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**RAM PROGRAM
ADVICE LETTER 2481-E**

**ATTACHMENT A
MAY 2013 RFO SEEKING
RAM POWER PURCHASE AGREEMENTS**



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

SDG&E's RENEWABLE AUCTION MECHANISM

**MAY 2013
REQUEST FOR OFFERS
SEEKING
RAM
POWER PURCHASE AGREEMENTS**

ISSUED
MAY 20, 2013

OFFERS DUE
JUNE 28, 2013

RFO WEBSITE
<http://sdge.com/procurement/May2013-renewable-auction-mechanism>

EMAIL QUESTIONS/COMMENTS TO
RAMSolicitation@semprautilities.com

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1.0 BACKGROUND

San Diego Gas & Electric Company (SDG&E) is issuing its fourth Request for Offers (RFO) in support of its Renewable Auction Mechanism (RAM). The RAM, approved by the California Public Utilities Commission (CPUC) in Decision (D.) D.10-12-048¹ and modified by Resolution E-4414², Resolution E-4489³, Resolution E-4546⁴, and Resolution E-4582⁵ (together, the RAM Decision), supplements the State's Renewable Portfolio Standard (RPS) program, complements the California Solar Initiative (CSI) program, promotes small-scale renewable development and may present local employment potential in California. SDG&E's RAM program incorporates the directives of the RAM Decision. SDG&E's RAM program is designed to procure a total of 155 MW over the course of five solicitations. SDG&E's first, second, and third RAM solicitations, held in November, 2011, May, 2012, and November, 2012 respectively, resulted in the procurement of approximately 85 MW, leaving approximately 70 MW to procure over the course of the next two solicitations. The RAM calls for SDG&E to procure renewable energy capacity pursuant to 10, 15 and 20-year RAM Power Purchase Agreements (PPAs) with Independent Power Producers.

This solicitation is limited to seeking PPAs through the auction mechanism. This solicitation is not requesting bids for renewable energy credits, feed-in-tariff projects or other RPS procurement activities that currently exist or are being contemplated.

Participation from Diverse Business Enterprises:

SDG&E encourages Diverse Business Enterprises (DBEs), as defined in G.O. 156⁶, to participate in the RAM program. Additional information on SDG&E's DBE program can be found at:

<http://www.sempra.com/about/supplier-diversity/>

and

<http://www.cpuc.ca.gov/puc/supplierdiversity/>

¹ For additional information please visit: http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/123021.htm.

² Resolution E-4414 dated August 18, 2011. For additional information please visit:
<http://www.cpuc.ca.gov/NR/rdonlyres/D68F1B4C-D188-4F02-BF70-CC42BFBB0B71/0/E4414FinalResolution.pdf>

³ Resolution E-4489, Approving PG&E's AL 4000-E with Modifications and Addressing Additional Issues on Energy Division's Own Motion, dated April 19, 2012. For additional information please visit:
http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/164684.pdf

⁴ Resolution E-4546 dated November 8, 2012. For additional information please visit:
<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M033/K956/33956185.PDF>

⁵ Resolution E-4582 dated May 9, 2013. For additional information please visit:
<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M065/K182/65182791.PDF>

⁶ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

SDG&E’s DBE Program representatives will provide a presentation during the pre-bidding conference on May 29, 2013. DBEs can request additional information by contacting SDG&E at vendorrelations@semprautilities.com.

Products and Procurement Targets for Fourth RAM Solicitation:

SDG&E will solicit projects from three product categories, summarized in Table 1, that best meet both the State’s renewable energy goals and the purpose of the RAM Program: 1) Baseload products (generation resources which produce energy around-the clock); 2) Peaking As-Available products (generation resources whose energy production follows SDG&E’s hourly load profile during daytime hours); and 3) Non-Peaking As-Available products (generation resources whose energy production follows SDG&E’s off peak hours, usually during the evening hours). All three products must be located within the service territories of SDG&E, Pacific Gas & Electric Company (PG&E) or Southern California Edison Company (SCE). An example and summary of each product is summarized in Table 1 below. The procurement targets for each product are listed in Table 2 below.

Table 1. Summary of RAM Products

Product	Description
Baseload	<ul style="list-style-type: none"> - technologies run continuously (typically biomass, geothermal and run of river hydro) - ratio of off-peak to total annual deliveries between 43% and 53% - interconnects within the service territories of SDG&E, PG&E or SCE
Peaking As-Available	<ul style="list-style-type: none"> - peaking products (typically solar) - ratio of off-peak to total annual deliveries less than 43% - interconnects within the service territories of SDG&E, PG&E or SCE
Non-Peaking –As- Available	<ul style="list-style-type: none"> - off-peak technologies (typically wind) - ratio of off-peak to total annual deliveries greater than 53% - interconnects within the service territories of SDG&E, PG&E or SCE

Table 2. Procurement Target for Fourth RAM Auction⁷

Product	Target Capacity (MW)
Baseload	7
Peaking As-Available	35
Non-Peaking-As Available	5
Total (MW)	47

INTERCONNECTION:

Respondents must have completed an interconnection agreement, System Impact Study, Phase I interconnection study, or have passed the Wholesale Distribution Access Tariff (WDAT) or California Independent System Operator (CAISO) Fast Track screens and provide a copy of the most recent completed agreement or study or evidence of having passed the Fast Track screening process with their offer. Transmission level projects that do not yet have a completed interconnection agreement are required to apply for interconnection through the CAISO process to obtain an interconnection agreement. Distribution level projects that do not yet have a completed interconnection agreement 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 must incorporate all estimated non-reimbursable interconnection costs that are allocated to the project in their offer pricing.**

Respondents may provide bids for projects that will achieve Full Capacity Deliverability Status (FCDS), as defined by the CAISO Tariff and determined by the CAISO, or for projects that will not achieve FCDS (Energy Only). Respondents may also choose to provide both FCDS and Energy Only bids for the same project. SDG&E intends that FCDS projects will count towards SDG&E's Resource Adequacy (RA) obligations when possible. In order to achieve FCDS, a project must apply for a deliverability study to be conducted by the CAISO. Respondents with winning bids for FCDS projects must demonstrate that: (1) the project has been assessed for deliverability; or (2) the Respondent will request a deliverability assessment through the next available CAISO cluster window. This condition must be met for winning bids that will interconnect at either the distribution or transmission level. For winning FCDS project 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)).

