

## **AGENDA**

### **Regular Meeting of the Board of Directors of San Diego Community Power (SDCP)**

September 24, 2020

5:00 p.m.

Due to the public health orders and guidelines in California and in accordance with the Governor's Executive Orders N-25-20 and N-29-20, there will be no location for in-person attendance. SDCP is providing alternatives to in-person attendance for viewing and participating in the meeting. Further details are below.

**Note:** Any member of the public may provide comments to the SDCP Board of Directors on any agenda item or on a matter not appearing on the agenda, but within the jurisdiction of the Board. **Written public comments or requests to speak during the meeting must be submitted at least one (1) hour before the start of the meeting by using this ([web form](#)).** Please indicate whether your comment is on a specific agenda item or a non-agenda item when submitting your comment or requesting to speak. When providing comments to the Board, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the Board as a whole through the Chair. Comments may be provided in one of the following manners:

1. **Written Comments.** All written comments received at least one (1) hour before the meeting will be provided to the Board members in writing. In the discretion of the Chair, the first ten (10) submitted comments shall be stated into the record of the meeting. Comments received after the one (1) hour limit will be collected, sent to the Board members in writing, and be part of the public record.
2. **Requests to Speak.** Members of the public who have requested to speak at least one (1) hour before the meeting will be recognized at the appropriate time during the meeting. To allow the Chair to call on you, please provide the following minimum information with your request to speak: your name (if attending by videoconference) or telephone number (if attending by phone).

Comments shall be limited to either 400 words, or 3 minutes when speaking. If you have anything that you wish to be distributed to the Board, please provide it via [info@sdcommunitypower.org](mailto:info@sdcommunitypower.org), who will distribute the information to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar

<https://zoom.us/j/96643320595>

Telephone (Audio Only)

**AGENDA – BOARD OF DIRECTORS – SAN DIEGO COMMUNITY POWER**



**Call to Order**

**Pledge of Allegiance**

**Roll Call**

**Items to be Added, Withdrawn, or Reordered on the Agenda**

**Public Comments**

*Opportunity for members of the public to address the Board on any items not on the agenda but within the jurisdiction of the Board. Members of the public may use the web form noted above to provide a comment or request to speak.*

**Consent Calendar**

*All matters are approved by one motion without discussion unless a member of the Board of Directors requests a specific item to be removed from the Consent Agenda for discussion. A member of the public may use the web form noted above to comment on any item on the Consent Calendar.*

**REGULAR AGENDA**

*The following items call for discussion or action by the Board of Directors. The Board may discuss and/or take action on any item listed below if the Board is so inclined.*

**1. Operations and Administration Report from the Interim Executive Officer**

Recommendation:

1. Receive and file update on various operational and administration activities.
2. Receive and file update on Regulatory Affairs.

**2. Appointment of Interim CEO and Approval of Employment Agreement**

Recommendation: Adopt resolution appointing Bill Carnahan as Interim Chief Executive Officer and approving execution of an Employment Agreement with Mr. Carnahan in substantially the form attached hereto, with non-substantive revisions approved by the Chair and reviewed and approved as to form by the General Counsel.

**3. Approval of CEO Job Description and Initial SDCP Organizational Chart**

Recommendation:

1. Approve Chief Executive Officer (CEO) job description, subject to future changes by the Board of Directors.
2. Approve initial SDCP organizational chart, subject to changes proposed by the CEO and approved by the Board of Directors.

**4. Approval of San Diego Community Power Brand Messaging and Logo**



Recommendation: Approve brand messaging and logo concept from Civilian.

## **5. Approval of Employee Handbook**

Recommendation: Approve employee handbook for San Diego Community Power.

### **Director Comments**

*Board Members may briefly provide information to other members of the Board and the public, ask questions of staff, request an item to be placed on a future agenda, or report on conferences, events, or activities related to SDCP business. There is to be no discussion or action taken on comments made by Directors unless authorized by law.*

### **Reports by Management and General Counsel**

*SDCP Management and General Counsel may briefly provide information to the Board and the public. The Board may engage in discussion if the specific subject matter of the report is identified below, but the Board may not take any action other than to place the matter on a future agenda. Otherwise, there is to be no discussion or action taken unless authorized by law.*

## **ADJOURNMENT**

### ***Compliance with the Americans with Disabilities Act***

SDCP Board of Directors meetings comply with the protections and prohibitions of the Americans with Disabilities Act. Individuals with a disability who require a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may contact (858) 492-6005 or [info@sdcommunitypower.org](mailto:info@sdcommunitypower.org). Requests for disability-related modifications or accommodations require different lead times and should be provided at least 72-hours in advance of the public meeting.

### ***Availability of Board Documents***

Copies of the agenda and agenda packet are available at [www.sdcommunitypower.org/board-meetings](http://www.sdcommunitypower.org/board-meetings). Late-arriving documents related to a Board meeting item which are distributed to a majority of the Members prior to or during the Board meeting are available for public review as required by law. Until SDCP obtains offices, those public records are available for inspection at the City of San Diego Sustainability Department, located at 1200 Third Ave., Suite 1800, San Diego, CA 92101. However, due to the Governor's Executive Orders N-25-20 and N-29-20 and the need for social distancing, that is now suspended and can instead be made available electronically at [info@sdcommunitypower.org](mailto:info@sdcommunitypower.org). The documents may also be posted at the above website. Late-arriving documents received during the meeting are available for review by making an electronic request to the Board Secretary via [info@sdcommunitypower.org](mailto:info@sdcommunitypower.org).



**SAN DIEGO COMMUNITY POWER**  
**Staff Report – Item 1**

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To: San Diego Community Power Board of Directors

From: Cody Hooven, SDCP Interim Executive Officer  
Director/Chief Sustainability Officer, City of San Diego

Subject: Operations and Administration Report from the Interim Executive Officer

Date: September 24, 2020

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**Recommendation**

1. Receive and file update on various operational and administration activities.
2. Receive and file update on Regulatory Affairs.

**Analysis and Discussion**

Staff will provide regular updates to the Board of Directors regarding San Diego Community Power's (SDCP) organizational development, administration and start-up activities. The following is a brief overview of this month's discussion items, which are informational only.

**A) Staffing Needs**

The volume and complexity of the workload for SDCP is accelerating quickly. In order to manage our fast-growing capacity needs successfully, we have opened recruitment for two positions to fill critical and time-sensitive operational roles. The two areas of highest urgency are Power Services and Regulatory Affairs/Compliance. Job announcements were posted for Director level positions in each of these areas, closing on September 27th. We will post recruitments for positions in financial analysis and key customer accounts soon. To ensure a robust pool of applicants, job postings have been shared widely within the San Diego region, our member agencies, statewide CCA networks, energy trade organizations and associations that focus on diverse professionals such as the Association of Women in Energy, the American Association of Blacks in Energy, Hispanics in Energy, and the National Utilities Diversity Council.

**B) Power Resource Solicitations**

Staff, supported by Pacific Energy Advisors, submitted bids in response to SDG&E's Renewable Energy solicitation on June 22, 2020 for power to fill some of SDCP's initial resource needs. SDCP received notice on August 19, 2020 that our offers were not selected for further consideration by SDG&E. Staff have reached out to SDG&E to seek feedback on why SDCP's offers were rejected, and SDG&E staff have agreed to entertain bilateral discussions on procurement. SDCP also submitted bids in response to SDG&E's RA solicitation on June 15, 2020. SDG&E has postponed notifications for selected RA bids several times, receiving notice on September 14, 2020 that our bids were selected and we will be moving forward with



negotiations. Negotiations for short-listed contracts selected through SDCP's first long-term renewables portfolio standard solicitation are underway and contracts will be presented to the Board as needed in the coming months. SDCP is completing its first 2021-2023 Local Resource Adequacy (RA) solicitation –negotiations and contracting efforts are underway with multiple suppliers. SDCP issued a second RA solicitation to ensure every effort is made to secure our allocated amount.

### **C) Update on 2020 Policy Matrix**

Interim SDCP staff and consultants continue to work on start-up policy items as time permits and as directed by the Board. These policies range from operational to customer-based to financial. An updated schedule of planned policies is attached for reference (Attachment A) and will evolve as items are completed or new items are contemplated. Staff has invited Calpine to provide an overview of several upcoming implementation items that will be presented at a future Board meeting, including Terms and Conditions of SDCP enrollment, a Net Energy Metering policy, and product offerings.

### **D) Discussions with San Diego Gas & Electric (SDG&E) and Other Regulatory Items**

*SDG&E:* As previously shared with the Board, SDG&E notified SDCP staff at a July 10, 2020 meeting of a potential delay in their Customer Information System (CIS) roll out which would delay SDCP's 2021 launch schedule, potentially by several months. SDG&E stated the reason for the delay is due to CPUC decision D. 20-06-003 which ordered the utilities to adopt programs and rules to reduce the number of residential customer disconnections due to nonpayment. The new mandates include protections against disconnections for low-income and other vulnerable populations, caps on the number of total disconnections, a new payment plan for arrears forgiveness, and the elimination of deposits and re-connection fees for all customers. The new rules and programs are ordered to go into effect in April 2021, upon the expiration of COVID- 19 protections that are currently in place.

SDCP requested reaffirmation of SDG&E's original timeline and reiterated that a sudden, unilateral change in schedule or accounts has significant operational and financial impacts that are not acceptable. After these initial conversations beginning July 10, representatives from SDG&E, SDCP, and Calpine have established regular check in meetings on this subject and other topics as needed.

SDG&E has since stated they will be able to maintain the phases of SDCP's launch as planned but proposed altering the customer/account mix in those phases. SDCP is reviewing the phases and accounts offered by SDG&E and will propose a slightly revised account mix, still on SDCP's original schedule, that hopefully accommodates SDG&E's needs while also maintaining operational and financial needs and commitments of SDCP. SDCP staff have reinforced the need for timely agreement, in writing, on this issue. Staff are drafting an outline of an agreement based on discussions with SDG&E.

*Regulatory Items:* The CPUC has broad regulatory authority over the energy sector in California, including partial jurisdiction over CCA programs. SDCP and other CCA programs are regularly



affected by CPUC decisions regarding power resources, rates, financial obligations and data retention among other things. SDCP continues to engage in regulatory matters in order to establish a position on key issues and/or provide input on various decisions or actions being considered by the PUC.

This month's regulatory update (Attachment B) includes CPUC proceedings that are currently active and will have an impact on SDCP. This is not an exhaustive list. Staff and Tosdal, APC will continue to monitor or engage in these proceedings and other regulatory activities as needed to ensure SDCP's interests are represented. Staff from Tosdal, APC will be available at the Board meeting to provide an overview of key actions and proceedings.

The Integrated Resource Plan (IRP) provides the CPUC with a 10-year projected look at SDCP's electricity load as part of the integrated resource planning process to ensure that California's electric sector meets its GHG reduction goals while maintaining reliability at the lowest possible costs. The IRP was approved by the Board on August 27, 2020 and filed on September 1, 2020 (the due date).

#### **Attachments**

Attachment A: Updated SDCP Policy Matrix

Attachment B: Tosdal APC Energy Regulatory Update



# San Diego Community Power

## 2020 Policy Matrix

**Purpose:**

This matrix reflects the broader Implementation Timeline while focusing on an abbreviated overview of the policies staff is working on through 2020.

**Notes:**

1. Policies listed below are drawn from the most recent Implementation Timeline adopted at the January 30<sup>th</sup> Board of Directors meeting and 11 California CCAs<sup>1</sup>
2. Policies are intended to guide SDCP operations and procedures rather than set future or aspirational goals.
3. SDCP may wish to consider blending (or bundling) specific policies within general policy categories to reduce the number of individual policies it manages. It may also update completed policies or consider additional policies not included here as its program develops and operational needs evolve.

POLICY CATEGORY/SUBJECT	DESCRIPTION	2020 TIMING/STATUS
<b>ADMINISTRATIVE &amp; OPERATIONS</b>		
SDCP Conflict of Interest Code	Standard C of I policy for seated Board members and relevant SDCP staff members.	DONE
CEO Spending Authority	Authorizes CEO signing authority without prior Board approval; SDCP may consider two policies – one for operational contracts and one for power supply contracts. Describes Board reporting requirements.	DONE
Delegation of Authority to CEO for Regulatory and Legislative Matters	Authorizes CEO to respond timely to requests for regulatory and legislative action that directly impact CCA and SDCP operations. Includes Board reporting requirement.	DONE
Enterprise Risk Management	Describes how operational/business risk is determined and mitigated; may also include energy risk management as a component.	DONE (Energy Risk)
Agency Vendor and Contracting Practices	Describes procurement/vendor contracting guidelines including but not limited to: issuance of RFPs and bid evaluation, local hire, diversity, sustainable and ethical vendor preferences, signing authorities, reporting etc.	DONE (addresses professional services)
Records Retention; Public Access	Compliant with state and federal law, the length of time records of various types will be retained and/or discarded; includes guidelines for public access to SDCP records.	DONE
Information Technology Security	Policies and standards developed by IT security team to manage regulatory compliance, ensure proper staff training and customer satisfaction and minimize legal and criminal risk related to data and information breach. Could also include the AMI data policy described below.	Q4+
Social Media	Describes purpose of using these channels and defines rights/reasons for comment or post removals.	Q4
JPA Expansion/New Members	Considerations when exploring program expansion to areas outside original service area and method of approving new JPA members.	Q4+
Process for Amending/Adopting Agency Policies and JPA Agreement Amendments	Procedures to review/adopt new or amend Agency policies and JPA Amendments. This could also be part of the bylaws.	Q4
<b>PERSONNEL/WORKFORCE</b>		

<sup>1</sup> Clean Power Alliance, Clean Power SF, East Bay Community Energy, Monterey Bay Community Energy, MCE Clean Energy, Peninsula Clean Energy, Redwood Coast Energy Authority, San Jose Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, Valley Clean Energy.



Employee Handbook/Personnel Policies	Describes all legally required elements of an employee policy including fair employment practices, non- discrimination, standard business hours, paid and personal time off, holidays, sick leave, etc.	Q3 (In process)
Other Personnel Policies: Travel and expense reimbursement, laptop/cell phone usage, work from home, etc.	Could be included in the employee handbook or handled as separate policies.	Q3
Inclusive and Sustainable Workforce Policy	Describes SDCP goals and requirements related to sustainable workforce practices, local hire preferences, livable wages, union engagement/project labor agreements, gender and ethnic diversity, etc.	Q3 (In process)
<b>CUSTOMER AND COMMUNITY</b>		
Prohibition Against Dissemination of Untrue or Misleading Information	Prohibits dissemination, by SDCP or other organization, of SDCP rates, terms and conditions of service, or other operational elements that are untrue or misleading.	Q4+
Customer Data Confidentiality	How customer data is to be treated and how to deal with any privacy or security breaches. States that personal customer shall not be shared unless necessary to conduct specific Agency business. Ensures the privacy and security of Advance Metering Infrastructure (AMI) data and customer usage information pursuant to Attachment B of the California Public Utilities Commission Decision 12-08-045.	Q4
Terms and Conditions of Service	Publicly posted customer service policy that provides information on rates, billing, enrollment process, opting out, opting in and failure to pay. If applicable; articulates process for customers who wish to voluntarily enroll in the 100% renewable product in an earlier phase than otherwise scheduled.	Q4
Customer Billing, Enrollment, Delinquent Accounts and Collections	Outlines procedures for customer billing and enrollments, physical address changes, and handling customer accounts that are past due.	Q4
<b>FINANCIAL POLICIES</b>		
Budget Policy	Describes process, reporting and principals for a balanced annual budget and its oversight.	Q3-Q4 (In progress)
Rate Setting Procedures	Describes rate setting principals, goals and general process.	Q4/Q1 2021
Bad Debt	A set percentage revenue reserve to cover bad debt; usually reviewed annually. Could be included in general budget policy.	Q4+ (prior to fiscal year end)
Reserve Policy	Budgeting policy to allow for long-term financial stability, debt reduction and/or funding of new programs and projects.	Q2 2021
Accounts Receivable Reserves	Estimation procedure for reporting accounts receivables, net assets and earnings using historical data; could also be part of a general budget or reserve policy.	Q4+ (prior to fiscal year end)
Signatories on SDCP checks and financial documents	Describes who is authorized to sign checks and legally binding financial documents on behalf of the Agency; could be part of the budget and finance policy.	Q3 (In process – portions in delegation of authority and risk management policies)
Investment Policy	If needed; provides guidelines to consider Agency investments in real property or other investment vehicles.	Q4+ (prior to fiscal year end)
<b>POWER SUPPLY</b>		



Energy Risk Management Policy/ Procedures and Controls for Supply Management and Transactions	Developed in partnership with power services vendor; Describes energy market strategy and processes to regularly monitor, report and manage risk such as credit, liquidity and market risk. Outlines participation in CAISO markets and monitoring transactions. Provides general overview of procurement approach, criteria and practices including open season RFOs and signing authorities. Could also be part of the overall energy risk management policy.	DONE
Evaluation Criteria	<b>NEW</b> – Describes how proposals for power will be evaluated for selection.	Q3 (In process)
Power Content Guidelines	Provides description of renewable and carbon free content targets as well as types of power that may or may not be procured by SDCP	Done
Net Energy Metering Policy	Describes NEM rates, credits and participation process for NEM customers.	Q4+
Feed in Tariff	<b>NEW</b> – Describes a feed in tariff rate structure and participation process.	Q4 (In process)



## ENERGY REGULATORY UPDATE

**To: Cody Hooven, Interim Executive Officer, San Diego Community Power**

**From: Ty Tosdal, Regulatory Counsel, Tosdal APC**

**Re: Energy Regulatory Update**

**Date: September 18, 2020**

The energy regulatory update summarizes important decisions, orders, notices and other developments that have occurred at the California Public Utilities Commission (“Commission”) and that may affect San Diego Community Power (“SDCP”). The summary presented here describes high priority developments and is not an exhaustive list of the regulatory proceedings that are currently being monitored or the subject of active engagement by SDCP. Documents relevant to this summary are in Attachment A. In addition to the proceedings discussed below, Tosdal APC monitors a number of other regulatory proceedings as well as related activity by San Diego Gas & Electric (“SDG&E”) and other Investor-Owned Utilities (“IOUs”).

### **1. SDG&E Advice Letter 3602-E\_2902-G (Arrearage Management Plan)**

SDG&E issued Advice Letter (“AL”) 3602-E\_2902-G on September 9, 2020, and it provides a detailed description of an Arrearage Management Plan (“AMP”) that is designed to protect customers at risk of disconnection for failure to make payments. IOUs are required to adopt an AMP plan as a result of the disconnections decision that the Commission adopted earlier this year, D. 20-06-003. CalCCA and several individual CCA programs were involved in a workshop and negotiations with the IOUs regarding implementation prior to the issuance of the advice letter.

SDG&E plans to track and recover all customer debt forgiven through the AMP program—including CCA customer debt related to commodity costs—and recover that debt on behalf of both the IOUs and the CCAs through the utilities’ Public Purpose Program (“PPP”) charge. This will include all debt forgiven through the AMP Plan for both bundled and unbundled customers, including CCA commodity-related debt forgiven. Notably, the collection and allocation payment method will apply only to CARE/FERA customers through the AMP program. As a result, SDG&E’s Rule 27 will remain unchanged and at the conclusion of the COVID-19 measures in April 2021, SDG&E will continue to follow the payment allocation method outlined in Rule 27.

**Please note that forgiveness of debt or arrearages for CCA customers will require that a CCA program notify the utility and participate in the AMP program.** For unbundled customers to have CCA charges forgiven in the AMP Plan, the CCA must elect to participate in



the AMP Plan. If the CCA does not elect to participate, SDG&E may only forgive the utility charges through its AMP. Therefore, SDG&E requests that participating CCAs provide SDG&E reasonable notice that the CCA is electing to participate in the AMP.

Pursuant to direction from the Energy Division that the AMP program be implemented before April 2021, SDG&E is proposing to implement its AMP program within 90 days of the Energy Division's letter, dated August 13, 2020, or no later than November 11, 2020, or within 45 days after approval of the advice letter, which could be November 12, 2020 at the earliest.

Protests are due within 20 days of the advice letter being issued or no later than September 29, 2020.

## **2. SDG&E PCIA Trigger Application (A.20-07-009)**

The Commission held a Prehearing Conference ("PHC") on August 27, 2020, where the relevant issues and schedule for the proceeding were discussed, as well as a motion to compel production of confidential documents. Given the current status of the proceeding, it is possible but unlikely that the \$8.92 million balance in the PCIA trigger account will be collected this year, and more likely that it will be amortized over a longer period of time. A longer amortization schedule will reduce monthly rate shock by spreading recovery of the balance over a longer period of time. The next steps in the proceeding are the issuance of a scoping memo and a ruling on the motion.

**Related, at a recent Public Utilities Commission meeting, Commissioner Guzman Aceves mentioned that the PCIA cap and trigger mechanism that is currently in place may need to be revisited.** No decision initiating a new proceeding or other action has been taken. IOU representatives have also made suggestions at various times to eliminate the cap and trigger mechanism. The proposed change would have major implications for SDCP and other CCA programs. Further analysis and review are necessary to determine the impacts.

## **3. SDG&E ERRa Forecast Proceeding (A.20-04-014)**

SDCP's counsel on the SDG&E ERRa Forecast have been working diligently to enter documents into the record regarding SDG&E's accounting, rate methodologies and related matters. The consultant, NewGen Strategies, has been contributing significantly to the effort. The next major step in the proceeding is briefing, and briefs are due on September 25, 2020.

## **4. SDG&E Advice Letter 3605-E (Request for Approval of System Reliability Contracts Resulting from SDG&E's Request for Offers Under D. 19-11-016)**

In order to meet the Resource Adequacy procurement requirements ordered by the Commission in D. 19-11-016, SDG&E is seeking approval of its Proposed Transactions of a total of 301.3 MW with at least 150.65 online by August 1, 2021. In the absence of a Commission-ordered cost recovery mechanism, SDG&E is proposing all costs associated with the incremental resource procurement be tracked in a Resource Adequacy Procurement



Memorandum Account (RAPMA) for later recovery through a modified CAM rate. Once a cost recovery mechanism for the modified CAM is adopted by the Commission, implementation of the rate can be approved through SDG&E's ERRR Forecast proceeding. SDG&E anticipates that the modified CAM will be approved sometime in Q1 or Q2 of 2021, which will allow SDG&E to implement the new rate component as part of its 2022 ERRR Forecast Application for rates effective January 1, 2022. Protests to SDG&E AL 3605- E are due October 1, 2020.



