
**RENEWABLES
PORTFOLIO
STANDARD**

**2012
SOLICITATION
PROTOCOL**



December 10, 2012

(Issuance Date)

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I. INTRODUCTION AND OVERVIEW

The California Renewables Portfolio Standard Program (“RPS Program”) was established by California Senate Bill 1078, effective January 1, 2003. In 2011, Senate Bill 2 (1x)¹ made significant changes to the RPS Program, most notably extending the RPS goal from 20% of retail sales of California’s investor owned utilities (“IOUs”), electric service providers (“ESPs”), and community choice aggregators (“CCAs”) by the end of 2010, to 33% of retail sales of IOUs, ESPs, CCAs and publicly owned utilities by 2020. SB 2 (1x) also modifies or changes many details of the RPS program, including creating portfolio content categories for RPS procurement.

An Eligible Renewable Energy Resource (“ERR”) is a facility that has been certified by the California Energy Commission (“CEC”) as meeting the applicable criteria set forth in Public Utilities Code (“PUC”) Sections 399.12 subdivision (e) and 399.12.5. This document (the “Solicitation Protocol”) describes the process by which PG&E seeks, evaluates, and accepts Participant’s offers to provide electricity from ERRs meeting criteria set forth herein in order to satisfy PG&E’s RPS requirements.

A. Solicitation Overview

PG&E requests that interested parties that meet the criteria established in this document submit, in accordance with the directions in this Solicitation Protocol, one or more offers (each an “Offer”) to sell to PG&E the Product, as defined below, generated by existing ERRs or planned ERRs.

For purposes of this Solicitation Protocol, the term “Project” refers to the ERR described in an Offer. The electricity generated by a Project, together with all capacity and any other attributes required by the California Public Utilities Commission (“CPUC” or “Commission”) and/or the California Energy Commission (“CEC”) to count the electricity toward PG&E’s RPS compliance requirements, is called the “Product.” For purposes of this Protocol, Product, which is further defined in the PPA, means the renewable electricity generated by a Project, together with all capacity and any other attributes that will enable PG&E to comply with its RPS and reliability obligations. An entity submitting an Offer in response to the Solicitation Protocol is hereby defined as a “Participant.”

PG&E is seeking to procure approximately 1,000 GWh of renewable energy under long-term Power Purchase Agreements (“PPAs”) or Renewable Energy Credit (“REC”) Purchase Agreements (“REC PPA” and collectively with the PPA, the “Agreements”) only.

Based on PG&E’s overall RPS portfolio position, PG&E’s strong preference is for RECs or Product from Projects that commence renewable energy deliveries to PG&E beginning in 2019-2020.

¹ Senate Bill (SB) 2 (1x) (Simitian), Stats. 2011, ch.1 (effective December 10, 2011).

B. RPS Website and Communications Between PG&E and Participants

To access PG&E’s website where all Solicitation Protocol documents, information, announcements and Questions and Answers are posted and available for Participants to download, go to www.pge.com/rfo and click on “2012 Renewables RFO.”

PG&E strongly prefers to conduct all Solicitation-related communications via e-mail at RenewableRFO@pge.com. With respect to matters of general interest raised by any Participant, PG&E may post the questions with responses on its website without reference to the Participant who raised the issue. PG&E may, in its sole discretion, decline to respond to any e-mail or other inquiry, and will have no liability or responsibility to any Participant for failing to do so. PG&E will hold a public Bidders’ Webinar to provide an opportunity for Participants to ask questions.

II. SOLICITATION GOALS

A. PG&E’s Renewable Resource Needs

As further described in Section IV.C., Portfolio Content Categories, PG&E is seeking bundled renewable energy products or RECs from ERRs to meet its RPS Program obligations. The optimal Offers will be those with the best combination of market value, portfolio adjusted value, viability, and contribution to the other criteria specified in this Solicitation. A discussion of PG&E’s overall RPS need is included in the 2012 RPS Plan.

In this Solicitation, PG&E is seeking to procure approximately 1,000 GWh per year of renewable energy, or approximately 1.25% of retail sales. As previously stated, PG&E’s preference is renewable energy deliveries to commence beginning in 2019-2020. For reference, one percent of PG&E’s retail sales volume translates to the following approximate contract capacity at the listed capacity factors:

Table II.1: One Percent of PG&E Retail Sales Volume

Capacity Factor	Contract Capacity Amounts (MW)
100%	92
80%	114
60%	152
40%	228
20%	456

III. SOLICITATION SCHEDULE AND PROCESS

A. Solicitation Schedule

The table below summarizes the estimated Solicitation schedule. Further details of each event in the schedule are provided below.

Table III.1: PG&E Solicitation Schedule

DATE	EVENT
Ongoing	Participant may register online at PG&E’s website for general information or for the Bidders’ Webinar, as applicable
December 10, 2012	PG&E issues Solicitation
December 17, 2012	Deadline for Participant to submit registration for Bidders’ Webinar
December 20, 2012	General Bidders’ Webinar (10 AM – 12 PM PPT)
January 29, 2013	Deadline for PG&E to receive Offer(s). Offers will not be accepted after 12:00 noon PPT.
February 6, 2013	PG&E notifies Commission that bidding is closed
April 1, 2013	PG&E notifies Shortlisted bidders and requests bid deposit
April 15, 2013	Participant notifies PG&E whether it accepts Shortlist position from PG&E and posts offer deposit
April 17, 2013	PG&E submits final Shortlist to Commission and Procurement Review Group (“PRG”)
May 17, 2013	PG&E submits report on evaluation criteria and selection process; Independent Evaluators submit preliminary reports
TBD	PG&E and Participants negotiate and execute Agreements subject to Regulatory Approval; PG&E submits Agreements for Regulatory Approval
April 17, 2014	PG&E 2012 RPS Solicitation Shortlist Expires

PG&E may change this schedule at any time for any reason subject to CPUC concurrence, if PG&E determines that such concurrence is necessary. The Solicitation schedule may be affected by, among other things, the deliberations of the PRG, negotiations with selected Shortlisted Participants, and proceedings before the CPUC, including, but not limited to, proceedings to obtain Regulatory Approval, as such term is defined and explained in Section XIV. PG&E will endeavor to notify Participants of any schedule change, but will have no liability or responsibility to any Participant for failing to do so.

B. RFO Process

1. Online Registration. Participants should register to receive timely announcements and updates about PG&E’s 2012 Solicitation and general Request for Offer (“RFO”) communications by providing the form with their names and email addresses at the

Solicitation website. If Participant has previously registered and there are no updates to Participant's information, Participant need not register again.

