



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

2016 RESOURCE ADEQUACY REQUEST FOR OFFERS

ISSUED
AUGUST 14, 2015

OFFERS DUE
SEPTEMBER 3, 2015

RFP WEBSITE
<http://www.sdge.com/2016rarfo>

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

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1. INTRODUCTION

San Diego Gas & Electric Company (“SDG&E”) seeks to purchase 2016 Resource Adequacy (“RA”) capacity products with load serving entities, marketers and generators (“Respondents”) to assist in optimizing its 2016 RA portfolio. It is the intention of this solicitation to minimize the procurement cost impact for ratepayers while also meeting SDG&E’s Resource Adequacy Requirement (“RAR”). Any transaction resulting from this Request for Offers (“RFO”) will become effective only after full execution of a negotiated contract (“Confirmation”) substantially in conformance with the accompanying *Confirmation Template*.

SDG&E welcomes and encourages Diverse Business Enterprises (“DBE”), as defined in G.O. 156[1], to participate in this Resource Adequacy RFO. SDG&E is seeking to increase opportunities for diverse business entities to compete for SDG&E’s business, through both direct and indirect contracting. In the event of a tie, a Diverse Business Enterprise will receive qualitative preference if the business has been certified. DBEs can request additional information by contacting SDG&E at vendorrelations@semprautilities.com. 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/>

2. BACKGROUND

A. RESOURCE ADEQUACY – SYSTEM ATTRIBUTE

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 RAR for LSEs. System RAR is calculated based on a one-in-two year peak-load forecast 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. RESOURCE ADEQUACY – LOCAL ATTRIBUTE

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”), based on a one-in-ten year peak-load forecast without a reserve margin, 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. RESOURCE ADEQUACY – FLEXIBLE ATTRIBUTE

In this RFO, SDG&E will be seeking offers with flexible attributes of RA capacity. Sellers must provide pricing with and without flexible attributes if the resource is dispatchable.

As intermittent renewable generation resources continue to become an increasing proportion of the CAISO grid and as once-through-cooling units are planned to be retired, the need for assuring sufficient flexible quick response generation resources available on the grid has become apparent. As a result, the 2014 Resource Adequacy Decision (D.13-06-024) introduced an expansion of RA requirements to include the flexibility attribute of RA capacity. Flexible RAR is under ongoing development and refinement by both the CPUC and CAISO. Continuing into 2015 and 2016, both D.14-06-050 and D15-06-063 (i) establish Flexible RA requirements for

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

each LSE to have in its Resource Adequacy portfolio, (ii) mandate a reporting requirement, enforceable by referral to the Safety & Enforcement Division, that all eligible flexible resources in an LSE's RA portfolio be reported in the RAR compliance filings, and (iii) propose a must-offer obligation (MOO) with a good-faith effort to submit economic bids (vs. self-schedules) into the Day-Ahead and Real-Time markets for flexible resources committed to meeting an LSE's Flexible RAR in the Month-Ahead RAR compliance filings.

3. PRODUCT DESCRIPTION

All products sought by this RFO are associated with Resource Adequacy capacity. RA capacity submitted into this RFO must be 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 and Month-Ahead compliance filings with the CPUC and CAISO. All products are for RA compliance year 2016. Net Qualifying Capacity (“NQC”) values for RA resources are available online². Bidders can offer a calendar year strip, quarterly product, monthly product, or some other range as long as the minimum period is one month. If any of these products are mutually exclusive, please explain in the comment section.

A. PRODUCTS SOLICITED

Table 1 – RA Products shown below designate SDG&E’s specific interests in Resource Adequacy offers indicating System/Import RA products are desired. These products will be considered on an annual, quarterly, and/or monthly basis.

