PUBLIC APPENDIX E
SAN DIEGO GAS & ELECTRIC

Independent Evaluator Report on the May 2013 Renewable Auction Mechanism

November 12, 2013
FOREWORD

PA Consulting Group, Inc. ("PA") served as the Independent Evaluator ("IE") for the San Diego Gas & Electric ("SDG&E") May 2013 Renewable Auction Mechanism ("RAM") solicitation. This report provides PA's evaluation of the process from the drafting of the Request for Offers ("RFO") through to the recommendation of selected bids to the California Public Utilities Commission ("CPUC" or "Commission").

This report contains confidential and/or privileged materials. Review and access are restricted subject to PUC Sections 454.5(g), 583, d.06-06-066, GO 66-C and the Confidentiality Agreement with the CPUC.

This report addresses the CPUC Independent Evaluator Report Template as summarized below:

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<td>Was the outreach sufficient and materials clear such that the bids received met the needs the solicitation was intending to fill?</td>
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<td>If applicable, describe safeguards and methodologies employed by the IOU to compare affiliate bids or UOG ownership proposals. If a utility selected a bid from an affiliate or a bid that would result in utility asset ownership, explain and analyze whether the IOU's selection of such bid(s) was appropriate.</td>
<td>Section 5</td>
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<td>Based on the complete bid process, are the IOU contracts the best overall offers received by the IOU?</td>
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<td>If the contract does not directly reflect a product solicited and bid in an RFO, is the contract superior to the bids received on the products solicited in the RFO? Explain.</td>
<td>Section 7</td>
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<td>8</td>
<td>Is the contract a reasonable way of achieving the need identified in the RFO?</td>
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<td>Based on your analysis of the RFO bids, the bid process, and the overall market, does the contract merit Commission approval? Explain.</td>
<td>Section 9</td>
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<td>10</td>
<td>Based on the complete bid process, should some component(s) be changed to ensure future RFOs are fairer or provide a more efficient, lower cost option?</td>
<td>Section 10</td>
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1 INTRODUCTION

SDG&E launched its May 2013 RAM solicitation with the RFO issued May 20, 2013 and bids due June 28, 2013. This RAM RFO represents SDG&E’s fourth simplified auction style RFO. Background on the RAM program as well as SDG&E’s specific RAM RFO process is provided in this section.

1.1 RAM Background

To promote small-scale renewable development (i.e., 20 MW or less) and supplement California’s Renewable Portfolio Standard (“RPS”) as well as other related factors, the CPUC in Decision (D.) 10-12-048 (“RAM Decision”) issued on December 17, 2010 and Resolution E-4414 (“RAM Resolution”) issued on August 22, 2011 approved and implemented RAM, a new auction based procurement mechanism for the three investor-owned utilities (“IOUs”): Pacific Gas and Electric Company (“PG&E”), Southern California Edison (“SCE”), and SDG&E.

The RAM Decision authorized the IOUs to procure eligible renewable resources located in the service territories of PG&E, SCE and SDG&E for the following three product categories:

- Baseload products: generation resources that produce energy around-the-clock
- Peaking As-Available products: generation resources whose energy production follows the IOU’s hourly load profile during daytime hours
- Non-peaking As-Available products: generation resources whose energy production follows IOU’s off peak hours, usually during the evening hours

Each of the three IOUs filed advice letters with the CPUC to implement the RAM program details that the CPUC approved, with several modifications regarding generators’ eligibility as well as the overall RAM process. Some of these requirements are listed below:

- IOUs shall hold auctions every six months, with the first auction closing no later than November 15, 2011 and the second auction closing no later than May 31, 2012.
- IOUs shall solicit capacity from each product category: baseload, peaking as-available, and non-peaking as-available; SDG&E shall solicit a minimum of three MW from each product category.
- IOUs may procure plus or minus 20 MW of the capacity required in each product category as long as the total capacity procured in each auction is plus or minus 20 MW.
- IOUs shall allow contract term lengths of 10, 15, and 20 years.