2. Go to www.pge.com/rfo and click on RFO Bidder / Participant Registration.
3. PG&E issues the Solicitation on the date in Table III.1: PG&E Solicitation Schedule.
4. Bidders' Webinar. PG&E will hold a Bidders' Webinar, on the date and time shown in Table III.1: PG&E Solicitation Schedule. Call-in information will be provided on the Solicitation website before the Bidders' Webinar. Call-in to the Bidders' Webinar is encouraged but not required. Interested Participants are asked to register in advance for the Bidders' Webinar.
5. Offers Due. Participant's Offer(s) must be received by PG&E by 12:00 noon Pacific Prevailing Time on the date shown in Table III.1: PG&E Solicitation Schedule. Participant's Offer(s) must follow the format and include the documents described in Section VI. Failure to submit the requested documents and failure to follow the noted format may disqualify the Participant's Offer(s). Given the short time frame between Offer Submittal and PG&E selection of a Shortlist, it is imperative that each Participant's Offer be complete at the time of submission. Participant's failure to provide all required information may prevent PG&E from being able to evaluate and rank the Offer and thus, prevent the Offer's inclusion on PG&E's Shortlist.
6. PG&E Selects Shortlist. PG&E intends to select a Shortlist of Offers for negotiations. The Shortlist and results of subsequent negotiations will be shared with PG&E's PRG (See Section XI). Each Participant selected for the Shortlist will be required to post an Offer Deposit, in accordance with Section V, and to execute a Confidentiality Agreement in the form attached hereto as Attachment G, whereby Participant agrees to keep confidential the terms discussed during the course of negotiating the Agreement.
7. PG&E and Shortlisted Participants Finalize Agreements. PG&E and Participants selected to PG&E's Shortlist will negotiate and finalize their Agreements. PG&E will confer with the PRG at this stage of the process.
8. PG&E and Participants Execute Agreements. After PG&E has conferred with the PRG, PG&E and the Participants will sign their Agreements. The effectiveness of each Agreement is subject to the CPUC's approval of the Agreement and any other conditions precedent set forth in the particular Agreement.
9. PG&E Submits Agreements for Regulatory Approval. PG&E will seek approval from the CPUC for each Agreement.

IV. ELIGIBILITY REQUIREMENTS

PG&E will consider all timely Offers from either existing or new generating facilities. Projects must meet the following criteria:

A. Eligible Renewable Energy Resources

To participate in PG&E's Solicitation, the Participant's Project must employ one or more new or existing ERRs as a generation source. The CEC is responsible for certifying ERRs and verifying the Project's eligibility for the RPS Program. If a Participant has not already done so, the Participant should begin the process of establishing certification of an existing generation facility or pre-certification of a facility that is not yet on-line.

The CEC has published Guidebooks to explain its criteria for the RPS eligibility of renewable energy resources and its process for certification. The Participant is responsible for reading and becoming familiar with each of these Guidebooks, which are updated periodically. The internet link to the CEC's webpage for announcements and documents under the RPS Program, including these Guidebooks, is:

<http://www.energy.ca.gov/renewables/>.

For projects using a combination of renewable and non-renewable fuel, Participant must be able to deliver only renewable energy that qualifies for PG&E's RPS compliance goals to PG&E. In other words, Participant must be able to separate the renewable and non-renewable components of energy generated from the Project in order to participate in the RPS Solicitation.

B. Minimum Project Capacity

The minimum size for Projects to bid into the RPS solicitation is greater than 1.5 megawatts ("MW") capacity. Offers for As-Available and Baseload Products must be from Projects with a capacity of greater than 1.5 MW. Offers for Dispatchable Products must be 25 MW or greater to enable them to be efficiently incorporated into PG&E's system dispatch protocol.

C. Portfolio Content Categories

PG&E will consider Offers that meet the criteria for inclusion in the portfolio content category described in PU Code §399.16(b)(1) ("Category 1"), the portfolio content category described in PU Code §399.16(b)(2) ("Category 2"), or the portfolio content category described in PU Code §399.16(b)(3) ("Category 3"). PG&E prefers Offers for Product that is eligible to be counted towards Category 1 procurement for the purpose of the RPS Program.

PG&E directs Participants to review CPUC Decision 11-12-052, available at http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/156060.htm, which provides detailed guidance concerning the criteria required for generation from an ERR to be counted as Category 1, Category 2, and Category 3.

The requirements are subject to change as required to maintain consistency with state law.

1. Category 1 Product

Product that is certified as eligible for the California RPS may be eligible as a Category 1 Product if the ERR from which the electricity is procured or the generation from that ERR:

- (i) has its first point of interconnection to the Western Electricity Coordinating Council (WECC) transmission grid within the metered boundaries of a California balancing authority (“CBA”) area; or
- (ii) has its first point of interconnection with the electricity distribution system used to serve end user customers within the metered boundaries of a CBA area; or
- (iii) is scheduled into a CBA without substituting electricity from another source provided that, if another source provides real-time ancillary services required to maintain an hourly or sub-hourly import schedule into the CBA, only the fraction of the schedule generated by the facility from which the electricity is procured is Category 1; or
- (iv) is scheduled into a CBA pursuant to a dynamic transfer agreement between the balancing authority where the generation facility is interconnected and the CBA into which the generation is scheduled.

RECs from Category 1 Product must not be unbundled from the energy and transferred to another owner. PG&E directs Participants to D. 11-12-052 for further detail, including documentation requirements required for a Product to be eligible as Category 1.

Participants may submit Unit Contingent Offers for the three specific products listed below:

- As-Available
- Baseload
- Dispatchable

The term “Unit Contingent” means that generation must be from the specific Project identified in the Offer.

In addition to the product definitions which may be found in the PPA, the specific products have the following meaning:

“As-Available” means intermittent energy and capacity deliveries that are subject to a fuel source not controlled by the generator. The Projects that may provide an As-Available Offer are: (1) wind; (2) solar; (3) run-of-river hydro; or (4) any other technology that PG&E determines qualifies.

“Baseload” means energy and capacity delivered on a twenty-four (24) hours per day, seven (7) days per week schedule (*i.e.* “24x7”) with an annual capacity factor of at least

80 percent. This minimum requirement is meant to take into account maintenance and forced outages.

“Dispatchable” means energy and capacity available for delivery on a day-ahead and intra-day schedule with a monthly availability factor of at least 95 percent in each of the months of June through and including September and other monthly factors as stated in Attachment H1. A Project providing a Dispatchable product must have a minimum run time of eight (8) hours per day.

2. Category 2 Product

Product that is certified as eligible for the California RPS may be eligible as a Category 2 Product if the ERR from which the electricity is procured is firmed and shaped with substitute electricity providing incremental electricity scheduled into a CBA within the same calendar year as the generation from the ERR. RECs from a Category 2 Product must not be unbundled from the energy and transferred to another owner. PG&E directs Participants to D. 11-12-052 for further detail, including documentation requirements for a Product to be eligible as Category 2.

Category 2 Offers must include firming and shaping service to a California Independent System Operator (“CAISO”) interface point. Offers to deliver at the Project’s busbar will not be accepted. Agreements for substitute energy firming and shaping services must be at least five years in duration. Participants offering a Category 2 Product should provide the delivery profile of the firmed and shaped product in their Offer and specify the CAISO delivery point. PG&E’s preferred delivery profile is all hours (7X24), with the exception that no energy is requested during off-peak hours in Q2 (April, May and June).

3. Category 3 Product

Product that is certified as eligible for the California RPS may be eligible as a Category 3 Product if the ERR from which the electricity is procured does not meet the definition of a Category 1 or 2 Product. Specifically, Participants may offer a REC-only product that is unbundled from delivered energy. Participants may offer RECs from a single facility (unit-contingent), or from a pool of resources.

D. Interconnection Status

Each Project must have applied for interconnection through the CAISO Interconnection Process, or through the host utility if not interconnecting to the CAISO controlled transmission system. In order to participate in this RFO, Participants must have at least a Phase 1 Study from the CAISO, or equivalent, and must submit that study with the offer. It is through this process that costs of connecting a renewable resource to the grid can be determined.

The CAISO’s explanation of its Generator Interconnection Procedures (“GIP”), including its interconnection study timeline, can be viewed at:

<http://www.aiso.com/planning/Pages/GeneratorInterconnection/GeneratorInterconnectionApplicationProcess/Default.aspx>.

