



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

SAN DIEGO GAS & ELECTRIC COMPANY

RESOURCE ADEQUACY REQUEST FOR PROPOSALS

seeking
BIDS & OFFERS FOR 2013
RESOURCE ADEQUACY RESOURCES

ISSUED
AUGUST 17, 2012

PROPOSALS DUE
SEPTEMBER 5, 2012

RFP WEBSITE
<http://www.sdge.com/2013rarfp>

EMAIL QUESTIONS/COMMENTS TO
2013rarfo@semprautilities.com
With a CC to: waynejoliver@aol.com
(Independent Evaluator)

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San Diego Gas & Electric Company (“SDG&E”) seeks to transact for 2013 Resource Adequacy (“RA”) capacity products with load serving entities and generators (“Respondents”). Any transaction resulting from this Request for Proposals (“RFP”) will become effective only after full execution of a negotiated contract (“Confirmation”) substantially in conformance with the accompanying *Confirmation Template*.

1. BACKGROUND / PURPOSE

A. SYSTEM RESOURCE ADEQUACY

Based on statutory language contained in Public Utilities Code 380¹ the California Public Utilities Commission’s (“Commission” or “CPUC”) RA program applies to Load Serving Entities (“LSE”) such as SDG&E. CPUC Decision (D.) 05-10-042 established a Year-Ahead and Month-Ahead System Resource Adequacy Requirement (“RAR”) for LSEs. System RAR is calculated based on peak-load plus a 15% reserve margin and is adjusted for demand response. Annually, at the end of October, LSEs must submit a Year-Ahead System RAR compliance filing which demonstrates sufficient RA capacity resource procurement to meet 90% of its assigned System RAR obligation for the five summer months of May through September during the upcoming compliance year. Additionally on a monthly basis during the RA compliance-year, an LSE must submit a Month-Ahead System RAR compliance filing demonstrating sufficient RA capacity resource procurement to meet 100% of its assigned System RAR obligation for that compliance month.

B. LOCAL RESOURCE ADEQUACY

Subsequently, D.06-06-064 (i) expanded the RA program to include a Year-Ahead Local RAR and (ii) determined that an annual study of Local Capacity Requirements (“LCR”) performed by the California Independent System Operator (“CAISO”) would form the basis for the Commission’s annual Local RA program requirements. Each year, following the CAISO’s publication of its LCR study, the CPUC issues a decision in which it adopts specific local procurement obligations for each local capacity area based on the CAISO’s LCR determinations. Annually, at the end of October, LSEs must submit a Year-Ahead Local RAR compliance filing which demonstrates sufficient RA capacity resource procurement to meet 100% of its assigned Local RAR obligation for all months of the upcoming compliance year.

C. RFP PURPOSE

SDG&E is issuing this Request for Proposals to assist in optimizing its 2013 RA portfolio. Through this RFP it is anticipated that RA products will be bought, sold, and/or swapped so as to minimize the procurement cost impact for ratepayers while also meeting SDG&E’s System RAR and Local RAR obligations.

¹ As amended by Stats. 2008, ch. 558, Sec. 13, effective January 1, 2009.

2. PRODUCT DESCRIPTION

All products associated with this RFP are for resource adequacy. The product must be Resource Adequacy capacity from specific identified generating units located within the CAISO Balancing Authority Area or from imports. Such Resource Adequacy capacity must be eligible for inclusion in both Year-Ahead & Month-Ahead compliance filings with the CPUC. All products are for RA compliance year 2013. Net Qualifying Capacity (“NQC”) values for RA resources are available at the CAISO website².

A. PRODUCTS SOLICITED

Table 1 – RA Products below shows SDG&E’s specific interests in Resource Adequacy proposals indicating SD Local RA/System RA vs. Offers/Bids desired.

