



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

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

2015
REQUEST FOR OFFERS
("RFO")
seeking
COMBINED HEAT AND POWER
POWER PURCHASE AGREEMENTS

ISSUED
JULY 24, 2015

OFFERS DUE
AUGUST 31, 2015

RFO WEBSITE
<http://www.sdge.com/2015CHPRFO>

EMAIL QUESTIONS/COMMENTS TO
CHPRFO@semprautilities.com

Record of Changes

Date	Explanation of Change	Section / Page of Document

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1.0 BACKGROUND

In accordance with the Qualifying Facility (“QF”) and Combined Heat and Power (“CHP”) Program Settlement Agreement and related documents (including the CHP Program Settlement Agreement Term Sheet) approved by the California Public Utilities Commission (“CPUC”) on December 16, 2010 in Decision (D.)10-12-035 (collectively, the “Settlement Agreement”), San Diego Gas and Electric (“SDG&E”) is issuing its 2015 Combined Heat and Power (“CHP”) Request for Offers (“RFO”) to solicit offers (“Offers”) from owners and operators of CHP Facilities and Utility Prescheduled Facilities (“UPF”). The Settlement Agreement became effective November 23, 2011.

(“SDG&E”) is issuing this 2015 CHP RFO to achieve its megawatt (“MW”) and Greenhouse Gas (“GHG”) Emissions Reductions Targets, established in the CHP Program Settlement Agreement and further refined in D.15-06-028 – Decision on Combined Heat and Power Procurement Matters (“2015 CHP Decision”). This RFO solicits offers from owners and operators of CHP Facilities and UPFs.

Pursuant to the CHP Program Settlement, SDG&E seeks to acquire a total of 160 MW of CHP name plate Capacity under Power Purchase Agreements (“PPA” or “Agreements”) during the Initial Program Period (2011-2015) and 51 MW in the Second Program Period (2016-2020), both of which periods are defined in the CHP Program Settlement. Through this solicitation, the third and final of three RFOs to be held during the Initial Program Period, SDG&E seeks offers to meet a CHP MW Target of up to 50 MW in order to make progress toward its Initial Program Period goal of 160 MW. SDG&E may consider offers larger than 50 MW depending on an offer’s overall attractiveness and contributions to meeting the CHP Settlement MW and GHG reduction goals.

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

The Independent Evaluator (“IE”) for this solicitation is Sedway Consulting (with a primary contact of Alan Taylor – e-mail: Alan.Taylor@sedwayconsulting.com , phone: (303) 581-4172).

Table 1 – Program MW Targets Established by the Settlement Agreement

Year	MW Target in RFO
2012	60 MW
2013	50 MW
2015	50 MW
2016-2020	51 MW
Total	211 MW

In this RFO, SDG&E will entertain offers for the following resources as defined in the CHP Program Settlement: Existing CHP, New CHP, Repowered CHP, Expanded CHP, and Existing CHP Facilities Converting to UPF. SDG&E will give preference for offers that are low cost, and

have either low associated GHG emissions or provide GHG emissions reductions through changes in operations or technology. Any facility that offers operating flexibility will be considered favorably.

Table 2 – CHP Product Types

Generating Facility	CHP Baseload Facility ("CHP")	Utility Prescheduled Facility ("UPF")
Facility Vintage	New, Existing, Repowered, Expanded	
Maximum Term	7 Years for Existing and Repowered, 12 Years for New and Expanded meeting Credit requirements (Section 3).	Up to 12 Years
PPA Type	CHP Pro Forma PPA	CHP UPF PPA
Nameplate	Larger than 5 MW	
Delivery Point	Within the CAISO Controlled Transmission Grid	

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

To be considered in this RFO, an Offer must be uploaded to the SDG&E PowerAdvocate® Website in accordance with this RFO Protocol no later than 1:00 PM Pacific Prevailing Time ("PPT"), on the Closing Date (see Section 6.0 – RFO Schedule). In addition, Respondents must simultaneously submit their offers to the IE on a USB thumb drive for physical delivery no later than one day following the PowerAdvocate® upload submission deadline (see Section 8.0 subsection C for the IE's address for this submission).