## **Attachment A**





Clay Faber - Director  
Federal & CA Regulatory  
8330 Century Park Court  
San Diego, CA 92123

cfaber@sdge.com

September 9, 2020

**ADVICE LETTER 3602-E / 2902-G**  
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: Implementation of San Diego Gas & Electric Company's Arrearage Management Payment (AMP) Plan in Compliance with D.20-06-003**

San Diego Gas & Electric Company (SDG&E) hereby submits this filing to the California Public Utilities Commission (Commission) for approval of modifications to its electric and gas tariffs as shown in Attachments A and B.

**PURPOSE**

The purpose of this Advice Letter (AL) is to comply with Ordering Paragraphs (OP) 83 and 87 of Decision (D.) 20-06-003 (Decision), issued on June 16, 2020, as follows:

- 1) Pursuant to OP 83, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and SDG&E, collectively (IOUs) must each file a Tier 2 AL within 90 days of this decision to implement their Arrearage Management Payment (AMP) plan for California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) residential customers.
- 2) Pursuant to OP 87, the IOUs shall, in the Tier 2 AL implementing the AMP Plan, propose a resolution to address California Community Choice Association's (CalCCA) concern related to the allocation of proportional debt recovery.

**BACKGROUND**

On September 28, 2017, Governor Brown signed Senate Bill (SB) 598 into law. Among other things, SB 598 requires the Commission to develop rules, policies or regulations with a goal of reducing the statewide disconnection rate of gas and electric utility customers by January 1, 2024.

On December 13, 2018, the Commission adopted the interim rules in D.18-12-013, which set forth various emergency interim measures to reduce the number of residential customer disconnections and to improve the reconnection processes for disconnected customers.

On April 16, 2020, in response to the novel Coronavirus pandemic, COVID-19, the Commission issued Resolution M-4842, directing the utilities to implement applicable Emergency Customer



Protections through April 16, 2021. The Emergency Customer Protections include a disconnection moratorium for all residential and small business customers. Additionally, SDG&E proposed a temporary *pro-rata* allocation method for partial payments from CCA customers through April 16, 2021. At the conclusion of the Emergency Customer Protections, SDG&E will revert to the CCA payment allocation method described in its tariffs.

Pursuant to SB 598, on June 11, 2020, the Commission issued D.20-06-003, the Phase 1 Decision adopting rules and policy changes designed to reduce the number of residential customer disconnections for the Investor Owned Utilities. This Decision, among other things, adopts and makes permanent with modifications the Interim Rules Decision and provides additional customer protections. The Decision also establishes the creation of Arrearage Management Payment (AMP) plans administered by the IOUs (AMP program). Through the AMP program, the IOUs are directed to forgive up to \$8,000 of eligible customers' outstanding arrearages as they make on-time monthly payments over the course of 12 months. D.20-06-003 directs the creation of an AMP Working Group comprised of the IOUs, Energy Division, TURN, CCAs and interested parties to discuss details and to reach consensus on the rollout of their proposed AMP plans. The IOUs were further directed to address CalCCA's concerns regarding allocation and recovery of forgiven AMP arrearages for CCA customers during the working group process.

The Decision directs the IOUs to file a Tier 2 advice letter within 90 days of the Decision implementing the AMP and proposing a resolution to address allocation and recovery of CCA AMP-related debt forgiveness. This Advice Letter complies with OP 83 to establish an AMP Plan and OP 87 to propose a resolution to address CCA recovery of customer debt forgiven through the AMP.

## **AMP IMPLEMENTATION**

### **Timing of Implementation**

As a result of the ongoing discussions with the working group, on August 13, 2020, Energy Division issued a letter stating its interpretation that, despite the ongoing COVID-19 Emergency Customer Protections through April 16, 2021, the Decision required implementation of the AMP prior to the end of the Customer Protections period. Energy Division strongly encouraged the IOUs to develop and propose a 2020 AMP implementation date. Pursuant to Energy Division's letter, SDG&E is proposing to implement AMP on the latter of 1) 90 days post-Energy Division's letter dated August 13, 2020, or 2) 45 days after approval of this Advice Letter. This implementation timing permits SDG&E to implement the AMP consistent with Energy Division's direction, and to make any necessary operational changes as directed by Energy Division after Advice Letter approval.

### **Manual Implementation**

As discussed in the working group process, SDG&E is in the process of deploying its new Customer Information System (CIS),<sup>1</sup> scheduled to go online in April 2021. The new CIS is a comprehensive system replacement to improve and support SDG&E's critical business

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<sup>1</sup> SDG&E applied for authority to replace its legacy CIS system in A.17-04-027. The CIS replacement was approved by the Commission in August 2018 in D.18-08-008.



processes and customer engagement functions, and is the product of over three years of effort by SDG&E employees and contractors. At this stage, the CIS replacement requires a system freeze of SDG&E's legacy billing system until the new CIS goes live next year. The system freeze is required to ensure a stable transition and minimize overall risk and customer impact, as SDG&E transitions from its legacy system to the new CIS. Because of the system freeze through April 2021, to implement AMP prior to the CIS "go-live," SDG&E will implement AMP on an entirely manual basis. This will require additional resources, AMP specialists, and lead to additional costs. It is unknown to SDG&E at this time how many customers will sign up for AMP, however, SDG&E currently estimates that approximately 20,000 to 25,000 customer accounts in SDG&E's service territory could be eligible for AMP. The additional program resources for the manual implementation will perform eligibility checks, customer education, calculation and processing of debt forgiveness, processing of monthly acknowledgement correspondence, tracking, and overall program management. AMP specialists will also be responsible for providing on-going support to customers during the AMP program. Due to the manual nature of this process, there will be some limitations to implement the AMP program in 2020. For example, SDG&E is unable to make changes to customer bills at this time, therefore, the bill for an AMP enrolled customer account may not identify AMP until after the new CIS is deployed. Further, all reporting will be done manually through spreadsheets. Reporting is described further below.

### AMP Criteria

Per D.20-06-003, the AMP Plan is a debt forgiveness payment plan option available to assist eligible CARE and FERA residential customers who meet specific eligibility criteria as described below. Upon customer enrollment in the AMP, 1/12<sup>th</sup> of a specific outstanding balance will be forgiven after the customer makes each on-time monthly payment of their current charges.

#### 1. AMP Plan Eligibility and Enrollment Criteria

The AMP Plan is available to an individually metered, bundled and unbundled residential customer account that is currently enrolled in CARE and/or FERA (Eligible Customer).

An Eligible Customer may elect to participate in the AMP Plan if they meet the following conditions:

- a. The Eligible Customer has past due arrearages greater than \$500 for electric and \$250 for gas only customers;
- b. The Eligible Customer has an arrearage at least 90 days of age or older; and,
- c. An Eligible Customer must be a customer of the utility for at least 6 months, and have made at least one (1) full on-time payment of that month's current charges by that month's payment due date within the last 24 months.<sup>2</sup>

#### 2. AMP Plan Forgiveness

- a. Once an Eligible Customer is enrolled in the AMP Plan (AMP Participant), 1/12 of the AMP Participant's debt will be forgiven, up to a maximum of \$8,000 (AMP Amount) per AMP, after each on-time payment of the current month's charges.

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<sup>2</sup> When SDG&E transitions to the new CIS in April 2021, SDG&E will waive this requirement until 24 months' worth of customer payment data is available in its new CIS. The new CIS is converting 13 months of historical data at the time of deployment in April 2021.



- b. After twelve on-time payments of the current month's charges, the AMP Participant's AMP Amount debt will be forgiven. This is considered successful completion of the AMP Plan.
  - a. After successful completion of the AMP Plan, any remaining arrearage (in excess of the \$8,000 forgiven per AMP) is owed to the utility and may be eligible for a payment plan.
- c. Any payment received, including Low Income Home Energy Assistance Program (LIHEAP) pledge payments, shall be applied towards the AMP Participant's current bill only and will not be applied to any AMP Arrearage Amount. If a payment is received in excess of current month's charges, the excess will be applied to future charges.
- d. An AMP Participant will receive an acknowledgment of on-time payment received at three (3), six (6), and nine (9) months of participation in the AMP Plan.
- e. An AMP Participant can miss up to two non-sequential payments if the customer makes up the payment on the next billing due date with an on-time full payment of both the current and missed payments.
- f. An AMP Participant who misses two sequential payments shall be removed from the AMP Plan. An AMP Participant removed from the AMP Plan may re-enroll after completing a 12-month waiting period, which begins the first month after the eligible customer drops out of the AMP. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant is removed from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan.
- g. An AMP Participant, who drops out of the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after dropping out from the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant drops out from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan.
- h. An AMP Participant, who successfully completes the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after successful completion of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria.
- i. All bundled charges forgiven will be recorded to the residential uncollectible balancing account (RUBA).
- j. California Hub for Energy Efficiency Financing (CHEEF) and On Bill Financing (OBF) charges will not be eligible for forgiveness in the AMP Plan.
- k. To make current monthly charges more predictable, an AMP Participant can request to participate in LPP while participating in the AMP Plan.

Pursuant to OP 5, SDG&E will provide annual AMP reporting related to OPs 70-82 of D.20-06-003 beginning in 2022.



### Proposed Marketing and Customer Outreach

Pursuant to Resolution M-4842, SDG&E will continue the disconnection moratorium for residential and small business customers through April 16, 2021. SDG&E will take the following initial steps to provide outreach efforts to enroll eligible customers in the AMP Program.<sup>3</sup>

In order to help customers avoid disconnection and manage unpaid arrearages, SDG&E plans to reach customers in a variety of channels.

At program inception, to ensure information is available and easy to find, AMP requirements, benefits, and FAQ's will be posted on SDG&E's website on relevant assistance pages. Additionally, a communication will be sent to current CARE/FERA customers, to provide awareness of the AMP program and their eligibility. Customers will be directed to call the Customer Care Center (CCC) to speak with an Energy Service Specialist (ESS) with questions and help to enroll, as needed.

Prior to the conclusion of the disconnection moratorium, collection notices will be updated to include general information about AMP benefits and requirements. Current marketing and outreach efforts to eligible CARE/FERA customers will be reviewed to determine where secondary AMP messaging can be included to help raise awareness for at-risk customers. As space permits, secondary messaging about AMP and payment arrangements will be promoted through communication channels such as printed material, email and the SDG&E bill package, as well as through social media channels.

Relevant AMP information will be also provided to community partners and CBOs that serve the most at-risk customers to help communicate program benefits and requirements. As trusted partners to vulnerable populations, these organizations are well positioned to help describe the program in terms that the customers will understand, especially for non-English speaking customers or members of the community who speak English as a second language. AMP enrollment materials will be also be available in multiple languages, as required.

In early 2021 SDG&E will send an outreach communication to residential customers informing them that Emergency Customer Protections are ending and explaining their options for financial assistance, including AMP.

### IOU's Response to CalCCA's Proposed Cost Recovery/Allocation Solutions (OP 87):

D.20-06-003 directs the IOUs to offer AMP plans for all eligible CARE/FERA customers, and to forgive those customers arrearages upon receiving on-time payments. CalCCA actively participated in the Rulemaking to address the impacts of the new disconnection policies, rules, and procedures, including AMP, on the CCAs. To address the potential impact on CCA uncollectibles for CCAs that choose to participate in AMP, the Commission directed the IOUs to address the issues of concern related to proportional recovery raised by CalCCA during the working group and propose a resolution in this Advice Letter. During the working group

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<sup>3</sup> Distribution of marketing and outreach materials will coincide with the AMP implementation date. Pursuant to Energy Division's letter, SDG&E is proposing to implement AMP on the later of 1) 90 days post-Energy Division's letter dated August 13, 2020, or 2) 45 days after approval of this Advice Letter.



process, CalCCA proposed options to address the impacts of AMP debt forgiveness on CCAs who opt to participate in the program. CalCCA's "Option A" proposed that the IOUs track all customer debt forgiven through the AMP program—including CCA customer debt related to commodity costs—and recover that debt on behalf of both the IOUs and the CCAs through the utilities' Public Purpose Program (PPP) charge. SDG&E agrees with CalCCA's "Option A" and proposes to track all debt forgiven through the AMP Plan for both bundled and unbundled customers, including CCA commodity-related debt forgiven. SDG&E further proposes to recover the forgiven debt through the utility's PPP charge, including the commodity-related CCA charges to its participating CCAs.<sup>4</sup> This collection and payment allocation method will apply only to debt forgiven for eligible CARE/FERA customers through the AMP program. Therefore, SDG&E's Rule 27 will not change, and at the conclusion of the COVID-19 Emergency Customer Protections, SDG&E will continue to follow the payment allocation method outlined in Rule 27.

SDG&E's proposed utility charge recovery of AMP costs is consistent with the public purpose nature of the AMP Program. D.20-06-003 establishes AMP as a social program to address those most in need, specifically low-income customers enrolled in CARE/FERA. SDG&E's proposed cost recovery through the PPP charge is similar to SDG&E's CARE/FERA discount program, which is also recovered via the PPP. SDG&E proposes to recover AMP costs via PPP from all customers on an equal cent per kilowatt hour charge based on authorized sales. SDG&E's proposed "Option A" recovery method resolves the cost recovery issue addressed by CalCCA and it facilitates CCA participation in the AMP program.

Absent express notice of a CCA's decision to participate in the AMP Plan, SDG&E does not have the authority or ability to forgive the commodity-related arrearages of CCA customers. Therefore, for unbundled customers to have CCA charges forgiven in the AMP Plan, the CCA must elect to participate in the AMP Plan. If the CCA does not elect to participate, SDG&E may only forgive the utility charges through its AMP. Therefore, SDG&E requests that participating CCA's provide SDG&E reasonable notice that the CCA is electing to participate in the AMP. To that end, SDG&E proposes a 45 day notice period from participating CCAs, after which CCA customers would be eligible for forgiveness of commodity-related costs through the AMP. If a CCA subsequently chooses to discontinue the AMP Plan for commodity costs, SDG&E proposes a 60 day notice period, after which CCA customers enrolling in AMP will not be considered eligible for forgiveness of CCA commodity costs. Additionally, if a CCA decides to discontinue the AMP Plan, any CCA customers already enrolled in the AMP program will remain eligible for the full AMP Amount debt forgiveness of both utility and CCA commodity debts. SDG&E believes it is reasonable for the customers who have relied on the AMP Plan and remain in good standing to continue forgiveness of debt, mid-program, if the CCA decides to terminate the program early. CCA customers enrolled in AMP after a CCA elects not to participate in the AMP program will remain eligible for forgiveness of utility arrearages.

SDG&E proposes that the same processes regarding AMP availability, election to participate, the noticing periods, and cost recovery through PPP, apply for load serving entities (LSEs) for whom SDG&E provides unbundled customer billing for non-commodity utility related charges.

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<sup>4</sup> SDG&E is proposing the aforementioned method to address recovery of CCA debt forgiven through AMP pursuant to OP 87 of D.20-06-003. Consistent with OP 98 and Commission General Order 96-B, Section 5.1(1), SDG&E submits that submission of this proposal is merited through a Tier 2 advice letter. However, given the rate impacts associated with the proposal, the Option A proposal may require approval through a Commission Resolution.



Consistent with this proposal, and pursuant to OP 91 of D.20-06-003, SDG&E will propose the aforementioned cost recovery regarding AMP uncollectibles in a separate Tier 2 AL establishing SDG&E's residential uncollectible balancing account (RUBA), as required by D.20-06-003.

#### Response to CCA Requests For Additional Data Sharing

On Friday, August 28, 2020, at the 4th AMP Working Group, CalCCA requested additional reporting from the IOUs.

SDG&E does not intend to deviate from any of the reports currently provided to its CCAs. The Decision does not specifically require the IOUs to provide this account-specific data or reporting to the CCAs on an ongoing basis, however, SDG&E will work with our CCAs to provide data that they feel they need to successfully facilitate eligible customers into AMP and provide customers with ongoing support. As previously noted, SDG&E is undergoing a generational upgrade to its CIS system, so much of the data requested by CalCCA would have to be provided on a manual basis until the new CIS is operational. The manual nature of the work limits SDG&E's ability to provide certain information on the timeframes requested. SDG&E is unable to provide the AMP-related reporting requested by CalCCA on a weekly basis. SDG&E is looking into whether it could provide reporting on a monthly basis after the CIS replacement. SDG&E further notes that its two Joint Powers Authorities (JPAs) are not scheduled to begin service until mid-2021. SDG&E will work with its current CCA, Solana Energy Alliance, to accommodate data requests prior to implementation of the new CIS system.

#### Net Energy Metering (NEM) Customers

During the 4th AMP Working Group, the parties agreed that AMP eligibility and treatment for all NEM customers<sup>5</sup> would be deferred until a later date. Thus, SDG&E does not have a proposal at this time.

#### Proposed Electric Tariff Modifications:

##### **Rule 1 – Definitions**

**ARREARAGE MANAGEMENT PAYMENT (AMP) PLAN:** AMP is a debt forgiveness payment plan. See also Rule 9.

##### **Rule 9 – Rendering and Payment of Bills**

##### **H. Arrearage Management Payment (AMP) Plan**

Per D.20-06-003, the AMP Plan is a debt forgiveness payment plan option available to eligible customers. Upon customer enrollment in the AMP, 1/12 of the AMP Participant's debt will be forgiven after each on-time payment of the current month's charges.

##### **1. AMP Plan Eligibility and Enrollment Criteria**

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<sup>5</sup> SDG&E NEM tariffs include: NEM, NEM-ST, NEM-FC, NEM-V, NEM-V-ST, VNM-A, VNM-A-ST, and VNEM-SOMAH.



The AMP Plan is available to an individually metered, bundled and unbundled residential customer account that is currently enrolled in CARE and/or FERA (Eligible Customer).

For unbundled customers to have CCA charges forgiven in the AMP Plan, the CCA has to elect to participate to the AMP Plan and provide SDG&E reasonable notice. Within 45 days of SDG&E receiving notice that the CCA has opted into the AMP Plan, SDG&E will consider the CCA customers commodity-related charges eligible for forgiveness through the AMP Plan. If the CCA does not elect to participate, only utility charges will be forgiven.

The AMP Plan is not available to NEM customers (NEM customers include customers participating in NEM, NEM-ST, NEM-FC, NEM-V, NEM-V-ST, VNM-A, VNM-A-ST, and VNEM-SOMAH).

An Eligible Customer may elect to participate in the AMP Plan if they meet the following conditions:

- b. An Eligible Customer has past due arrearages greater than \$500 for electric;
- b. An Eligible Customer has an arrearage at least 90 days of age or older; and,
- c. An Eligible Customer must be a customer for at least 6 months, and has made at least one (1) full on-time payment of that months' current charges by that month's payment due date within the last 24 months.

## 2. AMP Plan Forgiveness

- a. Once an Eligible Customer is enrolled in the AMP Plan (AMP Participant), 1/12 of the AMP Participant's debt will be forgiven, up to a maximum of \$8,000 (AMP Amount) per AMP, after each on-time payment of the current month's charges.
  - i. AMP Amount is determined at the time of enrollment.
- b. After twelve on-time payments of current month's charges, the AMP Participant's AMP Amount debt will be forgiven. This is considered successful completion of the AMP Plan.
  - i. After successful completion of the AMP Plan, any remaining arrearage (in excess of the \$8,000 forgiven, per AMP) is owed to the utility and may be eligible for a payment plan.
- c. Any payment received, including Low Income Home Energy Assistance Program (LIHEAP) pledge payments, shall be applied towards the AMP Participant's current bill only and will not be applied to any AMP Amount. If a payment is received in excess of current month's charges, the excess will be applied to future charges.
- d. An AMP Participant will receive an acknowledgment of on-time payment received at three (3), six (6), and nine (9) months of participation in the AMP Plan.
- e. An AMP Participant can miss up to two non-sequential payments if the customer makes up the payment on the next billing due date with an on-time full payment of both the current month's charges and the previous month's past-due bill(s).
- f. An AMP Participant who misses two sequential payments shall be removed from the AMP Plan. An AMP Participant removed from the AMP Plan may re-enroll after completing a 12-month waiting period, which begins the first month after the eligible customer drops out of the AMP. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant is removed from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of removal.



- g. An AMP Participant, who drops out of the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after dropping out of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant drops out of the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of dropping out.
- h. An AMP Participant who successfully completes the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after successful completion of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria.
- i. All bundled charges forgiven will be recorded to the Residential Uncollectible Balancing Account (RUBA).
- j. CHEEF and OBF charges will not be eligible for forgiveness in the AMP Plan
- k. To make current monthly charges more predictable, an AMP Participant can request to participate in LPP while participating in the AMP Plan.

#### Proposed Gas Tariff Modifications:

#### **Rule 1 – Definitions**

**ARREARAGE MANAGEMENT PAYMENT (AMP) PLAN:** AMP is a debt forgiveness payment plan. See also Rule 9.

#### **Rule 9 – Rendering and Payment of Bills**

##### **G. Arrearage Management Payment (AMP) Plan**

Per D.20-06-003, the AMP Plan is a debt forgiveness payment plan option available to eligible customers. Upon customer enrollment in the AMP, 1/12 of the AMP Participant's debt will be forgiven after each on-time payment of the current month's charges.

##### **1. AMP Plan Eligibility and Enrollment Criteria**

The AMP Plan is available to an individually metered, bundled and unbundled residential customer account that is currently enrolled in CARE and/or FERA (Eligible Customer).

An Eligible Customer may elect to participate in the AMP Plan if they meet the following conditions:

- a. An Eligible Customer has past due arrearages greater than \$250 for gas only customer;
- b. An Eligible Customer has an arrearage at least 90 days of age or older; and,
- c. An Eligible Customer must be a customer for at least 6 months, and has made at least one (1) full on-time payment of that month's current charges by that month's payment due date within the last 24 months.

