Clay Faber
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June 7, 2013

ADVICE LETTER 2488- E
(San Diego Gas & Electric Company ID U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: FILING OF SDG&E's 2012 RPS SHORTLIST REPORT IN COMPLIANCE WITH ORDERING PARAGRAPH 19 OF DECISION (D) 12-11-016

PURPOSE

In compliance with the California Public Utilities Commission's ("CPUC" or "Commission") Decision Conditionally Accepting 2012 Renewable Portfolio Standard Procurement Plans and Integrated Resource Plan Off-Year Supplement issued on November 14, 2012 (D.12-11-016), San Diego Gas & Electric Company ("SDG&E") files its Evaluation Criteria and Selection Process Report and Independent Evaluator's Report ("2012 RPS Shortlist Report").

Ordering Paragraph ("OP") 19 (Schedule for 2012 RPS Solicitation) of D.12-11-016 requires SDG&E to file its 2012 RPS Shortlist Report through a Tier 2 Advice Letter with the CPUC's Energy Division.

BACKGROUND

In accordance with the direction provided in OP 2 of D.12-11-016, SDG&E filed its Final 2012 Renewable Portfolio Standard ("RPS") Procurement Plan (the "Plan") on November 29, 2012.

As outlined in the Plan, SDG&E issued its 2012 RPS Solicitation on December 10, 2012. SDG&E completed its bid evaluation and submitted its final shortlist to the Commission on May 8, 2013. The attached 2012 RPS Shortlist describes the evaluation methodology that SDG&E used to determine the shortlist and summarizes key statistics from the Request for Offers ("RFO").

CONFIDENTIALITY

Confidential treatment of specific materials is being requested. The information and reason(s) for confidential treatment is pursuant to Commission Decision D.06-06-066, as modified by D.07-05-032 and D.08-04-023. As directed by the CPUC's Energy Division, confidential information submitted in support of the D.12-11-016 is provided in the Confidential Attachment listed below:

Attachment F: 2012 RPS RFO Solicitation - Independent Evaluator (IE) Report (Confidential version)

These attachments contain market sensitive information protected pursuant to Commission Decision D.12-11-016, *et seq.,*as detailed in the concurrently-filed declaration. The following table represents the type of information contained within the confidential attachments and the matrix category under which D.06-06-066 permits the data to be protected.

Type of Information	D.06-06-066 Confidential Matrix Category
2012 RPS RFO Solicitation - Independent Evaluator	VIII.A and VIII.B

EFFECTIVE DATE

This filing is subject to Energy Division disposition and should be classified as Tier 2 (effective pending disposition) pursuant to D.12-11-016 and GO 96-B. Since this filing is being made in compliance with D. 12-11-016 SDG&E respectfully requests that it become effective on July 7, 2013, which is 30 days after filing date of this advice letter.

PROTEST

Anyone may protest this advice letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received by June 27, 2013 which is 20 days of the date this advice letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. It is also requested that a copy of the protest be sent via electronic mail and facsimile to SDG&E on the same date it is mailed or delivered to the Commission (at the addresses shown below).

Attn: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. 858-654-1879
E-Mail: MCaulson@semprautilities.com

NOTICE

In accordance with General Order No. 96-B, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in A.08-07-017

and R.11-05-005, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by e-mail to SDG&ETariffs@semprautilities.com.

CLAY FABER
Director – Regulatory Affairs

(cc list enclosed)

ATTACHMENTS:

Attachment A: Confidential Declaration
Attachment B: 2012 RPS RFO LCBF and Shortlist Narrative (Public Version)
Attachment E: 2012 RPS RFO Solicitation - Independent Evaluator (IE) Report (Public version)
Attachment F: 2012 RPS RFO Solicitation - Independent Evaluator (IE) Report (Confidential version)

The following Confidential Attachments will be filed via Supplemental AL:

Attachment C: 2012 RPS RFO LCBF and Shortlist Narrative (Confidential Version)
Attachment D: 2012 RPS RFO Solicitation Overview Worksheet (Confidential Version only)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:
☒ ELC ☐ GAS
☐ PLC ☐ HEAT ☐ WATER

Contact Person: Joff Morales
Phone #: (858) 650-4098
E-mail: jmorales@semprautilities.com

EXPLANATION OF UTILITY TYPE
ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2488-E

Subject of AL: Filing of SDG&E's 2012 RPS Shortlist Report in Compliance with Ordering Paragraph 19 of Decision 12-11-016

Keywords (choose from CPUC listing): Procurement, Renewable

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: None

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation: See confidential Declaration

Resolution Required? ☐ Yes ☒ No

Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: 7/7/2013

No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed[1]: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

San Diego Gas & Electric
Attention: Megan Caulson
8330 Century Park Ct, Room 32C
San Diego, CA 92123
mcaulson@semprautilities.com

[1] Discuss in AL if more space is needed.

General Order No. 96-B
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission
DRA
Y. Schmidt
W. Scott
Energy Division
P. Clanon
S. Gallagher
H. Gatchalian
D. Lafrenz
M. Salinas
CA. Energy Commission
F. DeLeon
R. Tavares
Alcantar & Kahl LLP
K. Harteloo
American Energy Institute
C. King
APS Energy Services
J. Schenk
BP Energy Company
J. Zaiontz
Barkovich & Yap, Inc.
B. Barkovich
Bartle Wells Associates
R. Schmidt
Braun & Blaising, P.C.
S. Blaising
California Energy Markets
S. O'Donnell
C. Sweet
California Farm Bureau Federation
K. Mills
California Wind Energy
N. Rader
CCSE
S. Freedman
J. Porter
Children's Hospital & Health Center
T. Jacoby
City of Chula Vista
M. Meacham
E. Hull
City of Poway
R. Willcox
City of San Diego
J. Cervantes
G. Lonergan
M. Valerio
Commerce Energy Group
V. Gan
Constellation New Energy
W. Chen
CP Kelco
A. Friedl
Davis Wright Tremaine, LLP
E. O'Neill
J. Pau
Dept. of General Services
H. Nanjo
M. Clark
Douglass & Liddell
D. Douglass
D. Liddell
G. Klatt
Duke Energy North America
M. Gillette
Dynegy, Inc.
J. Paul
Ellison Schneider & Harris LLP
E. Janssen
Energy Policy Initiatives Center (USD)
S. Anders
Energy Price Solutions
A. Scott
Energy Strategies, Inc.
K. Campbell
M. Scanlan
Goodin, MacBride, Squeri, Ritchie & Day
B. Cragg
J. Heather Patrick
J. Squeri
Goodrich Aerostructures Group
M. Harrington
Hanna and Morton LLP
N. Pedersen
Itsa-North America
L. Belew
J.B.S. Energy
J. Nahigian
Luce, Forward, Hamilton & Scripps LLP
J. Leslie
Manatt, Phelps & Phillips LLP
D. Huard
R. Keen
Matthew V. Brady & Associates
M. Brady
Modesto Irrigation District
C. Mayer
Morrison & Foerster LLP
P. Hanschen
MRW & Associates
D. Richardson
OnGrid Solar
Andy Black
Pacific Gas & Electric Co.
J. Clark
M. Huffman
S. Lawrie
E. Lucha
Pacific Utility Audit, Inc.
E. Kelly
R. W. Beck, Inc.
C. Elder
School Project for Utility Rate Reduction
M. Rochman
Shute, Mihaly & Weinberger LLP
O. Armi
Solar Turbines
F. Chiang
Sutherland Asbill & Brennan LLP
K. McCrea
Southern California Edison Co.
M. Alexander
K. Cini
K. Gansecki
H. Romero
TransCanada
R. Hunter
D. White
TURN
M. Florio
M. Hawiger
UCAN
M. Shames
U.S. Dept. of the Navy
K. Davoodi
N. Furuta
L. DeLacruz
Utility Specialists, Southwest, Inc.
D. Koser
Western Manufactured Housing Communities Association
S. Dey
White & Case LLP
L. Cottle
Interested Parties
A.08-07-017
R.11-05-005

San Diego Gas & Electric Advice Letter 2488-E
June 7, 2013

Attachment A
CONFIDENTIAL DECLARATION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF MARIA I. BOLDYREVA REGARDING CONFIDENTIALITY OF CERTAIN DATA

I, Maria I. Boldyreva, do declare as follows:

1. I am Energy Procurement Advisor in the Electric & Fuel Procurement Department for San Diego Gas & Electric Company ("SDG&E"). I have reviewed the following materials being provided to the CPUC regarding SDG&E's 2012 RPS Shortlist Report ("2012 RPS Shortlist"):

- 2012 RPS RFO Solicitation – Independent Evaluator (IE) Report (Attachment F).

In addition, I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or belief.

2. I hereby provide this Declaration in accordance with D.06-06-066[1/] and D.08-04-023 to demonstrate that the confidential information ("Protected Information") provided in the 2009 RPS Shortlist submitted concurrently herewith (described below) falls within the scope of data protected as confidential pursuant to the IOU Matrix attached to the Commission's confidentiality decision, D.06-06-066 (the "IOU Matrix") and/or under relevant statutory provisions.[2/]

1/ As amended by D.07-05-032.

