December 20, 2012

General

1. **How many bids do you get in the 2011 RFO? How many projects were short listed? How many PPAs have you signed with those bidders from the 2011 RFO?**

   We had over 1000 eligible offers in the last RFO. Shortlisted projects are kept confidential. We shortlist a multiple of what we expect to execute. We signed 7 PPAs from the 2011 RPS RFO.

2. **Do you give any preference to projects on Native American land? Are Native American suppliers considered diverse suppliers?**

   Yes, Native Americans are considered diverse suppliers as established by General Order 156, which set the guidelines for utility programs. We do not give preference to projects on Native American land specifically, but we do take account whether the project is located in a community afflicted with poverty or high unemployment or that suffers from high emission levels.

Valuation

3. **What is the Net Market Value and how is it used?**

   Please see Attachment K: Detailed Least Cost Best Fit located at http://www.pge.com/includes/docs/pdfs/b2b/wholesaleelectricsuppliersolicitation/RPS/2012/Attachment_K_LCBF_12102012.pdf for an explanation of net market value and its use.

4. **Will the effects of any PAV adjustments to pricing evaluation be known up-front? That is, will there be any "real-time" adjustments to pricing (the extent of which would be unknown at contract outset) during a contract term (e.g., year 5) based on these types of factors?**

   PAV adjusted value is a calculation used to assess an offer during the evaluation process and is used for the selection process. The price a seller gets paid is the contract price offered for an offer. There are no PAV price adjustments after contract execution.

5. **Assuming full-deliverability is selected, how is capacity benefit valued for different renewable technologies (for example: intermittent, baseload, thermal w/storage)?**

   To fully answer this question, the context of the system and the generation profile and contractual obligations must be considered. PG&E will be looking at projections of how much capacity may be counted toward resource adequacy going forward, and how much that capacity will be worth. For resources located in NP15 or ZP26, going out over decades, the long run avoided cost of capacity will be used when appropriate. For resources located in SP15, the short run avoided cost of capacity will be used even if we would be using the long run avoided cost of capacity for resources located in NP15 or ZP26. In summary, what this means is that resources located in SP15 will have lower capacity benefits going out over decades.

   With respect to qualifying capacity, we will be looking at equivalent load carrying capability associated with resource, inclusive of outages. For example, if there is a given generation profile of a baseload resource that includes forced outages, it obviously will not run all 8760 hours. ELCC analysis includes 8760 hours in a year so the capacity benefit of this particular baseload resource will be less.

In summary, it is the combination of (a) a resource's generation profile and associated contractual obligations and (b) the context of the electric system that together that will yield the qualifying capacity projections that ultimately is used to determine the capacity benefit.

6. **It sounds like PG&E is looking for is an existing running facility in northern California that has a PPA terminating in 2019 and wants a contract from 2019 to 2029?**

   Our PAV methodology does put a preference on projects located in northern California, delivery terms beginning 2019 and beyond, or a 10 year delivery term. However, these are not the only criteria, and other attributes (e.g. viability) contribute to a successful offer. Fundamentally we are still looking at the value of the offer. You still need to provide a competitively priced offer and it is absolutely possible for someone who doesn't meet all of the aforementioned parameters to have a successful offer.

7. **Can we assume the presentation will be available online?**

   The Webinar presentation is available online now from the 2012 RPS RFO website at: http://www.pge.com/b2b/energysupply/wholesaleelectricsuppliersolicitation/renewables2012/index.shtml

8. **Some of our projects have existed and operated for over 30 years. Presumably, there is no "interconnection" study requirement?**

   If you are an existing and operating facility, then you presumably are already interconnected and there should be no need for an interconnection and we will assume that no upgrades required. However, if you are planning to change the operations of your facility, such as expanding or repowering, you will need to contact the CAISO to make sure no upgrades are required. In addition, you need to make sure you are knowledgeable about the metering and scheduling requirements of the PPA. If you have been operating for a while, you might not have the required CAISO meter. You will need to work with the CAISO to make sure you can meet the metering and scheduling requirements of the PPA.

9. **What year dollars should be used for a 2019 offer? What inflation rate should be used to estimate 2019 dollars?**

   You should use nominal dollars in your offer. It is up to the developer to make any required inflation forecasts to estimate the future construction costs and necessary revenues under the PPA.

Offer Submittal

10. **What is the "Offer Letter"? It is not defined. Is this the Introductory Letter?**

    The offer letter is the introductory letter. We are looking for a brief narrative of what you are offering. This is especially helpful to us when we get offers from a counterparty that might include multiple projects with multiple variations. It is helpful for us to have a roadmap of the offers and documents that are on the flash drive.

11. **The 2012 RPS RFO guidelines allow up to 4 variations per project to be submitted. If more than one variation is offered on a single project, is it possible for more than one variation to be accepted, or will PG&E only accept what it determines to be the best variation submitted?**

    There is a limit of four variations per project. We want you to submit your best and most competitive variations for your project. When PG&E makes its shortlist, PG&E shortlists a project, and our selection will be based on the best variation. PG&E does recognize that during negotiation that some elements of an offer may change.

12. **We desire to submit more than 4 offer variations from one project site. Can we submit more than one Form D1 to allow for greater than 4 offer variations?**

    There is a limit of four variations per project. For each variation, a separate Attachment D1 will need to be completed. For example, if you submit four variations for your project, you will need to submit four Attachments D1.

13. **I was unclear as to whether a Pooled Resources offer could pertain to a REC offer only. Could it pertain to a portfolio of resources from which a bundled product would be derived?**

    Pooled resources pertains to both REC-only offers and product category 2 firmed and shaped offers. However, you cannot submit an offer that contains both REC-only and product category 2 firmed and shaped energy. The offer for pooled resources must be all REC-only or all product category 2 firmed and shaped energy.