##### **2. AMP Plan Forgiveness**

- a. Once an Eligible Customer is enrolled in the AMP Plan (AMP Participant), 1/12 of the AMP Participant's debt will be forgiven, up to a maximum of \$8,000 (AMP Amount) per AMP, after each on-time payment of the current month's charges.
  - i. AMP Amount is determined at the time of enrollment.



- b. After twelve on-time payments of current month's charges, the AMP Participant's AMP Amount debt will be forgiven. This is considered successful completion of the AMP Plan.
  - i. After successful completion of the AMP Plan, any remaining arrearage (in excess of the \$8,000 forgiven, per AMP) is owed to the utility and may be eligible for a payment plan.
- c. Any payment received, including Low Income Home Energy Assistance Program (LIHEAP) pledge payments, shall be applied towards the AMP Participant's current bill only and will not be applied to any AMP Amount. If a payment is received in excess of current month's charges, the excess will be applied to future charges.
- d. An AMP Participant will receive an acknowledgment of on-time payment received at three (3), six (6), and nine (9) months of participation in the AMP Plan.
- e. An AMP Participant can miss up to two non-sequential payments if the customer makes up the payment on the next billing due date with an on-time full payment of both the current month's charges and the previous month's past-due bill(s).
- f. An AMP Participant who misses two sequential payments shall be removed from the AMP Plan. An AMP Participant removed from the AMP Plan may re-enroll after completing a 12-month waiting period, which begins the first month after the eligible customer drops out of the AMP. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant is removed from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of removal.
- g. An AMP Participant, who drops out of the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after dropping out of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant drops out of the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of dropping out.
- h. An AMP Participant who successfully completes the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after successful completion of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria.
- i. All bundled charges forgiven will be recorded to the Residential Uncollectible Balancing Account (RUBA).
- j. CHEEF and OBF charges will not be eligible for forgiveness in the AMP Plan
- k. To make current monthly charges more predictable, an AMP Participant can request to participate in LPP while participating in the AMP Plan.

### **EFFECTIVE DATE**

SDG&E believes this submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to OPs 83 and 87 of D.20-06-003 and General Order 96-B. Consistent with OP 98 and Commission General Order 96-B, Section 5.1(1), SDG&E submits that submission of the Option A proposal is merited through a Tier 2 advice letter. However, given the rate impacts associated with the proposal, the Option A proposal may require approval through a Commission Resolution. Pursuant to the agreement reached during the fourth AMP Working Group, SDG&E respectfully requests that this submittal be



approved for implementation on the later of 1) 90 days post-Energy Division's letter dated August 13, 2020, or 2) 45 days after approval of this Advice Letter.

### **PROTEST**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than September 29, 2020, which is 20 days after the date this Advice Letter was submitted with the Commission. There is no restriction on who may submit a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via e-mail to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Greg Anderson  
Regulatory Tariff Manager  
E-mail: [GAnderson@sdge.com](mailto:GAnderson@sdge.com) and  
[SDGETariffs@sdge.com](mailto:SDGETariffs@sdge.com)

### **NOTICE**

A copy of this submittal has been served on the utilities and interested parties shown on the attached list, including interested parties in R.18-07-005, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by email to [SDG&ETariffs@sdge.com](mailto:SDG&ETariffs@sdge.com).

/s/ Clay Faber

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CLAY FABER  
Director – Federal & CA Regulatory



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



**FILED**

07/10/20  
04:59 PM

Expedited Application of San Diego Gas &  
Electric Company (U 902 E) Under the Power  
Charge Indifference Adjustment Account  
Trigger Mechanism.

Application 20-07-\_\_\_\_ **A2007009**  
(Filed on July 10, 2020)

**EXPEDITED APPLICATION OF SAN DIEGO GAS & ELECTRIC  
COMPANY (U 902 E) UNDER THE POWER CHARGE INDIFFERENCE  
ADJUSTMENT ACCOUNT TRIGGER MECHANISM**

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July 10, 2020



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**BEFORE THE PUBLIC UTILITIES COMMISSION  
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Application 20-07-\_\_\_\_  
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**EXPEDITED APPLICATION OF SAN DIEGO GAS & ELECTRIC  
COMPANY (U 902 E) UNDER THE POWER CHARGE INDIFFERENCE  
ADJUSTMENT ACCOUNT TRIGGER MECHANISM**

**I. INTRODUCTION**

Pursuant to Decision (“D.”) 18-10-019 and in accordance with Rule 2.1 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) respectfully submits this Expedited Trigger Application (“Application”) addressing the disposition of SDG&E’s undercollection as currently recorded in its Power Charge Indifference Adjustment (“PCIA”) undercollection balancing account (“CAPBA”). As noted below, and in accordance with D.18-10-019, this Application contains a proposed, expedited schedule “for approval in 60 days from the filing date.”

As explained in more detail in the accompanying Prepared Direct Testimony of Eric L. Dalton on behalf of SDG&E (“Testimony of Eric L. Dalton”), SDG&E’s CAPBA balance through April 30, 2020 is undercollected by \$2.22 million, or 7.9%, which exceeds the 7% trigger point.<sup>1</sup> Based on its forecasts and assumptions, SDG&E does not expect that its CAPBA balance will self-correct below the 7% trigger point within 120 days of April 30, 2020. Rather, SDG&E’s CAPBA undercollection exceeded the 10% trigger threshold on May 31, 2020 and SDG&E expects the

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<sup>1</sup> This determination was reached on May 13, 2020 at which time SDG&E assessed its CAPBA recorded balance as of April 30, 2020 and forecasted that it would not self-correct within 120 days.



CAPBA undercollection to reach \$8.92 million (or 32% of forecasted PCIA revenues of \$28 million) by December 31, 2020.

Accordingly, SDG&E requests that the Commission authorize a refund to bundled customers<sup>2</sup> and simultaneous increase to PCIA rates due to its \$8.92 million<sup>3</sup> undercollected CAPBA balance, projected as of December 31, 2020, and allow it to be amortized in rates over a 3-month period (beginning October 1, 2020 and concluding December 31, 2020). SDG&E's proposal to amortize the CAPBA undercollection over a 3-month period would bring the projected CAPBA balance below 7% and maintain the balance below that level until January 1, 2021 as required by D.18-10-019.<sup>4</sup>

By this Application, SDG&E is proposing to increase the current effective vintage PCIA rates in order to bring the CAPBA account balance below 7% and refund bundled customers for the undercollection amount associated with the CAPBA trigger that is the result of the 2020 PCIA capped rates applicable to SDG&E's 2020 ERRRA Forecast Filing Application (A.19-04-010).<sup>5</sup> SDG&E proposes to increase PCIA rates for its Departing Load<sup>6</sup> customers using the existing revenue allocation applied for the PCIA common template – *i.e.*, using the generation revenue allocation factors. (See Section III below for discussion of proposed PCIA rates and illustrative rate impact using the generation revenue allocation factors.)

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<sup>2</sup> Bundled customers are customers who receive bundled electric service from SDG&E, meaning they receive electric generation and utility distribution company ("UDC") services. Most of SDG&E's customers are bundled customers.

<sup>3</sup> \$8.92 million is without Franchise Fees & Uncollectibles ("FF&U"). With FF&U it is \$9.03 million.

<sup>4</sup> D.18-10-019, Ordering Paragraph ("OP") 10.d.

<sup>5</sup> Approved January 16, 2020 via D.20-01-005 and implemented per AL 3500-E on February 1, 2020.

<sup>6</sup> Departing Load customers are customers who only receive electric UDC services from SDG&E. Departing Load customers include Direct Access (DA), Community Choice Aggregation (CCA), and Green Tariff Shared Renewables (GTSR) customers.



However, SDG&E recognizes that a 3-month amortization period using the approved PCIA cost recovery methodology of generation revenue allocation factors<sup>7</sup> has the potential to create significant “rate shock” or short-term rate instability for Departing Load customers. Therefore, SDG&E is also presenting an *alternative* proposal to amortize the undercollection over a 3-month period using an alternative equal cents per kilowatt-hour (“kWh”) cost recovery in order to mitigate against rate instability and minimize rate shock for Departing Load customers.<sup>8</sup> In this alternative cost recovery proposal, SDG&E proposes to increase PCIA rates for its Departing Load customers using an equal cents per kWh vintage rate, regardless of customer class. (See Section III below for discussion of proposed PCIA rates and illustrative rate impact using an equal cents per kWh methodology.)

Under either proposal, a typical bundled non-California Alternative Rates for Energy (“CARE”) residential customer in the inland climate zone using 400 kWh could see a monthly summer bill decrease of 0.9%, or \$0.95 (from \$111.71 to \$110.76) and a monthly winter bill decrease of 0.8%, or \$0.94 (from \$112.36 to \$111.42).<sup>9</sup>

## **II. BACKGROUND**

In D.06-07-030, as modified by D.07-01-030, the Commission resolved various issues relating to the cost responsibility surcharge applicable to Direct Access (“DA”) and Municipal Departing Load customers within the service territories of the IOUs. The PCIA component of the

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<sup>7</sup> D.18-10-019, OP 4.

<sup>8</sup> SDG&E explored other amortization periods to reduce the rate impact to Departing Load customers, however, any period other than a 3-month period would not bring SDG&E’s projected CAPBA balance below 7% by January 1 of the following year as required by the PCIA trigger mechanism set forth in D. 18-10-019.

<sup>9</sup> Bill impacts are based on electric rates effective July 1, 2020 per Advice Letter (“AL”) 3556-E. Customers’ actual bill impacts will vary with usage per month, by season and by climate zone.



cost responsibility surcharge is intended to preserve bundled customer indifference to customers that migrate from bundled load by ensuring that Departing Load customers pay their share of the cost responsibility associated with the above-market-costs of the utilities' total procurement portfolio. Under the methodology adopted by the Commission in D.08-09-012, the Commission refined the indifference amount methodology by introducing the requirement to vintage Departing Load customers, based on their departure date, when assigning responsibility for the total portfolio of resources.

In D.18-10-019, the Commission adopted an annual true-up mechanism as well as a cap that limits the change of the PCIA rate from one year to the next. Starting in forecast year 2020, the cap level of the PCIA rate was set at 0.5 cents/ kWh more than the prior year's PCIA, differentiated by system average vintage rate. AL 3436-E established the PCIA undercollection balancing account (CAPBA).<sup>10</sup> CAPBA establishes an interest-bearing balance account that will be used in the event that the PCIA cap is reached, in order to track any obligation that accrues for Departing Load customers by vintage subaccounts.

D.18-10-019 established a trigger mechanism for the PCIA cap to provide flexibility to avoid excessive undercollections and to enable the Commission to act quickly to address undercollections in the CAPBA.<sup>11</sup> D.18-10-019 set a trigger threshold of 10% of the forecast PCIA revenues and a trigger mechanism to ensure that the 10% threshold would not be reached. The trigger mechanism requires the filing of an expedited application for the Commission's approval within 60 days from the filing date when the recorded monthly CAPBA balance undercollection reaches a 7% trigger point and SDG&E forecasts that the balance will reach

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<sup>10</sup> SDG&E AL 3436-E was filed on September 30, 2019 and approved on October 31, 2019.

<sup>11</sup> D.18-10-019, Finding of Facts 19 & 24.



10%.<sup>12</sup> The Commission further requires that the application include a projected account balance as of 60 days or more from the date of filing depending on when the balance will reach the 10% threshold.<sup>13</sup> The application also requires a proposed revised PCIA rate that will bring the projected CAPBA account balance below 7% and maintain the balance below that level until January 1 of the following year, when the PCIA rate adopted in SDG&E's ERRa forecast proceeding will take effect.<sup>14</sup> The Testimony of Eric L. Dalton and Stacy Fuhrer addresses each of these requirements.

### **III. RELIEF REQUESTED**

Through this Application, and in accordance with the statutory and regulatory directives noted above, SDG&E is seeking the Commission's expedited authorization to increase PCIA rates for Departing Load customers, and simultaneously decrease bundled commodity rates, due to the CAPBA undercollection based on the expected balance at the time the decision on this Application is implemented and SDG&E's best estimate for activity in the months prior to implementation. As of the time of this Application, SDG&E projects an \$8.92 million<sup>15</sup> CAPBA undercollection as of December 31, 2020. SDG&E requests authorization to obtain funding from Departing Load customers of \$8.92 million<sup>16</sup> in order to bring the balance down to zero and refund bundled customers. SDG&E requests that it be permitted to amortize this amount over a 3-month amortization period beginning on October 1, 2020 and ending December 31, 2020. Using this 3-month amortization period will prevent the 2020 CAPBA balance from exceeding the 7% trigger

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<sup>12</sup> D.18-10-019, pp. 86-87 & OP 10.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> \$8.92 million is without FF&U. With FF&U it is \$9.03 million.

<sup>16</sup> *Id.*



threshold until January 1, 2021 and enable SDG&E to comply with the Trigger Mechanism as stated in D.18-10-019.

As discussed further in the Testimony of Eric L. Dalton, the principal cause of SDG&E's trigger situation is the fact that SDG&E's CAPBA mechanism was set up to have bundled customers fund the revenue shortfall of Departing Load customers due to the \$0.005/kWh PCIA rate cap per vintage. For 2020, the amount of the Departing Load customers' forecast of PCIA revenues is \$28 million. The primary cause of the current undercollection is that the PCIA rates approved in SDG&E's 2020 ERRA Forecast Application do not reflect the recovery of the entire forecasted Departing Load PCIA revenues of \$28 million due to the \$0.005/kWh PCIA rate cap per vintage adopted by the Commission in D.18-10-019.<sup>17</sup>

Given the potential for short-term rate instability to Departing Load customers caused by the PCIA rate cap requirement and the need for a 3-month amortization period to comply with Commission directives, SDG&E is presenting two alternative cost recovery proposals. SDG&E's initial proposal seeks to increase PCIA rates for its Departing Load customers using the existing allocation applied for the PCIA common template – *i.e.*, using the generation revenue allocation factors. Using generation revenue allocation factors, a typical residential Departing Load customer in the 2015 PCIA vintage using 400 kWh per month could see a bill increase of approximately \$187 (from \$13 to \$200) from the PCIA charge for the 3-month period October, November and December 2020.<sup>18</sup>

SDG&E's alternative proposal seeks to increase PCIA rates for its Departing Load customers using an equal cents per kWh vintage rate, regardless of customer class. Using an equal

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<sup>17</sup> D.18-10-019, OP 9.

<sup>18</sup> See Prepared Direct Testimony of Stacy Fuhrer, pp. 9-11 for detailed information regarding proposed PCIA rates and rate impact using the generation revenue allocation factors.



cents per kWh vintage rate, a typical residential Departing Load customer in the 2015 PCIA vintage using 400 kWh per month could see a bill increase of approximately \$30 (from \$13 to \$43) for the 3-month period October, November and December 2020.<sup>19</sup>

Table 1 below compares current effective 2015 vintage PCIA rates with the two 3-month amortization proposals included in this Application. As reflected below, SDG&E's alternative proposal provides a measure of relief to Departing Load customers from the PCIA rate increases that would otherwise be required using generation revenue allocation factors.

**Table 1 - Comparison of Illustrative 2015 Vintage PCIA Rates Under Each Proposal<sup>20</sup>**

<b>Customer Classes</b>	<b>Current Effective Rates<sup>21</sup> (¢/kWh)</b>	<b>Proposed Rates Using Generation Revenue Allocation (¢/kWh)</b>	<b>Proposed Rates Using Equal Cents per kWh (¢/kWh)</b>	<b>Difference in Proposed Rates</b>
Residential	3.205	49.976	10.830	(39.147)
Small Commercial	2.693	24.045	10.318	(13.727)
Medium and Large Commercial and Industrial	2.964	6.711	10.589	3.877
Agriculture	2.239	78.627	9.863	(68.758)
Streetlighting	2.106	42.549	9.731	(32.818)
System	3.001	10.625	10.625	0.000

As discussed further in the Testimony of Stacy Fuhrer, SDG&E recommends that this alternative proposal be adopted by the Commission for several reasons. First, using the existing

<sup>19</sup> See Prepared Direct Testimony of Stacy Fuhrer, pp. 13-17 for detailed information regarding proposed PCIA rates and rate impact using an equal cents per kWh methodology.

<sup>20</sup> SDG&E shows an impact to PCIA vintage 2015 only as it is the last vintage capped with an undercollection. All PCIA rates shown are final cumulative rates.

<sup>21</sup> Rates effective February 1, 2020 per AL 3500-E.



approved generation revenue allocation factors creates a distortion, which negatively impacts multiple customer classes who have minimal Departing Load sales (including residential and agriculture) in the vintages where the PCIA cap was assessed. This distortion is due to the generation revenue allocation factors approved in SDG&E's 2016 GRC Phase 2 D.17-08-030 being calculated based on SDG&E's bundled system load sales, not Departing Load specific sales. Second, given that the PCIA cap is calculated at the vintage system rate level,<sup>22</sup> it is just and reasonable to assess the CAPBA trigger revenues at the vintage system level as well. Finally, because every class within a vintage benefited from the cap, it is just and reasonable that revenues be recovered equally.

It should be noted that this alternative equal cents per kWh proposal deviates from the approved PCIA cost recovery methodology utilizing generation revenue allocation factors. Therefore, SDGE requests Commission authorization to employ this alternative cost recovery method to establish just and reasonable PCIA rates for Departing Load customers in its service territory in connection with this CAPBA trigger proceeding.

#### **IV. STATUTORY AND PROCEDURAL REQUIREMENTS**

##### **A. Rule 2.1 (a) – (c)**

In accordance with Rule 2.1 (a) – (c) of the Commission's Rules of Practice and Procedure, SDG&E provides the following information.

##### **1. Rule 2.1 (a) - Legal Name**

SDG&E is a corporation organized and existing under the laws of the State of California. SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. The exact legal name of the Applicant is San Diego

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<sup>22</sup> Approved in D.18-10-019.



Gas & Electric Company. SDG&E's principal place of business is 8330 Century Park Court, San Diego, California 92123. SDG&E's attorney in this matter is Roger A. Cerda.

**2. Rule 2.1 (b) - Correspondence**

Correspondence or communications regarding this Application should be addressed to:

Shewit Woldegiorgis  
Regulatory Case Manager  
San Diego Gas & Electric Company  
8330 Century Park Court, CP32F  
San Diego, CA 92123  
Telephone: (619) 696-2229  
Facsimile: (619) 699-5027  
Email: [swoldegiorgis@sdge.com](mailto:swoldegiorgis@sdge.com)

With copies to:

Roger A. Cerda  
San Diego Gas & Electric Company  
8330 Century Park Court, CP32D  
San Diego, CA 92123  
Telephone: (858) 654-1781  
Facsimile: (619) 699-5027  
Email: [rcerda@sdge.com](mailto:rcerda@sdge.com)

**3. Rule 2.1 (c)**

**a. Proposed Category of Proceeding**

In accordance with Rule 7.1, SDG&E requests that this Application be categorized as ratesetting because SDG&E's proposed recovery of an CAPBA undercollection will influence SDG&E's rates.

**b. Need for Hearings**

SDG&E does not believe that approval of this Application will require hearings. SDG&E has provided ample supporting testimony, analysis and documentation that provide the Commission with a sufficient record upon which to grant the relief requested.



**c. Issues to be Considered**

The issues to be considered are described in this Application and the accompanying testimony and exhibits. SDG&E does not believe there are any issues related to safety considerations that need to be considered in this Application.

**d. Proposed Schedule**

SDG&E proposes the following expedited schedule.<sup>23</sup>

<b><u>ACTION</u></b>	<b><u>DATE</u></b>
Application Filed	July 10, 2020
Protests	August 10, 2020
Expedited Reply to Protests	August 14, 2020
Prehearing Conference	August 19, 2020
Proposed Decision	August 26, 2020
Expedited Comments on Proposed Decision	September 1, 2020
Expedited Reply Comments on Proposed Decision	September 4, 2020
Commission Decision Adopted	September 10, 2020

**B. Rule 2.2 – Articles of Incorporation**

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission on September 10, 2014 in connection with SDG&E Application 14-09-008 and is incorporated herein by reference.

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<sup>23</sup> Pursuant to D.18-10-019, trigger applications are to be expedited for approval in 60 days from the filing date when the balance reaches 7%. D.18-10-019, OP 10 (b).



**C. Rule 3.2 (a) – (d) – Authority to Change Rates**

In accordance with Rule 3.2 (a) – (d) of the Commission’s Rules of Practice and Procedure, SDG&E provides the following information.<sup>24</sup>

**1. Rule 3.2 (a) (1) – Balance Sheet**

SDG&E’s financial statement, balance sheet and income statement for the three-month period ending March 31, 2020 are included with this Application as **Attachment A**.

**2. Rule 3.2 (a) (2) – Statement of Effective Rates**

A statement of all of SDG&E’s presently effective electric rates can be viewed electronically on SDG&E’s website. **Attachment B** to this Application provides the current table of contents from SDG&E’s electric tariffs on file with the Commission.

**3. Rule 3.2 (a) (3) – Statement of Proposed Rate Change**

A statement of proposed rate changes is attached as **Attachment C**.

**4. Rule 3.2 (a) (4) – Description of Property and Equipment**

SDG&E is in the business of generating, transmitting and distributing electric energy to San Diego County and part of Orange County. SDG&E also purchases, transmits and distributes natural gas to customers in San Diego County. SDG&E has electric transmission, distribution and service lines in San Diego, Orange and Imperial Counties. This includes a composite 92% ownership in the 500 kV Southwest Powerlink including substations and transmission lines, which run through San Diego and Imperial Counties to the Palo Verde substation in Arizona. This also includes full ownership of the 500 kV Sunrise Powerlink including substations and transmission lines, which run through San Diego and Imperial Counties to the Imperial Valley substation. Gas facilities consist of the Moreno gas compressor station in Riverside County and the Rainbow

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<sup>24</sup> Note Rule 3.2(a) (9) is not applicable to this application.



compressor station located in San Diego County. The gas is transmitted through high and low-pressure distribution mains and service lines.

Applicant's original cost of utility plant, together with the related reserves for depreciation and amortization three-month period ending March 31, 2020, is shown on the Statement of Original Cost and Depreciation Reserves included in **Attachment D**.

