



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

**SDG&E'S GREENHOUSE GAS OFFSET CREDIT
REQUEST FOR OFFERS
("GHG OFFSET RFO")**

2014
REQUEST FOR OFFERS ("RFO")
seeking
GREENHOUSE GAS OFFSET CREDIT
AGREEMENTS

ISSUED
OCTOBER 31, 2014

OFFERS DUE
NOVEMBER 20, 2014

RFO WEBSITE
<http://www.sdge.com/2014GHGOffsetRFO>

EMAIL ADDRESS FOR OFFER SUBMITTALS / QUESTIONS / COMMENTS:
GHGOffsetRFO@semprautilities.com

TABLE OF CONTENTS

TABLE OF CONTENTS	1
1.0 BACKGROUND	2
2.0 RFO Schedule.....	4
3.0 ELIGIBILITY REQUIREMENTS.....	4
A. OVERVIEW	4
B. OFFER DETAILS.....	5
C. ELIGIBILITY OF OFFSET CREDITS – ELIGIBILITY REQUIREMENTS	5
D. CREDIT TERMS AND CONDITIONS.....	6
4.0 EVALUATION CRITERIA.....	7
A. PRIMARY EVALUATION FACTORS	7
B. OTHER EVALUATION FACTORS	8
C. THE PRG AND INDEPENDENT EVALUATOR	9
Procurement Review Group.....	9
Independent Evaluator.....	9
5.0 RFO WEBSITE, COMMUNICATION & Bidder Outreach	10
A. GENERAL.....	10
B. PRE-BID CONFERENCE.....	10
6.0 RFO RESPONSE INSTRUCTIONS	11
7.0 REJECTION OF OFFERS	13
8.0 CONFIDENTIALITY.....	14
9.0 SDG&E BACKGROUND	16

1.0 BACKGROUND

In accordance with California Public Utilities Commission (“CPUC”) Decision (D.)12-04-046¹ issued April 19, 2012 and San Diego Gas & Electric’s (“SDG&E”) Advice Letter 2362-E-A, SDG&E’s 2012 Long Term Procurement Plan (“SDG&E’s LTPP”) filed July 25, 2012, SDG&E is issuing its 2014 Greenhouse Gas Offset Credit (“GHG Offset”) Request for Offers (“RFO”) to solicit offers for qualified greenhouse gas offset credits (“Offers”) in furtherance of satisfying SDG&E’s compliance obligations adopted by the California Air Resource Board (“CARB” or “ARB”) as part of their proceeding to implement California Assembly Bill 32 (“AB 32”) – the Global Warming Solutions Act - signed into California law in 2006.

CARB has identified two types of compliance instruments: 1) California GHG emission allowances and 2) California offset credits. These compliance instruments are matched against emissions to satisfy a compliance obligation. SDG&E is issuing this 2014 GHG Offset RFO to solicit Offers from entities (“Bidder” or “Bidders”) that are registered with CARB, or whose registration with CARB is pending.² Additionally, Bidders must also have or have pending a CARB-issued holding account pursuant to the Cap-and-Trade Regulations³ prior to the delivery date set forth in the Offer. The Bidder making an Offer to sell offset credits must be authorized under all applicable jurisdictions and laws to transfer full title and ownership of the offset credits to SDG&E.

This solicitation sets forth the terms and conditions of SDG&E’s GHG Offset 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 being received by SDG&E.

The Independent Evaluator (“IE”) for this solicitation is Sedway Consulting, Inc. Further details of the IE’s involvement in the solicitation are included in section 4.C of this RFO.

In this RFO, SDG&E will entertain Offers that qualify under any of the compliance offset protocols⁴ as defined by the CARB for up to eight (8) percent of its compliance obligation.⁵

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

¹ D.12-04-046 is titled “Decision on System Track I and Rules Track III of the Long-Term Procurement Plan Proceeding and Approving Settlement”. The greenhouse gas product procurement discussion begins on p. 40 of the decision, and the ordering paragraph addressing this issue is number eight, beginning on p. 75 of D.12-04-046.

