



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

2014

**LOCAL CAPACITY
REQUIREMENT**

**REQUEST FOR OFFERS
("RFO")**

ELIGIBLE LOCAL RENEWABLE RESOURCES
SEEKING RENEWABLE RESOURCES POWER
PURCHASE AGREEMENT

VERSION 4 – UPDATED 11/7/2014

ISSUED
SEPTEMBER 5, 2014

OFFERS DUE
JANUARY 5, 2015

RFO WEBSITE
<http://www.sdge.com/AllSourceRFO2014>

EMAIL QUESTIONS/COMMENTS TO
AllSourceRFO@semprautilities.com

Record of Changes

Date	Explanation of Change	Section / Page of Document
10/7/2014	Updated language regarding the limit on the number of bids that may be submitted.	4.0, p. 13
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>12, p. 29</p> <p>9.0, p. 23</p> <p>4.0, p. 13</p>
11/7/2014	Added one more requirement (letter i.) within the 'Additional Requirements for Shortlisted Offers' section to include the "application deemed complete" requirement associated with the CEQA / NEPA environmental review(s).	7.0, A, p. 19

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1.0 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 Renewables Request for Offers (“RFO”) to solicit offers from owners and operators of Renewable Portfolio Standard (“RPS”) eligible facilities within the San Diego Local Subarea (as defined by the CAISO¹). In addition to helping meet SDG&E’s Local Capacity Requirement (“LCR”) as defined in the Track 4 Decision, resources procured through this RFO will count towards SDG&E’s RPS goals.

SDG&E is issuing this 2014 Renewables RFO to help meet its LCR established in the Track 4 Decision (specifically, the Track 4 Decision authorizes procurement of a minimum of 200 MW of preferred resources² - of which at least 25 MW must come from energy storage) and to make progress towards its RPS procurement goals. This RFO solicits offers from owners and operators of RPS eligible facilities that interconnect within the San Diego local sub area. 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.

As authorized in the Track 4 Decision, SDG&E is seeking up to 775 MW from qualifying renewable facilities³.

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).

¹ See the CAISO “Local Capacity Technical Analysis” – draft version for 2015 available at:

<http://www.caiso.com/Documents/DraftReport-2015LocalCapacityTechnicalAnalysis.pdf>; final version for 2014 located at: http://www.caiso.com/Documents/May1_2013-2014FinalReport-LocalCapacityTechnicalAnalysisR11-10-023.pdf To summarize, projects that interconnect within SDG&E’s service territory connecting to SDG&E owned transmission or distribution facilities at a point that is at or electrically west of the Miguel or Suncrest substations and electrically south of the San Onofre Nuclear Generating Station 230 kV switchyard bidding as fully deliverable will meet this requirement. Projects connecting at the Miguel or Suncrest substations are considered to be Local Area Projects for these purposes.

² 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

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

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

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

The purpose of this document is to provide an overview of the process that SDG&E will use to implement this RFO. It will serve to set forth each bidder's obligations with respect to the RFO as well as describe the procedures that each bidder must adhere to. If there is a conflict or inconsistency between the terms and conditions contained here and the terms and conditions contained within the PPA attached to these instructions, the terms and conditions in the PPA will prevail.

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

The RFO schedule is subject to change at SDG&E's sole discretion at any time. All changes to the RFO schedule will be posted to SDG&E's RFO website. The RFO schedule may be affected by (but not limited to) issues such as: discussions with shortlisted bidders, proceedings before the CPUC, and efforts to obtain regulatory approval. SDG&E intends to notify bidders of any schedule change, but will not be liable for any change in schedule or for failing to provide notice of any change. A schedule detailing SDG&E's plans throughout the entire initial program period can be found in Section 6.

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

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

A. Renewable / LCR Procurement Needs

Additionally, in this Renewables RFO, SDG&E is seeking RPS eligible resources within the San Diego Local sub-area that are fully deliverable (Full Capacity Deliverability Status⁵) and therefore help to meet SDG&E's local capacity requirement.

