



All-Source Intermediate-Term Request for Offers

March 26, 2013

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I. Introduction and Overview**A. Overview**

Pacific Gas and Electric Company (“PG&E”) is issuing this All-Source intermediate-term request for offers (“RFO”). Through this solicitation, PG&E seeks offers (“Offer or Offers”) to obtain two types of Resource Adequacy (“RA”) products from resources located within the California Independent System Operator (“CAISO”) control area: (i) System RA products during the years 2014, 2015, 2016 and 2017 and (ii) Local RA products for the Greater Bay Area during the years 2014, 2015, and 2016. This document describes the schedule, process and protocols by which participants may submit Offers and under which PG&E will evaluate all Offers submitted in the RFO. The Independent Evaluator for this Solicitation is Charles Adkins of Ventyx LLC.¹

B. Expected Schedule**I. Schedule Overview**

The expected schedule for this RFO is:

| Date/Time | Event |
|----------------|--|
| March 26, 2013 | PG&E issues RFO |
| April 10, 2013 | Deadline for PG&E to receive Offers by 1:00 PM Pacific Prevailing Time (PPT) |
| Mid-May 2013 | Selected Participants notified |
| July 31, 2013 | RFO Negotiations Concluded |

To be considered in this RFO, an Offer must be received by PG&E in accordance with the protocols of *Section V – Participation Protocols* no later than 1:00 p.m. Pacific Prevailing Time on April 10, 2013.

The RFO schedule is subject to change at PG&E’s sole discretion at any time. PG&E

¹ The Independent Evaluator’s email address is Charles.Adkins@ventyx.abb.com

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will endeavor to notify participants of any schedule change via notification on PG&E's RFO website. Participants may sign-up at the RFO website to receive notice of these and other RFO notices. PG&E will have no liability or responsibility to any participant for change in the schedule or for failing to provide notice of any change.

II. RFO Process

The RFO will consist of the following phases:

1. RFO Issued / Question & Answer: PG&E issues RFO. Participants may submit questions concerning the RFO to the ITRFO mailbox as described in *Section VI – Communications*. Answers to questions will be posted to the RFO webpage as described in that section.
2. Offers Due: Participant's Offer(s) must be submitted by the April 10, 2013 1:00 PM PPT deadline and include the documents described in *Section V.C – Required Offer Documents*. By submitting an Offer in this RFO, the Participant agrees, as described in *Section V.A – Agreement by Participant*, to be bound by all of the terms, conditions and other provisions of this RFO and any changes or supplements to it that may be issued by PG&E. Offers must be binding and are expected to remain open during the Offer review and negotiation phases. There will be no Offer pricing refresh phases in this RFO.
3. Offer Review: PG&E evaluates all Offers according to the protocols discussed in *Section IV – Evaluation of Offers*. All Offers will be evaluated and rated based on the criteria defined in *Section IV – Evaluation of Offers* and the highest ranking Offers will be moved to the negotiation phase. During the Offer review phase, PG&E will discuss the Offers received with the California Public Utilities Commission ("CPUC") Energy Division staff, PG&E's Procurement Review Group ("PRG") and the RFO Independent Evaluator ("IE"). See *Section IX – Confidentiality Agreement* for terms of disclosure to these third parties.
4. Negotiations and Execution: PG&E will negotiate RA Confirmations with participants whose Offers rank highest with the intention of executing sufficient RA Confirmations to fill its RA needs as discussed in *Section II – RFO Goals*. Any material changes to a participant's Offer at this point may result in PG&E rejecting the participant's Offer. PG&E may execute RA Confirmations with selected participants at any time during the negotiation phase or may choose to execute none at all. The RFO will terminate as described in *Section XIII – Termination of the RFO-Related Matters*.

PG&E is fully committed to minimizing the amount of time required to conduct this RFO, while ensuring that participants have sufficient time to prepare Offers, PG&E has sufficient time to evaluate and review Offers, and that both parties have sufficient time to negotiate RA Confirmations. Some of the most significant ways Participants can reduce the amount of time spent in the RFO process include:

1. Provide all requested information in the RA Offer Data Form;
2. Fill out all supplemental questionnaires as part of this RFO; and
3. Limit proposed changes to the RA Confirmation and by clearly identifying any

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such changes in the red-line markup.

