



Combined Heat and Power Request for Offers Protocol for Third Solicitation

**2013 CHP RFO
January 23, 2014**

Table of Contents

I. Introduction and Overview.....	4
I.A. Overview	4
I.B. Schedule Overview.....	5
I.C. Events in the RFO Schedule	7
I.D. PG&E’s Reservation of Rights.....	9
II. RFO Goals	10
II.A. PG&E Resource Needs	10
II.B. Products	11
II.C. Resources	12
II.D. Contract Options.....	14
III. Eligibility Requirements.....	16
IV. Evaluation of Offers.....	18
V. Participation in the RFO Process	20
V.A. Agreement by Participant	20
V.B. Offer	22
V.C. Safety	22
V.D. Shortlist Offer Deposit (not applicable for Existing CHP).....	22
VI. Participation Protocols	24
VI.A. Overview	24
VI.B. Required Information.....	25
VII. Pricing, Terms and Conditions	26
VIII. Communications.....	27
IX. Electric Interconnection.....	28
IX.A. Overview - Interconnection	28
IX.B. Direct Assignment Facilities and Charges	29
IX.C. System Impacts	29
X. Gas Supply and Interconnection	31
XI. Confidentiality Agreement	33
XII. Participant’s Financial Information	34

XIII. Execution of Agreement	35
XIV. Regulatory Approval.....	35
XV. Waiver of Claims and Limitations of Remedies	36
XVI. Termination of the RFO-Related Matters.....	36
XVII. Participant’s Representations and Warranties.....	37

Appendix A	Offer Form
Appendix A7	Supplier Diversity Information (in Offer Form)
Appendix B	Project Description
Appendix C1	Electric Interconnection Information
Appendix C2	FERC 717 Waiver
Appendix C3	Transmission Proxy Costs
Appendix D1	Gas Interconnection Information
Appendix D2	CPUC Rule 26 Waiver
Appendix D3	Application for Gas Transmission Service
Appendix D4	Agreement to Perform Tariff Schedule Related Work
Appendix E1	Credit and Finance Information
Appendix E2	Letter of Credit
Appendix E3	Request for Taxpayer ID (W-9) Form
Appendix F1	CHP RFO PPA
Appendix F2	Utility Tolling PPA
Appendix G	Confidentiality Agreement
Appendix H	CHP Program Settlement Agreement Term Sheet

I. Introduction and Overview

I.A. Overview

Pacific Gas and Electric Company (“PG&E”) is issuing this Combined Heat and Power (“CHP”) Request For Offers (“RFO”) to achieve its megawatt (“MW”) and Greenhouse Gas (“GHG”) Emissions Reduction Targets, established in the CHP Program Settlement Agreement (“Settlement Agreement”)¹ that was approved by California Public Utilities Commission (“CPUC”) Decision 10-12-035.²

Pursuant to the CHP Program Settlement, PG&E seeks to acquire a total of 1,387 MW of CHP capacity during the Initial Program Period³ and about 2.2 million metric tons of GHG reductions during the Second Program Period.⁴ Through this third of three RFOs to be held during the Initial Program Period, and other means authorized by the Settlement Agreement, PG&E seeks offers (“Offer” or “Offers”) to meet its third Net MW Target of 381 MW⁵. Given PG&E’s current progress towards meeting its CHP MW Target of 1387 MW, PG&E may elect to place higher emphasis on seeking Offers that are low cost and provide significant GHG reductions.

This Solicitation Protocol sets forth the terms and conditions of PG&E’s third CHP RFO. By responding to this RFO as described in Section V, Paragraph A “Agreement by Participant” (page 20), the Participant agrees to be bound by all the terms, conditions and other provisions of this RFO and any changes or supplements to it that may be issued by PG&E. The Independent Evaluator for this Solicitation is Wayne Oliver of Merrimack Energy Group.⁶

In this solicitation, PG&E has a strong preference for Offers that are:

- Low cost
- Efficient
- Provide GHG emissions reductions through changes in operations or technology, such as bottoming-cycle
- Located in PG&E’s service territory

A facility that offers operating flexibility will be considered favorably.

1 <http://www.pge.com/includes/docs/pdfs/b2b/energysupply/qualifyingfacilities/settlement/settlement.pdf>

2 http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/128624.PDF

3 The Initial Program Period ends four (4) years after the Settlement Effective Date.

4 The Second Program Period commences from the end of the Initial Program Period and concludes on December 31, 2020. GHG Target changes yearly based on load served by each IOU. A final 2020 GHG Target for PG&E will be set in 2015 pursuant to section 6.4 of the QF/CHP Settlement term Sheet.

5 Section 5.1.2 of the CHP Program Settlement Agreement Term Sheet

6 The independent Evaluator’s email address is waynejoliver@aol.com.

In this RFO, PG&E will entertain Offers for the following resources, in accordance with the Settlement Agreement:⁷

- Existing CHP
- New CHP
- Repowered CHP
- Expanded CHP
- Existing CHP Facilities Converting to Utility Prescheduled Facilities (hereinafter referred to in this RFO as “Utility Tolling Facilities”)

I.B. Schedule Overview

The expected schedule for this RFO is listed below. All deadlines occur at the 5:00 P.M. Pacific Prevailing Time (PPT), unless otherwise noted.

Ongoing:	Participants are invited to register on-line to receive notices regarding the RFO at www.pge.com/rfo .
January 23, 2014	PG&E issues RFO
January 30, 2014	Deadline for Participants with New and Expanded CHP Facilities to submit Preliminary Application for Gas Service in order to ensure consideration under the RFO. Participants to provide evidence of submission by e-mail to CHPRFO@pge.com .
February 4, 2014	Deadline for Participant to submit registration for CHP Participants’ Conference
February 6, 2014	General Participants’ Webinar
February 13, 2014	General Participants' Offer Form Webinar
February 18, 2014	PG&E Gas Operations completes and returns Preliminary Applications for Gas Service
February 27, 2014	Deadline for PG&E to receive Offers through Power Advocate by 1:00 P.M. PPT.

⁷ In addition, Hybrid Facilities which consist of a combination of units, some of which are traditional CHP facilities and others which may be converted to Utility Prescheduled or Dispatchable facilities are eligible to participate.

Week of April 28, 2014	<p>PG&E notifies selected Participants of their Offer eligibility for Shortlist Negotiations.</p> <p>Participants' accept Shortlist position, and post any Shortlist Offer Deposit, as applicable.</p> <p>Participants provide information for confirming gas service for Existing CHP and Utility Tolling Facilities.</p>
Week of September 8, 2014	RFO Negotiations Concluded

To be considered in this RFO, an Offer must be received by PG&E in accordance with this RFO Protocol no later than 1:00 P.M. PPT on February 27, 2014.

The RFO Schedule is subject to change at PG&E's sole discretion at any time. The RFO Schedule may be affected by, among other things, discussions with selected shortlisted Participants, and proceedings before the CPUC, including but not limited to, proceedings to obtain Regulatory Approval. PG&E will endeavor to notify Participants of any schedule change, but shall not be liable for any change in the schedule or for failing to provide notice of any change. PG&E will seek CPUC Approval of all executed Agreements resulting from this RFO. PG&E reserves the right to execute Agreements with individual Participants at any time after shortlisting and to seek CPUC approval of individual Agreements in order to expedite the approval process. Filing for CPUC approval for shortlisted projects signing pro-forma PPAs without modifications and accepted by PG&E would occur as soon as practicable.

PG&E is fully committed in this RFO to minimizing the amount of time required to negotiate Agreements and obtain Regulatory Approval, while ensuring that the Participants have sufficient time to prepare Offers and PG&E has sufficient time to evaluate and review Offers to ensure the best are selected for negotiations. Negotiations of Shortlisted Offers may conclude sooner or be extended beyond the date specified above. The most significant way to reduce the amount of time spent in the RFO process is for Participants to provide all of the Required Information and not change the form agreements provided in this RFO. As described in Section IV, "Evaluation of Offers" (page 18), the evaluation criteria includes a Participant's conformance with pro-forma PPA non-price terms and conditions. Participant's conformance to the non-price terms and conditions in the form agreements will be assessed in the evaluation and shortlisting process. Minimizing changes will significantly expedite the RFO process. Participants are required to submit firm versions of the PPA that they would be prepared to execute as part of their Offers, (see Section VI.B, "Required Information," page 25), meaning that the Offer submittal may be accepted by PG&E, upon Participant's shortlist acceptance, without further negotiation. For this reason, Participants are required to submit a complete PPA that they would be prepared to execute with minimal or no changes from PG&E.