**5. Rule 3.2 (a) (5) and (6) – Summary of Earnings**

A summary of SDG&E's earnings (for the total utility operations for the company) for three-month period ending March 31, 2020 is included as **Attachment E** to this Application.

**6. Rule 3.2 (a) (7) – Statement Regarding Tax Depreciation**

For financial statement purposes, depreciation of utility plant has been computed on a straight-line remaining life basis, at rates based on the estimated useful lives of plan properties. For federal income tax accrual purposes, SDG&E generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes, "flow through accounting" has been adopted for such properties. For tax property additions in years 1981 through 1986, SDG&E has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SDG&E has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

**7. Rule 3.2 (a) (8) – Proxy Statement**

A copy of the most recent proxy statement sent to all shareholders of SDG&E's parent company, Sempra Energy, dated March 19, 2020, was mailed to the Commission on April 13, 2020, and is incorporated herein by reference.



**8. Rule 3.2 (a) (10) – Statement re Pass Through to Customers**

The rate changes reflected in this Application pass through to customers only increased costs to the corporation for the services or commodities furnished by it. However, the overall impact of this Application is a rate decrease to bundled customers and a rate increase to Departing Load customers.

**9. Rule 3.2 (b) – Notice to State, Cities and Counties**

In compliance with Rule 3.2 (b) of the Commission’s Rules of Practice and Procedure, SDG&E will, within twenty days after the filing this Application, mail a notice to the State of California and to the cities and counties in its service territory and to all those persons listed in **Attachment F** to this Application.

**10. Rule 3.2 (c) – Newspaper Publication**

In compliance with Rule 3.2 (c) of the Commission’s Rules of Practice and Procedure, SDG&E will, within twenty days after the filing of this Application, publish in newspapers of general circulation in each county in its service territory notice of this Application.

**11. Rule 3.2 (d) – Bill Insert Notice**

In compliance with Rule 3.2 (d) of the Commission’s Rules of Practice and Procedure, SDG&E will, within 45 days after the filing of this Application, provide notice of this Application to all of its customers along with the regular bills sent to those customers that will generally describe the proposed rate changes addressed in this Application.

**V. SERVICE**

This is a new application. No service list has been established. Accordingly, SDG&E will serve this Application, testimony and related exhibits on parties to the service lists for SDG&E’s 2021 ERRRA Forecast Application (A.20-04-014) and its 2020 ERRRA Forecast Application (A.19-04-010). Electronic copies will be sent to Chief ALJ Anne Simon and Administrative Law Judge Peter Wercinski.



## VI. CONCLUSION

Based on this Application and the supporting testimony and exhibits, SDG&E respectfully requests that the Commission grant the relief requested above and such additional relief as the Commission believes is just and reasonable.

Respectfully submitted,

/s/ Roger A. Cerda  
Roger A. Cerda  
San Diego Gas & Electric Company  
8330 Century Park Court, CP32D  
San Diego, CA 92123  
Telephone: (858) 654-1781  
Facsimile: (619) 699-5027  
Email: rcerda@sdge.com

Attorney for:  
SAN DIEGO GAS & ELECTRIC COMPANY

July 10, 2020

By: /s/ Miguel Romero  
Miguel Romero  
San Diego Gas & Electric Company  
VP – Energy Supply



## **OFFICER VERIFICATION**



## OFFICER VERIFICATION

Miguel Romero declares the following:

I am an officer of San Diego Gas & Electric Company and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing **EXPEDITED APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) UNDER THE POWER CHARGE INDIFFERENCE ADJUSTMENT ACCOUNT TRIGGER MECHANISM** are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on July 10, 2020 at San Diego, California.

By: /s/ Miguel Romero  
Miguel Romero  
San Diego Gas & Electric Company  
VP – Energy Supply



# **ATTACHMENT A**

## **Financial Statement, Balance Sheet, and Income Statement**



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**FINANCIAL STATEMENT**  
March 31, 2020

<b>(a) Amounts and Kinds of Stock Authorized:</b>				
Common Stock		255,000,000	shares	Without Par Value
<b>Amounts and Kinds of Stock Outstanding:</b>				
Common Stock		116,583,358	shares	291,458,395

**(b) Brief Description of Mortgage:**

Full information as to this item is given in Decision Nos. 93-09-069, 96-05-066, 00-01-016, 04-01-009, 06-05-015, 08-07-029, 10-10-023, 12-03-005, 15-08-011, and 18-02-012 to which references are hereby made.

**(c) Number and Amount of Bonds Authorized and Issued:**

	Nominal	Par Value		
	Date of	Authorized		Interest Paid
First Mortgage Bonds:	Issue	and Issued	Outstanding	as of Q1' 2020
5.875% Series VV, due 2034	06-17-04	43,615,000	43,615,000	2,561,912
5.875% Series WW, due 2034	06-17-04	40,000,000	40,000,000	2,349,570
5.875% Series XX, due 2034	06-17-04	35,000,000	35,000,000	2,055,874
5.875% Series YY, due 2034	06-17-04	24,000,000	24,000,000	1,409,742
5.875% Series ZZ, due 2034	06-17-04	33,650,000	33,650,000	1,976,576
4.00% Series AAA, due 2039	06-17-04	75,000,000	75,000,000	3,000,000
5.35% Series BBB, due 2035	05-19-05	250,000,000	250,000,000	13,375,000
6.00% Series DDD, due 2026	06-08-06	250,000,000	250,000,000	15,000,000
6.125% Series FFF, due 2037	09-20-07	250,000,000	250,000,000	15,312,500
6.00% Series GGG, due 2039	05-14-09	300,000,000	300,000,000	18,000,000
5.35% Series HHH, due 2040	05-13-10	250,000,000	250,000,000	13,375,000
4.50% Series III, due 2040	08-26-10	500,000,000	500,000,000	22,500,000
3.00% Series JJJ, due 2021	08-18-11	350,000,000	350,000,000	10,500,000
3.95% Series LLL, due 2041	11-17-11	250,000,000	250,000,000	9,875,000
4.30% Series MMM, due 2042	03-22-12	250,000,000	250,000,000	10,750,000
3.60% Series NNN, due 2023	09-09-13	450,000,000	450,000,000	16,200,000
1.9140% Series PPP, due 2022	03-12-15	250,000,000	26,097,289	2,221,628
2.50% Series QQQ, due 2026	05-19-16	500,000,000	500,000,000	12,500,000
3.75% Series RRR, due 2047	06-08-17	400,000,000	400,000,000	15,000,000
4.15% Series SSS, due 2048	05-17-18	400,000,000	400,000,000	16,600,000
4.10% Series TTT, due 2049	05-31-19	400,000,000	400,000,000	8,883,333
<b>Total First Mortgage Bonds:</b>			<b>5,077,362,289</b>	<b>213,446,135</b>
<b>Total Bonds:</b>				<b>213,446,135</b>

Line Of Credit Drawdown	03-16-20	200,000,000	200,000,000	0
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<b>TOTAL LONG-TERM DEBT</b>			<b>5,277,362,289</b>	
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**SAN DIEGO GAS & ELECTRIC COMPANY**  
**FINANCIAL STATEMENT**

March 31, 2020

<b>Other Indebtedness:</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>Outstanding</b>	<b>Interest Paid 2020</b>
Commercial Paper & ST Bank	Various	Various	Various	200,000,000	\$887,742

Amounts and Rates of Dividends Declared:

The amounts and rates of dividends during the past five fiscal years are as follows:

<b>Preferred Stock</b>	<b>Shares Outstanding</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

<b>Common Stock</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
[1]	175,000,000	450,000,000	250,000,000	-	200,000,000

[1] San Diego Gas & Electric Company dividend to parent.



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**BALANCE SHEET**  
**ASSETS AND OTHER DEBITS**  
**Mar 2020**

<b>1. UTILITY PLANT</b>		<u>2020</u>
101	UTILITY PLANT IN SERVICE	19,855,463,099
102	UTILITY PLANT PURCHASED OR SOLD	-
104	UTILITY PLANT LEASED TO OTHERS	112,194,000
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	1,575,513,358
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(6,158,368,553)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(768,833,524)
114	ELEC PLANT ACQUISITION ADJ	3,750,722
115	ACCUM PROVISION FOR AMORT OF ELECTRIC PLANT ACQUIS ADJ	(2,062,896)
118	OTHER UTILITY PLANT	1,473,765,381
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(316,910,382)
120	NUCLEAR FUEL - NET	-
TOTAL NET UTILITY PLANT		<u>\$ 15,774,511,205</u>
<b>2. OTHER PROPERTY AND INVESTMENTS</b>		
121	NONUTILITY PROPERTY	6,030,598
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION	(326,050)
158	NON-CURRENT PORTION OF ALLOWANCES	189,218,523
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	986,596,852
175	LONG-TERM PORTION OF DERIVATIVE ASSETS	<u>77,489,111</u>
TOTAL OTHER PROPERTY AND INVESTMENTS		<u>\$ 1,259,009,034</u>



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**BALANCE SHEET**  
**ASSETS AND OTHER DEBITS**  
**Mar 2020**

**3. CURRENT AND ACCRUED ASSETS**

	2020
131 CASH	150,358,359
132 INTEREST SPECIAL DEPOSITS	-
134 OTHER SPECIAL DEPOSITS	-
135 WORKING FUNDS	500
136 TEMPORARY CASH INVESTMENTS	52,800,000
141 NOTES RECEIVABLE	-
142 CUSTOMER ACCOUNTS RECEIVABLE	341,028,934
143 OTHER ACCOUNTS RECEIVABLE	110,865,124
144 ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(4,122,301)
145 NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146 ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	119,913
151 FUEL STOCK	-
152 FUEL STOCK EXPENSE UNDISTRIBUTED	-
154 PLANT MATERIALS AND OPERATING SUPPLIES	130,626,904
156 OTHER MATERIALS AND SUPPLIES	-
158 ALLOWANCES	202,302,974
158 LESS: NON-CURRENT PORTION OF ALLOWANCES	(189,218,523)
163 STORES EXPENSE UNDISTRIBUTED	-
164 GAS STORED	497,881
165 PREPAYMENTS	147,597,242
171 INTEREST AND DIVIDENDS RECEIVABLE	2,481,949
173 ACCRUED UTILITY REVENUES	74,432,540
174 MISCELLANEOUS CURRENT AND ACCRUED ASSETS	32,679,971
175 DERIVATIVE INSTRUMENT ASSETS	110,810,576
175 LESS: LONG-TERM PORTION OF DERIVATIVE INSTRUMENT ASSETS	(77,489,111)
TOTAL CURRENT AND ACCRUED ASSETS	<u>1,085,772,932</u>

**4. DEFERRED DEBITS**

181 UNAMORTIZED DEBT EXPENSE	35,092,904
182 UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	2,290,620,740
183 PRELIMINARY SURVEY & INVESTIGATION CHARGES	1,451,660
184 CLEARING ACCOUNTS	960,377
185 TEMPORARY FACILITIES	685,270
186 MISCELLANEOUS DEFERRED DEBITS	471,754,887
188 RESEARCH AND DEVELOPMENT	-
189 UNAMORTIZED LOSS ON REACQUIRED DEBT	4,211,589
190 ACCUMULATED DEFERRED INCOME TAXES	144,378,940
TOTAL DEFERRED DEBITS	<u>2,949,156,367</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>21,068,449,538</u></u>



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**BALANCE SHEET**  
**LIABILITIES AND OTHER CREDITS**  
**Mar 2020**

<b>5. PROPRIETARY CAPITAL</b>		<u>2020</u>
201	COMMON STOCK ISSUED	291,458,395
204	PREFERRED STOCK ISSUED	-
207	PREMIUM ON CAPITAL STOCK	591,282,978
210	GAIN ON RETIRED CAPITAL STOCK	-
211	MISCELLANEOUS PAID-IN CAPITAL	802,165,368
214	CAPITAL STOCK EXPENSE	(24,605,640)
216	UNAPPROPRIATED RETAINED EARNINGS	5,516,265,227
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>(15,390,911)</u>
TOTAL PROPRIETARY CAPITAL		<u>7,161,175,417</u>
<b>6. LONG-TERM DEBT</b>		
221	BONDS	5,122,695,000
223	ADVANCES FROM ASSOCIATED COMPANIES	-
224	OTHER LONG-TERM DEBT	200,000,000
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	<u>(11,949,177)</u>
TOTAL LONG-TERM DEBT		<u>5,310,745,823</u>
<b>7. OTHER NONCURRENT LIABILITIES</b>		
227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	1,341,394,678
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	25,993,775
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	160,782,684
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	1
244	LONG TERM PORTION OF DERIVATIVE LIABILITIES	70,324,725
230	ASSET RETIREMENT OBLIGATIONS	<u>865,545,570</u>
TOTAL OTHER NONCURRENT LIABILITIES		<u>2,464,041,433</u>



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**BALANCE SHEET**  
**LIABILITIES AND OTHER CREDITS**  
**Mar 2020**

<b>8. CURRENT AND ACCRUED LIABILITIES</b>		<u>2020</u>
231	NOTES PAYABLE	200,000,000
232	ACCOUNTS PAYABLE	504,036,583
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	58,942,644
235	CUSTOMER DEPOSITS	83,952,556
236	TAXES ACCRUED	47,577,320
237	INTEREST ACCRUED	63,372,046
238	DIVIDENDS DECLARED	-
241	TAX COLLECTIONS PAYABLE	6,427,969
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	104,072,495
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	47,310,746
244	DERIVATIVE INSTRUMENT LIABILITIES	104,448,871
244	LESS: LONG-TERM PORTION OF DERIVATIVE LIABILITIES	(70,324,725)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
TOTAL CURRENT AND ACCRUED LIABILITIES		<u>1,149,816,505</u>
<b>9. DEFERRED CREDITS</b>		
252	CUSTOMER ADVANCES FOR CONSTRUCTION	75,772,282
253	OTHER DEFERRED CREDITS	497,502,549
254	OTHER REGULATORY LIABILITIES	2,373,242,714
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	14,239,664
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	1,802,140,437
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	<u>219,772,714</u>
TOTAL DEFERRED CREDITS		<u>4,982,670,360</u>
TOTAL LIABILITIES AND OTHER CREDITS		<u><u>21,068,449,538</u></u>



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**Mar 2020**

**1. UTILITY OPERATING INCOME**

400	OPERATING REVENUES		\$	1,306,839,272
401	OPERATING EXPENSES	646,278,145		
402	MAINTENANCE EXPENSES	61,595,416		
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	196,993,781		
408.1	TAXES OTHER THAN INCOME TAXES	43,656,441		
409.1	INCOME TAXES	70,092,556		
410.1	PROVISION FOR DEFERRED INCOME TAXES	24,967,431		
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(35,596,743)		
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(188,685)		
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-		
	TOTAL OPERATING REVENUE DEDUCTIONS			<u>1,007,798,342</u>
	NET OPERATING INCOME			299,040,930

**2. OTHER INCOME AND DEDUCTIONS**

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-		
417	REVENUES OF NONUTILITY OPERATIONS	-		
417.1	EXPENSES OF NONUTILITY OPERATIONS	(789,099)		
418	NONOPERATING RENTAL INCOME	11,811		
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-		
419	INTEREST AND DIVIDEND INCOME	4,330,707		
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	20,727,642		
421	MISCELLANEOUS NONOPERATING INCOME	118,264		
421.1	GAIN ON DISPOSITION OF PROPERTY	-		
	TOTAL OTHER INCOME	<u>24,399,325</u>		
421.2	LOSS ON DISPOSITION OF PROPERTY	-		
425	MISCELLANEOUS AMORTIZATION	62,512		
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	<u>6,398,393</u>		
	TOTAL OTHER INCOME DEDUCTIONS	<u>\$ 6,460,905</u>		
408.2	TAXES OTHER THAN INCOME TAXES	181,542		
409.2	INCOME TAXES	(3,873,493)		
410.2	PROVISION FOR DEFERRED INCOME TAXES	18,413,296		
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	<u>(15,814,998)</u>		
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	<u>\$ (1,093,653)</u>		
	TOTAL OTHER INCOME AND DEDUCTIONS		\$	<u>19,032,073</u>
	INCOME BEFORE INTEREST CHARGES			318,073,003
	EXTRAORDINARY ITEMS AFTER TAXES			-
	NET INTEREST CHARGES*			<u>56,461,596</u>
	NET INCOME		\$	<u><u>261,611,407</u></u>

\*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION, (\$6,123,921)



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**Mar 2020**

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**3. RETAINED EARNINGS**

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$ 5,454,653,820
NET INCOME (FROM PRECEDING PAGE)	261,611,407
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	-
DIVIDENDS DECLARED - COMMON STOCK	(200,000,000)
OTHER RETAINED EARNINGS ADJUSTMENTS	
RETAINED EARNINGS AT END OF PERIOD	<u><u>\$ 5,516,265,227</u></u>



# **ATTACHMENT C**

## **Statement of Proposed Rates**



## ILLUSTRATIVE IMPACT ON ELECTRIC RATES AND REVENUES

The charts shown below illustrate the changes in rates and revenues that would result from CPUC approval of this application, compared to current rate levels. This application will not have any impact on gas rates or revenues.

The first table below presents illustrative rate decreases for bundled customers, while the second table presents illustrative Utility Distribution Company (UDC) rate changes. For Departing Load customers who do not pay commodity, the UDC rates will not change as a result of this application. However, Departing Load Power Charge Indifference Adjustment (PCIA) rates will increase.<sup>1</sup> The changes shown on each table do not necessarily reflect the changes that may be seen on customer bills. Changes in individual bills will vary depending on how much electricity each customer uses.

### SAN DIEGO GAS & ELECTRIC COMPANY'S ILLUSTRATIVE ELECTRIC BUNDLED RATE CHANGE (TOTAL RATES INCLUDE UDC<sup>1</sup> AND COMMODITY<sup>2</sup>)

<b>Customer Class</b>	<b>Class Average Rates Effective 07/01/20<sup>3</sup> (¢/kWh)</b>	<b>Class Average Rates Reflecting Proposed \$36.1 Million<sup>4</sup> Revenue Decrease (¢/kWh)</b>	<b>Total Rate Decrease (¢/kWh)</b>	<b>Percentage Rate Decrease (%)</b>
<b>Residential</b>	27.130	26.875	(0.255)	(0.94%)
<b>Small Commercial</b>	25.084	24.868	(0.216)	(0.86%)
<b>Medium and Large C&amp;I<sup>5</sup></b>	22.123	21.866	(0.257)	(1.16%)
<b>Agricultural</b>	16.980	16.798	(0.182)	(1.07%)
<b>Lighting</b>	22.132	21.965	(0.167)	(0.75%)
<b>System Total</b>	23.993	23.745	(0.248)	(1.03%)

<sup>1</sup> UDC rates include Department of Water Resources (DWR) Bond Charge.

<sup>2</sup> Commodity rates include DWR Power Charge credit.

<sup>3</sup> Rates effective July 1, 2020, per Advice Letter (AL) 3556-E.

<sup>4</sup> \$8.9 million plus Franchise Fees & Uncollectibles amortized over 3 months.

<sup>5</sup> C&I stands for Commercial and Industrial.

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<sup>1</sup> A rate comparison cannot be provided for Departing Load PCIA rates as the applicable rates vary by specific Departing Load customer PCIA vintage and any average rate that could be derived, would not be representative of any particular Departing Load customer.



**SAN DIEGO GAS & ELECTRIC COMPANY'S  
ILLUSTRATIVE ELECTRIC UDC<sup>1</sup> RATE CHANGE**

<b>Customer Class</b>	<b>Class Average Rates Effective 07/01/20<sup>2</sup> (¢/kWh)</b>	<b>Class Average Rates Reflecting Proposed Changes per Application (¢/kWh)</b>	<b>Total Rate Change (¢/kWh)</b>	<b>Percentage Rate Change (%)</b>
<b>Residential</b>	17.310	17.310	0.000	0%
<b>Small Commercial</b>	16.194	16.194	0.000	0%
<b>Medium and Large C&amp;I<sup>3</sup></b>	11.856	11.856	0.000	0%
<b>Agricultural</b>	9.918	9.918	0.000	0%
<b>Lighting</b>	15.688	15.688	0.000	0%
<b>System Total</b>	14.208	14.208	0.000	0%

<sup>1</sup> UDC rates include DWR Bond Charge.

<sup>2</sup> Rates effective 7/1/2020 per AL 3556-E.

<sup>3</sup> C&I stands for Commercial and Industrial.



