



REQUEST FOR PROPOSAL No. 5518
FOR THE CLIMATESMART™ PROGRAM

ARTICLE I:
CORE- GENERAL INSTRUCTIONS AND PROVISIONS

RFP Schedule	Date
RFP Distributed to Bidders	5/16/08
Bidder's Conferences: – San Francisco – Sacramento – Tulare	5/28/08, 2:30 p.m. 5/29/08, 2:30 p.m. 6/2/08, 2:30 p.m.
Mandatory Notice of Intent to Bid Form Due	6/6/08
Last Day to Submit Written Questions to PG&E	6/19/08, 2:00 p.m.
RFP Responses Due	7/2/08, 2:00 p.m.
Selection of Finalists	7/22/08
Finalist Interviews	Week of 7/28/08
Notifications of Successful/Unsuccessful Bidder	Week of 8/11/08
Target Date for Contract Execution	Q4 2008

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1.0 INTRODUCTION

Pacific Gas and Electric Company (PG&E), incorporated in California in 1905, is one of the largest combination natural gas and electric utilities in the United States. Based in San Francisco, the company is a wholly owned subsidiary of PG&E Corporation.

There are approximately 20,000 employees who carry out PG&E's primary business—the transmission and delivery of energy. The company provides natural gas and electric service to approximately 14 million people throughout a 70,000-square-mile service area in northern and central California. Our customers include over 20,000 schools, 3,000 hospitals, 20,000 high-tech companies and 700 military facilities. As the primary gas and electric service provider for Central and Northern California, PG&E has impressive size and territory that stretches from Eureka in the north to Bakersfield in the south, and from the Pacific Ocean in the west to the Sierra Nevada in the east. PG&E provides electricity to over 4.9 million customers and gas to over 3.9 million customers.

PG&E is determined to expand opportunities which enhance our commitment to diversity, safety, environmental stewardship, and corporate integrity. We anticipate that this evaluation process will provide opportunities for successful firms to expand their business with PG&E. We believe this will be an exciting opportunity for PG&E and its current and future suppliers to reshape the way we work together and to improve PG&E's operations.

Launched on June 28, 2007, PG&E's ClimateSmart™ program is the first of its kind in the nation. Authorized by California Public Utilities' Decision (D. 06-12-032), the ClimateSmart program allows PG&E customers the ability to make their personal or business energy use "climate neutral."

2.0 PURPOSE OF REQUEST FOR PROPOSAL (RFP)

The purpose of this RFP is to solicit bids for the ClimateSmart program. Specifically, PG&E's ClimateSmart program is issuing this RFP to solicit bids for greenhouse gas ("GHG") emission reductions from systems or activities located and performed in California which reduce or sequester GHG emissions ("Projects"). PG&E will purchase the GHG emission reductions by entering into GHG emission reduction purchase agreements with successful final bidders. In this second RFP for the ClimateSmart program, PG&E seeks to purchase up to 1,000,000 tons of GHG emission reductions.

PG&E customers enrolled in PG&E's ClimateSmart program provide the funding that PG&E will use to purchase the GHG emission reductions. PG&E's ClimateSmart program will purchase tons of GHG emission reductions equivalent to the amount needed in order to meet our commitments in the ClimateSmart program, including to offset customers' home or business gas and/or electricity use.

Eligibility for the ClimateSmart program RFP requires that Projects meet the stringent requirements of the Forest or Livestock Project Reporting Protocols of the California Climate Action Registry (the "Registry") (<http://www.climateregistry.org/tools/protocols/project-protocols.html>) and have been initiated after the CPUC ClimateSmart Decision date of December 14, 2006.

The information submitted in response to this RFP will be used to evaluate and to identify bidders with the capabilities, quality, service, and competitive prices to provide high quality GHG emission reductions at a superior economic arrangement.

The proposals submitted in response to this RFP will serve as the basis for any agreements and represent a firm offer by the bidder to provide GHG emission reductions to PG&E as detailed in this RFP. Additionally, all bid responses will be evaluated and PG&E will conduct negotiation discussions in order to reach final definitive agreements with the selected bidders. No offer is binding on PG&E until the execution of definitive agreements with respect to a Project by an authorized officer of PG&E, which agreements PG&E may choose to enter into at its sole and exclusive discretion.

3.0 RFP SCHEDULE

The table on the cover of this RFP summarizes the estimated RFP schedule. Further details of the schedule are provided in this section. This schedule is subject to change at any time, at PG&E's discretion. The RFP schedule may be affected by, among other things, negotiations with bidders selected as finalists. PG&E will endeavor to notify bidders of any schedule change, but will have no liability or responsibility to any bidder for failing to do so.