I.C. Events in the RFO Schedule

- 1) Online Registration: Participants may register at the RFO website <http://www.pge.com/rfo> to receive timely announcements and updates about PG&E's CHP RFO and other RFO related information. On-line registration is not required, but is strongly recommended. Participants who register will receive information notices on this RFO and other upcoming RFO solicitations.
- 2) PG&E issues the Solicitation: All documents associated with the solicitation, including documents which Participants are required to provide with their offer, will be posted to PG&E's website.
- 3) New Preliminary Application for Gas Service:
 - a) Expanded or New Gas Interconnections with PG&E: Participants who require a new gas interconnection with PG&E, or who have an existing gas interconnection with PG&E, but will have a higher peak gas demand, are required to submit a Preliminary Application for Gas Transmission Service and an Agreement to Perform Tariff Schedule Related Work (Appendices D3 and D4) by January 30, 2014 as set forth in Section 10 "Gas Supply and Interconnection" (page 31). **Participants must also provide evidence of this submission to CHPRFO@pge.com.** PG&E Gas Operations (GO) requires a \$10,000 cash advance to initiate engineering for a new natural gas interconnection or requiring an increased peak daily gas demand on existing gas interconnections. Participants must agree that PG&E GO may share information with the RFO Evaluation Team by completing and submitting the CPUC Rule 26 Waiver (Appendix D2). Participants that do not submit this information by the deadline may be disqualified from further consideration in this RFO.
 - b) Gas Interconnections Outside California Gas Transmission: Participants who do not take service from PG&E's California Gas Transmission ("CGT") must demonstrate comparable initiation with their local gas service provider. The Participant is responsible for the cost of each interconnection study or application. Failure of a Participant to provide the information necessary to complete its application for gas service promptly may result in disqualification of the Participant's Offer. Participants are strongly encouraged to submit their Applications early to avoid delays in starting the study due to incomplete information.
- 4) Participants' Conference Webinar: PG&E will hold a Participants' webinar on February 6, 2014. Call-in information and attendance registration form will be provided on the Solicitation website. In order to facilitate the expected large number of CHP RFO webinar Participants, PG&E requests that Participants choosing to participate submit the Participants' Conference Registration Form preferably, no later than February 4, 2014 at

5:00 P.M. PPT, two days prior to scheduled Conference Webinar date, to CHPRFO@pge.com.

- 5) Participants' Offer Form Conference Webinar: PG&E will hold a Participants' Offer Form Conference Webinar on February 13, 2014. Call-in information will be provided on the Solicitation website.
- 6) Preliminary Operations Results: Gas Operations will provide the results of the Preliminary Application for Gas Service back to the Participant by February 18, 2014.
- 7) Offers Due: Offers must be received by PG&E by 1 p.m. PPT on February 27, 2014. Participant offer package(s) must be submitted through the online platform, Power Advocate. Offer package(s) must include all documents described in Section VI.B "Required Information" (page 25).
- 8) Upon receiving Offers, and as necessary, PG&E may request a meeting or conference calls to discuss a Participant's Offer. The purpose of these discussions is to provide PG&E with clarity and a full understanding of the details of an Offer for its evaluations. The IE may be present on these discussions.
- 9) PG&E Selects Shortlist: PG&E expects to notify Participants of their selection to PG&E's Shortlist by Shortlist Notice during the week of April 28, 2014. Notified Participants must meet the following requirements to be Shortlisted:

Participants submitting a New, Repowered, Expanded and Utility Tolling Offer shall post a Shortlist offer Deposit as described in Section V.C.. Each Participant must execute and return a Confidentiality Agreement in the form attached as Appendix G, by which Participant agrees to keep confidential the terms discussed during the course of finalizing its Agreement(s), within five (5) business days of Participant's receipt of its Shortlist Notice. PG&E reserves the right to request additional information and to add additional Participants to its Shortlist following the initial selection.

- 10) Confirmation of Existing Gas Interconnections: Participants who have an existing gas interconnection with PG&E and do not require increased gas service will be requested to provide the following information if their Offer is shortlisted by PG&E:
 - i) Map showing PG&E service interconnection point and meterset location
 - ii) Meterset number
 - iii) Start date, term and end date of gas service agreement
 - iv) PG&E billing number
 - v) The additional information described in Appendix D1

- 11) Initiate Interconnection Procedure: Participants must initiate applicable generation interconnection procedures for new, repowered and expanded facilities or provide updated information for existing interconnections, as applicable.

The Participant is responsible for the cost of each interconnection study or application. Failure of a Participant to provide the information necessary to complete its application promptly and to execute the required agreements as part of the Generator Interconnection Procedure in a manner that is consistent with the timelines spelled out in the appropriate tariffs may result in disqualification of the Participant's Offer.

As applicable, Participants with an existing electrical interconnection must arrange for the following:

- a) Interconnection Agreement
- b) Participating Generation Agreement
- c) Meter Service Agreement
- d) Service Term and End date
- e) PG&E's Wholesale Distribution Tariff ("WDT") Interconnection Agreement or CAISO Interconnection Agreement (Participants with existing Rule 21 interconnection agreements will be required to execute new FERC jurisdictional interconnection agreements)

Participants initiating new interconnection procedures must submit proof of interconnection application with its Offer if the application has been made. If the interconnection application has not been made, Participant must submit proof of application upon acceptance of shortlist position five (5) business days after the close of the next applicable Generation Interconnection and Deliverability Allocation Procedures ("GIDAP") cluster window. Proof must be in the form of the interconnection application and of the notification from the appropriate authority that the application has been deemed complete.

- 12) Conclusion of RFO Negotiations: PG&E expects to conclude CHP RFO negotiations the week of September 8, 2014. Negotiations may be concluded sooner or, at PG&E's discretion, this date may be extended for individual Participants.

PG&E will file for CPUC approval of each executed PPA. The initiation of the Delivery Term under each PPA is contingent upon CPUC Approval, as defined in the PPA.

I.D. PG&E's Reservation of Rights

This RFO is an invitation to submit Offers to PG&E; it 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 reserves the right to request information from

a Participant at any time during the solicitation process. PG&E reserves the right, in its sole discretion, to reject any Offer at any time on the grounds that it does not conform to the terms and conditions of this RFO or contains terms that are not acceptable to PG&E. PG&E also retains the discretion, in its sole judgment, at any time, (a) to reject any Offer on the basis that it does not comply with eligibility requirements or the requirements of the CHP Program Settlement Agreement, or that it would impose terms or conditions that PG&E determines are impractical or inappropriate; (b) to formulate and implement appropriate criteria for the evaluation and selection of Offers; (c) to negotiate with any Participant; (d) to modify this RFO as it deems appropriate to implement the RFO and to comply with applicable law or other direction provided by the CPUC; and (e) to terminate the RFO should the CPUC not authorize PG&E to execute Agreements of the type sought through this RFO. 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 person, including any Participant, whether Participant has submitted an Offer or not.

II. RFO Goals

II.A. PG&E Resource Needs

As per Section 5.1 of Attachment A, Settlement Agreement, PG&E seeks to procure a total of 1,387 MW of CHP resources during the Initial Program Period and about 2.2 million metric tons of GHG reductions during the Second Program Period. In its Fourth Semi-Annual CHP Compliance Report for the period November 23, 2011– August 31, 2013, PG&E reported that it executed contracts that provide 1025 MW towards its CHP MW Target and approximately 1.1 million metric tons towards the GHG target. Since the Fourth Semi-Annual Compliance reporting period, PG&E has executed additional contracts that contribute to its CHP MW and GHG targets. PG&E seeks to meet the Settlement Agreement CHP MW Target through a number of authorized procurement alternatives described in Section 4 of the Settlement Agreement, including three RFOs, of which this is the third.

The Settlement Agreement establishes the third Net MW Target amount as 381 MW and provides that any unmet megawatts shall be rolled over into the Second Program Period⁸. In view of PG&E's current progress towards its total CHP MW Target, PG&E may elect to procure more from facilities that provide credit toward PG&E's GHG emission reduction target as established by the Settlement Agreement.

PG&E is seeking Offers from resources that meet the specifications noted in Section III, "Eligibility Requirements" (page 16). Optimal Offers will be those that best allow PG&E to

⁸ Section 5.1.4.5 of the CHP Program Settlement Agreement Term Sheet

procure CHP capacity, associated products, and GHG reductions that are consistent with PG&E's requirements pursuant to the Settlement Agreement, and contribute to the other criteria specified in IV "Evaluation of Offers" (page 18).

