



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

2014 LOCAL CAPACITY
REQUIREMENT
REQUEST FOR OFFERS
("RFO")

Distributed Generation
Product Type Background information and
Conformance Requirements

VERSION 3 - UPDATED 10/21/2014

ISSUED
SEPTEMBER 5, 2014

OFFERS DUE
JANUARY 5, 2015

RFO WEBSITE
<http://www.sdge.com/AllSourceRFO2014>

EMAIL QUESTIONS/COMMENTS TO
AllSourceRFO@semprautilities.com

Record of Changes

Date	Explanation of Change	Section / Page of Document
10/7/2014	Updated language regarding the limit on the number of bids that may be submitted.	I, p. 11
10/7/2014	Updated PowerAdvocate Registration link	H, p. 10
10/21/2014	<ul style="list-style-type: none">- Added language to the 'Credit Terms and Conditions' section to clarify that credit costs should not be included in the offer price.- Added language to the 'Quantitative Evaluation' section to explain how credit costs will be evaluated.- Added a sentence within the 'Offer Form' section to highlight that a separate credit cost offer form is required	D, p. 5 F, p. 7 I, p. 11

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1.0 BACKGROUND

A. GENERAL BACKGROUND

In accordance with the California Public Utilities Commission (“CPUC”) Decision (D.) Authorizing Long-Term Procurement for Local Capacity Requirements due to the Permanent Retirement of the San Onofre Nuclear Generation Station (the “Track 4 Decision”) approved on March 13, 2014, and associated documents¹, San Diego Gas and Electric (“SDG&E”) is seeking offers for both preferred resources (Energy Efficiency (“EE”), Demand Response (“DR”), renewables, Combined Heat & Power (“CHP”), and Distributed Generation (“DG”)), Energy Storage (“ES”), and conventional resources. For each of these resource types, with the exception of DG, SDG&E has issued a Request for Offers (“RFO”) document associated with its 2014 All Source solicitation and respondents with resources that fall into those categories should look to those RFOs for guidance in submitting their offer. Guidance for DG offers is contained in this document and resources that otherwise do not fall into the other resource types and interconnect at distribution voltage must meet the conformance requirements discussed in section 2.0 of this document, below².

SDG&E is issuing its 2014 All Source solicitation to achieve the megawatt (“MW”) targets associated with its Local Capacity Requirements (“LCR”) established in the Track 4 Decision. The Track 4 Decision authorized SDG&E to procure between 500 MW and 800 MW of incremental local capacity by 2022 to meet local capacity needs, at least 200 MW of which must come from preferred resources³. The exact composition and size of the shortlist is dependent on numerous factors including the separately filed application associated with the Carlsbad Energy Center (further discussed below), and the quantitative and qualitative evaluation of the offers, as detailed below in section F and in the various RFO documents.

SDG&E has separately filed an application for Commission approval of a 600 MW bilateral contract with a conventional resource, the Carlsbad Energy Center (A.14-07-009). If approved, 600 MW of SDG&E’s need will be filled by this contract and SDG&E will be authorized to procure only 200 MW of preferred resources, including at least 25 MW of energy storage. In this event,

¹ For example, SDG&E submitted both its updated Preferred Resources Procurement Plan and its Conventional Procurement Plan to the Energy Division of the CPUC. The Conventional Resources Procurement Plan was approved on July 17, 2014 and the Preferred Resources Procurement Plan was approved on July 22, 2014. These plans and the associated approval letters can be found at: <http://www.sdge.com/request-proposals> (scroll down to the bottom of the page).

² For further information regarding Distributed Generation in California, see: <http://www.cpuc.ca.gov/PUC/energy/DistGen/>

³ Preferred Resources are defined in the Energy Action Plan – as updated in the Energy Action Plan II and 2008 update to the Energy Action Plan II in the loading order as follows: “The loading order identifies energy efficiency and demand response as the State’s preferred means of meeting growing energy needs. After cost-effective efficiency and demand response, we rely on renewable sources of power and distributed generation, such as combined heat and power applications. To the extent efficiency, demand response, renewable resources, and distributed generation are unable to satisfy increasing energy and capacity needs, we support clean and efficient fossil-fired generation.” – See the Energy Action Plan II, p.2 at: http://www.energy.ca.gov/energy_action_plan/2005-09-21_EAP2_FINAL.PDF

bidders shall be notified that 600 MW of the need eligible under this RFO has been filled. SDG&E encourages respondents to take this possibility into account and submit offers with both levels of need in mind (maximum of 775 MW if this application is not approved or 175 MW if approved).