1.2 Changes for the May 2012 RAM

Pursuant to Resolution E-4489 and Decision D.12-02-022, the CPUC required certain changes to SDG&E’s May 2012 RAM RFO and RAM Power Purchase Agreement (PPA) as compared to SDG&E’s

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1 Resolution E-4489 issued on April 19, 2012 approved proposed changes to the RAM for PG&E, SCE, and SDG&E. Specifically, this resolution modified the Buyer’s termination right related to commercial operation deadlines and created an option for either bids with energy-only or full capacity deliverability status; Decision 12-02-022 approved SDG&E’s request to merge its Solar Energy Program (“SEP”) obligation to procure 74 MWs of solar photovoltaic generation pursuant to power purchase agreements, with its RAM obligation to procure 81 MWs of renewable generation. As a result, SDG&E filed Advice Letter 2232-E-D which officially increased SDG&E’s total RAM obligation from 81 to 155 MWs in order to incorporate the SEP capacity into its RAM program.
2011 RAM solicitation. In compliance, SDG&E incorporated the following specific changes as well as other non-substantive changes to the RAM RFO materials:

- Increased the deadline by which producers must bring their projects online from 18 months to 24 months after the date of Commission approval
- Revised the RAM PPA to include optional provisions that can be tailored for either energy only or Full Capacity Deliverability Status ("FCDS") projects. The PPA does not require the seller to achieve FCDS as a condition precedent to the effectiveness of the contract, but it does provide a deadline by which FCDS projects must obtain FCDS. SDG&E will pay the seller a price that is discounted by the value of FCDS until the project achieves FCDS, which shall be no later than January 1, 2022. Once the seller achieves FCDS, it will receive a price that includes the value of FCDS
- Included a methodology to consider the resource adequacy benefits and the cost of deliverability upgrades in its RAM RFO
- Increased the total obligation to 155 MW, which reflects the merging of SDG&E Solar Energy Program ("SEP") obligation to procure 74 MW of solar photovoltaic generation pursuant to power purchase agreements with its RAM obligation to procure 81 MW of renewable generation

1.3 Changes for the November 2012 RAM

Pursuant to Resolution E-4546, the CPUC required certain changes to SDG&E's November 2012 RAM RFO and RAM Power Purchase Agreement (PPA) as compared to SDG&E's previous RAM solicitations. In compliance, SDG&E incorporated the following specific changes as well as other non-substantive changes to the RAM RFO materials:

- An existing facility may participate in RAM without restriction if the existing facility is not currently delivering energy pursuant to an existing contractual agreement with SDG&E, PG&E or SCE, or if such an agreement exists but it is scheduled to terminate within 24 months of the proposed effective date of the utility's PPA from that RAM auction, as estimated by that utility's RAM Bidding Protocol (e.g., April 12, 2013)
- Zero payment for a project's output during any hour in excess of 110% of the maximum possible output from the project's contracted capacity and reduced payment at 75% of the PPA price for each MWh of delivered energy from a RAM project in excess of 115% of the annual generation of the project's contracted annual generation deliveries
- Sellers may not procure resource adequacy benefits from a third-party to meet their obligations under the RAM PPA, nor may their resource adequacy benefits be greater than the Net Qualifying Capacity (NQC) of their facility

1.4 Changes for the May 2013 RAM

Pursuant to Resolution E-4582, the CPUC required certain changes to SDG&E's May 2013 RAM RFO and RAM PPA as compared to previous solicitations. In compliance, SDG&E incorporated the following changes as well as other non-substantive changes to the RAM RFO and RAM PPA:

- This RAM solicitation was set to close by June 28, 2013.

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2 SDG&E Advice Letter 2349-E, April 26, 2012.
3 Resolution E-4546 issued on November 8, 2012 approved proposed changes to the RAM for PG&E, SCE, and SDG&E.
- SDG&E reserved one-third of the previously authorized but unsubscribed RAM capacity allocation for the fifth RAM solicitation.
- SDG&E set the target for the fourth RAM solicitation at two-thirds of the previously authorized but unsubscribed RAM capacity allocation.