⁴ See section 12 of this RFO for further details

⁵ As defined by the CAISO, Full Capacity Deliverability Status entitles a Generating Facility to a Net Qualifying Capacity amount that could be as large as its Qualifying Capacity and may be less pursuant to the assessment of its Net Qualifying Capacity by the ISO. See: https://www.caiso.com/Pages/glossary.aspx?Paged=TRUE&p_SortBehavior=0&p_Term=Fast%20Start%20Unit&p_ID=302&PageFirstRow=351&&View={02340A1A-683C-4493-B284-8B949002D449}

In pursuit of its RPS goals, SDG&E must procure renewable resources that meet the requirements of the products outlined in Public Utilities Code 399.16(b). For this RFO, SDG&E is seeking Category 1 products only. A summary of the Category 1 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 source⁶; **or**.
- Have an agreement to dynamically transfer electricity to a CBA.

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.

SDG&E Renewables Solicitation Procurement Need	Product Description
Category 1	Fully deliverable San Diego Local sub-area products. SDG&E prefers projects with CODs as early as October 2017, but will consider later start dates. Some portion of the contract term <u>must</u> include calendar year 2022.

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

- 1) Re-powering facilities (only incremental energy will be eligible);
- 2) Incremental capacity upgrades of existing facilities (only incremental capacity will be eligible);
- 3) New facilities; and
- 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.

B. Transmission/Distribution and Deliverability

The generating facility and interconnection must be designed and constructed in conformance with the CAISO/Distribution Provider’s various reliability agreements, procedures, protocols, tariffs and standards and be found fully deliverable. In order to submit proposals under this solicitation, Respondent’s Project must have the minimum of a completed CAISO/WDAT Phase II Interconnection Study or equivalent process or exemption. See RFO Section 4.0 – “RFO Response Instructions” for additional information.

⁶ 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.

C. Power Purchase Agreements (“PPA”)

Respondents shall propose a power purchase agreement for 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 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). Proposed products must be fully deliverable. Additional resource criteria are described in Section 7.0 Resource Criteria. Note that the Model PPA attached to this RFO is currently under review at the CPUC as part of the RPS planning process and maybe subject to change throughout the course of the RFO.

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 Renewables 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 Renewables RFO event on the PowerAdvocate® website contains the following: required RFO forms, documents, and schedule. Respondents who intend to bid but do not yet have an existing account with PowerAdvocate® must first register to create a username/password in order to receive access to the event. See below for instructions to log-in/register:

Logging In

You access the PowerAdvocate platform via a web browser.

To log in

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

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

2. Click **Login**.

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

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

Both are case-sensitive.

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

4. Click **Login**.

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

Referral Information

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

Who referred you to this Event: *

Name of that individual's company: *

Name or description of the Event: *

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

<https://www.poweradvocate.com/pR.do?okey=44131&pubEvent=true>

The RFO website contains RFO forms and documents, the RFO schedule, and a Question and Answer forum. All questions or other communications regarding this RFO must be submitted via email to 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 at schedule bidders conferences.

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®. A link and instructions on how 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 Pacific Pevealing Time (PPT).

NO.	ITEM	DATE
1.	RFO Issued	September 5, 2014
2.	Pre-Bid Conference / Bidder Outreach Events	1) September 26, 2014 (All resources) 2) October 24, 2014 (All resources – conference call/webinar only) 3) November 10, 2014 (EE, DR and Energy Storage)
3.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on the website no later than December 1, 2014.	November 14, 2014
3.	DEADLINE TO REGISTER for RFO Website access / to download RFO forms and documents	December 1, 2014
5.	CLOSING DATE: Offers must be uploaded to and received by the RFO Website no later than 1:00 PM Pacific Prevailing Time on January 5, 2015.	January 5, 2015
6.	SDG&E Begins Bid Evaluation Process	January 6, 2015
7.	Shortlist determination	May 18, 2015
8.	SHORTLIST NOTIFICATION SDG&E notifies Shortlisted Bidders	June 5, 2015
9.	SHORTLISTED BIDDERS ACCEPTANCE/WITHDRAWAL Letter due from Shortlisted Bidders indicating: a. Withdrawal from SDG&E's solicitation; OR b. Acceptance of shortlisted standing and including Shortlist Acceptance Fee	+10 Days after Shortlist Notification
10.	SDG&E issues appreciation notices to unsuccessful Respondents	+3 week after Shortlisted Bidders accept/withdraw
11.	SDG&E commences with PPA negotiations	+11 Days after Shortlist Notification