The purpose of this document is to provide background on the 2014 All Source solicitation and an overview of the conformance requirements for the DG product type. Many of the other product types listed above may also be DG (for example, a relatively small renewable or CHP facility may be interconnected at distribution voltage and therefore be DG), but in those circumstances Respondents are directed to follow the guidance provided in those more specific product type RFOs. For other DG facilities, that do not fit into one of the above product types, SDG&E will consider DG offers that meet the below conformance requirements and Respondents are required to contact SDG&E (e-mail: AllSourceRFO@semprautilities.com) in order for SDG&E to understand the nature of the offer and provide the appropriate contract vehicle and fill out the associated DG offer form. To be considered in SDG&E's All Source solicitation, a DG offer must meet the below listed conformance requirements and must be uploaded to the SDG&E RFO Website no later than 1:00 PM Pacific Prevailing Time ("PPT"), on January 5, 2015.

B. SCHEDULE

The RFO Schedule is subject to change at SDG&E's sole discretion at any time. All changes to the RFO Schedule will be posted to SDG&E's RFO website. The RFO Schedule may be affected by issues such as: discussions with shortlisted bidders, proceedings before the CPUC, and efforts to obtain regulatory approval. SDG&E intends to notify bidders of any schedule change, but will not be liable for any change in schedule or for failing to provide notice of any change.

Once bidders have accepted their shortlisted position with SDG&E and remitted the Shortlist Acceptance Fee⁴, further contract negotiations may commence and continue until mutual agreement has been achieved and a contract has been executed. Being short listed does not guarantee that a contract will be negotiated or signed with the bidder.

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

C. RESOURCE ADEQUACY ("RA") / INTERCONNECTION INFORMATION

⁴ The Shortlist Acceptance Fee is the greater of \$100,000 or \$2 per kW of project nameplate(ESSPPTA) or aggregate ESS size (ESSESA) and shall be required to be paid to SDG&E within ten (10) business days of notification by SDG&E that the offer has been shortlisted. The Shortlist Acceptance Fee shall be refunded (with interest) to Respondent if Respondent and SDG&E fail to reach an agreement and such failure is not due to Respondent's withdrawal of its offer or a material misrepresentation of pricing or non-pricing information provided by Respondent.

SDG&E intends for projects selected from its All Source solicitation to count towards its local Resource Adequacy (“RA”) obligations. Respondents must perform all activities necessary to facilitate local RA recognition for the projects and shall be responsible for all costs to facilitate local RA recognition, including any deliverability study fees or upfront funding of deliverability upgrade costs and should include these costs in their offer price. For more information regarding interconnection, please see:

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

- Download and review SDG&E Interconnection Handbook,
- Links to CASIO interconnection queue, tariffs and websites,
- Links to SDG&E interconnection queue, tariffs and websites,
- Link to NERC/WECC Reliability Standards,
- Links to Process Summaries,
- Link to SDG&E Self Generation Technologies site.

CAISO Generation Interconnection Process Contact:

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

SDG&E Contact:

- Transmission level - Gen. Interconnection Project Manager: Marlene Mishler (858) 654-8640 ; MMishler@semprautilities.com
- Distribution level – Customer Generation Manager: Ken Parks (858) 636-5581; KParks@semprautilities.com

D. CREDIT TERMS AND CONDITIONS

Winning bidders will be required to comply with the credit and collateral requirements which will be determined by SDG&E at the time of shortlisting and will be based on product, deliveries, price, and term, among other variables. For clarity, bidders should **not** include credit costs within their bid price (note: respondents are required to provide information regarding the added cost of collateral per \$100,000 increment to satisfy the initial collateral requirement if SDG&E decides not to extend unsecured credit via a separate offer form. These costs will be considered as discussed in the quantitative evaluation section within this document).