II.B. Products

PG&E is seeking Offers from existing, new, repowered, and expanded CHP Facilities and CHP Facilities converting to dispatchable capacity under a Utility Tolling PPA. Natural gas-fired and non-gas fired CHP Facilities are eligible to submit Offers. PG&E prefers Offers in which PG&E is the sole off-taker of the net output from the facility. An Offer may be for the output of one or more generating units of a facility so long as the unit under consideration meets the definition of "Generating Unit" in the CAISO Tariff, Participant has signed a Participating Generator Agreement with CAISO with respect to such unit(s), PG&E is the scheduling coordinator, the energy is separately metered by a CAISO-approved meter, and all of the Product is delivered to PG&E. Specific operating flexibility must be defined by the Participant. For details, see the Offer Form (Appendix A).

For PPA Offers from Utility Tolling Facilities and Hybrid Facilities, PG&E's preferred contract structure is a natural gas fuel conversion (Utility Tolling PPA) structure. The documentation requested in this RFO is generally structured to accommodate gas-fired units and a fuel conversion agreement. After an Existing CHP Facility converts to a Utility Tolling Facility, it may be either a Qualifying Facility or an Exempt Wholesale Generator, as applicable, if the facility otherwise meets the criteria in Section 4.2.2.2 of the Settlement Agreement. However, regardless of the Seller's status under the Public Utilities Regulatory Policies Act ("PURPA"), Seller must agree that its PPA arising from this RFO is not a CPUC-jurisdictional PPA under PURPA, and that such PPA is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC").

Each Offer is requested to indicate the minimum operating level at which the Generating Unit can safely and reliably meet the host requirements as established by the CAISO tariff regarding Regulatory Must Take Generation.

Any operational limitations on the facility due to environmental constraints or other factors must be specifically identified and substantiated in terms of operational criteria, technical limitations, permit requirements, or environmental regulations.

Participants offering an RPS-eligible CHP resource should include provisions affirming such status and conveying all of the environmental attribute benefits to PG&E.

Regardless of the contract structure offered, Participants are requested to itemize capacity, fixed O&M, variable O&M and fuel costs (where applicable) to aid PG&E in comparing Offers.

A Participant may submit one Offer per project at a particular site with no more than one additional variation to that Offer. An Offer variation may include term, price, commercial operation date, or other PPA terms and conditions.

II.C. Resources

Any CHP Facility with a nameplate larger than 5 MW may bid into the CHP RFO, including CHP Facilities seeking firm and as-available capacity PPAs, provided that:

- (1) The facility meets the federal definition of a qualifying cogeneration facility under 18 CFR §292.205⁹ implementing PURPA,
- (2) The facility meets the definition of cogeneration under California Public Utilities Code §216.6¹⁰, and
- (3) The facility meets the Emissions Performance Standard established by Public Utilities Code §8341 (Senate Bill 1368).¹¹

PG&E will consider Offers from the following resources in this RFO:

NEW CHP FACILITY:

A CHP Facility that became or will become operational after the Settlement Effective Date and satisfies the Fundamental Use Test as defined by FERC¹².

EXISTING CHP FACILITY:

An Existing CHP Facility is one that was operational before the Settlement Effective Date.

REPOWERED CHP FACILITY:

A CHP Facility that, on or after the Settlement Effective Date has had its prime mover(s) replaced or refurbished, as follows:

- If the CHP Facility contains combustion turbines, then each combustion turbine must be replaced with:
 - A new combustion turbine that has been certified as new by the original manufacturer of the equipment *provided, however*, that the CHP Facility that has replaced its combustion turbines with a substantially identical engine (e.g., as is common during major overhauls of aeroderivative combustion turbines or as part of a spare engine program), does not qualify as a Repowered CHP Facility; or

⁹ http://edocket.access.gpo.gov/cfr_2011/apr/qtr/pdf/18cfr292.205.pdf

¹⁰ <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=puc&group=00001-01000&file=201-248>

¹¹ <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=puc&group=08001-09000&file=8340-8341>

¹² 18 C.F.R. 292.205(d)(3) and Section 1253

- A refurbished combustion turbine, so long as such refurbished combustion turbine has been certified by the entity that refurbished such combustion turbine (which may be the manufacturer) to achieve Heat Rate and total power output performance guarantees comparable to a new combustion turbine, prior to operational degradation; or
- If the CHP Facility contains only steam turbines, then each steam turbine must be replaced with a refurbished steam turbine, which refurbishment must have been accomplished with new or near-new condition parts, and which include (i) a replacement of all stop and throttle control valves, seals, bearing, rotors, and turbine blades of each steam turbine, and (ii) a replacement or rebuilding of the stationary part of each steam turbine back to new condition, including seal system, lube oil system and all associated piping and auxiliary equipment.

In addition to the above turbine requirement, all of the following must be met:

- (1) The repowering of the Generating Facility as described in this definition must be completed before the Term Start Date,
- (2) Section 1.02(a) of the CHP PPA must provide that the Generating Facility will be a Repowered CHP Facility on the Term Start Date, and
- (3) Seller must provide to Buyer a written certification, including all supporting data, from a qualified independent engineer, which certification must provide that the total useful life of the CHP Facility (including, as applicable, the combustion turbine(s), the steam turbine(s), the electrical generator(s) and the heat recovery steam generator) will operate for at least the Term of this Agreement, subject to industry standard maintenance practices.

EXPANDED CHP FACILITY:

A CHP Facility that is (i) an existing topping-cycle CHP Facility that, on or after the Settlement Effective Date, has added at least one new combustion turbine and increased the Power Rating of the Generating Facility by not less than 90% of the Power Rating of the largest existing combustion turbine at the Generating Facility, or (ii) an existing bottoming-cycle CHP Facility that has increased its total Power Rating by at least 30% as compared to the Power Rating before such expansion.

UTILITY TOLLING FACILITY:

An Existing CHP Facility that has changed operations to convert the facility to a utility dispatchable generation facility, including but not limited to an Exempt Wholesale Generator (“EWG”).

II.D. Contract Options

Participants are encouraged to submit Offers based on either the CHP RFO or the Utility Tolling pro-forma PPA without any changes. However, Participants seeking material changes to the CHP RFO pro-forma PPA should use PG&E's Utility Tolling pro-forma PPA.

Participant's Offer must include the appropriate pro-forma agreement, marked to state the terms of Participant's Offer, in order for its Offer to be valid. If Participant's Offer is shortlisted and Participant accepts the shortlist position, Participant shall be bound by the terms of its Offer. PG&E may accept any shortlisted Offer without further negotiation and request that Participant execute the form agreement submitted with its Offer without any further modifications. Upon such execution, the Participant's Offer will become a binding contract (PPA) between Participant and PG&E.

Participant must agree to obtain FERC market based rate authority pursuant to FERC Order 697 for sales under any PPA arising from this solicitation, and such authority must be effective prior to the commencement of deliveries under the PPA.

Any PPA resulting from this solicitation is subject to no-fault termination if CPUC Approval, which provides, in part, that the CPUC has issued final and non-appealable approval of the PPA by the CPUC, without any modifications that are unacceptable to either of the parties, does not occur within a specified period. If the Offer is based on the CHP RFO pro-forma agreement with no material changes, then either party may notify the other of its intent to terminate the PPA if CPUC Approval is not obtained within 180 days of PG&E's submission of the PPA for CPUC Approval. In all other cases, either party may notify the other of its intent to terminate if CPUC Approval has not occurred within 360 days of PG&E's submission of the PPA for CPUC Approval.

In the event that the CPUC has approved the Participant's PPA within 360 days but CPUC Approval has not occurred within that time, the terms of the executed PPA shall remain in effect until CPUC Approval of the PPA has occurred, or it is determined that CPUC Approval will not occur.

PPAs:

- CHP RFO PPA (See Appendix F1)
- Utility Tolling PPA (See Appendix F2)

TERM:

- The maximum delivery term for PPAs resulting from the CHP RFO shall be:
 - For Existing CHP Facilities, up to seven (7) years.

- For Repowered CHP Facilities or Expanded CHP Facilities not providing credit and collateral as set forth in Section 4.2.8.3 of the Settlement Agreement, up to seven (7) years.
- For Utility Tolling Facilities providing credit and collateral as set forth Utility Tolling Facility, PPA up to seven (7) years.
- For New CHP Facilities, Repowered CHP Facilities and Expanded CHP Facilities providing credit and collateral as set forth in Section 4.2.8.3 of the Settlement Agreement, up to twelve (12) years.