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, further PPA contract negotiations may commence and continue until mutual agreement has been achieved and a contract has been executed. Being shortlisted does not guarantee that a PPA will be negotiated or signed with the bidder.

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

2.0 PROCUREMENT PROCESS

All offers shall meet the minimum eligibility requirements as set forth in Section 3.0 (Eligibility Requirements). All conforming offers will be evaluated in accordance with the Evaluation Criteria described in Section 5.0 of the RFO. SDG&E will initially select a shortlist for this RFO by selecting offers that have the highest value and best fit with the quantitative and qualitative methodology described in Section 5.0 of the RFO. If SDG&E does not acquire the full target in this RFO, or if this target is not achieved through various other procurement alternatives under the CHP Program Settlement, any shortfall will be carried over to the next RFO. SDG&E may also select more than 50 MW in this RFO to count toward its overall MW target of 211 MW.

SDG&E is mindful of the influence interconnection costs have on successful project development. Distribution system upgrade costs and/or any non-reimbursable transmission system upgrade costs necessary to accommodate a proposed project shall be paid by the Respondent. Any offer shall include studies and estimates of such costs. The transmission cost estimates from the California Independent System Operator (“CAISO”) Phase I or Phase II interconnection study will be utilized in SDG&E’s least-cost/best-fit evaluation of offers submitted by New, Repowered, or Expanded Facilities in response to this RFO (or the Wholesale Distribution Access Tariff “WDAT”) Interconnection Study if interconnecting at distribution voltage).

SDG&E intends for projects selected from this RFO Program to count towards SDG&E’s Resource Adequacy (“RA”) obligations. Respondents must follow the appropriate process for obtaining a deliverability study from the CAISO so that the projects can become eligible for RA, if not already eligible. Deliverability will only apply to the portion of the name plate capacity that SDG&E will be purchasing. Power Purchase Agreements resulting from this RFO will require Respondents to perform all activities necessary to facilitate RA recognition for the projects. The Respondent shall be responsible for all costs to facilitate RA recognition, including any deliverability study fees or upfront funding of deliverability upgrade costs and all such costs should be included in the bid price.

On July 2, 2013, the CAISO published the “Generator Interconnection and Deliverability Study Methodology Technical Paper” and Section One of the paper provides background information and an overview of the deliverability study methodology. Respondents may find this paper at: <http://www.caiso.com/Documents/TechnicalPaper-GeneratorInterconnection-DeliverabilityStudyMethodology.pdf>

3.0 ELIGIBILITY REQUIREMENTS

Respondents to this solicitation shall comply with the requirements herein. SDG&E, at its sole discretion, may waive one or more of these criteria, may change the terms, requirements or schedule of the solicitation without notice to respondents. Respondents should routinely monitor the RFO Website for announcements regarding any change.

A. PARTICIPATION CRITERIA

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

1. Respondents with new projects must apply for interconnection and seek to be evaluated as an RA resource, which requires a CAISO deliverability study.
2. The project must have completed at minimum a CAISO Phase 1 study; if interconnecting at distribution voltage, the project must have completed a WDAT interconnection study.
3. An Offer from respondents with existing facilities must either be a RA resource or the Respondent must seek to become a RA resource, which generally requires a CAISO deliverability study. Evidence of current RA status or pending request for a deliverability study must be included in the offer.
4. The contract delivery term start date must be:
 - i. Within 24 months of PPA Execution (Existing Facilities)
 - ii. Within 36 months of CPUC Approval (Expanded Facilities)
 - iii. Within 60 months of CPUC Approval (New and Repowered Facilities)
5. Respondents must assume all costs associated with energy deliveries to SDG&E.
6. Existing, Repowered, and Expanded and Utility Prescheduled Facilities must submit evidence that all interconnection agreements and permits have been received and the facility can operate under those permits and conditions for the entirety of the proposed contract term.
7. Site Control. Site control is a conformance requirement in this RFO, however the Respondent may either:
 - a. Have site control at the time of bidding for the duration of the term proposed within the PPA, or
 - b. If the Respondent does not have such site control at the time of bidding, they must obtain site control within four (4) months of PPA execution (the PPA will be conditioned on receipt of site control within four months of PPA execution).