All wholesale procedures, both the CAISO and PG&E Wholesale Distribution Tariff generation interconnection procedures can also be viewed on the PG&E website at: <http://www.pge.com/wholesale/>.

PG&E has a preference for resources that can contribute to PG&E's Resource Adequacy ("RA") requirement. In order to contribute toward PG&E's RA compliance obligation, Projects must have been deemed fully deliverable by the CAISO as of the proposed commercial operation date of the Project.

E. Delivery Term

PG&E is seeking offers with a term of at least 10 years. Short-term offers will not be considered. PG&E prefers offers that begin energy delivery to PG&E in 2019-2020. For REC-only offers, PG&E does not have a preference for vintage, as long as the REC is bankable given the constraints on PG&E's ability to use the portfolio content category 3 for RPS compliance.

F. Existing Projects

PG&E will consider any timely Offer from an existing ERR generating facility ("Existing Project"). If the existing ERR is a Qualifying Facility ("QF"), meaning a generation facility meeting the requirements of the Federal Energy Regulatory Commission's ("FERC") rules (18 Code of Federal Regulations Part 292) implementing the Public Utility Regulatory Policies Act of 1978 (16 U.S.C.A. 796, *et seq.*), the Offer must also include: (1) the full name of the QF as well as the QF identification number or any other information that the Participant deems sufficient for PG&E to identify the QF project; and (2) the load serving entity with the existing QF contract; and 3) the date on which any existing power purchase agreement ("Existing PPA") will terminate.

PG&E will consider Offers that would require termination of an Existing PPA to which PG&E is a party and PG&E will incorporate into its evaluation any resulting net customer impacts associated with the early termination of an Existing PPA. An expansion or repowering of an existing project will be considered a new project for evaluation purposes.

If Participant proposes to replace the Existing PPA with an entirely new Agreement, the Offer must clearly quantify any proposed increase of energy, and, if applicable, expansion of capacity from the Existing Project above the amount provided for in the Existing PPA.

V. TERMS FOR RFO PARTICIPATION

A. Binding and Exclusive Nature of Offer

The "RPS Solicitation Protocol Terms and Conditions" attached hereto as Attachment A requires the Participant to agree to be bound by all of the terms of the Solicitation Protocol and to make specified representations and warranties to PG&E. Any response to this Solicitation Protocol must be acknowledged by selecting "Yes" on the Acknowledgement Section of Attachment D of the Offer Form. A Participant submitting an Offer(s) must

agree to negotiate exclusively with PG&E regarding the subject of the Offer(s) for a period of six (6) months from the date of submission of an Offer Deposit following PG&E's notification of Shortlisting.

B. No Guarantee of Offer or Agreement

PG&E welcomes Offers under this Solicitation and anticipates executing Agreements, as it has done in the previous solicitations under the RPS Program. However, PG&E's request for Offers through the publication of this Solicitation Protocol does not constitute an offer to buy and creates no obligation to execute any Agreement as a consequence of this Solicitation. PG&E shall retain the sole discretion to reject any Offer at any time on the ground that it does not conform to the terms and conditions of this Solicitation Protocol. PG&E also retains the discretion, at any time, in its sole judgment, to: (a) reject any Offer on the basis that it does not provide sufficient customer 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 Participants to maximize customer benefit; (d) modify this Solicitation Protocol as necessary to improve the implementation of this Solicitation and to comply with applicable law or other direction provided by the CPUC or any other regulatory entity with applicable jurisdiction; (e) terminate the RFO should the CPUC not authorize PG&E to purchase Products in the manner proposed in this Solicitation Protocol. Notwithstanding the above, PG&E reserves the right to suspend or terminate this Solicitation at any time for any reason whatsoever. PG&E will not be liable, by reason of any of the above actions, to any Participant submitting an Offer in response to this Solicitation.

Under no circumstances shall PG&E be contractually bound by the terms of any Participant's Offer until all the terms of the conditions precedent set forth in the fully-executed Agreement have been satisfied or waived upon mutual agreement of PG&E and the party (or parties) to the Agreement. Two conditions precedent of note are the requirement that the Agreement (i) receives CPUC approval (as provided in each Agreement), and (ii) that the CPUC authorizes rate recovery to PG&E for any payments made under the Agreement.

C. Offer Deposit

If a Participant's Offer is selected for PG&E's shortlist for continued evaluation and negotiation ("Shortlisted") then the Participant must provide to PG&E a collateral deposit ("Offer Deposit"), in the amount of \$3.00 per each kilowatt ("kW") of Project capacity. The Offer Deposit is intended to secure the obligation of each Participant during the Offer negotiation period and to insure that each Offer has been carefully considered and represents an exclusive negotiation with PG&E. The Offer Deposit must be posted with PG&E no later than ten (10) business days after receiving notice from PG&E that Participant qualifies for PG&E's Shortlist, and maintained 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.

1. Form of Offer Deposit

The form of the 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. For cash deposits through a wire transfer 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. In lieu of a cash deposit, the Participant can provide, per the directions above, an Offer Deposit using an irrevocable standby letter of credit, in the form attached hereto as Attachment B: (a) issued either by (i) a U.S. commercial bank, or (ii) a U.S. branch of a foreign commercial bank that meets the following conditions: (A) it has sufficient assets in the U.S. as determined by PG&E, and (B) it is acceptable to PG&E in its sole discretion; (b) for which the issuing U.S. bank or foreign bank, must have a Credit Rating of at least A- from S&P or A3 from Moody’s, with a stable outlook designation. In the event the issuer is rated by both rating agencies and the ratings are not equivalent then the lower rating will apply. 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 Attachment B. 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
77 Beale Street, Mail Code B28L
San Francisco, CA 94105
Attn: Manager, Credit Risk Management**

2. Return of Offer Deposit

The 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.

3. Forfeiture of Offer Deposit

The Participant will forfeit the 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 Offer Deposit, PG&E will be entitled to draw upon the 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.

4. Offer Deposit as Security Under Agreement

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

D. Shortlisting by PG&E and/or Another Load Serving Entity

Participant may participate in the RPS Program solicitation of any number of load serving entities. Participant's Offer to sell generation from a Project may be the same or different from its offer to sell such generation to another load serving entity. If Participant's Offer is selected for one or more of the RPS Program solicitation shortlists, then the following terms will govern the disposition of Participant's Offer under this Solicitation Protocol.

1. Selection to PG&E's Shortlist

If PG&E notifies Participant that it has been included on PG&E's Shortlist, then Participant must perform all of the following in order to remain on the Shortlist:

- (i) Grant PG&E exclusive negotiating rights for the Project within ten (10) business days of the date of PG&E's Shortlist notification; **and**
- (ii) Withdraw its offer from all other RPS Program solicitation(s) within ten (10) business days of the date of PG&E's Shortlist notification; **and**
- (iii) Comply with all other terms of this Solicitation Protocol relating to Offers selected for PG&E's Shortlist, including but not limited to submission of an Offer Deposit (pursuant to Section V.C.) and a completed Taxpayer Identification Number (W-9) form (Attachment M).

2. Selection to the Shortlist of Another Load Serving Entity

If Participant is participating in the solicitation of another load serving entity and receives notice that its offer has been included on that entity's RPS shortlist prior to receiving such notice regarding PG&E's Shortlist, then Participant has ten (10) business days from the date of that shortlist notification to notify PG&E of Participant's election of either paragraph (i) or paragraph (ii) below.