Online Registration. Bidders may register for this RFP at the RFP website; however, registration is not mandatory for participation in the RFP. Registering will ensure that the bidder will receive timely announcements, updates, and a reservation to attend one of the bidder's conferences (see below). To register, please go to <http://www.pge.com/ClimateSmart>, click on "PG&E issues 2008 Request for Proposals for Greenhouse Gas Emission Reduction Projects" and click on Solicitation Participant Registration.

Bidder's Conferences. PG&E will hold three bidder's conferences on the times and dates shown on the RFP Schedule on the cover of this RFP. All three bidder's conferences will present identical information, and responses to all questions will be provided to bidders who have submitted a Notice of Intent to Bid (see below). The locations for the bidder's conferences are: San Francisco (PG&E Building, 77 Beale Street, Conference Room 305), Sacramento (PG&E Service Center, Blue Flame Room, 5555 Florin Perkins Rd.), and Tulare (University of California Cooperative Extension Tulare County, 4437-B S. Laspina Street). Instructions to participate by telephone will be provided on the RFP website the day before each bidder's conference. Attendance at, or participation in, one of the bidder's conferences is strongly encouraged, but not required.

Mandatory Notice of Intent to Bid. Prior to submitting a bid in response to this RFP, bidder must submit a "Mandatory Notice of Intent to Bid" (see Article III, "Required Information Including Forms"). The Mandatory Notice of Intent to Bid contains basic project information and a statement of intent to submit a bid in response to this RFP. The Mandatory Notice of Intent to Bid is required and failure to submit it may disqualify a bidder.

RFP Responses Due. Bidders' proposals must be submitted by the deadline shown on the RFP schedule. Failure to do so may disqualify a bidder.

Selection of Shortlist of Bidders. PG&E intends to shortlist bidders for further negotiations. PG&E shall notify bidders of their inclusion as shortlisted bidders (“Finalists”) by the date shown on the RFP schedule. A bidder selected as a Finalist will be required to execute a Confidentiality Agreement as described in Section 10.0 within five business days after receiving written notice from PG&E that the bidder qualifies as a Finalist. PG&E will provide the ClimateSmart program’s External Advisory Group (“EAG”) with summaries of proposals, blinded as to the identity of the bidders, which may include an advance blinded summary of the Finalists. PG&E will also discuss proposed criteria for Finalist selection with the EAG. For more information on the EAG, go to <http://www.pge.com/ClimateSmart>.

Finalist Interviews. Finalists should provide PG&E with a markup of PG&E’s form purchase agreement by the date for Finalist interviews. PG&E and Finalists will hold in-person meetings to ask questions about the bidder’s proposal. PG&E and Finalists will then negotiate to finalize the purchase agreement.

4.0 RFP STRUCTURE

This RFP is structured into three Articles:

This Article I, entitled “Core - General Instructions and Provisions,” provides a description of the RFP structure and bid submittal instructions that are applicable under this RFP.

Article II, entitled “Project Specifications,” describes the requirements that a Project must meet to be considered for any contract awarded pursuant to this RFP. Eligibility requirements for the ClimateSmart program RFP require that Projects meet the stringent requirements of the Forest or Livestock Project Reporting Protocols of the California Climate Action Registry (the “Registry”) (<http://www.climateregistry.org/tools/protocols/project-protocols.html>) and have been initiated after the CPUC ClimateSmart Decision date of December 14, 2006.

Article III, entitled “Required Information Including Forms,” identifies all of the information and includes the questionnaire to which all bidders must respond and the pricing sheets that bidders shall use in quoting prices.

5.0 SUBMITTAL INSTRUCTIONS FOR PROPOSALS

Bidders shall submit their proposal(s) in accordance with the outline shown below. All proposals must be submitted in the exact order described below.

REQUIRED SUBMITTALS

Solicitation Agreement: Bidder shall acknowledge that the RFP was used in the preparation of its proposal by returning one signed copy of the “Solicitation Agreement.” By signing the Solicitation Agreement, a bidder agrees to be bound by all elements of its proposal should PG&E accept such proposal. A bidder submitting a proposal must agree to be bound by its proposal for a period of nine months from the deadline for responses to this RFP. This form must be signed by a person that

has the authority to bind the bidder to a contract. The Solicitation Agreement can be found in Article III “Required Information Including Forms.”

Required Information: Bidder shall provide detailed answers and submit information in response to the questions posed in Article III “Required Information Including Forms.”

Pricing Sheets: Bidder shall complete all pricing sheets. The pricing sheets can be found in Article III “Required Information Including Forms.” Format of the Pricing Sheets shall not be changed by bidders.