## **ATTACHMENT D**

### **Original Cost and Depreciation**



**SAN DIEGO GAS & ELECTRIC COMPANY**

**COST OF PROPERTY AND  
DEPRECIATION RESERVE APPLICABLE THERETO  
AS OF MARCH 31, 2020**

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
<b>ELECTRIC DEPARTMENT</b>			
302	Franchises and Consents	222,841.36	202,900.30
303	Misc. Intangible Plant	177,869,526.25	147,816,030.10
	Intangible Contra Accounts	(979,446.23)	(247,336.08)
	<b>TOTAL INTANGIBLE PLANT</b>	<b>177,112,921.38</b>	<b>147,771,594.32</b>
310.1	Land	14,526,518.29	46,518.29
310.2	Land Rights	0.00	0.00
311	Structures and Improvements	91,217,545.06	47,937,082.34
312	Boiler Plant Equipment	162,200,022.90	87,891,958.56
314	Turbogenerator Units	131,991,603.64	58,826,439.63
315	Accessory Electric Equipment	86,346,314.42	45,684,955.01
316	Miscellaneous Power Plant Equipment	56,324,761.44	17,973,624.81
	Palomar Contra E-316	(1,621,911.83)	(564,645.91)
	<b>TOTAL STEAM PRODUCTION</b>	<b>540,984,853.92</b>	<b>257,795,932.73</b>
340.1	Land	224,368.91	0.00
340.2	Land Rights	2,427.96	2,427.96
341	Structures and Improvements	23,664,945.54	10,614,956.43
342	Fuel Holders, Producers & Accessories	21,651,593.69	9,441,703.71
343	Prime Movers	95,333,635.07	49,659,126.09
344	Generators	361,199,977.55	178,265,524.36
345	Accessory Electric Equipment	32,610,276.51	17,217,845.90
346	Miscellaneous Power Plant Equipment	34,650,152.36	17,644,614.91
	<b>TOTAL OTHER PRODUCTION</b>	<b>569,337,377.59</b>	<b>282,846,199.36</b>
	<b>TOTAL ELECTRIC PRODUCTION</b>	<b>1,110,322,231.51</b>	<b>540,642,132.09</b>



<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
350.1	Land	78,615,129.53	0.00
350.2	Land Rights	164,538,808.27	26,700,339.73
352	Structures and Improvements	642,163,685.44	97,218,593.37
353	Station Equipment	1,936,495,387.39	425,512,037.27
354	Towers and Fixtures	844,172,420.91	213,697,876.00
355	Poles and Fixtures	777,671,836.22	149,183,279.28
355	Pole retirement error correction-top side	(5,364,648.00)	(5,364,648.00)
356	Overhead Conductors and Devices	738,980,768.93	262,151,349.77
357	Underground Conduit	504,864,653.50	82,510,772.93
358	Underground Conductors and Devices	519,218,139.84	82,042,896.00
359	Roads and Trails	330,536,577.32	44,994,885.67
	TOTAL TRANSMISSION	6,531,892,759.35	1,378,647,382.02
360.1	Land	16,490,990.26	0.00
360.2	Land Rights	91,887,013.95	47,019,041.28
361	Structures and Improvements	10,163,613.91	1,969,689.90
362	Station Equipment	607,111,451.97	237,066,827.72
363	Storage Battery Equipment	127,582,404.53	45,082,526.41
364	Poles, Towers and Fixtures	867,664,223.34	302,998,026.65
364	Pole retirement error correction-top side	(681,956.00)	(681,956.00)
365	Overhead Conductors and Devices	872,027,926.91	244,219,090.28
366	Underground Conduit	1,424,920,548.81	551,981,744.08
367	Underground Conductors and Devices	1,731,959,943.10	995,504,046.80
368.1	Line Transformers	691,092,349.12	222,186,775.62
368.2	Protective Devices and Capacitors	32,017,370.35	13,080,170.06
369.1	Services Overhead	208,758,701.67	113,328,531.39
369.2	Services Underground	382,897,597.97	266,871,610.65
370.1	Meters	201,821,416.29	118,863,291.76
370.2	Meter Installations	65,285,139.85	31,455,110.08
371	Installations on Customers' Premises	9,791,666.93	10,799,964.55
373.1	St. Lighting & Signal Sys.-Transformers	0.00	0.00
373.2	Street Lighting & Signal Systems	33,530,825.08	21,832,343.05
	TOTAL DISTRIBUTION PLANT	7,374,321,228.04	3,223,576,834.28
389.1	Land	7,312,142.54	0.00
389.2	Land Rights	0.00	0.00
390	Structures and Improvements	45,611,645.37	27,678,017.77
392.1	Transportation Equipment - Autos	0.00	49,884.21
392.2	Transportation Equipment - Trailers	58,145.67	21,893.95
393	Stores Equipment	46,521.59	3,133.33
394.1	Portable Tools	35,438,154.58	11,039,026.39
394.2	Shop Equipment	278,147.42	220,286.67
395	Laboratory Equipment	5,333,953.73	1,262,712.26
396	Power Operated Equipment	60,528.93	117,501.67
397	Communication Equipment	344,517,721.57	141,619,274.12
398	Miscellaneous Equipment	65,444,834.66	8,245,168.18
	TOTAL GENERAL PLANT	504,101,796.06	190,256,898.55
101	TOTAL ELECTRIC PLANT	15,697,750,936.34	5,480,894,841.26



<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
<b>GAS PLANT</b>			
302	Franchises and Consents	86,104.20	86,104.20
303	Miscellaneous Intangible Plant	0.00	0.00
	<b>TOTAL INTANGIBLE PLANT</b>	<b>86,104.20</b>	<b>86,104.20</b>
360.1	Land	0.00	0.00
361	Structures and Improvements	0.00	0.00
362.1	Gas Holders	0.00	0.00
362.2	Liquefied Natural Gas Holders	0.00	0.00
363	Purification Equipment	0.00	0.00
363.1	Liquefaction Equipment	0.00	0.00
363.2	Vaporizing Equipment	0.00	0.00
363.3	Compressor Equipment	0.00	0.00
363.4	Measuring and Regulating Equipment	0.00	0.00
363.5	Other Equipment	0.00	0.00
363.6	LNG Distribution Storage Equipment	2,168,803.11	1,328,249.23
	<b>TOTAL STORAGE PLANT</b>	<b>2,168,803.11</b>	<b>1,328,249.23</b>
365.1	Land	4,649,143.75	0.00
365.2	Land Rights	3,515,541.91	1,583,184.51
366	Structures and Improvements	20,246,881.92	11,338,785.27
367	Mains	251,223,721.98	90,331,453.03
368	Compressor Station Equipment	95,082,848.71	73,915,369.69
369	Measuring and Regulating Equipment	28,965,424.58	18,062,972.38
371	Other Equipment	2,182,423.73	214,829.90
	<b>TOTAL TRANSMISSION PLANT</b>	<b>405,865,986.58</b>	<b>195,446,594.78</b>
374.1	Land	1,514,509.70	0.00
374.2	Land Rights	0.00	7,401,996.05
375	Structures and Improvements	43,446.91	61,253.10
376	Mains	1,337,322,941.64	430,389,090.45
378	Measuring & Regulating Station Equipment	20,828,991.23	9,413,542.27
380	Distribution Services	376,626,403.38	299,610,366.49
381	Meters and Regulators	170,330,096.28	75,181,846.04
382	Meter and Regulator Installations	110,480,797.42	49,673,636.25
385	Ind. Measuring & Regulating Station Equipment	1,516,810.70	1,299,305.09
386	Other Property On Customers' Premises	0.00	0.00
387	Other Equipment	11,402,034.82	6,275,761.36
	<b>TOTAL DISTRIBUTION PLANT</b>	<b>2,030,066,032.08</b>	<b>879,306,797.10</b>



<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
392.1	Transportation Equipment - Autos	0.00	25,503.00
392.2	Transportation Equipment - Trailers	0.00	0.13
394.1	Portable Tools	14,363,750.20	4,430,841.61
394.2	Shop Equipment	71,501.71	36,137.77
395	Laboratory Equipment	0.00	(7,344.15)
396	Power Operated Equipment	0.00	(1,088.04)
397	Communication Equipment	2,256,560.40	851,837.12
398	Miscellaneous Equipment	465,784.09	148,849.67
	TOTAL GENERAL PLANT	17,157,596.40	5,484,737.11
101	TOTAL GAS PLANT	2,455,344,522.37	1,081,652,482.42
<b>COMMON PLANT</b>			
303	Miscellaneous Intangible Plant	625,193,993.42	437,547,184.43
	Common Contra Account	(3,133,183.29)	(736,745.98)
350.1	Land	0.00	0.00
360.1	Land	0.00	0.00
389.1	Land	7,494,792.37	0.00
389.2	Land Rights	27,776.34	27,776.34
390	Structures and Improvements	448,003,717.52	166,084,651.91
391.1	Office Furniture and Equipment - Other	39,129,892.30	15,514,309.49
391.2	Office Furniture and Equipment - Computer E	75,335,594.80	27,837,640.46
	Common Contra Account	(19,579.43)	(5,947.69)
392.1	Transportation Equipment - Autos	827,060.25	323,173.55
392.2	Transportation Equipment - Trailers	107,977.72	9,274.53
392.3	Transportation Equipment - Aviation	11,580,557.15	2,552,540.20
393	Stores Equipment	333,835.97	43,143.62
394.1	Portable Tools	1,520,858.30	565,227.73
394.2	Shop Equipment	142,759.33	94,381.24
394.3	Garage Equipment	1,854,148.83	485,859.64
395	Laboratory Equipment	1,731,116.64	883,859.65
396	Power Operated Equipment	0.00	(192,979.10)
397	Communication Equipment	255,844,887.04	98,682,474.47
398	Miscellaneous Equipment	5,136,413.68	739,641.00
118.1	TOTAL COMMON PLANT	1,471,112,618.94	750,455,465.49
	TOTAL ELECTRIC PLANT	15,697,750,936.34	5,480,894,841.26
	TOTAL GAS PLANT	2,455,344,522.37	1,081,652,482.42
	TOTAL COMMON PLANT	1,471,112,618.94	750,455,465.49
101 & 118.1	TOTAL	19,624,208,077.65	7,313,002,789.17
101	PLANT IN SERV-SONGS FULLY RECOVER	0.00	0.00
101	PLANT IN SERV-ELECTRIC NON-RECON		
	Electric	0.00	0.00
	Gas	0.00	0.00
	Common	0.00	0.00
		0.00	0.00



<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
101	PLANT IN SERV-CONTRA-ELECTRIC		
	Electric	0.00	0.00
	Common	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
101	PLANT IN SERV-PP TO SAP OUT OF BAL		
	Electric	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
118	PLANT IN SERV-COMMON NON-RECON		
	Common - Transferred Asset Adjustment	(1,494,846.06)	(1,494,846.06)
		<u>(1,494,846.06)</u>	<u>(1,494,846.06)</u>
101	Accrual for Retirements		
	Electric	(3,686,568.86)	(3,686,568.86)
	Gas	(1,196,942.24)	(1,196,942.24)
		<u>(4,883,511.10)</u>	<u>(4,883,511.10)</u>
	TOTAL PLANT IN SERV-ACCRUAL FOR RE	<u>(4,883,511.10)</u>	<u>(4,883,511.10)</u>
102	Electric	0.00	0.00
	Gas	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
	TOTAL PLANT PURCHASED OR SOLD	<u>0.00</u>	<u>0.00</u>
104	Electric	112,194,000.02	23,989,879.71
	Gas	0.00	0.00
		<u>112,194,000.02</u>	<u>23,989,879.71</u>
	TOTAL PLANT LEASED TO OTHERS	<u>112,194,000.02</u>	<u>23,989,879.71</u>
105	Plant Held for Future Use		
	Electric	0.00	0.00
	Gas	0.00	0.00
		<u>0.00</u>	<u>0.00</u>
	TOTAL PLANT HELD FOR FUTURE USE	<u>0.00</u>	<u>0.00</u>
107	Construction Work in Progress		
	Electric	1,152,236,427.30	
	Gas	121,240,226.10	
	Common	302,036,704.11	
		<u>1,575,513,357.51</u>	
	TOTAL CONSTRUCTION WORK IN PROGRESS	<u>1,575,513,357.51</u>	<u>0.00</u>



<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
108.5	Accumulated Nuclear Decommissioning Electric	0.00	985,688,142.49
	TOTAL ACCUMULATED NUCLEAR DECOMMISSIONING	0.00	985,688,142.49
101.1	ELECTRIC CAPITAL LEASES	1,307,422,019.46	56,777,830.05
118.1	COMMON CAPITAL LEASE	32,456,573.20	14,681,217.85
		1,339,878,592.66	71,459,047.90
143	FAS 143 ASSETS - Legal Obligation	17,125,479.67	(980,893,432.69)
	SONGS Plant Closure - FAS 143 contra	0.00	0.00
	FIN 47 ASSETS - Non-Legal Obligation	111,090,070.52	46,938,121.62
143	FAS 143 ASSETS - Legal Obligation	0.00	(1,798,648,072.30)
	TOTAL FAS 143	128,215,550.19	(2,732,603,383.37)
	UTILITY PLANT TOTAL	22,773,631,220.87	5,655,158,118.74



# **ATTACHMENT E**

## **Summary of Earnings**



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**SUMMARY OF EARNINGS**  
**Mar 2020**  
**(\$ IN MILLIONS)**

Line No.	Item	Amount
1	Operating Revenue	\$ 1,307
2	Operating Expenses	<u>1,008</u>
3	Net Operating Income	<u><u>\$ 299</u></u>
4	Weighted Average Rate Base	\$ 10,569
5	Rate of Return*	7.55%
	*Authorized Cost of Capital	



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



**FILED**

04/20/20  
04:59 PM

Application of SAN DIEGO GAS & ELECTRIC  
COMPANY (U 902-E) for Approval of its 2021  
Electric Procurement Revenue Requirement  
Forecasts and GHG-Related Forecasts

Application 20-04-014  
(Filed April 15, 2020)

**AMENDED APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)  
FOR APPROVAL OF ITS 2021 ELECTRIC PROCUREMENT REVENUE  
REQUIREMENT FORECASTS AND GHG-RELATED FORECASTS**

**\*\*REDACTED – PUBLIC VERSION\*\***

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April 20, 2020



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Application 20-04-014

**AMENDED APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)  
FOR APPROVAL OF ITS 2021 ELECTRIC PROCUREMENT REVENUE  
REQUIREMENT FORECASTS AND GHG-RELATED FORECASTS**

**I. INTRODUCTION**

In compliance with California Public Utilities Commission (“Commission”) Decisions (“D.”) 02-10-062, D.02-12-074, D.04-01-050, D.13-09-003, D.14-10-033, D. 19-06-026 and D.20-03-019 as well as the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) hereby submits this Amended Application (“Application”) for Approval of its 2021 forecast of (1) the Energy Resource Recovery Account (“ERRA”) revenue requirement, which includes greenhouse gas (“GHG”) costs; (2) the Portfolio Allocation Balancing Account (“PABA”) revenue requirement; (3) the Competition Transition Charge (“CTC”) revenue requirement tracked in the Transition Cost Balancing Account (“TCBA”);<sup>1</sup> (4) the Local Generation (“LG”) revenue requirement tracked in the Local Generating Balancing Account (“LGBA”);<sup>2</sup> (5) the San Onofre Nuclear Generating Station (“SONGS”) Unit 1 Offsite Spent Fuel Storage Cost revenue requirement tracked in SDG&E’s Nuclear Decommissioning Adjustment Mechanism (“NDAM”) account; (6) the Tree Mortality Non-Bypassable Charge

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<sup>1</sup> The purpose of the TCBA is to accrue all the CTC revenues and recover all CTC-eligible generation-related costs.

<sup>2</sup> The purpose of the LGBA is to record revenues and costs of generation and other energy sources where the Commission has determined that the resource is subject to the Cost Allocation Mechanism (“CAM”).



(“TMNBC”) revenue requirement; and (7) the GHG allowance revenues and return allocations. SDG&E also requests authorization to return the overcollected 2018 balance recorded to the LGBA. Lastly, SDG&E requests approval for its proposed 2021 (1) GHG Allowance Return rates; (2) vintage Power Charge Indifference Adjustment (“PCIA”) rates; and (3) rate components for the Green Tariff Shared Renewables (“GTSR”) Program. SDG&E respectfully requests that the Commission approve the forecasts and proposals in this Application for recovery in rates beginning January 1, 2021.

In accordance with Rule 1.12 of the Commission’s Rules of Practice and Procedure, this Amended Application amends SDG&E’s previously filed *Application of SDG&E for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts*, which was filed and served on April 15, 2020. The amendment makes corrections to language concerning the rate and bill impacts resulting from SDG&E’s forecasted revenue requirements, specifically language in footnotes 3, 7 and 11 and the paragraph following Table 1 of the previously filed Application. SDG&E’s amendment also replaces Attachment C – *Statement of Proposed Rates* of the previously filed Application with a corrected version. Finally, in addition to filing this Amended Application, SDG&E will serve an amended version of the Prepared Direct Testimony of Stacy Fuhrer, which includes similar changes regarding the rate and bill impacts. Upon request, SDG&E can provide a redline version of both the Application and Ms. Fuhrer’s Testimony reflecting the corrections that were made. No other testimonies submitted in support of SDG&E’s 2021 ERRRA forecast Application have been modified or amended.



As discussed in greater detail below and in the testimony accompanying this Application, SDG&E hereby requests approval of a total 2021 forecasted revenue requirement of \$920.317 million.<sup>3</sup> This total forecast is comprised of 2021 forecasts of the following:

- (1) the ERRA revenue requirement: \$604.409 million (includes 2021 forecast GHG costs of \$12.793 million);
- (2) the PABA revenue requirement: \$373.828 million;<sup>4</sup>
- (3) the CTC revenue requirement: \$16.673 million;
- (3) the LG revenue requirement: \$137.895 million (excludes LGBA overcollection of \$(91.084) million);
- (4) the SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement: \$1.073 million;
- (5) the TMNBC revenue requirement as set forth in the Testimony of Khoang T. Ngo and confidentiality declaration attached thereto; and
- (6) the following GHG allowance revenue return allocations:<sup>5</sup>
  - (a) \$122.477 million for residential California Climate Credit (“CCC”).<sup>6</sup>

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<sup>3</sup> This forecasted revenue requirement includes Franchise Fees and Uncollectibles (“FF&U”). SDG&E is also requesting approval of its 2021 TMNBC revenue requirement, which is set forth in the Testimony of Khoang T. Ngo and confidentiality declaration attached thereto. SDG&E omitted the 2021 TMNBC revenue requirement figures from the text of this Application due to confidentiality concerns. As explained below and in the Testimony of Ms. Ngo, since the revenue requirement associated with the TMNBC will be collected via the Public Purpose Program (“PPP”) charge, it is not included in this total.

<sup>4</sup> The 2020 forecasted PABA over/undercollection balance will be included in the November Update.

<sup>5</sup> The Emissions Intensive and Trade Exposed (“EITE”) and Small Business Volumetric Return has ended as of 2020 (D.12-12-033, Appendix 2).

<sup>6</sup> The residential California Climate Credit is the semi-annual line item credit that goes to residential customers. It was previously referred to as the “climate dividend.” Pursuant to D.14-01-012, the Energy Division issued a letter on January 27, 2014 notifying the electric utilities that “California Climate Credit” will be used as the name for all on-bill credits of GHG allowance revenues.



Those GHG allowance revenue return allocations are based on the following 2021 forecasts of GHG revenues and expenses, for which SDG&E also requests approval:

- (1) the GHG allowance revenues: \$121.114 million;
- (2) the GHG allowance revenue set aside for clean energy/energy efficiency programs of \$1,030 million; and
- (3) the GHG administration, customer education and outreach plan costs of \$0.059 million.

The 2021 revenue requirement forecasts for ERRA, PABA, CTC, LG, SONGS Unit 1 Offsite Spent Fuel Storage Costs, the GHG allowance revenue return, and the sum of the 2018 LG&A activity result in a total revenue requirement decrease of \$574.866<sup>7</sup> million compared to the amounts currently effective in rates.<sup>8</sup> These components are shown in detail in Table 1, below.

**TABLE 1**  
**ERRA, PABA, CTC, LG, SONGS and GHG Revenue Requirements**  
**(Includes FF&U) (\$000)**

Line	Description	Currently Effective Revenue Requirement	2021 Revenue Requirement	Change from Current
1	ERRA	\$801,215	\$604,409	\$(196,807)
2	PABA	\$363,421	\$373,828	\$10,406
3	CTC	\$18,725	\$16,673	\$(2,052)

<sup>7</sup> This amount excludes the 2021 TMNBC revenue requirement due to confidentiality concerns and because the revenue requirement associated with the TMNBC will be collected via the PPP.

<sup>8</sup> On January 16, 2020, the Commission approved SDG&E's "Application of San Diego Gas & Electric Company for Approval of its 2020 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts" (Application ["A."] 19-04-010) ("2020 Application"), as updated on November 7, 2019 in "San Diego Gas & Electric Company's November Update to Application." See D.20-01-005. SDG&E implemented its approved forecasts in rates in Advice Letter ("AL") 3500-E. The rate impacts resulting from the revenue requirements requested in this application are calculated using current effective rates as of April 1, 2020 (Advice Letter 3514-E) and current authorized sales, which includes the 2019 test year. D.18-11-035 authorized SDG&E to update its sales forecast for 2019. SDG&E has filed A.19-03-002 (2019 GRC Phase 2) to update its authorized sales to include the 2020-2022 forecast years, which is currently pending before the Commission.



4	LG	\$132,914	\$137,895		\$4,981
5	SONGS Unit 1 Spent Fuel	\$1,073	\$1,073		\$0
6	PABA Balance	\$254,054	\$0		\$(254,054)
7	LGBA Overcollection	\$14,420	\$(91,084)		\$(105,504)
8	<b>Subtotal</b>	<b>\$1,585,822</b>	<b>\$1,042,794</b>		<b>\$(543,028)</b>
	<b>GHG Allowance Revenues Eligible for Return to Customers</b>				
9	GHG EITE	\$(427)	\$0		\$427
10	GHG Small Business	\$(2,902)	\$0		\$2,902
11	GHG CCC	\$(87,310)	\$(122,477)		\$(35,166)
12	<b>Subtotal</b>	<b>\$(90,639)</b>	<b>\$(122,477)</b>		<b>\$(31,838)</b>
13	<b>Total<sup>9</sup></b>	<b>\$1,495,183</b>	<b>\$920,317</b>		<b>\$(574,866)</b>

In total, these changes would decrease the current system average rate by 2.696 cents per kilowatt hour, or 11.24%. A typical non-California Alternative Rates for Energy (“CARE”) residential customer in the inland climate zone using 400 kilowatt-hours could see a monthly summer bill decrease of 8.5%, or \$10.03 (from \$117.41 to \$107.38). A typical non-CARE residential customer in the inland climate zone using 400 kilowatt-hours could see a monthly winter bill decrease of 9.2%, or \$9.95 (from \$107.60 to \$97.65).<sup>10</sup> As indicated in footnote 6 above, the rates that SDG&E will implement on January 1, 2021 in connection with the revenue requirements for which SDG&E seeks approval in this application could change if the Commission approves SDG&E’s request to update its authorized sales. The key drivers underlying the changes in the 2021 forecasted revenue requirements (as compared to the 2020 revenue requirements) are lower load and market prices, accompanied with contract changes and the exclusion of the PABA undercollection balance. Section VIII below summarizes the relief SDG&E requests from the Commission in this Application.

<sup>9</sup> Sums may not equal due to rounding. Sums do not include the TMNBC revenue requirement.

<sup>10</sup> Customers’ actual bill impacts will vary with usage per month, by season and by climate zone.