² Participants must register through the process described in Section 95830 of Title 17 of the California Code of Regulations. In particular, see Title 17, Subchapter 10, Climate Change, Article 5, Section 95830.

³ ‘Cap-and-Trade Regulations’ means Title 17 of the California Code of Regulations, Article 5, Sections 95800 to 96023. See <http://government.westlaw.com/linkedslice/search/default.asp?tempinfo=find&RS=GVT1.0&VR=2.0&SP=CCR-1000>. Note: enter ‘17’ in the ‘Title’ search box and 95801 in the ‘Section’ search box. In the subsequent web page click on ‘1. 17 CCR s 95801’ and in the resulting page click on ‘Article 5’.

⁴ At this time, there are five approved offset protocols, but CARB may approve others in the future.

⁵ This is the limit imposed in D.12-04-046, Ordering Paragraph (OP) 8.c.

contained within the form agreement associated with this RFO, the terms and conditions in the agreement applicable to the Offer(s) will prevail.

To be considered in this RFO, an Offer must be e-mailed to SDG&E (at GHGOffsetRFO@semprautilities.com) with a cc provided to the Independent Evaluator (at Alan.Taylor@sedwayconsulting.com) in accordance with this RFO no later than 11:59 PM Pacific Prevailing Time (“PPT”), on the CLOSING DATE as listed in Section 2.0’s RFO Schedule.

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 issues such as discussions with shortlisted bidders or proceedings before the CPUC (additional issues may impact the schedule). 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.

All Offers shall meet the minimum eligibility requirements as set forth in Section 3. All conforming offers will be evaluated in accordance with the evaluation criteria described in Section 4 of the RFO and a shortlist will be determined.

Once Bidders have accepted their shortlisted position via letter from the Bidder to SDG&E, further contract negotiations may commence. Being short listed does not guarantee that SDG&E will execute a contract with the Bidder.

This RFO does not constitute an offer to buy and creates no obligation for SDG&E to execute any agreement or to enter into a transaction under an agreement. SDG&E shall retain the right at any time, at its sole discretion, to reject any offer for any reason, and reserves the right to request information from Bidders regarding the Offer (their Offers) at any time during the solicitation process. SDG&E also retains the discretion, in its sole judgment, to: (a) change the offer evaluation criteria for any reason; (b) terminate further participation in this process by any Bidder, or (c) modify this RFO including the forms of agreement as it deems appropriate. SDG&E has the right to take the above-stated actions with respect to any offer or all offers, all without notice and without assigning any reasons and without liability to SDG&E or anyone acting on SDG&E’s behalf. SDG&E will not be liable in any way, by reason of such withdrawal, rejection, suspension, termination or any other action described in this paragraph to any Bidder, whether the Bidder submits an offer or not.

2.0 RFO SCHEDULE

The RFO schedule provided below is subject to change at SDG&E's sole discretion at any time. SDG&E will provide Bidders with schedule change via notification on the RFO website: <http://www.sdge.com/2014GHGOffsetRFO>. SDG&E is not liable to any Bidder for any costs or other damages related to changes in the schedule or for failing to provide notice of any change.

NO.	ITEM	DATE
1.	RFO Issued	10/31/2014
2.	Pre-Bidder's Conference in San Diego, California (including dial-in / webinar)	11/07/2014
3.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on the RFO website http://www.sdge.com/2014GHGOffsetRFO no later than 1 week following question submittal cutoff date.	11/11/2014
4.	CLOSING DATE: Offers must be e-mailed to SDG&E at GHGOffsetRFO@semprautilities.com no later than 11:59pm (local prevailing time) – cc provided to the Independent Evaluator at Alan.Taylor@sedwayconsulting.com	11/20/2014
5.	SDG&E briefs its Procurement Review Group (PRG) on RFO progress	11/21/2014
6.	SDG&E notifies short-listed Bidders	12/02/2014
7.	Letter due from short-listed Bidders indicating: a. Withdrawal from SDG&E's solicitation; OR b. Acceptance of short-listed standing	12/05/2014
8.	SDG&E and short listed Bidders commence negotiations (credit terms / contract language)	12/05/2014
9.	SDG&E issues appreciation notices to unsuccessful Bidders	12/08/2014