NO.	ITEM	DATE
12.	SDG&E Submits Application with PPAs to CPUC for approval	Q1 2016
	* Negotiation time will vary depending on proposal specifics including proposed contract modifications.	

PRE-BID CONFERENCE / BIDDER OUTREACH EVENTS

SDG&E will host three bidder outreach events. The first event is scheduled for September 26, 2014 and 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 will focus primarily on the demand response, energy efficiency and energy storage product types, will be in-person (conference call / webinar available) and is scheduled for November 10, 2014. Participation in these events is NOT mandatory in order to submit an offer.

Please monitor the RFO Website for further details (such as conference presentation materials and final arrangements for the second and third events). SDG&E will make efforts to notify bidders of outreach event details via e-mail as well as provide 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 are required to submit the forms listed below. Forms are available on the RFO Website and PowerAdvocate®. 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 project, each project 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 project 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) **Project Description Form.**⁷
- 2) **Pricing Form** – Respondents may submit up to six (6) differently priced bids to this solicitation. Note that separate offer forms must be completed for offer price and credit costs.
- 3) **Credit Application**
- 4) **Model PPA** – Required for offers that include energy deliveries. Respondents shall download, populate, and redline the Model PPA.
- 5) **Interconnection Documents**⁸ – Respondents must provide an electronic copy of the proposed project’s completed CAISO/WDAT Phase II Interconnection Study or equivalent process or exemption.⁹

⁷ Please note this form MUST describe the substation at which the project interconnects

The Participation Summary, Project Description Form, Credit Application, and redlines to the Model PPA must be in Word or Word-compatible format (not in PDF). The Pricing Form must be in Excel or Excel-compatible format (not in PDF).

Submissions containing 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 Renewables 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@PAConsulting

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.

⁸ 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.

⁹ D.13-11-024 required that the IOUs make this clarification to address potentially different requirements for existing or repowered facilities.

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.*¹⁰ 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 2020¹¹. 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 April 30, 2013. It can be downloaded from the CEC's website at <http://www.energy.ca.gov/2013publications/CEC-300-2013-005/CEC-300-2013-005-ED7->

¹⁰ See, Senate Bill (SB) 1078 (Stats. 2002 Ch. 516), as amended by SB 107, (Stats. 2006, Ch. 464).

¹¹ See, Senate Bill (SB) 2 (1x) (Simitian), stats. 2011, ch. 1

CMF.pdf. Respondents are encouraged to 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. Each IOU has its own PRG. The PRG is charged with overseeing the IOU's procurement process, reviewing procedural fairness, examining overall procurement prudence and providing feedback during all stages. From RFO language development to offer evaluation to contract negotiation, 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 ("IE") to separately evaluate and report on the IOU's entire solicitation, evaluation, and selection process. The IE will review SDG&E's implementation of the RFO process and final selections. The IE also makes periodic presentations regarding its findings to the IOU, and the IOU's PRG including the CPUC Energy Division staff. The intent of these IE presentations is to preserve the independence of the IE by ensuring free and unfettered communication between the IE and the CPUC, as well as an open, fair, and transparent process that the IE can affirm.