Exception Statement: Bidder shall complete, sign and submit an Exception Statement. This form indicates whether bidder takes exception to any term or condition of Article II “Project Specifications” and provides a general description of such terms and conditions. The Exception Statement can be found in Article III “Required Information Including Forms.”

6.0 PROCEDURES FOR RESPONDING

For a bidder’s proposal to be considered for award all information requested in Section 4.0 must be submitted and the following procedures must be observed:

Quoted prices must be entered on the pricing sheet provided in Article III.

Bidder shall provide four (4) original hard-copy(s) of its entire proposal (as described in Section 4.0 “Submittal Requirements”). Bidders must submit three bound in binders and one unbound copy of all the documents contained in the bidder’s proposal.

In addition, a bidder shall submit two (2) CDs, each containing one electronic copy of all documents contained in the bidder’s proposal. Any proposed changes to the text of those documents must be in a Microsoft Word file marked to show all changes. Bidders should not password protect the documents and files included in their proposals. Adobe Acrobat or other such pdf files or non-editable files are ONLY acceptable if the document is a picture, diagram, map or other preprinted brochure or material.

In addition, bidders should create separate files for each document or file, and include the bidder’s name (a short acronym is fine) in the electronic file name for each file. If there is a discrepancy between the electronic and hard copies, the hard copy will prevail.

Bidder's proposal must be received no later than 2:00 p.m. (Pacific) on July 2, 2008 (“Due Date”). Proposals received after that time will not be accepted. A bidder, by submitting a proposal, agrees that the offer is exclusive to PG&E for nine months from the Due Date (“Exclusivity Period”).

The proposal shall be express mailed (overnight) or hand delivered to:

Pacific Gas and Electric Company
PG&E Sourcing, N5D
Bid Receipt Desk
245 Market Street
San Francisco, CA 94105-1702
Attn: Michael Forman
Request for Proposal No. 5518 (ClimateSmart Program)

If the proposal is hand delivered it should be brought to the West Lobby, 245 Market Street, San Francisco for delivery to the Bid Receipt Desk, 5th Floor. Bids will be accepted during the hours from 9:00 a.m. to 11:30 a.m. and 1:00 p.m. to 4:00 p.m., Monday through Friday.

Bidders should mark the envelope with the bidder's company's name, the PG&E RFP number, a brief description of the work and identify the envelope as a bid.

PG&E will not accept proposals transmitted by facsimile (FAX) or e-mail.

7.0 QUESTIONS AND REQUESTS FOR INFORMATION

If a bidder is in doubt as to the intent of any part of the RFP documents, the bidder shall e-mail written questions to the contact listed below with the subject clearly marked. Questions from bidders are due no later than 2:00 p.m. (Pacific) on June 19, 2008. Questions submitted after the question deadline may not be answered. Any explanation of the RFP and answers to submitted questions will be made only by addendum, which will be provided to all bidders who provide a mandatory notice of intent to bid without reference to the specific bidder raising such matter or initiating the inquiry. PG&E will not be responsible for any other explanations of the RFP documents. Questions are subject to the following provisions:

Questions shall identify the bidder submitting the questions, and shall indicate the e-mail address to which PG&E should provide a response, if any. Questions submitted by a bidder shall be sent to:

Michael Forman
E-mail address: J1FT@pge.com
Subject: PG&E RFP No. 5518
(ClimateSmart Program)

PG&E intends to distribute answers of written questions submitted to all bidders via email on or about June 26, 2008, but reserves the right not to do so.

Except for contact with the PG&E Supplier Diversity group, communications with PG&E pertaining to this RFP shall be strictly limited to the contact listed above. Any other communications pertaining to this RFP may result in a bidder's proposal being disqualified.

PG&E has established a website where all RFP documents, information, announcements, and Q&A's will be posted from time to time and be available for bidders to view or download. Go to www.pge.com/ClimateSmart and click on "PG&E issues 2008 Request for Proposals for

Greenhouse Gas Emission Reduction Projects." Bidders may also ask questions at the bidder's conferences.

8.0 BID PREPARATION

Any and all costs or expenses incurred in preparing, modifying or submitting a proposal will be solely borne by a bidder, including all expenses of its counsel in negotiation of the definitive agreements, regardless of execution of such agreements; PG&E will not be responsible for such costs or expenses.

All proposals and any other materials submitted in response to this RFP will become the property of PG&E and may be returned only when requested by a bidder in writing at PG&E's option and at the bidder's expense.

