



APPENDIX 1



**REQUEST FOR OFFERS
for
DEMAND RESPONSE
and
SUPPLY RESOURCES**

June 9, 2009

**San Diego Gas & Electric Company
Electric and Gas Procurement Department
8315 Century Park Court,
San Diego, CA 92123-1593**

1. Scope of Supply¹

San Diego Gas & Electric Company (SDG&E) is issuing this Request for Offers (RFO) for demand response and supply resources to support reliability within the SDG&E service territory, supply energy to bundled customers and/or meet other portfolio needs including Resource Adequacy (RA) requirements. All resources that can meet the obligations set forth below are welcome to bid their offers into this RFO (Offer(s)); however, all renewable resources are strongly encouraged to participate in a separate renewables-only solicitation, which SDG&E issues annually². SDG&E anticipates this RFO will produce contracts from respondents (Respondent(s)) as indicated below:

	Local Resources		Resources Outside SDG&E	
	Short-Term	Long-Term	Short Term	Long Term
<u>Product 1:</u> Demand Response	Term: 3 years Delivery Starts: 2012			
<u>Product 2:</u> New Generation		Term: 20 years Delivery Starts: 2010 - 2014		
<u>Product 3:</u> Existing Resources	Term: 1 year / 2 years Delivery Starts: 2010 or 2011			
<u>Product 4:</u> Existing Resources			Term: 2 years Delivery Starts: 2010	
<u>Product 5:</u> Existing Resources		Term: 10 years Delivery Starts: 2012		
<u>Product 6:</u> New or Existing Resources				Term: 10 years Delivery Starts: 2012
<u>Product 7a:</u> Firm LD Energy	Term: 2 years / 4 years		Term: 2 years / 4 years	
<u>Product 7b:</u> Resource Adequacy	Delivery Starts: 2010 or 2012		Delivery Starts: 2010 or 2012	

¹ Amounts requested in each product category may vary based upon CAISO determinations on RMR, local zone definition, unit retirement, and the quantity selected in other product categories.

² To be notified of pending Renewable-only solicitations, please email contact information to RenewableRFO@semprautilities.com.

General characteristics of each product are described below. SDG&E anticipates that all Offers received will provide SDG&E with a menu of resources from which it can select to fulfill its short- and long-term needs. The capacities listed are not a guarantee of purchase amounts for each product, but rather estimates of potential volumes. The final purchase amounts will depend on factors including evolving resource planning considerations, the number of Offers received for each product type and potential overlap in product characteristics from various Offers. Offered prices for Products 1 through 6 and 7b are valid and binding upon the Respondent until contract execution; there will be no opportunities to refresh Offer prices. There will be one opportunity to refresh Offer prices for Product 7a as indicated in the schedule on Section 3 RFO Schedule. Tolling products 2-6 will include supply of all capacity attributes including Resource Adequacy and Ancillary Services if available.

Product 1 - Demand Response

SDG&E seeks Demand Response products for a three year term. Initial load reduction will commence on May 1st 2012. This product must be a means of reducing an end-use customer's demand and/or energy usage during a demand response event, must be for at least 1.0 MW in the aggregate and be within SDG&E's service territory. The demand and/or energy reduction must be measureable. The Offer must provide, in sufficient detail, the Demand Response product, the process for delivering Demand Response and the manner in which it will meet the minimum guidelines specified in Section 6 Offer Requirements of this solicitation.

Product 2 - New Local³ Generation Projects, online in 2010 - 2014.

SDG&E seeks a minimum of 100 MW of peaking or intermediate-class resources as new construction or expansion projects within SDG&E's territory. Any resulting contract will be a tolling agreement with a term of 20 years and online dates of May 1- or October 1 in either 2010, 2011, 2012, 2013 or 2014. The generation must be located physically within SDG&E's service territory (as more specifically described in the Addendum) or have its sole generator transmission system interconnection (gen-tie) directly interconnected to the electric network internal to SDG&E's local area as currently defined by the California Independent System Operator ("CAISO") such that the unit supports SDG&E's Local RA requirement. Units located within CAISO's proposed expanded local area for SDG&E (see Addendum) should submit Offers in other products of this solicitation. Products offered in this category shall be capable of operating under all permits at annual capacity factors of a minimum of 30% with an availability of -98%. It is anticipated that heat rates will be no higher than 10,500 btu/kWh. For this product, SDG&E requires flexible resources that are capable of providing regulation during the morning and evening ramps and/or units that can be started and shut down as needed. In addition, SDG&E will include the additional value provided from projects that can provide quick start operations⁴ in the ranking of Offers. SDG&E also requires that each Offer contain pricing for, and an option to provide, black start capability.