Table 1 – RA Products

Product ID	Offer
1 - With Flex	System RA
1- Without Flex	SDG&E Buys System RA (NP-15 or SP-15)
2	Import RA RA sold at select intertie Scheduling Points/Branch Groups* SDG&E Buys Import RA
*SDG&E would consider using its intertie RA import allocations at the following Schedule Points: MALIN500, MEAD230, NOB or PVWEST. Respondents may offer Import RA at other intertie points if import allocations at those locations are included in the proposal	

B. SCHEDULED MAINTENANCE OUTAGES

SDG&E’s buying preference is for firm, fixed quantity RA with the only excuse for non-delivery being force majeure. However, the RFO *Confirmation Template* provides for the optional use of Appendix B to identify planned outages having to do with scheduled maintenance which when listed on Appendix B will relieve the seller from replacement responsibilities for those specific predetermined outages (i.e. which unit, begin & end date, and outage quantity). The descriptions below give a brief overview of the differences involved with the use or non-use of Appendix B.

With Appendix B: Seller provides buyer with RA in the quantities proposed (the “Contract Quantity”) and indicates a proposed schedule of the planned maintenance outages for each unit in Appendix B of the *Confirmation Template* (Contract Quantity minus the planned outage forming the adjusted “Seller’s Firm Quantity” applicable during such outages). The outages listed in Appendix B and the timing of those outages would be negotiable prior to contract execution to

² The Resource Adequacy NQC quantities are available on CAISO’s website at:
<http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=9A94E71F-5542-49E8-BFBF-B9E00A2EC11B>.

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 Firm Quantity equals the Contract Quantity. If the Seller's Firm Quantity is not available for any reason, including planned outages not identified on Appendix B, seller must provide buyer with replacement RA capacity, but only up to the Seller's Firm Quantity. Seller is paid for the Seller's Firm Quantity provided it is shown on the applicable Supply Plan.

Without Appendix B: Seller provides buyer with the Contract Quantity. During the entire contract term the Seller's Firm 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 capacity. Seller is paid for the Contract Quantity provided it is shown on the applicable Supply Plan.

Respondents are advised to take due diligence in reviewing the *Confirmation Template* so as to be sure to understand the significance of the use of Appendix B. Any Respondent intending to utilize an Appendix B should complete and submit an Appendix B with their offer.

C. OTHER PRODUCT CONSIDERATIONS

- Respondents are allowed and encouraged to submit offers for more than one product and multiple offers for the same product.
- For generating units located in a Local Capacity Area, both the Local and System RA attributes will become part of and included in any transaction resulting from this RFO which involves MWs from such units.
- 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 offer as is necessary in order to fulfill SDG&E's remaining RA need after considering better-priced offers.
- Any offers involving Once-Through Cooling ("OTC") units must be contracted in a manner consistent with the State of California's OTC Policy.

4. ELIGIBILITY REQUIREMENTS

Respondents to this solicitation shall comply with the requirements herein, including but not limited to the RFO response instructions contained in Section 8–RFO Response Instructions. Respondents not meeting minimum participation criteria could be deemed ineligible and their offers may not be considered. SDG&E, at its sole discretion, may change the terms, requirements and schedule of this solicitation. Respondents should monitor the RFO Website³ for announcements regarding any updates or changes including posted questions & answers.

By submitting an offer into this Request for Offers the Respondent specifically acknowledges the following:

- 1) Transaction resulting from this Request for Offers will become effective only after full execution of a Confirmation.
- 2) Respondents for shortlisted offers will enter good faith negotiations to execute an agreement substantially in the form of the *Confirmation Template* that is a part of this RFO. Respondents may make suggested changes to the *Confirmation Template* in their offer; however, extensive and material 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) Offers shall remain valid and effective as proposed through October 15, 2015.
- 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, 2016 nor shall the contract term end later than December 31, 2016.
- 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.

³ <http://www.sdge.com/2016rarfo>

5. CREDIT TERMS & CONDITIONS

SDG&E has the right to evaluate and determine the creditworthiness of the Respondent relative to this RFO including completion of a credit application and submittal of audited financial statements. 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. Offers 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.

6. EVALUATION CRITERIA

All incoming proposals will be initially assessed for conformance with the basic submittal requirements set out in this RFO description. Respondents should conform to such participation criteria in order to be considered. Beyond that there will be both quantitative and qualitative considerations involved with evaluating offers for placement on the shortlist.