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

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

Generally Accepted Accounting Principles and SEC rules require SDG&E to evaluate whether or not SDG&E must consolidate a Seller's financial information as the primary beneficiary of a variable interest entity. If SDG&E determines at any time during the term of the agreement that consolidation is required, SDG&E shall require the following during every calendar quarter for the term of any resultant agreement:

- a) Complete unaudited financial statements and notes to financial statements, within 15 days of the end of each quarter;
- b) Financial schedules underlying the financial statements, within 15 days of the end of each quarter;
- c) Access to records and personnel, so that SDG&E's internal or independent auditor can conduct financial audits (in accordance with generally accepted auditing standards) and internal control audits (in accordance with Section 404 of the Sarbanes-Oxley Act of 2002)) and so that SDG&E can meet its SEC filing requirements;
- d) Certifications by duly authorized representatives as may be reasonably requested by SDG&E; and
- e) Such other information as reasonably requested by SDG&E.
- f) If consolidation is required and considered material by the buyer to buyer's financial statements or its parent company's financial statements and buyer reasonably determines seller's internal controls over financial reporting are considered to be significantly deficient or a material weakness, then seller is to remediate within 30 days;
- g) Seller to provide to buyer any SEC Form 8K disclosures, two days after the occurrence of the SEC Form 8K event; and
- h) Seller to notify buyer at any time during the term of the agreement of any consulting (non-independent) services provided or proposed to be provided to seller by the buyer's independent auditor.

F. PROCUREMENT PROCESS / EVALUATION

All incoming offers will be assessed for conformance. Respondents are responsible for the accuracy of all information provided. Errors discovered during evaluation may impact a Respondent's potential short-list status.

As required by the Track 4 Decision, SDG&E is soliciting a broad range of resources as discussed above. SDG&E has provided a separate RFO document outlining instructions and requirements for each resource type with the exception of DG. SDG&E's valuation and selection approach is intended to evaluate the different resource types on as equal a footing as possible. Following conformance checks, conforming offers will then go through a Least-Cost / Best-Fit (LCBF) / Net Market Value ("NMV") analysis.

QUANTITATIVE EVALUATION

SDG&E evaluates and ranks offers based on Least-Cost/Best-Fit (“LCBF”) principles. The LCBF analysis evaluates both quantitative and qualitative aspects of each offer to estimate its value to SDG&E’s customers and its relative value in comparison to other offers. The valuation of an offer takes into account both benefits and costs. The primary quantitative metric used in SDG&E’s LCBF process is a Net Market Value (“NMV”) calculation. The NMV calculation is a quantification of the value of an offer when compared to a set of price benchmarks for capacity, electrical energy, ancillary services, natural gas, and Green House Gas (“GHG”) compliance. Additionally, SDG&E may consider portfolio effects (costs or benefits) associated with the offer on the portfolio. These benefit and cost components are netted and discounted to yield a NMV for each offer. The NMV of an offer is compared to the NMV of other offers to determine whether that offer is one of the highest ranked. The initial evaluation will be done without regard to credit costs. Once an initial listing of the highest ranked offers is determined, a credit analysis will be conducted and credit costs will be considered. The economic evaluation normalizes the MW size differences of offers by finding the most attractive NMV per MW of capacity (“Least Cost”).

This ranking process may not produce enough capacity from positive NMV offers to reach the 25 MW threshold for storage offers and minimum 175 MW threshold for other preferred resource offers. In this case, SDG&E will carefully consider whether offers with a negative NMV (that is, offers whose associated costs are greater than the associated benefits) will be shortlisted and pursued or whether it is preferable to rely on alternative procurement tools to meet the 200 MW LCR preferred resource goal.

SDG&E evaluates the quantifiable attributes of each offer individually. These individual attributes will include: capacity benefits, energy benefits, ancillary service benefits, contract payments, upgrade costs, GHG emissions and costs, congestion costs, and transmission losses and costs as applicable.

i. NET CAPACITY BENEFITS

Capacity benefits are calculated by comparing the capacity costs in the offer to the capacity value to SDG&E.

ii. NET ENERGY AND ANCILLARY SERVICES BENEFITS

The energy benefit valuation is an optimized energy and Ancillary Service (A/S) dispatch profile multiplied by the corresponding energy and A/S forward price curves.

iii. DISTRIBUTION SYSTEM IMPACTS

Upgrade costs that solely benefit the project and are paid for by the developer (Gen-tie Costs) should be reflected in the offer pricing, and reimbursable network upgrade costs that benefit the grid broadly and are ultimately borne by customers will be considered in the economic evaluation of the offer (Upgrade Costs). SDG&E requires WDAT or Rule 21, or CAISO Phase 1 or 2 study results as the basis for including appropriate interconnection cost estimates in its evaluation.