SECURITY AND PERFORMANCE ASSURANCE:

In conjunction with TERM above, for PPAs executed with New, Expanded and Repowered CHP Facilities under the CHP RFO PPA, Participants are required to:

- Post a development fee (the “Development Security”) in the amount of \$20 per kW of Net Contract Capacity on or before the 30th day following the PPA Execution Date.
- Post additional Development Security in the amount of \$40 per kW of Net Contract Capacity (for a total posted amount of \$60 per kW of Development Security) at the end of the 18th month following the PPA Effective Date. The Development Security shall be held by PG&E and shall be in the form of either cash deposit or a Letter of Credit.
- Post and thereafter maintain the Performance Assurance, in accordance with Section 2(a) of Exhibit F of the CHP RFO pro-forma PPA, in an amount equal to [Option 1: 12 months of expected total Net Contract Capacity revenues] [Option 2: 12 months of expected total revenues] [Option 3: five percent (5%) of the expected total revenues] [Option 4: [As proposed by Seller, subject to further negotiations between the Parties]] of the Generating Facility under the Agreement (the “Performance Assurance Amount”).

For the Utility Tolling PPA, Participants are required to:

- Post Project Development Security for New Facilities¹³ in the amount of \$15 per kW of maximum contract capacity within ten (10) Business Days following the PPA Execution Date. Participant shall post additional Project Development Security in the amount of \$85 per kW of maximum contract capacity (for a total posted amount of \$100 per kW) within ten (10) Business Days following the PPA CPUC Approval. The Project Development Security shall be held by PG&E and shall be in the form of either a cash deposit or a Letter of Credit.
- Post Pre-Delivery Term Security for Existing Facilities¹⁴ in the amount of \$15 per kW of maximum contract capacity within ten (10) Business Days following the PPA Execution

¹³ Participants seeking material changes to the CHP proforma PPA should use the Tolling PPA and specify operational constraints accordingly.

¹⁴ Participants seeking material changes to the CHP proforma PPA should use the Tolling PPA and specify operational constraints accordingly.

Date. Participant shall post additional Pre-Delivery Term Security in the amount of \$20 per kW of maximum contract capacity (for a total posted amount of \$35 per kW) within ten (10) Business Days following the PPA CPUC Approval. The Pre-Delivery Term Security shall be held by PG&E and shall be in the form of either a cash deposit or a Letter of Credit.

- Post and thereafter maintain Delivery Term Security in an amount equal to the sum of the Mark-to-Market Value and Independent Amount from the PPA Initial Delivery Date until the end of the PPA Delivery Term. The Independent Amount is only applicable to a Seller who is not rated, or has a Credit Rating below BBB- or Baa3 by S&P and Moody's respectively. This amount shall be calculated as five percent (5%) of the notional value of expected capacity payment under the Agreement.

With PG&E's consent, Participant may elect to apply the Project Development Security and Pre-Delivery Term Security towards the Delivery Term Security. Delivery Term Security shall be held by PG&E and shall be in the form of a cash deposit, Letter of Credit or Guaranty (acceptable to PG&E at its sole discretion).

GHG EMISSION REDUCTIONS:

Participants must provide the input for PG&E to evaluate GHG emissions reduction, as described in the Offer Form (Appendix A). The input will be used to calculate the amount of GHG emission reduction per the specifications in the Settlement Agreement ("Emission Reduction").

III. Eligibility Requirements

PG&E will consider an Offer that meets the specifications noted below:

1. CHP Facility with a nameplate capacity larger than 5 MW.
2. The generating facility is a CHP Facility that meets the requirements in Section II.C "Resources" (page 12).
3. If the CHP Facility does not meet the FERC criteria for topping-cycle or bottom-cycle qualifying cogeneration facilities set forth at 18 CFR 292.205, the CHP Facility has obtained a waiver of the applicable operating and efficiency standards from FERC.¹⁵
4. New CHP Facilities must be constructed with new equipment and meet the fundamental use test established by FERC, per CPUC resolution E-4554¹⁶. In addition, PG&E is

¹⁵ 18 CFR 292.205 (c).

¹⁶ 18 C.F.R. 292.205(d)(3) and Section 1253

interested in Offers to repower existing generating facilities, as defined by the Settlement Agreement.

5. CHP Facility must be located in California.
6. The Delivery Point must be within the CAISO controlled transmission grid or applicable California Investor-Owned Utility (“IOU”) distribution grid. Each Participant is required to have the necessary agreements with the CAISO for physical delivery of its generation to a transmission P-Node¹⁷ within the CAISO controlled grid area.
7. Each Participant is encouraged to initiate and submit an interconnection request to PG&E (or other California IOU) for distribution interconnection and to the CAISO for transmission interconnection prior to Offer submittal, as appropriate (“Interconnection Procedures”), and as further described in Section IX “Electric Interconnection”(page 28). For Offers that are shortlisted and have not initiated an interconnection request, such process should be initiated at the first available time in conjunction with PG&E’s and the CAISO GIDAP process.
8. Each Participant offering a new or expanded gas-fired facility must initiate an Application for Gas Service, as defined in Section X “Gas Supply and Interconnection”(page 31) by January 30, 2014 . Participants with existing gas interconnections must provide documentation in their Offer submission. Gas Operations will return the analysis to participants by February 18, 2014.
9. As applicable, each Participant accepting a position on the Shortlist must satisfy the Shortlist Offer Deposit requirements set forth in Section V. “V.D Shortlist Offer Deposit” (page 22).
10. Each Participant offering a new or expanded gas-fired facility must demonstrate no later than two (2) weeks after notification of Shortlisting that it has control over the proposed site by ownership, long-term lease or an option to control the proposed site through ownership or a long-term lease. Please note that these site control requirements may differ from those required in the interconnection process to achieve a deemed complete status.
11. Offers shall confer upon PG&E exclusive rights to the Project's capacity
12. Each Participant must agree: (i) to schedule and dedicate the contracted amount of electrical output or Product to PG&E, net of station use and electrical losses; and (ii) not

¹⁷ The CAISO defines a PNode as “[a] single network Node or subset of network Nodes where a physical injection or withdrawal is modeled and for which a Locational Marginal Price is calculated and used for financial settlements.” CAISO, Business Practice Manual for Definitions & Acronyms (ver. 7), January 21, 2011, at 80 (available at http://bpmcm.caiso.com/BPM%20Document%20Library/Definitions%20and%20Acronyms/BPM_for_Definitions_V7_Clean.doc).

to sell, deed, grant, convey, transmit, or otherwise provide any energy, capacity, ancillary services or any other related electricity product, including Green Attributes, or capacity attributes associated with the output to any entity other than PG&E.

13. In accordance with the Settlement Agreement, each Participant must agree to term start dates within the following time periods as applicable: within 24 months of PPA execution for Existing CHP Facility and Utility Tolling Facility; within 36 months of CPUC approval for Expanded CHP Facility; within 60 months of CPUC approval for New or Repowered CHP Facility.

IV. Evaluation of Offers

PG&E will primarily use a Portfolio Adjusted Value (“PAV”) methodology to evaluate and rank Offers received in its CHP RFO. PG&E will also evaluate and consider the following criteria: Market Valuation, Credit, GHG Emissions, Project Viability and Project Technical Reliability, adherence to applicable form PPA, and Supplier Diversity. PAV is intended to represent the value of a resource or Offer in the context of PG&E’s portfolio and contrasts with Market Valuation, which is intended to represent the value of a resource or Offer regardless of PG&E’s portfolio.

Portfolio Adjusted Value is determined by making adjustments to Market Valuation based on factors including location, contribution to Renewable Portfolio Standard (“RPS”) portfolio need (if applicable), energy firmness, and any upgrades needed to the electric or gas transmission systems to accommodate the generation. PG&E has a preference for projects in its service territory. This preference is influenced by constraints in the market that may limit the amount of capacity in SP15 that PG&E can count towards its RA requirement. Capacity located closer to PG&E’s load is likely to have more value for PG&E’s bundled electric portfolio, even when market forward prices indicate that energy delivered farther away has greater market value. PG&E discounts the energy and capacity value for offered as-available capacity due to the uncertainty around its deliverability. In PAV, PG&E will also evaluate the incremental value to PG&E’s portfolio from the hours of curtailments offered, above and beyond the expected value included in the Market Valuation. PG&E prefers Offers that provide PG&E with either flexibility in scheduling resource generation or the flexibility associated with Buyer Curtailment, for which the Seller will be compensated. PAV is expressed in dollars per CHP-kW-yr, where CHP-kW-yr represents one year of a kW of capacity that counts toward the CHP MW Target established for PG&E by the QF/CHP Settlement and PAV per GHG Reduction where the Metric Ton reduction counts towards the GHG Reduction Target established for PG&E by the QF/CHP Settlement.