Site control may be evidenced by documentation of:

- i. direct ownership
- ii. an executed lease
- iii. an executed option to lease or purchase upon PPA approval. The option must be an exclusive option to the Bidder that will last until the completion of the RFO cycle.

8. Respondents must submit at least two pricing proposals per project (one by which the respondent assumes all of the GHG emissions costs, and a second where the respondent passes on some specified portion or all of those costs onto SDG&E). The number of pricing proposal per project will be limited to ten.
9. The Respondent will own the facilities and have responsibility for development, land acquisition, permitting, financing, construction and operation for the facilities.
10. RA-only Offers will NOT be accepted / are not eligible in this RFO.
11. The Respondent must state the affiliate relationship with SDG&E and/or Sempra Energy, if one exists.

B. RESOURCE CRITERIA

The CHP Facility must meet the following resource criteria:

1. Nameplate capacity must be 5 MW or larger.
2. The CHP Facility and its associated delivery point must be located within the CAISO controlled transmission grid.
3. The CHP Facility must meet the definition of cogeneration under California Public Utilities Code §216.6 and the Emissions Performance Standard established by Public Utilities Code §8341 (Senate Bill 1368).
4. The CHP Facility must meet the federal definition of a qualifying cogeneration facility under 18 CFR §292.205 implementing Public Utility Regulatory Policies Act of 1978 (“PURPA”) (16 U.S.C. §824a-3).

This RFO also provides for CHP Facilities converting to Utility Prescheduled Facilities. A CHP Facility that met the PURPA efficiency requirements (18 C.F.R. §292.205) as of September 2007 and converts to a Utility Prescheduled Facility is also eligible to participate in the CHP RFOs. After the Existing CHP Facility converts to a Utility Prescheduled Facility, it may be either a Qualifying Facility or an Exempt Wholesale Generator (“EWG”) if the facility otherwise meets the criteria in Section 4.2.2.2 of the Settlement Agreement.

SDG&E &E will consider Offers from the following resources in this RFO as defined in the Settlement Agreement:

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

Existing CHP Facility: An Existing CHP Facility is one that was operational before the Settlement Effective Date.

Repowered CHP Facility: If the CHP Facility contains combustion turbines, then each combustion turbine must be replaced with:

- 1) A new combustion turbine that has been certified as new by the original manufacturer of the equipment provided, however, that the CHP Facility that has replaced its combustion turbines with a substantially identical engine (*e.g.*, as is common during major overhauls of aero derivative combustion turbines or as part of a spare engine program), does not qualify as a Repowered CHP Facility; or

2) A refurbished combustion turbine, so long as such refurbished combustion turbine has been certified by the entity that refurbished such combustion turbine (which may be the manufacturer) to achieve Heat Rate and total power output performance guarantees comparable to a new combustion turbine, prior to operational degradation; or

3) If the CHP Facility contains only steam turbines, then each steam turbine must be replaced with a refurbished steam turbine, which refurbishment must have been accomplished with new or near-new condition parts, and which include (i) a replacement of all stop and throttle control valves, seals, bearing, rotors, and turbine blades of each steam turbine, and (ii) a replacement or rebuilding of the stationary part of each steam turbine back to new condition, including seal system, lube oil system and all associated piping and auxiliary equipment.

In addition to the above turbine requirements related to repowered / refurbished facilities, all of the following conditions must be met:

1) The repowering of the Generating Facility as described in this definition must be completed before the Term Start Date,

2) Section 1.02(a) of the CHP PPA must provide that the Generating Facility will be a Repowered CHP Facility on the Term Start Date, and

3) Seller must provide to buyer a written certification, including all supporting data, from a qualified independent engineer acceptable to buyer, which certification must provide that the total useful life of the CHP Facility (including, as applicable, the combustion turbine(s), the steam turbine(s), the electrical generator(s) and the heat recovery steam generator) will operate for at least the Term of the Agreement, subject to industry standard maintenance practices.

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

Utility Prescheduled Facility: An Existing CHP Facility that has changed operations to convert to a utility controlled dispatchable generation facility, including but not limited to an EWG.