⁷ Pursuant to Resolution E-4582, dated May 9, 2013, the capacity allocation targets for RAM 4 have been modified to accommodate a RAM 5 auction. The procurement targets have been modified such that, SDG&E reserves two-thirds of the remaining previously authorized, yet unsubscribed RAM capacity for RAM 4, and one-third of the remaining previously authorized, yet unsubscribed RAM capacity for RAM 5.

To help potential Respondents assess the feasibility of project sites, SDG&E has established an interactive website. The website contains SDG&E's transmission system (69 kV and above), distribution system, circuit and substation area maps that Respondents may use to research approximate locations for project interconnection sites. SDG&E does not guarantee that projects can interconnect at any illustrated map location. The map is only one tool to help developers identify potential project interconnection sites. There are numerous factors that must be considered regarding interconnection, including project rated size, specific circuit and substation load, percent of generation on the circuit and substation, voltage, reactive power (VAR) and power factor considerations. Actual interconnection requirements and costs will be determined after detailed studies are performed for the specific location and project size. To view the interactive map, parties complete the registration form that can be accessed at: <http://sdge.com/builderservices/dgmap/>.

PPA/CPUC Approval:

Selected bidders will execute the RAM PPA. All PPAs resulting from the RAM program are non-modifiable and shall be subject to CPUC approval. SDG&E reserves the right to seek CPUC approval for contracts individually or to file multiple contracts in one advice letter.

2.0 PROCUREMENT PROCESS

Respondents to this solicitation shall comply with the requirements described in this RFO document. By responding, Respondents are bound by the terms of this RFO. The RFO Procurement Process steps are presented as a flow chart in Figure 1.

All conforming offers will be evaluated in accordance with the Evaluation Criteria described in Section 5 of the RFO. SDG&E will select bids to meet the 47 MW auction target and the individual product targets by selecting the least expensive bids from each product category first. SDG&E may procure plus or minus 20 MW of the capacity targeted in each product category so long as the total capacity procured in each auction is plus or minus 20 MW of the total capacity target.

SDG&E recognizes the impact of interconnection costs on successful project development. Distribution level interconnection costs and/or any transmission level interconnection costs allocated to the project and to be paid by the Respondent (i.e. non-reimbursable) should be incorporated in the offer price based on the estimates provided in the most recent completed interconnection study, or equivalent estimates provided pursuant to the Fast Track process.

Network upgrade costs are ultimately borne by ratepayers and therefore should not be included in a Respondent's offer price. As described in Section 5 below, SDG&E will add the estimated reimbursable network upgrade costs (with the exception of area deliverability network upgrades) resulting from the most recent interconnection study to the respondent's bid price when ranking bids.

SDG&E recognizes the importance of distinguishing between projects that provide FCDS value and those that do not. Respondents may provide bids for FCDS projects or Energy Only projects. Respondents may also choose to provide both FCDS and Energy Only pricing options for the same project.

For FCDS bids, Respondents must have obtained or plan to obtain a deliverability study from the CAISO to determine what, if any, upgrades are required for the project to achieve FCDS. SDG&E will incorporate the value of obtaining FCDS in its evaluation process as described in Section 5 below.