Product 3 - Existing Local Resources, delivering in 2010 and/or 2011

SDG&E seeks a minimum of 400 MW of existing resources currently operating within SDG&E's territory for deliveries in 2010 and 2011. Any resulting contract will be a tolling agreement with a term of up to 2 years with a start date of January 1, 2010, or a 1 year term with a start date of January 1, 2010 or January 1, 2011. Offers for this product must be existing generation capacity that is currently recognized by the CAISO as counting towards SDG&E's service area Local Capacity Requirement. Respondents must provide Offers for deliveries in both 2010 and 2011 and pricing may differ between the years. However, SDG&E may at its discretion contract with the Respondent for

³ "Local" for purposes of satisfying Resource Adequacy, is defined by the CAISO and generally described in the Addendum below.

⁴ Respondents will specify resource ramp-up rates and other operating characteristics within the offer forms.

either or both years. For this product, SDG&E requires flexible resources that are capable of providing regulation during the morning and evening ramps and/or units that can be started and shut down as needed. In addition, SDG&E will include the additional value provided from projects that can provide quick start operations⁵ in the ranking of Offers. SDG&E also requires that each Offer contain pricing for, and an option to provide, black start capability.

Product 4 - Existing Regional Resources, delivering in 2010 and 2011

SDG&E seeks a minimum of 200 MW of existing resources currently operating outside of SDG&E's territory. Any resulting contract will be a tolling agreement with a term of 2 years starting on January 1, 2010. This product must deliver into CAISO's SP-15. For this product, SDG&E requires flexible resources that are capable of providing regulation during the morning and evening ramps and/or units that can be started and shut down as needed. In addition, SDG&E will include the additional value provided from projects that can provide quick start operations⁵ in the ranking of Offers.

Product 5 - Existing Local Resources, delivering in 2012-2021

SDG&E seeks a minimum of 400 MW of existing resources currently operating within SDG&E's territory. Any resulting contract will be a tolling agreement with a term of 10 years and a start date of January 1, 2012 to qualify. Offers for this product must be existing generation located physically within SDG&E's service territory (as more specifically described in the Addendum) or have its sole generator transmission system interconnection (gen-tie) directly interconnected to the electric network internal to SDG&E's local area as currently defined by the California Independent System Operator ("CAISO") such that the unit supports SDG&E's Local RA requirement. Units located within CAISO's proposed expanded local area for SDG&E (see Addendum) should submit Offers in other products of this solicitation. In consideration of California State Once Through Cooling (OTC) goals and pending Water Board rules, any Offer for supply from a unit utilizing OTC will be offered a contract with SDG&E that consists of a 2 year transaction with the possibility to extend for eight – 1 year options. OTC offers shall not include proposals for upgrades or retrofits of OTC facilities. The decision to exercise the option will be based upon future rules⁶ governing OTC or SDG&E's sole discretion given its portfolio need. For this product, SDG&E requires flexible resources that are capable of providing regulation during the morning and evening ramps and/or units that can be started and shut down as needed. In addition, SDG&E will include the additional value provided from projects that can provide quick start operations⁵ in the ranking of Offers. SDG&E also requires that each Offer contain pricing for, and an option to provide, black start capability.

Product 6 - All-Source Regional Resources, 2012-2021

SDG&E seeks minimum of 200 MW of new construction, expansion, or existing resources currently operating outside of SDG&E's territory. Any resulting contract will be a tolling agreement with a term of 10 years and deliveries will begin on May 1, 2012. This product must deliver into CAISO's SP-15. For this product, SDG&E requires flexible resources that are capable of providing regulation during the morning and evening ramps and shutting down at night. In addition, SDG&E will include the

⁵ Respondents will specify resource ramp-up rates and other operating characteristics within the offer forms.

⁶ From the California State Water Resources Control Board website: *The State Water Board staff is working on a draft statewide policy to implement section 316 (b) of the Clean Water Act that controls the harmful effects of once-through cooling water intake structures on marine and estuarine life. Since 1972, the Clean Water Act has required, in Section 316 (b), that the location, design, construction, and capacity of cooling water intake structures reflect the best technology available for minimizing adverse environmental impacts. The projected release date for a draft Substitute Environmental Document is the end of the summer. For additional information, please visit: http://www.swrcb.ca.gov/water_issues/programs/npdes/cwa316.shtml*

additional value provided from projects that can provide quick start operations⁶ in the ranking of Offers. In consideration of California State Once Through Cooling (OTC) goals and pending Water Board rules, any Offer for supply from a unit located in California utilizing OTC will be offered a contract with SDG&E that consists of a 2 year transaction with the possibility to extend for eight – 1 year options. OTC offers shall not include proposals for upgrades or retrofits of OTC facilities. The decision to exercise the option will be based upon future rules⁶ governing OTC or SDG&E's sole discretion given its portfolio need. If the CAISO expands SDG&E's Local RA area as described in the addendum, SDG&E could, at its sole discretion, evaluate Product 6 Offers that are located within the expanded area as if it were a Product 5 Offer.