1.5 SDG&E RAM Process

SDG&E’s RAM program is designed to procure a total of 155 MW over the course of five solicitations. The amount procured for the first three solicitations and the amounts planned to be procured in the last two solicitations are summarized in Table 1 by product category.

**Table 1: SDG&E RAM Procurement Capacity Obligation (MW)**

<table>
<thead>
<tr>
<th>Product</th>
<th>RAM I Nov 2011 (procured)</th>
<th>RAM II May 2012 (procured)</th>
<th>RAM III Nov 2012 (procured)</th>
<th>RAM IV May 2013 (planned)</th>
<th>RAM V 2014 (planned)</th>
<th>Total RAM Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseload</td>
<td>0.0</td>
<td>9.5</td>
<td>0.0</td>
<td>7.0</td>
<td>3.5</td>
<td>20.0</td>
</tr>
<tr>
<td>Peaking As-Available</td>
<td>15.0</td>
<td>18.4</td>
<td>27.0</td>
<td>35.0</td>
<td>16.9</td>
<td>112.3</td>
</tr>
<tr>
<td>Non-Peaking As-Available</td>
<td>0.0</td>
<td>0.0</td>
<td>14.7</td>
<td>5.0</td>
<td>3.0</td>
<td>22.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15.0</strong></td>
<td><strong>27.9</strong></td>
<td><strong>41.7</strong></td>
<td><strong>47.0</strong></td>
<td><strong>23.4</strong></td>
<td><strong>155.0</strong></td>
</tr>
</tbody>
</table>

SDG&E established the schedule for its May 2013 RAM program as summarized in Table 2.

**Table 2: SDG&E May 2013 RAM Schedule**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFO issued</td>
<td>May 20, 2013</td>
</tr>
<tr>
<td>Pre-bidders conference</td>
<td>May 29, 2013</td>
</tr>
<tr>
<td>SDG&amp;E began accepting bids</td>
<td>June 3, 2013</td>
</tr>
<tr>
<td>Deadline for questions</td>
<td>June 6, 2013</td>
</tr>
<tr>
<td>Deadline for submitting offers</td>
<td>June 28, 2013, noon PST</td>
</tr>
<tr>
<td>Notification for winning bidders</td>
<td>September 6, 2013</td>
</tr>
<tr>
<td>Deadline for bidders acceptance/withdrawal</td>
<td>September 13, 2013</td>
</tr>
<tr>
<td>Appreciation letters sent to unsuccessful bidders</td>
<td>October 18, 2013</td>
</tr>
<tr>
<td>PPA execution</td>
<td>October 18, 2013</td>
</tr>
<tr>
<td>SDG&amp;E Submits Tier 2 Advice letter with PPAs to CPUC for approval</td>
<td>November 22, 2013</td>
</tr>
<tr>
<td>Anticipated CPUC approval (prior to any appeal and/or suspension)</td>
<td>December 23, 2013</td>
</tr>
</tbody>
</table>

SDG&E identified several resource requirements in its RAM program to be compliant with the CPUC’s RAM Decision and RAM Resolution. In addition to a maximum size of 20 MW, resources must meet these primary resource eligibility requirements:
- California Energy Commission (CEC) certifiable as an eligible renewable resource
• Utilize a commercially-proven technology (at least 1 installation worldwide)
• New or existing facility\(^5\)
• Sell entire output to SDG&E; sale of partial output from a large system shall not be permitted

Other requirements regarding project capacity, location, and site control, interconnection status, developer experience, project start date, and other factors were included in SDG&E’s RAM RFO, as well as a non-negotiable RAM PPA for selected projects to sign.

SDG&E designed a RAM bid assessment methodology and process to ensure that the bid selection process is transparent, does not favor any technology or counterparty, and is aligned with the RAM requirements. In this process, SDG&E would receive the bids up to the deadline and provide PA access to these bids in a timely manner, similar to procedures for previous renewable RFOs. Once the bids were received, SDG&E would prepare a quick conformance check based on forms submission and a quick review of eligibility. SDG&E would then produce a shortlist of the lowest preliminary bid ranking price\(^6\) to determine if the overall auction results were in a competitive market range. The shortlist would then be screened further for conformance with RAM eligibility requirements.