- (i) Withdrawal from PG&E's Solicitation: Participant must notify PG&E within the stated ten (10) business days that Participant is withdrawing its Offer from PG&E's RPS Program Solicitation.
- (ii) Remaining in PG&E's Solicitation: If Participant chooses to remain in PG&E's RPS Program Solicitation, then Participant must withdraw its offer from the other load serving entity's RPS Program solicitation within ten (10) business days of the date of that shortlist notification.

VI. SUBMITTAL PROCESS OVERVIEW, REQUIRED INFORMATION, AND SUBMITTAL DEADLINE

A. Submittal Process Overview

All Offers must be received by January 29, 2013 by 12:00 P.M. Pacific Prevailing Time via hand-delivery or mail delivery to:

Renewables Portfolio Standard RFO
Attn: Energy Procurement, Sandra Burns
77 Beale Street, Mail Code B25J
San Francisco, CA 94105

Hard Copy Documents: Two copies of the Offer letter.

Electronic Documents: Electronic Documents must be stored identically on two (2) USB flash drives, each containing one electronic copy of all documents contained in Participant's Offer(s). The electronic documents must be in a Microsoft Word 2010 and/or Excel 2010 file, as applicable. If you are submitting multiple projects, you may include all documents on one flash drive in separate and distinctly identified folders.

Telephonic, telegraphic, email, or facsimile transmission of a Participant's Offer is not acceptable.

PG&E also reserves the right to contact selected Participants during the evaluation process to clarify any Offers.

B. Need for Complete Offer Packages

Given the date on which PG&E must submit to the CPUC its Shortlist, the Shortlist report on evaluation criteria and selections, and the Independent Evaluator's preliminary report, it is imperative that each Participant's Offer be complete at the time of submission.

Participant's failure to provide all required information may prevent PG&E from being able to evaluate and rank the Offer and thus, may prevent the Offer's inclusion on PG&E's Shortlist.

C. Number of Offers Allowed Per Seller

An Offer refers to a particular project at a particular site. An Offer variation refers to changes in an Offer for the same site. For example, if an Offer is for a wind project on a certain site, the Offer variations may include 10, 15, and 20 year PPA terms. **There is no limit on the number of Offers allowed per Seller. However, each Offer's pricing must be independent—the Offer price for one project may not be dependent on whether PG&E elects to execute a PPA with a different project.** PG&E requests that Sellers select their most competitive and viable projects for submission.

As applicable, files should be provided in Microsoft Word or Excel. Please **DO NOT** password protect the files. The Participant shall not provide documents in other electronic formats, unless specifically requested. Adobe Acrobat or other such pdf files or non-editable files are **ONLY** acceptable if the document is a picture, diagram, map, or other preprinted brochure/material or signature pages. To the extent possible, pdf files should be provided in a searchable format.

Each tab must be a separate folder or document, **not one long pdf**. In addition, please include the Participant's name (a short acronym is fine) in the electronic file name for each file. This will allow PG&E to easily keep each Participant's electronic files separate from those of other Participants.

Offers must contain all required information and must be organized in accordance with these instructions. Participant must complete the following documents, which are located in the Attachments, with Offer-specific information and include each one in its Offer, in the order given below. Participants offering energy and/or RECs from operational facilities can exclude Tabs 6 and 7, and information requested in Tab 3 related to construction of a new facility. PG&E reserves the right to request copies of documents listed in a Participant's Offers(s) but not already included in electronic or hard copies received.

If Participant is submitting an Offer as part of a joint Offer with another Participant or joint venture, PG&E may require additional documentation or put additional conditions on the Participants, such as retaining separate legal counsel or executing a modified confidentiality agreement.

Offer Package:

1. Introduction Introductory Letter Format: MS Word

Provide an Introductory Letter with project information (e.g. technology, capacity, product type, etc.) and a description of any offer variation, if 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, to reduce duplication, an entirely new package is not required.

2. Tab 1 Offer Form (Attachment D) Format: MS Excel

Offers that meet the definition of a Category 1 product must complete Offer Form D1. Category 2 and 3 products must complete Offer Form D2. Please provide all applicable information requested in the Offer Form.

A separate Attachment D must be filled out in its entirety and submitted for each discrete Offer submitted.

Once Sellers have entered the requisite data in the Offer Form, they should click on the “Validate Inputs” tab on the Offer Form to ensure that they have provided the required information in the correct format.

Sellers of Offers for Product from a new or existing ERR must complete the Project Viability Calculator score worksheet, including detailed notes supporting Participant’s score for each criteria in the calculator.

The Offer Form includes an electronic signature box, which must be checked, by which Participants agree to the terms and conditions of the Protocol identified in Attachment A.

3. Tab 2 Term Sheets Format: MS Word

For each Offer, please submit a detailed term sheet, using the template provided in Attachment I. The term sheet lists certain of the most significant terms and conditions in PG&E’s form Agreements. Seller should populate the term sheet by indicating whether Seller agrees to PG&E’s form Agreement language for each term or by noting any changes to the form language requested by the Seller. Prior to completing the term sheet, Seller should carefully review the form Agreements. Please note the shaded sections in the form Agreements, which indicate terms that may not be modified in accordance with and as specified in CPUC Decisions (D.) 04-06-014, D.07-02-011, D.07-11-025 and D.11-01-025. Participants offering Product Category 1 or 2 Offers should review the PPA in Attachment H1. Participants offering Product Category 3 Offers should review the REC Agreement in Attachment H2. If a Product Category 2 Offer is Shortlisted, PG&E will provide a modified PPA to better reflect the structure of the Product Category 2 transaction.

4. Tab 3 Project Description Format: MS Word

Please describe the existing or proposed Project, single-spaced, and include the requested information in Attachment J1.

5. Tab 4 Other Project Attributes Format: MS Word

Please describe other characteristics of the Project requested in Attachment J2.

6. Tab 5 Site Control Format: Word, PDF and GIS compatible file

Please provide information relating to the Project’s location and generation-tie line (“Gen-Tie”) route as requested in Appendix J3.

7. Tab 6 Project Milestone Schedule Format: MS Word

Please provide the information requested in Attachment J4. Exclude for existing projects that do not include an increase to existing capacity.

8. Tab 7 Transmission and Interconnection Format: MS Word

Please provide the requested information in Attachment J5 related to the transmission requirements of the Project. Exclude for existing projects that do not include an increase to existing capacity.

9. Tab 8 Experience and Qualifications Format: MS Word

Please describe the Participants’ experience and staff qualifications, including but not limited to information requested in Attachment J6.

10. Tab 9 Supplemental CEC Filing Format: MS Word

Please provide the requested information in Attachment J7.

11. Tab 10 Supplier Diversity Format: MS Word

Please complete the Supplier Diversity Questionnaire (Attachment L), which requires that Participant describe its plans, if any, to engage in activities that further support PG&E’s supplier diversity goals.

D. Attachment Submission Deadline

Attachments are to be submitted during various dates of the RFO process. Participants should follow the guideline presented in the table below regarding submission.