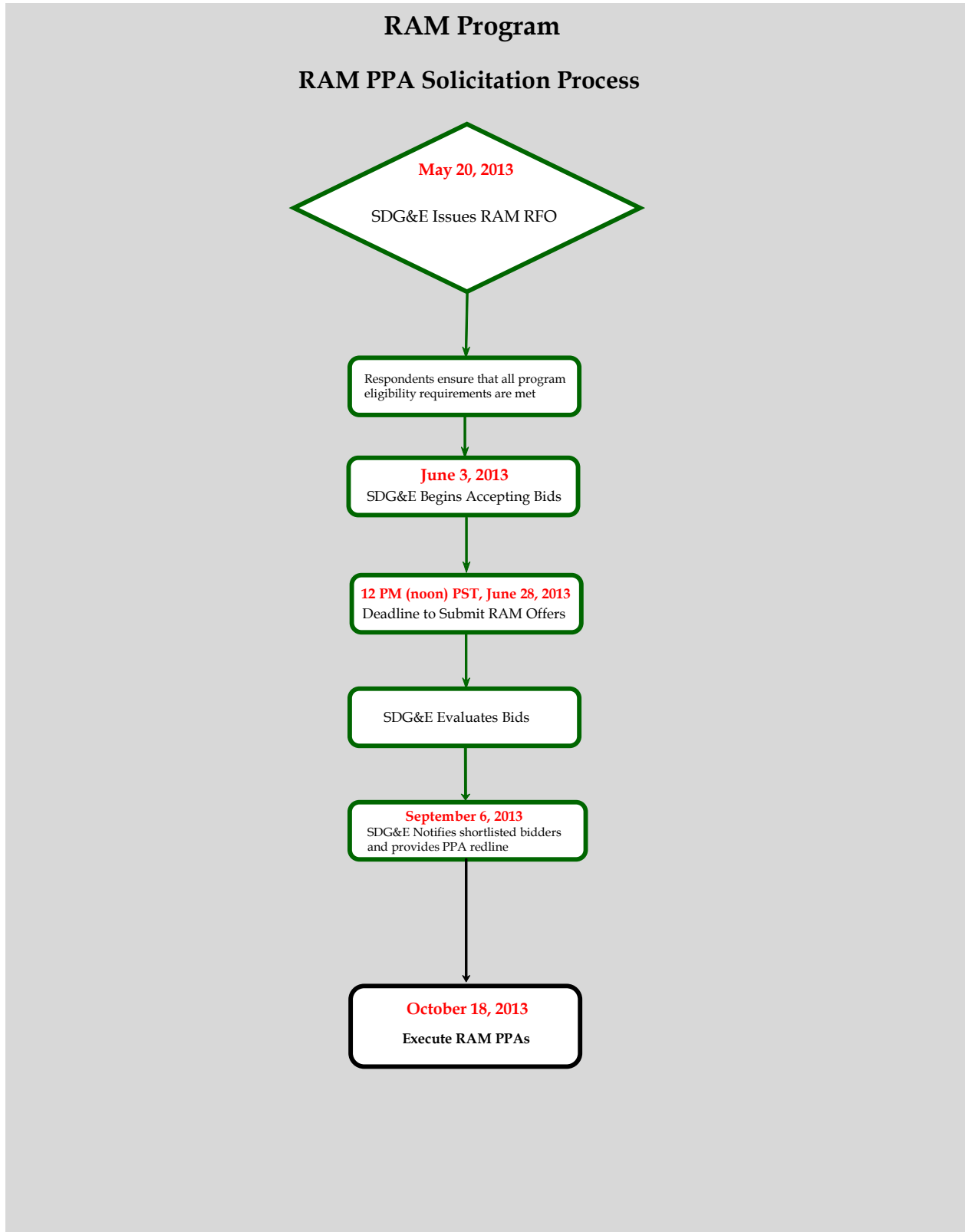
If a bid that includes FCDS value is selected, the Respondent must demonstrate that: (1) the project has been assessed for deliverability; or (2) the Respondent will request a deliverability assessment through the next available CAISO cluster window. For winning FCDS project bids that result in an executed 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)). Costs to facilitate such studies will be borne by the Respondent at no additional cost to SDG&E.

The PPA for FCDS projects will provide for one price to be paid before the product achieves FCDS (Energy Only Price) and a second (higher) price to be paid after the project achieves FCDS (FCDS Price). The PPA will also require that the project must achieve FCDS by January 1, 2022.

For bids that will not include FCDS value, Respondents do not need to obtain a deliverability study, and instead can proceed through the interconnection process as an Energy Only project. SDG&E will not include deliverability value in its evaluation of Energy Only bids, as described in Section 5 below. If selected, SDG&E would pay an Energy Only price for this product.

Bids that are selected will receive from SDG&E a form RAM PPA (which is available on SDG&E's RAM RFO Website) that is redlined to reflect the relevant provisions that are applicable to the proposed project as indicated by Respondent in their Project Description Form. The executed PPAs will be filed for Approval with the CPUC via a Tier 2 advice letter.

Figure 1. RAM PPA Solicitation Process



3.0 REQUIREMENTS

Respondents to this solicitation shall comply with the requirements herein. SDG&E, at its sole discretion, may change the terms, requirements and schedule of the solicitation. Respondents shall visit the RFO Website for announcements regarding any change.

A. PARTICIPATION/ELIGIBILITY CRITERIA

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

Resource:

1. Resources must be CEC-certifiable as an eligible renewable resource;
2. Resources must utilize a commercially proven technology;
3. Resources must be new or existing facilities;
 - i. an existing facility may participate in RAM without restriction if the existing facility is not currently delivering energy pursuant to an existing contractual agreement with SDG&E, PG&E or SCE, or if such an agreement exists but it is scheduled to terminate within 24 months of the utility's expected date of CPUC approval for the utility's PPA from that RAM auction, as estimated by that utility's RAM Bidding Protocol (i.e., December 23, 2013);
4. Resources must sell its entire output to SDG&E (full buy/sell) or all output in excess of onsite load to SDG&E (excess sales); and
5. The project must not sell partial output from a system sized above 20 MWs.

Project Capacity:

1. All capacity ratings specified in this RFO must be nameplate capacities for alternating current (ac) generation as provided to the transmission or distribution system. Offers that provide direct current (dc) ratings will be rejected for nonconformance;
2. Resources must provide a minimum contract size greater than 3 MW installed capacity; and
3. Project maximum size is 20 MW installed capacity.

Location/Site Control:

1. Project must be located within the service territories of PG&E, SCE or SDG&E; and
2. The Respondent must have, at time of bidding, site control for the duration of 10, 15 or 20-year power purchase agreement. A copy of one of the following forms of site control must be provided:
 - a. direct ownership
 - b. a lease

- c. an 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.

Note: If shortlisted, Respondent's site control documents must be: 1) in the name of the same entity that will execute the RAM PPA, or 2) shall have been assigned to such entity by the time Respondent accepts its position on the shortlist.

Interconnection:

1. Respondents must have completed a System Impact Study, a Phase I interconnection study, or have passed WDAT or CAISO Fast Track screens; and
2. A copy of the most recent completed study or equivalent results from the Fast Track process must be included in the offer.

Note: If shortlisted, Respondent's interconnection documents must be: 1) in the name of the same entity that will execute the RAM PPA, or 2) shall have been assigned to such entity by the time Respondent accepts its position on the shortlist.