Product 7 Firm Liquidated Damages (LD) Energy and/or Resource Adequacy

SDG&E seeks a minimum of 200 MW of Firm LD Energy and/or Resource Adequacy Purchases. Resources may be within or outside of SDG&E service area.

Product 7a: Third Quarter, 6x16, on-peak Firm LD energy products conforming to Schedule C of the Western States Power Pool. Any resulting agreement will be an EEI agreement for short-term, block power purchases. Respondents may provide Offers for the following delivery periods: 1) for deliveries in 2010 and 2011 and/or 2) deliveries in 2012 and 2013. If a Respondent provides Offers for both options, SDG&E may at its discretion contract with the Respondent for either or both options. Resources outside of SDG&E must deliver to SP-15. For Product 7a, SDG&E will shortlist projects within the timeframes indicated in the schedule in Section 3 of this RFO. Refreshed pricing of shortlisted Offers will be allowed only once and by the date indicated in the schedule. Respondents are cautioned that if refreshed prices exceed the competitive range, the Offer may be rejected.

Product 7b: Respondents shall Offer System Resource Adequacy (and local if within the SDG&E Local Area). Any resulting agreement will be a WSPP agreement for Resource Adequacy. Respondents may provide Offers for the following delivery periods: 1) for deliveries in 2010 and 2011 [Q3 or full year] and/or 2) deliveries in 2012 and 2013 [Q3 or full year]. If a Respondent provides Offers for both options, SDG&E may at its discretion contract with the Respondent for either or both options.

Respondents may provide Offers for a single product and term or a combination of Offers, providing SDG&E with flexibility to match Offers and fill its required energy and capacity needs. For products seeking new or expanded generation resources, the Respondent shall be responsible for development, permitting, financing, and construction of any required facilities. The generating facility and transmission interconnection must be designed and constructed in conformance with CAISO's Tariff, applicable CPUC and/or FERC rules, orders, and/or regulations, and SDG&E's specifications.

2. RFO Website and Communication

The website for this solicitation is <http://www.sdge.com/2009SupplyResourcesRFO/>. All forms and documents necessary to submit Offers are available for download at the RFO Website. Respondents will also submit Offers electronically via this website. (See RFO Section 4.0 RFO Response for additional information.) Please check the website periodically as SDG&E will post all solicitation announcements, including scheduling changes or RFO amendments at this website.

All questions or other communications regarding this RFO should be submitted via e-mail to the RFO's mailbox: rfo@semprautilities.com. All questions and answers will be posted anonymously at the RFO Website. SDG&E will not accept questions or comments in any other form, except during the bidders' conference.

3. RFO Schedule

SDG&E will host a pre-bid conference on the date and time indicated below. Participation in the pre-bid conference is NOT mandatory in order to submit an Offer. Any party interested in attending this pre-bid conference should download the Pre-Bid Conference Registration Form from the RFO Website and email the form to rfo@semprautilities.com. Details on the exact location of the pre-bid conference will be posted on the RFO Website as soon as it is available.

SDG&E reserves the right to revise this schedule at SDG&E's sole discretion and will post such changes on the RFO Website. Respondents are responsible for accessing the RFO website for updated schedules and possible amendments to the RFO or the solicitation process. Short-listed Respondents will be notified of interview date, time, and meeting room location. All interviews will be conducted at SDG&E's Century Park complex.

#	MILESTONE	DATE
1	RFO Issued	June 9, 2009
2	DEADLINE TO REGISTER for PRE-BID CONFERENCE Those intending to bid must register to receive a username/password in order to upload electronic Offers.	June 25, 2009
3	Pre-Bid Conference at 10:00am in San Diego, CA	July 8, 2009
4	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date.	July 27, 2009
5	DEADLINE TO REGISTER Those intending to bid must register to receive a username/password in order to upload electronic Offers.	August 5, 2009
6	CLOSING DATE: Offers uploaded and received by noon (San Diego local prevailing time)	August 10, 2009
7	Hard-copies of Offers must be received at SDG&E's offices	August 12, 2009
8	<u>Product 3 and Product 7a:</u> Shortlisting, negotiation and contract execution	Within 3 months after closing date
9	<u>Products 1, 2, 4, 5, 6, 7b:</u> Shortlisted Bidders notified / Negotiation commences	3 months after closing date
10	<u>Products 1, 2, 4, 5, 6, 7b:</u> Deadline to refresh Product 7a offered pricing.	No later than 2 months after shortlist notification
11	<u>Products 1, 2, 4, 5, 6, 7b:</u> Contracts Executed	Approx. 3 – 9 months after shortlisting
12	<u>Products 1, 2, 4, 5, 6, 7b:</u> Contracts filed with CPUC	Approx. 1 - 2 months after contract execution
13	<u>Products 1, 2, 4, 5, 6, 7b:</u> CPUC approves contracts	Typically 6 - 9 months after contract filing (but could be longer)

4. RFO Response

Any party interested in submitting an Offer must fill-out and email to rfo@semprautilities.com the RFO Registration Form (available from the RFO Website). SDG&E will process the form and provide the interested party instructions necessary to upload Offers, a username/password combination and access to the offer upload link (see below).

