRUCTIONS

Respondents may submit proposals by submitting the forms listed below. Forms are available on the RFO Website and PowerAdvocate®. The 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 Forms:

If the respondent is submitting offers for more than one program, each program must be submitted in a separate compressed ZIP archive with its required forms. Forms and compressed ZIP archives must be clearly labeled to identify the program name and the submitted forms. All forms are located in the “1. Download Documents” Tab and must be submitted by uploading to the “2. Upload Documents” Tab.

- 1) **Offer Form** – Respondents must include in their offer form proposed pricing and if multiple pricing or capacity or other options are contemplated, multiple offer forms should be submitted. Note that separate offer forms must be completed for offer price and credit costs.
- 2) **Program Description Form**
- 3) **Electric Interconnection Information** – Not Applicable to the EE RFO.
- 4) **Credit Application** –A credit application will be required under all Agreements. Changes to terms and conditions will render the offer non-conforming and disqualify the program from further consideration.
- 5) **Supplier Diversity Information (Optional)** - Provide a copy of certification documents received from the Supplier Clearinghouse. An application can be made before submission of the offer and referenced in the offer.
- 6) **Redline to the Model Agreement (Optional)** SDG&E may post a pro forma agreement for specific product types. If SDG&E does not post a pro forma for the product type bid,

bidders will be provided a template applicable to their product if and when they are shortlisted.

- 7) **Proposed Program's E3 Calculator** – Submit a fully functional Excel Workbook (no pdfs or other screen shots) with all formulae unlocked, all worksheets included (not just the Output sheet), and no password protection.
- 8) **Workpaper(s) associated with MW reductions per EE unit.** Respondent shall provide workpaper(s) showing the capacity reduction - MW reduction/EE unit (e.g., MW/ EE appliance) and the unit's load profile. The proposal must include workpapers to show the MW reduction calculations. These workpapers are not standardized or provided by SDG&E and they may reference DEER-Database of Energy Efficiency Resources.
- 9) **Measurement and Verification Plan (M&V)** – Respondents shall provide a proposed M&V Plan to verify actual MW's delivered. M&V Plan shall include estimated costs.

The Program Description Form, Credit Application, and redlines to the Model Agreement (only if the agreement is applicable to bidder's product) must be in Word or Word-compatible format (not in PDF). The offer form and E3 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 EE RFO event on PowerAdvocate® in order to submit an offer. To register, Respondents must follow the instructions outlined in Section 2, 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@PACConsulting.com

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

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

SDG&E will review responses for the targeted objectives described in this RFO. The Respondent's proposed Program shall be a Resource Program that delivers capacity (MW) through

installation of EE measures and/or implementation of Program services. SDG&E has sole and absolute discretion to determine whether a Respondent meets SDG&E's general criteria for selection as described in Attachment 2, Program Description Form.

Respondent must be in "good standing"⁷ with SDG&E in order to bid

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.

⁷Circumstances under which contractors would not be considered to be in good standing with SDG&E include, but are not limited to, the following: 1) outstanding unpaid bills to SDG&E, 2) program termination for cause during a previous program cycle, or 3) non-compliance with SDG&E's policies or Code of Conduct.

5.0 ENERGY EFFICIENCY PROGRAM PARAMETERS / ROLE OF THE PRG AND INDEPENDENT EVALUATOR

CALIFORNIA ENERGY EFFICIENCY PROGRAM

Commission and state energy policy, as expressed in the Energy Action Plan (EAP) and reaffirmed in Decision (D.) 04-12-048, is to make energy efficiency and demand response the IOUs' highest priority procurement resource. The 2005 EAP II continues strong support for the leading order and 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. This is also consistent with California Public Utility code, § 454.5(b)(9)(C) 2 which requires IOUs to first meet their "unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible." In order to promote the resource procurement policies articulated in the Energy Action Plan and by the Commission, energy efficiency activities funded by ratepayers should offer programs that serve as alternatives to more costly supply-side resource options (resource programs).

D.07-10-032 established a broader framework for statewide coordination on energy efficiency program design, in order to overcome market barriers to more widespread adoption of energy efficiency and to capture longer-term savings. The decision directed the IOUs to work with Commission staff and market participants to prepare the California Long-Term Energy Efficiency Strategic Plan (Strategic Plan). Adopted in D.08-09-040, the Strategic Plan set forth a roadmap for energy efficiency in California through 2020 and beyond, by articulating a long-term vision and goals for each economic sector and identifying specific near-term, mid-term and long-term strategies to achieve the goals. D.08-09-040 and the subsequent October 30, 2008 Ruling in A.08-07-021 directed the IOUs to align their EE programs with Strategic Plan goals by clearly identifying utility actions for all Strategic Plan near-term strategies and action steps, where a utility role is important, and to provide programs that reflect the Strategic Plan short-term steps and milestones.⁸

ENERGY EFFICIENCY ELIGIBILITY CRITERIA

SDG&E intends for programs / projects selected from this RFO Program to count towards SDG&E's Resource Adequacy ("RA") obligations. Respondents must meet the appropriate requirements to count for RA⁹. Agreements resulting from this RFO will require Respondents to perform all activities necessary to facilitate RA recognition for the programs. The Respondent shall be responsible for all costs to facilitate RA recognition.