Developer Experience:

1. The Respondent and/or members of the project development team must have experience. Respondents must provide evidence of having completed, or begun construction, of a project using a technology similar to the offered technology, that is at least one MW installed capacity; and
2. The Respondent will maintain contractual control of the facilities and be responsible for development, land acquisition, permitting, financing and construction for the facilities. Respondents must provide a description of how operational control will be maintained.

Project Start Date:

1. Offers must provide an anticipated delivery start date that is within 24 months after the expected CPUC Approval date as indicated in the RFO schedule at Section 5 below.

Other Incentives Not Permitted:

1. Respondents shall not have sought CSI incentives for the projects being offered and shall not plan to seek CSI incentives for the entire term of the PPA;
2. Respondents shall not have participated in the Net Energy Metering (NEM) Program for the projects being offered and shall not participate in the NEM Program for the entire term of the PPA; and
3. Respondents shall not have sought or received any other benefits from the small generator incentive programs, such as the Self-Generation Incentive Program, offered by the State of California or California utilities.

B. POWER PURCHASE AGREEMENT CRITERIA

Requirements contained within the non-negotiable RAM PPA attached to this RFO, include the following:

1. Resources may choose between two types of transactions:
 - a. Full Buy/Sell: facility sells 100% of its output to the utility and purchases any energy needed to service onsite load from the utility; or
 - b. Excess Sales: facility first offsets its onsite load and then sells excess energy to the utility.
2. Eligible resources must participate in the CAISO's Participating Intermittent Resource Program (PIRP) and comply with the Eligible Intermittent Resource Protocol.
3. Resources must:
 - a. obtain RPS certification for the project from the CEC;
 - b. execute a Participating Generator Agreement with the CAISO;
 - c. execute a Meter Service Agreement with the CAISO;
 - d. install a CAISO meter;
 - e. register the project with the Western Renewable Energy Generation Information System (WREGIS) and pay all associated fees so that monthly generation can be tracked and automatically reported for purposes of meeting the requirements of the RPS and automatically transferred to SDG&E; and
 - f. execute a CAISO Qualified Reporting Entity Service Agreement to allow CAISO, on the Respondent's behalf, to upload generation information directly into WREGIS.
4. Winning bidders must provide Development Period Security and Delivery Term Security for the project as described in Section C below.
5. For projects that will interconnect to a distribution system, Respondents must apply for distribution interconnection using the SDG&E WDAT process, or similar process for SCE and PG&E.
6. For projects that will interconnect to a transmission system, Respondents must apply for transmission interconnection using the CAISO process.
7. Seller of projects that will achieve FCDS must obtain a CAISO deliverability study.
8. For FCDS projects, the PPA will provide an energy price adjusted by Time of Day (TOD) factors that include the value of FCDS. The TOD adjusted price will then be reduced by the Deliverability Value as calculated in section 5.D below, until the project achieves FCDS. Once the project achieves FCDS, the Deliverability Value will be added back to the TOD-adjusted energy price. For Energy Only projects, the PPA will provide an energy price adjusted by TOD factors that do not include the value of FCDS.
9. The RAM PPA will provide that FCDS project must achieve FCDS by January 1, 2022.
10. Before executing the RAM PPA, Respondents shall choose whether SDG&E shall be the scheduling coordinator for the project or whether another party shall be the scheduling coordinator.

11. There will be zero payment for output during any hour during the delivery period where the project provides delivered energy in excess of 110% of the contracted capacity, and a reduced payment equal to 75% of the PPA price for energy deliveries in excess of 115% of the contracted annual generation.
12. Respondents shall cooperate with SDG&E during the term of the agreement to provide financial statements, financial schedules and all necessary records to determine whether or not the project is subject to financial consolidation as required by Generally Accepted Accounting Principles (GAAP) and SEC rules. If it is determined that consolidation is necessary, Respondents shall continue to cooperate with SDG&E during term of the PPA to comply with all applicable rules.
13. By the Commercial Operation Date, resources must be certified as an RPS-eligible resource by the CEC.
14. Respondents must provide milestone updates.

C. CREDIT TERMS AND CONDITIONS

Development Period Security is due **on or before** the signing date of the PPA. A \$60 per kW deposit is required for intermittent resources, and a \$90 per kW deposit is required for baseload resources. **If selected for the shortlist, Respondents must be prepared to post the Development Period Security on the date the PPA is signed.**

Delivery Term Security is required at COD. The Delivery Term Security is 5% of the expected total revenues over the term of the PPA. The Development Period Security will roll over to help satisfy the Delivery Term Security.

Credit support may be in the form of a Letter of Credit or cash. A pro forma Letter of Credit is contained within the RAM PPA.

4.0 RFO RESPONSE INSTRUCTIONS

Respondents may submit offers to this solicitation by completing the forms listed below. Forms are available on the RFO Website. The failure to provide the listed information may result in the proposal being deemed non-conforming and may disqualify the proposal from further consideration.

RFO Offer Submittal:

Any party interested in submitting an offer must submit the offer via electronic mail (email) to RAMSolicitation@semprautilities.com, which is the RAM RFO inbox, and attach all required forms and bid materials to the email. The Subject line of the email should be as follows: Bid Submission for SDG&E's May 2013 RAM RFO. A reply email from the RAM RFO inbox will be sent to the email address submitting the offer to confirm receipt of the offer.