SDG&E **requires** that all Offers submitted pursuant to this RFO contain at a minimum, the items listed below. All forms and documents referenced below are available on the RFO Website.

- a) the information requested in the Submittal Forms using the forms provided. The forms should be submitted in editable electronic form for efficient processing by SDG&E.
- b) Respondents must redline comments on the pro forma agreement applicable to the Offer. In order to evaluate Offers against each other in each Product class, SDG&E urges that Respondents develop their Offers using existing Terms and Conditions of the pro forma agreements. Substantial, material mark-ups may result in an Offer being deemed non-conforming.
- c) Credit. Respondent's Offer **must include** a completed credit application (available on the RFO website).
- d) Respondents to products seeking new or expanded generating resources, must submit a detailed Gantt chart (or equivalent alternative) which outlines all major project milestones (including but not limited to permitting, engineering, site preparation, equipment contract and delivery and construction). The project timeline will also include milestones associated with major cost commitments (>\$500,000). The workplan should also include a description of any uncertainties, where any changes would still result in not meeting the required on line date.

All Offers must be uploaded to SDG&E via the RFO Website by the date and time indicated in the schedule above. One original hardcopy Offer, identical to the electronic submittal and signed by an authorized officer of the Respondent, shall also be sent to the address shown below and must be received by SDG&E by the date indicated in the schedule. Contents of the electronic Offer submittal and the original hardcopy signed Offer shall be identical. Any conflicts between the information set forth in an electronic Offer and the signed Offer shall be resolved in favor of the signed Offer. All Offer materials and information submitted shall be subject to the confidentiality provisions of this RFO.

**San Diego Gas & Electric Company
Electric and Gas Procurement Department
Attn: Supply Resource RFO
8315 Century Park Court, CP 21D
San Diego, CA 92123-1548**

5. Project Timeline

Respondents must demonstrate that they have or are in process of getting all necessary permits (including air and building permits), site control, engineering designs and transmission interconnection studies. Sufficient documentation must be provided to evidence that the project can come online by the proposed date.

6. Offer Requirements

1. The Respondent shall be responsible for all costs for land, development, permitting (including emissions offsets, if applicable), engineering, procurement, and construction and for associated taxes, insurance, financing and bonding. The Respondent shall be operationally responsible for all development work and construction, including acquisition of land, permitting (including emissions offsets), engineering, procurement, and construction up to the highest industry standards and in accordance with time critical milestones and schedules.
2. The Respondent shall be responsible for all electric system and gas pipeline upgrades and / or extensions if required under and in accordance with applicable gas and electric tariffs. See <http://www.sdge.com/tariff> .
3. The Respondent must have all necessary water rights consistent with the generating resource needs. Resources located on leased properties may be accepted upon review of the lease terms, but must have a minimum lease term that covers the term of the PPA offered.
4. Respondent must identify all necessary emissions offsets and the associated costs which will be incorporated into their Offer. All Offers must comply with all existing air quality laws and be compliant with the CPUC Emissions Performance Standards (as adopted in R.06-04-009) on GHG.
5. For all products where the resulting contract will be tolling agreements, Respondents must provide generating facilities designed and permitted for operation for a minimum availability of 2,700 hours per year annual operations for peaking and intermediate duty.
6. SDG&E will, if requested, be responsible for the purchase and transportation cost of natural gas or other fuels to the plant site during commissioning, testing and contract term, for tolling agreements. In such instance, electric output during commissioning and testing shall be delivered at no charge to SDG&E, and SDG&E shall be entitled to receive all revenues for such energy.
7. For new development, permitting information provided by the Respondent shall include status of existing and required additional new permits, including any additional required approvals, along with a permitting and approval schedule. Such schedule must demonstrate an achievable online date of no later than that deadline dates stated in the Product descriptions.
8. For Product 1 Demand Response, the minimum criteria are indicated below.
 - a. Offers must meet Resource Adequacy requirements for Demand Response as set forth by the CPUC in D.05-10-042.
 - b. Offers should be for three (3) year Demand Response product Offer to provide load reduction beginning May 1, in 2012.
 - c. Ability to fully respond to an event notification within 10 minutes.
 - d. Load must be curtailable between 12:00 PM and 6:00 PM.