2/ The Matrix is derived from the statutory protections extended to non-public market sensitive and trade secret information. (*See* D.06-06-066, *mimeo*, note 1, Ordering Paragraph 1). The Commission is obligated to act in a manner consistent with applicable law. The analysis of protection afforded under the Matrix must always produce a result that is consistent with the relevant underlying statutes; if information is eligible for statutory protection, it must be protected under the Matrix. (*See Southern California Edison Co. v. Public Utilities Comm.* 2000 Cal. App. LEXIS 995, *38-39) Thus, by

3. In D.06-06-066, the Commission adopted rules governing confidentiality of certain categories of electric procurement data submitted to the Commission by investor owned utilities ("IOUs") and energy service providers ("ESPs"). The Commission established two matrices – one applicable to IOUs, the other to ESPs – setting forth categories and sub-categories of data and providing a confidentiality designation for each.[3/]

4. To the extent information matches a Matrix category, it is entitled to the protection the Matrix provides for that category of information. In addition, the Commission has made clear that information must be protected where "it matches a Matrix category exactly . . . or consists of information from which that information may be easily derived."[4/] In order to claim the protection afforded by the relevant Matrix, the party seeking confidential treatment must establish:

1) That the material it is submitting constitutes a particular type of data listed in the Matrix,
2) Which category or categories in the Matrix the data correspond to,
3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data,
4) That the information is not already public, and
5) That the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.[5/]

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claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of applicable statutory provisions including, but not limited to, Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

3/ *See*, D.06-06-066, as amended by D.07-05-032, *mimeo*, Appendices 1 and 2.

4/ *See, Administrative Law Judge's Ruling on San Diego Gas & Electric Company's April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027, p. 2 (emphasis added).

5/ D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

5. SDG&E's Protected Information: The Protected Information, consisting of the information described below, is protected pursuant to the following Matrix categories:

2012 RPS Shortlist Report: Attachment F

Description of Data	Matrix Category	Period of Confidentiality
Attachment F *2012 RPS RFO Solicitation – Independent Evaluator (IE) Report.* • Paragraph 2.3 • Paragraph 3.3.4 • Paragraph 4.3 • Paragraph 4.8 • Paragraph 4.9.1 • Paragraph 5.1 • Paragraph 5.2	VIII.A	Raw Bid Data – Always confidential. Summaries of bids total MW, MWH, technology types, etc) are confidential until final contracts are submitted to CPUC for approval.
Attachment F *2012 RPS RFO Solicitation – Independent Evaluator (IE) Report.* • Paragraph 2.3 • Paragraph 3.3.4 • Paragraph 4.3 • Paragraph 4.8 • Paragraph 4.9.1 • Paragraph 5.1 • Paragraph 5.2	VIII.B	Confidential for three years after winning bidders selected.

6. The Commission previously considered and approved application of IOU Matrix confidentiality protection to project development status data in its *Administrative Law Judge's Ruling Granting San Diego Gas & Electric Company's May 21, 2007 Amendment to April 3, 2007 Motion and May 22, 2007 Amendment to August 1, 2006 Motion*, issued June 28, 2007 in R.06-05-027.

7. SDG&E intends to comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

8. I am not aware of any instance of public disclosure of the Protected Information.

9. The Protected Information cannot be provided in a form that is further aggregated, redacted, or summarized and still provide the level of detail requested and expected by the Energy Division.

10. As an alternative basis for requesting confidential treatment, SDG&E submits that the project status information provided in the 2011 RPS Shortlist is material, market sensitive, electric procurement-related information protected under§§ 454.5(g) and 583, as well as trade secret information protected under Govt. Code § 6254(k), and that the disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.[6/]

11. Public Utilities Code § 454.5(g) provides:

> The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.

[6/] This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See, Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead inconsistent, mutually exclusive remedies, such as breach of contract and specific performance, in the same complaint); *Tanforan v. Tanforan*, 173 Cal. 270, 274 (1916) ("Since . . . inconsistent causes of action may be pleaded, it is not proper for the judge to force upon the plaintiff an election between those causes which he has a right to plead.")

12. General Order 66-C protects "[r]eports, records and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage."

13. Under the Public Records Act, Govt. Code § 6254(k), records subject to the privileges established in the Evidence Code are not required to be disclosed.[7/] Evidence Code § 1060 provides a privilege for trade secrets, which Civil Code § 3426.1 defines, in pertinent part, as information that derives independent economic value from not being generally known to the public or to other persons who could obtain value from its disclosure.

14. Public Utilities Code § 583 establishes a right to confidential treatment of information otherwise protected by law.[8/]

15. If disclosed, the Protected Information could provide parties with whom SDG&E is currently negotiating insight into SDG&E's procurement options, which would unfairly undermine SDG&E's negotiation position and could ultimately result in increased cost to ratepayers. In addition, if developers mistakenly perceive that SDG&E is not committed to assisting their projects, disclosure of the Protected Information could act as a disincentive to developers. Accordingly, pursuant to P.U. Code § 583, SDG&E seeks confidential treatment of this data, which falls within the scope of P.U. Code § 454.5(g), Evidence Code § 1060 and General Order 66-C.

16. In accordance with the statutory provisions described herein, SDG&E hereby requests that the information set forth in the 2011 RPS Shortlist be protected from public disclosure.

7/ *See also* Govt. Code § 6254.7(d).
8/ *See*, D.06-06-066, *mimeo*, pp. 26-28.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 7th day of June, 2013, at San Diego, California.

Maria I. Boldyreva
Energy Procurement Advisor

San Diego Gas & Electric Advice Letter 2488-E
June 7, 2013

Attachment B

2012 RPS RFO AND SHORTLIST NARRATIVE

(Public Version)

2012

RPS Solicitation Shortlist Report Template

(3) Least-Cost Best-Fit Report (LCBF) and (4) Solicitation Overview

3. LCBF Template: IOU Written Description of RPS Offer Evaluation and Selection Process and Criteria

I. Introduction

A. Note relevant language in statute and CPUC decisions approving LCBF process and requiring LCBF Reports

In accordance with Section 399.14(a)(2)(B) of the Public Utilities Code, the Commission established in D.04-07-029 a process for evaluating "least-cost, best-fit" ("LCBF") renewable resources for purposes of IOU compliance with Renewable Portfolio Standard ("RPS") program requirements. In D.06-05-039, the Commission observed that "the RPS project evaluation and selection process within the LCBF framework cannot ultimately be reduced to mathematical models and rules that totally eliminate the use of judgment."[1] It determined that each investor-owned utility ("IOU") should provide an explanation of its "evaluation and selection model, its process, and its decision rationale with respect to each bid, both selected and rejected," in the form of a report to be submitted with its short list of bids (the "LCBF Report"). In D.12-11-016, the Commission's decision approving SDG&E's 2012 RPS Procurement Plan ("RPS Plan"), the Commission directed each IOU to submit its LCBF report via a Tier 2 advice letter.[2] SDG&E's LCBF Report is set forth below.

B. Describe goals of IOU's offer evaluation and selection criteria and processes

1. Describe how "need" was determined for this solicitation. Comment specifically on whether, and to what extent, you considered other procurement options (e.g. UOG, solar PV program, feed-in tariffs, RAM, etc.), total energy portfolio needs, and other utility requirements to meet IOU's overall need stated in its Procurement Plan.

As discussed in its 2012 RPS Plan, SDG&E makes procurement decisions based on how its risk-adjusted RPS position forecast (referred to as its "RPS Position") compares to RPS compliance requirements, the result of which is its probability-weighted procurement need or Renewable Net Short ("RNS"). In order to calculate its RPS Position, SDG&E assigns a probability of success, following a qualitative and quantitative assessment, to the expected deliveries for each project in its portfolio[3] and then adds the risk-adjusted expected deliveries across all projects in its entire RPS portfolio. Probabilities are used because renewable

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[1] D.06-05-039, *mimeo*, p. 42.

[2] D.12-11-016, *mimeo*, Ordering Paragraph 19.

[3] For purposes of determining its RPS Position, SDG&E considers its portfolio to include all executed contracts until contract expiration (*e.g.* it does not assume expiring contracts will be renewed and excludes contracts under-negotiation unless indicated otherwise) and investment and UOG projects where relevant progress has been made.

projects and their deliveries are exposed to multiple risks and the flexible compliance mechanisms that allowed for borrowing from future procurement have been eliminated by recent legislation.[4] These risks include approval risks (*e.g.*, Commission approval and the timing of it), development risks (*e.g.*, permitting, financing, or transmission inter-connection), delivery risks (*e.g.*, generation fluctuations given the variant-intermittent nature of some renewable resources, or operational challenges), or other risks (*e.g.*, under-development transmission infrastructure common to a group of projects). In accordance with Commission guidance,[5] SDG&E assumes that 100% of the targeted capacity for its Renewable Auction Mechanism ("RAM") and Feed-In-Tariff ("FiT") programs are successfully procured and developed.

In general, if SDG&E's RPS Position is short of the RPS requirements, SDG&E will likely procure additional resources. If the RPS Position is long compared to RPS requirements, SDG&E will consider opportunities to bank or sell surplus generation. SDG&E's RPS portfolio management strategy involves identifying needs and risks and managing them in a manner that is reasonable and cost-effective.

Based on SDG&E's need assessment, it determined that it did not have an immediate nominal or probability-weighted need, but that it would conduct an request-for-offers ("RFO") for deliveries starting in 2018 in order to fill its "Contingency Need". This meant that projects would be shortlisted on the basis that the need assessment may change during the course of the solicitation, and that SDG&E would move forward with negotiations only if a need arose during the months following the solicitation.

After receiving and assessing 2012 RFO bids, SDG&E produced a shortlist that was ultimately endorsed by the Independent Evaluator ("IE") and favorably reviewed by the SDG&E procurement review group ("PRG") on April 4 and April 19. On April 12, SDG&E sent "contingent need" shortlisted bidders a letter that did not require exclusivity and made clear that SDG&E may not proceed to transact with the counterparty. This structure was put into place to allow SDG&E some flexibility pending any changes to its RPS portfolio and evolving regulatory and market conditions. On May 8, SDG&E submitted its final contingent shortlist to the Commission and its PRG.