Table 1 – RA Products

2013 RA-Only	SD Local RA	System RA
Offers (SDG&E as Buyer)	n/a	<u>Product OS</u> Calendar Quarterly (Q1 & Q3) Monthly (Jan-Dec) Inter-Tie Import* (Q3)
Bids (SDG&E as Seller)	<u>Product BL</u> Calendar Quarterly (Q1, Q2, Q3,Q4) Monthly (Jan-Dec)	n/a
Swap (Local for System)	<u>Product SW</u> Cal2013 Local swap for Cal2013 System Q3 Local Swap for Q3 System	
* SDG&E would consider using its inter-tie RA import allocations at PV, Mead, PACI, and Eldorado. Respondent may offer RA at other import locations if import allocations are included at those locations.		

B. SCHEDULED MAINTENANCE

SDG&E’s buying preference is for firm RA with the only excuse for non-delivery being force majeure. However, Section 3.3 of the *Confirmation Template* provides for a Seller-selected option to include an Appendix B having to do with scheduled maintenance. The descriptions below give a brief overview of the difference between Appendix B being applicable and Appendix B NOT being applicable.

² The 2013 Resource Adequacy Net Qualifying Capacity (NQC) quantities are available on CAISO’s website at: [http://www.caiso.com/Documents/Net_qualifying_capacity_\(NQC\)](http://www.caiso.com/Documents/Net_qualifying_capacity_(NQC))

With Appendix B Applicable: Seller shall provide buyer with RA in the quantity proposed (the “Contract Quantity”) and seller shall provide buyer with a schedule of the unit(s) planned maintenance outages which shall be listed in Appendix B and the “Appendix B is applicable” election shall be indicated in Section 3.3 of the *Confirmation Template* (Contract Quantity minus the planned outage forming the “Seller’s Firm Quantity” applicable during such outages). The outages listed in Attachment B and the timing of these outages would be negotiable prior to execution of the confirmation to optimize their timing with particular regard to SDG&E’s overall RA portfolio. For any time period of the contract term when there are no planned maintenance outages listed in Appendix B, the Seller’s Contract Quantity equals the Contract Quantity. If the Contract Quantity is not available for any reason, including planned outages, seller must provide buyer with replacement RA, but only up to the Seller’s Firm Quantity. Seller is paid for the Seller’s Firm Quantity.

With Appendix B NOT Applicable: Seller shall provide buyer with the Contract Quantity in the quantity proposed. During the entire contract term the Seller’s Contract Quantity equals the Contract Quantity. If the Seller’s Contract Quantity is not available for any reason, including planned outages, seller must provide buyer with replacement RA. Seller is paid for the provided quantity of RA.

It should be noted that the expectation is that there would be a pricing differential between these options. The Respondents is advised to take due diligence in reviewing the Confirmation Template so as to be sure to understand the significance of electing or not electing an Appendix B.

C. OTHER PRODUCT CONSIDERATIONS

- Respondents are allowed and encouraged to submit proposals for more than one product and multiple proposals for the same product.
- Local attributes associated with System RA will become part of any transaction resulting from this RFP.
- Product quantities may be proposed in any whole MW increment. SDG&E reserves the right to request a modification of the proposed quantities of a Respondent’s proposal as is necessary in order to fulfill SDG&E’s remaining RA need after considering better-priced proposals.
- Any proposals involving Once-Through Cooling (“OTC”) units must be contracted in a manner consistent with the State of California’s OTC Policy.

3. ELIGIBILITY REQUIREMENTS

Respondents to this solicitation shall comply with the requirements herein, including but not limited to the RFP response instructions contained in Section 8—RFP Response Instructions. Respondents not meeting minimum participation criteria could be deemed ineligible and their proposals may not be considered. SDG&E, at its sole discretion, may change the terms, requirements and schedule of this solicitation. Respondents should monitor the RFP Website for announcements regarding any updates or changes.

