



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

2011
REQUEST FOR OFFERS
SEEKING
RAM
POWER PURCHASE AGREEMENTS

ISSUED
OCTOBER 2011

OFFERS DUE
NOVEMBER 15, 2011

RFO WEBSITE
www.sdge.com/2011RAMSolicitation

EMAIL QUESTIONS/COMMENTS TO
RAMSolicitation@semprautilities.com

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1.0 BACKGROUND

San Diego Gas & Electric Company (SDG&E) is issuing this 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.10-12-048¹ (RAM Decision) and Resolution E-4414² (RAM Resolution), supplements the State's Renewable Portfolio Standard (RPS), complements the California Solar Initiative, promotes small-scale renewable development and may present local employment potential in California. SDG&E's RAM program incorporates the directives of both the RAM Decision and RAM Resolution. SDG&E designed and proposes a RAM program for the purchase of a total of 81 MW. The RAM calls for SDG&E to procure the 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 exist or are being contemplated.

Participation from Diverse Business Enterprises:

SDG&E encourages Diverse Business Enterprises ("DBEs"), as defined in G.O. 156³, 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/>

SDG&E's DBE Program representatives will provide a presentation during the pre-bidding conference on October 27, 2011. DBEs can request additional information by contacting SDG&E at vendorrelations@semprautilities.com.

Auction Schedule and Products:

To implement the RAM program, SDG&E will issue four semi-annual solicitations, to procure a target of 20MW in auctions 1-3 and 21MW in auction 4. The Products, quantities, and auction schedule are listed in Table 1 below. If the target capacity is not procured in one auction, the MW solicited in the following auction will increase by the shortfall. Resources offered must meet the California Renewable Portfolio Standard ("RPS") eligibility criteria set forth by the California Energy Commission ("CEC") and requirements set forth in this RFO. By responding, Respondents are bound by the terms of this RFO.

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

² For additional information please visit: <http://www.cpuc.ca.gov/NR/rdonlyres/D68F1B4C-D188-4F02-BF70-CC42BFBB0B71/0/E4414FinalResolution.pdf>

³ See <http://www.thesupplierclearinghouse.com/eligibility/default.asp> for the definition of a DBE.

SDG&E will solicit projects from three product categories, summarized in Table 2, 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 Pacific Gas & Electric (PG&E), Southern California Edison (SCE), or SDG&E. An example and summary of each product is summarized in Table 2.

Table 1. Auction Schedule (MW)

Product	2011 (1)	2012 A (2)	2012 B (3)	2013 A (4)	Total
Baseload	5	5	5	5	20
Peaking As-Available	10	10	10	11	41
Non-Peaking-As Available	5	5	5	5	20
Total (MW)	20	20	20	21	81

Table 2. 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 PG&E, SCE or SDG&E
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 PG&E, SCE or SDG&E
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 PG&E, SCE or SDG&E

INTERCONNECTION:

Respondents must have completed a System Impact Study, a Phase I interconnection study, or have passed the WDAT Fast Track screen and provide a copy of the most recent completed study or evidence of having passed the Fast Track screening process with their offer. Transmission level projects are required to apply for interconnection through the California Independent System Operator (CAISO) LGIA/SGIA process. Distribution level projects 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 interconnection costs that are allocated to the project in their offer pricing.

SDG&E intends that RAM projects count towards SDG&E's Resource Adequacy (RA) obligations when possible. In order to become RA eligible, each project must apply for a deliverability study to be conducted by the CAISO. This condition must be met for both distribution and transmission level projects. Projects are selected as winning bids may be required to complete any network upgrades necessary for full deliverability if such network upgrades can be made with no cost to Seller.

To help potential Respondents assess the feasibility of project sites, SDG&E established an Interactive Website. The website contains circuit and substation area maps⁴ 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 need to 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:

⁴ The interactive map currently contains information for distribution level facilities. SDG&E will be expanding the map to include transmission level facilities by March 31, 2012.