C. POWER PURCHASE AGREEMENT CRITERIA

Bidders may modify the CHP Pro Forma PPA or UPF PPA submitted as part of their Offer package to the extent such modifications add value to the Offer. Bidders may modify the CHP PPAs submitted as part of their Offer submittal to the extent such modifications add value to the Offer. SDG&E discourages extensive modification of the PPA.

D. CREDIT TERMS AND CONDITIONS

Existing Facilities

A bidder submitting an offer with respect to an existing CHP facility for a term that is less or equal to 7 years under the CHP PPA Exhibit F is not required to meet the aforementioned requirements.

New or Expanded Facilities

A bidder submitting an offer for a new, expanded or repowered CHP facility, must comply with credit and collateral requirements set forth in the CHP PPA. Existing facilities wishing to convert to UPF, must also meet the same credit requirements as new and expanded or repowered CHP facilities.

A bidder submitting an offer with respect to an existing CHP facility, repowered or an expanded CHP facility for a term that is less or equal to 7 years under the CHP PPA Exhibit F is not required to meet the aforementioned requirements.

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

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

- Seller shall post and thereafter maintain the Development Security in accordance with Section 4(b) of Exhibit F.
- Seller shall post and thereafter maintain the Performance Assurance, in accordance with Section 2(a) of Exhibit F, in an amount equal to
 - [Option 1: 12 months of expected total Net Contract Capacity revenues],
 - [Option 2: 12 months of expected total revenues],
 - [Option 3: five percent of the expected total revenues,
 - [Option 4: [As proposed by Seller, subject to further negotiations between the Parties]] of the Generating Facility under this Agreement (the “Performance Assurance Amount”) The initial Performance Assurance Amount equals \$[___]. The Performance Assurance Amount will be revised upon any change to the Expected Term or Yearly Energy Production.

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

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

Generally Accepted Accounting Principles and SEC rules require SDG&E to evaluate whether or not SDG&E must consolidate a Seller’s financial information as the primary beneficiary of a variable interest entity. If SDG&E determines at any time during the term of the agreement

that consolidation is required, SDG&E shall require the following during every calendar quarter for the term of any resultant agreement:

- a) Complete unaudited financial statements and notes to financial statements, within 15 days of the end of each quarter;
- b) Financial schedules underlying the financial statements, within 15 days of the end of each quarter;
- c) Access to records and personnel, so that SDG&E's internal or independent auditor can conduct financial audits (in accordance with generally accepted auditing standards) and internal control audits (in accordance with Section 404 of the Sarbanes-Oxley Act of 2002)) and 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 on the SEC Form 8K event;
- 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 and treated in accordance with section 10 – Confidentiality.

4.0 FACILITY INTERCONNECTION

A. TRANSMISSION INTERCONNECTION

Respondents with new projects or expanded projects must have completed a System Impact Study (at minimum, a CAISO Phase I interconnection study) or WDAT interconnection study for projects interconnecting at distribution voltage.

Transmission level projects are required to apply for interconnection through the CAISO Large Generator Interconnection Agreement/Small Generator Interconnection Agreement process. New distribution level projects will be required to apply through SDG&E's or respective IOU's WDAT process. Projects interconnecting within SDG&E's service territory may visit: <http://www.sdge.com/business/interconnection.shtml> for additional information. Respondents are responsible for all interconnection costs that are allocated to the project and these costs should be incorporated into the Offer. System upgrade costs borne by SDG&E customers will be included in the evaluation and ranking of offers.

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

For more information:

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

- Download and review SDG&E Interconnection Handbook,
- Links to CASIO interconnection queue, tariffs and websites,
- Links to SDG&E interconnection queue, tariffs and websites,
- Link to North American Electric Reliability Corporation ("NERC") Reliability Standards,
- Links to Process Summaries,
- Link to SDG&E Self Generation Technologies site.

CAISO Generation Interconnection Process Contact:

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

SDG&E Contact:

- Gen. Interconnection Project Manager: Marlene Mishler (858) 654-8640
- **MMishler@semprautilities.com**

B. GAS SUPPLY & INTERCONNECTION

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

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

5.0 EVALUATION CRITERIA

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

SDG&E will utilize all the information provided in the required forms and narratives to evaluate all offers. Respondents are responsible for the accuracy of all discussions, figures and calculations. Errors discovered during evaluation may impact a Respondent's standing on the short-list.

