

SDG&E 2016 Preferred Resources

LCR RFO

Questions & Answers / FAQs

Credit Questions

1. Can you explain in detail how the collateral requirement is calculated?

The collateral requirement is based on the exposure SDG&E is subject to based on the proposed offer and eventual contract. Exact details vary but are not public information and the IE will review the methodologies and calculations. The methodologies are different for different products but for any product category, SDG&E will consistently apply the same approach to all bids in that product category.

2. If SDG&E selects (shortlists) multiple offers, will I have to post a bid fee (shortlist acceptance fee) for each one?

Yes, each offer that might turn into a contract will require a shortlist acceptance fee.

3. When does the clock start ticking on the shortlisting fee/collateral?

From the date that shortlist notification is made via e-mail (scheduled to be done on 10/28/2016). Notification will go to the contacts provided in your bid materials via e-mail followed by a hard copy letter.

4. Is it possible for SDG&E to give me a rough idea of how to estimate the size of the security for my project?

It's impossible to estimate the size of the security requirement since the security amount depends on 4 different factors; they are Net Market Value of the bid, Average Net Market Value of Top 10 alike Bids, Probability of Achieving the Target, Contract Capacity. Our guiding philosophy is if a counterparty cannot achieve its stated target (MW), SDG&E needs to go to the market to find alike products. We use the top 10 alike bids as the proxy for the market.

5. How do I account for credit costs in my bid?

Please read the RFO document and proforma agreements for the products you are interest in. Per the RFO documents, "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 - this information will be gathered via the credit application form. These costs will be considered as discussed in the quantitative evaluation section within this document)."

6. Is the shortlist acceptance fee ever returned to a successful bidder? It seems to be a relatively high dollar amount for many EE programs and could therefore eliminate those program designs. Please provide the reasoning behind this fee.

If SDG&E and a successful bidder fail to reach terms on a final agreement, and such failure is not due to the bidder's withdrawal of their offer or any misrepresentation in the offer, SDG&E will return the shortlist acceptance fee. Please refer to the shortlist acceptance fee provisions in the RFO document. If SDG&E and a successful bidder successfully execute an agreement, the shortlist acceptance fee can be rolled into the project security or returned as long as it is replaced with the full project security.