Selected bidders will execute the RAM PPA. All PPAs resulting from the RAM program shall be subject to CPUC approval. SDG&E reserves the right to seek CPUC approval for contracts individually or file multiple contracts in one advice letter but seeking independent approvals for each contract.

RFO WEBSITE

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2.0 PROCUREMENT PROCESS

Respondents to this solicitation shall comply with the requirements described in this RFO document. 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 initially select bids to meet the 20 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 as long as the total capacity procured in each auction is plus or minus 20 MW of the total capacity target.

SDG&E is mindful of the influence interconnection costs have on successful project development. Distribution level upgrade costs and/or any transmission level upgrade costs (other than network upgrades) allocated to the project shall be paid by the Respondent and such costs 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.

Transmission 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 transmission network upgrade costs (other than deliverability network upgrade costs) resulting from the most recent interconnection study to the respondent's bid price when ranking bids.

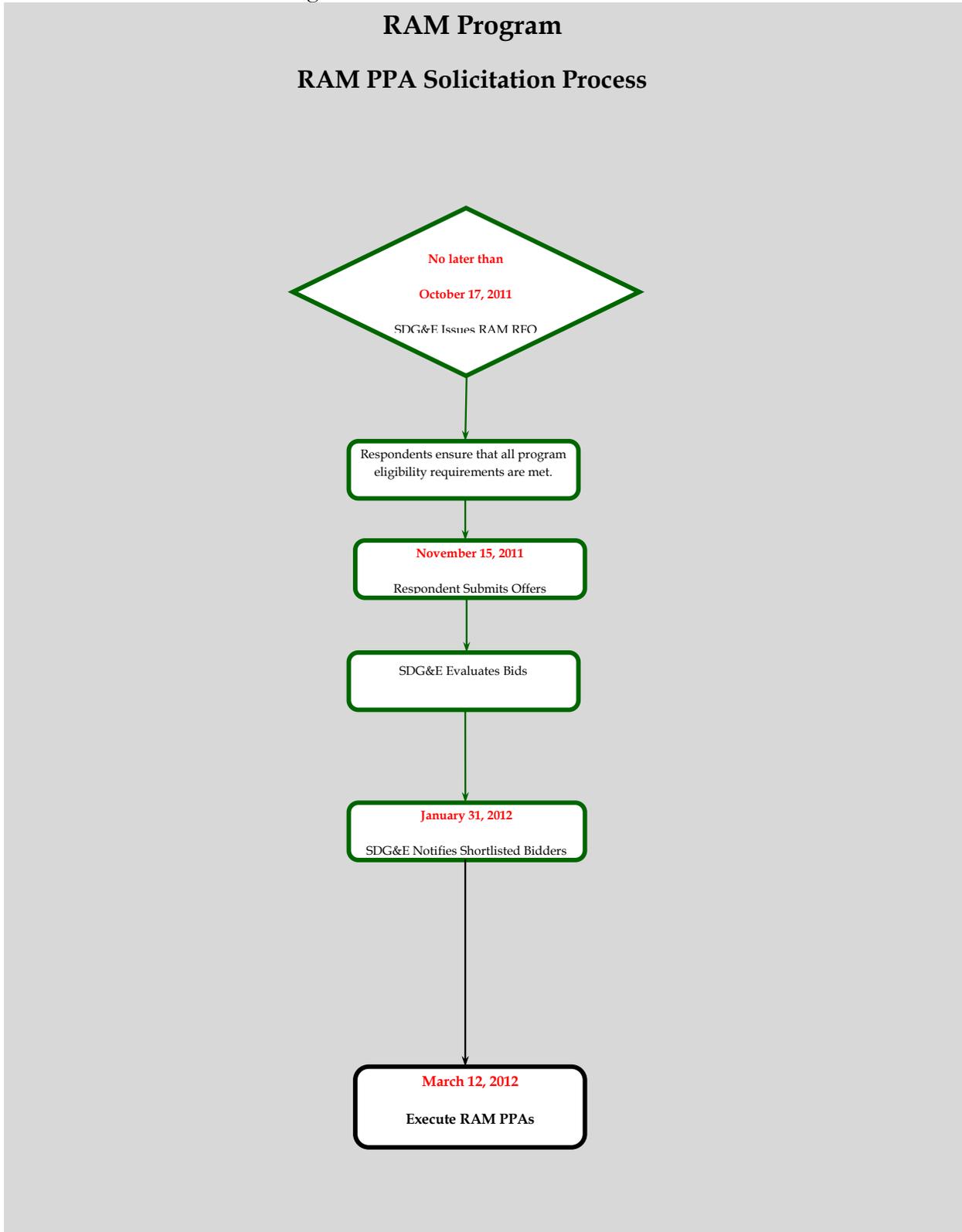
It is SDG&E's intention for projects in this Program to count towards SDG&E's Resource Adequacy (RA) obligations when the project can achieve full deliverability status without network upgrades or when deliverability network upgrades can be completed with no additional cost to the seller. Prior to execution of PPAs resulting from this RFO, Respondents must have applied for a deliverability study. Costs to facilitate such study will be borne by the Respondent at no additional cost to SDG&E.