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 cash flow components for both benefits and costs. These components are then netted and discounted to yield a Net Market Value ("NMV") for each offer. The NMV of an Offer is compared to the NMV of other offers to determine if that offer is one of the combination of highest value offers. The economic evaluation normalizes the MW size differences of offers by finding the most attractive NMV per MW. "Best-Fit" is achieved by ensuring that the combination of selected offers is the solution and fulfills both the quantitative and qualitative criteria further described below.

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

A. NET CAPACITY BENEFITS

Net 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 bidder's RA capacity value is based on monthly forecasts determined by SDG&E, which are then aggregated into annual capacity benefits. Projects in the SDG&E service area will receive added local capacity benefit, but all generating facilities that have a delivery point at a CAISO intertie have the potential to provide a system capacity benefit dependent on SDG&E's ability to obtain import allocation rights from the CAISO. Projects with firm capacity will have more capacity value than as-available capacity.

B. NET ENERGY BENEFITS

For offers with firm or as-available energy, SDG&E calculates the net energy benefits of the offer based on how the offer's energy costs compare to forecast market value of the energy inclusive of GHG costs. For offers with dispatch capabilities at SDG&E's control, SDG&E calculates the net energy benefits based on the market values of energy when the proposed unit would be expected to

be dispatched. The market value of the energy is adjusted for congestion losses incurred by SDG&E.

C. GHG COSTS AND EMISSIONS

Pursuant to the CHP PPA, bidders can assume all or a portion of the GHG compliance costs, elect to pass through the GHG compliance cost to SDG&E, or elect to share GHG cost recovery. If the bidder passes through a portion of all GHG costs to SDG&E, SDG&E will estimate the GHG costs based on its own forecast of GHG prices and credit the bid if the seller elects to assume some or all of the GHG costs. GHG emissions associated with electricity generated by the facility and delivered to SDG&E will also be evaluated. Note that bidders are required to provide at least two pricing options – one in which the seller assumes the GHG costs and one in which the buyer assumes the GHG costs.

D. TRANSMISSION/DISTRIBUTION SYSTEM IMPACTS

For new or expanded projects, SDG&E will use costs derived from the CAISO Phase 1 or 2 study results (or WDAT interconnection study for projects that interconnect at distribution voltage).

The bidder will assume all Direct Assignment Facility costs and wheeling charges to the Delivery point. These costs should be included into the bid price.

E. GHG REDUCTION ADJUSTED RANKING PRICE

Offers will be sorted based on Net Market Value and SDG&E will also consider the GHG reduction savings as calculated by the Settlement rules. SDG&E will also rank the offers based on the lowest net cost per ton of GHG reduction credits. The contribution towards the CHP Settlement MW target and GHG reduction goals will be included in the overall assessment of offers.

QUALITATIVE EVALUATION

Qualitative factors and benefits will be used to determine advancement onto the short list or evaluate tie-breakers, if any.

A. PROJECT VIABILITY

SDG&E is seeking experienced companies and development teams to develop and operate facilities utilizing known and proven technology. New Projects should have clear and achievable project development milestones. Projects with new or changed local environmental impacts should demonstrate the ability to obtain permits to operate.

B. PROJECT RELIABILITY

SDG&E will not only review the viability of new, expanded, and repowered projects but will also consider the physical condition and age of the existing facilities submitted for review.

C. ADHERENCE TO PPA TERMS AND CONDITIONS

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

D. SUPPLIER DIVERSITY

SDG&E encourages Diverse Business Enterprises (“DBEs”), as defined in G.O. 156¹, to participate in the CHP program. 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/>

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

SDG&E is seeking to increase opportunities for diverse business entities to compete for SDG&E’s business, through both direct and indirect contracting. In the event of a tie, a Diverse Business Enterprise will receive qualitative preference if the business has been certified.

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 project meets minimum resource criteria;
4. the Respondent cannot fulfill the terms and conditions of the CHP PPA; and/or,
5. the Respondent is unable to comply with RFO timing and other solicitation requirements.