Table VI.1: Attachment Submission Schedule

SUBMISSION DATE	ATTACHMENT
December 17, 2012	<ul style="list-style-type: none"> • Attachment C: Bidders’ Webinar Registration

SUBMISSION DATE	ATTACHMENT
January 29, 2013, 12:00 P.M. PPT	<ul style="list-style-type: none"> • Attachment D1 or D2: Offer Form, as applicable • Attachment I : Term sheet • Attachment J1 to J7: Project Information • Attachment L: Supplier Diversity Questionnaire
April 15, 2013	Shortlisted Bidders Only <ul style="list-style-type: none"> • Attachment B: Form of Letter of Credit • Attachment G: Confidentiality Agreement • Attachment M: Request for Taxpayer ID Number (W-9)
Negotiation Period: TBD	Shortlisted Bidders Only <ul style="list-style-type: none"> • Attachment H1 or H2: Forms of Power Purchase Agreement or Renewable Energy Credit Purchase Agreement • Attachment E: Participant Credit-Related Form • Attachment N: Additional Project Information

Participants should review the applicable form Agreements. Detailed mark-ups of the form agreements are not required with Participant’s Offer, but Participant should be familiar with the terms and conditions in order to provide the detailed term sheet requested². All executed documents must include the accompanying Microsoft Word file.

Attachment A (Solicitation Protocol Terms and Conditions) and Attachment K (Detailed Least Cost Best Fit Evaluation Criteria) provide information and do not need to be submitted.

VII. OFFER PRICING

A. Pricing for Power Purchase Agreements

Offers must be made in the following units:

² The applicable PPA for power from projects that meet D.11-02-052’s definition of a Category 1 product is Attachment H1. If shortlisted, Participants offering a Category 2 product will use a customized, modified form of Attachment H1. Participants should consider form H1 when developing their term sheet. The applicable PPA for Category 3 products is Attachment H2.

Table VII.1: Product Pricing Units

Product	Price Units
As-Available	\$/MWh
Baseload	\$/MWh
Dispatchable	Capacity: \$/kW-year Energy: \$/MWh
REC	\$/MWh

Participants will enter prices into the Offer Sheet (Attachment D). Prices should be fixed for the delivery term of the Agreement, *i.e.*, no indexed prices, although they may be different from year-to-year. Except for Dispatchable products, the price should be an all-in-price for energy and capacity.

B. Pricing for As-Available and Baseload Products

For As-Available and Baseload products, Sellers will be paid for renewable energy and capacity delivered, in \$/MWh, according to the Time of Delivery (“TOD”) schedule shown in Table VII.2 below, which reflects the relative value of the energy and capacity during the respective periods. Different TOD factors will apply if the project is fully deliverable or energy-only. For example, Sellers that offer a fully deliverable product that provides energy and capacity will be paid their contract price times a TOD factor of 2.297 for each Super-Peak hour of energy delivery from June 1 to September 30. Similarly, Sellers will be paid their contract price times a TOD factor of 0.828 for each Night Hour of delivery from March 1 to May 31.

Table VII.2: Time of Delivery (TOD) Periods & Factors

TOD FACTORS FOR EACH FULLY DELIVERABLE TOD PERIOD			
Period	1. Super-Peak	2. Shoulder	3. Night
June – Sep	2.297	1.069	0.798
Oct – Dec, Jan & Feb	0.953	0.857	0.808
Mar – May	1.041	0.819	0.828
TOD FACTORS FOR EACH ENERGY ONLY TOD PERIOD			
Period	1. Super-Peak	2. Shoulder	3. Night
June – Sep	1.157	1.011	0.951
Oct – Dec, Jan & Feb	1.071	1.018	0.963
Mar – May	0.907	0.937	0.987

Definitions:

1. **Super-Peak** (5x8) = hours ending 13-20 (Pacific Prevailing Time (PPT)) Monday - Friday (*except* NERC Holidays) in the applicable Monthly Period.
2. **Shoulder** = hours ending 7-12, 21 and 22 PPT Monday - Friday (*except* NERC Holidays); and hours ending 7-22 PPT Saturday, Sunday and all NERC Holidays in the applicable Monthly Period.
3. **Night** (7x8) = hours ending 1-6, 23 and 24 PPT all days (including NERC Holidays) in the applicable Monthly Period.

“NERC Holidays” mean the following holidays: New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. Three of these days, Memorial Day, Labor Day, and Thanksgiving Day, occur on the same day each year. Memorial Day is the last Monday in May; Labor Day is the first Monday in September; and Thanksgiving Day is the fourth (4th) Thursday in November. New Year’s Day, Independence Day, and Christmas Day occur on the same date each year, but in the event any of these holidays occur on a Sunday, the “NERC Holiday” is celebrated on the Monday immediately following that Sunday; and if any of these holidays occur on a Saturday, the “NERC Holiday” remains on that Saturday. Notwithstanding anything to the contrary, NERC Holidays shall be calculated as “Shoulder” hours for all non-“Night” hours and any remaining hours shall be calculated as “Night” hours.

C. Pricing for Dispatchable Products

For Dispatchable products, capacity payments will be paid based on demonstrated availability. Table VII.3 below allocates the annual capacity payment among the 12 months of the year by Time of Availability (“TOA”) according to the relative value of capacity in each month. The sum of the TOA factors equals exactly one.

Table VII.3: Time of Availability and Minimum Availability Factors

Month	TOA Factor	Minimum Availability
Jan	4.7%	90%
Feb	2.9%	90%
Mar	2.3%	70%
Apr	3.2%	70%
May	4.2%	70%
Jun	7.1%	95%
Jul	15.7%	95%
Aug	17.8%	95%
Sep	16.9%	95%
Oct	10.3%	90%
Nov	7.6%	90%
Dec	7.3%	90%
	100.0%	85%

To receive the full fixed payment in a given month, the Project will have to demonstrate an Availability Factor at or above the specified Minimum Availability for that month. To improve the potential value of its Offer, the Participant has the option, but not the obligation, to offer higher Minimum Availability Factors in its Offer on the Dispatchable worksheet of the Offer Form (Attachment D1).

Participants must also provide a Project Generation Profile (a Project Availability Profile for Dispatchable products). The applicable profile should represent the Contract Capacity Factor (Contract Availability Factor for Dispatchable products) and take into account planned maintenance and estimated rates of forced outage of the Project.

VIII. EVALUATION OF OFFERS

PG&E will base its evaluation of Offers upon the information contained in the submitted Offer forms. This evaluation will identify the Projects with which PG&E will enter into negotiations, that is, “Shortlisted Projects.” Participants are responsible for the accuracy of all figures, descriptions and calculations. Evaluation criteria include Market Valuation, Transmission Network Upgrade Costs, Location, RPS Portfolio Need, Energy Firmness, Integration Costs³Contract Term Length (Tenor), Curtailment, Project Viability, Contribution to RPS Goals and Supplier Diversity.

In addition, PG&E will consider any limitations on Product Categories 2 and 3 for use towards RPS compliance requirements.

Each Offer will be assessed on each of the criteria described in this Section VIII, and further detailed in Attachment K of this Solicitation Protocol.

A. Market Valuation

Market Valuation compares an Offer’s costs to its market value. Pursuant to D.12-11-016, NMV is calculated for each Offer as follows:

Net Market Value: $R = (E + C) - (P + T + G + I)$

Adjusted Net Market Value: $A = R + S$

Where:

E = Energy Value

C = Capacity Value

P = Post-Time-Of-Delivery (TOD) Adjusted Power Purchase Agreement (PPA) Price

T = Transmission Network Upgrade Cost

G = Congestion Cost

³ Pursuant to D. 12-11-016, integration costs are assumed to be zero.

I = Integration Costs
S = Ancillary Service Value

The risks and uncertainties associated with an Offer's costs and benefits will be considered as part of Market Valuation. These costs and benefits do not include the costs and benefits associated with an Offer's impact on PG&E's portfolio positions.