Required Forms and Bid Materials:

1. **Project Description Form** – Submit one per project. Respondents will use this form to describe the Product for which they are submitting a bid, present the merits of the project and demonstrate that the participation criteria and resource criteria have been met. For example, within this form Respondents must present the project's financing plan and provide or attach evidence of site control.
2. **Pricing Form** – Submit up to two per project. Respondents may propose up to two pricing options per project; one that reflects the value of FCDS and one that is Energy Only. Pricing Forms must clearly indicate whether the bid is FCDS or Energy Only. Pricing must be TOD adjusted per the bid forms to be completed by Respondent.
3. **Interconnection Agreement, System Impact Study, a Phase I Interconnection Study, or Fast Track Documentation** – Submit a copy of the interconnection agreement, most recent study results or equivalent Fast Track documentation.
4. **Site Control Documentation** – Submit copies of site control documents demonstrating: a) direct ownership; b) a lease; or c) an option to lease or purchase upon PPA approval (must be an exclusive option to the Bidder that will last until the completion of the RFO cycle).

The Project Description Form must be in Word or Word-compatible format (not in PDF). The Pricing Form must be in Excel or Excel-compatible format (not in PDF). The interconnection and site control documentation must be submitted in PDF format.

Submitting Offers:

All offers must be emailed to RAMSolicitation@semprautilities.com no later than **12:00 p.m.** (i.e. **Noon**), Pacific Standard Time, on **June 28, 2013** (Closing Date) (see also the RAM RFO Schedule). The Subject line of the email should be as follows: Bid Submission for SDG&E's May 2013 RAM RFO. A reply email from the RAM RFO inbox will be sent to the email address submitting the offer to confirm receipt of the offer. If Respondents encounter technical difficulties with emailing, they should provide evidence of such difficulties (e.g. a screen shot of the error message) and email the bid again to the RAM RFO inbox by 1:00 p.m., Pacific Standard Time, on the Closing Date. If the Respondent encounters further technical difficulties with the RAM 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 hard copy **and a CD** of the bid package to SDG&E and the Independent Evaluator 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: RAM RFO Response
8315 Century Park Court, CP21D
San Diego, CA 92123-1593

Barbara Sands
PA Consulting Group
1700 Lincoln Street
Suite 4600
Denver, CO 80203

All offer materials submitted shall be subject to the confidentiality provisions of Section 9 Confidentiality of this RFO.

SDG&E will review and may utilize all information, if any, submitted by a Respondent that is not specifically requested as a part of any forms. During all stages of the RFO process, SDG&E reserves the right to request additional information from individual Respondents or to request any Respondent to submit supplemental materials in fulfillment of the content requirements of this RFO or to meet additional information needs. SDG&E also reserves the unilateral right to waive any technical or format requirements contained in the RFO.

Respondents offering the same projects to multiple solicitations or other contracting opportunities are hereby advised that if SDG&E notifies Respondent that their offer is selected as a winning bid, the Respondent must decide within 7 days whether to accept its standing as a winning bidder and immediately withdraw their offer from all other solicitations/contracting opportunities or risk being disqualified from continuing participation in the RAM program. Respondents shall confirm such withdrawal by submitting to SDG&E a copy of the written correspondence sent to all other solicitations/opportunities pertaining to such withdrawal while granting SDG&E permission to contact the other solicitors to confirm the withdrawal. ALL OFFERS SHALL BE VALID AND

BINDING UPON THE RESPONDENT AFTER BEING SELECTED AS A WINNING BIDDER 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.

5.0 EVALUATION CRITERIA

SDG&E will utilize all required forms and narratives, as provided pursuant to Section 4, to evaluate all offers. Respondents are responsible for the accuracy of all discussions, figures and calculations they submit. Errors discovered during evaluation may impact a Respondent's standing on the short-list.

Respondents must conform to minimum participation criteria and minimum resource criteria in order to be considered. Each Respondent will submit an offer for a single Product, selected from one of the three Product categories described in Table 1.

QUANTITATIVE EVALUATION

SDG&E uses a quantitative price measure, the Bid Ranking Price, to rank and select from the proposed projects. The Bid Ranking Price is comprised of the Levelized Contract Cost, as adjusted by the Time of Day Adjustment, the Transmission Network Upgrade Cost Adder and the Deliverability Adder. Elements of the Bid Ranking Price are described below.

A. LEVELIZED CONTRACT COST.

Bid Prices (provided by the Respondent in the Pricing Form) shall be for each MWh generated by the Project over the term of the PPA. The Levelized Contract Cost shall be computed as follows:

The Bid Cost for each year is computed by multiplying the Bid Price in that year by the Expected Energy Delivery for that year. Bid Costs are then summed for each year divided by the Discount Factor for the year, where the Discount Factor is equal to 1 plus the Discount Rate (SDG&E's regulated rate of return of 7.79%), raised to the power of the original Contract Year. These discounted Bid Costs are then summed to produce the present value of the Bid Cost.

The same present value method is then applied to the Expected Energy Deliveries to produce a present value of Expected Energy Deliveries. The Levelized Contract Cost is the present value of Bid Costs divided by the present value of Expected Energy Deliveries.

B. TIME-OF-DAY ADJUSTMENT

SDG&E accounts for differences in the value of various delivery profiles in its evaluation. This is done through the use of a Time-of-day (TOD) Adjustment. This adjustment is for evaluation purposes and distinct from energy price that will be calculated in the PPA. Energy deliveries will be allocated to TOD Periods based upon the Respondent's Delivery Profile, as submitted with the offer, or calculated by SDG&E in accordance with reasonable industry practice. Bid Prices for each year are multiplied by the TOD Factors for each TOD Period to produce a TOD Price.

TOD Adjustment for FCDS Bids:

Bids submitted as fully deliverable projects will have their Bid Prices for each year multiplied by the TOD Factors that are adjusted for FCDS value (FCDS TOD Factors) for each TOD Period to produce a FCDS TOD Price.