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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;
4. Resources must sell its entire output to SDG&E. Selling partial output from a large system shall not be permitted.

Project Capacity:

1. Resources must provide a minimum contract size of 1 MW installed capacity
2. Resources may provide a minimum project size of 500 kW to aggregate to meet the minimum contract size of 1 MW. Below are the specific criteria for aggregated projects:
 - a. Each aggregated facility has a capacity of no less than 500kw;
 - b. The project comprised of the aggregated facilities interconnects within a single P-Node;
 - c. All aggregated facilities comprising a project are owned by a single participant;
 - d. Each aggregated facility has its own individual CAISO meter;
 - e. No more than ten facilities are aggregated into one project;
 - f. Total contract capacity of no more than 5 MW
3. Project maximum size should be 20 MW installed capacity;

Location/Site Control:

1. Project must be located within the service territories of PG&E, SCE or SDG&E;
2. The Respondent must have, at time of bidding, site control for the duration of 10, 15 or 20-year power purchase agreement. Site control may be evidenced by documentation of:
 - 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.

Interconnection:

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

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.
2. The Respondent will own and operate the facilities and be responsible for development, land acquisition, permitting, financing and construction for the facilities.

Project Start Date:

1. Offers must provide an anticipated delivery start date that is within 18 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 California Solar Incentives (CSI) for the projects being offered and shall not plan to seek CSI 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 plan to participate in the Net Energy Metering Program for the entire term of the PPA;

B. POWER PURCHASE AGREEMENT CRITERIA

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

1. Resources must participate in the CAISO's Participating Intermittent Resource Program and comply with the Eligible Intermittent Resource Protocol.
2. 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.
3. Winning bidders must provide Development Period Security and Delivery Term Security for the project as described in Section C below.
4. 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.
5. For projects that will interconnect to a transmission system, Respondents must apply for transmission interconnection using the CAISO LGIP/SGIP process.
6. All Respondents must obtain a CAISO deliverability study.
7. Respondents may be required, at Buyer's request, to obtain any network upgrades required to obtain full deliverability status if such network upgrades do not result in additional cost to seller.
8. Before executing the RAM PPA, Respondents shall chose whether SDG&E shall be the scheduling coordinator for the project or whether another party shall be the scheduling coordinator.
9. 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 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.
10. By the Commercial Operation Date, resources must be certified as an RPS-eligible resource by the CEC.
11. 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 \$20/kW deposit is required for all projects 5 MW and smaller and \$60 per kW for intermittent resources between 5-20 MW and \$90 per kW for non-intermittent resources between 5-20 MW.