- e. Offers must conform with all CAISO requirements for Demand Response Resources⁷, including but not limited to Metering and Telemetry requirements, as may be updated from time to time.
- f. Offers must comply with the policy guidance of the Energy Action Plan I and II and be in alignment with California's Demand Response Vision for the Future.⁸
- g. Offers must be for load not yet committed to other programs.
- h. Offered loads must be curtailable under a Direct Load Control (DLC) program.
- i. Offered loads must have an average monthly maximum greater than 100kW for at least three (3) of the most current twelve (12) months.
- j. Offers must be targeted toward nonresidential customers with a minimum demand of 100kW. Offers targeted at residential and/or small business customers with demands <100kW will not be considered.

Generation resources located on the customer side of the meter, such as back-up generation, will not qualify as a Demand Response product in this Offer.⁹

Alternative Offers may be submitted. At SDG&E discretion, alternative Offers may be evaluated and considered. If alternative Offers are submitted, please clearly state (identify) the alternative Offers.

Please note that any resultant contract will include provisions for:

- a. A Non-Performance penalty for capacity load reduction shall be applied. For example, a non-performance calculation may be similar as SDG&E's Capacity Bidding Program CBP. Refer to SDG&E' Schedule CBP - Capacity Bidding Program, Special Condition 6 in http://www.sdge.com/regulatory/elec_misc.shtml
- b. A Non-Performance penalty for load reduction during an event shall be applied. Energy load reduction shortfall during an event shall be considered non-performance and an adjustment will be required in order to compensate for any failure of the contractor to deliver committed load reductions. For example, a non-performance calculation may be similar as SDG&E's Capacity Bidding Program CBP Schedule.

At the request of SDG&E, the selected Respondent will be required to provide the following documents during contract negotiations:

- a. Audited financial statements, including balance sheet, statement of cash flows, and income, for 2007 and 2008; OR
- b. Complete income tax returns for 2007 and 2008.

7. Binding Offer Evaluation

SDG&E anticipates evaluating Offers for different Products on different timelines. In general, supply offers for 2010-2011 delivery dates will be evaluated first. Supply Offers for 2012 – on delivery dates will be evaluated second. Offers that are determined to meet the threshold requirements will be evaluated on the basis of an expected cost analysis covering both quantitative and qualitative information. In general, Offers that meet RFO requirements will be evaluated on the basis of a least cost/best fit (LCBF) analysis. The quantitative analysis will look at the total expected cost to SDG&E's bundled customers when the Offer is added to SDG&E's resource portfolio. The quantitative components of this analysis include the items listed below.

⁷ <http://www.aiso.com/1893/1893e350393b0.html>

⁸ California Demand Response: A Vision for the Future. D. 03-06-032, Appendix A.

⁹ D.06-11-049 (mimeo at pp.57-58) discusses the Commission's policy regarding back-up generation options.

SDG&E reserve the right to evaluate non-conforming Offers and may request additional data from Respondents to bring non-conforming Offers into conformance.

1. Binding Offer prices for both capacity and energy (Offers deemed by SDG&E to contain unreasonably low or high prices will be rejected).
2. Transmission system upgrade costs necessary for the new generation resource to satisfy grid reliability and deliverability requirements for new capacity.
3. Congestion costs - Potential for SDG&E incurred congestion costs will be assessed, as well as SDG&E's ability to hedge these costs.
4. Impacts on existing SDG&E financial structure, such as debt equivalence and/or the effect of FIN 46, may be considered in the evaluation process.
5. Changes to SDG&E bundled customer's total GHG Emissions will also be valued. SDG&E will determine the forecasted change in total GHG emissions from adding the Offer to SDG&E's portfolio. Portfolio GHG increases or reductions will be valued based on previous CPUC direction.

In accordance with CPUC D.07-12-052 preference will be given to procurement that will encourage the retirement of aging plants, particularly inefficient facilities with once-through cooling, by providing, at minimum, qualitative preference to Offers involving repowering of these units or Offers for new facilities at locations in or near the load pockets in which these units are located." (p.113) and further "IOUs are to consider repowered or replacement options presented in a RFO..... before they choose options developed on Greenfield sites, or make a showing that justifies their decision not to do so (p.229).

Qualitative factors used to differentiate Offers include the following:

1. Brownfield vs. greenfield – the proposed location will be assessed to determine if the project is located at a brownfield or greenfield site.
2. Environmental stewardship – SDG&E will assess the project team's history and any special benefits of the specific Offer.
3. Financing plan – the Offer will be assessed as to the plan and likelihood of the project securing the necessary financing.
4. Technology, major equipment manufacturers and operational flexibility. The evaluation will include an assessment of the proposed technology's commercial operating history, and the manufacturer's U.S. presence and experience.
5. The proposed facility will be evaluated from the perspective of maximizing the operational flexibility of generating assets available to SDG&E. This incorporates unit capabilities that include size, start-up time, load response, minimum up and down times.
6. Development risk – consideration will be given to regulatory and other risks as appropriate that could diminish the viability of the project.
7. Corporate capabilities and proven experience

8. Ability to meet schedule
9. Project team (environmental, engineering, equipment procurement, construction) – Project team will be assessed on whether the project team has demonstrated experience with the specific technology and implementation plan they are proposing.
10. Credit Risk

Portfolios of Offers that are short listed based on qualitative and quantitative criteria will be analyzed using production cost modeling. Offers for local capacity will be analyzed and ranked first until the combined capacity of the short listed Offers meets local need requirements. The remaining Offers will then be evaluated and ranked to meet the remaining system need.