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

⁸ Decision.08-09-040 OP 2

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 least binding requirement is availability of the resource for three consecutive days for four hours per day. EE programs that provide RA value by reducing forecasted demand will also likely count toward SDG&E's RA obligations and therefore be conforming in this regard.

groups. 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.

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

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 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

7.0 RESOURCE CRITERIA

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

A. PARTICIPATION CRITERIA

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

1. Customers to be enrolled in the EE programs and/or who will provide proposed EE resource(s) must be located within SDG&E's service territory.
2. Some portion of the program's term must include the entire calendar year of 2022.
3. Minimum resource capacity of 0.5 MW¹⁰ delivered by the program for the Delivery Period.
4. The EE resource must meet the requirements of the current RA counting rules¹¹.
5. The EE resource must be demonstrably incremental to the assumptions used in the California ISO studies¹². Sellers are required to explain and/or show how their proposed EE resource is incremental. Sellers are encouraged to reference 1) SDG&E's current 2012-2014 EE program portfolio¹³; (2) SDG&E's proposed 2015-2016 EE program portfolio¹⁴; and / or (3) 2013 Integrated Energy Policy Report ("IEPR") EE forecast¹⁵. Incremental resources that are similar to existing EE resources must demonstrate, to SDG&E's satisfaction that the resource is "incremental" and provide creative products that are not part of existing or planned programs
6. The Respondent must state any affiliate relationship with Semptra Energy, if one exists.

SDG&E is aware that the RA counting rules change frequently. If the capabilities of the system, facility or program that the Respondent is describing in its offer are currently non-conforming specifically with regard to the RA requirement, but the Respondent believes that the RA

¹⁰ Note SDG&E will consider the administrative burden/feasibility of negotiating a high volume of agreements when selecting its shortlist.

¹¹ 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 least binding requirement is availability of the resource for three consecutive days for four hours per day. EE programs that provide RA value by reducing forecasted demand will also likely count toward SDG&E's RA obligations and therefore be conforming in this regard.

¹² See D.14-03-004, ordering paragraph 6. This refers to D.13-02-015, ordering paragraph 4. Subparagraph b states "the resource must be demonstrably incremental to the assumptions used in the California ISO studies, to ensure that a given resource is not double counted."

¹³ SDG&E's current EE programs (see <http://www.sdge.com/save-money/upgrade-and-save> -- gives information on SDG&E's EE rebate programs; CPUC Decision approving SDG&E's current programs: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M034/K299/34299795.PDF> ; and reporting on SDG&E's current EE programs at <http://eestats.cpuc.ca.gov/Views/Documents.aspx>

¹⁴ See <http://www.sdge.com/regulatory-filing/10501/2015-energy-efficiency-program-portfolio-changes-phase1-rulemaking-13-11-005> for information about SDG&E's proposed 2015 EE program portfolio.

¹⁵ See "Energy Efficiency Adjustments for a Managed Forecast: Estimates of Incremental Uncommitted Energy Savings Relative to the California Energy Demand Forecast 2012-2022" of September 14, 2012 at http://www.energy.ca.gov/2012_energypolicy/documents/demand-forecast/IUEE-CED2011_results_summary.xls ; See the 'mid savings elec' tab -- as discussed and directed in the Track 4 Decision

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.com).

For EE resources, measure installation may begin prior to the Delivery Period during the Agreement Term. Capacity Payments will begin only upon reaching the minimum 0.5 MW capacity requirement.

8.0 EVALUATION CRITERIA AND SHORTLISTING

SDG&E will utilize all submitted documents 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.

EVALUATING OFFERS

All incoming offers will be assessed for conformance as defined in 7.0A above. Respondents should conform to minimum participation criteria in order to be considered.

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 (and contract) 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. As part of this conformance check, the EE offers will be evaluated via the Total Resource Cost (TRC) (or the latest available CPUC approved test) process with a minimum threshold established for passing this test. Conforming offers will then go through the Least Cost Benefit Fit "LCBF" / Net Market Value "NMV" analysis described below to rank the offers. 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.

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 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 GHG compliance. The price benchmarks are derived from current broker quotes, recent RFO offers, historical prices, recently executed transactions, and price curves extrapolated from that data to extend into future years where market data is unavailable. The NMV shows the value of an offer relative to purchasing the same product(s) from wholesale markets at current market prices. A higher NMV would result in a higher bid ranking.

SDG&E may also develop “shadow cost curves” for products that cannot be benchmarked using market-based price curves. The shadow cost curves will be forecasts of estimated costs, based on SDG&E’s experience with developing new customer programs. The shadow cost curves will allow the use of a NMV calculation to evaluate offers that do not fit into typical wholesale market categories, such as DR and EE programs.