By submitting a proposal into this Request for Proposals the Respondent specifically acknowledges the following:

- 1) Transaction resulting from this Request for Proposals will become effective only after full execution of a Confirmation.
- 2) Respondents for shortlisted proposals will enter good faith negotiations to execute an agreement substantially in the form of the *Confirmation Template* that is a part of this RFP. Respondents may make suggested changes to the *Confirmation Template* in their proposal; however, extensive modifications are discouraged. SDG&E, in its sole discretion, will determine whether any proposed modifications or alterations of the *Confirmation Template* are material and reserves the right to decline to execute any agreement with a selected Respondent for any reason.
- 3) Proposals shall remain valid and effective as proposed through October 31, 2012.
- 4) The shortest acceptable contract term is one calendar month.
- 5) The contract delivery term must start on the first day of a calendar month and cannot occur prior to January 1, 2013 nor shall the contract term end later than December 31, 2013.
- 6) Any proposed Resource Adequacy capacity must either be owned by the Respondent or the Respondent must have a contractual right to the capacity proposed.

4. CREDIT TERMS & CONDITIONS

SDG&E has the right to evaluate and determine the creditworthiness of the Respondent relative to this RFP. Collateral requirements will be negotiated based on the counterparty's creditworthiness as assessed by SDG&E. When required, collateral may be posted as cash or letter of credit.

As a California utility SDG&E does not generally post collateral. Proposals requiring SDG&E to post collateral will likely not be selected. Payments are made in arrears following the respective RA compliance month.

For questions regarding credit terms, please contact Ms. Judy Delgadillo at (213) 244-4343.

5. EVALUATION CRITERIA

All incoming proposals will be initially assessed for conformance with the basic submittal requirements set out in this RFP description. Respondents should conform to such participation criteria in order to be considered. Respondents are responsible for the accuracy of all discussions, figures and calculations. Beyond that there will be both quantitative and qualitative considerations involved with evaluating proposals for placement on the shortlist.

A. QUANTITATIVE EVALUATION

SDG&E will rank the proposals based on per unit pricing. SDG&E will accept well-priced proposals based on the best-value to ratepayers in meeting SDG&E's Resource Adequacy obligations relative to the products being sought. In the event that multiple proposals are equally-priced and collectively involve quantities outside of SDG&E's remaining need or surplus after consideration of any better-priced proposals, SDG&E will first remove any similarly-situated affiliate proposals in this tie. Next it will re-evaluate its need or surplus without the affiliate proposal(s); if the remaining non-affiliate proposals are within SDG&E's needs or surplus, then all such non-affiliate proposals will be accepted and the affiliate proposal may be entirely or partially rejected. On the other hand, if the remaining tied proposals continue to be outside SDG&E's need or surplus then the affiliate proposal will be rejected and the remaining non-affiliate proposals will be pro-rated in order to fulfill SDG&E's remaining need or surplus. By submittal of a proposal, Respondent agrees that SDG&E may evaluate proposals in the manner indicated, and that SDG&E may accept or reject any portion of or the Respondent's entire proposal.

B. QUALITATIVE EVALUATION

Aside from the quantitative evaluation methods described above, there are several other qualitative factors which may come into play in evaluating proposals. These may include, among others, mark-ups to the *Confirmation Template*, Maximum Cumulative Capacity (MCC) bucket category, Appendix B outage timing, counterparty concentration and creditworthiness, import allocation availability, and OTC.

6. RFP SCHEDULE

There are three Respondent deadlines as listed in Table 2 below.