SDG&E requests that Respondents who believe their Offers have any important qualitative benefits elaborate on them in their Offer.

SDG&E will utilize the information provided on the Offer Response Forms 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.

8. Binding Offer Duration

All Offers into this RFO (with the exception of Product 7 as noted elsewhere in this document) are binding as of the submittal date and must remain binding, open and valid through SDG&E's Offer evaluation, price negotiations, contract execution between SDG&E and the selected Respondent(s), and any required CPUC and FERC approval. No Offer adjustments which increase costs shall be permitted after submission of Binding Offer.

9. 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, bidding 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 also summarize the elements of the Offer(s) it deems confidential. The summary must clearly identify whether or not price, project name, location, size, term of delivery, technology type (either collectively or individually) or any other term 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, an independent third-party evaluator required by the CPUC, 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, and possibly to the CEC, its staff, SDG&E's Independent Evaluator (IE) and Procurement Review Group (PRG). SDG&E will seek confidential treatment in accordance with CPUC Decision 06-06-066 and any subsequent decision by the CPUC related to confidentiality, 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 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.

10. Other Requirements

CALIFORNIA CLIMATE ACTION REGISTRY

In D.06-02-032, the CPUC directed SDG&E to include a provision in any power purchase agreement for non-renewable energy that requires the supplier to register and report its GHG emissions with the California Climate Action Registry (CCAR). More information about the CCAR is available at [California Climate Action Registry](http://www.ccara.org).

Pursuant to D.06-02-032, SDG&E will be required to include a provision in any tolling agreement that will require the supplier to register and report its GHG emissions with the CCAR. Specific registration requirements and reporting protocols with the CCAR will be established, and a method for assigning emissions values to supplies that are unregistered with the CCAR will also be developed.

For more information, see: <http://www.cpuc.ca.gov/proceedings/R0604009.htm>

FIN 46 Requirements

Securities and Exchange Commission rules for reporting power purchase agreements may require SDG&E to collect and possibly consolidate financial information for the facility whose output is being purchased under long-term contractual arrangements. General guidelines include:

- a) determination of allocation of risk and benefits
- b) proportion of total project output being purchased by SDG&E
- c) proportion of expected project life being committed to SDG&E
- d) pricing provisions of contract; that is, whether the contract contains fixed long-term prices or pricing that varies over the term of the agreement based on market conditions or other factors

For any Agreements that meet the applicability criteria, SDG&E is obligated to obtain information from successful Respondents to determine whether or not consolidation is required. If SDG&E determines that consolidation is required, SDG&E shall require the following during every calendar quarter for the term of an Agreement:

- a) Complete financial statements and notes to financial statements, and financial schedules underlying the financial statements, all within 15 days of the end of each quarter.
- b) Access to records and personnel, so that SDG&E's 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).

Procurement Review Group and Independent Evaluator

In D.02-08-071 (p. 24), the CPUC established the Procurement Review Group (PRG), whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with and review the details of each utility's procurement plan, overall procurement strategy, contracts, and related matters. Since that time, the PRG process has been endorsed and continued in a variety of subsequent decisions, as it performs a valuable consultative role in the IOUs' procurement activities, including relating to the issuance and evaluation of RFOs and their results.¹⁰ Thus, from RFO language development to Offer evaluation to contract negotiation, SDG&E will brief the PRG on a periodic basis during the entire process.

Respondents are hereby notified that revealing Offer information to the PRG is required during PRG briefings in accordance with Section 11.0 Confidentiality. Respondents must clearly identify, as part of the Offer, what type of information it considers to be confidential.

In D.04-12-048, the Commission ordered, in certain instances, the use of Independent Evaluators (IE) in competitive solicitations. SDG&E will make use of an IE in this solicitation. All Offer material produced in this solicitation will be available, under confidentiality provisions, to the IE. SDG&E in its sole discretion may make available to its PRG each response to this RFO and may review the results of its evaluation and ranking of the proposals with the IE and PRG.

11. Credit Terms and Conditions

SDG&E has the unilateral right to evaluate and determine the ability of the Respondent to perform relative to this project. The shortlisted Respondents will be required to complete, execute, and submit a credit application. This form is available to Respondents on the RFO website. The application requests financial and other relevant information needed to demonstrate and confirm creditworthiness.