Market Valuation is a determination by PG&E of each Offer's costs compared to its benefits from a market perspective. An Offer's costs include the fixed and variable costs (represented by the Offer’s pricing), PG&E’s share of costs associated with GHG emissions, and debt

equivalence cost. Benefits include the market value of the energy, green attributes (RECs), flexible and non-flexible capacity, and curtailment offered.

Curtailment Option is evaluated favorably in both the PAV and Market Valuation. Through this RFO, PG&E also seeks Offers that provide firm curtailment alternatives that give PG&E the ability to order curtailment periods, durations and amounts at its sole discretion during the Term of a pro forma CHP PPA. Participants submitting Offers for CHP Facilities are not required to include firm curtailment alternatives in their Offer. However, providing a firm curtailment alternative will increase an Offer's ranking and value from a PAV and Market Valuation perspective.

Credit is a determination by PG&E of each Participant's willingness to comply with the credit and collateral requirements under the Settlement Agreement and this RFO. Participants will be evaluated in terms of the total amount of Development Security and Performance Assurance (or Delivery Term Security) and the type of security offered.

GHG Emissions is a determination by PG&E of each Offer's GHG effects, calculated pursuant to Section 7.3 of the Settlement Agreement.

Project Viability and Technical Reliability means the likelihood that any existing, new, expanded, or repowered resource(s) associated with an Offer can satisfy the requirements of the Agreement. This assessment is based on a review of the status and plans for key project activities (e.g. financing, site access, permitting, engineering, procurement, construction, interconnection, start-up and testing, operations, fuel supply, water supply, wastewater discharge, off-take agreements, labor agreements, etc.).

The project viability analysis includes an evaluation of the environmental characteristics and environmental impacts of a project. The evaluation may consider environmental permitting (e.g., Participant's identification of required permits, schedule for acquisition of all necessary permits, and a reasonable demonstration of its ability to comply with all applicable environmental laws and regulations through the contract term) and environmental impacts to air quality, water (including water usage and discharge water quality and quantity), and solid and hazardous waste generation and disposal. The evaluation may also consider environmental leadership, which may include, but is not limited to, community relations, proximity to other emitting and discharging facilities, and the use of, or plans to upgrade to, advanced environmental technology to reduce impacts.

The technical reliability of an Offer will assess how the project's plant configuration, operating characteristics, and plant operations are likely to meet the PPA performance requirements.

Adherence to Pro-Forma PPA Terms and Conditions is the degree to which a Participant has red-lined the pro-forma PPA as part of its Offer. An Offer that makes few or no material or

substantive changes will be a stronger Offer than one that makes such changes. For this reason, Participants are strongly encouraged to price their Offers to the PPA form as it is, with minimal or no proposed changes.

Supplier Diversity provides procurement opportunities for Women, Minorities, and Service Disabled Veteran-owned business enterprises (WMDVBE).

PG&E encourages Participants to contribute to our supplier diversity goal of reaching greater than 30 percent of all procurement with WMDVBEs. The Supplier Diversity evaluation will take into account the Participant's status as a WMDVBE, its intent to subcontract with WMDVBEs, and the Participant's own Supplier Diversity Program¹⁸.

The selected Participant(s) is expected to report payments made to WMDVBEs upon request but no less than annually.

V. Participation in the RFO Process

V.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 CHP or Utility Tolling facility. Each Participant (a) agrees to be bound by all terms, conditions and other provisions of this RFO, as may be modified by PG&E, and (b) makes the following representations and warranties:

1. Participant has read, understands, and agrees to be bound by all terms, conditions and other provisions of the RFO.
2. Participant has had the opportunity to seek independent legal and financial advice of its own choosing with respect to the RFO and all Appendices to the RFO.
3. Participant has obtained all necessary authorizations, approvals and waivers, if any, required of Participant as a condition of: (i) submitting its Offer and, if Participant's Offer is selected; (ii) executing an Agreement with PG&E in the form submitted with its Offer, or at the conclusion of negotiations.
4. Participant is submitting its Offer subject to all applicable laws including, but not limited to, the Federal Power Act and all amendments thereto, and Public Utilities Code section 454.5.
5. Participant represents that it has carefully considered the terms and conditions of its Offer and that it is submitting its Offer in good faith, such that PG&E may reasonably

¹⁸ http://www.cpuc.ca.gov/NR/rdonlyres/AE03148D-BF53-4CE1-8E04-A32486CEE319/0/PGE2011CPUCSUPPLIERDIVERSITYANNUALREPORT_.pdf

expect Participant to enter into a definitive Agreement, and to negotiate, if requested by PG&E, as provided in Section XIII, "Execution of Agreement," (page 35) below.

6. Participant has not engaged in and will not engage in, Communications (as defined in the RFO) with any other Participant in the RFO concerning any terms contained in Participant's Offer, unless explicitly authorized by PG&E, and has not engaged in activities in violation of State or Federal antitrust laws or other unlawful or unfair business practices in connection with the RFO ("Prohibited Communication Activities"). Notwithstanding the foregoing, Participant may engage in communications with its advisors, counsel, experts or employees who have a need to know the content of the communications and have agreed to keep such information confidential (collectively, "advisors"). In addition, Participant may engage in communications with other Participants submitting an Offer in the RFO and their advisors ("Other Participants"), so long as: (1) such Other Participants are under common ownership and control with participant; (2) Participant and Other Participants do not engage in Prohibited Communication Activities; and (3) in the event Participant and Other Participant share a common advisor, Participant has, prior to sharing communications with such Other Participant and the common advisor, provided PG&E with (a) notice of such Other Participant and common advisor and (b) an attestation that Participant has not and will not engage in Prohibited Communication Activities with either the Other Participant or the common advisor.
7. Participant is not an affiliate of PG&E, PG&E Corp., or any of their subsidiaries or affiliates.
8. The Offer submitted by Participant pertains solely to generation from a CHP Facility that qualifies and maintains, or will qualify and will maintain compliance with FERC efficiency standards, on or before the initial delivery of electric energy under the PPA,
8. If Participant's Offer is selected for PG&E's shortlist and Participant elects to continue its participation in this RFO process, Participant agrees to execute a Confidentiality Agreement and good faith negotiations and will inform PG&E if the Participant is also participating in another CHP RFO.
9. Participant will promptly notify PG&E of any change in circumstances that may affect its ability to fulfill the terms of its Offer.

A breach by Participant of any of these representations and warranties will constitute sufficient grounds for disqualification of the Participant from this RFO process and potential subsequent forfeit of the Shortlist Offer Deposit.

V.B. Offer

Respondents may submit one Offer for each project at a particular site. Each Offer may include one (1) Offer variation (the original Offer and one additional variation of that Offer). A variation may alter such attributes as term, price, commercial operation date, or other PPA terms and conditions.

V.C. Safety

PG&E is committed to providing safe utility (electric and gas) service to its customers. As part of this commitment, contracts arising under this third CHP RFO will require generating facilities to be operated and maintained in a safe, reliable and efficient manner that reasonably protects the public health and safety of California residents, business, employees and the community.

V.D Shortlist Offer Deposit (not applicable for Existing CHP)

For New, Repowered, Expanded and Utility Tolling Facilities, if Participant is notified that it is eligible for PG&E's shortlist and accepts the shortlist position, then the Participant shall post a fee (the "Shortlist Offer Deposit") in the amount of \$3 per kilowatt (kW) of Contract Capacity before 5:00 P.M. PPT on the 10th business day after receiving such notice. Participant shall maintain the Shortlist Offer Deposit until the termination of negotiation with PG&E or as otherwise provided pursuant to the terms of the Agreement negotiated by PG&E and Participant.

If the Offer Deposit is not posted within the designated time period, Participant's Offer shall be removed from further consideration in this CHP RFO.

Purpose of Shortlist Offer Deposit

The Shortlist Offer Deposit is intended to secure the obligation of each Participant to enter into a definitive Agreement, or negotiate and execute a definitive Agreement, as expressly provided in Section XIII, "Execution of Agreement," below. If the Participant fails to submit the Shortlist Offer Deposit within the required time period, the Participant's Offer may be rejected and removed from the Shortlist.

Form of Shortlist Offer Deposit

The form of the Shortlist Offer Deposit may be either: (a) a cash deposit through a wire transfer, or (b) a Letter of Credit (as defined below). Wiring instruction for cash will be provided in the Shortlist notification.