SDG&E's 2021 ERRR Application presents forecasts and proposals utilizing input and assumptions based on several anticipated events that have uncertainties as to timing, duration and magnitude. Notably, the 2021 forecast reflects significant load departure as Community Choice Aggregations ("CCAs") are expected to depart SDG&E's bundled service throughout the year. Since approximately half of SDG&E's customers are currently expected to depart bundled service by the end of 2021, the forecast is subject to numerous, unprecedented uncertainties. For example, the forecast could be impacted by: (1) the specific timing and magnitude of CCA load departures; (2) the Commission's direction on portfolio optimization and resource allocation to departing load, and other issues being addressed in the PCIA OIR (R.17-06-026); (3) the disconnect between SDG&E's General Rate Case authorized sales forecast<sup>11</sup> (which presently does not reflect CCA load departure in 2021) and SDG&E's revenue forecast (which does reflect departed load); and (4) potentially other presently unknown factors or factors that cannot be planned for in April 2020 with certainty or precision. Of particular note, the short- and long-term impacts of COVID-19 on SDG&E's electricity customers, suppliers and current or anticipated CCAs are unknown.

For these and likely other unknown, unique circumstances, SDG&E may need to update its Record Year 2021 ERRR Application or seek leave for other relief as may be necessary to ensure that any material developments impacting SDG&E's forecast can be addressed in a timely manner. Additionally, SDG&E anticipates a Commission decision in its 2019 General Rate Case

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<sup>11</sup> In D.17-08-030, the Commission approved SDG&E's request for an extension of time to file its 2019 GRC Phase 2 application and to bifurcate the submittal of SDG&E's proposed 2019 electric sales forecast from all other aspects of its 2019 GRC Phase 2 application. Accordingly, SDG&E filed on March 1, 2018 its Application for Approval of its 2019 Electric Sales Forecast (A.18-03-003) to update its authorized sales. D.18-11-035 in that proceeding authorized SDG&E to update its sales forecast. This change was implemented in SDG&E's Consolidated AL 3326-E, effective January 1, 2019 and remains effective in 2020.



Phase 2 proceeding (A.19-03-002) in which, among other things, SDG&E's sales forecast for 2021 may be updated. At present, a decision in that proceeding is expected by year-end, but could ultimately be delayed into 2021. Accordingly, timely coordination of the 2021 ERRA Application with these developments and other Commission proceedings will be key. SDG&E will, of course, update the Commission and parties regarding the implications of these matters in its November 2020 Update in this proceeding; however, it is possible that there may need to be additional updates or adjustments during the course of this proceeding as various uncertainties are resolved or rendered less uncertain. Regardless of this fluid, multi-factored situation, SDG&E nonetheless is planning for and requesting a Final Decision in this proceeding in December 2020.

## **II. SUMMARY OF APPLICATION**

SDG&E's 2021 forecasts and proposals in this Application contain several categories of electric procurement activities, each of which is described below and discussed in testimony. Prior to 2016, SDG&E had filed an annual application seeking approval of its forecasted revenue requirements for ERRA, CTC and LG and a separate application regarding GHG-related forecasts. In accordance with D.14-10-033, in which the Commission directed the utilities to incorporate GHG-related forecasts and proposals into their annual ERRA forecast applications, SDG&E began including its GHG-related forecasts in its 2016 Application and has continued that approach ever since. Likewise, as in prior Applications, SDG&E is again proposing to incorporate its 2021 forecast of its SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement – formerly an element of its General Rate Cases (“GRC”) – in this Application. In accordance with D.19-10-001, SDG&E has included its PABA revenue requirement in this Application. In addition, SDG&E seeks to recover its 2021 LGBA forecasted revenue requirement (excluding its overcollected 2018 LGBA recorded activity), as further described in



Section II.D below. SDG&E has also included 2021 proposed rate components for the Green Tariff Shared Renewables Program, as further described in Section II.G below.

#### **A.     ERRA**

In D.02-10-062, the Commission established the ERRA balancing account – the power procurement balancing account required by Public Utilities (“P.U.”) Code Section 454.5(d)(3). The purpose of the ERRA balancing account is to provide California investor-owned utilities (“IOUs”) with a mechanism for timely recovery of energy procurement costs, including expenses associated with fuel and purchased power, utility retained generation, California Independent System Operator-related costs, and costs associated with the residual net short procurement requirements to serve their bundled electric service customers.<sup>12</sup>

The ERRA regulatory process consists of (1) an annual forecast proceeding to adopt a forecast of the utility’s electric procurement cost revenue requirement and electricity sales for the upcoming year; and (2) an annual compliance proceeding to review the utility’s compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account. There is also an update process for new information (*e.g.*, fuel and purchased power forecasts, GHG verified volumes and associated costs, and additional GHG estimates for current year) which takes place in November of each year (“November Update”).

P.U. Code Section 454.5(d)(3) also specified that the balance of the ERRA was not to exceed 5% of the IOUs’ actual recorded generation revenues for the prior calendar year, excluding revenues collected for the Department of Water Resources (“DWR”).<sup>13</sup> Accordingly,

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<sup>12</sup> See D.02-10-062 at 60-61.

<sup>13</sup> See *id.* at 58, n.30; see also D.11-05-005.



in D.02-10-062, the Commission established a trigger mechanism designed to avoid the 5% threshold point, pursuant to which IOUs must file an expedited application for approval to adjust rates in 60 days from the date when their ERRA balance reaches an undercollection or overcollection of 4% and is projected to exceed the 5% trigger.<sup>14</sup> As currently implemented, the trigger process exists independently of, but in conjunction with, the forecast process used for this Application. Thus, SDG&E does not currently include the prior year-end ERRA balance in its forecast applications as it is addressed via an ERRA trigger application or year-end consolidated advice letter filing.

## **B. PABA**

Pursuant to D.18-10-019 and Advice Letter 3318-E,<sup>15</sup> the PABA was established to record the “above-market” costs and revenues associated with all generation resources that are eligible for cost recovery through the PCIA rates, including SDG&E’s Utility-Owned Generation (“UOG”). The PABA is comprised of a series of subaccounts referred to as “vintage subaccounts.” Costs recorded in each vintage subaccount include, but are not limited to, fuel, GHG costs, third party power purchase contracts, and UOG’s revenue requirement. The above-market costs of all generation resources that are eligible for cost recovery through the PCIA rates, including SDG&E’s UOG, are recorded in the PABA. D.19-10-001 authorized any over/under collection in the PABA vintage subaccounts in a given year to be rolled into the next year’s ERRA Forecast filing.

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<sup>14</sup> In D.07-05-008 at 6, the Commission modified D.02-10-062 by adding a new rule to the trigger procedures, pursuant to which SDG&E is permitted to file an advice letter seeking to maintain rates when it expects an undercollection or overcollection above the 4% trigger will self-correct within 120 days.

<sup>15</sup> SDG&E AL 3318-E, filed on December 10, 2018, and approved on May 30, 2019.



### **C. CTC**

The TCBA is designed to accrue all ongoing CTC revenues and recover all ongoing CTC-eligible generation-related costs.<sup>16</sup> In accordance with D.02-12-074 and D.02-11-022, payments to Qualifying Facilities (“QFs”) that are above the market benchmark proxy price (*i.e.*, above-market QF power costs) are charged to the TCBA. Eligible above market CTC expenses reflect the difference between the market benchmark proxy price and the costs associated with QF contracts.

### **D. LG**

The LGBA is designed to record the costs and revenues of Local Generation where the Commission has determined that the generation resource is subject to the CAM.<sup>17</sup> Such generation may take the form of power purchase agreements, company-owned generation units associated with new generation resources, or any other resources approved by the Commission for CAM treatment. The costs recorded in the LGBA are recovered via the Local Generation Charge (“LGC”) rate component.

In this Application, SDG&E is requesting recovery for costs related to peaker generators that have been previously approved for CAM treatment, including Carlsbad, Pio Pico, and Escondido. These plants are described in testimony, along with the CAM-eligible combined heat & power plants. SDG&E is also requesting recovery for costs related to four energy storage facilities in SDG&E’s service territory that have been approved for CAM treatment.

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<sup>16</sup> Assembly Bill (“AB”) 1890 established the expenses that are eligible for CTC recovery.

<sup>17</sup> The Commission adopted its CAM policy in D.06-07-029, which it later modified in D.11-05-005. The basic purpose of the CAM is to allow the advantages and costs of new generation to be shared by all benefiting customers in an IOU’s service territory.



SDG&E is also seeking the return of LGBA activity in the amount of \$(91.08) million. This represents the overcollected LGBA activity during 2018. Per A.19-05-007, which is pending approval, SDG&E proposed to return the overcollected 2018 recorded activity in this 2021 ERRA Forecast Application. This approach is consistent with the recovery of 2017 LGBA activity in the 2020 ERRA Forecast, which was approved in D.20-01-005.<sup>18</sup>

#### **E. PCIA**

The PCIA is another rate component of this Application. In D.06-07-030, as modified by D.07-01-030, the Commission resolved various issues relating to the cost responsibility surcharge applicable to Direct Access (“DA”) and Municipal Departing Load customers within the service territories of the IOUs. The PCIA component of the cost responsibility surcharge is intended to preserve bundled customer indifference to customers that migrate from bundled load by ensuring that departing load customers pay their share of the cost responsibility associated with the above-market-costs of the utilities’ total procurement portfolio. Under the methodology adopted by the Commission in D.08-09-012, the Commission refined the indifference amount methodology by introducing the requirement to vintage departing load customers, based on their departure date, when assigning responsibility for the total portfolio of resources.

In D.18-10-019, the Commission adopted an annual true-up mechanism as well as a cap that limits the change of the PCIA rate from one year to the next. Starting in forecast year 2020, the cap level of the PCIA rate was set at 0.5 cents/kWh more than the prior year’s PCIA, differentiated by system average vintage rate.

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<sup>18</sup> D.20-01-005 at OP 4.



AL 3436-E established the PCIA under-collection balancing account (CAPBA).<sup>19</sup> CAPBA establishes an interest-bearing balance account that will be used in the event that the PCIA cap is reached, in order to track any obligation that accrues for departing load customers by vintage subaccounts. The forecasted reserve shortfall from these departed load customers is estimated at \$0 million in 2021.

The PCIA rates will be based on applicable costs from SDG&E's total portfolio of resources, including its forecasted ERRA, PABA and CTC revenue requirements, as well as its authorized 2020 Non-Fuel Generation Balancing Account ("NGBA") revenue requirement and authorized 2020 DWR costs allocated to SDG&E. Although SDG&E proposes to update the currently effective PCIA rates in this Application, it will not be able to provide final PCIA rates until the 2021 NGBA and DWR revenue requirements (and certain market price information) become available, which is anticipated to be in the second half of 2020. Once the necessary information becomes available, SDG&E will update its proposed PCIA rates in the November Update to this Application.

#### **F. SONGS Unit 1 Offsite Spent Fuel Storage Costs**

As noted above, SDG&E tracks the authorized spent fuel storage costs revenue requirement in its NDAM account. SDG&E is seeking authorization to recover these costs through the ERRA forecast application process, and it is thus seeking authorization of the forecast 2021 revenue requirement for SONGS Unit 1 Offsite Spent Fuel Costs in this Application, as it did in its 2017, 2018, 2019 and 2020 Applications.

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<sup>19</sup> SDG&E AL 3436-E was filed on September 30, 2019 approved on October 31, 2019.



## **G. TMNBC**

AL 3343-E established the Tree Mortality Non-Bypassable Charge Balancing Account (“TMNBCBA”) to record the tree mortality related procurement costs incurred as directed by Resolution E-4770 and Resolution E-4805.<sup>20</sup> As noted in D.18-12-003, Ordering Paragraph (“OP”) 9, the TMNBCBA cost will be recovered through the PPP charge. Details regarding the TMNBC revenue requirement are discussed in the testimony of Mr. Covic and Ms. Ngo.

## **H. GHG Costs and Allowance Revenues**

Pursuant to the California Global Warming Solutions Act of 2006, AB 32, the California Air Resources Board (“ARB”) designed a statewide GHG cap-and-trade program in which certain utilities are required to participate. The cap-and-trade program creates a cap on major sources of GHG emissions – including power plants, fuel suppliers and industrial facilities – to achieve GHG reduction goals.

Utilities incur costs both by purchasing allowances for their own compliance obligation under the cap-and-trade program and, indirectly, through GHG costs embedded in the wholesale price of electricity. These GHG costs are incorporated into the generation component of electricity rates through the ERRA process in the same manner as other procurement-related costs, and they result in a carbon price signal intended to incent an overall reduction in GHG emission. The state allocates GHG allowances to ratepayers with the utilities acting as an intermediary to hold and then sell the allowances for ratepayer benefit. The revenue from the sale of these GHG allowances is then returned to ratepayers and helps offset the increases in electricity costs that result from GHG compliance.

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<sup>20</sup> AL 3343-E was approved on July 19, 2019 with an effective date of July 2, 2019.



In D.14-10-033, the Commission adopted methodologies for calculating forecasts of GHG allowance revenue and GHG costs, as well as recorded GHG allowance revenue and GHG costs. In so doing, the Commission required that utilities use Attachments C and D to D.14-10-033, as corrected by D.14-10-055, D.15-01-024 and D.19-04-016, to provide the required information in its GHG Forecast Revenue and Reconciliation Applications as a separate chapter or as part of its ERRA forecast applications.<sup>21</sup> The decision further adopted Confidentiality Protocols for cap-and-trade related data and required the utilities to use a proxy price in their forecasts. Accordingly, this Application includes completed Weighted Average WAC calculation forms (Attachment C of the Decisions listed above) in Attachment A of Ana Garza-Beutz's testimony and SDG&E's GHG Revenue and Reconciliation Application Form (Attachment D of the Decisions listed above) as Attachment G to this Application. SDG&E will further update this information in its forthcoming November Update.

#### **I. Proposed Rate Components for the Green Tariff and Enhanced Community Renewables Program**

In 2013, California enacted the Green Tariff Shared Renewables Program, established in Senate Bill ("SB") 43.<sup>22</sup> That legislation intended to promote renewable energy by expanding access to renewable energy resources to all ratepayers who are currently unable to access the benefits of onsite generation (*e.g.*, residential customers who could not install onsite solar panels). In D.15-01-051 – implementing SB 43 – the Commission required the three large California IOUs to establish the Green Tariff Shared Renewables Program. This program has

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<sup>21</sup> As directed in D.14-10-033, SDG&E is including its Weighted Average Cost ("WAC") and GHG Revenue and Reconciliation Application Form in its ERRA Forecast Applications for review. If requested by the Commission, SDG&E may provide these forms under other proceedings as informational only.

<sup>22</sup> SB 43, Stats. 2013-2014, Ch. 413 (Cal. 2013).



two features administered by the utilities: (1) a Green Tariff component, which allows customers to purchase energy with a greater share of renewables; and (2) an Enhanced Community Renewables component, which allows customers to purchase renewable energy from community-based projects. In its decision, the Commission directed the utilities to procure renewable energy resources, subject to certain limitations. The Commission also made numerous determinations regarding rate design. SDG&E customers who elect into the Green Tariff Renewables program will pay a subset of SDG&E's renewable energy procurement costs (which costs are in turn a subset of the total ERRR costs), and SDG&E has thus developed 2021 forecasts of procurement expenses under this program, as well as 2021 rate proposals for the various rate components of the Green Tariff Shared Renewables Program.

### **III. SUMMARY OF PREPARED TESTIMONY**

In support of this Application, including the requests outlined above, SDG&E provides the testimony of six witnesses. The testimony is summarized below:

#### **A. Stacy Fuhrer**

Ms. Fuhrer's testimony presents the rate and bill impacts associated with the cost recovery of SDG&E's 2021 forecast of its (1) ERRR revenue requirement; (2) PABA revenue requirement; (3) CTC revenue requirement; (4) LG revenue requirement; (5) SONGS Unit 1 Offsite Spent Fuel Cost revenue requirement; (6) GHG allowance revenue return; and (7) the sum of the activity in the LGBA. Ms. Fuhrer also proposes the 2021 PCIA component of the cost responsibility surcharge applicable to departing load customers. Further, Ms. Fuhrer presents the methodology for the GHG allowance revenue returns, which involves identifying and supporting the 2021 forecast GHG allowance revenue return allocation amounts (including the California Climate Credit) in Templates D-1 and D-4 of Attachment G to this Application.



Lastly, Ms. Fuhrer proposes the 2021 rate components associated with the Green Tariff Shared Renewables program.

**B. Stefan Covic**

Mr. Covic's testimony describes the resources that SDG&E expects to use in 2021 to meet its forecast bundled customer load. Mr. Covic then forecasts the procurement costs that SDG&E expects to record to the ERRA, TCBA, PABA and LGBA, as well as procurement costs related to the Green Tariff Shared Renewables program in 2021. In addition, Mr. Covic provides a forecast of the SONGS Unit 1 Offsite Spent Fuel Storage Costs. Mr. Covic also presents SDG&E's forecast of 2021 total GHG costs – both direct and indirect – incurred in connection with SDG&E's compliance with California's cap-and-trade program, which (as noted below) Ms. Ngo uses in her 2021 forecast of the ERRA revenue requirement. Additionally, Mr. Covic provides a 2021 forecast of GHG allowance revenues, and the amount of revenue available for energy efficiency and clean energy investments in 2021. Mr. Covic also provides the 2021 TMNBC forecast. Lastly, Mr. Covic's testimony describes SDG&E's meet-and-confer activities and information exchange with CCAs as required by D.19-06-026 and D.20-03-019.

**C. Khoang Ngo**

Ms. Ngo's testimony describes the purpose of the ERRA, PABA, TCBA, LGBA and CAPBA. Using cost information provided by Mr. Covic, Ms. Ngo then presents SDG&E's 2021 forecast of (1) the ERRA revenue requirement, which includes GHG costs; (2) the CTC revenue requirement; (3) the LG revenue requirement; and (4) the PABA revenue requirement. Ms. Ngo also presents the sum of 2018 activity recorded to the LGBA that SDG&E seeks to return in this Application. Additionally, Ms. Ngo compares the 2019 year-end recorded balances with the 2019 year-end actual balances in the GHG balancing accounts used for GHG expenses (GHG Customer Outreach and Education Memorandum Account and GHG Administrative Costs



Memorandum Account) and GHG allowance revenues (GHG Revenue Balancing Account). Ms. Ngo's testimony also discusses the activity in the Green Tariff Shared Renewables balancing account. Ms. Ngo also presents SDG&E's 2021 forecast of the SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement. Lastly, Ms. Ngo discusses the history of the TMNBCBA and how the related revenue requirement provided in Mr. Covic's testimony is recorded and collected from ratepayers via the PPP charge.

**D. Ana Garza-Beutz**

Ms. Garza-Beutz's testimony presents SDG&E's 2019 costs for GHG compliance instruments used to satisfy obligations under the ARB's cap-and-trade program. Additionally, Ms. Garza-Beutz provides the 2019 revenues. Ms. Garza-Beutz's testimony also describes the cap-and-trade program and details the methodology behind SDG&E's calculation of its unadjusted 2019 actual revenues and estimated costs including the WAC form in Attachment A to her testimony. These costs and revenues are further adjusted to recorded for the purposes of reconciliation as further explained in the testimony of Ms. Chihwaro and Ms. Fuhrer.

**E. Monica Chihwaro**

Ms. Chihwaro's testimony presents the accounting procedures that are used to record the GHG costs described in Ms. Garza-Beutz's testimony.

**F. April Bernhardt**

Ms. Bernhardt's testimony describes the overall approach that SDG&E proposes to employ to support ongoing customer awareness about the purpose and value of the GHG allowance revenues that will be credited to the bills of residential customers. In addition, the testimony forecasts the costs of ongoing customer education and outreach as well as the ongoing administrative and billing costs associated with the return of allowance revenue to customers.



#### **IV. STATUTORY AND PROCEDURAL REQUIREMENTS**

##### **A. Rule 2.1 (a) – (c)**

In accordance with Rule 2.1 (a) – (c) of the Commission’s Rules of Practice and Procedure, SDG&E provides the following information.

##### **1. Rule 2.1 (a) - Legal Name**

SDG&E is a corporation organized and existing under the laws of the State of California. SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. SDG&E’s principal place of business is 8330 Century Park Court, San Diego, California 92123. SDG&E’s attorney in this matter is Roger A. Cerda.

##### **2. Rule 2.1 (b) - Correspondence**

Correspondence or communications, including any data requests, regarding this Application should be addressed to:

Shewit Woldegiorgis  
Regulatory Case Manager  
San Diego Gas & Electric Company  
8330 Century Park Court, CP32F  
San Diego, California 92123  
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with copies to:

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San Diego, CA 92123  
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Email: [rcerda@sdge.com](mailto:rcerda@sdge.com)



### **3. Rule 2.1 (c)**

#### **a. Proposed Category of Proceeding**

In accordance with Rule 7.1, SDG&E requests that this Application be categorized as ratesetting because SDG&E proposes to recover the forecasted revenue requirements described in this Application from its ratepayers, and the costs will thus influence SDG&E's rates.

#### **b. Need for Hearings**

SDG&E does not believe that approval of this Application will require hearings. SDG&E has provided ample supporting testimony, analysis and documentation that provide the Commission with a sufficient record upon which to grant the relief requested.

#### **c. Issues to be Considered**

The issues to be considered are described in this Application and the accompanying testimony and exhibits. SDG&E does not believe there are any issues related to safety considerations that need to be considered in this Application.

#### **d. Proposed Schedule**

SDG&E proposes the following schedule:

<b><u>ACTION</u></b>	<b><u>DATE</u></b>
Application filed	April 15, 2020
Approx. End of Response Period (including Applicant Reply)	June 1, 2020
Prehearing Conference	June 12, 2020
ORA and Intervener Testimony	July 17, 2020
Rebuttal Testimony	August 7, 2020
Evidentiary Hearings (if needed)	August 24-28, 2020
Concurrent Opening Briefs	September 18, 2020
Concurrent Reply Briefs	October 9, 2020
SDG&E November Update	November 6, 2020



<b><u>ACTION</u></b>	<b><u>DATE</u></b>
ORA/Intervenor Comments on November Update	November 13, 2020
SDG&E Reply Comments on November Update	November 20, 2020
Commission Final Decision	December 18, 2020

**B. Rule 2.2 – Articles of Incorporation**

A copy of SDG&E’s Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission on September 10, 2014 in connection with SDG&E Application 14-09-008 and is incorporated herein by reference.