¹ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

6.0 RFO SCHEDULE

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

NO.	ITEM	DATE
1.	RFO Issued	July 24, 2015
2.	Pre-Bidder's Conference	August 11, 2015
3.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on the website no later than August 20, 2015	August 14, 2015
4.	CLOSING DATE: Offers must be uploaded to and received by SDG&E's PowerAdvocate ® web platform no later than 1:00 PM (Pacific Prevailing Time).	August 31, 2015
5.	DEADLINE TO OVERNIGHT one USB thumb drive containing all offer documents and files to IE	August 31, 2015 (for receipt by IE no later than September 1, 2015)
6.	SDG&E and IE begin bid evaluation process	September 1, 2015
7.	SHORTLIST NOTIFICATION SDG&E notifies Shortlisted Bidders	October 23, 2015
8.	SHORTLISTED BIDDERS ACCEPTANCE/WITHDRAWAL Letter due from Shortlisted Bidders indicating: a. Withdrawal from SDG&E's solicitation; OR b. Acceptance of shortlisted standing; withdrawal of participating in any other solicitation and evidence of withdrawal notice to all other solicitors	+10 Days after Shortlist Notification
9.	SDG&E issues appreciation notices to unsuccessful Respondents	+3 week after Shortlisted Bidders accept/withdraw
10.	SDG&E commences with PPA negotiations	up to 24 weeks*
11.	SDG&E submits PPAs to CPUC for approval	+4 weeks after PPAs are negotiated and executed
	* Negotiation time will vary depending on facility vintage and proposed contract modifications.	

PRE-BID CONFERENCE

SDG&E will host one pre-bid conference on August 11, 2015. Participation in the pre-bid conference is NOT mandatory in order to submit an offer. Please monitor the RFO Website periodically. The venue and call-in / webinar information will be posted as soon as arrangements are finalized.

Any party interested in attending this pre-bid conference should email the following information to CHPRFO@SempraUtilities.com

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

7.0 RFO WEBSITE AND COMMUNICATION

The RFO and all subsequent revisions and documents are available for download from the RFO Website. Potential Respondents are responsible for monitoring the RFO Website for subsequent updates, notices and postings.

The RFO website (as well as the PowerAdvocate® platform) contains RFO forms and documents and the RFO Schedule. The RFO website also contains a Question and Answer document that contains all questions received about this RFO (at the bidder's conference as well as by e-mail) along with answers to those questions for the benefit of all potential respondents.

All questions or other communications regarding this RFO must be submitted via email to CHPRFO@semprautilities.com by the DEADLINE TO SUBMIT QUESTIONS as specified in Section 6.0 RFO Schedule and should cc the IE (at Alan.Taylor@sedwayconsulting.com).

SDG&E will not accept questions or comments in any other form.

8.0 RFO RESPONSE INSTRUCTIONS

A. PowerAdvocate® Platform Instructions

The PowerAdvocate® Platform is the means by which Respondents will submit their offers related to this RFO to SDG&E for consideration. In addition, Respondents must simultaneously submit their offers to the IE on a USB thumb drive for physical delivery no later than one day following the PowerAdvocate® upload submission deadline (see Section C below for the IE's address for this submission). Respondents can also find solicitation related documents on PowerAdvocate® that are also on the RFO Website.

Respondents will need to register for a user name and password to access PowerAdvocate® in order to upload their offer(s).

The RFO and all subsequent revisions and documents are available for download from the RFO Website and the 2015 CHP RFO event on PowerAdvocate®. Potential Respondents are responsible for monitoring the RFO Website and PowerAdvocate® for subsequent updates, notices and postings.

The 2015 CHP RFO event on PowerAdvocate® contains the required RFO forms, documents, and schedule. Respondents intending to bid but who do not yet have an existing account with PowerAdvocate® must first register to create a username/password in order to receive access to the event. See below for instructions to register for a user name and password:

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=51352&pubEvent=true>

B. The RFO Website

The RFO website (<http://www.sdge.com/2015CHPRFO>) contains RFO forms and documents, the RFO schedule, and a Question and Answer forum. All questions or other communications regarding this RFO must be submitted via email to CHPRFO@semprautilities.com by the DEADLINE TO SUBMIT QUESTIONS as specified in Section 6.0 RFO Schedule. SDG&E will not accept questions or comments in any other form, except during the scheduled bidder's conferences.