C. Disclaimers for Rejecting Offers and/or Terminating this RFO

This RFO does not constitute an Offer to buy and creates no obligation to execute any agreement or to enter into a transaction under an agreement as a consequence of the RFO. PG&E shall retain the right at any time, in its sole discretion, to reject any Offer on the grounds that it does not conform to the terms and conditions of this RFO and reserves the right to request information at any time during the solicitation process. PG&E also retains the discretion, in its sole judgment, to: (a) reject any Offer on the basis that it does not provide sufficient ratepayer benefit or that it would impose conditions that PG&E determines are impractical or inappropriate; (b) formulate and implement appropriate criteria for the evaluation and selection of Offers; (c) negotiate with any participant to maximize ratepayer benefits; and (d) modify this RFO as it deems appropriate to implement the RFO and to comply with applicable law or other direction provided by the CPUC. In addition, PG&E reserves the right to either suspend or terminate this RFO at any time for any reason whatsoever. PG&E will not be liable in any way, by reason of such withdrawal, rejection, suspension, termination or any other action described in this paragraph to any participant, whether submitting an Offer or not.

II. RFO Goals**A. PG&E Resource Needs**

PG&E is seeking resources within the CAISO control area to meet a portion of its System and Local RA requirements during the years 2014, 2015, 2016 and 2017 period.

B. Products Sought

PG&E is seeking the following products in this RFO:

System RA with the following Delivery Periods:

- Product 1: June through September 2014
- Product 2: June through September 2015
- Product 3: June through September 2016
- Product 4: June through September 2017

Local RA for the Greater Bay Area with the following Delivery Periods:

- Product 5: January through December 2014
- Product 6: January through December 2015
- Product 7: January through December 2016

PG&E plans to procure more near term products than later term products.

C. Offers

Only Offers from eligible resources, as described in *Section III – Eligible Resources*, will be considered. Offers should be submitted by completing the information on the *RA Offer Data Form – Appendix B*.

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Offers must indicate the specific resource providing the RA Product, the offered quantity in MWs and priced as requested in the Offer Data Form. Offers may be for full or partial units. Each resource will need to be offered in a separate Appendix B Offer Form. The Participant can choose to submit variations of their offers on a single resource with one or more Appendix B Offer Forms. A minimum of 25 MW blocks must be offered. Offers on any Product must include all requested months as defined in *Section II.B – Products Sought*. Multiple Offers and tiered price Offers may be submitted. There will be a maximum of 7 tiered segments for a single offer. Please see Instructions Tab in the Appendix B Offer Form for an example of a tiered offer. Clearly specify which Offers, if any, are mutually exclusive. For example, an Offer may state that PG&E may select any combination of Offers up to a specified quantity. Unless specified otherwise, PG&E will assume an Offer can be selected in 25 MW increments up to the total amount offered and that Offers for separate Products from the same unit are mutually exclusive. Offers that fail to fully provide all of requested flexibility characteristics will be considered as non-flexible.

D. Contract Options

The terms and conditions creating and defining the products sought by PG&E are set forth in the accompanying 2013 ITRFO RA Confirmation. The RA Confirmation requires successful participants to comply with the RA requirements as implemented by both the CPUC and CAISO. The RA Confirmation is specific to transactions executed under an EEI Master Agreement with Collateral Annex and, as such, successful participants must have an EEI Master Agreement with Collateral Annex in place with PG&E prior to the execution of a RA Confirmation in this RFO.

Modification of the RA Confirmation may be necessary for those participants with a WSPP Agreement or an EEI Master Agreement without the PG&E Collateral Annex. Participants with such agreements must include in their Offer, modifications to the RA Confirmation as applicable to their EEI Master Agreement with PG&E. The EEI Master Agreement shall govern transactions entered into pursuant to this RFO except to the extent modified by the RA Confirmation. The RA Confirmation, when fully executed, shall become an RA Confirmation subject to the terms of the EEI Master Agreement.