9.0 EVALUATION CRITERIA

Proposals submitted by bidders will be reviewed and evaluated by a cross-functional team of PG&E employees (collectively "the Team"). The Team may evaluate each bid based on criteria including, but not limited to, competitive price, acceptance of PG&E's terms and conditions, satisfaction of the RFP requirements, completeness of the bid package, cost reduction ideas or alternatives for performing the services, Women, Minority, Disabled Veteran Business Enterprise (WMDVBE) status and/or subcontracting plan, safety record, financial stability and bidder's ability to perform. These factors are not necessarily listed in order of importance. PG&E at its sole discretion may decide to use some or all of these factors.

For this RFP, PG&E may use a two-step bidding process to select the successful bidder(s). The first step will be an evaluation of each bidder's proposal using the evaluation criteria described above. Bidder's proposals which are technically acceptable and whose price is competitive may be invited to the second step in the selection process. The second step will be used to discuss the scope of work in detail, review a bidder's proposed changes to the form of purchase agreement, interview key candidate personnel in person, and visit Project sites.

PG&E reserves the right to reject any or all proposals in whole or in part, and to award the bid in whole or in part to one or more bidders.

PG&E Discretion: In connection with its review and selection process PG&E may, in its sole and absolute discretion, do any one or more of the following:

- Issue additional subsequent requests for proposals and conduct due diligence with respect to the qualifications of each bidder which submits proposals.
- Negotiate and request bidders to amend any proposals.

Rejection: PG&E may reject proposals submitted for any reason, including:

- Material misrepresentation.
- Failure to permit disclosure of information contained in the proposal to PG&E agents, contractors or regulators.

- Any attempt to influence PG&E's evaluation of the proposal outside the RFP process.
- Any change in regulation or regulatory requirements.
- Any collusive bidding or other anticompetitive conduct.
- Any failure to disclose the real parties in interest in any proposal submitted.
- The bidder or a primary sponsor or affiliate of the bidder has a potential conflict of interest (i.e. is in current litigation or potential litigation with PG&E).

Rules of Construction in this RFP:

- “Include” or “including” means “including without limitation”
- References in the singular include references in the plural and vice versa, and pronouns having masculine, feminine or neuter gender include the others
- References to any publication, website, regulatory proceeding, or legal entity includes its successors in such capacity
- All references to dollars or “\$” are to U.S. dollars
- “Or” is not necessarily exclusive

10.0 SUBSEQUENT SUBMITTALS FOR FINALISTS

Within five business days after receiving written notice from PG&E that a bidder qualifies as a Finalist (see Section 9.0 “Evaluation Criteria”), Finalist must provide each of the following:

10.1 Confidentiality Agreement: The form of Confidentiality Agreement must be signed by a person that has the authority to bind the bidder to a contract. The Confidentiality Agreement can be found in Article III “Required Information Including Forms.” Following receipt by PG&E of such Confidentiality Agreement, PG&E shall countersign it and return a fully executed copy to the bidder.

10.2 Compliance Certificate for the Injury and Illness Prevention Program: The Compliance Certificate can be found in Article III “Required Information Including Forms” and should be completed and signed by a person that has the authority with respect to the bidder’s Injury and Illness Prevention Program.

10.3 Insurance Certificate: Provide a copy of all certificate(s) of insurance detailing all of the relevant insurance policies that bidder currently carries and each policy’s respective limit.

11.0 FUNDING AND DEFINITIVE AGREEMENTS

PG&E customers enrolled in the ClimateSmart program provide the funding that PG&E will use to purchase the GHG emission reductions. In addition, PG&E’s shareholders will provide the funding necessary to enroll PG&E’s offices and other work places in the ClimateSmart program, thereby making PG&E’s facilities “climate neutral.”

Through this RFP, PG&E seeks qualified proposals from the forest and livestock project sectors for up to 1,000,000 tons of GHG emission reductions. The ultimate number of tons purchased in this and future RFPs will depend on the actual number of customers who voluntarily enroll in the ClimateSmart program. In future rounds of RFPs, PG&E intends to broaden the scope of the RFP to include GHG emission reduction projects from other sectors. Key to expanding the reach of the ClimateSmart program's future RFPs will be the Registry's development of stringent "project protocols" in other sectors.

PG&E's ClimateSmart program GHG emission reduction purchase agreement ("Agreement") will be in the form provided in Article II. The Agreement including any changes proposed by a bidder shall be provided to PG&E by the date for Finalists' interviews if the bidder is selected as a Finalist by PG&E. The Agreement will require that the Project owner transfer any and all rights to the GHG emission reductions resulting from the Agreement to PG&E on behalf of its enrolled ClimateSmart program customers in exchange for funding of the Project. All GHG emission reductions funded by the ClimateSmart program will be permanently retired. The Project owner will be excluded from selling the same GHG emission reductions to another party, or using the same GHG emission reductions for other purposes.