1. Energy Value

PG&E will assess the market value of the energy deliveries based on the hourly generation profile of the Offer, initial energy delivery date, delivery term of the Transaction, and delivery location. The market value of the energy will be based on the appropriate forward price curves for the corresponding Trading Hub. The Loss multipliers will be used to incorporate losses specific for the location. For REC-only Offers, the energy value will be zero. For offers providing Buyer Curtailment, energy value will include the expected value of Buyer Curtailments for avoiding (presumably negative) wholesale market spot price for the generation from the project.

2. Capacity Value

The value of capacity, including local reliability benefits, associated with each Offer will be determined based on the projected monthly quantity of qualifying capacity. For resources with an expected finding of full capacity deliverability from the CAISO will be attributed the capacity value. However, it will be assumed that the qualifying capacity is zero for the months with energy-only deliveries. For REC-only Offers, the capacity value will be zero.

3. Post-Time-Of-Delivery (TOD) Adjusted Power Purchase Agreement (PPA) Price

PG&E will calculate the Post-TOD Adjusted PPA Price based on the hourly generation profile of the Offer, initial energy delivery date, delivery term of the Transaction, the Offer's contract price. For Dispatchable products, fixed payment calculated from the fixed capacity and Offer's fixed capacity price (\$/kw-yr) under the Offer will be also added to the Post-TOD Adjusted PPA price after being levelized by the energy quantity.

4. Transmission Network Upgrade Cost

Transmission availability and transmission-related costs will be part of the Offer's Market evaluation. PG&E expects to use results from Participants' interconnection studies. However, depending on the timing of and results of the Cluster IV Phase II studies, and the Cluster V Phase I studies, PG&E may use the Transmission Ranking Cost Report ("TRCR") results if more appropriate. The draft TRCR results were filed on June 27, 2012, and are provided as an attachment to the updated 2012 Protocol.

Network upgrades include all facilities necessary to: (i) reinforce the transmission system after the point where a project's electricity first interconnects with and enters the subject utility's transmission grid; and (ii) transmit or deliver the full amount of power from the Project. Network upgrades include transmission lines, transformer banks, special

protection systems, substation breakers, capacitors, and other equipment needed to transfer power to the consumer. Network upgrades are typically upfront funded by Participants, and refunded after commercial operation. The costs of network upgrades are included in transmission rates and paid by customers. Transmission cost adders reflect the cost of potential network upgrades borne by customers. For projects that are fully deliverable, PG&E will consider both reliability and deliverability network upgrades. For energy-only Projects, PG&E will consider only reliability network upgrades when calculating a transmission adder. Any transmission cost adders attributed to the Project will also be considered in bid ranking.

Direct Assignment (or Gen-Tie Facilities): The Participant shall include in its bid price the estimated cost of all the facilities needed to interconnect the renewable energy generation facility to the first point of interconnection with the transmission system grid. These facilities are referred to as direct assignment facilities, or “gen-ties”. Direct assignment facilities include the transformer bank used to step-up the generation output to transmission voltage, the outlet line between this step-up transformer bank and the transmission system, and protection and communication facilities needed for interconnection and safe operation of the generator. Since these costs are in the bid price, they are not included in the calculation of the transmission adder.

5. Congestion Cost

Congestion cost will be calculated based on the hourly generation profile of the Offer, initial energy delivery date, delivery term of the Transaction, and delivery location. The Congestion Cost will be positive if the project is located in an area where the transmission lines are constrained due to serving loads outside of the area from the generation within the area. The Congestion Cost will be negative if the project is located in an area where the transmission lines are constrained due to serving loads within the area from the generation outside of the area. Congestion Cost multipliers will be used to incorporate congestion costs specific for the location. For REC-only Offers, the Congestion Cost will be zero.

6. Integration Cost

Pursuant to D.12-11-016, integration Costs are assumed to be zero.

7. Ancillary Services Value

Ancillary Services value will be assessed based on the Ancillary Service capability of the Offer.

B. Portfolio Adjusted Value

Portfolio Adjusted Value (“PAV”) consists of several components: (1) Location, (2) RPS Portfolio Need, (3) Energy Firmness, (4) Contract Term Length (Tenor), and (5) Curtailment.

1. Location

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 toward 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. The long-term need for new resources in PG&E's service territory is also more likely to be mitigated by a new resource in NP15 than a new resource located in SP15. The calculation of PAV effectuates this by adjusting the value of energy and capacity for offers from resources in SP15. Offers for RPS energy from resources in NP15 will have an equal or higher PAV than comparable offers from resources in SP15.

2. RPS Portfolio Need

PG&E has a preference for offers with deliveries beginning in 2019-2020. PG&E will consider how an offer contributes to PG&E's overall portfolio need for RPS energy. PG&E will consider how an offer contributes to PG&E's overall portfolio need for RPS energy. Offers that deliver RPS energy only in periods when PG&E's portfolio needs RPS energy will have higher PAV and rank better than comparable offers that deliver RPS energy in periods when PG&E's portfolio does not need RPS energy.

3. Energy Firmness

PG&E's Net Market Value calculation of Energy Value uses energy forward price curves that are associated with firm energy. Offers in the RPS RFO are typically not for firm energy. To value the energy benefit for an offer from a resource that has uncertainty in the minute-by-minute production of energy, a risk-adjusted multiplier is used in calculating PAV. Offers that deliver RPS energy with greater firmness will have higher PAV and rank better than equivalent offers that deliver RPS energy with less firmness.

4. Tenor Adjustment

PG&E prefers long-term transactions to match the portfolio's long-term RPS need, and therefore is seeking contracts with delivery periods 10 years or greater. A countervailing consideration is that longer-term transactions may pose greater project risk because of uncertainty in market conditions. PG&E has therefore expressed a preference for offers with delivery periods of 10 to 15 years rather than delivery periods lasting 20 years or more. In calculating PAV, the value of an offer is adjusted for the length of the delivery period being offered (i.e., the "contract term length" or "tenor") using an adder. Provided that an offer has contract term length at least 10 years, the shorter is the contract term length, the higher is the value of the adder, and consequently the higher is the PAV of the offer and the better is the ranking of the offer. Offers with shorter contract term lengths (but contract term length at least 10 years) will have higher PAV and rank better than equivalent offers with longer contract term lengths.

5. Curtailment Hours Offered

PG&E prefers offers that provide PG&E flexibility in scheduling a resource's generation. PG&E values the flexibility associated with Buyer Curtailment. The PPA requires a Seller to offer at least 250 hours of Buyer Curtailment, for which the Seller will be compensated. The PPA also allows a Seller to offer more hours of curtailment, and to specify the price the Seller would be paid for energy deemed delivered in those hours. PG&E will evaluate incremental value of Buyer Curtailments to PG&E's portfolio, above and beyond the expected value included in Net Market Value. Such incremental value may include reducing the portfolio's costs for imbalance energy charges from the CAISO, avoiding involuntary curtailment orders issued by the CAISO to PG&E, avoiding extreme volatility in spot market prices for ancillary services, and similar benefits associated with managing the portfolio.

C. Project Viability

The CPUC developed a Project Viability Calculator ("PVC") with stakeholder participation from utilities, renewable project developers and ratepayer advocates. The CPUC's PVC, along with background on its development, instructions for use and criteria scoring guidelines can be found on <http://www.cpuc.ca.gov/PUC/energy/Renewables/procurement.htm> and in the PVC itself.