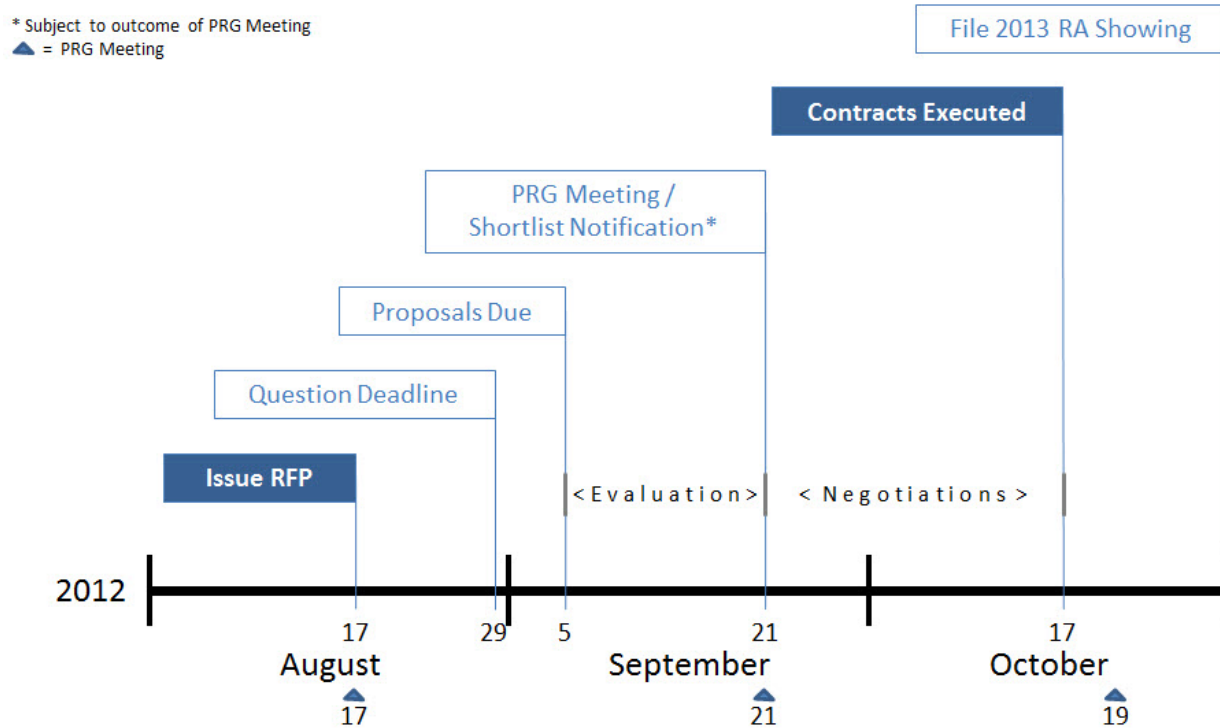
LATE BIDS WILL NOT BE ACCEPTED!

Table 2 – RFP Deadlines

Deadline Item	Deadline Date
RFP Question Submittal	August 29, 2012
Proposals Due	September 5, 2012
Contracts Executed	October 17, 2012

Shortlisted Respondents are anticipated to be notified the afternoon of September 21, 2012 pending the outcome of SDG&E's Procurement Review Group ("PRG") Meeting that morning when the RFP selections will be discussed. Figure 1 presents a timeline with all the RFP dates brought together.

Figure 1 - 2013 Resource Adequacy RFP ~ Timeline ~



SDG&E reserves the right to revise this schedule at any time and in SDG&E's sole discretion. Respondents are responsible for monitoring the RFP Website for updates and possible amendments to the RFP or the solicitation process.

7. RFP WEBSITE AND COMMUNICATION

This *RFP Description* document and all revisions and other RFP documents are available for download from the RFP Website [<http://www.sdge.com/2013rarfp>]. Potential Respondents are responsible for monitoring the RFP Website for subsequent updates, notices and postings. The RFP website contains RFP forms and documents, RFP Schedule, and a Question and Answer forum.

ALL questions or other communications regarding this RFP should be submitted via email to 2013rarfo@semprautilities.com with a CC to waynejoliver@aol.com (Independent Evaluator). Only questions submitted by the RFP QUESTION SUBMITTAL deadline (as specified in Table 2 of Section 6–RFP Schedule) through this email address will be provided an answer on the RFP Website. Questions received after this deadline may not receive a response.