A. QUANTITATIVE EVALUATION

SDG&E will rank the offers based on per unit pricing. SDG&E will accept well-priced offers based on the best-value to ratepayers in meeting SDG&E's Resource Adequacy obligations relative to the products being sought. By submittal of an offer, Respondent agrees that SDG&E may evaluate offers in the manner indicated, and that SDG&E may accept or reject any portion of or the Respondent's entire offer.

B. QUALITATIVE EVALUATION

Aside from the quantitative evaluation methods described above, there are several qualitative factors which could come into play in evaluating offers. These may include, among others, mark-ups to the *Confirmation Template*, Resource Category (i.e., MCC bucket), use of Appendix B and its related outage timing, counterparty concentration and creditworthiness, SDG&E's RA portfolio balance, Respondent's DBE status, import allocation availability, and OTC considerations.

C. OTHER CONSIDERATIONS

Respondents are responsible for the accuracy of all discussions, figures and calculations. In addition to the elements described above, SDG&E may reject a proposal if: (i) SDG&E uncovers evidence of market manipulation in the proposal preparation and offer process; (ii) the Respondent cannot fulfill the terms and conditions of the *Confirmation Template*; and/or, (iii) the Respondent is unable to comply with RFP timing and other solicitation requirements.

7. RFO SCHEDULE

There are four key RFO deadlines as listed in Table 2 below.

EARLY SUBMITTALS ARE ENCOURAGED.

LATE OFFERS WILL NOT BE ACCEPTED!