Participants interested in establishing an EEI Master Agreement with PG&E should send an email to the ITRFO mailbox at ITRFO@pge.com with PG&E's amendments to the EEI Cover Sheet and Collateral Annex provided Appendix E and F of this RFO.

III. Eligible Resources

In this RFO, PG&E will consider electric generating resources that meet the requirements noted below:

1. Offers must be for an existing resource or for a resource that will be operational before the initial delivery date.
2. Resources must be located within the CAISO control area or have a pseudo-tie or similar arrangement with the CAISO during the entire offer delivery period.

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3. Resources must be qualified or expected to be qualified to provide RA by the CAISO by the beginning of the Delivery Period. For more information on which resources are currently qualified to provide RA see the CAISO's 2013 Net Qualifying Capacity list at: <http://www.caiso.com/Documents/FinalNetQualifyingCapacityList-2013.xls>
4. Offers for Products 5, 6 and 7 must be qualified by the CAISO to provide Local RA for the Greater Bay Area.
5. Participants whose resource is not currently qualified to provide RA by the CAISO are required to post with PG&E pre-delivery term security, equivalent to \$10,000/MW upon execution of an RA Confirmation. If the non-qualified resource does not receive qualification by the CAISO for PG&E to count the resource for the first month of the Delivery Period, PG&E at its option may terminate the RA Confirmation and retain the pre-delivery term security.²
6. Offers will only be considered for Products that have a minimum MW profile of 25 MWs in each month of delivery as defined *Section II.B – Products Sought*
7. Offers from Resources subject to the California State Water Resources Control Board (“SWRCB”) Policy on Once-Through Cooling (“OTC”) will only be considered if the offered Delivery Period does not extend beyond the Resource’s OTC applicable compliance deadline.

IV. Evaluation of Offers

In its evaluation of conforming Offers, PG&E will primarily consider the following criteria:

- Market Valuation
- Portfolio Fit
- Environmental Qualifications
- Credit and Conformance with PG&E’s RA Confirmation
- Supplier Diversity

PG&E will evaluate each Offer against these criteria and select those Offers that rank best overall to move to the negotiation phase. To the extent winning Offers have equal rankings; the Offers will be accepted in equal amounts, consistent with PG&E’s desired procurement in the RFO and the offered quantity. In filling its desired procurement, unless an Offer specifies otherwise, PG&E will award quantities in 25 MW increments up to the total amount offered as discussed in *Section II.C – Offer Quantities* above. PG&E will also consider flexibility attributes when evaluating an Offer.

Each of the evaluation criteria is discussed in more detail below.

Market Valuation considers how an Offer's pricing over the Delivery Period compares to PG&E's estimate of the market value and offers from other Participants.

² RA qualification by CAISO must occur sufficiently in advance of the Delivery Period so that PG&E may include the resource in its monthly RA compliance filings with the CPUC and CAISO. These filings occur roughly six weeks ahead of the delivery month. It is each participant’s responsibility to ensure that any resource sold is eligible to be included in PG&E’s monthly RA compliance filings for each delivery month. PG&E anticipates making its June 2014 RA compliance filing on or before April 15, 2014. Resources with Delivery Periods beginning in June 2014 that are not qualified to provide RA prior to execution of the RA Confirmation must be qualified to provide RA before March 15, 2014.

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Portfolio Fit considers how well an Offer's features match PG&E's portfolio needs. Specifically in this RFO, a resource's location south of Path 26 will be considered in PG&E's evaluation of Portfolio Fit. Offers from resources located north of Path 26 may be selected in preference to better valued Offers from resources located south of Path 26 to the extent PG&E expects it will not have sufficient Path 26 RA transfer capability during the Delivery Period to accommodate additional RA from the south of Path 26 resource. Products 5 – 7 will be subject to an additional evaluation to determine the offered resource's effectiveness in meeting local area reliability constraints.

Environmental Qualifications will consider whether an offered RA resource is a preferred resource with respect to the State's Loading Order and whether it is classified as an OTC unit by the California SWRCB.