PG&E will evaluate the project viability of each offer using the June 2, 2011 CPUC adopted version of the PVC. Participants are requested to self-score each of their offers using the PVC in Attachment D1 and provide supporting documentation for each score. PG&E will review all submissions and adjust self-scores as appropriate. For background, a project's viability score is based on weighted scores in three categories: 1) Company / Development Team, 2) Technology, and 3) Development Milestones. The Project Viability assessment results in a score ranging from 0 to 100 points with 100 being the highest possible score. Offer information required by PG&E for evaluation of project viability is described in this 2012 Solicitation Protocol Section VI. The Participant's claims in all three categories are verified to the extent possible using publicly available data and/or PG&E data.

D. RPS Goals

The RPS Goals evaluation will take into account the Offer's support of the CPUC's and Legislature's RPS program benefits and goals and the state's biomass energy goals, as further described in Attachment K.

E. Supplier Diversity

It is the policy of PG&E that Women-, Minority- and Service Disabled Veteran-owned Business Enterprises ("WMDVBE") shall have the maximum practicable opportunity to participate in the performance of Agreements resulting from this Solicitation. PG&E encourages Participants to carry out PG&E's policy and contribute to PG&E's supplier diversity goal by 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, intent to subcontract with WMDVBEs, and the Participant's own Supplier Diversity Program.

Supplier Diversity is a consideration in the selection process. If Participant is selected and a PPA is negotiated, the PPA will include a requirement to make good faith efforts toward meeting the contracted supplier diversity target, and successful bidder(s) will be expected to report payments made to WMDVBEs to support the project upon request but no less than annually.

F. Credit

Following Shortlisting, PG&E may consider the Participant's capability to perform all of its financial and financing obligations under the Agreements and PG&E's overall credit concentration with the Participant, including any of Participant's affiliates.

G. Modifications

PG&E will assess the materiality and cost impact of any of Participant's proposed modifications to Solicitation requirements and the applicable Agreement or term sheet. PG&E strongly encourages Participants to only make those changes to the Agreement that address particular technology, project development or operational issues. The specially-marked contract terms are non-modifiable by Commission order and shall not be modified.

H. Counterparty Concentration

PG&E may consider the volume of energy already under contract from a particular counterparty, as well as offers received in this solicitation.

IX. CREDIT

Participants that execute an Agreement with PG&E, whether the Project is new or existing, must post collateral to PG&E to mitigate PG&E's risk in the event that the Project is not constructed or placed into commercial operation, or Seller is otherwise unable to meet the conditions of the Agreement prior to the start of the delivery term. PG&E will retain the Project Development Security or Pre-Delivery Term Security to cover the liquidated damages due to PG&E in the event the Participant defaults under the terms of the Agreement prior to the start of the Delivery Term. All Project Development Security or Pre-Delivery Term Security must be in the form of Letter of Credit or cash. If providing a Letter of Credit, please review carefully the Letter of Credit requirements set forth in the applicable Agreement.

A. New Resource Project Development Security

Product Category 1 and 2 Credit Requirements: Participants that execute a PPA for Product Category 1 or 2 transactions must post Project Development Security, as follows:

- a) in the amount of \$15/kW which must be posted within five (5) business days following the date on which the Agreement is executed and maintained until
- b) thirty (30) days following CPUC Approval, as defined in the form Agreements, at which time the security must increase to **\$300/kW** and maintained until Delivery Term Security is posted.

Product Category 3: Participants that execute a REC Agreement, which is a Product Category 3 transaction, must post Project Development Security as follows:

- a) in the amount of \$15/kW which must be posted within five (5) business days following the date on which the Agreement is executed and maintained until
- b) thirty (30) days following CPUC Approval, as defined in the form Agreements, at which time the security must increase to **\$50/kW** and maintained until Delivery Term Security is posted pursuant. For pooled REC offers, PG&E will assume that RECs are delivered at 100% capacity factor for purposes of calculating the Project Development Security.

B. Existing Resource Pre-Delivery Term Security

Pre-Delivery Term Security requirements are the same for Product Category 1, 2 and 3 offers from existing resources. Sellers must post Pre-Delivery Term Security as follows:

- a) the amount of \$15/kW which must be posted within five (5) business days following the date on which the Agreement is executed and maintained until
- b) thirty (30) days following CPUC Approval, as defined in the form Agreements, at which time the security must increase to **\$25/kW** and maintained until Delivery Term Security is posted.

C. Delivery Term Security

From the Commercial Operation Date of the facility, as such term is defined in the Agreement, the Participant must post collateral in the form of cash, Letter of Credit, or guaranty acceptable to PG&E, in the amounts indicated in the Performance Assurances Standards table below, and maintain it until the end of the Delivery Term, as such term is defined in the Agreement.

The Delivery Term Security will be based upon 6, 9 or 12 months of the minimum expected revenue from the Project during the Delivery Term, as set forth in Table IX.1 below. The minimum expected revenue is calculated using the average Contract Price and the average quantity of energy based on contractual Guaranteed Energy Production during the Delivery Term, which is the minimum energy production required under the PPA. (See Section 3.1 of the form PPA, Attachment H). Guaranteed Energy Production is 80 percent of expected Contract Quantity for solar and wind, and 90 percent for other technologies. Participants can calculate the amount of Delivery Term Security applicable to the Offer by

using the calculator in Attachment D of this Solicitation Protocol. Participants must be able to demonstrate their financial ability to provide such security.

Table IX.1

Term		
10 Yr Contract	15 Yr Contract	20 Yr or Greater Contract
Delivery Term Security: 6 months minimum expected revenue of the Project	Delivery Term Security: 9 months minimum expected revenue of the Project	Delivery Term Security: 12 months minimum expected revenue of the Project

Delivery term security is the same for Product Category 1, 2, or 3 Offers.

X. CONFIDENTIALITY/SECURITIES AND EXCHANGE COMMISSION DISCLOSURE

A. Confidentiality

Except with PG&E’s prior written consent, no Participant shall disclose its participation in this Solicitation (other than by attendance at any meeting held by PG&E with respect to the Solicitation) or collaborate on, or discuss with any other Participant or potential Participant bidding strategies or the substance of any Offer(s), including without limitation the price or any other terms or conditions of any Offer(s).

Except as provided below, all information and documents clearly identified by Participant as “Confidential” on the page(s) on which confidential information appears shall be considered confidential information. PG&E shall not disclose such information and documents to any third parties except for PG&E’s or PG&E Corporation’s, officers, directors, employees, agents, counsel, accountants, advisors, or contractors who have a need to know such information and have agreed to keep such information confidential and except as provided below.

Notwithstanding the foregoing, it is expressly contemplated that the information and documents submitted by Participant in connection with this Solicitation will be provided to the CPUC, its staff, the Independent Evaluator, and the PRG for their review. PG&E will seek confidential treatment under D.06-06-066, any successor orders, and/or pursuant to California Public Utilities Code § 583 and General Order 66-C of the CPUC, with respect to any Participant-supplied non-public Solicitation information and documents

("Participant's Confidential Information") that are submitted by PG&E to the CPUC for the purpose of obtaining Regulatory Approval, as discussed in Section XIV. PG&E will also seek confidentiality and/or non-disclosure agreements with the PRG applicable to confidential information submitted by Participants in connection with the Solicitation. PG&E cannot, however, ensure that the CPUC will afford confidential treatment to Participant's Confidential Information, or that confidentiality agreements or orders will be obtained from and/or honored by the PRG or the CPUC.

PG&E retains the right to disclose any information or documents provided by Participant to the CPUC, the PRG, CEC 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 Participant and without liability or any responsibility of PG&E to Participant.