2. Explain any assumptions made regarding expiring projects, projects under contract but not online, projects still shortlisted from previous

[4] Senate Bill (SB) x1 2 (Stats. 2011, Ch. 1).
[5] Administrative Law Judge's Ruling (1) Adopting Renewable Net Short Calculation Method (2) Incorporating the Attached Methodology into the Record, and (3) Extended the Date for Filing Updates to 2012 Procurement Plans dated august 2, 2012.

solicitations, bilaterals under negotiation, and distributed generation programs (e.g. RAM, solar PV program, etc.).

SDG&E's 2012 RPS RFO need calculation assumed the following:

1. Expiring projects would not be renewed;
2. Projects under contract but not online would be approved and come online as anticipated, delivering 100% of the contracted energy in the "nominal need" case, but delivering a portion – based on the assumed probability of success – in the probability-weighted need;
3. Not applicable. There were no previously shortlisted projects still under negotiation at the time of the 2012 RPS RFO;
4. All ongoing bi-lateral negotiations were terminated and the developers were asked to submit the projects into the RFO; and
5. Procurement from one new tax equity deal, as well as the RAM and Solar PV programs would come to fruition.

3. If size of shortlist is not equivalent to determined need, provide a detailed explanation of why it differs.

At present, SDG&E has no nominal or probability-weighted need for new RPS projects until 2019 at the earliest. Since this need is several years in the future, SDG&E prefers not to completely fulfill this need with RPS contracts at this time in order to preserve procurement flexibility in the intervening period. To completely fulfill a contingent need so far in the future would reduce opportunities for new technologies to compete in the market and commit SDG&E to long-term contracts that may not serve ratepayer needs in the face of market shifts and changing regulatory frameworks.

II. Offer Evaluation and Selection Criteria

A. Description of Criteria

1. List and discuss the quantitative and qualitative criteria used to evaluate and select offers. This section should include a full discussion of the following:

a. Net Market Valuation

- energy
- resource adequacy / capacity
- integration costs
- congestion cost adders

- transmission cost adders (discussed below, II.A.1(b))

There are three cost elements and two value elements used in the evaluation of offers for renewable projects. The cost factors are:

- Levelized Contract Cost
- Transmission Cost
- Congestion Cost

The two value elements are:

- Capacity Benefit
- Energy Benefit

Levelized Contract Cost is the present value of a given contract's total payments over the term of the contract, adjusted for time-of-day ("TOD") pricing factors (if applicable); discounted at SDG&E's authorized rate of return (at present, 7.79% per year); and divided by the total energy deliveries over the term of the contract, which are also discounted at SDG&E's authorized rate of return. The result is a $/MWh levelized cost to SDG&E of a given offer over the term.

Transmission Cost is the present value of estimated costs that are to be paid by and reimbursed to the project developer to upgrade transmission systems to enable the offered project to deliver into or across the California Independent System Operator ("CAISO") transmission system. Total cost of reimbursed transmission upgrades is divided by the term of the offer to produce an annual transmission upgrade costand divided by the total discounted energy deliveries over the term, similar to the calculation of Levelized Contract Cost. Non-reimbursable costs that are paid by the developer are assumed to be recovered in the offer price submitted, and are thus included in the Levelized Contract Cost. Costs of a pre-approved transmission project, or other upgrade costs that are incurred by the utility that are not dependent upon or influenced by the offered project, are excluded from the Transmission Cost calculation, as they cannot be attributed directly to the project.

Congestion Cost is calculated by aggregating projects in a given RFO at their points of interconnection and/or delivery, developing "proxy" projects that can approximate the aggregated projects' energy delivery profiles, and performing a comprehensive system-wide transmission load flow and locational margin pricing analysis to see how much transmission congestion and concurrent costs could be caused by the addition of the proxy project to the CAISO system. Aggregation is used due to the large number of projects typically bid into renewable RFOs and the need to limit the number of projects studied; transmission load flow and Locational Marginal Pricing ("LMP") studies are extremely difficult and time-consuming to perform, often involving large volumes of non-public transmission data.

The Energy and Capacity Benefits are computed by comparing the present value of the equivalent market cost of the most likely alternative to the given project over the same term and start date of the offer, presently computed using the Market Price Referent ("MPR"). The present value of the equivalent market cost is taken by multiplying the deliveries from the project by the MPR price for the same term and start year, adjusting for time-of-day deliveries and discounted at SDG&E's authorized rate of return. This quantity is then divided by the discounted total energy deliveries of the offer over the term in a manner similar to that of the Levelized Contract Cost. The result is assumed to the levelized market equivalent cost of the energy from the offer, as adjusted by the energy delivery profile of the project and including the equivalent cost of new capacity.

The present value of each TOD period's MPR-equivalent costs as computed using SDG&E's All-In TOD factors (which include the expected value of capacity in a given TOD period). The same periods' MPR-equivalent costs are computed using SDG&E's Energy-Only TOD factors. The MPR-equivalent Energy-Only costs are then subtracted from the MPR-equivalent All-In costs, with any negative differences reduced to zero (there are assumed to be no negative capacity costs in the analysis). The sum of the positive differences is then divided by the discounted total energy deliveries of the offer over the term in a manner similar to that of the Levelized Contract Cost. The result is the offer's Deliverability Value. This Deliverability Value represents the maximum possible value of capacity and resource adequacy provided by the offer on a $/MWh basis and is subtracted from the offer's TOD-adjusted MPR to create the Energy Benefit.

The Capacity Benefit is assigned to the offer based upon the location of the offer relative to SDG&E's local service area and the interconnection request filed by the bidder. Projects within SDG&E's local area that provide full deliverability will have a Capacity Benefit equal to their Deliverability Value. Projects outside of SDG&E's local area that can provide system-level resource adequacy will have their Capacity Benefit set at their Deliverability Value multiplied by the ratio of system resource adequacy prices to local resource adequacy prices (typically 60% as of this writing). Projects which have energy-only interconnections will have no benefits of capacity or resource adequacy; energy-only projects within SDG&E's local area receive a zero Capacity Benefit, and projects outside of SDG&E's local area receive a Capacity Benefit equal to their Deliverability Value multiplied by 100% minus the ratio of system resource adequacy prices to local resource adequacy prices.

b. Transmission Cost Adders

- Discuss how much detailed transmission cost information the IOU requires for each project

For each project, SDG&E required results of a CAISO Phase I Study or equivalent, or existing large generator interconnection agreement ("LGIA"), both documents provide detailed information on the transmission cost of the project.

- Discuss whether cost adders are always imputed for projects in transmission-constrained areas, or whether and how costs for alternative commercial transactions (i.e. swapping, remarketing) are substituted.

Cost adders for transmission in transmission-constrained areas were based upon the results of the CAISO Phase I Study or equivalent, or existing LGIA. Cost adders were not used for alternative commercial transactions; bidders were informed in the RPS RFO documents that any out-of-state projects that did not incorporate the full cost of delivery to California would be found nonconforming and rejected.

c. Portfolio fit

SDG&E's "best fit" analysis was impacted by SB 2 compliance targets and portfolio content category limitations, the Rim Rock Settlement Agreement, and SDG&E's Sunrise commitment.

d. Credit and collateral requirements

No credit or collateral requirements were considered due to the contingency nature of the shortlist.

However, SDG&E has the unilateral right to evaluate and determine the credit-worthiness of the Respondent relative to the RFO. All RFO respondents were required to complete, execute and submit the credit application as part of their offer. The application requests financial and other relevant information needed to demonstrate creditworthiness.

e. Project Viability

SDG&E considers project viability as a qualitative factor and relies on the Energy Division's Project Viability Calculator. For projects that SDG&E rejects due to low viability scores, SDG&E rescores the projects to affirm the bidder did not unfairly score itself too low. For projects that SDG&E shortlists, SDG&E in conjunctions with its IE rescores the project to affirm that the bidder did not unfairly score itself too high. Projects below a certain viability threshold will not be considered for the shortlist.

f. Other qualitative criteria / preferences

SDG&E may differentiate offers of similar cost[6] by reviewing qualitative factors including (in no particular order of preference):

- Project Viability
- Local reliability
- Benefits to low income or minority communities
- Resource diversity
- Environmental stewardship
- Rate Impacts
- DBE factor

B. If a weighting system is used, please describe how each LCBF component is assigned a quantitative or qualitative weighting compared to other components. Discuss the rationale for the weightings.

A weighting system is not used in SDG&E's LCBF methods.

C. Describe role of quantitative and qualitative factors on the LCBF ranking process.

The quantitative factors described above are used to develop a bid ranking price. Projects with the lowest bid ranking prices are selected for the shortlist. Qualitative factors are used to decide between two projects with similar costs.

D. Discuss how the evaluation process differs, if at all, for operating and new projects, different expected portfolio content categories, and varying term lengths (e.g. incorporating costs of delivering energy from out-of-state facilities).

The evaluation process makes no inherent distinction between operating and new projects or varying term lengths. The evaluation process for Category 2 offers is generally the same as the process for Category 1 offers, except that the bidder must provide documentation of a firming/shaping offer with a competent third party together with any quantified transmission costs from the host utility's open access transmission tariff ("OATT") before SDG&E will evaluate the bid (speculative offers with unspecified firming/shaping costs are excluded, as SDG&E's RFOs clearly state that all transmission costs to deliver into California must be quantified). Category 3 offers are evaluated on a pure cost-only basis; they provide no Energy or Capacity Benefit and generally have no transmission or congestion costs. SDG&E will not accept Category 3 offers from projects that have yet to be built, or cannot otherwise demonstrate that the bidder has a Western Renewable Energy Generation Information System ("WREGIS") account from which renewable energy credits ("RECs") can be transferred.