3.0 ELIGIBILITY REQUIREMENTS

A. OVERVIEW

SDG&E will only consider Offers that will be "Existing Projects" by the offer submission. This requires that Bidders have registered with (or caused the project producing the offset credits to

register with), ARB and have received at least one Positive Offset Verification Statement by an ARB-approved verifier or least one positive desk review for Early Action Offsets for that specific project by the date of offer submission. The Positive Verification Statement or positive desk review may be for the vintage year being offered or for a prior vintage year, but must be for the same project. Bidders must also have an ARB-issued holding account pursuant to the Cap-and-Trade Regulations prior to the delivery date set forth in the offer. The Bidder selling the offset credits must be authorized under all applicable jurisdictions and laws to transfer full title and ownership of the offset credits to SDG&E.

B. OFFER DETAILS

Bidders may submit Offers for offset credits from either a single offset project or from an aggregated pool of offset projects. Acceptable Offers include a fixed amount of offset credits from a single offset project, or a fixed amount of offset credits from a pool of specified offset projects. Bidders offering offset credits from a pool of projects must identify and provide the information requested in the 'Project Description Form' for each of the individual projects in the pool. Bidders may submit multiple offers.

Offers must consist of offset credits from offset projects that have received, for at least one vintage year, a 'Positive Offset Verification Statement', as defined in the Cap-and-Trade Regulations, as of the RFO offer due date (an "Existing Project").

Offset credit invalidation period: ARB has the ability to invalidate an offset credit within eight years of issuance. This time frame may be shortened, depending on the compliance offset protocol and based on verification details⁶ to three years. SDG&E will only entertain Offers for offset credits that have shortened their invalidation period to three years.

Offset credit vintage year: Offset credits fall into different vintage years depending on the timing of when the credit was generated. SDG&E will only entertain Offers for offsets of Vintage year 2014 or earlier.

Minimum Offer Size: 10,000 offset credits in aggregate (may be delivered over specified multiple years).

Pricing: Pricing must be provided on a fixed dollar amount per offset credit basis. Pricing should reflect the eligibility requirements noted in Section 3.C. below.

C. ELIGIBILITY OF OFFSET CREDITS – ELIGIBILITY REQUIREMENTS

In reviewing offers, SDG&E will determine whether the offset credits satisfy SDG&E's compliance needs.

- Prior to delivery to SDG&E, each offset credit must be held in the holding account of an entity registered with ARB.

⁶ For example: for an ozone depleting substance project, the invalidation timeframe may be shortened to three years if the offset credits are re-verified by a different offset verification body than the one that did the initial verification. Please see the Cap and Trade Regulations for further details.

- An offset credit cannot be held in a Compliance Account.⁷
- The offset credit invalidation period must be three (3) years.
- The offset credit vintage year must be 2014 or earlier.
- An offset credit must meet the requirements set forth in either Section 95973 (listing requirements for Offset Credits) or Section 95990 (listing requirements for Early Action Offset Credits) of Title 17 of the California Code of Regulations, as applicable.
- Offset Credits will be delivered into SDG&E's account no later than August 03, 2015. At the time of delivery to SDG&E, the offset credit must have been issued by ARB, and be usable by SDG&E for compliance in accordance with the Cap-and-Trade Regulations. Other forms of offset credits (e.g. Climate Reserve Tonnes) are not eligible products for this RFO.
- In addition to the requirements identified elsewhere in this RFO, offers must meet the requirements of SDG&E's approved GHG Procurement Plan - Appendix F to SDG&E's Advice Letter 2362-E-A – SDG&E's Long Term Procurement Plan. These include, but are not limited to these requirements:
 - Bidders must assume the risk of Offset Credit invalidation per SDG&E's agreement (Master Allowance/Offset Credit Purchase Agreement and the Offset Credit Confirmation), and post appropriate collateral to protect SDG&E's customers against invalidation and default risk; and
 - Offers are subject to SDG&E's approved procurement credit and collateral requirements, and the applicable affiliate transaction rules.