QUALITATIVE EVALUATION

Qualitative factors and benefits will be used to determine which projects are the “Best Fit” for SDG&E’s portfolio. SDG&E may use these factors to determine advancement onto the short list or evaluate tie-breakers, if any. Qualitative factors may include, but are not limited to:

i. PROJECT VIABILITY

SDG&E is seeking experienced companies and development teams to develop and operate facilities utilizing known and proven technology to the degree available. Another aspect of project viability will include its ability to contribute to meeting the Local Capacity Requirement. SDG&E works with the CAISO in modeling resource and program portfolios to ensure SDG&E’s LCR is met.

ii. ADHERENCE TO CONTACT TERMS AND CONDITIONS

Respondents that utilize the DG offer form will be provided with a form contract to evaluate. Respondents may modify the form contract as part of their submittal package to the extent that modifications add value to the offer. SDG&E will review modifications to any terms and conditions proposed in the offer and consider the materiality of these changes.

iii. SUPPLIER DIVERSITY

SDG&E encourages Diverse Business Enterprises (“DBEs”), “Women-Owned Businesses” or “Minority-Owned Businesses” or “Disabled Veteran Business Enterprises” as defined in G.O. 156⁵, to participate in this RFO. Furthermore, SDG&E encourages developers to utilize DBEs during various stages of project development and construction. As a part of G.O. 156, SDG&E will require developers to identify, verify and report their DBE contractors/subcontractor spending if any. Additional information on SDG&E’s DBE program can be found at:

<http://www.sempra.com/about/supplier-diversity/>
<http://www.cpuc.ca.gov/puc/supplierdiversity/>

Like other qualitative factors, in the event of a tie between two offers, SDG&E will consider a Respondents status as a DBE and or a Respondent’s plan to utilize the services of DBEs during project development. SDG&E’s DBE Program representatives will provide a presentation during the pre-bid conference. DBEs can request additional information by contacting SDG&E at vendorrelations@semprautilities.com.

IV. LOADING ORDER RANKING

SDG&E seeks resources in accordance with the loading order described in the Energy Action Plan (see footnote 2, above). SDG&E will give preference to higher loading order ranked resources.

⁵ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

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.

G. PRE-BID CONFERENCE / BIDDER OUTREACH EVENTS

SDG&E will host three bidder outreach events. The first event is scheduled for September 26, 2014 which will be an in-person event for all resource types (with dial-in / webinar available for those that cannot attend in-person). The second event will be a conference call / webinar only geared towards all resource types and is scheduled for October 24th. The third event will focus primarily on the demand response, energy efficiency and energy storage product types, and will be in-person (conference call / webinar available) on November 10th. Participation in these events is NOT mandatory in order to submit an offer.

Please monitor the RFO Website for further details (such as conference presentation materials and final arrangements for the second and third events). SDG&E will make efforts to notify bidders of outreach event details via e-mail as well as providing this information via the RFO Website.

Any party interested in attending these events should email the following information to AllSourceRFO@SempraUtilities.com

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

H. RFO WEBSITE AND COMMUNICATION

Information associated with SDG&E's 2014 All Source solicitation and all subsequent revisions and documents are available for download from the RFO Website (<http://www.sdge.com/AllSourceRFO2014>) and the 2014 DG Requirements event on the PowerAdvocate® website. Potential Respondents are responsible for monitoring the RFO Website and PowerAdvocate® for subsequent updates, notices and postings.

The 2014 DG Requirements event on the PowerAdvocate® website contains the following: required RFO forms, documents, and schedule. Respondents intending to bid but who do not yet have an existing account with PowerAdvocate® must first register to create a username/password in order to receive access to the event. See below for instructions to log in/register:

Logging In

You access the PowerAdvocate platform via a web browser.

To log in

1. Open a web browser and go to www.poweradvocate.com.

PowerAdvocate functions in most web browsers; however, using browsers other than Internet Explorer (IE) version 6 or higher may cause certain functionality to work unexpectedly. Should you encounter problems, PowerAdvocate support may be unable to provide assistance until the issue has been replicated in a supported version of Internet Explorer.

2. Click **Login**.

The Login page appears; you may wish to bookmark it for quick access.

3. Enter your account **User Name** and **Password**.

Both are case-sensitive.

If you do not have an account, go to poweradvocate.com and click the **Registration** link at the top of the page. If you have an account but do not remember your user information, click **Forgot User Name** or **Forgot Password** and they will be emailed to you.

4. Click **Login**.

First-time users must register as a Supplier using the instructions above and the Referral information below to access the RFO event:

Referral Information

Are you registering for a specific Event: * Yes

No, I would simply like to register.