[6] The term "similar cost" is used to indicate expected indifference by the Commission as to the cost of one offer or another.

E. Evaluation of utility-owned, turnkey, buyouts, and utility-affiliate projects

1. Describe how utility-owned projects are evaluated against PPAs

The 2012 RPS RFO did not solicit utility-owned projects.

2. Describe how turnkey projects are evaluated against PPAs

The 2012 RPS RFO did not solicit turnkey projects.

3. Describe how buyout projects are evaluated against PPAs

The 2012 RPS RFO did not solicit buyout projects.

6. Describe how utility-affiliate projects are evaluated against non-affiliate projects

Projects from utility-affiliates were not evaluated any differently than other projects submitted into 2012 RPS RFO. Affiliate projects are evaluated using the same method as non-affiliate projects. The IE conducted the LCBF scoring of all bids, including all affiliate bids. No affiliated bids were shortlisted as part of 2012 RPS RFO.

F. Conformance and Confirmation of Bid Information

1. Describe process for determining bid conformance

All incoming bids were screen for Initial Conformance check. The following checks were performed:

1. Ensure that bid was received prior to the closing date (2/6/13) at Noon Pacific Standard Time;
2. Ensure that all required information, as specified in 2012 RPS RFO document, was received;
3. Ensure that the bid met required product category requirements, as specified in 2012 RPS RFO:

Product Type	CP 3: January 1, 2017- December 31, 2020
Category 1	Long-term energy only or fully deliverable products (term of 20 years or less and CODs in December 2016 at the earliest, with preference for 2018 and 2019 CODs).
Category 2	Long-term energy only or fully deliverable products (term of 20 years or less, with 2018 or 2019 CODs).
Category 3	Unbundled RECs that will be generated in December of 2013 with preference for those generated in 2015 and later.

4. Single projects contributing more than a determined contingent need of 845 GWh were not considered.

5. Single projects with the minimum size of more than 20MW AC.

Results were discussed and compared with the IE's analysis results.

2. Describe process, if any, for determining accuracy of information provided in bids

All incoming bids were review for reasonableness.

III. Offer Evaluation and Selection Process

A. What is the process by which offers are received and evaluated, selected or rejected for shortlist inclusion, and further evaluated once on the shortlist?

1. Receive all bids prior to the closing date (2/6/13) at Noon Pacific Standard Time and organize bid data into a folder taxonomy designed with the IE.

2. Document each offer received in an Excel spreadsheet summarizing key characteristics such as (but not limited to): respondent name, alternative type, offer number, technology, price, type of facility, product type, offer amount (MW), contract terms, COD and etc.

3. Reconciliation of the bid population received with the IE.

4. Initial Conformance Check Assessment with the IE.

5. Review each offer and populate the LCBF model.

6. Contact bidders for additional information if necessary.

7. Regular meetings with the IE.

8. Brief the PRG on a monthly or as-needed basis on the RPS RFO progress.

B. What is the typical amount of time required for each part of the process?

The duration of the processing period is typically two to three weeks. The duration of the evaluation period is typically six to eight weeks. For the 2012 RPS RFO, however, processing required approximately four weeks due to the large volume of bid submissions. Because of the lessons learned from previous RFOs, however, SDG&E had made advance preparation for this RFO, and once

sufficient processing was completed to enable evaluation, preliminary evaluation was completed within four weeks and shortlisted bidders were notified within the timeframes established within the approved SDG&E's RPS Plan and schedule published in the 2012 RPS RFO.

C. Were any offers rejected for non-conformance? If so, how many and what were the non-conforming characteristic(s)?

[redacted]

D. Describe involvement of the Independent Evaluator.

In order to affirm the fairness of the process, the IE provides feedback on every aspect of the RPS RFO process, from the manner in which bids were collected, to the design of the LCBF model, to the calculation of SDG&E's need, to the manner in which a shortlist is selected. SDG&E is inclusive of the IE's views and perspectives regarding the RFO process. For 2012, the IE ran a separate LCBF evaluation based upon SDG&E's methodology (co-developed with the IE) and bid data in parallel with SDG&E's evaluation. SDG&E held meetings with its IE to discuss the progress and method of bid processing and evaluation, as well as to resolve potential differences between SDG&E and the IE during the processing and evaluation stages.

E. Describe involvement of the Procurement Review Group.

SDG&E briefed its PRG during the course of RPS RFO planning, bid review and LCBF analysis. SDG&E presented a proposed shortlist to its PRG for review before submitting the final shortlist to the Commission and solicited feedback from PRG members regarding the shortlisted offers that had been submitted through the RFO process. One Solar PV bid that was shortlisted initially was rejected after consultation with PRG members regarding the project's very low Project Viability Score ("PVS").

E. Discuss whether and how feedback on the solicitation process is requested from participants (both successful and unsuccessful) after the solicitation is complete.

Although SDG&E does not specifically request feedback regarding the solicitation process, bidders are welcome to, and typically do, provide feedback by telephone or email. SDG&E's RPS RFO inbox remains accessible to bidders even after the solicitation is closed. SDG&E responded to all questions submitted by bidders. Additionally, SDG&E rolled out a survey asking bidders about their satisfaction with the Pre-Bid conference. The results of the survey indicated that bidders were satisfied with the pre-bid conference . The survey also provided feedback that will be taken into account in SDG&E's planning for future solicitations.

IV. Final Shortlist

A. How was the size of the shortlist determined?

Shortlist size was determined by the stated contingent need and SDG&E's desire to preserve flexibility in procurement between now and 2017.

B. Describe how certain project characteristics (e.g. online date, location, and project size) factor in to your shortlisting decisions as to which projects contribute towards meeting your determined need (or net short).

Refer to description of LCBF and qualitative rules as mentioned in prior sections.

C. Describe how project viability affected your shortlist results. Did LCBF rankings or your proposed shortlist change based on project viability and/or project viability scores?

SDG&E considers project viability as a qualitative factor and relies on the Energy Division's Project Viability Calculator (PVC). During the course of this RFO, SDG&E relied on its IE (PA Consulting) to verify the bidders' PVC scores. IE analysis indicated that the PVS for shortlisted projects seems to be over-rated by the developer.

D. Describe what role price had in determining your proposed shortlist. Were offer prices examined relative to other offers or other procurement options? Was there a certain price point cut off? Was rate impact considered for individual offers or on a portfolio or shortlist level? What were the primary reasons for not shortlisting a project (e.g. price, online date, viability, environmental concerns, seller concentration, non-conforming, other)?

Among conforming offers that were not otherwise removed from consideration due to the qualitative rules described previously, price (as expressed through the Levelized Contract Cost component of the Net Market Value calculation) is the largest single determinant of shortlisting preference.

The RPS RFO is operated in conformance with California Public Utilities Code Section 399.15, which mandates that a minimum percentage of retail sales for retail sellers of electricity in California be provided from renewable resources.

This is a need defined in state statutes and cannot be met through non-renewable forms of electric supply. Therefore, no other procurement options were considered in this RFO.

E. Describe how offers' locations affected your proposed shortlist. Was being located in or near certain areas (e.g. RETI CREZs) a factor in your decisions? Was being located in the Tehachapi or Sunrise transmission areas a factor in your decisions? How were adders or costs incorporated to take into account a project's location (e.g. firming/shaping costs, adder for Sunrise region, etc.)

There were no factors in this RFO relating to project location, other than the Capacity Benefit described under the LCBF elements described previously.

F. Describe any policy issues or other strategies (e.g. seller concentration, technology diversity, operational flexibility, etc.) that affected your proposed shortlist.