For each of the conforming shortlisted bids, SDG&E would determine the network upgrade cost adder based on the interconnection study provided by the bidder.\(^7\) The network cost adder would be added to the preliminary bid ranking price to determine the Bid Ranking Price used to evaluate the bids. For FCDS bids, the deliverability cost adder would also be determined based on the interconnection study provided by the bidder.\(^8\)

The least expensive bids for each product category would be selected first based on the lowest Bid Ranking prices, SDG&E would examine the remaining bids to determine if any additional bids should be selected so the total selected would be within 20 MW of the target capacity. To the extent that the selection process resulted in either more or less than the targeted level of capacity in each product category, SDG&E would adjust the target levels accordingly in the next RAM RFO process.

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\(^5\) Existing facilities are subject to an additional restriction regarding existing contracts as identified in E-4546.

\(^6\) Levelized contract cost adjusted for time-of-day as defined in SDG&E’s RAM RFO adjusted for resource adequacy value.

\(^7\) Bidders must have completed a System Impact Study, a Phase I interconnection study, or have passed WDAT Fast Track screens. Evidence of the most recent completed study or equivalent results from the Fast Track process must be included in the offer.

\(^8\) Ibid.
2 ROLE OF THE INDEPENDENT EVALUATOR

This section provides a description of the role of the IE throughout the solicitation and bid selection process, including PA’s specific activities for SDG&E’s May 2013 RAM RFO.

2.1 The IE role

Per CPUC (D.) 04-12-084, the CPUC requires an IE for IOU long-term resource procurement RFOs. The role of the IE is to provide advice to the utility on the design, administration, and evaluation aspects of the RFO. The CPUC clarified that the role of the IE is not to conduct or administer the solicitation, but to "separately evaluate and report on the IOU’s entire solicitation, evaluation, and selection process."\(^9\)

Additionally, the IE is to ensure that SDG&E treats all bidders fairly and equitably and that no technology or counterparty is favored. In particular, the IE is expected to assure that affiliate bids are not favored. The IE also ensures that the bid selection process is transparent and is aligned with the procurement requirements. SDG&E can also call on the IE’s advice as to various evaluation issues that may arise during the RFO process.

2.2 PA’s role as IE

PA performed the role of IE for SDG&E’s four RAM RFOs. For each solicitation, PA was involved from SDG&E’s development of the process and submittal of advice letter through to the selection of the bids. PA ensured that the procedure that SDG&E followed aligned with the process SDG&E established in its RFO and provided fair and equitable treatment of all bids. PA was in regular contact with SDG&E staff throughout the process, addressing SDG&E’s questions and providing recommendations where there were potential issues.

2.2.1 SDG&E process advice letter and RFO

PA reviewed drafts of SDG&E’s Advice Letter for the May 2013 RAM RFO implementation as well as associated documents (RFO, bid forms, PPA). PA concentrated in particular on language describing the bid evaluation and the detailed information to be provided by bidders.

SDG&E and PA reviewed the steps that SDG&E identified would be taken in the RFO evaluation process prior to the bid deadline to ensure that there would be a smooth, clear and jointly understood process in place to efficiently and effectively review the bids.

2.2.2 Pre-bid Conference

PA participated in the pre-bid conference call, on May 29, 2013 and presented a description of the IE role as well as responded to questions. SDG&E presented the overall RAM RFO process and procedures, including a discussion of the distribution and transmission interconnection processes. SDG&E also provided a detailed review of the way in which the FCDS bids and energy only bids would be evaluated as

\(^9\) CPUC D.06-05-039, p. 46.
well as a review of the appropriate way for the bidders to fill out the bid forms for FCDS and energy only bids. As part of this, SDG&E provided a detailed review of the way in which it would consider the value of resource adequacy in evaluation of both FCDS and energy only bids as well as the locational value of the resource (either inside or outside of SDG&E’s local area). SDG&E provided several examples and walked through them on a step-by-step basis to ensure that bidders understood the definitions and evaluation methodology.