Note Regarding PPA Pricing for FCDS Bids: For purposes of determining the PPA price for FCDS projects, for years in which the project has not yet achieved FCDS, the FCDS TOD Price for each TOD period will be reduced by the Deliverability Value as calculated in Section 5.D below to reflect the fact that the project will not provide such value until it has achieved FCDS. Once the project achieves FCDS value, the Deliverability Value will be added back to the FCDS TOD Price.

TOD Adjustment for Energy Only Bids:

Bids submitted as energy-only projects will have their Bid Prices for each year multiplied by the Energy Only TOD Factors for each TOD Period to produce an Energy-Only TOD Price.

TOD Period	Period Days and Hours	FCDS Time-of-day Factor	Energy Only Time-of-day Factor
Winter On-Peak	Nov 1 - Jun 30 Weekdays 1 pm to 9 pm PST (HE 14 to HE 21)	1.089	1.192
Winter Semi-Peak	Nov 1 - Jun 30 Weekdays 6 am to 1 pm PST (HE 7 to HE 13) Weekdays 9 pm to 10 pm PST (HE 22)	0.947	1.078
Winter Off-Peak	Nov 1 - Jun 30 All Weekend Hours NERC Holiday Hours and Weekday Hours not already considered On-Peak or Semi-Peak	0.679	0.774
Summer On-Peak	Jul 1 - Oct 31 Weekdays 11 am to 7 pm PST (HE 12 to HE 19)	2.501	1.531
Summer Semi-Peak	Jul 1 - Oct 31 Weekdays 6 am to 11 am PST (HE 7 to HE 11) Weekdays 7 pm to 10 pm PST (HE 20 to HE 22)	1.342	1.181
Summer Off-Peak	Jul 1 - Oct 31 All Weekend Hours, NERC Holiday Hours and Weekday Hours not already considered On-Peak or Semi-Peak	0.801	0.900

C. TRANSMISSION NETWORK COST ADDER

SDG&E calculates the impact to ratepayers of any reimbursable network upgrade costs that the CAISO indicates will be necessary pursuant to the most recent interconnection study results provided with the offer package.

Any non-reimbursable interconnection costs should be incorporated in the Respondent's offer price. Reimbursable network upgrade costs from the relevant CAISO study will be divided by the project's total output in MWhs discounted by SDG&E's regulated rate of return of 7.79%. The

resulting \$/MWh number will be added to the Levelized Contract Cost, as adjusted by the Time-of-Day Adjustment, to determine the Bid Ranking Price.

D. DELIVERABILITY VALUE AND DELIVERABILITY ADDER

SDG&E will use the following process to establish the value of achieving FCDS (Deliverability Value).

1. Determine MPR

SDG&E will determine the MPR applicable to each project based on the project's start date and contract term. SDG&E will use the most recent MPR value available in this evaluation process. 2011 MPR values can be found in CPUC Resolution E-4442 at http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/154753.PDF.

2. Establish Energy Only and FCDS Payment Streams Using MPR as Base Price

Step 1: SDG&E will establish the FCDS TOD adjusted payment streams for each year of the project's term by multiplying the applicable MPR by the total MWhs to be delivered in each TOD Period by the applicable FCDS TOD Factor. For example:

$$\text{FCDS Payment Stream} = (\text{MPR}) \times (\text{Annual MWhs delivered in each TOD Period}) \times (\text{applicable FCDS TOD Factor})$$

Step 2: SDG&E will establish the Energy Only Payment Stream by multiplying the applicable MPR by the total MWhs to be delivered in each TOD Period by the applicable Energy Only TOD Factor. For example:

$$\text{Energy Only Payment Stream} = (\text{MPR}) \times (\text{Annual MWhs delivered in each TOD Period}) \times (\text{applicable Energy Only TOD Factor})$$

3. Establish Present Value of Energy Only and FCDS Payment Streams

Step 1: Determine the Total FCDS Payment Stream for the project by calculating the sum of the FCDS Payment Streams for each TOD Period for each year of the project's term. Then calculate a present value of the total. For example:

$$\text{Total FCDS Payment Stream} = (\text{Year 1 FCDS Payment Stream}) + (\text{Year 2 FCDS Payment Stream}) + (\text{Year 3 Payment Stream}) + (\text{continue through project term})$$

$$\text{PV of Total FCDS Payment Stream} = (\text{Year 1 FCDS Payment Stream}) + (\text{Year 2 FCDS Payment Stream}) \text{ divided by } (1.0779) + (\text{Year 3 FCDS Payment Stream}) \text{ divided by } (1.0779^2) + (\text{continue through project term})$$

Step 2: Determine the Total Energy Only Payment Stream for the project by calculating the sum of the Energy Only Payment Streams for each TOD Period for each year of the project's term. Then calculate a present value of the total. For example:

Total Energy Only Payment Stream = (Year 1 Energy Only Payment Stream) + (Year 2 Energy Only Payment Stream) + (Year 3 Energy Only Payment Stream) + (continue through project term)

PV of Total Energy Only Payment Stream =
(Year 1 Energy Only Payment Stream) + (Year 2 Energy Only Payment Stream) divided by (1.0779) + (Year 3 Energy Only Payment Stream) divided by (1.0779²) + (continue through project term)

4. Establish FCDS Payment Premium for Each TOD Period

In order to determine the additional payments required for FCDS projects ("FCDS Payment Premium"), SDG&E will calculate the difference between the PV of Total FCDS Payment Stream and PV of Energy Only Payment Stream for each TOD Period. For example:

FCDS Payment Premium for Summer On Peak TOD Period = (PV of Total FCDS Payment Stream for Summer On Peak TOD Period) – (PV of Total Energy Only Payment Stream for Summer On Peak TOD Period). Repeat this step for each TOD Period.