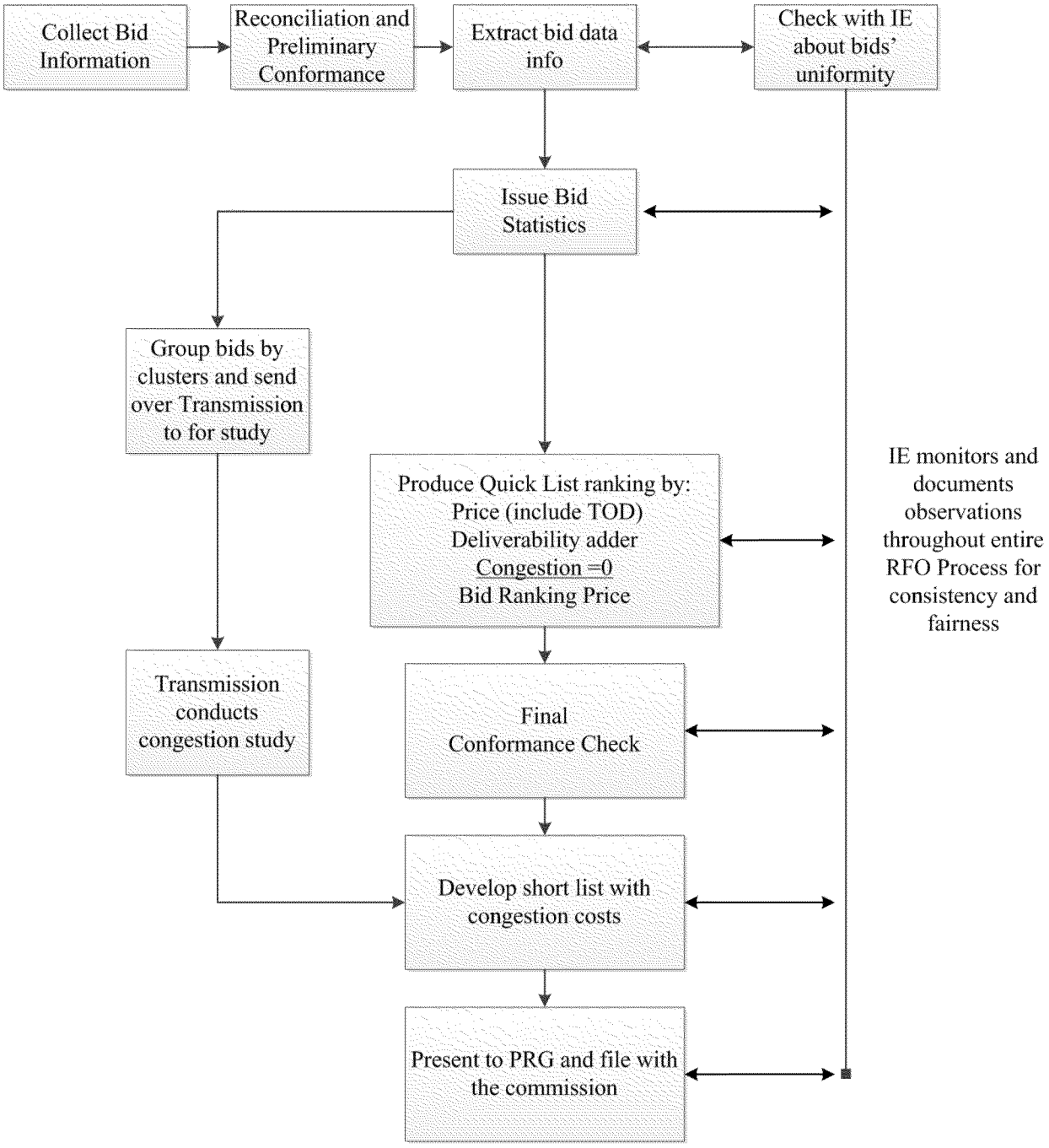
Seller concentration was a concern in this RFO; one bidder submitted over [redacted] of the total bids received in the RFO. To prevent the shortlist from being entirely dependent on a single bidder, [redacted] selected from a different bidder.

VI. Shortlist Workpapers Narrative

1. Provide a brief narrative of the bids received in the most recent RFO including any of the following items listed below. In the narrative, please keep comments focused on major trends identified in the RFO that impacted your decision-making process in determining the shortlist.

2. Please briefly describe the general trends that occurred from the 2011 solicitation to the 2012 solicitation. Include in the summary any of the items listed below. This list is not exhaustive but is to act only as a guide. What were some of the most telling trends that affected your procurement decisions for 2012? Does the data indicate any major shifts in the market that may affect future procurement decisions?

3. Please provide a flowchart that explains IOU's LCBF and shortlisting process. Please describe all the critical steps on the flowchart utilized in the shortlisting process. Be very explicit in your explanation.



4. Please answer the following questions related to managing the pricing risk of long lead-time projects that may be shortlisted.

[redacted]

5. Describe any qualitative factors used to finalize your proposed shortlist. How were they used (e.g. tie-breaker, cut-off, exclusion measures, etc.) and how did the shortlist change?

[redacted]

San Diego Gas & Electric Advice Letter 2488-E
June 7, 2013

Attachment E

2012 RPS RFO SOLICITATION
INDEPENDENT EVALUATION (IE) REPORT

(Public Version)

PA Consulting Group

San Diego Gas & Electric

Independent Evaluator Report on the 2012 Request for Offers from Eligible Renewable Resources

June 7, 2013

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Executive summary

PA Consulting Group, Inc. (PA) has served as the Independent Evaluator (IE) of San Diego Gas & Electric Co.'s (SDG&E's) 2012 Request for Offers from Eligible Renewable Resources (2012 RFO). This is PA Consulting Group's Independent Evaluator Report. It addresses the conduct and evaluation of SDG&E's 2012 RFO through the selection of its preliminary short list.

This report contains confidential and/or privileged materials. Review and access are restricted subject to PUC Sections 454.5(g), 583, d.06-06-066, GO 66-C and the Confidentiality Agreement with the California Public Utilities Commission (CPUC).

This document has been formatted in accord with the 2012 RPS Solicitation Shortlist Report Template, which was marked "v.05/10/2013" and provided on that date via email from the CPUC Energy Division. The seven chapters of this report correspond in sequence to the top-level items in the RPS Independent Evaluator (IE) Report Template – Standard Form.

Contents

1 Role of the Independent Evaluator

This chapter describes the history of the requirements for Independent Evaluators at the Federal level and in California. It includes a list of the IE's roles as well as a summary of PA's activities in fulfilling those roles.

1.1 The IE requirement

Regulatory requirements for an IE of resource procurement can be traced to the Federal Energy Regulatory Commission's (FERC's) "Opinion and Order … Announcing New Guidelines for Evaluating Section 203 Affiliate Transactions" (108 FERC ¶ 61,081 (2004)). That decision addressed ways to demonstrate that a utility's procurement of power from an affiliate was not abusive or unfair, under the standards of the Edgar decision (55 FERC ¶ 61,382 (1991)). FERC provided a set of guidelines, which presumably would be sufficient to demonstrate that the utility had not unfairly favored its affiliate. One of those guidelines was that "an independent third party should design the solicitation, administer bidding, and evaluate bids prior to the company's selection." FERC proposed not just independent evaluation but independent conduct of all aspects of the solicitation (except, presumably, the need determination).

The California Public Utilities Commission (CPUC) referenced those guidelines in its December 2004 decision on long-term resource procurement[1]. The CPUC stated that although it had not previously required the use of an IE for resource procurement, it would "require the use of an IE in resource solicitations where there are affiliates, IOU-built, or IOU-turnkey bidders" from that point forward[2]. The CPUC's intention was clearly that the IE should ensure that the utility did not favor itself, its affiliates or its shareholders (shareholders would earn a return on "ownership projects" – IOU-built or turnkey – but not on independent PPAs). The CPUC stated explicitly that it would not require the IE to conduct or administer the solicitation, nor would it "allow the IEs to make binding decisions on behalf of the utilities." Under this decision the role of the IE is to provide advice to the utility in "the design, administration, and evaluation aspects of the RFO" and to observe the utility's procurement and evaluation process in order to provide a fairness opinion.

D. 04-12-048 did not require IEs for procurements in which there were no affiliate or ownership bids. But in its decision approving the utilities' plans for 2006 Renewables Portfolio Standard (RPS) solicitations, the CPUC determined that Independent Evaluators would be required for these and "all future solicitations" (it is unclear whether this means only all future RPS solicitations).[3] The role of the IE is still not to conduct or administer the solicitation but to "separately evaluate and report on the IOU's entire solicitation, evaluation and selection process."[4] The Decisions that approved the utility

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[1] California Public Utilities Commission, Decision (D.) 04-12-048, May 26, 2006, p. 135f and Findings of Fact 94-95 on pp. 219-220.

[2] D. 04-12-084, p. 135f and Ordering Paragraphs 26i and 28 on p. 245.

[3] California Public Utilities Commission, Decision (D.) 06-05-039, May 26, 2006, p. 46, Finding of Fact 20b on p. 78, Conclusion of Law 3e(2) on p. 82 and Ordering Paragraph 8 on p. 88.

[4] D. 06-05-039, p. 46.

RPS solicitation plans for 2007 and 2008[5] did not further elaborate on the IE role but took the participation of an IE as a given.

D. 09-06-018, which approved the utility RPS solicitation plans for 2009, contained additional requirements related to the use of Project Viability Calculators and directed "that project-specific project viability information should be included in the confidential appendices to advice letters and validated by the IE in the confidential versions of IE reports."[6] The reference to the Project Viability Calculator has been incorporated by Energy Division in its template language for Section 7, which is only completed in the final IE report submitted with each contract Advice Letter.

1.2 PA's role as Independent Evaluator

In April 2006, SDG&E retained PA to be the Independent Evaluator for an All-Source Request for Offers (All-Source RFO). SDG&E anticipated that there might be affiliate bids in that RFO, as in fact there were. The CPUC Energy Division, as well as the rest of SDG&E's Procurement Review Group (PRG), participated in the decision to select PA. PA's contract was subsequently amended to include the independent evaluation of additional SDG&E procurement activities.

When PA was contracted as IE for the All-Source RFO, PA and SDG&E agreed on an interpretation of the IE role that would not include a complete LCBF evaluation or full replication of the utility's computations, although PA would spot-check them. PA's role would be that of an observer and an adviser as needed. PA subsequently served as Independent Evaluator for SDG&E's 2006 Renewable RFO, the Local Peaker RFO (conducted in 2006-7), and the 2006, 2008, 2009, and 2011 Renewable RFOs. In addition, PA has performed the role of IE for SDG&E's first three Renewable Auction Mechanism (RAM) RFOs. In each case, PA and SDG&E used the above interpretation of the IE role, and it was adopted for the 2012 Renewables RFO.

PA's emphasis has been on issues of fairness and equity. PA reviews the reasonableness of SDG&E's evaluation criteria and algorithms and spot-checks the calculations but does not enforce a single standard of evaluation. While PA may have an opinion about the "best" way to value certain attributes or even to conduct a multi-attribute evaluation, its role as IE has not been to judge SDG&E's evaluation against a standard, but rather to determine that SDG&E's evaluation has not unfairly favored affiliates or ownership bids, or favored SDG&E and its shareholders in any other way[7].