Upon execution of a mutually acceptable definitive agreement, the Respondent will be required to post collateral based on the credit requirements established by SDG&E. For new development, Respondents will be required to post development collateral until commercial operation has been met. Collateral will be required during delivery periods for new and existing projects.

The table below presents the collateral amounts (cash or letter of credit) required for each product type should a contract be executed and depending on quantity. All Offers must include the cost of collateral in the amount required below in their Offer price.

¹⁰ See, e.g., D.02-10-062, D.03-12-062, and D.04-12-048.

Product	Collateral per 50 MW (\$mm)
Product 1*	1.7
Product 2	25.6
Product 3	5.5
Product 4	5.5
Product 5	25.6
Product 6	25.6
Product 7a (delivery years)	
2010-2013*	16.2
2010-2011*	7.3
2012-2013*	8.9
Product 7b (delivery years)	
2010-2013*	1.0
2010-2011*	0.4
2012-2013*	0.5
* Collateral per 10MW	

Credit support amounts shall not be deemed a limitation of liability. Model credit support documents will be provided to shortlisted Respondents as applicable.

Under no circumstance will SDG&E post collateral for any resultant contract.

12. Proposal Costs

SDG&E will not reimburse Respondents for any of their expenses for developing responses hereto under any circumstances, regardless of whether the RFO process proceeds to a successful conclusion or is abandoned by SDG&E in its sole discretion.

13. Contingencies

1. CPUC Review and Approval. Any agreement entered into by SDG&E and a selected Respondent for Products 1, 2, 5 and 6 will be subject to and contingent upon (at a minimum) (1) the issuance by the CPUC of a final decision acceptable to SDG&E, approving such agreements and that does not materially alter the commercial aspects of the agreements; (2) a finding by the CPUC that the payments under the agreements are reasonable; and (3) a finding that SDG&E is authorized to recover the full amount of its costs including any payments made to Respondent under any of such agreements from SDG&E's customers in rates through existing or future cost recovery mechanisms that may be developed or instituted by the CPUC.
2. FERC Approval. In addition to the approvals required elsewhere in this RFO and the applicable agreement between the parties, SDG&E, in its sole discretion, may obtain and/or require Respondent to obtain: (1) a FERC order, as may be required, accepting and/or

authorizing any agreement(s) entered into hereunder, including without limitation, on terms that do not materially alter the commercial aspects of the agreement(s); and/or (2) a finding by the FERC that the rates, terms, and conditions are just and reasonable.

14. RESERVATION OF RIGHTS

SDG&E makes no guarantee that a contract award shall result from this RFO. 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 Offer, 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.

15. Supplemental Information

SDG&E reserves the right to request additional information from individual Respondents or to request all Respondents to submit supplemental materials in fulfillment of the content requirements of this RFO or to meet additional information needs of SDG&E. SDG&E also reserves the unilateral right to waive any technical or format requirements contained in the RFO.

16. WAIVER OF CLAIMS AND LIMITATION OF REMEDIES

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 at its sole discretion without any resultant contract executed for any of the products.

SDG&E reserves the right to disregard a non-conforming Offer or waive requirements for any product and shortlist a non-conforming Offer.

By submitting an Offer, Respondent knowingly, voluntarily, and completely waives any rights under statute, regulation, state or federal constitution, or common law to assert any claim, complaint, or other challenge in any regulatory, judicial, or other forum, including without limitation, the CPUC, (except as expressly provided below), the FERC, the Superior Court of the State of California ("State Court") or any U.S. District Court ("Federal Court") concerning or related in any way to the RFO or any documents in the RFO including all exhibits, attachments, and appendices thereto ("Waived Claims"). Respondent further expressly acknowledges and consents that if it asserts any Waived Claim at the CPUC, FERC, State Court, or Federal Court, or otherwise in any forum, to the extent that Respondent's Offer has not already been disqualified, SDG&E is entitled to automatically disqualify such Offer from further consideration in the RFO or otherwise, and further, SDG&E may elect to terminate the RFO.

By submitting an Offer, Respondent further agrees that the sole forum in which Respondent may assert any challenge with respect to the conduct or results of the RFO is at the CPUC. Respondent further agrees that: (1) the sole means of challenging the conduct or results of the RFO is a complaint filed under Article 3, Complaints and Commission Investigations, of Title 20, Public Utilities and Energy, of the California Code of Regulations, (2) that the sole basis for any such protest shall be that SDG&E allegedly failed in a material respect to conduct the

solicitation in accordance with the RFO; and (3) that the exclusive remedy available to Respondent in the case of such a protest shall be an order of the CPUC that SDG&E again conduct any portion of the solicitation that the CPUC determines was not previously conducted in accordance with the RFO or any RFO documents (including exhibits, attachments, and appendices). Respondent expressly waives any and all other remedies, including, without limitation, compensatory and/or exemplary damages, restitution, injunctive relief, interest, costs and/or attorneys' fees. Unless SDG&E elects to do otherwise in its sole discretion, during the pendency of such a protest the RFO and any related regulatory proceedings related to the RFO will continue as if the protest had not been filed, unless the CPUC issues an order suspending the RFO or SDG&E has elected to terminate the RFO.