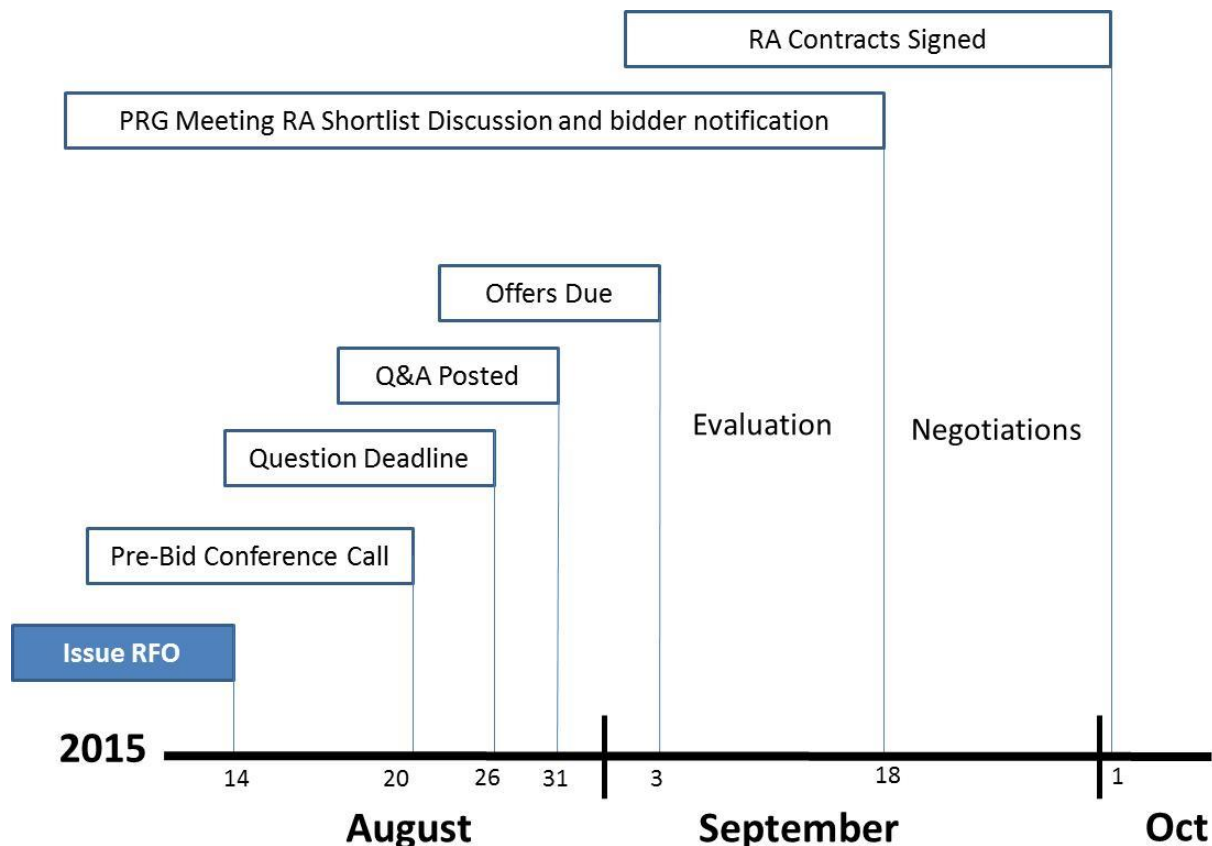
Table 2 – RFO Key Deadlines

Deadline Item	Deadline Date
Pre-Bid Conference Call*	Thu, August 20, 2015 1 pm PPT
RFO Question Submittal	Wed, August 26, 2015 5 pm PPT
Offers Due	Thu, September 3, 2015 5 pm PPT
PRG Meeting and Shortlist Notification	Fri, September 18, 2015

Final shortlisted Respondents are anticipated to be notified by late-September. Figure 1 presents a timeline with all the RFO dates brought together.

* Check RFO website for details.

Figure 1 – 2016 RFO 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 RFO Website for updates and possible amendments to the RFO or the solicitation process.

8. RFO WEBSITE AND COMMUNICATION

This *RFO Description* document and all revisions and other RFO documents are available for download from the RFO Website [<http://www.sdge.com/2016rarfo>]. Potential Respondents are responsible for monitoring the RFO Website for subsequent updates, notices and postings. The RFO website contains RFO forms and documents, RFO Schedule, and a Question and Answer forum.

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

9. RFO RESPONSE INSTRUCTIONS

Respondents are required to submit their offers with firm pricing via email to BOTH RArfo@semprautilities.com with a CC to waynejoliver@aol.com (Independent Evaluator) along with the documents identified below as email attachments. These documents are available on the RFO Website. The submitted *Offer 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 offer being deemed non-responsive and may disqualify the offer from further consideration. Hard copies of offers are not necessary.

Required Participation Documents:

- 1) ***Offer Form*** – Each Respondent may submit one or more offer forms. If one *Offer Form* (i.e., spreadsheet) is submitted to cover all products being proposed, it must clearly indicate which products, if any, are mutually exclusive (don't hesitate to use the comments sections). Otherwise, separate *Offer Forms* will be treated as mutually exclusive from all other *Offer Forms* submitted by a Respondent.

For System RA product from any unit that can offer Flexible RA, we would prefer two separate Offers: one for the Generic RA Product and one for the Generic plus Flexible RA Product.

- 2) ***Confirmation Template*** – If a Respondent has no suggested changes, then an unmodified *Confirmation Template* should be returned with the offer. Otherwise, submit a redlined *Confirmation Template* with the offer. As noted in Section 3–Eligibility Requirements and Section 5 – Evaluation Criteria, excessive mark-ups to the *Confirmation Template* are discouraged and could result in an offer being rejected.

The *Confirmation Template* provided as part of this RFO is intended for System where SDG&E is the buyer. SDG&E will provide a separate Confirmation to any shortlisted participant for Import-RA or Import-Allocations.

All offer emails must be time-stamped no later than **5 pm**, Pacific Prevailing Time (PPT), on the OFFERS DUE deadline date as specified in Table 2 (see Section 6–RFO Schedule). However, early submittals are permitted and encouraged. Offer 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 RFO documentation. During all stages of the RFO process, SDG&E reserves the right to request additional information and clarification 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.

10. 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 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.

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.

11. 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 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, 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 SDG&E'S PRG. 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.

12. INDEPENDENT EVALUATOR

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