C. Required RFO Response Materials / Instructions

Respondents are required to submit at least two offer forms (maximum of 10) to this solicitation by submitting the forms listed below (Note: The two required offers are: 1 - seller assuming the GHG costs, and 2 – buyer assuming GHG costs).

The below listed required forms are available on the RFO Website and the Power Advocate platform. The failure to provide the listed information may result in the proposal being deemed non-conforming and may disqualify the proposal from further consideration.

Required Participation Forms:

- 1) **Offer Form** – Bidders must include in their Offer Form proposed pricing for the following items:
 - a) Firm Capacity Price (\$/kW-yr)
 - i. Any fixed O&M cost should be entered separately in the column designated 'Fixed O&M'. This amount will be added to the Firm Capacity Price to equal the Firm Capacity Payment to the seller.
 - b) As-Available Capacity Price (\$/kW-yr) if applicable.
 - i. Applicable only to CHP Pro Forma PPAs.

- c) Fixed Energy Price in \$/MWh or,
- d) Variable Energy Price at a guaranteed (fixed) heat rate (Btu/kWh) applied to either the PG&E City Gate or SoCal Gas price index
 - i. Gas Transportation Service Rate (\$/MMBtu) applied to the gas price index, if applicable,
 - ii. Variable O&M (\$/MWh) applied to the energy payment, if applicable.

Bidders are required to complete the Offer Form as well as the other applicable appendices. The Offer Form should be completed in conjunction with the PPA form of contract when the PPA contract is required. In order for a PPA Offer to be considered, it shall include two GHG Compliance Cost options as set forth in the pro-forma CHP RFO PPA or Utility Prescheduled Facility (“UPF”) PPA, as applicable.

- 2) **Project Description Form** – Submit one per project. A written description of the generating facility as well as the following information: nameplate of each generating unit, heat balance diagrams, thermal host and use, contractual arrangements, and description of all interconnection systems.
- 3) **CEC-2843 Application Form** – Submit a copy of respondent’s application to the California Energy Commission (“CEC”) requesting qualification for the Combined Heat and Power System. If this application form is not required for your facility, please provide forecasted amounts in the offer form on tab 6.b ‘CEC-2843 Information’.
- 4) **Electric Interconnection Information** – Please provide copies of completed studies, provide the name of the substation and interconnection voltage applicable to the facility as well as the nearest 230kV substation (if known) in the Offer Form (listed above).
- 5) **Credit Application** – Submit one per project. A credit application will be required under all PPAs. Changes to terms and conditions will render the offer non-conforming and disqualify the project from further consideration.
- 6) **Supplier Diversity Information** - Provide a copy of certification documents received from the CPUC. An application can be made before submission of the offer and referenced in the offer.
- 7) **Redline forms of the Applicable PPA** – Submit up to one of each if respondent wishes to bid in the facility as both a base load and dispatchable resource. CHP RFO Pro Forma PPA Redline will be used for base load resources and the CHP Utility Prescheduled Facility PPA Redline will be used for dispatchable resources.

The Project Description Form, Credit Application, and completed PPA must be in Word or Word-compatible format (not in PDF). The Offer Forms must be in Excel (.xls or .xlsx) format (not in PDF).

Any party interested in submitting an offer must register on PowerAdvocate® and upload the above required offer files to PowerAdvocate®. In addition, as noted above, Respondents must simultaneously submit their offers to the IE on a USB thumb drive for physical delivery no later than one day following the PowerAdvocate upload submission deadline. The Respondent's thumb drive must be sent to the following address:

Alan Taylor
Sedway Consulting
821 15th Street
Boulder CO 80302

Respondents will be sent an email confirmation from the IE of the receipt of their thumb drive package when the IE receives them. If a Respondent does not receive a confirmation email, please email the IE at Alan.Taylor@sedwayconsulting.com.