Credit and Conformance to the RA Confirm is the degree to which a Participant has modified the RA Confirm, including credit and collateral terms. An Offer that makes few or no material or substantive changes to the RA Confirm will be a stronger Offer than one that makes such changes. For this reason, Participants are strongly encouraged to offer pricing consistent with PG&E's RA Confirm with minimal or no proposed changes.

Supplier Diversity provides procurement opportunities for Women, Minorities, and Service Disabled Veteran-owned business enterprises (WMDBVE). PG&E encourages Participants to contribute to PG&E's supplier diversity goal by reaching greater than 30% of all procurement with WMDBVEs, and the Participants own Supplier Diversity Program.

V. Participation Protocols

A. Agreement by Participant

Each entity submitting an Offer in this RFO is a Participant. A Participant may be an individual owner, corporation, partnership or joint venture for a RA Resource. By responding to this RFO, each participant agrees to be bound by all terms, conditions and other provisions of this RFO and any changes or supplements to it that may be issued by PG&E.

B. Submitting Offers

All Offers, consisting of the required Offer documents in the electronic format specified below, must be received by Wednesday, April 10, 2013 at 1:00 PM PPT via email to the RFO mailbox at ITRFO@pge.com. The IE must be included in the email transmission. The IE's email address is Charles.Adkins@abb.ventyx.com. Each Offer must be for an eligible resource as described in *Section III – Eligible Resources*. Offers must indicate the specific resource being offered to provide the particular RA product requested. Full or partial resources may be offered.

Respondents may submit multiple Offers. Mutually exclusive Offers should be clearly identified. A version of the RA Confirmation incorporating edits need only be submitted once and need not duplicate resource and pricing information provided on the RA Offer

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Form. This information will be entered into the RA Confirmation prior to execution.

PG&E will open Offers beginning at 1:00 p.m. on April 10, 2013. An acknowledgement of receipt of all Offers will be sent via return email by approximately 4:00 PM PPT on the same day.

C. Required Offer Documents

The following documents, which are located at the 2013 ITRFO website at www.pge.com/rfo, must be included with all Offers:

1. A redline mark-up of the **RA Confirmation** or statement that the participant accepts PG&E's form RA Confirmation without change. (Appendix A)
2. A completed **RA Offer Form** showing each product and resource offered. Participants are to enter a single offer quantity by month for each resource or pricing tier for the particular product, in \$/kW-month for each year, as applicable for each product. Offers that do not meet these requirements may be rejected as non-conforming. Participants should submit a separate Appendix B Offer Form for each resource. (Appendix B)
3. A completed Supplier Diversity Questionnaire (Appendix C)
4. An executed Confidentiality Agreement (Appendix D)

Format of Electronic Documents: The electronic documents must be in a Microsoft Word (standard edition 2003) and/or Excel file (standard edition 2003), as applicable. The participant should not provide documents in other electronic formats, versions.

Telephonic, telegraphic, hardcopy or facsimile transmission of an Offer is not acceptable.

VI. Communications

PG&E has established an RFO website at www.pge.com/rfo where participants may register to receive RFO information and where all RFO related information, announcements, documents and participant questions and answer will be posted and available to the public. All communications and questions regarding the RFO should be directed to ITRFO@pge.com.

To promote the accuracy and consistency of the information provided to all participants, PG&E discourages participants from speaking directly with PG&E employees about this RFO. With respect to matters of general interest raised by any participant, PG&E may, without reference to the specific participant, post responses on its website. PG&E may, in its sole discretion, decline to respond to any email or other inquiry without liability or responsibility.

VII. Credit

During the negotiation phase, PG&E's credit group will consider the participant's capability to perform all of its financial and other obligations including, without limitation, the participant's ability to provide performance assurance that the resource would be

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available and operate as required under the RA Confirmation, which provides for the collateral requirements governing transactions executed as part of this RFO. While participant's can propose modifications to the collateral requirements as part of their mark-up of the RA Confirmation, reaching agreement on any changes during the negotiation phase is a requirement for proceeding to execution.