Delivery Term Security is required at COD. For projects less than 5 MW the Delivery Term Security is \$20 per kW. The Development Period Security will roll over to satisfy the Delivery Term Security for this category of projects. For projects 5 MW and larger, the Delivery Term Security is 5% of the expected total revenues over the term of the PPA.

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

4.0 RFO RESPONSE INSTRUCTIONS

Respondents may submit up to two offers to this solicitation by submitting 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.

Required Forms and Bid Materials:

- 1) **Project Description Form** – Submit one per project (provide individual forms for each portion of an aggregated project). Respondents will use this form to indicate the Product they are submitting a bid for, 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 one per project. Respondents may only propose ONE pricing option per project. Price must be TOD adjusted per the bid forms to be completed by Respondent.
- 3) **System Impact Study, a Phase I Interconnection Study, or Fast Track Documentation** – Submit a copy of the 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).
- 5) **Standard Form PPA** – Submit one per project. Respondents shall submit a completed PPA by filling in applicable placeholders with information relevant to the proposed project(s). Changes to terms and conditions will render the offer non-conforming and disqualify the project from further consideration.

The Project Description Form, Credit Application, and completed PPA 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 System Impact study results or equivalent Fast Track documentation and site control documentation must be submitted in PDF format.

Any party interested in submitting an offer must register on the RFO Website and upload the offer. To register, Respondents must fill-out and email an RFO Registration Form (available from the RFO Website) to RAMSolicitation@semprautilities.com. SDG&E will process the form and provide the interested party instructions necessary to upload offers. A username/password combination will be issued allowing access to the offer upload link. All offers must be uploaded to the RFO Website no later than **Noon**, local 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 inbox by 1:00 p.m., local prevailing time, on the Closing Date. If the Respondent encounters technical difficulties with both the uploading process and the 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

Jonathan Jacobs
PA Consulting Group
Suite 1600, 16th Floor
Two California Plaza
350 South Grand Avenue
Los Angeles, CA 90071

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 10 days to accept their 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. Respondent's 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. 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 and the Transmission Network Cost 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 8.4%), 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 Bid 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 Cost Adjustment and a Time-of-day Value Adjustment. The sum of these two adjustments is the Time-of-day Adjustment. This adjustment is for evaluation purposes and distinct from the Time-of-Day payment option in the PPA.

Time-of-day Cost Adjustment. Energy deliveries will be allocated to Time-of-day 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 Time-of-day Factors for each Time-of-day Period to produce a Time-of-day Price. A Time-of-day Cost Adjustment will be added based upon the difference between the levelized as-delivered cost of energy and the Levelized Contract Cost.

TOD Period	Period Days and Hours	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
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
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
Summer On-Peak	Jul 1 - Oct 31 Weekdays 11 am to 7 pm PST (HE 12 to HE 19)	2.501
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
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

Time-of-day Value Adjustment. SDG&E accounts for differences in the value of various delivery profiles its evaluation. To properly assess the value of the deliveries from an intermittent resource, SDG&E divides the proposed energy price by SDG&E's Time-of-Delivery factors for each and every MWh the project delivers during each and every delivery hour over the term of the agreement. The total cost is summed and divided by energy delivered. A present value figure is calculated for the payment and energy streams and an overall levelized \$/MWh is calculated. The resulting levelized \$/MWh represents a "Levelized TOD Adjusted Bid Price".

C. TRANSMISSION NETWORK COST ADDER

SDG&E calculates the impact to ratepayers of any required transmission level network upgrade costs (other than deliverability network upgrade costs) that the CAISO indicates will be necessary pursuant to the most recent interconnection study results provided with the offer package.

Any interconnection costs, except for transmission level network upgrade costs, should be incorporated in the offer price. Transmission level network upgrade costs (other than deliverability 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 8.4%. The resulting \$/MWh number will be added to the bid price.