Note: if the result of this calculation is less than zero, the FCDS Payment Premium for that TOD Period will be zero.

5. Establish Total FCDS Payment Premium

SDG&E will establish a Total FCDS Payment Premium by calculating the sum of the FCDS Payment Premiums for each TOD Period. For example:

Total FCDS Payment Premium = (Summer On Peak FCDS Payment Premium) + (Summer Semi-Peak FCDS Payment Premium) + (Summer Off Peak FCDS Payment Premium) + (Winter On Peak FCDS Payment Premium) + (Winter Semi-Peak FCDS Payment Premium) + (Winter Off Peak FCDS Payment Premium)

6. Establish Deliverability Value

SDG&E will then determine the Deliverability Value for each project based on the Total FCDS Payment Premium using the following calculation:

Divide the Total FCDS Payment Premium by the PV of the total deliveries for the project over the term.

Deliverability Value = (Total FCDS Payment Premium) / (PV of total MWhs over project term)

Note: For evaluation purposes only, SDG&E assumes that for any FCDS bid, the project will achieve FCDS at the Guaranteed Commercial Operation Date. Delays in achieving FCDS will not impact the Deliverability Adder, but will impact the price paid under the RAM contract as discussed in Section 2 (Procurement Process) above.

7. Establish Deliverability Adder Based on Deliverability Value

In order to determine the Bid Ranking Price for each project, SDG&E must adjust the Bid Price based on the Deliverability Value. Projects bid as FCDS within SDG&E’s local area will be assigned 100% of the Deliverability Value. Projects bid as FCDS outside of SDG&E’s local area will be assigned 60% of the Deliverability Value.

The table below indicates the type of Deliverability Adder that would be applied to various project types.

INTERCONNECTION TYPE	IN SDG&E AREA	IN CALIFORNIA ISO; OUTSIDE SDG&E AREA
FCDS	Deliverability Adder = 0	Deliverability Adder = 40% of Deliverability Value
ENERGY-ONLY	Deliverability Adder = 100% of Deliverability Value	Deliverability Adder = 60% of Deliverability Value

* A map of SDG&E's local area is provided in Section 11 below.

BID SELECTION PROCESS

Once SDG&E has established a Bid Ranking Price for each offer, it will chose the projects with the least expensive Bid Ranking Price within each product category in an effort to procure the capacity targeted for each product category.

SDG&E will distinguish between similarly priced bids by:

- a. Choosing a project owned by a DBE, as defined in Section 1 above; or
- b. if neither project is owned by a DBE, select projects from smallest to largest

BID CONFORMANCE EVALUATION

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

1. SDG&E uncovers evidence of market manipulation in the auction process;
2. SDG&E determines the offer is not competitive with known market prices;
3. A lack of bids, or a lack of suppliers, indicate that the market for a specific product is not sufficiently broad and diverse to constitute a competitive solicitation (e.g. the offer is the only offer made within the product category to which it is assigned, or the offer is provided by the same bidder or bidder parent entity as other offers within the product category to which it is assigned, and there are no other bidders or bidder parent entities making offers within the same product category);
4. SDG&E cannot confirm the projected deliveries;
5. The Respondent does not provide adequate evidence it meets minimum participation criteria, or it appears that Respondent subdivided a larger project to circumvent the 20 MW project size limit;
6. There is a question as to whether or not the projects meet minimum resource criteria;
7. Acceptance of the offer would cause excessive reliance upon a single provider in the solicitation, or in SDG&E's overall renewable energy portfolio. (SDG&E shall provide any details of such seller concentration limit in the Tier 2 advice letter containing the executed contracts);
8. The Respondent cannot fulfill the terms and conditions of the RAM PPA; and/or,
9. The Respondent is unable to comply with RFO timing and other solicitation requirements.

6.0 RAM RFO SCHEDULE

The following schedule and deadlines apply to this RFO. SDG&E reserves the right to revise this schedule at anytime 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	May 20, 2013
2.	Pre-Bidder's Conference	May 29, 2013
3.	SDG&E begins accepting bids	June 3, 2013
4.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on SDG&E's website no later than 6/14/13.	June 6, 2013
6.	DEADLINE TO SUBMIT RAM OFFERS/CLOSING DATE Offers must be received via email at RAMSolicitation@semprautilities.com no later than NOON Pacific Standard Time	June 28, 2013
7.	NOTIFICATION TO WINNING BIDDERS	September 6, 2013
8.	BIDDERS ACCEPTANCE/WITHDRAWAL LETTER due from Winning Bidders indicating: a) Withdrawal from SDG&E's solicitation; OR b) Acceptance of standing as a winning bid; withdrawal from participating in any other solicitation and evidence of withdrawal notice to all other solicitors	September 13, 2013
9.	SDG&E issues appreciation notices to unsuccessful Respondents	October 18, 2013
10.	Execute PPAs for targeted 47 MW	October 18, 2013
11.	SDG&E submits Tier 2 Advice Letter with PPAs to CPUC for approval	November 22, 2013
12.	Anticipated CPUC approval (prior to any appeal and/or suspension)	December 23, 2013

PRE-BID CONFERENCE

SDG&E will host one pre-bid conference on May 29, 2013 from 1:00 PM to 5:00 PM via web conference (e.g. WebEx). Participation in the pre-bid conference is NOT mandatory in order to submit an offer. Please monitor the RFO Website periodically for updates and participation instructions.