Who referred you to this Event:

Name of that individual's company:

Name or description of the Event:

Users with an existing PowerAdvocate® account may request access to the event using the link below:

<https://www.poweradvocate.com/pR.do?okey=44699&pubEvent=true>

The RFO website contains RFO forms and documents, the RFO Schedule, and a Question and Answer forum. All questions or other communications regarding this RFO must be submitted via email to AllSourceRFO@semprautilities.com by November 14, 2014. SDG&E will not accept questions or comments in any other form, except during scheduled bidders conferences.

I. RESPONSE INSTRUCTIONS

DG Respondents are required to contact SDG&E via e-mail (at AllSourceRFO@semprautilities.com) prior to submitting their offer so that SDG&E can understand the nature of the DG resource and provide guidance and the proper pro-forma agreement. Respondents must then submit the below files / forms / documents in response to this solicitation. Forms are available on the DG Requirements Website / through the PowerAdvocate site. Failure to provide the listed information may result in the proposal being deemed non-conforming and may disqualify the proposal from further consideration.

Limit on Number of Bids

A MAXIMUM OF SIX (6) BIDS/OFFERS PER RESPONDENT WILL BE ACCEPTED. A single bid may consist of multiple locations, hybrid technologies (i.e. batteries and solar), or phased development as long as the package is priced as a single project.

Variation of significant project details, including the following, must be priced as a separate bid:

- Commercial operation date
- Term
- Energy Deliveries or Dispatchable Configuration
- Maximum Capacity
- Point of Interconnection
- Operational Constraints

Fill out separate offer forms for each bid. Only one Project Description Form is required per Respondent to the extent that all bids can be adequately summarized in the space provided.

If the respondent has questions or concerns regarding bid limits, please contact SDG&E at: AllSourceRFO@semprautilities.com

Required Participation Forms:

- 1) **Offer Form** – Bidders must include in their offer form proposed pricing and if multiple pricing or capacity or other options are contemplated, multiple offer forms should be submitted. Note that separate offer forms must be completed for offer price and credit costs.
- 2) **Project Description Form**
- 3) **Electric Interconnection Information** – Please provide copies of completed studies (if any), provide the name of the substation and interconnection voltage

applicable to the facility as well as the nearest substation (if known) in the offer form (listed above).

- 4) **Credit Application** –Changes to terms and conditions will render the offer non-conforming and disqualify the project from further consideration.
- 5) **Supplier Diversity Information** - Provide a copy of certification documents received from the California Public Utilities Commission. An application can be made before submission of the offer and referenced in the offer.

Note: Pro-forma Agreement. A pro-forma agreement will be provided to the respondent once SDG&E evaluates the offer and understands the nature of the facility. Respondent will then be given the opportunity to provide a redline version back to SDG&E for their consideration. [

The Project Description Form and Credit Application must be in Word or Word-compatible format (not in PDF). The offer form must be in Excel or Excel-compatible format (not in PDF).

Submissions containing unsolicited materials or submissions of individual bid documents in file formats other than the formats of the original bid forms may be rejected. This is an electronic only solicitation; Respondents need not submit paper documents, or e-binders.

Any party interested in submitting an offer must register to receive access to the 2014 SDG&E DG Requirements event on PowerAdvocate® in order to submit an offer. To register, Respondents must follow the instructions outlined in Section H, RFO Website and Communications. All offers must be uploaded to the PowerAdvocate® no later than **1:00 p.m.**, Pacific Prevailing Time, on the CLOSING DATE (see RFO Schedule). If Respondents encounter technical difficulties with the uploading process, they should provide evidence of such difficulties (e.g. a screen shot of the error message) and email the bid to:

The RFO mailbox: AllSourceRFO@semprautilities.com

Carbon Copy (CC) to: Jon.Jacobs@paconsulting.com and Barbara.Sands@PAConsulting.com

Emails shall be received by 1:00 p.m., Pacific Prevailing Time, on the Closing Date.

All offer materials submitted in accordance with the above Response Instructions shall be subject to the confidentiality provisions of Section 4 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.

J. PROCUREMENT REVIEW GROUP / INDEPENDENT EVALUATOR

PROCUREMENT REVIEW GROUP

The Procurement Review Group (PRG), a CPUC-endorsed entity, is composed of non-market bidders such as ratepayers' advocacy groups, state energy and water commissions, power authorities, utility-related labor unions and other non-commercial, energy-related special interest groups. Each IOU has its own PRG. 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, each IOU briefs its 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 4 ("Confidentiality"). Each Respondent must clearly identify, as part of its offer, what type of information it considers to be confidential.