For the 2009, 2011 and 2012 RFOs, SDG&E also asked PA to conduct the quantitative LCBF evaluation of bids, except for the congestion adder computation. This was a direct response to experience of past RFOs, and the efforts that SDG&E had to make to avoid any appearance of conflict in its evaluation of affiliate bids. PA also determined the estimated costs of transmission network upgrades or additions to ensure that SDG&E numbers were accurate. PA did not itself determine the evaluation standards but PA did advise SDG&E on the definition and refinement of the evaluation

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[5] California Public Utilities Commission, Decision (D.) 07-02-011, Feb. 15, 2007 and Decision (D.) 08-02-008, Feb. 15, 2008. The decisions actually only conditionally approved the plans but the conditions were not connected with the use of IEs.

[6] California Public Utilities Commission, Decision (D.) 09-06-018, June 8, 2009, p. 24.

[7] E.g., it would have been unfair for SDG&E to design an evaluation method that favored a category of bidders on whose behalf SDG&E would have to make extensive rate-based transmission or distribution investments.

criteria. Note that PA conducted the LCBF evaluation for the 2012 RFO using its own independently developed spreadsheet model.

1.3 PA's activities

PA and SDG&E began to discuss plans for the 2012 RFO in May, 2012. SDG&E provided PA several drafts of the RPS plan for review prior to its filing, and PA responded with advice and commentary. SDG&E and PA discussed the evaluation criteria at length. In fact, after the Compliance Filing of the Amended Plan, and after the RFO had been released, PA discovered an error in the description of the evaluation of Capacity Value and pointed it out to SDG&E. SDG&E fixed its evaluation methodology and notified Energy Division of the correction. PA was provided extensive access to all the SDG&E staff involved in the evaluation of the Renewables RFO.

PA participated in the pre-bidder conference on January 11, 2013. PA was provided all questions submitted by bidders either at the bidder conference or submitted by the January 18, 2013 deadline. PA and SDG&E discussed the questions and answers via email. PA got a copy of all of SDG&E's answers and they were posted on the website. The bids received by SDG&E were transferred via e-mail to PA on the day bids were due, i.e. on February 6, 2013.

PA was in regular contact with the SDG&E evaluation team and was provided all the data in the evaluation process. PA was responsible for interpreting all bids in order to conduct the LCBF evaluation. PA also reviewed questions put by SDG&E to bidders, and bidders' answers. PA advised SDG&E on judgments that certain bids did not conform to RFO requirements. PA participated in Procurement Review Group (PRG) meetings during the evaluation period. SDG&E discussed the short list with PA as well as with the PRG.

SDG&E in no way prevented PA from observing its process and analyzing its methods, and did not interfere with PA's conduct of the LCBF evaluation.

1.4 Confidentiality and additional comments

It is PA's understanding that confidential treatment of the information in an IE report is obtained through procedures defined in CPUC Rulemaking (R.) 05-06-040.[8] Under that Ruling a person or party that serves testimony, supplies data or files an advice letter requests confidential treatment of some data within that submittal and must accompany the data by a declaration under penalty of perjury that justifies the claim of confidentiality.

PA delivers its IE report to SDG&E and SDG&E in turn submits it to the CPUC. It is PA's understanding that each utility separately submits its IE's report and requests confidential treatment for parts of that report. Because it is the utility that identifies confidential data and provides the associated declaration, PA believes that it is the utility's right to determine which data in the report is confidential and the utility's responsibility to defend that determination. SDG&E's view of confidentiality may be more or less expansive than PA's. While PA has in the past provided recommendations to SDG&E about which parts of its IE reports should be held confidential, in general PA takes a "minimal

[8] "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066", August 22, 2006.

redaction" (redaction only of information about identifiable bids) view. SDG&E always makes the ultimate determination of data to redact.

2 Adequacy of outreach and robustness of solicitation

This chapter describes the information provided by the utility to potential bidders, and the utility's efforts to stimulate a wide and robust response to the RFO.

2.1 Solicitation materials

PA reviewed SDG&E's RFO and supporting forms. PA's opinion was that the RFO was clear and supporting forms were generally well-designed and would elicit appropriate information.

SDG&E held one pre-bid conference and also posted on its website answers to questions submitted by bidders. Even so, not all bidders entered data correctly and completely, but PA does not believe this was the fault of the forms.

2.2 Adequacy of outreach

California's RPS and its utilities' attempts to meet that standard have been widely publicized. The investor-owned utilities have conducted annual RFOs for renewable resources for several years. Because of the publicity, it should not have been necessary for SDG&E to take on the responsibility of informing bidders that California has a renewables program or that utilities would be contracting with renewable suppliers. Furthermore, it was well-known in the California energy industry that at the time of the adoption of the RPS, SDG&E was the furthest of the three utilities from satisfying the RPS (least renewable energy relative to retail sales). It would have been adequate for SDG&E to advertise the RPS solicitation on its website and to a sizable email list.

In PA's opinion, SDG&E did adequate outreach. SDG&E provided PA with a list of 849 email addresses, associated with 527 separate domains, to which it sent the RFO. Some of those addresses are probably consultants not working with any particular bidder.

2.3 Solicitation robustness

PA judges the robustness of the solicitation by the number of bids received. In PA's opinion, the solicitation engendered a robust response. [redacted] separate organizations responded to the solicitation with a total of [redacted] pricing options (data prior to conformance check). The participation level to the 2012 RFO was similar to the 2009 RFO but less than for the 2011 RFO which received a total of [redacted] pricing options from [redacted] separate bidders. The reduced participation relative to the 2011 RFO was neither surprised nor unexpected inasmuch as SDG&E had clearly communicated its view that its current RPS portfolio would most likely meet its needs through 2016, and it would be shortlisting bids on a "stand-by" basis.

2.4 Feedback

SDG&E did not formally seek bidder feedback.

2.5 Additional issues

PA has nothing else to add to this chapter.

3 Fairness of LCBF evaluation methodology

This chapter describes SDG&E's quantitative evaluation methodology and PA's opinion of its application.

3.1 Principles used to evaluate methodology

PA has used the following principles to guide its evaluation. These principles were originally codified by PA in its report on SDG&E's 2006 RPS RFO:[9]

- The evaluation should only be based on those criteria requested in the response form. There should be no consideration of any information that might indicate whether the bidder is an affiliate
- The methodology should identify how quantitative measures will be considered and be consistent with an overall metric
- The approach should not be biased for or against specific technologies, solely based on the choice of technology (as opposed to, e.g., quantifiable differences between the value of peaking and baseload technologies)
- The methodology does not have to be the one that the IE would independently have selected but it needs to be "reasonable".

These principles do not require the upfront identification of procurement targets, as those may depend on committed contract quantities and commitments may be made between release of the RFO and selection of the shortlist. They do not also specifically address "consistent" evaluation of bids of different sizes and timing because PA considers the fairness of such analysis to fall within the area of reasonableness; and it is conceivable that a consistent evaluation may not be the most reasonable.

3.2 SDG&E's LCBF methodology

In its decision accepting the 2012 RPS Procurement Plans, the CPUC ordered each utility to modify its LCBF methodology to reflect a "Net Market Value" based on Commission-specified standardized variables:

Net Market Value: R = (E + C) – (P + T + G + I)
Adjusted Net Market Value: A = R + S

Where:
R = Net Market Value
A = Adjusted Net Market Value
E = Energy Value
C = Capacity Value

[9] Jacobs, Jonathan M., *Preliminary Report of the Independent Evaluator on the 2006 Request for Offers from Eligible Renewable Resources (Renewable RFO)*, PA Consulting Group, Los Angeles CA, January 16, 2007, p. 2-1.

P = Post-Time-of-Delivery Adjusted Power Purchase Agreement Price
T = Transmission Network Upgrade Costs
G = Congestion Costs
I = Integration Costs
S = Ancillary Services Value[10]

SDG&E's formulation, as defined in the final corrected version of Appendix C to its Renewables Procurement Plan, was that "the Net Market Value shall be the sum of the Energy Benefit and Capacity Benefit provided by the project, less the sum of the project-specific factors described above (Levelized Contract Cost, Transmission Adder, and Congestion Adder)."[11] The correspondence between the standardized variables used by the CPUC and the terms in SDG&E's formula is as follows:

Table 3-1. CPUC Standard Variables vs. SDG&E LCBF terms

CPUC Standard Variables	SDG&E terminology
Energy Value	Energy Benefit
Capacity Value	Capacity Benefit
Post-Time-of-Delivery Adjusted Power Purchase Agreement Price	Levelized Contract Cost
Transmission Network Upgrade Costs	Transmission Adder
Congestion Costs	Congestion Adder
Integration Costs	N/A; the CPUC prohibited the use of non-zero integration costs[12]
Ancillary Services Value	N/A; this is part of Adjusted Net Market Value not Net Market Value, and furthermore ancillary services generally represent reserve or regulation services that intermittent or as-available generators cannot economically provide.

The following subsections describe the way SDG&E computed these terms, using the information provided by bidders. The Capacity Benefit depends on another computation, called Deliverability Benefit, which is also described.

PA's opinion of the use of LCBF methodology is included in section 3.3.

[10] California Public Utilities Commission, Decision (D.) 12-11-016, November 9, 2012, pp. 23f. and Ordering Paragraph 6.

[11] San Diego Gas & Electric Company, *2012 Renewables Procurement Plan Compliance Filing*, corrected version of Appendix C in the file Appendix C- Evaluation Methodology (LCBF Process) - REVISED DRAFT 010813.docx as received from SDG&E via email January 14, 2013, p. 6.