The shadow cost curves will allow SDG&E to determine if offers are priced reasonably relative to current and future expected costs, and then evaluate whether to defer (delay) procurement or select alternative resources. Due to the short development time of certain resources, such as DR and EE programs, as well as the expectation that advances in technology will lead to a significant number of program alternatives prior to the identified LCR need (by 2023), SDG&E may reserve procurement for future periods. This may allow for procurement of higher loading order preferred resources than are currently available.

QUANTATIVE EVALUATION

SDG&E evaluates and ranks offers based on 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 cash flow components for both benefits and costs. The primary quantitative metric used in SDG&E’s LCBF process is a 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. These benefit and cost components are netted and discounted to yield a Net Present Value (“NPV”) for each offer. The NPV of an offer is compared to the NPV of other offers to determine whether that offer is one of the combinations of least-cost offers. 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 NPV per MW. “Best-Fit” is achieved by ensuring that the combination of selected offers is the LCBF solution and fulfills the criteria further described below.

SDG&E evaluates the quantifiable attributes of each offer individually. These individual attributes will include: capacity benefits, energy benefits, and contract payments. 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. Each offer is assigned capacity benefits, if applicable based on SDG&E’s forecast of capacity value and RA (defined in the CAISO Tariff). Each Respondent’s RA capacity value is based on monthly forecasts determined by SDG&E, which are then aggregated into annual capacity benefits. Projects/programs in the SDG&E service area will receive added local capacity benefit (note that in this RFO, customers associated with energy efficiency resources bid must be located within SDG&E’s service territory).

For EE: the capacity reduction must include the MW reduction/EE unit (e.g., MW/ EE appliance) and the unit’s load profile. The proposal must include workpapers to show the MW

reduction calculations. These workpapers may reference DEER-Database of Energy Efficiency Resources.

B. NET ENERGY BENEFITS

The energy benefit valuation is an optimized energy dispatch profile multiplied by the corresponding energy forward price curves. The benefits provided by resources with greater flexibility will be reflected here as they are able to be dispatched to capture the most beneficial price increments. These benefits are netted against the variable costs associated with generating the energy such as fuel costs and variable O&M to produce the Net Energy Benefit. For EE programs, the energy benefit is calculated using the energy savings profile in lieu of an optimized energy dispatch profile.

C. CONTRACT PAYMENTS

In determining the total cost of the offer, SDG&E will consider all of the contract payments. For EE, these payments are for delivered capacity (MW) during the Delivery Period.

QUALITATIVE EVALUATION

Qualitative factors and benefits will be used to determine advancement onto the short list. Qualitative factors may include, but are not limited to:

A. RESOURCE VIABILITY

SDG&E is seeking experienced companies and development teams to develop and operate energy efficiency programs utilizing known and proven technology to the degree available. Another aspect of resource viability may 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 MODEL AGREEMENT TERMS AND CONDITIONS

Respondents may modify the Model agreement as part of their submittal package to the extent that modifications add value to the offer. SDG&E will review modifications to the terms and conditions proposed in the offer and consider the materiality of these changes.

C. PARTICIPATION FROM DIVERSE BUSINESS ENTERPRISES

SDG&E encourages Diverse Business Enterprises ("DBEs"), "Women-Owned Businesses" or "Minority-Owned Businesses" or "Disabled Veteran Business Enterprises" as defined in G.O. 156, 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.semptra.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 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-bidding conference on September 26, 2014. 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. 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 programs meet minimum resource criteria and/or;
4. the respondent is unable to comply with RFO timing and other solicitation requirements.

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 EFFICIENCY 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.

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, PROGRAM 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 DATA, 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 CREDIT TERMS AND CONDITIONS

Winning Respondents will be required to comply with the Credit and, Collateral and Service Warrantee/Guarantee requirements set forth in the Model Agreement. 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).

Shortlist Acceptance Fee

The Shortlist Acceptance Fee is the greater of \$100,000 or \$2 per kW of the highest delivered capacity in any one calendar year 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.

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

12.0 RFO ATTACHMENTS

The following documents are attachments to this RFO and are to be used preparing Respondent's proposal:

- **Offer Form** – Respondents must include in their offer form proposed pricing and if multiple pricing or capacity or other options are contemplated, multiple offer forms should be submitted.
- **Program Description Form** – Submit one per program.
- **Credit Application** – Submit one per program. A credit application will be required under all Agreements. Changes to terms and conditions will render the offer non-conforming and disqualify the program from further consideration.
- **Model Agreement** – **All requested changes to the model agreement must be submitted at the time of bid.**
- **E3 Calculator** – Submit a fully functional Excel Workbook (no pdfs or other screen shots) with all formulae unlocked, all worksheets included (not just the Output sheet), and no password protection.