INDEPENDENT EVALUATOR

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

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

2.0 CONFORMANCE REQUIREMENTS

BID CONFORMANCE EVALUATION

SDG&E may reject an offer if:

1. SDG&E uncovers evidence of market manipulation in the bid preparation and offer process;
2. the Respondent does not provide adequate evidence that it meets minimum participation criteria;
3. there is a question as to whether or not the projects meet minimum resource criteria;
4. the Respondent cannot fulfill the terms and conditions of the contract; and/or,
5. the Respondent is unable to comply with RFO timing and other solicitation 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 should monitor the RFO Website for announcements regarding any change.

A. PARTICIPATION CRITERIA

Expected terms of participation are listed below. SDG&E will work with DG Respondents to determine whether any of these criteria will be waived. Respondents not meeting all minimum participation criteria may be deemed ineligible / nonconforming and their offers may not be considered.

1. The DG facility must be located and interconnect within the San Diego local sub-area, as defined by the CAISO⁶.
2. SDG&E prefers start dates as early as October 2017, but will consider later start dates as well. Some portion of the project's contract term must encompass calendar year of 2022.
3. Respondents with DG projects are required to contact SDG&E⁷ to discuss project details and ensure the appropriate information is gathered in order to allow an accurate evaluation of the resource and so that SDG&E can provide the proper pro-forma agreement to the Respondent.
4. The DG Facility must be incremental to the assumptions used in the CAISO studies⁸ associated with the 2012 long term procurement plan proceeding that served as a basis for SDG&E's 500 MW – 800 MW authorized need.

⁶ See the CAISO "Local Capacity Technical Analysis" –for 2015 available at: http://www.caiso.com/Documents/Final2015LocalCapacityTechnicalStudyReportApr30_2014.pdf. To summarize, San Diego Local subarea projects are those located in SDG&E's service territory connecting to SDG&E owned transmission or distribution facilities at a point that is at or electrically west of the Miguel or Suncrest substations and electrically south of the San Onofre Nuclear Generating Station 230 kV switchyard.

⁷ Respondents should utilize the RFO e-mail box to contact SDG&E: AllSourceRFO@semprautilities.com.

⁸ See ordering paragraph 6 of the Track 4 Decision.

5. The facility net capacity shall be equal to or greater than 500 kW.⁹ Maximum facility size will be determined through the interconnection process and depending on location and interconnection point will likely be in the 5 – 10 MW range (see criteria number two, above).
6. The facility interconnects at distribution voltage (for SDG&E, this is BELOW 69kV. - generally, 12kV.)
7. The project must have obtained a WDAT or Rule 21, or CAISO Phase 1 or 2 study.
8. The DG facility must meet the requirements to count towards SDG&E's annual and monthly RA showing filed with the CPUC and / or the CAISO. This requires that the resource be found to be fully deliverable (that is, Respondents must seek and receive Full Capacity Deliverability Status ("FCDS") from the CAISO. For Respondents that have not received such a finding, evidence of the application or an explanation of interconnection status must be included in the offer.
9. The DG facility's GHG emissions must be equal to or less than the California Air Resources Board default emission factor of .428 metric tons of CO₂e per MWh.¹⁰
10. Respondents must assume all costs associated with energy deliveries to SDG&E (that is, include in the offer pricing any non-reimbursable interconnection upgrades necessary to be found FCDS).
11. Respondents must include evidence that they have received or have applied for the necessary permits to allow the lawful operation of the DG facility and that the DG facility can operate under those permits for the entirety of the proposed contract term.
12. Respondents must have, at time of bidding, site control for the duration of the contract term proposed in their offer. Site control may be evidenced by documentation of:
 - a. direct ownership;
 - b. a lease; or
 - c. an option to lease or purchase upon contract approval. The option must be an exclusive option to the Bidder that will last until the completion of the RFO cycle.
13. Respondents must own the DG facilities and have responsibility for development, land acquisition, permitting, financing, construction and operation of the DG facilities.
14. The Respondent must state any affiliate relationship with Sempra Energy, if one exists.