- a. Cash Deposit

PG&E will pay interest on each cash deposit, calculated on a monthly basis and compounded at the end of each calendar month, from the date on which the cash is fully deposited to the date of returning the cash deposit to the Participant. The applicable interest rate will be the rate per annum equal to the Monthly Federal Funds Rate (as reset on a monthly basis, as of the first day of the month, based on the latest month for which such rate is available) as reported in Federal Reserve Bank Publication H.15-519 or its successor publication ("Interest Rate"). The Interest Rate shall be calculated based on a three hundred sixty (360) day year and shall be payable upon the return of the cash deposit.

b. Letter of Credit

In lieu of a cash deposit, the Participant can provide, per the directions above, a Shortlist Offer Deposit using a Letter of Credit,

"Letter of Credit" means an irrevocable, non-transferable, stand-by letter of credit issued by either (a) a U.S. commercial bank or (b) a U.S. branch of a foreign commercial bank acceptable to PG&E. In either case the issuing bank must be acceptable to PG&E in its sole discretion and have a Credit Rating of at least: "A-" with a stable designation from S&P and "A3" with a stable designation from Moody's if rated by S&P and Moody's; or (ii) "A-" with a stable designation from S&P or "A3" with a stable designation from Moody's if such bank is rated by either S&P or Moody's, but not both, even if such bank was rated by S&P and Moody's as of the date of issuance of the Letter of Credit but ceases to be rated by either, but not both of the those rating agencies. The Letter of Credit shall substantially be in the form attached hereto as Appendix E2. If the Letter of Credit is issued by a branch of a foreign bank, PG&E may require changes to the form Letter of Credit included as Appendix E2. All costs of the Letter of Credit shall be borne by Participant. The Letter of Credit should be sent by overnight delivery to:

**Pacific Gas and Electric Company
Attn: Manager, Credit Risk Management
77 Beale Street, Mail Code B28L
San Francisco, CA 94105**

Return of Shortlist Offer Deposit

The Shortlist Offer Deposit will be returned to Participant by PG&E under one or more of the following conditions:

- a. Upon execution of the Agreement and Seller's submission of the collateral required under the Agreement;
- b. PG&E's rejection of the Offer subsequent to Shortlist selection; or

- c. In the course of negotiation, if PG&E and Participant cannot agree on the terms of the Offer and Agreement; provided that Participant has not unilaterally withdrawn the Offer as submitted through the Solicitation, or breached this Solicitation Protocol.

Forfeiture of Shortlist Offer Deposit

The Participant will forfeit the Shortlist Offer Deposit in its entirety due (i) to any material misrepresentation in information submitted in Participant's Offer or (ii) breach of this Solicitation Protocol. In the event that Participant forfeits the Shortlist Offer Deposit, PG&E will be entitled to draw upon the Shortlist Offer Deposit in its entirety as payment for direct and indirect damages incurred in connection with the Participant's misrepresentation or breach of this Solicitation Protocol.

Shortlist Offer Deposit as Security

PG&E shall be able to retain any cash deposit or draw on any Letter of Credit provided as a Shortlist Offer Deposit as security under an executed PPA in the event that Participant fails to provide additional security and/or agrees to PG&E's retention of the Shortlist Offer Deposit as Development Security in accordance with the terms of the executed Agreement, if applicable.

PG&E will not reimburse Participant for its expense of participating in this RFO under any circumstances, regardless of whether the RFO reaches a successful conclusion or is terminated early at the sole discretion of PG&E.

VI. Participation Protocols

VI.A. Overview

All Offers must be submitted on the Power Advocate site by February 27, 2014 at 1:00 p.m. (PPT).

Submitted Documents: Documents will only be accepted through the online platform at Power Advocate. Power Advocate functions in most browsers; however, using browsers other than Internet Explorer (IE) version 7 or higher may cause certain functionality to work unexpectedly.

Please make sure that your submittals do not contain any special characters such as *&# in the file name. Submission of offers in any venue other than Power Advocate will not be accepted.

Electronic Documents: The electronic documents must be in a Microsoft Word and/or Excel file, or as defined in Section VI.B (page 25) of this CHP RFO Solicitation Protocol. The bidder should not provide documents in other electronic formats, versions, unless specifically requested.

VI.B. Required Information

Offers must contain all required information and must be organized in accordance with these instructions.

Each required appendix must be a separate attachment, not one long pdf. As applicable, files should be provided in Microsoft Word or Excel. Maps or drawings may be in alternate formats, such as pdf or kmz files, as appropriate. To the extent possible, pdf files should be provided in a searchable format.

Participant must complete the following documents, which are located in the Appendices, with Offer-specific information and include each one in its Offer, in the order given below.

Offer Package:

Introduction: Provide an Introductory Letter that describes the project or facility with pertinent information and a description of their offer information as applicable. .

Address any potential changes to the project due to an Offer variation in the information below. A separate Offer Form is required for an Offer variation; however, an entirely new offer package is not required; there is no need to duplicate if most of the information is the same.

Attachment 1: Cover Letter	Format: MS Word, PDF
Attachment 2: Offer Form(s) (Appendix A)	Format: MS Excel
Attachment 3: Project Description, (Appendix B)	Format: MS Word
Attachment 4: Electric Interconnection Information & Waiver (Appendix C1, C2)	Format: MS Word, PDF
Attachment 5: Gas Interconnection Information & Waiver (Appendix D1, D2)	Format: MS Word, PDF
Attachment 6: Credit and Finance Information, (Appendix E1)	Format: MS Word
Attachment 7: PPA Redline – Indicate no changes,	

if applicable (Appendix F1 or F2)

Format: MS Word

Attachment 8: Clean, PPA, (Appendix F1 or F2)

Format: MS Word, PDF

The Completed Offer Package must contain all material terms and must contain complete information. In addition to a clean version of the PPA the Participant is proposing with their Offer, Participants must also provide a red-line of the PPA Offer agreement marked against the form of agreement provided by PG&E. Any changes to the pro-forma agreement will be considered part of the Participant's Offer; that is, PG&E will assume that the Participant is willing to execute an Agreement based on these terms. Participant cannot make any changes to its proposed PPA after the Offer has been received by PG&E. If a Participant requests modifications to their applicable form of PPA, PG&E may decide not to accept Participant's modifications or may propose its own modifications as a requirement for its agreement of the PPA.

Post-Shortlist Documents (if applicable):

Shortlist Offer Deposit: Either (1) Cash via Wire Transfer or (2) Letter of Credit

Letter of Credit in the form provided (if applicable)	Appendix E2
W-9 form (as applicable for cash deposits)	Appendix E3
Executed, Unmodified Confidentiality Agreement	Appendix G

VII. Pricing, Terms and Conditions

Participants are required to provide a complete offer package.

Participants must include in their Offer Form proposed pricing for the following items:

- 1) Capacity Payment (\$/kW-yr) assuming that Seller will pass through GHG Compliance Costs to PG&E
- 2) Capacity Payment (\$/kW-yr) assuming that Seller will bear GHG Compliance Costs
- 3) Energy Payment in \$/MWh or at a guaranteed (fixed) heat rate (BTU/kWh) applied to the PG&E City Gate or SoCal Gas gas price index
- 4) Fixed O&M Payment (\$/kW-yr) if applicable
- 5) Variable O&M Payments(\$/MWh)
- 6) Alternatively, Participant may address GHG Compliance Costs by providing:

- 7) Variable O&M (\$/MWh) assuming that Seller will pass through GHG Compliance Costs to PG&E
- 8) Variable O&M (\$/MWh) assuming that Seller will bear GHG Compliance Costs

Participants are required to complete the Offer Form set forth in Appendix A, as well as the other applicable appendices. The information in the Offer Form should be consistent with the terms of the submitted PPA form contract.

In order for a PPA Offer to be considered, it shall include two GHG Compliance Cost options as set forth in the pro-forma CHP RFO PPA or the form Utility Tolling PPA, as applicable. The Offer Form shall include a price under which Participant is assumed to bear GHG Compliance Costs and a price under which Participant is assumed to pass through GHG Compliance Costs to PG&E. In addition, a Participant may propose a hybrid option for its recovery of GHG costs, where PG&E covers GHG costs up to a guaranteed Heat Rate, and Participant assumes GHG costs above the guaranteed Heat Rate. Participant may include GHG compliance costs in capacity pricing or energy pricing, or in both capacity and energy pricing.

VIII. Communications

PG&E has established a website at <http://www.pge.com/rfo>, where Participants may register and where all RFO documents, information, announcements and Q&As are posted and available to Participants.

To promote the accuracy and consistency of information provided to all Participants, PG&E prefers that all communications take the form of an e-mail directed to CHPRFO@pge.com. With respect to a matter of general interest raised by any Participant, PG&E may, without reference to the inquiring Participant, post its response on its website. PG&E does not undertake to respond to all inquiries and, in its sole discretion, may decline to respond to any particular inquiry.

Any exchange of material information regarding this RFO between Participant and PG&E that is not submitted via Power Advocate must be submitted to both PG&E and the Independent Evaluator ("IE"), Wayne Oliver, whose email address is waynejoliver@aol.com.