Any contract awarded pursuant to this RFP will be non-exclusive.

12.0 PRESERVATION OF RIGHTS

THE PARTIES AGREE THAT THIS RFP DOES NOT CONSTITUTE A COMMITMENT BY PG&E, WHETHER EXPRESS OR IMPLIED, TO CONTRACT WITH BIDDER TO SUPPLY ANY GHG EMISSION REDUCTIONS. PG&E EXPRESSLY RESERVES ALL ITS RIGHTS, INCLUDING BUT NOT LIMITED TO THE FOLLOWING: THE RIGHT TO REQUEST PROPOSALS FROM OTHERS WITH OR WITHOUT REQUESTING PROPOSAL(S) FROM A BIDDER FOR GHG EMISSION REDUCTIONS.

PG&E reserves the right to withdraw or modify this RFP at any time before responses are due or as necessary to comply with applicable law or other direction provided by the CPUC or any other regulatory entity with applicable jurisdiction. PG&E further reserves the right to either suspend or terminate this RFP at any time for any reason whatsoever. PG&E may accept or reject any or all responses, and may accept other than the lowest price proposal. PG&E will not be liable, by reason of such withdrawal or rejection, to any bidder submitting a proposal to this RFP.

Bidders are required to provide accurate and complete responses to the RFP documents. Incomplete responses may be subject to disqualification at PG&E's sole discretion. PG&E may reject any response which is conditional or incomplete, or which contains any deviations from the instructions provided in this Article I.

13.0 SUPPLIER DIVERSITY STATEMENT

PG&E encourages companies interested in providing services to PG&E to support our Supplier Diversity Purchasing through its internal purchasing and subcontracting practices.

In order for PG&E to include the Woman, Minority and Disabled Veteran Business Enterprise (WMDVBE) contractor or subcontractor in PG&E's supplier diversity goals, the WMDVBE prime contractor or subcontractor must have a current verification by the following agency:

- * California Public Utilities Commission's WMDVBE Clearinghouse (for woman- or minority-owned businesses);
- * Office of Small Minority Business (for disabled veteran owned businesses)

Comparable Agency certifications will also be accepted from those suppliers that are certified by the National Minority Supplier Development Council (NMSDC), the Women's Business Enterprise National Council (WBENC), and the U.S. Small Business Administration (SBA) 8A and SDB programs only. However, they must go through the comparable agency process with the Clearinghouse before December 31, 2008 before they can be included in PG&E's annual results.

Bidders are encouraged to submit with their proposals a subcontracting plan that will support PG&E's commitment to utilize WMDVBE subcontractors and sub suppliers. The term subcontractor referred to in this plan applies to subcontractors that provide a service, and sub suppliers that provide material, parts, assemblies or components.

To assist in any diversity subcontracting efforts, contact PG&E's Supplier Diversity Representative, Tanya Nixon (TNN7@pge.com) or by phone at 415-973-1321) or bidders may conduct searches through the WMDVBE Clearinghouse at:

<http://www.cpuc.ca.gov/PUC/SupplierDiversity/database.htm> (data base)

<http://www.cpuc.ca.gov/PUC/SupplierDiversity/CertInfo.htm> (application)

14.0 SAFETY STATEMENT

PG&E is committed to maintaining and promoting job safety and health for our employees, customers and the general public, and we expect companies interested in performing services for PG&E to do the same. We are committed to working with companies who conduct their services safely by providing adequate training and a safe work environment.

15.0 ENVIRONMENTAL STATEMENT

Environmental protection and enhancement is one of our fundamental corporate priorities as PG&E recognizes that a sound environmental policy and sound business practices go hand in hand. PG&E expects that companies interested in providing services to PG&E will contribute to the success of maintaining our leadership in the environmental arena by conducting all aspects of services in an environmentally sensitive manner which maintains and, when feasible, improves the quality of the environment.

16.0 ETHICS STATEMENT

PG&E stresses the importance of integrity, honesty, professionalism and ethical business conduct to all of its employees and its contractors. PG&E expects that companies interested in providing services to PG&E will conduct business with the same emphasis on integrity, honesty, professionalism and ethical business conduct. Each party shall act in good faith in its performance under the ClimateSmart program Solicitation Agreement and, in each case in which a bidder's consent or agreement is required or requested hereunder, such bidder shall not unreasonably withhold or delay such consent or agreement.

17.0 PROPRIETARY INFORMATION

This RFP, and other data appended or related to it, are the property of PG&E and are delivered only for the purpose of enabling each potential bidder to prepare and submit a proposal in response thereto.