All offers must be uploaded to the RFO Website no later than **1:00 p.m.**, Pacific Prevailing Time, on the CLOSING DATE (see Section 6.0, 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 inbox by 1:00 p.m., Pacific Prevailing Time, on the Closing Date (with a cc to the Independent Evaluator). If the Respondent encounters technical difficulties with both the uploading process and the RFO inbox, they should provide evidence of such difficulties (e.g. a screen shot of the error message or a sent email notice with a time stamp before 1:00 p.m. on the Closing Date) and submit a USB Thumb Drive or CD of the bid package to SDG&E at the addresses below by close of business on the day following the Closing Date.

San Diego Gas & Electric Company
Electric and Fuel Procurement Department
Attn: CHP RFO
8315 Century Park Court, CP21D
San Diego, CA 92123-1593

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

SDG&E will review and may utilize all information submitted by a Respondent in its evaluation of the offer. 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.

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

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.

9.0 REJECTION OF OFFERS

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

10.0 CONFIDENTIALITY

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

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

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

IT IS EXPRESSLY CONTEMPLATED THAT MATERIALS SUBMITTED BY A RESPONDENT IN CONNECTION WITH THIS RFO WILL BE PROVIDED TO THE CPUC, ITS STAFF, THE CEC, ITS STAFF, SDG&E'S INDEPENDENT EVALUATOR, SDG&E'S PRG, AND THE COST ALLOCATION METHODOLOGY ("CAM") PROCUREMENT REVIEW GROUP. SDG&E WILL SEEK CONFIDENTIAL TREATMENT PURSUANT TO PUBLIC UTILITIES CODE SECTION 583 AND GENERAL ORDER 66-C OF THE CPUC, WITH RESPECT TO ANY RESPONDENT CONFIDENTIAL

INFORMATION SUBMITTED BY SDG&E TO THE CPUC FOR THE PURPOSES OF OBTAINING REGULATORY APPROVAL. SDG&E WILL ALSO SEEK CONFIDENTIALITY PROTECTION FROM THE CEC FOR RESPONDENT'S CONFIDENTIAL INFORMATION AND WILL SEEK CONFIDENTIALITY AND/OR NON-DISCLOSURE AGREEMENTS WITH THE PROCUREMENT REVIEW GROUP ("PRG") AND THE CAM 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, THE CAM PRG, CEC, OR CPUC.

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

11.0 CHP PROGRAM PARAMETERS

THIS RFO'S ROLE IN THE CALIFORNIA AB 32 PROGRAM

As part of the CHP Settlement, (approved in Decision (“D.”) 10-12-035) a new CHP Program was developed for California Investor Owned Utilities (“IOUs”) setting a 3,000 MW target to maintain the GHG benefits of the existing CHP fleet in California. SDG&E’s share of this allocation is 211 MW.

PROCUREMENT REVIEW GROUP

The Procurement Review Group (PRG) and CAM PRG, CPUC-endorsed entities, are composed of non-market bidders such as ratepayers’ advocacy groups, state energy and water commissions, power authorities, utility-related labor unions and other non-commercial, energy-related special interest groups. CPUC D.03-06-071 established the role of the PRG in the RPS Program. Each IOU has its own PRG and CAM PRG. The PRG and CAM PRG are charged with overseeing the IOU’s procurement process, reviewing procedural fairness, examining overall procurement prudence and providing feedback during all stages. From RFO language development to offer evaluation to contract negotiation, each IOU briefs its PRG and CAM PRG on a periodic basis during the entire process.

Respondents are hereby notified that revealing confidential offer information to the PRG or CAM PRG is required during briefings in accordance with Section 10 (“Confidentiality”). Each Respondent must clearly identify, as part of its offer, what type of information it considers to be confidential.

INDEPENDENT EVALUATOR

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

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

12.0 SDG&E BACKGROUND

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

SDG&E's electric transmission network is comprised of 130 substations with 912 miles of 69-kV, 240 miles of 138-kV, 551 miles of 230-kV, and 247 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), the Otay Mesa Energy Center and a number of combustion turbine facilities located around the service area (connected at 69 kV). Imported resources are largely received via SDG&E's two 500kV transmission lines; the Southwest Power Link (SWPL), which is SDG&E's 500-kV transmission line that runs from Arizona to San Diego along the U.S./Mexico border and the Sunrise Power Link that parallels SWPL in the eastern portion of San Diego County before turning north toward the Suncrest substation.

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