To help minimize invalid bid submissions, SDG&E also provided examples of common errors to avoid in submitting bids.

After the pre-bid conference, SDG&E received questions on the RAM RFO process. PA reviewed SDG&E’s responses to these questions and provided comments to ensure that the responses were clear and accurate.

### 2.2.3 Bid submittal process

SDG&E began accepting bids on June 3, 2013 with a deadline at noon Pacific Standard Time on June 28, 2013. PA arranged for access to the bids as they were received by SDG&E. Through this process, SDG&E provided a complete copy of all of the bids to PA.

SDG&E received a total of 97 bids summarized in Table 3 below.

#### Table 3: SDG&E May 2013 RAM RFO Total Bids Received

<table>
<thead>
<tr>
<th></th>
<th>Baseload</th>
<th>Peaking As-Available</th>
<th>Non-Peaking As-Available</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of bids</td>
<td>3</td>
<td>78</td>
<td>16</td>
<td>97</td>
</tr>
</tbody>
</table>

### 2.2.4 Initial bid review and conformance check

Once the bids were received, SDG&E completed an initial conformance check and identified 43 non-conforming bids from 14 counterparties. The primary reasons for nonconformance included the following:

- Failure to provide pricing form or pricing form was invalid
- Failure to provide complete interconnection agreement or interconnection study
- Failure to provide all site control documentation
- Project size did not meet RAM requirements
- Project location did not meet RAM locational requirements (4 projects located in Imperial Irrigation District)

Due to the large number of non-conforming bids, on July 16, 2013 SDG&E sought additional information on 23 bids to be provided by COB on July 18, 2013. Based on these responses, the number of conforming bids was increased to 80. A summary of the number of conforming bids by product category is provided in Table 4 below.

#### Table 4: SDG&E May 2013 RAM RFO Conforming Bids Received

<table>
<thead>
<tr>
<th></th>
<th>Baseload</th>
<th>Peaking As-Available</th>
<th>Non-Peaking As-Available</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of bids</td>
<td>2</td>
<td>64</td>
<td>14</td>
<td>80</td>
</tr>
</tbody>
</table>
SDG&E then compiled an initial list of the key components for each of the 80 conforming bids and provided a copy of the file to PA to compare and review. PA independently reviewed each bid and verified SDG&E’s summary.

2.2.5 Bid selection

After the initial conformance check, SDG&E identified a shortlist of bids to review for further conformance checking. PA and SDG&E discussed the findings on a bid-by-bid basis. To the extent differences were identified, additional review and investigation was prepared by both SDG&E and PA to resolve any inconsistencies.

SDG&E initially selected one baseload bid (5 MW), three peaking as-available bids (33 MW), and one non-peaking as-available bid (5.5 MW). However, the selected baseload bid had previously been selected in RAM III. Because of this, the selected baseload amount is not incremental to what SDG&E has previously procured and the incremental amount for this RAM RFO is 38.5 MW as summarized in Table 5 below, which is within the 20 MW of the 47 MW target for this RAM RFO.

Table 5: SDG&E May 2013 RAM RFO Initial Short-list

<table>
<thead>
<tr>
<th>Contract MW</th>
<th>Baseload*</th>
<th>Peaking As-Available</th>
<th>Non-Peaking As-Available</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>33</td>
<td>5.5</td>
<td></td>
<td>38.5</td>
</tr>
</tbody>
</table>

*Excludes the 5 MW baseload bid that was selected in RAM II

SDG&E reviewed this shortlist with the Procurement Review Group (PRG) and discussed the challenge of selecting additional baseload bids as only two conforming baseload bids were submitted for this RFO.

SD&E recommended waiting for RAM V to fulfill the additional baseload obligation.

SDG&E sent notifications to the five selected bids on September 6, 2013. SDG&E received acceptance e-mails from four projects and one project (an 18 MW peaking as-available project) did not accept.

SDG&E replaced the non-accepted bid with the next lowest price bid of 20 MW of peaking as-available capacity, but the developer indicated they were in negotiations with another party. SDG&E then selected the next two lowest priced bids for a total capacity of 11 MW of peaking as-available. Because of the delays in selecting the bids SDG&E extended the PPA execution from October 18, 2013 to October 23, 2013.