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

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, the Sunrise Power Link – a second 500kV transmission line that runs from the Imperial Valley substation and ending in San Diego's north county, 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/servicareas/electric_service_areas.html

7.0 RESOURCE CRITERIA

A. Procurement Needs

In order to meet its LCR and RPS goals, SDG&E is soliciting products that meet the following criteria:

I. Renewable Product Requirements

- a. RPS Product Category: Category 1 (bundled products as defined in Public Utilities Code 399.16(b)(1)(A-B))
- b. Location: within the San Diego Local subarea
- c. Term: Although the Track 4 Decision requires that all contract terms be considered, SDG&E prefers contract terms of 12 years or less;
- d. Timing: SDG&E will accept bids with CODs/Contract Start Date as early as October 2017 and some portion of the contract term must include the entire calendar year of 2022.
- e. Pricing: fixed price for the bundled product (i.e. energy, capacity, and green attributes), expressed in \$/MWh;
- f. 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;
- g. The Facility must be incremental to the assumptions used in the CAISO studies¹² associated with the 2012 long term procurement plan proceeding that served as a basis for SDG&E's 500 MW – 800 MW authorized need.
- h. Minimum Size: Net Contract Capacity must be ≥ 3 MW¹³ (rated in alternating current, or "AC");
- i. Maximum Size: Net Contract Capacity must be ≤ 775 MW AC;
- j. Deliverability: Offers should provide fully deliverable products. SDG&E will incorporate any deliverability value in its evaluation of these offers¹⁴;

¹² See ordering paragraph 6 of the Track 4 Decision.

¹³ Note that SDG&E will consider the administrative burden/feasibility of negotiating a high volume of agreements when selecting its shortlist.

¹⁴ 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, and in this solicitation, SDG&E is seeking Local RA from projects within the San Diego Local subarea. 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>.

- k. The resource must meet all applicable RA counting rules.

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

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

- l. Green Attributes: All green attributes associated with the project must be tendered to SDG&E;
- m. Project Stewardship: The Respondent will own and operate¹⁵ 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).

Additional Requirements for Shortlisted Offers:

Additional requirements for Respondents successfully entering into an agreement for Category 1 product with SDG&E, may include, but are not limited to:

- a. Respondents shall be financially responsible for the interconnection costs up to the point of interconnection with the local transmission/distribution network in accordance with applicable laws. Interconnection costs allocated to the project and to be paid by Respondent (i.e. non-reimbursable) should be included in the offer price for energy and capacity. Reimbursable network upgrade costs are ultimately borne by ratepayers and therefore should not be included in Respondent's offer price;
- b. Respondents must obtain final interconnection studies during the development process (i.e. for transmission level projects, a final Phase II interconnection study report, or for distribution level projects, a final interconnection facilities study report (or equivalent));
- c. Respondents must have a verifiable fuel resource plan for the duration of the PPA;
- d. Respondents will provide personnel required to operate the Facility;
- e. 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;
- f. Respondents must execute Participating Generator Agreements and Meter Service Agreements as required by the CAISO.
- g. 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

¹⁵ A direct contractual relationship with the operator of the facility is sufficient to meet this criteria.

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;

- 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. Respondent’s project must, at a minimum, have achieved the “application deemed complete” (or equivalent) status under the land use entitlement process associated with the environmental review under the California Environmental Quality Act (CEQA) and/or under the National Environmental Quality Act (NEPA).

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.
- f) If consolidation is required and considered material by the buyer to buyer's financial statements or its parent company's financial statements and buyer reasonably determines seller's internal controls over financial reporting are considered to be significantly deficient or a material weakness, then seller is to remediate within 30 days;
- g) Seller to provide to buyer any SEC Form 8K disclosures, two days after the occurrence of the SEC Form 8K event; and
- h) Seller to notify buyer at any time during the term of the agreement of any consulting (non-independent) services provided or proposed to be provided to seller by the buyer's independent auditor.

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

9.0 EVALUATION CRITERIA AND SHORTLISTING

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

SDG&E will utilize the Required 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.

As required by the Track 4 Decision, SDG&E is soliciting a broad range of preferred 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. In evaluating the offers that are submitted in response to the various RFOs, SDG&E's valuation and selection approach is intended to evaluate the different resource types on as equal a footing as possible. Initially, all offers will go through a conformance check to ensure that the particular RFO requirements are met. Conforming offers will then go through a Least-Cost / Best-Fit (LCBF) / Net Market Value ("NMV") analysis.