D. CREDIT TERMS AND CONDITIONS

In its evaluation of an offer, SDG&E will consider the Bidder's ability and willingness to comply with the credit and collateral requirements as set forth in the Credit Support Addendum to the Form of Master Allowance/Offset Credit Purchase Agreement. SDG&E's overall credit concentrations with each Bidder will also be taken into consideration. To further understand each of the collateral posting requirements, please carefully review the Credit Support Addendum.

Key provisions in the Credit Support Addendum (attached to the Master Allowance / Offset Credit Purchase Agreement) are as summarized below:

1. Bidders will be required to post collateral equivalent with the Agreement Exposure, as defined in the Credit Support Addendum, less any unsecured credit limit granted. Agreement Exposure means: (i) mark-to-market value of the Offset Credits sold to SDG&E under the Agreement until the Bidder has delivered the Offset Credits to SDG&E in accordance with the terms of the Agreement, plus (ii) net accounts payable and accounts receivable, if any, plus (iii) Invalidation Security Amount required, if applicable.
2. If at any time prior to delivery of the offset credit the Bidder or its guarantor, if applicable, has a credit rating that falls below investment grade (or does not have a credit rating), the

⁷ See definition in the California Code of Regulations, Title 17, Section 95802(a)(151)

Bidder shall provide SDG&E collateral equal to 10% of the notional value of all outstanding transactions under the Agreement. This amount is in addition to any collateral posted under Section 3.D.1 immediately above.

3. Following delivery of the offset credits to SDG&E and for the entire Invalidation Period, Bidders will be required to provide collateral equaling 20% of notional value. This Invalidation Security Amount will be held by SDG&E throughout the invalidation term applicable to the offset credits in order to mitigate SDG&E's risk of loss in the event that the offset credits are invalidated in whole or in part. The required amount is part of the Agreement Exposure calculation and any unsecured credit granted Bidder may offset some or all of this requirement.
4. Bidder's interested in applying for unsecured credit must complete the Credit Application. If no Credit Application is submitted then Bidder is responsible for posting collateral to cover 100% of the Agreement Exposure. For secured credit, SDG&E will accept Letters of Credit, meeting the requirement provided in the Credit Support Addendum, and U.S. dollars cash. As noted above, Bidders that qualify for unsecured credit with SDG&E or provide a parental guarantee based on the financial information provided in connection with their Offer may utilize available unsecured credit extended to satisfy and meet the above-stated collateral requirements, as determined by SDG&E.

SDG&E will not provide collateral.

4.0 EVALUATION CRITERIA

All incoming offers will be assessed for conformance. Bidders should conform with minimum participation criteria and 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. Bidders are responsible for the accuracy of all discussions, figures and calculations. Errors discovered during evaluation may impact a Bidder's standing on the short-list.

A. PRIMARY EVALUATION FACTORS

To evaluate offers, SDG&E will primarily consider the following criteria:

- Market Valuation
- Unsecured Credit
- Portfolio Fit
- Supplier Diversity
- Project Viability

Market Valuation means how an Offer's pricing compares to other Offers and to the value of other compliance instruments available to SDG&E. SDG&E will assess the value of Offers using a forward curve of compliance instruments constructed from market prices.

Unsecured Credit is a determined on a case-by-case basis and will be in accordance with the credit and collateral requirements as set forth in Section 3.D. of this RFO. SDG&E's overall credit exposure with each Bidder, including Bidder's affiliates, will also be taken into consideration.

Portfolio Fit means how well the offer's features, including delivery date(s), match SDG&E's portfolio needs in relation to its annual procurement targets and limits within the context of Cap-and-Trade compliance.

Supplier Diversity means the Participant's status as a CPUC-certified Diverse Business Enterprise ("DBE") and/or commitment to subcontract with DBEs, where applicable. SDG&E encourages DBEs, as defined in G.O. 156⁸, to participate in this RFO. 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/>

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.