On October 17, 2013, SDG&E received notice from the bidder of two bids totaling 11 MW of peaking as-available capacity that they were withdrawing their bids. This left SDG&E with little time to select a replacement bid and SDG&E proposed to push the required capacity to RAM V. As discussed below, SDG&E discussed this with the PRG and followed up with a call with CPUC staff to further discuss the situation.

Table 6 below provides a summary of the revised selected bids (excluding the 5 MW baseload bid that is a replacement for a RAM II baseload bid). The total of 20.5 MW is 26.5 MW short of the target for this RFO and therefore not within the 20 MW range. SDG&E did attempt to meet the target but with the challenges in terms of withdrawal bids and timing of the withdrawal of bids SDG&E was unable to do so and will push the additional required capacity to RAM V.
Table 6: SDG&E May 2013 RAM RFO Selected bids

<table>
<thead>
<tr>
<th></th>
<th>Baseload*</th>
<th>Peaking As-Available</th>
<th>Non-Peaking As-Available</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract MW</td>
<td>0.0</td>
<td>15.0</td>
<td>5.5</td>
<td>20.5</td>
</tr>
</tbody>
</table>

*Excludes the 5 MW baseload bid that was selected in RAM II

2.2.6 SDG&E’s Procurement Review Group meetings

PA reviewed and provided comments for the RAM RFO related information presented by SDG&E at the PRG meetings for the period May 2013 through October 2013, and participated in these meetings as appropriate. The PRG meetings alternated monthly between conference calls and meetings held in-person in San Francisco. Several of SDG&E’s overall procurement activities are discussed at these meetings and only activities related to SDG&E’s RAM RFO process are addressed in this report.

The following provides a summary of the key highlights, for each of the meetings, related to SDG&E’s RAM RFO.

May 17, 2013

SDG&E discussed the RAM RFO schedule as well as the target amount of capacity by product category for RAM IV.

June 21, 2013

SDG&E provided an update of the RAM IV process. The pre-bidder’s conference was held on May 29, 2013. There were a total of 40 participants for the web conference and SDG&E answered the bidders’ questions during the conference as well as additional questions submitted after the conference.

July 19, 2013

SDG&E provided an initial summary of the results of the bidding process in terms of the number of bids received as well as the results of the initial review of conforming bids. Of the 97 bids received, 43 of them were determined to be non-conforming for various reasons. Because of the large number of non-conforming bids, SDG&E reached out to the bids that were non-conforming due to completeness of filing (i.e., missing document, etc.) and SDG&E was still receiving the additional information as of this meeting.

August 16, 2013

With the additional outreach to bidders, SDG&E was able to increase the total number of conforming bids to 80. SDG&E presented the initial short listed bids that included three peaking as-available bids (33 MW), one non-peaking as-available bid (5.5 MW) and a baseload bid (5 MW) for a total of 43.5 MW. However, the selected baseload bid had previously been selected in RAM II.

Because of this, the selected baseload amount is not incremental to what SDG&E has previously procured and the incremental amount from the initial shortlist of 38.5 MW is within the total 27/67 MW range (i.e., 47 MW minus/plus 20 MW) for this RAM RFO.

SDG&E reviewed the shortlist with the PRG and discussed the challenge of selecting additional baseload bids as only two conforming baseload bids were submitted for this RFO. Therefore, SDG&E recommended waiting for RAM V to fulfill the required baseload obligation.
September 20, 2013

SDG&E presented an update on the RAM IV process including an updated short-list. SDG&E sent notifications to the five selected bids on September 6, 2013. SDG&E received acceptance e-mails from four projects and one project (an 18 MW peaking as-available project) did not accept. SDG&E replaced this bid with the next lowest price bid of 20 MW of peaking as-available capacity, but the developer indicated they were in negotiations with another party. SDG&E then selected the next two lowest priced bids for a total capacity of 11 MW of peaking as-available. Because of the delays in selecting the bids SDG&E extended the PPA execution from October 18, 2013 to October 23, 2013. On October 17, 2013, the updated short list included the same base load and non-peak projects as presented in the previous meeting. For the peaking as-available projects, the 18 MW bid was replaced with two bids for a total of 11 MW. This resulted in a total capacity of 31.5 MW which is within the total 27/67 MW range (i.e., 47 MW minus/plus 20 MW) for this RAM RFO.