[12] D. 12-11-016 pp. 27-29 and Ordering Paragraph 7.

3.2.1 Energy Benefit

The energy benefit represents the cost of energy that could be avoided through purchase of the contracted energy. The Market Price Reference (MPR) is used as a proxy for the cost of energy and capacity, assuming a long-term equilibrium. The CPUC's MPR model produces levelized costs that are constant throughout the year. The computation of the energy benefit recognizes that the cost of energy is greater in some periods than others, and that if it is to be encapsulated in a single $/MWh figure the energy benefit must be an average of the costs of energy at different times weighted by the projected delivery profile.

SDG&E used the Market Price Referent (MPR) values issued by the CPUC in 2011 since these represent the most recent MPR values. SDG&E appears to have used the values that were in Draft Resolution E-4442 rather than in the final version but the differences are only in the final (cents) digit and are not material. In previous years SDG&E had recomputed the values using the CPUC's MPR model and more recent gas prices but did not do so for the 2012 RFO.

SDG&E defined TOD factors to be used in converting stated contract prices to payments in different time periods. The TOD factors are higher in peak than off-peak hours, to attribute greater value to peak deliveries. They are also normalized so that the time-weighted average of the TOD factors across the year will average to 1. In that way the stated contract price for a baseload unit (uniform delivery across the year) will also equal its average payment.

A TOD factor is defined for each subperiod -- summer peak, summer part-peak, summer off-peak, winter peak, winter part-peak and winter off-peak. The TOD factor for subperiod *i* is denoted TOD_i.

These TOD factors are "all-in" factors which account also for the additional capacity value associated with energy in peak hours, not just the higher energy price. SDG&E also defined "energy-only" TOD factors that account only for the difference in energy pricing, TOD_i^{EO}. Clearly in the summer peak period, $TOD_i^{EO} < TOD_i$. Because the average of each set of factors across the year must be 1, there must be other subperiods (such as winter off-peak) in which the inequality is reversed. The energy benefit for any subperiod is computing using the lesser of the all-in and energy-only factors (for further explanation see 3.2.2).

The contribution of subperiod *i* in year *y* to the total energy benefit is $\min\left(TOD_i, TOD_i^{EO}\right) \cdot MPR \cdot v_{y,i}$. In that formula, *MPR* is the Market Price Referent value in levelized $/MWh and $v_{y,i}$ is the projected contract deliveries in year *y*. This value is in nominal dollars -- it is the energy benefit of all the production in subperiod *i* of year *y*, not on a unit basis. The formulas for Net Market Value uses levelized $/MWh. The total energy benefit, in levelized $/MWh, is

(1) Energy Benefit = $$\frac{\sum_{y=1}^{N} \sum_{i=1}^{6} \min\left(TOD_i, TOD_i^{EO}\right) \cdot MPR \cdot v_{y,i} \Big/ (1+d)^{-y}}{\sum_{y=1}^{N} \sum_{i=1}^{6} v_{y,i} \Big/ (1+d)^{-y}}$$

where *d* is the discount rate (SDG&E WACC).

This formula applies to power purchase agreement bids. A TREC bid provides no energy and hence has no energy benefit.

3.2.2 Deliverability Benefit

The deliverability benefit represents the capacity value of a project with the same delivery profile as the bid being evaluated, if it were in the SDG&E local area, and was interconnected with full capacity deliverability status (FCDS). It is derived from a conceptual model of the capacity value of the MPR.

The total value of each MWh produced by the Market Price Referent unit in subperiod *i* is assumed to be represented by $TOD_i \cdot MPR$, the product of the all-in TOD factor and the levelized MPR price. In some subperiods (such as the summer peak) that value includes both capacity value and energy value. SDG&E modeled the capacity value using the difference between the all-in and energy-only TOD factors, but only in those subperiods in which the all-in factor was greater. In other words, SDG&E assigns no capacity value to deliveries in TOD periods in which the energy-only factor is greater than the all-in factor. This "MPR capacity value" is the deliverability benefit:

(2) Deliverability Benefit = $$\frac{\sum_{y=1}^{N} \sum_{i=1}^{6} \max\left(TOD_i - TOD_i^{EO}, 0\right) \cdot MPR \cdot v_{y,i} \Big/ (1+d)^{-y}}{\sum_{y=1}^{N} \sum_{i=1}^{6} v_{y,i} \Big/ (1+d)^{-y}}$$

The “max” function limits the value calculation to those periods where the all-in TOD factors exceed the energy-only factors. A TREC has no deliverability benefit.

Equations (1) and (2) can be added to show that the Energy Benefit and the Deliverability Benefit together represent the full cost of a generator with the same delivery profile as the bid being evaluated at a price in each period that equals the MPR price times the all-in TOD factor:

(3) $$\sum_{y=1}^{N} \frac{\sum_{i=1}^{6} \left(Energy\ Benefit + Deliverability\ Benefit\right) \cdot v_{y,i}}{(1+d)^{-y}} = \sum_{y=1}^{N} \frac{\sum_{i=1}^{6} TOD_i \cdot MPR \cdot v_{y,i}}{(1+d)^{-y}}$$

3.2.3 Capacity Benefit

The Capacity Benefit for any bid is based on the Deliverability Benefit computed in 3.2.2, depending on the type of resource being bid. The rules for computing Capacity Benefit are given in Table 3-2.

Table 3-2. Capacity Benefit based on Deliverability Benefit and resource type

Resource type bid	Capacity Benefit
PPA where the plant is interconnected in SDG&E territory (including the Imperial Valley Substation), to the Sunrise Powerlink or to the Southwest Powerlink west of the Imperial Valley substation, and will have a CAISO full deliverability interconnection	100% of Deliverability Benefit
PPA where the plant will have CAISO full deliverability but whose first point of	60% of Deliverability

interconnection is elsewhere in CAISO or in IID	Benefit
Energy-only, interconnected to non-California Balancing Authority, or TREC	0

These rules imply that non-local plants are only 60% as valuable as local ones (like saying that system RA is only 60% of the value of local + system RA).

3.2.4 Estimated costs of transmission network upgrades or additions

For each of the conforming bids, SDG&E obtained the network upgrade cost from an interconnection study, which the bidder had been required to submit. The Transmission Adder is the level cost which, when applied to the projected deliveries, yields a stream of payments whose present value equals the network upgrade cost.

3.2.5 Estimated congestion costs

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined after preliminary Net Market Values (without the Congestion Adders) had been computed without congestion information. In this way SDG&E was able to reduce the number of projects for which congestion impacts were computed. The Congestion Adders, in $/MWh, were developed by SDG&E's transmission planning group. PA agreed that it was reasonable for the transmission planning group to conduct the study given the separation from the procurement group provided for under the FERC Code of Conduct. Congestion Adders were all relatively small and therefore congestion costs did not affect the composition of the short list.

The Congestion Adders arrived very late in the process. PA was unable to review them or their calculation. While the Code of Conduct insulates transmission planning and procurement groups from conflict, it may also impair the procurement group's ability to demand a prompt response. If congestion is to remain a component of the LCBF evaluation SDG&E will have to improve the process of obtaining congestion cost estimates, perhaps at the cost of accuracy (e.g., using marginal prices from a simulation model rather than depending on "in/out" runs for specific resources).

3.3 Strengths and weaknesses of SDG&E's LCBF methodology

Overall, PA believes that SDG&E's methodology is reasonable. This judgment is within the context of the principles set forth in section 3.1. The LCBF model was computed directly from bidder response forms and took no notice of potential affiliation. It bears a rational, consistent relationship to cost and value, and was set out prior to any bids having been seen by SDG&E or PA. The 2012 LCBF was not biased for or against any technologies.

3.3.1 Evaluation of consistency with the RPS procurement plan, requested products and portfolio fit

SDG&E determined that it had secured sufficient RPS contracts from previous RFOs to meet its RPS target for Compliance Period 1 (CP1) and CP2. In its RPS Procurement Plan, SDGE stated:

"Based on current projections, SDG&E expects that it will meet Compliance Period 2 RPS goals with generation from contracts that have been executed together with the deliveries of investment and UOG initiatives where relevant progress has been made…. Based on SDG&E's current probability weighted RPS position forecast, the company may need to conduct new renewable eligible purchases for mid to late CP3…. The level of new purchases will be a function of portfolio performance and subject to the level of banking, if any, related to potential excess procurement in CP2 into CP3."[13]

In addition, at the time the RFO was issued and throughout the evaluation period, SDG&E was reporting to its PRG that its expected RPS portfolio would exceed its need until mid-CP3, SDG&E stated in the RFO that it sought a "contingent shortlist". Since renewable resources appear still to be priced at a premium relative to conventional resources, their most important attribute is their RPS compliance value and the key aspect of "portfolio fit" for SDG&E in 2012 was its low need. SDG&E's general approach was consistent with this.

3.3.2 Market valuation

The LCBF model accounted for both price and value of projects. Both energy and capacity value were taken into account, by first subtracting energy and capacity value form the bid price The model did not account for some other costs SDG&E has in the past sought to include, such as debt equivalence or integration.

SDG&E's method is based on the assumption that the developer's projections of total generation and the production profile are accurate. It would be useful, and would produce more viable bids, if the company were able to evaluate the reasonableness of those assumptions. In order to do so, though, SDG&E would need to request significantly more information from developers. The number of bids received for the 2012 RFO, and the short timeframe for evaluation, would have made that impossible as part of the LCBF evaluation. Such an analysis would have to be limited to already-shortlisted bids in a brief period after shortlisting (but the shortlist would have to allow for dropping bids after this analysis).