Project Viability assesses the ARB issuance status of Offset Credits, the likelihood of future invalidation by ARB of those Offset Credits, and the likelihood that projects offering Future ARB offset credits will deliver all of them as proposed in the Offer.

To provide SDG&E with information to evaluate an offer, Bidders may need to obtain information from the project originator, project verifier, and/or other party to a project. Insufficient or delayed information may result in a lower evaluation score or disqualification from the RFO.

B. OTHER EVALUATION FACTORS

In addition to the Primary Evaluation Factors, the following may be used to determine advancement onto the short list or to help break ties (if any).

- Project Reliability
- Adherence to Agreement Terms and Conditions

⁸ See <http://www.cpuc.ca.gov/NR/rdonlyres/CCEA4CDF-BE85-4335-BC16-FEFF3D5ACF2E/0/GO156WhatIsCertification.pdf> for the definition of a DBE.

Project Reliability means that SDG&E will not only review the viability of new or expanded projects but will also consider the physical condition and age of any existing projects submitted for review.

Adherence to the form Master Allowance / Offset Credit Purchase Agreement and the Offset Credit Confirmation Terms and Conditions means that Bidders may modify the agreement submitted as part of their submittal package to the extent that the modifications add value to the Offer. SDG&E will review modifications to any agreement terms and conditions proposed by Bidder and consider the materiality of these changes. SDG&E will rank Offers that include fewer material changes to the agreement that benefit Bidder higher than those with more material changes that benefit Bidder (all other factors being equal).

C. THE PRG AND INDEPENDENT EVALUATOR

PROCUREMENT REVIEW GROUP

The Procurement Review Group (PRG), a CPUC-endorsed entity, is 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 originally established the role of the PRG. Each IOU has its own PRG and it is charged with overseeing the IOU's procurement process, reviewing procedural fairness, examining overall procurement prudence and providing feedback during all stages of the procurement process. From RFO language development to offer evaluation to contract negotiation, each IOU briefs its PRG on a periodic basis during the entire process.

Bidders are hereby notified that revealing confidential offer information to the PRG is required during PRG briefings in accordance with Section 8 ("Confidentiality"). Each Bidder 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 selected IOU solicitations, evaluation process, and selection process. The IE reviews 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.

5.0 RFO WEBSITE, COMMUNICATION & BIDDER OUTREACH

A. GENERAL

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

The RFO website contains RFO forms and documents, RFO Schedule, and other information (Bidder questions and SDG&E answers, for example).

All questions or other communications regarding this RFO must be submitted via email to GHGOffsetRFO@semprautilities.com with a cc provided to the Independent Evaluator (at Alan.Taylor@sedwayconsulting.com) by the DEADLINE TO SUBMIT QUESTIONS as specified in Section 2 of this RFO (RFO Schedule). SDG&E will not accept questions or comments in any other form.

B. PRE-BID CONFERENCE

SDG&E will host one pre-bid conference. See RFO Schedule in Section 2.0 for date. Participation in the pre-bid conference is NOT mandatory in order to submit an offer.

The pre-bid conference will be held in person as well as via the web / dial-in. Please monitor the RFO Website periodically for further details (the venue will be posted as soon as arrangements are finalized and webinar information will also be posted).

Any party interested in attending / participating in this pre-bid conference should email the following information to GHGOffsetRFO@semprautilities.com and the Independent Evaluator (at Alan.Taylor@sedwayconsulting.com).

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

6.0 RFO RESPONSE INSTRUCTIONS

Bidders are required to provide the following information / submit the following in response to this RFO (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** – includes the pricing information related to the Offer.
- 2) **Redline version of the Master Allowance/Offset Credit Purchase Agreement**– Bidder should include any proposed changes in redline to these documents for SDG&E consideration.
- 3) **Redline version of the Offset Credit Confirmation** – Bidder should include any proposed changes in redline to these documents for SDG&E consideration.
- 4) **Project Description Form (Attachment I of the Confirm)** – Submit one completed ‘Project Description Form’ per project. Includes a written description of the project as well as other information SDG&E is seeking related to the project / Offer.
- 5) **Credit Application** – A completed credit application will be required under for all Offers seeking unsecured credit or planning to provide a parental guarantee. Potential Guarantors must be approved at the sole discretion of SDG&E. Changes to terms and conditions will render the Offer non-conforming and disqualify the project from further consideration.
- 6) **Supplier Diversity Information** - Provide a copy of certification documents received from the California Public Utilities Commission. An application can be made before submission of the offer and referenced in the offer.

