

## 2013 SDG&E Energy RFP Q&A

1. Is SDG&E interested in a bucket one product?
  - a. SDG&E is interested in purchasing fixed price energy, from any resource or party. The IST schedule must adhere to one of the product delivery profiles listed in the RFP document (e.g. Flat, Off-Peak, On-Peak, Super-Peak).
2. Will there be any refresh opportunity between shortlist notification and final execution?
  - a. There will not be a refresh opportunity between notification and final execution. Once accepted the price will be deemed held and the deal done held pending completion of credit and execution of confirmations.
3. If we offer 225MW, can SDG&E opt to buy less than that in 25MW increments?
  - a. If SDG&E does opt to buy less than the offered amount, the respondent is not obligated to accept the counterproposal.
4. Are the EEI forms and the "Transaction Documents" available and where are they located?
  - a. Yes, they can be found on the power advocate website.
5. How is the "added cost of collateral per \$100,000 exposure" calculated? Is the \$100,000 mark-to-market or some other metric?
  - a. The "added cost of collateral" is calculated by the bidder and bid to SDG&E. The initial credit exposure (Fixed Independent Amount in the form Confirmations) is calculated by SDG&E at time of execution. This initial exposure takes into consideration market prices, implied volatility and historical correlations. Periodically throughout the term, SDG&E will again calculate credit exposure based on the mark to market methodology set forth in the form Confirmations. Bidders should initially assume in their bids that they will be extended an unsecured credit in an amount that will always cover the on-going collateral requirement and then assume that that they will not be extended any unsecured credit amount in order for the bidder to determine an "added cost of collateral" if any to cover the cost of providing additional liquid collateral for the initial exposure amount.
6. Does SDG&E believe offers from these deals are subjected to Consolidation of Variable Interest Entities requirements?
  - a. There is a low probability that these deals will be subjected to Consolidation of Variable Interest Entity requirements.
7. Do we need to enter our offers in the "Pricing Data" section of the website, as well as on the Participation Summary Form?
  - a. The Participation Summary Form does not require pricing data. However, it is a tool to for both parties to track the number of bids and types submitted.
8. When will the material economic terms we provided, such as monthly or daily options, exercise time, etc? Will this be provided in forthcoming sample confirmations?
  - a. The materials can be found on the power advocate website.

9. Does SDG&E have a preference for strikes, tenors, products, etc?
  - a. SDG&E does not have a preference for strikes, tenors, products, etc. We are looking to assemble a number of bids into a portfolio of resources to find the best solution for our ratepayers.
10. Does SDGE plan to issue a draft EEI Cover Sheet and Collateral Annex?
  - a. The materials can be found on the power advocate website.
11. The Credit Application requires an official signature, but the RFP instructions state that the Credit Application must be submitted in Word format, not PDF. Could you please clarify how I should provide you with a signature given the Word document requirement on PowerAdvocate?
  - a. SDG&E will accept PDF format of the Credit Application.
12. With the staggered dates for submission, shortlist notification, etc, are companies responding expected to hold offers firm for 4 weeks as noted in the RFP the time it might take to negotiate contracts?
  - a. If contract negotiations take 4 weeks to conclude, respondents would be expected to hold pricing terms firm. However, SDG&E is motivated to work with winning respondents to execute contracts in an expedited fashion. Once accepted the price will be deemed held and the deal done held pending completion of credit and execution of confirmations.
13. At the time of shortlist, will credit terms be made available to selected counterparties as well?
  - a. Yes, credit terms will be made available to selected counterparties.
14. If SDGE and a counterparty proceed to the contract negotiation phase, but cannot agree on contract terms, do both sides have the right to stop the transaction? Or does only SDGE have the right to reject contract language and negate the transaction? If the supplier chosen will not agree to contract language does that negate the transaction with no penalty to the supplier?
  - a. Yes, both sides have right to stop the negotiation at any time with no penalty.
15. A transaction is not considered completed until the contract between SDGE and a respondent is executed, pricing must be held firm through this process, regardless of time taken to complete the transaction. For instance if the contract takes four weeks to negotiate, pricing must be held firm through the entire negotiation process regardless of market conditions and material changes to the market place?
  - a. If contract negotiations take 4 weeks to conclude, respondents would be expected to hold pricing terms firm. However, SDG&E is motivated to work with winning respondents to execute contracts in an expedited fashion. Once accepted the price will be deemed held and the deal done held pending completion of credit and execution of confirmations.
16. It is still unclear to us what the "Added Cost (\$)" is supposed to capture. Is that effectively the adder assuming that we are fully margined and effectively have to post

dollar for dollar the mark-to-market based on the unique mark-to-market formulas? Should we assume that the "Premium Payment (\$/kw-months)" is our offer assuming that we are completely unmargined, and then the "Added Cost (\$)" is our offer assuming we are fully margined? Also, in all cases we should assume that SDG&E is always unmargined?