8. RFP RESPONSE INSTRUCTIONS

Respondents are required to submit their proposals with firm pricing **via email** to 2013rarfo@semprautilities.com with a CC to waynejoliver@aol.com (Independent Evaluator) along with the documents identified below as email attachments. Hard copies of proposals are not necessary. These documents are available on the RFP Website. The submitted *Proposal Form* and *Confirmation Template* must be in their original format, i.e., not converted to a Portable Document Format (PDF). Failure to provide the listed information may result in the proposal being deemed non-responsive and may disqualify the proposal from further consideration.

Required Participation Documents:

- 1) ***Proposal Form*** – Each Respondent is required to complete one *Proposal Form* to cover all products being proposed so long as it is clearly indicated which products, if any, are mutually exclusive. Otherwise, complete separate *Proposal Forms* and they will be treated as mutually exclusive from all other *Proposal Forms* submitted by a Respondent.
- 2) ***Confirmation Template*** – If a Respondent has no suggested changes (preferred) to this Template then an unmodified *Confirmation Template* should be returned with the proposal. Otherwise, submit a redlined *Confirmation Template* with the proposal. As noted in Section 3–Eligibility Requirements, excessive mark-ups to the *Confirmation Template* are discouraged and could result in a proposal being rejected.

All proposal emails must be time-stamped no later than **4:00 PM**, Pacific Prevailing Time, on the PROPOSALS DUE deadline date as specified in Table 2 (see Section 6–RFP Schedule). Proposal materials submitted shall be subject to the confidentiality provisions of Section 10–Confidentiality. SDG&E may or may not review and utilize information, if any, submitted by a Respondent that is not specifically requested as a part of any required RFP documentation. During all stages of the RFP 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 RFP or to meet additional information needs. SDG&E also reserves the unilateral right to waive any technical or format requirements contained in the RFP.

9. DISCLAIMERS

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 RFP EVEN AFTER A PROPOSAL HAS BEEN SHORTLISTED. SDG&E RESERVES THE RIGHT AT ANY TIME, AT ITS SOLE DISCRETION, TO ABANDON THIS RFP PROCESS, TO CHANGE THE BASIS FOR EVALUATION OF PROPOSALS, TO TERMINATE FURTHER PARTICIPATION IN THIS PROCESS BY ANY PARTY, TO ACCEPT ANY PROPOSAL 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 PROPOSALS, 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 PROPOSAL.

SDG&E WILL NOT REIMBURSE RESPONDENTS FOR THEIR EXPENSES UNDER ANY CIRCUMSTANCES, REGARDLESS OF WHETHER THE RFP PROCESS PROCEEDS TO A SUCCESSFUL CONCLUSION OR IS ABANDONED BY SDG&E IN ITS SOLE DISCRETION.

10. CONFIDENTIALITY

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF SDG&E, RESPONDENTS MAY NOT DISCLOSE TO ANY OTHER RESPONDENT OR POTENTIAL RESPONDENT THEIR PARTICIPATION IN THIS RFP, 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 PROPOSAL PAGE ON WHICH THE PROPRIETARY INFORMATION APPEARS ("CONFIDENTIAL INFORMATION"). RESPONDENT SHALL SUMMARIZE ELEMENTS OF THE PROPOSAL(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 PROPOSAL, 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 RFP WILL BE PROVIDED TO THE CPUC,

ITS STAFF, THE CEC, ITS STAFF, AND SDG&E'S PRGSDG&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.

11. INDEPENDENT EVALUATOR

Since affiliate proposals are possible, consistent with CPUC protocols, an Independent Evaluator ("IE") will be utilized to oversee the RFP solicitation process. The IE, Merrimack Energy Group, has assisted in the preparation of this RFP as well as the proposal evaluation methodology to be used for evaluation of proposals received in response to this RFP. The IE will also separately assess and prepare a report on SDG&E's solicitation process. If no affiliate bids are received, SDG&E may choose to discontinue use of the IE in the evaluation process for this RFP.