Any party interested in attending this pre-bid conference should email the following information to RAMSolicitation@semprautilities.com by May 23, 2013.

- Company name
- 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 contains RFO forms and documents, RFO Schedule, and a Question and Answer forum.

All questions or other communications regarding this RFO must be submitted via email to RAMSolicitation@semprautilities.com by the DEADLINE TO SUBMIT QUESTIONS as specified in Section 6 RFO Schedule. SDG&E will not accept questions or comments in any other form.

RFO WEBSITE

<http://sdge.com/procurement/May2013-renewable-auction-mechanism>

EMAIL QUESTIONS/COMMENTS TO

RAMSolicitation@semprautilities.com

8.0 REJECTION OF OFFERS

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

9.0 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. 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, EACH RAM PARTICIPANT ACKNOWLEDGES AND EXPRESSLY AUTHORIZES SDG&E TO PUBLICLY DISCLOSE THE FOLLOWING INFORMATION IN THE ADVICE LETTER SEEKING APPROVAL OF RAM PPAs, AS REQUIRED BY THE CPUC: (1) NAMES OF THE COMPANIES THAT SUBMITTED OFFERS INTO SDG&E'S RAM RFO; (2) NUMBER OF OFFERS RECEIVED BY EACH COMPANY; (3) NUMBER OF OFFERS RECEIVED AND SELECTED AS WINNING BIDS BY SDG&E; (4) PROJECT SIZE; (5) PARTICIPATING TECHNOLOGIES; (6) THE NUMBER OF PROJECTS THAT PASSED THE PROJECT VIABILITY SCREEN; (7) LOCATION OF BIDS BY COUNTY LEVEL SHOWN IN A MAP FORMAT; AND (8) THE PROGRESSION OF EACH EXECUTED CONTRACT'S PROJECT DEVELOPMENT MILESTONES. 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, THE CEC, AND/OR SDG&E'S PROCUREMENT REVIEW GROUP (PRG). SDG&E WILL REQUEST CONFIDENTIAL TREATMENT PURSUANT TO APPLICABLE LAW, OF ANY CONFIDENTIAL INFORMATION PROVIDED TO SDG&E BY RESPONDENT IN CONNECTION WITH THE RFO AND SUBMITTED BY SDG&E TO THE CPUC AND/OR CEC FOR THE PURPOSES OF OBTAINING REGULATORY APPROVAL. SDG&E WILL PROVIDE SUCH INFORMATION TO ITS PRG SUBJECT TO THE TERMS OF ITS NON-DISCLOSURE AGREEMENT WITH ITS PRG. SDG&E CANNOT, HOWEVER, ENSURE THAT THE CPUC OR CEC WILL AFFORD CONFIDENTIAL TREATMENT TO A RESPONDENT'S CONFIDENTIAL INFORMATION OR THAT MEMBERS OF ITS PRG WILL COMPLY WITH THE TERMS OF THE APPLICABLE NON-DISCLOSURE AGREEMENT.

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 CONFIDENTIAL INFORMATION.

10.0 RPS PROGRAM PARAMETERS

CALIFORNIA RPS PROGRAM

California's Renewable Portfolio Standard (RPS) Program was adopted in 2002 and is codified at Public Utility Code sec 399.11, *et seq.*⁸ in adopting the RPS legislation, the Legislature specifically found and declared that increasing California's reliance on renewable energy resources promotes the purpose of and may accomplish each of the following: This RAM Program supplements the RPS Program goals to:

- Increase the diversity, reliability, public health and environmental benefits of the energy mix
- Promote stable electricity prices
- Protect public health and improve environmental quality
- Stimulate sustainable economic development and create new employment opportunities
- Reduce reliance on imported fuels
- Ameliorate air quality problems
- Improve public health by reducing the burning of fossil fuels

Current law requires Investor Owned Utilities (IOUs) to serve 33% of its retail sales load with RPS-eligible renewable energy. SDG&E will comply with all CPUC decisions governing RPS procurement. These decisions are publicly available on the CPUC's website at <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

This RFO is being conducted in compliance with the RAM Decision and all relevant statutory and regulatory directives. Requirements set forth within the law and all directives shall be incorporated herein by reference. A full text of the law and relevant CPUC decisions can be downloaded from the CPUC website. Respondents are encouraged to review all RPS and RAM-related, CPUC issued directives available on the same Internet website and are responsible for understanding and abiding by all RPS and RAM provisions.

RPS ELIGIBILITY CRITERIA

Respondents successfully signing agreements with SDG&E must warrant that the resources being offered in response to this solicitation are certifiable as an "eligible renewable resource" by the California Energy Commission (CEC). Eligibility criteria are set forth by the CEC in its Renewable Portfolio Standard Eligibility Guidebook. The CEC guidebook can be downloaded from the following internet website: <http://www.energy.ca.gov/renewables/documents/index.html>. Respondents are encouraged to review all RPS-related, CEC issued directives available on the same Internet website and are responsible for understanding and abiding by all RPS provisions. All requirements set forth within the CEC's guidebooks and all RPS-related documents shall be incorporated herein by reference.

⁸ See, Senate Bill (SB) 1078 (Stats. 2002 Ch. 516), as amended by SB 107, (Stats. 2006, Ch. 464).

Respondents are encouraged, although not required, to apply for pre-certification from the CEC in advance of submitting an offer. Pre-certification forms are available from the above-entitled guidebook. An excerpt of the eligibility requirements is provided at the end of this section.

PROCUREMENT REVIEW GROUP

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

Respondents are hereby notified that revealing confidential offer information to the PRG is required during PRG briefings in accordance with Section 9 (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 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 including the CPUC Energy Division staff. The intent 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.

11.0 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.

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.