Performance assurance is required under the RA Confirmation to support performance during the Delivery Period. As specified in the RA Confirmation, PG&E or the Participant shall provide and maintain a floating Independent Amount (as such term is defined in the EEI Master Agreement) at any time PG&E or the Participant does not maintain (A) a senior unsecured debt rating ("Debt Rating") of at least BBB- from S&P and at least Baa3 from Moody's if rated by both agencies or (B) a Debt Rating of at least BBB- from S&P or at least Baa3 from Moody's if only rated by one or the other agency. PG&E or the Participant, shall post the floating Independent Amount within 5 (five) days of its execution of the RA Confirmation or the downgrading of its Debt Rating, as applicable. The floating Independent Amount will be 20% of the sum of the Monthly Payments for the current month and all remaining months of the Delivery Period. Successful Participants will be notified by PG&E regarding the initial Independent Amount at least five business days prior to executing an RA Confirmation. Appendix B of the RA Confirmation contains the form Letter of Credit that PG&E intends to use for all participants desiring to use a letter of credit for posting.

PG&E's credit group may determine that the performance assurance specified under the RA Confirmation is insufficient to support the participant's performance prior to or during the Delivery Period. In addition to being subject to the performance assurance specified under the RA Confirmation and as stated in Section III – Eligible Resources, Participants are required to post \$10,000/MW pre-delivery term security if the offered Resource is not qualified to provide RA by the CAISO at the time of execution. Furthermore, PG&E will notify the Participant of any additional collateral requirements during the negotiation phase.

VIII. Pricing, Terms and Conditions

Participants should develop their Offers based on the RA Confirmation. See also Sections I, II and V regarding the mark-up of the form RA Confirmation.

Participants are required to complete the RA Offer Data Form specifying the products, resources, quantity and pricing being offered. This form should be completed with consideration of the RA Confirmation. Any changes made to the RA Confirmation or Offer pricing after submission of the Offer may not be accepted by PG&E or may result in PG&E rejecting the Participant's Offer.

IX. Confidentiality Agreement

All information and documents exchanged, the negotiations of an Offer and the status or existence of negotiations, between PG&E and the participant in connection with this RFO shall be considered confidential information and PG&E and the participant shall be prohibited from disclosing such information to any and all third parties except as provided below.

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PG&E contemplates disclosing and retains the right to disclose, any information or documents provided by the participant along with the status of the negotiations of the Offer to the CPUC, its staff, the PRG, the RFO IE and to any other entity in order to comply with any applicable law, regulation, or any exchange, control area or CAISO rule, or order issued by a court or entity with competent jurisdiction over PG&E at any time even in the absence of a protective order, confidentiality agreement or nondisclosure agreement, as the case may be, without notification to the participant and without liability or any responsibility of PG&E to the participant or any third party. PG&E has confidentiality and/or non-disclosure agreements with the PRG and the IE, applicable to the confidential information. PG&E cannot, however, ensure that the CPUC will afford confidential treatment to confidential information in connection with the RFO, or that confidentiality agreements or orders will be obtained from the CPUC.

X. Execution of Agreement

By submitting an Offer, a Participant agrees, if its Offer is selected, to negotiate and execute a definitive RA Confirmation consistent with the marked-up RA Confirmation submitted with the Participant's Offer and containing such other terms and conditions as may be mutually acceptable to PG&E and the Participant. PG&E's evaluation of a Participant's Offer, and PG&E's negotiation with the Participant, will not constitute any agreement by PG&E to any modification made by the Participant to the RA Confirmation submitted or constitute an obligation on PG&E to execute an agreement with the Participant in this RFO. PG&E reserves the right to seek CPUC approval of any executed transactions resulting from this RFO. If PG&E seeks CPUC approval of a transaction, the transaction will not be effective until final, non-appealable CPUC approval is obtained.