BID SELECTION PROCESS

Once SDG&E has established a Bid Ranking Price for each offer, it will use the following process to select winning bids.

STEP 1: Chose the projects with the least expensive Bid Ranking Price within each product category until the project with the next least expensive Bid Ranking Price would exceed the procurement target for that category.

SDG&E will attempt to meet the procurement targets for each of its product categories by choosing projects with the least expensive Bid Ranking Prices first until each target is met. When the next least expensive project within a product category would cause SDG&E to exceed the target for that category, SDG&E will move to Step 2.

STEP 2: Determine what combination of remaining bids will result in the portfolio of projects with the least expensive total cost (“Portfolio Cost”) that allows SDG&E to meet its remaining need.

If SDG&E has completed step one without meeting the procurement targets for each product category, SDG&E will fill the remaining compliance need using the following process.

Aggregate all remaining bids without regard to product category.

Multiply each project’s Bid Ranking Cost by the project’s capacity in MWs to determine the project’s contribution to the total Portfolio Cost.

Select the projects that allow SDG&E to meet its remaining need with the least expensive Portfolio Cost (see example below).

In either step, 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 SELECTION EXAMPLE: Assuming the solicitation produces the nine bids described below (three in each product category), SDG&E would chose winning bids using the following process.

Bids Selected in Step 1
Bids Selected in Step 2

Step 1

	Procurement Target (MWs)	Bid 1 (Size/Bid Ranking Price)	Bid 2 (Size/Bid Ranking Price)	Bid 3 (Size/Bid Ranking Price)	Winning Bids after Step 1	Reason	Remaining Need
Baseload	5	5MW/\$100	2MW/\$105 Impact to Portfolio Cost \$210	10MW/\$110 Impact to Portfolio Cost \$1100	Bid 1	Least expensive bid meets procurement target	0
Peaking As-Available	10	20MW/\$95 Impact to Portfolio Cost \$1900	10MW/\$100 Impact to Portfolio Cost \$1000	1MW/\$110 Impact to Portfolio Cost \$110	None	Least expensive bid exceeds procurement target	10
Non-Peaking As-Available	5	2MW/\$100	2MW/\$105	20MW/\$110 Impact to Portfolio Cost \$2200	Bid 1 and Bid 2	Least expensive bids provide 4 MWs; next least expensive bid would exceed the target	1
Total	20						11

Step 2

	Remaining Bids	Winning Bids after Step 2	Reason	Total Step 2 Procurement (MWs)	Total Overall Procurement (MW)
Baseload	Bid 2 and Bid 3	Bid 2	Low impact to Portfolio Cost	2	7
Peaking As-Available	Bid 1, Bid 2 and Bid 3	Bid 2 and Bid 3	Low impact to Portfolio Cost	11	11
Non-Peaking As-Available	Bid 3	None	High impact to Portfolio Cost.	0	4
Total				13	22 (2 MW will be subtracted from future Baseload capacity target)

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. SDG&E cannot confirm the projected deliveries;
4. the Respondent does not provide adequate evidence it meets minimum participation criteria;
5. there is a question as to whether or not the projects meet minimum resource criteria;
6. SDG&E is concerned about bid concentration from a single respondent (SDG&E shall provide any details of such seller concentration limit in the Tier 2 advice letter containing the executed contracts);
7. the Respondent cannot fulfill the terms and conditions of the RAM PPA; and/or,
8. the Respondent is unable to comply with RFO timing and other solicitation requirements.