**C. Rule 3.2 – Authority to Change Rates**

In accordance with Rule 3.2 (a) – (d) of the Commission’s Rules of Practice and Procedure, SDG&E provides the following information.<sup>23</sup>

**1. Rule 3.2 (a) (1) – Balance Sheet**

SDG&E’s financial statement, balance sheet and income statement for the nine-month period ending September 30, 2019 are included with this Application as Attachment A.

**2. Rule 3.2 (a) (2) – Statement of Effective Rates**

A statement of all of SDG&E’s presently effective electric rates can be viewed electronically on SDG&E’s website. Attachment B to this Application provides the current table of contents from SDG&E’s electric tariffs on file with the Commission.

**3. Rule 3.2 (a) (3) – Statement of Proposed Rate Change**

A statement of proposed rate changes is attached as Attachment C.

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<sup>23</sup> Note Rule 3.2(a) (9) is not applicable to SDG&E.



#### **4. Rule 3.2 (a) (4) – Description of Property and Equipment**

SDG&E is in the business of generating, transmitting and distributing electric energy to San Diego County and part of Orange County. SDG&E also purchases, transmits and distributes natural gas to customers in San Diego County. SDG&E has electric transmission, distribution and service lines in San Diego, Orange and Imperial Counties. This includes a composite 92% ownership in the 500 kV Southwest Powerlink including substations and transmission lines, which run through San Diego and Imperial Counties to the Palo Verde substation in Arizona. This also includes full ownership of the 500 kV Sunrise Powerlink including substations and transmission lines, which run through San Diego and Imperial Counties to the Imperial Valley substation. Gas facilities consist of the Moreno gas compressor station in Riverside County and the Rainbow compressor station located in San Diego County. The gas is transmitted through high and low-pressure distribution mains and service lines.

Applicant's original cost of utility plant, together with the related reserves for depreciation and amortization nine-month period ending September 30, 2019 is shown on the Statement of Original Cost and Depreciation Reserves included in Attachment D.

#### **5. Rule 3.2 (a) (5) and (6) – Summary of Earnings**

A summary of SDG&E's earnings (for the total utility operations for the company) for nine-month period ending September 30, 2019 is included as Attachment E to this Application.

#### **6. Rule 3.2 (a) (7) – Statement Regarding Tax Depreciation**

For financial statement purposes, depreciation of utility plant has been computed on a straight-line remaining life basis, at rates based on the estimated useful lives of plan properties. For federal income tax accrual purposes, SDG&E generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954



and prior to 1981. For financial reporting and rate-fixing purposes, “flow through accounting” has been adopted for such properties. For tax property additions in years 1981 through 1986, SDG&E has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SDG&E has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

**7. Rule 3.2 (a) (8) – Proxy Statement**

A copy of the most recent proxy statement sent to all shareholders of SDG&E’s parent company, Sempra Energy, dated March 19, 2020, was mailed to the Commission on April 13, 2020, and is incorporated herein by reference.

**8. Rule 3.2 (a) (10) – Statement re Pass Through to Customers**

The rate increases reflected in this Application pass through to customers only increased costs to SDG&E for the services or commodities furnished by it. However, as noted in Table 1 above, the overall impact of the various rate changes is a rate decrease.

**9. Rule 3.2 (b) – Notice to State, Cities and Counties**

In compliance with Rule 3.2 (b) of the Commission’s Rules of Practice and Procedure, SDG&E will, within twenty days after the filing this Application, mail a notice to the State of California and to the cities and counties in its service territory and to all those persons listed in Attachment F to this Application.

**10. Rule 3.2 (c) – Newspaper Publication**

In compliance with Rule 3.2 (c) of the Commission’s Rules of Practice and Procedure, SDG&E will, within twenty days after the filing of this Application, publish in newspapers of general circulation in each county in its service territory notice of this Application.



## **11. Rule 3.2 (d) – Bill Insert Notice**

In compliance with Rule 3.2 (d) of the Commission’s Rules of Practice and Procedure, SDG&E will, within 45 days after the filing of this Application, provide notice of this Application to all of its customers along with the regular bills sent to those customers that will generally describe the proposed rate changes addressed in this Application.

## **V. MEET-AND-CONFER ACTIVITIES**

D.19-06-026 adopted a meet-and-confer requirement whereby: (a) A meeting between load-serving LSEs that anticipate load migration shall occur reasonably in advance of the filing deadline for initial year ahead forecasts; and (b) In each LSE’s initial year ahead forecast filing, each LSE shall describe the dates of meetings with other LSEs to discuss load migration, any agreements, and any continued areas of disagreement.<sup>24</sup>

Additionally, in OP 1 of D.20-03-019 Considering Working Group Proposals on Departing Load Forecast and Presentation of Power Charge Indifference Adjustment Rate on Bills and Tariffs (filed February 25, 2020), the Commission ordered SDG&E to report in each regulatory filing its meet-and-confer activities and information exchange with Community Choice Aggregators in SDG&E’s service territory, if the regulatory filing involves a departing load forecast.<sup>25</sup> SDG&E held a meet-and-confer meeting regarding load forecasting on March 23, 2020. SDG&E invited numerous entities to participate in the March 23rd meet-and-confer meeting.<sup>26</sup> Attendees to the meeting included representatives for Calpine, San Diego

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<sup>24</sup> *Decision Adopting Local Capacity Obligations for 2020-2022, Adopting Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy Program* at OP 14 (filed in Rulemaking (R.) 17-09-020).

<sup>25</sup> Filed in R.17-06-026.

<sup>26</sup> SDG&E sent an invite to recipients on the R.17-09-020 and R.19-11-009 distribution lists.



Community Power, and Clean Energy Alliance. The items addressed at the meet-and-confer meeting included: (1) an overview of SDG&E's load forecast process for departing load; (2) an overview of the meet-and-confer requirement; (3) an overview of regulatory proceedings and schedules; (4) an overview of load data to support regulatory filings; and (5) a discussion of future load forecast cycles. The parties continue to exchange information regarding load forecasting through a collaborative effort. The parties have reached agreement on the process by which the non-IOU LSEs are to provide forecast data to SDG&E as well as the templates to be used to submit their data. There have not been any specific areas of disagreement at this point. Information provided by the non-IOU LSEs to SDG&E include monthly energy sales, peak demand and customer forecast data.

## **VI. CONFIDENTIAL INFORMATION**

SDG&E is submitting the confidential testimony supporting this Application in both public (redacted) and non-public (unredacted and confidential) form, consistent with SDG&E's declarations of confidential treatment attached to the confidential testimonies and submitted in conformance with D.06-06-066, D.08-04-023 and other applicable orders and statutory provisions. In short, confidential treatment is necessary in this proceeding to avoid inappropriate disclosure of the confidential and commercially sensitive information (pertaining to SDG&E's electric procurement resources and strategies) that SDG&E witnesses must identify to support SDG&E's revenue requirements forecasts for 2021. Additionally, SDG&E is contemporaneously filing a motion for leave to file confidential information in Attachment G to this Application under seal.

## **VII. SERVICE**

This is a new application. No service list has been established. Accordingly, SDG&E will electronically serve this Application, testimony and related exhibits on parties to the service list for its 2020 ERRA Forecast Application (A.19-04-010). Electronic copies will also be served on



Chief ALJ Anne Simon and ALJ Gerald F. Kelly. Pursuant to the Commission's *COVID-19 Temporary Filing and Service Protocol for Formal Proceedings*, paper copies of e-filed documents will not be mailed to the Administrative Law Judges or to parties on the service lists.

### **VIII. CONCLUSION AND SUMMARY OF RELIEF REQUESTED**

WHEREFORE, San Diego Gas & Electric Company requests that the Commission:

- (1) grant authority to decrease rates by approving as reasonable SDG&E's 2021 forecast of its ERRRA revenue requirement pertaining to SDG&E's load, the resources available to meet SDG&E's load, and various input assumptions regarding fuel costs, GHG costs, and costs for SDG&E's various electric resources;
- (2) grant authority to increase rates by approving as reasonable SDG&E's 2021 forecast of its PABA revenue requirement;
- (3) grant authority to decrease rates by approving as reasonable SDG&E's 2021 forecast of its CTC revenue requirement;
- (4) grant authority to increase rates by approving as reasonable SDG&E's 2021 forecast of its LG revenue requirement;
- (5) grant authority to hold rates constant by approving as reasonable SDG&E's 2021 forecast of its SONGS Unit 1 Offsite Spent Fuel Cost revenue requirement;
- (6) grant authority to decrease rates by approving as reasonable SDG&E's 2021 forecast of its TMNBC revenue requirement;
- (7) approve SDG&E's 2021 forecast of its GHG allowance revenues;
- (8) approve SDG&E's 2021 forecast for its GHG administration, customer education and outreach activities;
- (9) adopt SDG&E's 2021 forecast of its GHG allowance revenue return allocations for the residential California Climate Credit;



(10) grant authority to return the overcollected 2018 LGBA recorded activity;

(11) adopt SDG&E's proposed vintage PCIA rates, as will be provided in SDG&E's forthcoming November Update to this Application;

(12) adopt SDG&E's proposed 2021 rate components for the Green Tariff Shared Renewables Program; and

(13) grant such additional relief as the Commission believes is just and reasonable.

SDG&E is ready to proceed with its showing in this Application.

Respectfully submitted,

/s/ Roger A. Cerda

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By: /s/ Miguel Romero

Miguel Romero  
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Vice President – Energy Supply

DATED at San Diego, California, this 20th day of April 2020





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September 11, 2020

**ADVICE LETTER 3605-E**

(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST FOR APPROVAL OF SYSTEM RELIABILITY CONTRACTS  
RESULTING FROM SDG&E'S REQUEST FOR OFFERS UNDER D.19-11-016**

**PURPOSE**

Pursuant to Decision ("D.") 19-11-016 ("Decision"), San Diego Gas & Electric Company ("SDG&E") hereby submits this Advice Letter requesting California Public Utilities Commission ("CPUC" or "Commission") approval of two resource adequacy ("RA") purchase agreements and one power purchase agreement ("PPA") with a third-party owned battery energy storage systems (together, the "Contracts"), along with two utility-owned battery energy storage systems to be constructed by a third-party and owned and operated by SDG&E (the "EPC Agreements"; together with the Contracts, the "Proposed Transactions") resulting from SDG&E's 2021-2023 Integrated Resource Planning ("IRP") Reliability Request for Offers ("RFO"). As set forth below in this Advice Letter, SDG&E seeks a Commission finding that: (1) procurement of the Proposed Transactions complies with the procurement requirements ordered by D.19-11-016, (2) SDG&E is authorized to recover in rates the cost of the Contracts, subject to their prudent administration, and the EPC Agreements, and (3) SDG&E's interim cost allocation methodology Resource Adequacy Procurement Memorandum Account ("RAPMA") is approved pending the Commission's adoption of a modified Cost Allocation Mechanism ("CAM") as directed in D.19-11-016.

**BACKGROUND**

The Commission issued D.19-11-016 on November 13, 2019 in order to address the potential for system RA shortages beginning in 2021 within the control area of the California Independent System Operator ("CAISO"). The Decision directs all Commission-jurisdictional load serving entities ("LSEs") operating within the CAISO balancing area to undertake incremental electric system reliability procurement for the 2021-2023 compliance period. The Decision requires incremental procurement of 3,300 megawatts ("MWs") of system-level qualifying RA capacity, with at least 50 percent of the new incremental capacity expected to be delivered by August 1, 2021, at least 75 percent by August 1, 2022, and the remaining 25 percent by August 1, 2023.<sup>1</sup> SDG&E's procurement allocation is 292.9 MWs.<sup>2</sup>

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<sup>1</sup> D.19-11-016, at Ordering Paragraph ("OP") 3.

<sup>2</sup> *Id.*



The Decision permits community choice aggregators (“CCAs”) and electric service providers (“ESPs”) to elect not to procure their individual procurement obligation. CCAs/ESPs must notify the Commission in their progress reports submitted in February 2020 of their intention to “opt out” of their required procurement.<sup>3</sup> In a circumstance where a CCA or ESP “opts-out” of its procurement obligation, or is deficient in meeting such obligation, the Decision requires the relevant investor-owned utility (“IOU”) to procure on behalf of the CCA or ESP, and to allocate the costs of any such procurement to customers of the CCA or ESP on a non-bypassable basis based on a modified cost allocation mechanism (“CAM”).

As the result of “opt-out” decisions by LSEs in its service territory, SDG&E was required to procure an additional 8.4 MW of capacity, for a total SDG&E procurement obligation of 301.3 MW, with at least 150.65 MW coming online by August 1, 2021. The 164 MW<sup>4</sup> total capacity of the Proposed Transactions exceeds this 50 percent target.

The Decision outlines eligibility requirements and evaluation criteria for resources. It establishes requirements for the competitive solicitation itself and details the information that the IOUs must include in their advice letters seeking approval of contracts and cost recovery. The Decision also authorizes the IOUs to propose utility ownership of a portion of the resources to be procured and directs that for that portion, the IOUs must abide by existing procurement rules governing utility-owned resource participation in solicitations<sup>5</sup>

SDG&E issued its 2021-2023 IRP RFO on December 13, 2019 with offers due by no later than February 7, 2020. In response to an initial shortfall in shortlisted resources able to meet the procurement target of 50 percent of the incremental capacity online by August 1, 2021, SDG&E permitted bidders who had submitted offers with August 1, 2021 online dates to refresh their offers with additional incremental capacity and/or modified offer pricing by no later than July 21, 2020. The MW quantity of new and updated offers shortlisted as a result of this refresh allowed SDG&E to meet the August 1, 2021 capacity delivery requirement. SDG&E submits this Tier 3 Advice Letter to request approval of the Proposed Transactions, which meet the August 1, 2021 online date requirement.

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<sup>3</sup> *Id.*, at OP 5.

<sup>4</sup> LS Power’s contract for 20 MW total capacity will be phased, with 10 MW online by August 1, 2021 and an additional 10 MW online by August 1, 2022.

<sup>5</sup> *Id.*, at OP 8.



**REQUIREMENTS FOR THE SOLICITATION**

The Decision establishes, *inter alia*, the following requirements:

1. The IOUs must conduct all-source solicitations to procure their incremental system RA obligations.<sup>6</sup>
2. The IOU solicitations must consider existing as well as new resources, demand-side resources, combined heat and power, and storage, as long as all resources are shown to be incremental to the baseline resource list issued by an Administrative Law Judge Ruling.<sup>7,8</sup>
3. For any demand-side resources, the incrementality principles adopted in D.16-12-036 should be used as a starting point for negotiations.
4. The IOUs' solicitations may not consider natural gas generation turbines at new sites, even if storage is added, except: (i) generation at new facilities or new sites that utilize biomethane; (ii) compressed air storage at new sites that use natural gas in its process; and (iii) expansion of existing natural gas capacity at existing sites, where permitted, but the addition of capacity must be shown to create emissions benefits, such as by reducing the rate of emissions from plant operations by adding storage, or by utilizing biomethane.<sup>9</sup>
5. The IOUs are authorized to propose utility ownership of a portion of their mandated procurement, provided that certain requirements are met.<sup>10</sup>

**OVERVIEW OF THE 2021-2023 IRP RFO**

SDG&E's 2021-2023 IRP Reliability RFO followed a process consistent with previous procurement efforts, such as SDG&E's 2016 Preferred Resources Local Capacity Requirements ("LCR") RFO, and complied with the requirements of D.19-11-016. The following is a description of SDG&E's RFO process with details on offer valuation and selection set forth in Appendix B.1:

**RFO Structure**

On December 13, 2019, SDG&E launched its IRP RFO to meet the procurement requirements established by D.19-11-016. A single solicitation was conducted to procure resources for all three online delivery dates specified in the decision: August 1, 2021; August 1, 2022; and August 1, 2023.

Consistent with the Commission's direction in D.19-11-016,<sup>11</sup> SDG&E conducted an all-source solicitation and invited participants to offer Combined Heat and Power ("CHP"), conventional generation, demand response, energy efficiency, energy storage, and renewable generation. Throughout the solicitation, participants were also encouraged to offer combined renewable and energy storage ("Hybrid") projects. Additionally, as contemplated in the Decision<sup>12</sup> and D.19-06-

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<sup>6</sup> *Id.*, at OP 7.

<sup>7</sup> *Id.*

<sup>8</sup> ALJ Fitch Ruling on January 3, 2020, that finalized the baseline resources list for purposes of determining whether procurement required by the Decision counts as incremental to the baseline.

<sup>9</sup> D.20-03-028, at OP 16, modified the solicitation eligibility of natural gas and biomethane resources to meet the incremental procurement requirements.

<sup>10</sup> D.19-11-016, at OP 8.

<sup>11</sup> D.19-11-016, pp.42-45

<sup>12</sup> *Ibid*, pp. 49-50.



032,<sup>13</sup> utility-owned proposals were allowed to participate in the solicitation and were evaluated in a fair and unbiased manner.

At the time of the RFO launch, instructions, offer forms and pro forma contracts were provided on the SDG&E RFO website, <https://www.sdge.com/2021-2023-irp-reliability-rfo>. RFO protocol documents were provided for each of the all-source resource types listed above, and bidders with hybrid projects were requested to utilize either the renewable or energy storage offer form documents, along with additional description of their offer attributes, and provide comments to the energy storage pro forma in their offer.

Since the objective of the IRP RFO was to procure incremental system RA capacity, as required by D.19-11-016, projects were required to be eligible for system RA, which includes full capacity deliverability status ("FCDS") for the project as determined in accordance with the CAISO tariff. SDG&E allowed offers to include other attributes, such as local RA, renewable energy credits ("RECs"), and energy. All projects were also required to be incremental to the baseline resources identified by the Commission through formal ruling, as required in D.19-11-016.<sup>14</sup> The IRP RFO schedule of events as they occurred is shown below:<sup>15</sup>

Date	RFO Event
December 13, 2019	RFO Launch
January 10, 2020	Pre-Bid Conference
February 7, 2020	Deadline for Bid Submittal
May 20, 2020	Initial Shortlist Notification
August 31, 2020	Contract Execution Date for 2021 COD Offers
By October 15, 2020	Contract Execution for 2022-23 COD Offers

\*Dates subject to change

Additional information regarding the Utility Development Team solicitation is set forth in Appendix B.2.

### Participant Outreach

SDG&E conducted bidder outreach to inform potential bidders of the IRP RFO. On December 13, 2019, an e-mail notification was sent to over 6,000 recipients. The RFO issuance e-mail provided potential participants with a brief description of the solicitation and a link to SDG&E's RFO website and e-mail account, along with submittal date deadline and contact information for the Independent Evaluator ("IE").

The available documents on the RFO website included solicitation protocols, offer forms and pro forma templates for each of the all-source technologies. The website also included schedule and e-mail contact information for inquiries, [IRPReliabilityRFO@sdge.com](mailto:IRPReliabilityRFO@sdge.com).

SDG&E received questions in the RFO e-mail account throughout the solicitation period and posted answers to the questions in a comprehensive frequently asked questions ("FAQ") document available with a link from the website. All questions that could potentially benefit other participants were posted while removing any information that would identify the potential bidder who submitted the question.

<sup>13</sup>D.19-06-032, Appendix A, pp. 2-3.

<sup>14</sup> See D.19-11-016, OP6.

<sup>15</sup> SDG&E's RFO schedule changed during the RFO.



On January 10, 2020, SDG&E held a Pre-Bidders' Conference webinar to provide potential bidders with additional detailed information on the offer and interconnection processes. During the webinar, participants were given the opportunity to submit questions and concerns. As available, responses to questions were provided at the close of the webinar. The remaining responses were posted to the FAQ document.

Offers for the RFO were required to be submitted by no later than noon Pacific Time on February 7, 2020. SDG&E notified the initial list of shortlisted bidders of their shortlisted status on May 20, 2020. Shortlisted bidders were given additional direction to proceed to contact negotiations. Additional bidders were added to the shortlist on an individual basis after the May 20, 2020 date to address the impacts to the total capacity amounts in the various online date periods from withdrawals from shortlist positions as they developed.

## **Utility Development Team Participation**

### **Participation Overview**

As part of the IRP RFO, SDG&E solicited offers for both third-party-owned projects and utility-owned energy storage system projects. Utility-owned energy storage projects solicited included two types: (1) build, own and transfer agreements ("ESSBOT"); and (2) engineering, procurement and construction agreements ("ESSEPC"). Offers for utility-owned energy storage systems were coordinated through an internal group at SDG&E ("SDG&E's Utility Development Team" or "UDT"). The UDT operated as a separate and independent group from the IRP Reliability RFO Team ("Bid Evaluation Team" or "BET"). The UDT was treated as a respondent to the IRP RFO and interacted at arms-length from the BET. The UDT ran its own separate, parallel solicitation (the "UDT RFO") to solicit and develop utility-owned energy storage system offers that the UDT could then offer into the all-source IRP Reliability RFO being run by the IRP Reliability RFO Team.

The UDT took the following actions to conduct a solicitation, evaluate offers, and co-develop ESSEPC and ESSBOT offers to submit to the IRP Reliability RFO Team.

### **Description of UDT RFO Actions and Timeline:**

<b>Action</b>	<b>Date</b>
UDT RFO Notice issued. ESSBOT and ESSEPC Respondents asked to provide written expression of interest any time after December 13 <sup>th</sup> , 2019.	12/13/2019
Deadline for Respondents to provide a written expression of interest	12/30/2019
Deadline to receive an executed non-disclosure agreement (NDA)	12/30/2019
Issued IRP RFO addendum ("RFO Addendum") to ESSEPC and ESSBOT Respondents. <sup>16</sup> Table 5-2 of the RFO Addendum provided a list of ESSEPC and ESSBOT documents, a description of each document, and the document release schedule.	12/30/2019

<sup>16</sup> The original version of the RFO Addendum dated December 30, 2019 and a revised version of the RFO Addendum issued January 14, 2020 are attached hereto as Appendix B.2.