October 18, 2013

SDG&E provided the final shortlist at this meeting. The day before the PRG meeting SDG&E received notice from the bidders of the 11 MW of peaking as-available capacity that they were withdrawing their bids, resulting in a total RAM IV capacity of 20.5 MW. This left SDG&E with little time to select a replacement bid and meet the overall RAM IV schedule. SDG&E proposed to push the required capacity to RAM V. This issue was discussed at the PRG meeting and although the resulting capacity was short of the 27/67 MW range, there was general agreement there was not sufficient time for SDG&E to replace the bid and the additional capacity could be pushed to RAM V.
3 ADEQUACY OF OUTREACH AND ROBUSTNESS OF SOLICITATION

This section addresses the adequacy of SDG&E's outreach as well as the solicitation materials.

3.1 Adequacy of outreach

SDG&E expanded its outreach for previous RAM RFO's to include trade groups and continued to reach out to that expanded list for this RFO. Additionally, SDG&E sent an e-mail announcing the May 2013 RAM RFO to its list serve (which includes the e-mail addresses of all of the entities that have responded to SDG&E's previous RFOs). SDG&E also posted a notice in Megawatt Daily.

PA believes that SDG&E extended appropriate outreach for this RAM RFO.

3.2 Solicitation materials

As part of its review of drafts of the Implementation Advice Letter, PA reviewed SDG&E's RFO, model PPA and supporting forms. The bid forms used in this solicitation were similar to those SDG&E used in the previous RAM process.

SDG&E held a pre-bid web-based conference and posted all materials on its website including the answers to questions submitted by the bidders.

In PA's opinion, SDG&E provided appropriate RFO solicitation materials and provided prompt response to any questions received by potential bidders.
4 FAIRNESS OF BIDDING AND SELECTION PROCESS

This section reviews the fairness of SDG&E’s bidding and selection process. This auction based RFO process is different from SDG&E’s other renewable RFO processes, so some of the review parameters used for other RFOs are not relevant for this one.

4.1 Principles used to determine fairness of process

PA used principles originally codified in PA’s report on SDG&E’s 2006 RPS RFO, adjusted appropriately for the RAM RFO Process:10

- Were affiliate bids treated the same as non-affiliate ones?
- Were bidder questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for “clarifications” that provided any one bidder an advantage over others?
- Were bids given equal credibility in the economic evaluation?
- Was there a reasonable justification for any fixed parameters that enter into the methodology (e.g., resource adequacy value; debt equivalence parameters)?
- Were qualitative factors used only to distinguish among substantially equal bids?

4.2 Administration and bid processing

SDG&E addressed the administrative related activities appropriately:

- There were no affiliate bids included in this RFO.
- Bidder questions were answered fairly and consistently.
- SDG&E did not ask for clarifications in such a way as to advantage any bidder.

4.3 Conformance check

SDG&E and PA first independently reviewed the bids for conformance. Over 40 percent of the bids (43 out of 97) were found to be non-conforming. Because of this large number, SDG&E and PA investigated further why so many bids were non-conforming. Some of the bids were clearly non-conforming (e.g., IID location) and others could potentially be conforming if additional or clarified information was provided. For those bids that were found to be non-conforming because of lack of information or a question with the information provided, SDG&E reached out for additional information. With the additional information provided, a total of 80 bids were found to be conforming.

SDG&E and PA reviewed the conforming bids together, on a bid-by-bid basis, and discussed the findings. To the extent differences were identified, additional review and investigation was prepared by both SDG&E and PA to resolve any inconsistencies. Non-conforming bids were not evaluated further.