XI. Participant's Waiver of Claims and Limitations of Remedies

Except as expressly set forth in this RFO, by submitting an Offer, the Participant knowingly and voluntarily waives any rights under statute, regulation, state or federal constitution, or common law to assert any claim or complaint or other challenge in any regulatory, judicial or other forum, including the CPUC, except as expressly provided below, the FERC, the Superior Court of the State of California ("State Court") or United States District Court ("Federal Court") concerning or related in any way to the RFO and/or any Offer documents related to the RFO ("Waived Claims"). The assertion of any Waived Claims by Participant at the CPUC, FERC, State Court, Federal Court, or otherwise shall, to the extent that Participant's Offer has not already been disqualified, provide PG&E the right, and may result in PG&E electing, to reject such Offer or terminate the RFO.

By submitting an Offer, the Participant further agrees that the sole forum in which Participant may assert any challenge with respect to the conduct or results of the RFO is the CPUC. The Participant further agrees that the sole means of challenging the conduct or results of the RFO is a protest to PG&E's filing before the CPUC showing details of one or more agreements entered into as a result of the RFO. The Participant further agrees that the sole basis for any such protest shall be a challenge to the conduct or results of the RFO on the grounds that PG&E failed in a material respect to conduct the RFO in accordance with the RFO rules and procedures outlined in this

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document, and the exclusive remedy available to the Participant in the case of such a protest shall be an order of the CPUC that PG&E again conduct any portion of the RFO that the CPUC determines was not previously conducted in accordance with the RFO rules and procedures outlined in this document. The Participant expressly waives any and all other remedies, including, without limitation, compensatory and/or exemplary damages, restitution, injunctive relief, interest, costs, and/or attorneys' fees. Unless PG&E elects to do otherwise in its sole discretion, during the pendency of such a protest the RFO and any related regulatory proceedings related to the RFO will continue as if the protest had not been filed, unless the CPUC has issued an order suspending the RFO or PG&E has elected to terminate the RFO.

The Participant agrees to indemnify and hold PG&E harmless from any and all claims by any other Participant asserted in response to the assertion of a Waived Claim by the participant or as a result of a participant's protest to an advice letter filing resulting from the RFO. Except as expressly provided in this RFO, nothing herein, including Participant's waiver of the Waived Claims as set forth above, shall in any way limit or otherwise affect the rights and remedies of PG&E.

XII. Termination of the RFO-Related Matters

PG&E reserves the right at any time, in its sole discretion, to terminate the RFO for any reason whatsoever without prior notification to Participants and without liability of any kind to or responsibility of PG&E or anyone acting on PG&E's behalf. Without limitation, grounds for termination of the RFO may include the assertion of any Waived Claims by a Participant or a determination by PG&E that, following evaluation of the Offers, there are no Offers that provide adequate ratepayer benefit.

PG&E reserves the right to change the Offer evaluation criteria for any reason, to terminate further participation in this process by any Participant, to accept any Offer or to enter into any definitive agreement, to evaluate the qualifications of any Participant, and to reject any or all Offers, all without notice and without assigning any reasons and without liability to PG&E or anyone acting on PG&E's behalf. PG&E shall have no obligation to consider any Offer.

In the event of termination of the RFO for any reason, PG&E will not reimburse the Participant for any expenses incurred in connection with the RFO regardless of whether such Participant's Offer is selected, not selected, rejected or disqualified.

PG&E will notify Participants by the close of the RFO if their Offers are not accepted. The RFO will terminate automatically on July 31, 2013 unless extended by PG&E.

XIII. Participant's Representations and Warranties

BREACH BY ANY PARTICIPANT OF THE REPRESENTATIONS AND WARRANTIES OF THE RFO OR ANY RFO OFFER DOCUMENTS IS, IN ADDITION TO ANY OTHER REMEDIES THAT MAY BE AVAILABLE TO PG&E UNDER APPLICABLE LAW, GROUNDS FOR IMMEDIATE DISQUALIFICATION OF SUCH PARTICIPANT FROM PARTICIPATION IN THE RFO AND, DEPENDING ON THE NATURE OR SEVERITY OF THE BREACH, MAY ALSO BE GROUNDS FOR TERMINATING THE RFO IN ITS ENTIRETY.