3.3.3 Evaluation of bids' transmission costs

SDG&E's evaluation did not place any reliance on Transmission Ranking Cost Reports. The transmission upgrade cost estimation was based on estimates included in the interconnection studies provided by the bidders. For each bid, SDG&E considered the associated Reliability Network Upgrades, Delivery Network Upgrades and Distribution Upgrades costs.

The short timeframe for evaluation did not allow SDG&E to perform any data conformance checks related to transmission study results and cost information for projects before they were included on the shortlist. SDG&E assumed the cost estimates were the best possible because they were taken from third-party interconnection studies.

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[13] San Diego Gas & Electric Company, "Amended 2012 Renewables Portfolio Standard Procurement Plan Compliance Filing," filed with the CPUC December 13, 2012 in docket R.11-05-005, "Attachment 1: 2012 RPS Procurement Plan", p. 9f.

3.3.4 Evaluation of bids' project viability

The Project Viability Calculators were self-scored by developers. SDG&E did not verify these scores. Instead, PA analyzed the bids' project viability scores for the eighteen bids that scored highest in the LCBF evaluation. Figure 3-1 shows both sets of scores. As was seen in the previous RFO, bidders tend to overvalue their projects' viability.

3.4 Future improvements

PA has noted several potential improvements to the LCBF evaluation.

1. The pace of development by SDG&E's renewable contract counterparties has improved. If this continues, SDG&E will not have much need for additional renewables until mid-CP3. However, the pricing of renewable resources is falling and if gas prices reverse their own downward trend, there will be greater pressure for renewables to compete with conventional resources on energy and capacity value and pricing alone. If it becomes necessary to find a long-term replacement for SONGS there may be pressure to do so with renewables. This would mean that SDG&E would have to take a much more rigorous approach to evaluating the energy and capacity value of renewables (more sophisticated that the MPR proxy) and would also have to be able to evaluate other attributes such as "flexibility value" (which could be negative, if intermittent renewables create more of a need for flexible resources), GHG allowance value, etc. The evaluation methods and models used for renewables procurement would have to be more closely coordinated with Resource Planning.
2. Greater penetration of renewables, and in particular solar, may change the profile of SDG&E's residual load. Energy in the mid-afternoon could become less valuable than energy at other times such as late afternoon or morning, and this value profile could be changing over the projection horizon of the evaluation model. SDG&E has brought this up to the PRG and may already be planning address the issue by changing its TOD factors or some other aspect of the LCBF evaluation for the next RPS RFO.

3. The congestion cost estimates arrived quite late in the process. PA was unable to provide them serious consideration before the shortlist deadline, but in this case they appear not to have had a material impact on the identification of the shortlist. If congestion is to remain a component of the LCBF evaluation SDG&E will have to improve the process of obtaining congestion cost estimates, perhaps at the cost of accuracy. For example, instead of asking the transmission planning group to conduct special runs for individual resources, SDG&E could use marginal congestion prices from a recent simulation run (presumable SDG&E conducts such simulations to support its CRR market activity).
4. SDG&E used the CPUC's 2011 MPRs figures as a proxy for equilibrium market prices in determining energy value. These values were adopted in December, 2011, and were somewhat stale. SDG&E believed the impact on the evaluation was minimal, due to the stability in gas pricing over the last year, but PA was unable to test that assumption. SDG&E should generate fresher values by using the CPUC's MPR model with the latest natural gas prices, as it did for previous RPS RFOs. Alternatively, SDG&E may be changing the way it estimates energy value in the LCBF evaluation.

3.5 Additional comment on the methodology

PA has nothing else to add to this chapter.

4 Procedural fairness of the bid evaluation

This chapter addresses the application or administration of the methodology described in chapter 3.

4.1 Principles used to determine fairness of process

As in the previous section, PA used principles originally codified by PA in its report on SDG&E's 2006 RPS RFO:[14]

- Were affiliate bids treated the same as non-affiliate?
- Were bidder questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for "clarifications" that provided the bidder an advantage over others?
- Was bids given equal credibility in the economic evaluation?
- Was the procurement target chosen so that SDG&E would have a reasonable chance of meeting its target (taking into account contract failures)?
- Was there a reasonable justification for any fixed parameters that enter into the methodology (e.g., RMR values; debt equivalence parameters)?
- Were qualitative factors used only to distinguish among substantially equal bids?

4.2 Administration and bid processing

A complete description of PA's activities is in section 1.3. Based on PA's review of the solicitation and evaluation process:

- Affiliate and non-affiliate bids were treated identically. A Sempra affiliate submitted three bids but there was no evidence of disparate treatment and the bids were ranked below the shortlist
- SDG&E did not ask for clarifications in such a way as to advantage any bidder
- All bids were given equal credibility in the quantitative (LCBF) evaluation with the exception of those bids that were deemed non-conforming
- The "contingent need" target for CP3 would give SDG&E a reasonable chance of meeting its RPS target. After discussion with PA, SDG&E did shortlist enough capacity to meet that target although it did not require exclusivity from all those bidders
- PA reviewed with SDG&E the justification for any parameters that entered the computations
- Very little use was made of qualitative factors except for the elimination noted previously.

[14] Jacobs, op. cit., p. 3-1.

4.3 Conformance check

SDG&E deemed non-conforming bids with:

- A net contract capacity of less than 20MW
- A Commercial Operation Date (COD) prior to December 2016
- Missing Pricing Forms / Interconnection Documents / Model PPA / Missing Credit Application
- Incomplete or corrupted Pricing Forms.

A total of [redacted] were deemed non-conforming (representing approximately [redacted]) and were therefore not evaluated.

Bids submitted as Zip files were deemed conforming despite the RFO's suggestion that such bids would be rejected. SDG&E and PA based their decision on the RFO objective which is to supply SDG&E's customers with low cost and reliable renewable power: eliminating theses bids would therefore not have been in the customers' best interest since they could have been part of the final short list.

Overall, PA believes that SDG&E's treatment of non-conforming bids was fair and reasonable.

4.4 Parameters and inputs for SDG&E's analysis

The quantitative bid analysis was conducted by SDG&E and PA separately. In general PA used inputs taken directly from bid forms. Certain key parameters were supplied by SDG&E independent of any bids, including the TOD multipliers. Parameters and inputs for the congestion analysis were determined by SDG&E's transmission function independent of the procurement group.

4.5 Parameters and inputs for outsourced analysis

PA conducted the quantitative LCBF analysis using its own spreadsheet model, developed based on SDG&E's methodology and parameters supplied by SDG&E. SDG&E and PA were in communication throughout the analysis, generally in order to compare results and verify that any interpretations of the data or model were consistent with the philosophy and approach that had been stated prior to receiving bids. SDG&E did not exercise control over the quality or specifics of the analysis.

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined by a study conducted by SDG&E's transmission function.

4.6 Transmission analysis

For offers for new projects or projects proposing to increase the size of existing facilities, the model calculated costs for transmission network upgrades or additions, using the information provided in the interconnection studies bidders were required to provide. Projects outside of the California ISO were expected to have internalized the cost of transmission to the ISO, as well as the cost of required transmission upgrades outside the ISO, into their bid price. The transmission analysis is described in 3.2.4 and 3.3.3 above.

4.7 Additional measures

SDG&E did not use any special measures in evaluating affiliate, buyout and turnkey bids. SDG&E did not accept buyout or turnkey bids in this RFO.

4.8 Additional criteria or analysis

[redacted]

4.9 Results analysis

PA and SDG&E were in close and regular communication throughout the RFO process. In many cases when a ruling or judgment had to be made SDGE would first solicit PA's opinion, or would ask PA to make the judgment. In this section we describe several examples where SDG&E solicited PA's input, asked PA for a decision, or modified its conduct of the evaluation.

4.9.1 Interactions between PA and SDG&E during bid evaluation

[redacted]

Technical points of bid evaluation

PA and SDG&E evaluated the bids separately. We conferred regularly to compare notes on intermediate results, and judgments that had been made in implementing the LCBF methodology. There were no disagreements on specific aspects of the calculation.

4.9.2 Overall judgment

PA's judgment is that this solicitation was fairly administered.

4.10 Other relevant information

PA has nothing else to add to this chapter.

5 Commission Approval of the Proposed RPS Shortlist

Through the bid evaluation and selection process, PA believes that SDG&E selected the best offers submitted for SDG&E's 2012 RFO. The final selected bids provide a total [redacted] of capacity which will be sufficient to cover SDG&E's contingency needs for CP3. The shortlist conforms to the needs of the IOU's portfolio, RPS requirements, RPS procurement plan and protocol. PA believes SDG&E's decision making process to have been robust and fair.

The remainder of this chapter describes SDG&E's shortlist.

5.1 Shortlisted projects ranking

[redacted]

[redacted]

5.2 Project viability of shortlisted projects

SDG&E did not attempt to verify the bidders' Project Viability scores and relied on PA's assessment.

[redacted]

5.3 CPUC approval of shortlisted bids

Through the bid evaluation and selection process, PA believes that SDG&E selected appropriate offers from those submitted for SDG&E's 2012 RFO and therefore recommends the CPUC's approval of the shortlisted bids for contingent use.

6 Fairness of the Project-Specific Negotiations

This section will only be completed in the final IE report submitted with each contract Advice Letter.

7 Project-specific Recommendation

This section will only be completed in the final IE report submitted with each contract Advice Letter.

San Diego Gas & Electric Advice Letter 2488-E
June 7, 2013

Attachment F

2012 RPS RFO SOLICITATION
INDEPENDENT EVALUATION (IE) REPORT

(Confidential Version)