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

SDG&E 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

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

- a. 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;
- b. A single contract term, in years, between the Guaranteed Commercial Operation Date and the ending date of the contract;
- c. 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 interconnection;
- d. 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).
 - e. A point of interconnection within SDG&E's local sub-area. Additionally, the project must be seeking full deliverability / FCDS.

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 timely, or providing information which conflicts with original bid documents, may also result in a bid being rejected due to nonconformance.

QUANTITATIVE EVALUATION

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

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

A. NET CAPACITY BENEFITS

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

B. NET ENERGY AND ANCILLARY SERVICES 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.

C. TRANSMISSION/DISTRIBUTION SYSTEM IMPACTS

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

QUALITATIVE EVALUATION

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

A. PROJECT VIABILITY

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

B. ADHERENCE TO PPA TERMS AND CONDITIONS

Bidders may modify the PPA as part of their submittal package to the extent that modifications add value to the offer. SDG&E will review modifications to any PPA terms and conditions proposed in the offer and consider the materiality of these changes. SDG&E discourages extensive modification of the PPA and will consider materiality of such changes on a qualitative basis as it evaluates and ranks the offers received.

C. SUPPLIER DIVERSITY

SDG&E encourages Diverse Business Enterprises (“DBEs”), “Women-Owned Businesses” or “Minority-Owned Businesses” or “Disabled Veteran Business Enterprises” as defined in G.O. 156¹⁶, to participate in this RFO. Furthermore, SDG&E encourages developers to utilize DBEs during various stages of project development and construction. As a part of G.O. 156, SDG&E will require developers to identify, verify and report their DBE contractors/subcontractor spending if any. Additional information on SDG&E’s DBE program can be found at:

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

¹⁶ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

Like other qualitative factors, in the event of a tie between two offers, SDG&E will consider a Respondent's status as a DBE and or a Respondent's plan to utilize the services of DBEs during project development. SDG&E's DBE Program representatives will provide a presentation during the pre-bid conference. DBEs can request additional information by contacting SDG&E at vendorrelations@semprautilities.com.

D. LOADING ORDER RANKING

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

BID CONFORMANCE EVALUATION

In addition to the elements described above, SDG&E may also reject an offer if:

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

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.

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.

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

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

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

IT IS EXPRESSLY CONTEMPLATED THAT MATERIALS SUBMITTED BY A RESPONDENT IN CONNECTION WITH THIS RFO WILL BE PROVIDED TO THE CPUC, ITS STAFF, THE CEC, ITS STAFF, SDG&E'S INDEPENDENT EVALUATOR, SDG&E'S PRG, AND THE COST ALLOCATION METHODOLOGY ("CAM") GROUP. ADDITIONALLY, SDG&E MAY PROVIDE LIMITED INFORMATION SUCH AS (BUT NOT LIMITED TO) ON-LINE DATE, INTERCONNECTION POINT, TECHNOLOGY AND OTHER OPERATIONAL CHARACTERISTICS TO THE CAISO FOR MODELING PURPOSES. SDG&E WILL SEEK CONFIDENTIAL TREATMENT PURSUANT TO PUBLIC UTILITIES CODE SECTION 583 AND GENERAL ORDER 66-C OF THE CPUC,

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

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

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 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 Security Amount
Shortlist Acceptance Fee	within 10 business days from formal notification of shortlisting	Contract Execution	Greater of \$100,000 or \$2/kW of project nameplate capacity
CPUC Approval Security	Contract Execution	CPUC Approval Date	The greater of \$100,000 or \$2.50/MWh multiplied by 2 times expected annual generation
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
Construction Period Security	Date on which all Conditions Precedent are satisfied or waived	COD	\$10.00/MWh multiplied by 2 times expected annual generation
Delivery Term Security	COD	End of Term	\$20.00/MWh multiplied by 2 times expected annual generation

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. 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).

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.