14. **I understand you prefer COD in 2019-2020. Is there a limit on how late the COD can be? Is a 2022-2023 COD acceptable?**

    We don't have a limit or requirement that a delivery date start by a certain time. We would find a 2023 acceptable. We will look at other elements, such as project value and viability when we consider your offer. We encourage you to offer variations in start date as well.

15. **The RFO states that an interconnection Phase I study is required. Suppose a project has completed both Phase I and II interconnection studies, but is currently being restudied due to a recent change in size with restudy results expected in April 2013. Can it be submitted to PG&E at the modified size with the original interconnection studies?**

    Your project is eligible to participate. We will evaluate your project based on the study results you have. There is no guarantee that we can consider new information prior to shortlisting. We cannot rely on the representation that costs will go down due to restudy. We will look at costs available to us at time of evaluation. As noted, there is a transmission network upgrade cost cap provision in the PPA. If the restudy costs go up after a PPA is executed, you need to be aware that is a risk borne by the seller.

16. **You have stated a preference for projects from 2019 or later. For solar, the ITC expires in 2016 and may not be extended. (1) What assumptions do advise bidders/ developers to make about 2019, and (2) how much flexibility will PG&E show after PPA execution where changes to federal incentives may impact the previously agreed upon power price?**

(1) PG&E is not advising you how to make assumptions about future tax credits. You need to make your own assumptions in developing the price of your offer. For those concerned about the expiration of the ITC prior to 2019, there might be ways to mitigate the risk of ITC expiration. For example, many sellers plan to build projects early so that they can come online to take advantage of the ITC. These sellers will sell the power on the market until the PPA term begins.

(2) PG&E will not entertain any price flexibility after PPA execution. Once you execute the PPA, you are committed to the price. PG&E will not entertain modifications to the contract price to account for subsequent tax law changes.

17. The phase I study report from CAISO is expected in January 31st. It is possible to provide the study report after January 29th?

The window to submit offers is January 29th through February 6th. Complete offer packages must be submitted by February 6th. For those projects in cluster 3 & 4 and earlier, you already have your studies so we are encouraging you to submit your complete offers on January 29th. At this point, February 6, is a hard deadline that we cannot move because PG&E has a CPUC-mandated deadline to complete its shortlist. The deadline is in the 2012 RPS Plan decision issued by the CPUC, so we need to ensure that we have adequate time to evaluate the offers.

18. Must PG&E be the Scheduling Coordinator (SC) for the project? [If only part of the output of a project is offered in this RFO, might Seller be the SC?]

Our default form PPA is written with PG&E as the SC. You can make us a non-standard offer that would include the Seller being the SC. You may also offer us a percentage of the output from a particular project, although this would be a non-standard offer. We encourage you to be as clear as possible about the terms of your offer and how you envision scheduling will work.

<u>Interconnection outside CAISO</u>

19. Our project is interconnecting to a CA-based municipal utility's substation. Can you please explain how scheduling and forecasting will be handled as well as how this offer might be viewed?

See answer #20.

20. Can you please discuss how RA and full capacity deliverability status would work for a project interconnecting within the BANC system (i.e. to a Northern California-based muni) or IID? For example, if a project is connected to IID and can get firm transmission back to a CAISO delivery point, can it qualify for your RA needs?

Generally speaking, these questions are difficult to answer without details and specifics about how the project will be connected and how it will deliver energy to the CAISO.

It is possible the capacity from a project located in a balancing authority outside of CAISO can count for RA. However, it is considered an import to CAISO. Simply having firm transmission to the CAISO is not enough. You need to be able to show that you will have firm energy at the delivery point. If you are an intermittent resource, we need to know how you will get firm energy at the delivery point.

The impact on scheduling and forecasting may depend on your interconnection arrangement. PG&E does not typically provide scheduling coordinator services unless the energy is being scheduled directly with the CAISO. This may be the case if you are scheduling your energy under a pseudo-tie or dynamic scheduling agreement.

Energy-Only, Full Capacity Deliverability

21. Can you clarify what is meant by "energy only" offers? Context suggests you're referring to electrical energy only, but is PG&E accepting thermal energy only offers (ex: steam generated from solar thermal and delivered to existing PG&E power station)?

Energy-only refers to how your project is interconnected to the CAISO and whether we can count your project's capacity for resource adequacy. If you applied for interconnection as a fully deliverable resource and you complete the interconnection process, then your resource's capacity can be counted towards PG&E's resource adequacy need, which provides a higher value to PG&E. A resource can also apply for interconnection as energy-only. Under this type of interconnection, your project's capacity cannot count towards PG&E's resource adequacy need. This type of interconnection could have lower upgrade costs and faster time to interconnect.

Credit

22. If you don't need power until 2019 to 2020, why do you care about interconnection or land control? Also are you planning to keep the project development security for 7 years on deposit?

Yes, PG&E intends to hold the project development security ("PDS"). The purpose of the PDS is to make sure that during the ensuing seven years that you are still committed to your project and that you build your project and you deliver on your obligation to sell us the energy at the contract price seven years from now.

We care about milestones such as site control or interconnection because we need to know you are a viable project even though you are not delivering energy until 2019. When we see milestones such as site control or that a project is further along in the interconnection process, it is a much better indicator that you are viable than a simple representation that you will take care of those items in the ensuing 7 years.

23. Please confirm credit requirements for existing projects.

Credit requirements for existing resources can be found on page 28 of the Solicitation Protocol.