- a. **Correct, in this example, bidders should assume that the "Premium Payment \$/kW-Month" is the offer assuming they will be extended an unsecured credit amount that will always cover the on-going collateral requirement. The "Added Cost" is the offer for each \$100,000 that is not covered by the unsecured credit amount.**
17. Would the transactions under this RFP set off with our other master agreements we currently have in place?
  - a. **No, they would set-off with any other confirms executed under the EEI cover executed as a result of this RFP only.**
18. Regarding the hold open period for pricing, on the call it was mentioned that prices need to be held from May 14 - 17th. However, it really seems like prices need to be held open from May 14th until execution date, and our only recourse is not to accept being added to the shortlist. Is the latter correct?
  - a. **There is no recourse for rejecting a short listed position. SDG&E's intention is to execute as quickly as possible to minimize market exposure risk.**
19. The RFP documents specifically state that the WSPP will not be an acceptable form of paper. If a counterparty has favorable credit and is currently an "approved" supplier of SDG&E, will there be any exceptions made to this provision? If so, how do we seek permission to proceed using the WSPP?
  - a. **All respondents are required to submit a redlined version of the EEI based confirm and cover provided on the PowerAdvocate® website.**
20. I am in the legal group at X Company, and registered through the PowerAdvocate to get access to the documents and may have created a second entry for my company. Our commercial group who registered also has an entry in the system. If I "upload" documents through my registered account, will they go to a different place than say if my commercial lead uploaded documents to his?
  - a. **Yes, all documents and RFP packages must be submitted through the same company name.**
21. Is there any way we can put volumetric constraints on our offers? For example, we may offer 100MW of fixed price, 100MW of fixed price calls, and 100MW of heat rate calls, for a given month. However, we are only willing to sell a total of 200MW of any combination of the 3 products. Is this possible?
  - a. **Please upload a separate document with your bid stating this qualitative assumption. SDG&E may opt to select all 300 MW if all offers were competitive, but ultimately the respondent could reject their short-listed position on one of**

the 100 MW projects which would mean the respondent is responsible for managing this constraint.

22. I believe I read that transaction documents are not negotiable. Just to confirm, does this mean that the EEI coversheet is “take-it-or-leave-it”? with the exception of the addition of our company specific (contact) data?
  - a. The EEI coversheet is not “take-it-or-leave-it.” Respondents may edit the agreements. Material changes will be assessed and may have adverse effects on the qualitative score of the bid.
23. If we already have credit established with SDG&E through a power and gas annex, will we be required to submit another credit annex?
  - a. Yes, submit but also indicate that you already have a credit annex and what agreement it covers.
24. Will this RFP be transacted through the EEI even though we already have an agreement with SDG&E? Will existing agreements such as an ISDA and power annex be overruled by this EEI?
  - a. All respondents are required to submit a redlined version of the EEI based confirm and cover provided on the PowerAdvocate® website. If a respondent has an existing agreement, SDG&E will assess this on a case by case basis.
25. It seems that the premium payments that would be payable are not included in the mark-to-market calculations, is this the intent that the payment premium would not offset the mark-to-market?
  - a. Correct, SDG&E is only looking at the intrinsic value of the agreement. If respondents disagree with this, please provide redlines of agreements with your best offer. Material changes will be assessed and may have adverse effects on the qualitative score of the bid.
26. With the bids due on May 14<sup>th</sup>, and the shortlist announced on May 17<sup>th</sup>, the RFP document mentions that prices must be held firm with no opportunity for a refresh. Will we need to hold our prices firm for this amount of time?
  - a. Yes, we would expect you to hold prices firm until the contracts get signed.
27. Is there language in the submission that these offers we provide are indications and subject to refresh before final negotiations begin?
  - a. Respondents will be expected to hold pricing terms firm. However, SDG&E is motivated to work with winning respondents to execute contracts in an expedited fashion. Once accepted the price will be deemed held and the deal done held pending completion of credit and execution of confirmations.
28. Will prices have to be held firm through the contracts negotiations period as well?
  - a. Yes. Once accepted the price will be deemed held and the deal done held pending completion of credit and execution of confirmations.
29. Will pricing need to be held firm from 1:30PPT on May 14 until potentially May 17? And if the confirmations and contracts are not complete, the pricing would need to be held firm through the negotiation process there as well with no opportunity for a refresh?

- a. Respondents will be expected to hold pricing terms firm. However, SDG&E is motivated to work with winning respondents to execute contracts in an expedited fashion. Once accepted, the price will be deemed held and the deal done held pending completion of credit and execution of confirmations.