Respondent further acknowledges and agrees that if Respondent asserts any Waived Claim, SDG&E shall be entitled to seek immediate dismissal of Respondent's claim, complaint, or other challenge, with prejudice, by filing a motion to dismiss (or similar procedural device) supported by the language in this Section and that Respondent will not challenge or oppose such a request for dismissal. Respondent further acknowledges and agrees that if it asserts any Waived Claim, and if SDG&E successfully has that claim dismissed or transferred to the CPUC, Respondent shall pay SDG&E's full costs and expenses incurred in seeking such dismissal or transfer, including reasonable attorneys' fees. By submitting an Offer, Respondent acknowledges and agrees that it has submitted that Offer after consultation with its own independent legal counsel.

Respondent agrees to indemnify and hold SDG&E harmless from any and all claims by any other Respondent asserted in response to the assertion of any Waived Claim by Respondent or as a result of a Respondent's protest to a filing at the CPUC resulting from the RFO.

Except as expressly provided in the RFO documents, nothing herein, including Respondent's waiver of any Waived Claims as set forth above, shall in any way limit or otherwise affect the rights and remedies of SDG&E.

17. Attachments

The following are available for download at the RFO Website:

1. The RFO
2. Technical Bid Forms (the form applicable to the product being offered is required)
 - Product 1
 - Product 2
 - Product 3
 - Product 4
 - Product 5
 - Product 6
 - Product 7a
 - Product 7b
3. Proforma Agreements – Respondents must include as part of the Offer redline comments to the applicable proforma agreement.
 - Tolling Agreement (required for Products 2, 3, 4, 5, 6)
 - EEI Firm LD Agreement (required for Product 7a)
 - WSPP RA Agreement (required for Product 7b)

4. Credit Application (required for all Products)
5. DBE Subcontracting Commitment And Reporting Requirements Form (required for Product 1)
6. Participation Summary (required for all Products except Product 1)

Respondents are encouraged to provide supplemental information to expand upon any unique capabilities to meet SDG&E's needs.

Addendum

Introduction to SDG&E: Background

San Diego Gas & Electric Company (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 approximately 884 miles of 69-kV, 265 miles of 138-kV, 349 miles of 230-kV, and 215 miles of 500-kV transmission lines. Major ("on system") generating resources are the Cabrillo plant (connected into SDG&E's grid at 138 kV and 230 kV), the South Bay plant (connected at 69 kV and 138 kV), the Palomar Energy Center (connected at 230 kV), the Otay Mesa plant (expected online in fall of 2009), a number of combustion turbine facilities located around the service area (connected at 69 kV), various Qualifying Facilities and renewable generation. 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, and via the SONGS 230-kV switchyard.

Figure 1 shows a simplified diagram of existing SDG&E service area and the electric transmission topology in San Diego County and the southern portion of Orange County.¹¹ Planned or approved transmission facilities for the future (if any) are not shown on this map. Upon completion of the Sunrise Powerlink (expected in 2012), the California ISO has proposed that it may expand their defined local area for SDG&E's transmission system. If the local area is expanded, there will be additional facilities and areas that will be considered local to the SDG&E transmission area.

Local Capacity Requirements are set by the California Independent System Operator ("CAISO") each year for the following year. Areas of Local Resource Adequacy correspond to the areas of Local Capacity Requirements as described in the 2010 Local Capacity Area Technical Study ("Technical Study" or "LCR Study"). This study is performed to identify specific areas within the CAISO Controlled Grid that have local reliability needs and to determine the minimum generation capacity (MW) that would be required to satisfy these local reliability requirements, while enforcing generation deliverability status and Maximum Import Capability for all common mode contingencies as defined by CAISO.¹²

The future area of Local Resource Adequacy has been projected by SDG&E based upon the 2011-13 Local Capacity Technical Analysis Report and Study Results published by CAISO on December 29, 2008 (<http://www.caiso.com/20ad/20ad77d04d70.pdf>).

¹¹ SDG&E cautions that interconnection with the 500-kV Southwest Power Link or the Imperial Valley 500/230-kV Substation are not acceptable delivery points for proposals under this RFO because the reliability resource requirement is based on a contingency condition with the SWPL out of service. Similarly, direct interconnection to the San Onofre switchyard or the 230-kV lines from San Onofre to either Talega Substation or San Luis Rey Substation are not acceptable for the purpose of this RFO because these network facilities are fully utilized for the reliability condition of concern.

¹² 2010 Local Capacity Technical Analysis, Final Report and Study Results . California Independent System Operator, May 1, 2009.

Figure 1. Current SDG&E Local Area