SDG&E is aware that the RA counting rules change frequently. If the capabilities of the system, facility or program that the Respondent is describing in its offer are currently non-conforming specifically with regard to the RA requirement, but the Respondent believes that the RA

⁹ Note that SDG&E will consider the administrative burden/feasibility of negotiating a high volume of agreements when selecting its shortlist.

¹⁰ See: <http://www.ccdsupport.com/confluence/display/calhelp/Reporting+Form+Instructions> ; scroll down to the row that has "Electric Power Entities" in far left column and click on the link titled: "Updated 2013 EFs.xls (Updated 8/8/2014 Rev 2)". Within the spreadsheet, '2013 EFs' tab, scroll down to row 355 titled "Unspecified --- retail Provider Replacement Poer, per 95111(c)(3)(C)(2), column P

counting rules may change prior to SDG&E short-listing, the Respondent is instructed to submit their offer and note that it is currently non-conforming due to current RA rules. If and when the RA rules change resulting in the offer conforming to the new RA rules, the Respondent should notify SDG&E (via the RFO e-mail address - AllSourceRFO@semprautilities.com) and the IE (jon.jacobs@paconsulting.com and Barbara.Sands@PAConsulting.com).

3.0 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 SHORTLISTED. SDG&E RESERVES THE RIGHT AT ANY TIME, AT ITS SOLE DISCRETION, TO ABANDON THIS RFO PROCESS, TO CHANGE THE BASIS FOR EVALUATION OF OFFERS, TO TERMINATE FURTHER PARTICIPATION IN THIS PROCESS BY ANY PARTY, TO ACCEPT ANY OFFER OR TO ENTER INTO ANY DEFINITIVE AGREEMENT, TO EVALUATE THE QUALIFICATIONS OF ANY RESPONDENT OR THE TERMS AND CONDITIONS OF ANY OFFER, OR TO REJECT ANY OR ALL OFFERS, ALL WITHOUT NOTICE AND WITHOUT ASSIGNING ANY REASONS AND WITHOUT LIABILITY OF 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.

4.0 CONFIDENTIALITY

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

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

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

IT IS EXPRESSLY CONTEMPLATED THAT MATERIALS SUBMITTED BY A RESPONDENT IN CONNECTION WITH THIS RFO WILL BE PROVIDED TO THE CPUC, ITS STAFF, THE CEC, ITS STAFF, SDG&E'S INDEPENDENT EVALUATOR, SDG&E'S PRG, AND THE COST ALLOCATION METHODOLOGY ("CAM") GROUP. ADDITIONALLY, SDG&E MAY PROVIDE LIMITED INFORMATION SUCH AS (BUT NOT LIMITED TO) ON-LINE DATE, INTERCONNECTION POINT, TECHNOLOGY AND OTHER OPERATIONAL CHARACTERISTICS TO THE CAISO FOR MODELING

PURPOSES. SDG&E WILL SEEK CONFIDENTIAL TREATMENT PURSUANT TO PUBLIC UTILITIES CODE SECTION 583 AND GENERAL ORDER 66-C OF THE CPUC, WITH RESPECT TO ANY RESPONDENT CONFIDENTIAL INFORMATION SUBMITTED BY SDG&E TO THE CPUC. SDG&E WILL ALSO SEEK CONFIDENTIALITY PROTECTION FROM THE CALIFORNIA ENERGY COMMISSION (“CEC”) FOR RESPONDENT’S CONFIDENTIAL INFORMATION AND WILL SEEK CONFIDENTIALITY AND/OR NON-DISCLOSURE AGREEMENTS WITH THE PROCUREMENT REVIEW GROUP (“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.

5.0 SDG&E BACKGROUND

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

SDG&E's electric transmission network is comprised of 130 substations with 884 miles of 69-kV, 265 miles of 138-kV, 349 miles of 230-kV, and 215 miles of 500-kV transmission lines. Local ("on system") generating resources include the Encina plant (connected into SDG&E's grid at 138 kV and 230 kV), the Palomar Energy Center (connected at 230kV) and a number of combustion turbine facilities located around the service area (connected at 69 kV). Imported resources are received via the 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 as well as the Sunrise Power Link – a second 500kV transmission line that runs from the Imperial Valley substation and ending in San Diego's north county.

The figure below shows a simplified diagram of existing SDG&E's service area, which encompasses an area of 4,100 square-miles and spans 2 counties and 25 communities.



For a map California IOU service territories please visit:

http://www.energy.ca.gov/maps/serviceareas/electric_service_areas.html