10 Jacobs, op. cit., p. 3-1.
PA believes that SDG&E’s treatment of non-conforming bids was fair and reasonable.

4.4  SDG&E’s analysis

Quantitative bid analysis was conducted by SDG&E. PA prepared an independent analysis of the bids, and, through this process PA confirmed and verified SDG&E’s findings.

SDG&E addressed the analytic requirements appropriately:

- The bids were give equal credibility in the economic evaluation.
- There were no fixed parameters that entered into the economic evaluation.
- There were no qualitative factors used to distinguish among substantially equal bids.

4.5 Transmission analysis

SDG&E’s model incorporated the costs of required transmission network upgrades or additions, using the information provided from the interconnection study (or equivalent) provided by the bidder. For FCDS bids, SDG&E included the cost for deliverability upgrades. The methodology used to incorporate transmission costs was consistent with the methodology described in the RFO documents.
5 TREATMENT OF AFFILIATE BIDS

There were no affiliate bids or bids that would result in utility asset ownership submitted as part of this RFO.
6 BEST OVERALL OFFERS SELECTED

Through the bid evaluation and selection process, PA believes that SDG&E selected the best offers submitted for SDG&E’s May 2013 RAM RFO. The final selected bids provided a total of 25.5 MW of contracted capacity of which 20.5 MW is incremental. The level selected is not within 20 MW of the 47 MW target capacity. But as discussed in Sections 2.2.5 and 2.2.6, this outcome is reasonable given the number and timing of the withdrawal of selected bids.
7 ALTERNATIVE BID PRODUCTS

There were no alternative bid products offered as part of this RFO.
The final selected bids provide a total of 20.5 MW of incremental capacity and the resubmittal of 5 MW of capacity. Although PA believes that these bids provide SDG&E economic renewable power, the total incremental capacity is not within 20 MW of SDG&E’s 47 MW target for RAM IV. As discussed in Section 10, PA recommends that SDG&E look to increase the success of the number of selected bids through increasing the number of bids selected for the shortlist as well as looking into adding a refundable bid fee that would become non-refundable if the bidder withdraws more than a week after being short listed.
9 BID SELECTION RECOMMENDATION

PA believes the final selected bids provide SDG&E economic renewable power. PA recommends that the CPUC approve these contracts.

PA was involved throughout SDG&E’s RAM RFO process, starting with the design, implementation, and selection of the bids as described in Section 2 of this report. PA believes that SDG&E’s RAM bid assessment methodology and process provided a reasonable means to attain the RAM goals. The final selected bids provide a total of 20.5 MW of incremental capacity and the resubmittal of 5 MW of capacity.
10 RECOMMENDED CHANGES TO BID PROCESS

As noted in the initial RAM RFO documents, SDG&E planned to learn from previous RAM RFO auctions and SDG&E identified and incorporated changes in the May 2013 RAM process. Overall, the RAM IV process worked well and ran smoothly, but there were a large number of nonconforming projects and complications related to the number and timing of selected projects being withdrawn.

Although there was no clear indication as to why there was a sharp increase in the number of non-conforming bids during this RAM process, SDG&E should consider ways to reduce the number of non-conforming bids. SDG&E may be able to add some additional language in the RFO documents or spend more time at the pre-bidder’s conference on how to submit a conforming bid and the importance of providing complete documentation.

SDG&E may also want to consider including more capacity in the shortlist so sufficient capacity would remain if some of the selected bids withdraw. Additionally, SDG&E could potentially add a fee for bidders with the fee becoming non-refundable if the bidder withdraws more than a week after being short-listed. This type of a fee could be designed so that it would not prevent bidders from bidding in all three RAMs as long as they withdraw after being shortlisted from one of the RAM processes.
We are an employee-owned firm of over 2,500 people, operating globally from offices across North America, Europe, the Nordics, the Gulf and Asia Pacific.

We are experts in energy, financial services, life sciences and healthcare, manufacturing, government and public services, defense and security, telecommunications, transport and logistics.

Our deep industry knowledge together with skills in management consulting, technology and innovation allows us to challenge conventional thinking and deliver exceptional results with lasting impact.