The red line version of the Master Allowance/ Offset Credit Purchase Agreement (1), Offset Credit Confirmation (2), Project Description Form (3), and Credit Application (4) must be in MS 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 e-mail the Offer to GHGOffsetRFO@semprautilities.com and provide a cc to the Independent Evaluator for this RFO (Alan.Taylor@sedwayconsulting.com).

All offer materials submitted shall be subject to the confidentiality provisions of Section 8 of this RFO.

SDG&E will review and may utilize all information, if any, submitted by a Bidder 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 Bidders or to request any Bidder 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 BIDDER AFTER BEING SELECTED FOR THE SHORT LIST UNTIL CONTRACT EXECUTION.

SDG&E WILL NOT REIMBURSE BIDDERS 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.

7.0 REJECTION OF OFFERS

SDG&E SHALL TREAT ALL BIDDERS FAIRLY AND EQUALLY AND SHALL EVALUATE ALL OFFERS IN GOOD FAITH. WHILE SDG&E IS MINDFUL OF THE BENEFITS OF GHG CAP AND TRADE PROGRAM AND IS VIGOROUSLY PURSUING THE GOALS OF THE STATE'S GHG REDUCTION EFFORTS, 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 BIDDER 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 SEMPR ENERGY, SDG&E, OR ANY OF THEIR SUBSIDIARIES, AFFILIATES, OR REPRESENTATIVES TO ANY BIDDER. SDG&E SHALL HAVE NO OBLIGATION TO CONSIDER ANY OFFER.

8.0 CONFIDENTIALITY

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF SDG&E, BIDDERS MAY NOT DISCLOSE (OTHER THAN BY ATTENDANCE ALONE AT ANY MEETING TO WHICH MORE THAN ONE BIDDER IS INVITED BY SDG&E) TO ANY OTHER BIDDER OR POTENTIAL BIDDER THEIR PARTICIPATION IN THIS RFO, AND BIDDERS MAY NOT DISCLOSE, COLLABORATE ON, OR DISCUSS WITH ANY OTHER BIDDER, 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 BIDDER'S CONFIDENTIAL AND PROPRIETARY INFORMATION THAT IS LABELED AS "PROPRIETARY AND CONFIDENTIAL" ON THE OFFER PAGE ON WHICH THE PROPRIETARY INFORMATION APPEARS ("CONFIDENTIAL INFORMATION"). BIDDER 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 (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 BIDDER'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 BIDDER AND WITHOUT LIABILITY OR ANY RESPONSIBILITY OF SDG&E TO THE BIDDER.

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

WILL ALSO SEEK CONFIDENTIALITY PROTECTION FROM THE CEC FOR BIDDER'S CONFIDENTIAL INFORMATION AND WILL SEEK CONFIDENTIALITY AND/OR NON-DISCLOSURE AGREEMENTS WITH THE PRG. SDG&E CANNOT, HOWEVER, ENSURE THAT THE CPUC OR CEC WILL AFFORD CONFIDENTIAL TREATMENT TO A BIDDER'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 BIDDER FOR DAMAGES OF ANY KIND RESULTING FROM DISCLOSURE OF ANY OF BIDDER'S INFORMATION.

9.0 SDG&E BACKGROUND

SDG&E is a regulated public utility that provides energy service to 3.4 million people through 1.4 million electric meters and 860,000 natural gas meters in San Diego and southern Orange counties. SDG&E's service territory spans about 4,100 square miles.

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 Southwest Power Link and the Sunrise Powerlink, each of which are 500-kV transmission line that run from Arizona to San Diego near the U.S./Mexico border.

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