As provided in Section III.A once a Participant is selected for PG&E's Shortlist, the Participant must execute a Confidentiality Agreement (Attachment G) and return such Confidentiality Agreement, along with the required Offer Deposit within ten (10) business days of notification of their selection in order to continue to participate in the Solicitation.

B. Securities and Exchange Commission Disclosure

For each Participant who enters into an Agreement with PG&E, Generally Accepted Accounting Principles and Securities and Exchange Commission rules require PG&E to evaluate if the Participant's financial information must be consolidated by PG&E. Some general guidelines for determining whether consolidation must occur include:

- (i) Determination if the Participant is a variable interest entity under Generally Accepted Accounting Principles;
- (ii) Determination of allocation of risk and benefits;
- (iii) Proportion of total project output being purchased by PG&E;
- (iv) Proportion of expected remaining project life being committed to PG&E; and
- (v) Pricing provisions of the Agreement; that is, does the Agreement contain fixed long-term prices or does pricing vary over the term of the Agreement based on market conditions or other factors.

Following Shortlisting, if PG&E determines that consolidation is required, PG&E may require the following during every calendar quarter for the term of an Agreement:

- (i) Complete financial statements and notes to financial statements; and
- (ii) Financial schedules underlying the financial statements, all within fifteen (15) days of the end of each quarter.

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.

XI. PROCUREMENT REVIEW GROUP REVIEW

Following completion of the evaluation and rankings of Offers, PG&E will submit the results of the evaluation and its recommendations to its PRG. Such information will include at least the all-in cost ranking of Offers, an explanation of the application of transmission cost adders and other integration costs, the use of non-price evaluation criteria, and PG&E's recommendations based on such information. If the PRG concurs with PG&E's recommendation to select an Offer without material modification, PG&E will proceed to notify selected Participants in the manner provided in Section XII below. PG&E, in its sole discretion, shall determine whether a modification proposed by the PRG is material. In the event that the PRG proposes material modifications to PG&E's recommendation, or does not concur with some or all of the results of the evaluation, PG&E may, in its sole discretion and without limitation, do any of the following, as it deems appropriate: (1) inform identified Shortlisted Participants of the results of the PRG evaluation and seek Regulatory Approval of identified Offers in accordance with this Solicitation Protocol without regard to the recommendation of the PRG; (2) notify identified Shortlisted Participants of the modifications proposed by the PRG and, if such modifications are mutually acceptable to PG&E and the affected Participants, seek Regulatory Approval of the selected Offers as modified; (3) if recommended by the PRG, reevaluate the Offers and submit the reevaluated results to the PRG for additional review; (4) reject the Offers; or (5) terminate the Solicitation. PG&E has no obligation to obtain the concurrence of the PRG with respect to any Offer.

PG&E assumes no responsibility for the actions of the PRG, including actions that may delay or otherwise affect the schedule for this Solicitation, including the timing of the selection of Participants and the obtaining of Regulatory Approval.

XII. SHORTLIST NOTIFICATION TO PARTICIPANTS

Based on the Solicitation schedule set forth in Section III, the schedule may be modified at PG&E's sole discretion. PG&E expects to be able to provide an e-mail notification to Participants whose Offers have been Shortlisted and invite the Shortlisted Participants to conduct discussions and negotiations with PG&E regarding Participant's Offer. PG&E anticipates notifying those Participants not selected to the Shortlist shortly thereafter. As previously stated, PG&E also reserves the right to contact selected Participants during the evaluation process to clarify any Offers.

XIII. EXECUTION OF AGREEMENT

By submitting an Offer Deposit upon Shortlisting, Participant agrees to enter into an Agreement that substantially reflects the proposed commercial terms set forth in this Solicitation Protocol as may be modified in accordance with the Term Sheet. PG&E, in its sole discretion, will determine whether any proposed modifications or alterations of the Agreement are material and reserves the right to decline to execute any such document with a selected Participant.

XIV. REGULATORY APPROVAL

As described in each Agreement, Participant's obligation to deliver, and PG&E's obligation to purchase, electric power from Participant's project are expressly conditioned on the occurrence of Regulatory Approval and other conditions precedent set forth in that provision. As used within this Solicitation Protocol and in the context of the Solicitation, "Regulatory Approval" for purposes of this Solicitation Protocol means a final and non-appealable order or orders of the CPUC, without conditions or modifications unacceptable to the Parties, or either of them, which does the following:

1. Approves the Agreement with Participant in its entirety, including payments to be made by PG&E, subject to CPUC review of PG&E's administration of the Agreement, and finds PG&E's entry into the Agreement is reasonable.
2. Authorizes PG&E to recover approved payments and/or revenue requirements in utility rates.
3. Finds that any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California RPS (Public Utilities Code Section 399.11 *et seq.*), Decision 03-06-071, or other applicable law.

XV. DISPUTE RESOLUTION

Except as expressly set forth in this Protocol, by submitting an Offer, Participant knowingly and voluntarily waives all remedies or damages at law or equity concerning or related in any way to the Solicitation, the Solicitation Protocol and/or any attachments to the Solicitation Protocol ("Waived Claims"). The assertion of any Waived Claims by Participant may, to the extent that Participant's Offer has not already been disqualified, automatically disqualify such Offer from further consideration in the Solicitation or otherwise.

By submitting an Offer, Participant agrees that the only forums in which Participant may assert any challenge with respect to the conduct or results of the Solicitation is the CPUC's RPS Order Instituting Rulemaking ("OIR") docket, R.11-05-005¹⁵ or through the Alternative Dispute Resolution ("ADR") services provided by the CPUC pursuant to Resolution ALJ-185, August 25, 2005. The ADR process is voluntary in nature, and does not include processes, such as binding arbitration, that impose a solution on the disputing parties. However, PG&E will consider the use of ADR under the appropriate circumstances. Additional information about this program is available on the CPUC's

¹⁵ Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program, Rulemaking 11-05-005.

website at the following link:

www.cpuc.ca.gov/PUBLISHED/Agenda_resolution/47777.htm.

Participant further agrees that other than through the ADR process, the only means of challenging the conduct or results of the Solicitation is a protest to an Advice Letter Filing seeking approval of one or more Agreements entered into as a result of the Solicitation, that the sole basis for any such protest shall be that PG&E allegedly failed in a material respect to conduct the Solicitation in accordance with this Protocol, and the exclusive remedy available to Participant in the case of such a protest shall be an order of the CPUC that PG&E again conduct any portion of the Solicitation that the CPUC determines was not previously conducted in accordance with the Solicitation Protocol. 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 or ADR process, the Solicitation and any related regulatory proceedings related to the Solicitation, including the RPS OIR, will continue as if the protest had not been filed, unless the CPUC has issued an order suspending the Solicitation or PG&E has elected to terminate the Solicitation.

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 Participant or as a result of a Participant's protest to an advice letter filing with the CPUC resulting from the Solicitation.

Except as expressly provided in this Protocol, 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. Nothing in this Protocol is intended to prevent any Participant from informally communicating with the CPUC or its staff regarding this Solicitation or any other matter.

XVI. TERMINATION OF THE SOLICITATION – RELATED MATTERS

PG&E reserves the right at any time, in its sole discretion, to terminate the Solicitation 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 Solicitation 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 customer 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 Solicitation for any reason, PG&E will not reimburse Participant for any expenses incurred in connection with the Solicitation except the Offer Deposit as expressly provided in Sections V, as applicable. PG&E shall have no obligation to reimburse any Participant's expenses regardless of whether such Participant's Offer is selected, not selected, rejected or disqualified.