Participants may also call Holly Sweeting at (415) 973-2863 or e-mail H1SC@pge.com with questions about the CHP RFO.

IX. Electric Interconnection

IX.A. Overview - Interconnection

The characteristics of a Project's interconnection to the PG&E electrical grid and the reliability of its deliveries are material components of PG&E's Offer evaluation process. In all cases, Participants are required to seek Full Capacity Deliverability Status, as defined in the CAISO Tariff and PG&E's Wholesale Distribution Tariff (WDT). This section describes the interconnection requirements for existing and new Generating Facilities:

- 1) Seller must demonstrate that there is sufficient capacity at the facility interconnection with PG&E's electric grid to receive the full net output of the Project. This ability and the associated costs are determined from the applicable generator interconnection and deliverability allocation procedure, i.e. CAISO Tariff for CAISO controlled transmission grid interconnections and PG&E's Wholesale Distribution Tariff (WDT) for non-CAISO controlled distribution grid interconnections, as applicable. While Participants are encouraged to initiate the applicable request as early as possible, Participants that are shortlisted that have not submitted an interconnection application must apply for interconnection as described in IX.C "System Impacts" (page 29) at the next available interconnection open period. The next available window for Cluster 7 is targeted for April 1, 2014 to April 30, 2014¹⁹.
- 2) For those projects that have a current interconnection study (*i.e.*, a System Impact Study, Facilities Study, Phase I, or Phase II) or Interconnection Agreement, each Offer must include all completed interconnection studies or a copy of the Interconnection Agreement to be considered for selection. The Participant must provide to PG&E the results of any updated interconnection studies as those results become available. This information may be used by PG&E in ranking and evaluating Offers.
- 3) An Existing CHP Facility that is currently interconnected to PG&E's electric grid pursuant to CPUC's Rule 21 must convert its interconnection to a FERC jurisdictional arrangement pursuant to PG&E's WDT for distribution interconnections and the CAISO Tariff for transmission interconnections before deliveries commence under a RFO PPA. If an Existing CHP facility does not make material modifications to its operations, then the facility may be allowed to bypass the interconnection study procedure and proceed directly with a new Interconnection Agreement (IA), a Participating Generator Agreement (PGA), and a Meter Service Agreement (MSA) prior to delivering energy. If an Existing CHP

¹⁹ Refer to CAISO website for updates on this window at <http://www.caiso.com/planning/Pages/GeneratorInterconnection/Default.aspx>

facility makes material modifications to its generating facility, then the facility is required to follow the Generator Interconnection and Deliverability Allocation Procedure (GIDAP).²⁰ Offers for Repowered or Expanded CHP facilities that result in increases to capacity or generation output under current plant configuration and New CHP Facilities will require study pursuant to the applicable Interconnection Procedure. For New, Repowered, Expanded CHP facilities that do not yet have a current CAISO interconnection study, PG&E will use the transmission proxy costs as further specified in IX.C “System Impacts” (page 29) to evaluate a Participant’s Offer.

- 4) Each Participant is solely responsible for any Direct Assignment costs and transmission charges, as described in IX.B “Direct Assignment Facilities and Charges” (page 29).

IX.B. Direct Assignment Facilities and Charges

Facilities needed to interconnect the generating facility to the first point of interconnection with an IOU’s system are referred to as Direct Assignment facilities or interconnection facilities. Direct Assignment facilities include the transformer bank used to step-up the generation output to service voltage, the outlet line between this step-up transformer bank and the electric system, and protection and communication facilities needed for interconnection and safe operation of the generator. Direct Assignment charges include any charges the Project must pay to the IOU. The Participant is solely responsible for Direct Assignment Facilities and Charges.

IX.C. System Impacts

For New, Expanded, and possibly Repowered CHP facilities, System Impacts relate to the capability of the electric system to deliver the full output of the project from the first point of interconnection with the IOU’s system. This includes both Interconnection Service and Deliverability Assessment (as defined by the CAISO tariff). If there is insufficient capability, distribution and network upgrades would be needed. Upgrades may include distribution and transmission lines, transformer banks, special protection systems, substation breakers, capacitors, and other equipment needed to transfer the generation output to the consumer. Participants will be required to fund the full cost of all facilities necessary to interconnect to PG&E’s system, including network upgrades. A Participant may be, pursuant to the CAISO Tariff, entitled to a cash equivalent refund for transmission network upgrades it funds on the CAISO system, with interest paid over a five-year period. Participants with new or expanded facilities that are shortlisted in this RFO must apply for interconnection at the next available cluster.

²⁰ See QF matrix at <http://www.caiso.com/planning/Pages/GeneratorInterconnection/Default.aspx>

Please refer to the most current effective tariffs for complete information.

Projects with Completed and Current Interconnection Studies. For projects that have already obtained cost estimates from completed and current Interconnection Studies through the applicable Interconnection Procedure, the Participant shall submit copies of the completed studies with the Offer.

Projects without Completed Interconnection Studies. For projects that do not yet have completed Interconnection Studies, pending the availability of the completed studies, PG&E will use transmission proxy costs for Offer evaluation. The proxy costs may be found in Appendix C3 under the section titled "Transmission Related Information and References," listed as "Electric Transmission Proxy Costs." Copies of the completed Interconnection Studies must be provided to PG&E when they are available.

Each Participant without completed Interconnection Studies must select from the substations listed in Appendix C3 the substation which best approximates the point of interconnection for the Unit(s) in its Offer. In general, the Proxy Bus that is geographically closest to Participant's project should be selected. The transmission costs are proxies for transmission network upgrades that may be needed to transmit the full output of the project to serve load reliably. The transmission costs were determined based on the method that was filed in compliance with CPUC D.04-06-013.

Appendix C3 provides the transmission proxy costs at the transmission bus for substations during peak and off-peak periods. The 2012 Transmission Ranking Cost Report was filed by the CPUC on May 2011. The transmission proxy costs are based on potential transmission congestion, associated proxy network upgrades, and associated capital costs that may be needed to accommodate each substation representing the approximate location of renewable resources. For each substation, PG&E has identified several levels of possible additional transmission capacity and the related costs. Level 1 reflects the available transmission capacity after taking into account all approved reliability and economic transmission projects as well as upgrades planned for generation projects in the CAISO interconnection queue based on their completed CAISO Interconnection Studies. Thus, Level 1 would have no network upgrade costs except those associated with reactive power support. The next and subsequent levels reflect the next most cost-effective proxy network upgrade(s). The number of levels depends on the number of proxy network upgrades needed to accommodate up to the maximum amount of new generation that is anticipated for each substation. The transmission proxy costs will be used solely for the purpose of ranking and evaluating Offers. The actual transmission network upgrade costs for a specific project, determined by the CAISO Interconnection Studies, may differ from the transmission proxy costs and PG&E is not responsible or liable for the deviation between estimated and actual costs.

X. Gas Supply and Interconnection

Each Offer requiring a new natural gas interconnection with PG&E or requiring an increased peak daily gas demand on an existing gas interconnection with PG&E must initiate a request for Gas Service by January 30, 2014. This deadline is in advance of the Offer submission deadline in order for Participants to incorporate the results of the gas interconnection studies into their offers and for PG&E to evaluate the impact of each offer on its gas system. Participants that submit their applications after the deadline and do not obtain study results prior to the bid submission deadline may be disqualified from further participation.

The PG&E Gas Transmission Connection Process typically consists of 4 steps:

- 1) Preliminary Request for Information,
- 2) Preliminary Application for Gas Service,
- 3) Formal Application and Approval for Gas Service, and
- 4) Construction.

However, for this RFO, Participants are asked to use the following expedited process:

Submit to PG&E's Gas Operations ("GO") a formal written request to initiate an expedited Preliminary Application for Gas Service for each site. The normal response time for a Preliminary Application for Gas Service is approximately 16 weeks, which includes a Gas System Impact Study ("GSIS") and a Gas Preliminary Facilities Study ("GPFS"). Because of the necessity to expedite this response time, please include the following items in the letter:

Indicate that you are participating in this RFO and are requesting expedited service.

- 1) Request GO to forgo the Preliminary Informational Review and immediately begin processing of an expedited Preliminary Application for Gas Service.
- 2) Request GO to provide results of the GSIS as soon as the study is complete.
- 3) Request that, upon completion of the GSIS, GO should proceed with an expedited GPFS.
- 4) Request GO to provide results of the GPFS as soon as the study is complete. Also state that you will accept a cost estimate based upon available engineering resources for this expedited process.