RFO WEBSITE

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6.0 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	October 17, 2011
2.	Pre-Bidder's Conference	October 27, 2011
3.	SDG&E begins accepting bids	November 1, 2011
4.	DEADLINE TO SUBMIT QUESTIONS Question submittal cut-off date. Answers to all questions will be posted on the website no later than 11/10/2011.	November 2, 2011
5.	DEADLINE TO REGISTER Those intending to bid must register to receive a username/password in order to upload electronic offers.	November 10, 2011
6.	CLOSING DATE: Offers must be uploaded to and received by the RFO Website no later than NOON (local prevailing time).	November 15, 2011
7.	NOTIFICATION TO WINNING BIDDERS	January 31, 2012
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 of participating in any other solicitation and evidence of withdrawal notice to all other solicitors	February 10, 2012
9.	SDG&E issues appreciation notices to unsuccessful Respondents	March 12, 2012
10.	Execute PPAs for targeted 20MW	March 12, 2012
11.	SDG&E Submits Tier 2 Advice letter with PPAs to CPUC for approval	April 26, 2012 (45 days after PPA execution)
12.	Anticipated CPUC approval (prior to any appeal and/or suspension)	May 26, 2012

PRE-BID CONFERENCE

SDG&E will host one pre-bid conference. Participation in the pre-bid conference is NOT mandatory in order to submit an offer. Please monitor the RFO Website periodically. The venue will be posted as soon as arrangements are finalized.

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

- 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. **Those intending to bid must register first to receive a username/password prior to uploading electronic offers.** See instructions on the website to register. The DEADLINE TO REGISTER is indicated in Section 6 – “RFO Schedule”.

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

www.sdge.com/2011RAMSolicitation

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. WHILE SDG&E IS MINDFUL OF THE BENEFITS OF RENEWABLE ENERGY AND IS VIGOROUSLY PURSUING THE GOALS OF THE RAM PROGRAM, IT 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.

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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 APPROVING 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 WHICH 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, ITS STAFF, THE CEC, ITS STAFF, AND THE PRG. 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 FOR THE PURPOSES OF OBTAINING REGULATORY APPROVAL. SDG&E WILL ALSO SEEK CONFIDENTIALITY PROTECTION FROM THE CEC FOR RESPONDENT'S CONFIDENTIAL INFORMATION AND WILL SEEK CONFIDENTIALITY AND/OR NON-DISCLOSURE AGREEMENTS WITH THE PRG. SDG&E CANNOT, HOWEVER, ENSURE THAT THE CPUC OR CEC WILL AFFORD CONFIDENTIAL TREATMENT TO A RESPONDENT'S CONFIDENTIAL INFORMATION OR THAT CONFIDENTIALITY AGREEMENTS OR ORDERS WILL BE OBTAINED FROM AND/OR HONORED BY THE PRG, CEC, OR CPUC.

SDG&E, ITS REPRESENTATIVES, SEMPRA ENERGY, AND ANY OF THEIR SUBSIDIARIES DISCLAIM ANY AND ALL LIABILITY TO A RESPONDENT FOR DAMAGES OF ANY KIND RESULTING FROM DISCLOSURE OF ANY OF RESPONDENT'S INFORMATION.

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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.*⁵ 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 (IOU's) to serve 20% of its retail sales load with RPS-eligible renewable energy. The CPUC issued its first decision implementing the RPS Program, D.03-06-071 on June 19, 2003. This decision established certain basic RPS Program parameters. The CPUC has subsequently issued several additional RPS-related decisions in rulemaking proceeding R.04-04-026, and successor proceedings R.06-02-012, R.06-05-027 and R.08-08-009, and is currently working toward implementation of SB 2 (1X), which would increase the RPS procurement target to 33% by 2020. 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 relevant statutory and regulatory directives, D.10-12-048 and Resolution E-4414. 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-related, CPUC issued directives available on the same Internet website and are responsible for understanding and abiding by all RPS 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

⁵ See, Senate Bill (SB) 1078 (Stats. 2002 Ch. 516), as amended by SB 107, (Stats. 2006, Ch. 464).

requirements set forth within the CEC's guidebooks and all RPS-related documents shall be incorporated herein by reference.

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.

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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.

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 (SWPL), which is SDG&E's 500-kV transmission line that runs from Arizona to San Diego along the U.S./Mexico border, and via the SONGS 230-kV switchyard.

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.