Please include the following items as attachments in your written request:

- 1) An executed CPUC Rule 26 Gas Waiver (Appendix D2) allowing GO to share information with the RFO Evaluation Team.

- 2) A completed "Application for Gas Transmission Service" (Appendix D3).
- 3) Two completed and executed originals of PG&E's "Agreement to Perform Tariff Schedule Related Work" (Appendix D4).
- 4) A site map of the proposed power plant with a detailed, proposed meter set location.
- 5) Hourly/daily/seasonal projected load curves when the power plant is in-service.
- 6) An estimate of the first year gas usage of the proposed facility by month.
- 7) A cash advance made out to Pacific Gas and Electric Company in the amount of \$10,000 to initiate engineering for a new natural gas interconnection or requiring an increased peak daily gas demand on an existing gas interconnection with PG&E.

Electronic copies of the Application for Gas Transmission Service and Agreement to Perform Tariff Schedule Related Work are available online at:

<http://www.pge.com/b2b/newgenerator/wholesalegeneratorinterconnection/gasinterconnections/>

The date of receipt by GO of the completed application will establish the Participant's position in the engineering queue. In order to meet the expedited bidding schedule, GO will not perform a full analysis at this time.

If work does not proceed, the balance of the cash advance will be returned to Participant. Should the costs exceed the project advance; PG&E will stop work and notify Participant accordingly. For this initial cash advance, PG&E will perform the study that will include the following:

- a) A cost (generally +/- 50% level of accuracy) and schedule to build PG&E's recommended Standard Facilities and Special Facilities Designs if applicable within the accuracy limits as discussed above;
- b) A map showing PG&E's preferred transmission service tap, pipeline route and meter set location; and
- c) The expected minimum delivery pressure available at the meter set for PG&E's preferred route.

If the Participant is selected for the shortlist, the Participant shall request GO to process a full Preliminary Application for Gas Service. Additional funding may be required at that time for completion of the Preliminary Study. The Formal Application and Approval for Gas Service will not be required until winning Offers have been selected for execution.

The Participant will be required to pay for the interconnection of the project to the PG&E gas system, subject to the conditions as outlined in PG&E's Gas Rules 2, 15 and 16 (<http://www.pge.com/tariffs/GR.SHTML#GR>), unless addressed in PG&E's response to the Preliminary Application for Gas Service.

The Application including the initial cash advance made out to PG&E should be delivered to:

Pacific Gas and Electric Company
Attn: Roger Graham
Wholesale Marketing and Business Development,
6121 Bollinger Canyon Road, 4th Floor,
San Ramon, CA 94583

Electronic copies should also be sent to Jeff Ryan, at jgr4@pge.com.

For projects that have already obtained a response for a Preliminary Application for Gas Service within the past 12 months, the Participant shall submit copies of the completed studies and a completed Appendix D3 with the Offer.

If an Offer involves an existing CHP Facility or Utility Tolling Facility with an existing interconnection and does not require additional gas service, Participant shall, in addition to the information specified in Section I.C, provide the following information to confirm gas service if it is shortlisted by PG&E:

- a) Copy of existing Natural Gas Service Agreement or equivalent if not connected to PG&E's gas transmission system;
- b) Rate Schedule pursuant to which existing CHP facility receives gas service;
- c) A list of transportation charges applicable to the existing CHP facility.

If an Offer requires a new gas interconnection but not with PG&E's gas transmission or distribution system, the Participant will be responsible for obtaining all required information from the gas service provider, and will include all related documents and studies with the Offer.

XI. Confidentiality Agreement

Except as provided below, all information and documents provided to PG&E by Participant in connection with this RFO shall be considered confidential information, and PG&E and the Participant shall be prohibited from disclosing such information and documents to any and all third parties except as provided below.

It is expressly contemplated that materials submitted by a Participant in connection with this RFO will be provided to the CPUC, its staff, the Independent Evaluator, PG&E's Procurement Review Group ("PRG"), and Cost Allocation Methodology ("CAM") Group. PG&E will seek confidential treatment pursuant to D.06-06-066 and Public Utilities Code section 583, with

respect to any Participant-supplied non-public RFO information and documents (“Participant’s Confidential Information”) that are submitted by PG&E to the CPUC for the purpose of obtaining Regulatory Approval. PG&E will also seek confidentiality and/or non-disclosure agreements with the PRG/CAM Group applicable to the Participant’s confidential information. PG&E cannot, however, ensure that the CPUC will afford confidential treatment to a Participant’s confidential information, or that confidentiality agreements or orders will be obtained from and/or honored by the PRG/CAM Group or the CPUC.

With respect to any information or documents provided by the Participant, PG&E shall have the right to disclose to the CPUC, its staff, the Independent Evaluator, the PRG, CAM Group, CAISO, other control area operator or balancing authority and any other entity in order to comply with any applicable law, regulation, or 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.

Once a Participant is selected for the Shortlist, the Participant must execute a Confidentiality Agreement in the form attached as Appendix G and return such Confidentiality Agreement within five (5) business days of notification of their selection in order to continue to participate in the RFO.

XII. Participant’s Financial Information

In conformity with accounting principles generally accepted in the United States of America (“US GAAP”) PG&E may be required to collect and possibly consolidate financial information from the facility whose output is being purchased under long-term contractual arrangements. Some general guidelines for determining whether consolidation must occur include:

1. Determination of allocation of the entity’s risks and rewards;
2. Proportion of total project output being purchased by PG&E;
3. Proportion of expected project life being committed to PG&E; and
4. Pricing provisions of contract, that is, does the contract contain fixed long-term prices or does pricing vary over the term of the agreement based on market conditions or other factors.

For any PPA that meets the applicability criteria as established by US GAAP, PG&E is obligated to obtain information from successful Participants to determine whether or not consolidation of a counterparty’s financial information is required. If PG&E determines that financial consolidation is required; PG&E shall require the following during every calendar quarter for the term of a PPA:

- a) Complete financial statements and notes to financial statements;

- b) Financial schedules underlying the financial statements, all within 15 days of the end of each quarter; and
- c) Access to records and personnel, so that PG&E's independent auditor can conduct financial audits (in accordance with generally accepted auditing standards) and internal control audits (in accordance with Section 404 of the Sarbanes-Oxley Act of 2002).

Any information provided to PG&E shall be treated confidentially and only disclosed on an aggregate basis with other similar entities for which PG&E has power-purchase contracts. The information will only be used for financial statement purposes and shall not be otherwise shared with internal or external parties.

XIII. Execution of Agreement

By submitting an Offer, Participant agrees, if its Offer is selected for PG&E's shortlist, that it is prepared to (1) enter into a definitive Agreement consistent with the mark-up of the Agreement submitted if so requested by PG&E, and (2) negotiate, if so requested by PG&E, and execute a definitive Agreement consistent with the mark-up of the form of Agreement 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 shortlisting of a Participant, will not constitute any agreement by PG&E to any modification made by the Participant to the form of Agreement submitted to Participant.

XIV. Regulatory Approval

The effectiveness of any Agreement is expressly conditioned on PG&E's receipt of Regulatory Approval. "Regulatory Approval" means a final and non-appealable order or orders of each regulatory or other governmental body designated by PG&E, including without limitation the CPUC, without conditions or modifications unacceptable to PG&E, which, in the case of Regulatory Approval by a governmental body other than the CPUC grants the approvals requested in the application therefore, and in the case of Regulatory Approval by the CPUC, does the following:

1. Approves the Agreement in its entirety, including payments to be made by PG&E, and finds PG&E's entry into and performance under the Agreement to be reasonable; and,
2. Authorizes PG&E to recover all costs incurred under the Agreement in utility revenue requirement and to allocate those costs in rates, subject only to CPUC review with respect to the reasonableness of PG&E's administration of the Agreement.

XV. 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 Appendices 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 seeking approval 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 ground that PG&E failed in a material respect to conduct the RFO in accordance with the RFO rules and procedures outlined in this 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 and the Independent Evaluator 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.

XVI. 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.

Unless concluded earlier, RFO negotiations are targeted to be completed the week of September 8, 2014. PG&E reserves the right to continue or terminate negotiations in progress with a Participant. If negotiations are terminated, PG&E shall return Participant's Security deposit and Participant shall not be precluded from participating in future CHP RFOs.

XVII. Participant's Representations and Warranties

Each Participant submitting an Offer shall provide their electronic signature in the Offer Form attesting to the Participant's agreement to be bound by the conditions of the RFO in submitting its Offer and making the representations and warranties set forth therein.

BREACH BY ANY PARTICIPANT OF THE REPRESENTATIONS AND WARRANTIES IN SECTION V OF THIS PROTOCOL, 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.