ESSEPC Site Walk	1/9/2020
ESSEPC and ESSBOT Bidder's Conference	1/10/2020
Deadline to submit Written Questions	1/15/2020
Deadline to post answers to Questions on Power Advocate	1/17/2020
ESSBOT and ESSEPC Bids Due	1/21/2020
UDT begins pre-evaluation process of bids received in UDT RFO	1/21/2020
IRP RFO Closing Date: UDT submits bids into IRP RFO	2/7/2020

### **Code of Conduct Governing the IRP RFO**

In accordance with Commission requirements, all individuals participating in the BET and the UDT, respectively, signed a code of conduct prior to the initial release of the IRP RFO documentation. Besides the members of the BET and UDT, SDG&E personnel who had an advisory role or management oversight role respecting either or both teams also signed the code of conduct certifying that they would not serve as an indirect conduit of information in contravention of the code of conduct.

The code of conduct requires utility personnel performing the bid evaluation, the BET, to be functionally separated from the utility personnel, the UDT, preparing the bids or the cost estimates for projects that would ultimately be utility owned. Under this restriction, utility personnel developing the utility-owned projects or preparing the cost estimates for projects that would ultimately be utility-owned are barred from access to any non-public evaluation protocols, input assumptions, or bid information not made generally available to outside bidders. The Code of Conduct contains the following requirements and restrictions:

1. The Bid Evaluation Team will not discuss with the UDT or communicate via email or otherwise any non-public information regarding the evaluation process or pricing.
2. Any discussions or e-mails related to the 2021-2023 IRP Reliability solicitation between the BET and the UDT will be monitored by the Independent Evaluator.
3. The UDT will not discuss with the BET or communicate via email or otherwise any non-public information regarding the development of cost estimates for a bid prior to providing the revenue requirement for such bid to the BET. Once the UDT has provided the revenue requirement for a particular bid to the BET, the UDT may respond to clarifying questions posed by the BET, provided that the IE monitors such discussions.
4. Materials provided by third parties will be submitted to the BET and not shared with the UDT, except for materials associated with utility ownership offers made to the UDT for estimates for permitting, land and interconnection and/or add revenue requirements.
5. The BET will store relevant non-public materials in a location that is not accessible to the UDT.
6. The UDT will store relevant non-public materials in a location that is not accessible to the BET.
7. The IE will oversee activities performed by the BET.



8. Any SDG&E employee or consultant who provides advisory services, manages, supervises or oversees the BET and/or the UDT will not act as a conduit for sharing information about each team's processes or activities.

In keeping with the code of conduct, as described above, the IE, PA Consulting, was copied on all relevant e-mail communications between the BET and UDT members regarding the bids and the projects and, if verbal communications were required, the IE monitored those discussions as well.<sup>17</sup> The topics of these communications were limited to those that would be covered with any RFO participant, including clarification of RFO protocols and clarification of offer submittals.

### **Offers Received**

SDG&E's IRP RFO received a robust market response. Deficiencies and clarifications regarding the offer forms were addressed via the IRP RFO e-mail account.

After the initial evaluation was completed and shortlisted bidders confirmed shortlist acceptance, a second phase of the RFO was conducted to address a shortfall in capacity resources able to achieve commercial operation by August 1, 2021. As noted above, this process allowed participants to update certain attributes, including capacity, for bids that were originally submitted for the August 1, 2021 on-line date.

Additional information regarding the offers is included in Appendix F.

### **Evaluation**

To evaluate the IRP RFO offers, SDG&E utilized Net Market Value ("NMV") and other qualitative factors included in the solicitation protocol to achieve a shortlisted portfolio that could provide incremental system RA consistent with D.19-11-016, including utility-owned projects that bid into this solicitation.

The evaluation methodology used to select the IRP RFO shortlisted offers is described in Appendix B.1 – Description of Evaluation Methodology.

### **Negotiations**

SDG&E initiated negotiations immediately after shortlisted positions were accepted by bidders and shortlist fees were received. SDG&E initially reviewed bidder's comments to the applicable pro forma templates during its bid evaluation, and negotiations began with a review and discussion of the redlined template submitted with bids. All shortlisted parties were advised that negotiations would not necessarily result in executed agreements and that, due to the compressed timelines of the solicitation, negotiations of contract terms should focus on material issues only. The shortlisted projects represented three different contract types: PPAs, RA purchase agreements, and EPC Agreements. The executed and redlined versions of the Proposed Transactions are included in the Confidential Part 2 appendices to this advice letter.

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<sup>17</sup> In order to assemble this advice letter, members of the BET tasked with compiling and submitting this advice letter communicated to the UDT requests for and the status of materials needed from the UDT for inclusion in this advice letter. Those materials include the executed agreements for the Kearny and Melrose projects, the revenue requirement for those projects and the description of the UDT RFO. Consistent with the Code of Conduct language the UDT did not have access to non-public materials, including access to non-UOG sections of the Advice Letter. These conversations were not monitored by the IE.



**Procurement Review Group**

SDG&E discussed the RFO, the shortlist and the status of contract negotiations with its CAM Procurement Review Group (“CAM PRG”) on multiple occasions. SDG&E responded to CAM PRG questions and follow-up items and incorporated CAM PRG feedback into its procurement processes and contract negotiations. Specific dates on which the CAM PRG was briefed on the RFO include November 15, 2019, December 20, 2019, January 17, 2020, February 21, 2020, March 20, 2020, May 15, 2020, June 10, 2020, and August 7, 2020. Updated shortlisted offers were provided on the May 15, June 10 and August 7 dates.

**Independent Evaluator**

SDG&E assigned PA Consulting, a Commission-approved IE, as the IE for the IRP RFO. PA Consulting was represented by Jonathan Jacobs, Lillianne Farih and Charles Janecek.

The IE’s involvement is outlined below:

- Reviewed and evaluated the planning of the solicitation, including solicitation materials
- Participated in the Pre-Bidders’ webinar
- Reviewed bids, including conformance and evaluation
- Assisted in shortlist development
- Included in all written and verbal communication with bidders
- Attended contract negotiations

The public version of the Independent Evaluator’s Report is included as Appendix C to this Advice Letter, and the confidential version is included as Confidential Appendix E.



**SELECTED PROJECTS**

SDG&E seeks approval of the following agreements that form the initial tranche of projects procured in the RFO expected to achieve commercial operation by August 1, 2021. Each project is a lithium ion battery energy storage system.

<b>Project Name</b>	<b>Developer / Builder</b>	<b>Expected MW</b>	<b>Contract Type</b>	<b>Contract term in years</b>	<b>Location</b>	<b>Delivery Point</b>	<b>MWh Output</b>
Vista Energy Storage	LS Power	20 <sup>18</sup>	RA-only*	15	City of Vista, San Diego County	CAISO	80*
Valley Center Energy Storage	TerraGen	50	RA-only*	15	City of Valley Center, San Diego County	CAISO	200*
Valley Center Energy Storage II	TerraGen	54	Energy Storage Power Purchase Agreement	15	City of Valley Center, San Diego County	CAISO PNODE for the Project	216
Melrose Energy Storage	Fluence	20	UOG	N/A	City of Vista, San Diego County	CAISO	80
Kearny Energy Storage	Fluence	20	UOG	N/A	City of San Diego	CAISO	80

\* As an RA-only agreement, SDG&E will not have rights to the energy or other attributes from this project.

Each of the Contracts either has the discretionary permits needed for construction or has determined that it qualifies for an exemption or exception for a permit, and all projects have a signed interconnection agreement with Full Capacity Deliverability Status for the contracted capacity. Further details on project milestones and other material contract terms is discussed in Confidential Appendix G.

**SAFETY CONSIDERATIONS**

The energy storage projects are responsible for the safe construction and, regarding third-party Contracts, operation of their facilities in compliance with all applicable safety regulations. To address the potential safety risks with respect to the proposed battery energy storage projects, SDG&E used enhanced safety provisions within the Contracts as it has in SDG&E's prior RFOs. The RA purchase agreements and the PPA include safety provisions that require sellers to practice responsible safety management enforced by contractual terms and conditions based on standards for Acceptable Electrical Practices and all applicable laws and regulations. "Accepted Electrical Practices" are defined in the Contracts as practices, methods, applicable codes and

<sup>18</sup> The 20 MW total capacity will be phased, with 10 MW online by August 1, 2021 and an additional 10 MW online by August 1, 2022.



acts engaged in or approved by a significant portion of the electric power industry, or any of the practices, methods and acts which, in exercise of reasonable judgment in light of the facts known at the time a decision is made, could have been expected to accomplish a desired result at reasonable cost consistent with good business practices, reliability, safety and expedition. SDG&E also required each of the Sellers to provide SDG&E with documentation outlining its safety management policies and practices.

For the UOG projects, the UDT solicitation and evaluation focused on ensuring energy storage systems are designed, constructed and operated safely, regardless of use case or ownership structure is a priority for SDG&E. For utility-owned energy storage systems, such as these, SDG&E undertook a comprehensive evaluation of all components of each respondent's offers. This included evaluation of counterparty risk, prior experience in safely constructing and operating energy storage systems, the technical merit of the proposed system, including safety components. Moreover, respondents that submitted offers to provide utility-owned energy storage systems must construct their proposed systems in compliance with SDG&E's Energy Storage technical specification. Safety considerations are addressed in Exhibit D (Safety and Site Security Requirements) of the each of the EPC Agreements, attached as Confidential Appendices N and Appendix O, and throughout the contract technical specifications. In addition, SDG&E's "Class 1 Contractor Safety Manual" is an exhibit to the EPC Agreements and can be found online at <https://www.sdge.com/contractor-safety-program-resources>.

### **COST RECOVERY**

In D.19-11-016, the Commission indicated that the costs of procurement undertaken by the IOUs on behalf of other LSEs would be allocated through a modified CAM.<sup>19</sup> This "on-behalf-of" procurement is additive to the IOU procurement for its own share of the identified need.<sup>20</sup>

The Decision indicates that specific details of the modified CAM will be addressed through a stakeholder workshop process.<sup>21</sup> A workshop was held in the first quarter of 2020, and the newly-opened successor proceeding to R.16-02-007, R.20-05-003, indicates that a ruling seeking party input on the modified CAM is forthcoming, with a proposed decision expected in Spring, 2021.

Until the Commission adopts the cost recovery for procurement undertaken as a result of the Decision, including an implementation timeline, SDG&E requests Commission authorization to establish a new memorandum account, the RAPMA, to track and record costs related to the procurement of incremental RA capacity required by D.19-11-016 and related administrative costs. The RAPMA would separately track and record the following costs:<sup>22</sup>

1. Contract costs of incremental resource procurement to meet needs for bundled customers and/or unbundled customers of LSEs that have opted-out of self-procurement or deficient LSEs that are unable to meet their procurement obligations; and
2. Administrative costs associated with the incremental resource procurement process, such as outside Independent Evaluator costs.

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<sup>19</sup> *Id.*, at OP 5.

<sup>20</sup> *Id.*, at OP 3.

<sup>21</sup> D.19-11-016, p. 67.

<sup>22</sup> See SDG&E's proposed tariff "Electric Preliminary Statement – Resource Adequacy Procurement Memorandum Account (RAPMA)" in Appendix A,



SDG&E's preference is to recover the full costs of the procurement ordered in D.19-11-016, currently there is not a rate mechanism to recover the costs SDG&E will incur. SDG&E is proposing that all the procurement and administrative costs associated with the incremental resource procurement be tracked in the proposed memorandum account for later recovery via the modified CAM rate.

Establishing the memorandum account on an interim basis until the Commission establishes a permanent cost recovery mechanism will help assure that all costs arising from, and benefits associated with, the procurement are appropriately tracked and ultimately recovered from all benefiting customers.

Once the Commission adopts a specific cost recovery mechanism for the modified CAM, the implementation of the rate could be approved through SDG&E's Energy Resource Recovery Account ("ERRA") Forecast proceeding, which would include a proposal for the disposition of any accrued balance in the memorandum account.

SDG&E anticipates that the modified CAM will be approved sometime in Q1 or Q2 of 2021, which will allow SDG&E to implement the new rate component as part of its 2022 ERRA Forecast Application for rates effective January 1, 2022.

SDG&E's proposed tariff "Electric Preliminary Statement – Resource Adequacy Procurement Memorandum Account (RAPMA)" is provided as Appendix A to this Advice Letter.

### **COMPLIANCE WITH THE DECISION**

SDG&E's 2021-2023 IRP Reliability RFO and resulting Proposed Transactions are reasonable, and meet the requirements and goals set forth in the Decision as follows:

#### **I. The IRP RFO Was Reasonable and Met the Decision Requirements**

Pursuant to D.19-11-016, SDG&E issued the all-source solicitation with the object to procure incremental system RA capacity from new and existing energy resource types as allowed by the decision. The RFO required that projects be eligible for system RA, including FCDS as determined in accordance with the CAISO tariff.

#### **II. The Proposed Transactions Resulting from the IRP RFO Meet the Decision Requirements**

SDG&E issued the 2021-2023 IRP Reliability RFO to procure its target of 301.3 MW of incremental system RA capacity, with 50 percent (at least 150.65 MW) to be online by August 1, 2021. The Proposed Transactions equal 164 MW<sup>23</sup> total capacity, which satisfies the requirement that at least 50 percent of the capacity procured in this RFO have an expected online date of no later than August 1, 2021.<sup>24</sup> D.19-11-016 also requires that system RA capacity procured be incremental to the baseline resource assumptions identified by the Commission. The Proposed Transactions are with battery energy storage projects representing CAISO system capacity that is incremental to the baseline resources identified in R.16-02-007.<sup>25</sup>

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<sup>23</sup> LS Power's contract for 20 MW total capacity will be phased, with 10 MW online by August 1, 2021 and an additional 10 MW online by August 1, 2022.

<sup>24</sup> D.19-11-016, at OP 3.

<sup>25</sup> ALJ Fitch issued a Ruling on January 3, 2020, that finalized the baseline resources list for purposes of determining whether procurement required by the Decision counts as incremental to



### **III. The Proposed Transactions are the Least Cost Best Fit Solution to Meet the Decision's Procurement Requirements**

The Least-Cost, Best Fit ("LCBF") Net scores for the Proposed Transactions were favorable. Appendix B.1, Description of Evaluation Methodology, provides further detail on how the market valuation was calculated and how offers were evaluated.

### **IV. Project Development Milestones**

D.19-11-016 requires SDG&E to submit as part of this advice letter information regarding significant project development milestones, specifically including dates for site control, environmental application "deemed complete" or data adequate, and CAISO interconnection study completed.<sup>26</sup> Each of the projects, or its affiliate, that comprise the Proposed Transactions has site control, has a signed interconnection agreement with the CAISO and the transmission provider in whose territory the project is located, and either has received their discretionary environmental permits or has indicated that no environmental permit is required under the applicable permitting laws. Additional detail on these milestones is set forth in Confidential Appendix G for the contracts and is found in Attachment G-1 and sections 14 and 15 of the EPC Agreements.

### **ADVICE LETTER SUBMISSION TO COMMISSION**

SDG&E respectfully seeks Commission classification of this Advice Letter as a Tier 3 Advice Letter, in compliance with the Decision and G.O. 96-B. As summarized above, this Tier 3 Advice Letter should be approved as reasonable, because the Proposed Transactions effectively meet the purpose of the procurement as directed by the Decision and represent the least cost best fit solution resulting from the RFO.

### **CONFIDENTIALITY**

***CONFIDENTIAL TREATMENT OF SPECIFIC MATERIAL IS BEING REQUESTED. THE INFORMATION AND REASON(S) FOR CONFIDENTIAL TREATMENT IS CONSISTENT WITH THE SHOWING REQUIRED BY D.06-06-066, AS MODIFIED.***

SDG&E requests that the Confidential Appendices in Part 2, which contain confidential, market-sensitive information in support of this advice letter, including information such as contract analysis, contract terms and other information specifically protected under D.06-06-066, as modified by subsequent decisions, be kept confidential by the Commission. This request for confidential treatment is supported by the accompanying Declarations to this Advice Letter in Appendix D.

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the baseline.

<sup>26</sup> D.19-11-016, at p. 52.



**Part 1 – Public Appendices**

- Appendix A – RAPMA Preliminary Statement
- Appendix B.1 – Description of IRP RFO Evaluation Methodology
- Appendix B.2 – UDT RFO Addendum Original and Revised
- Appendix C – Report of the Independent Evaluator (Public Version)
- Appendix D – Declarations of Theodore Roberts, Dan Wilson, and Fernando Valero Regarding Confidentiality of Certain Data

**Part 2 – Confidential Appendices**

- Appendix E – Report of the Independent Evaluator (Confidential Version)
- Appendix F – Least-Cost/Best-Fit Evaluation Results
- Appendix G – Summary of Key Project Development Milestones
- Appendix H – Vista Energy Storage, LLC (currently owned by LS Power) Executed Long Form Confirmation for Resource Adequacy Capacity Product
- Appendix I – Redline of Vista Energy Storage, LLC (currently owned by LS Power) Executed Long Form Confirmation for Resource Adequacy Capacity Product
- Appendix J – Valley Center Storage, LLC (currently owned by Terra-Gen) Executed Long Form Confirmation for Resource Adequacy Capacity Product
- Appendix K – Redline of Valley Center Storage, LLC (currently owned by Terra-Gen) Executed Long Form Confirmation for Resource Adequacy Capacity Product
- Appendix L – Valley Center Storage II, LLC (currently owned by Terra-Gen) Executed Energy Storage Power Purchase Agreement
- Appendix M – Redline of Valley Center Storage II, LLC (currently owned by Terra-Gen) Executed Energy Storage Power Purchase Agreement
- Appendix N – Fluence Energy, LLC Executed Agreement, Melrose Energy Storage
- Appendix O – Fluence Energy, LLC Executed Agreement, Kearny Energy Storage
- Appendix P – Fluence Contract Summary

**EFFECTIVE DATE**

This filing is subject to Energy Division disposition and should be classified as Tier 3 pursuant to the Decision. This Advice Letter will be effective upon Commission Resolution. Because of the limited time available for the projects to reach their expected August 1, 2021 online date, SDG&E respectfully requests that a Resolution approving this Advice Letter be issued by no later than December 17, 2020.



**PROTEST**

Anyone may protest this advice letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received by October 1, 2020, which is 20 days after the date this advice letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via e-mail to [SDGETariffs@sdge.com](mailto:SDGETariffs@sdge.com) and the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Gregory Anderson  
Regulatory Tariff Manager  
E-mail: [ganderson@sdge.com](mailto:ganderson@sdge.com)

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.16-02-007 and R.20-05-003, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed. Address changes should be directed to the email above.

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CLAY FABER  
Director – California & Federal Regulatory



San Diego Gas & Electric Advice Letter 3605-E  
September 11, 2020

## APPENDIX B.1

Description of IRP RFO Evaluation Methodology



# San Diego Gas & Electric Company

## Appendix B.1 Evaluation Methodology



## **IRP RFO EVALUATION SUMMARY**

### **Evaluation Overview**

SDG&E's used a least-cost/best-fit ("LCBF") methodology to evaluate bid selection. The LCBF methodology enabled SDG&E to consider all of the attributes associated with each offer and create a ranking system that could then be optimized for the entire portfolio that met the incremental system RA as required by the CPUC decision.

The LCBF consisted three steps: 1) An initial conformance screen; 2) a base Net Market Value ("NMV") calculation; 3) adjustments made to specific benefit attributes of the NMV calculation to prioritize best-fit criteria.

During the initial screen, each offer was reviewed for completeness and for conformance to the RFO requirements which included the rules set forth in the CPUC decision along with site control and additional CPUC funding. Subsequently, the net present value ("NPV") was calculated for each attribute, both cost and benefit, for each conforming bid.

### **Conformance**

The following items were conformance requirements driven by the CPUC decision:

Incrementality - all resources to be procured must be shown as incremental to the baseline resource assumptions identified for 2022 in an analysis utilized in the Preferred System Plan. The CPUC published this baseline list in a ruling on January 3, 2020.

Commercial Online Date - All bids must have a COD of August 1, 2023 or earlier.

Interconnection - Bids were required to have a CAISO interconnection, or if an import, must be dynamically scheduled or pseudo-tied to the CAISO.

Minimum Term – The minimum contract term for all bids was 10 years, except for energy efficiency bids, which had a minimum term of 5 years.

RA – Project capacity must qualify as system resource adequacy.

The conformance items required by SDG&E are as follows:

Completeness – All bids were required to be complete and accurate, including all required information in the offer forms, redlined comments to the applicable pro forma agreements, and in the case of solar or hybrid offers, PVSyst files.

Site Control – Site control for the duration of the delivery term of the proposed project was required at the time of bid submittal.

Min/Max Capacity – The minimum capacity for each offer was 10 MW and maximum capacity was 300 MW, except for demand response and energy efficiency which each had a minimum requirement of 5 MW.



Prohibition of additional CPUC Funding – Projects already or expecting to receive addition CPUC funding, e.g. SGIP, NEM, were not eligible in this RFO.

## **Cost/Benefit Analysis Overview**

SDG&E conducted an all-source solicitation using applicable value streams for each resource type to estimate the overall value component of the NMV calculation for each offer. The NPV was applied to these value streams which utilized market price forecasts to determine valuation estimates. Value streams included attributes such as resource adequacy, energy, ancillary services and renewable energy credits. The quantities were estimated by assuming optimal operation of the proposed asset over the life of the contract or useful life of the asset (in the case of utility ownership). Operational constraints proposed by the bidders were applied, including energy storage throughput and Investment Tax Credit qualifying requirements, where applicable.

## **Benefits**

### **Resource Adequacy Value**

RA value was attributed to each offer on a monthly basis, using forecasted RA prices. Offers which did not include monthly prices or quantities were evaluated with an even monthly distribution over the entire year. Net Qualifying Capacity values were utilized when applicable for the RA computation.

### **Energy Value**

The energy value attribute was computed using forecasted energy prices and an estimated operational profile for each project. Projects with photovoltaic components used the outputs from the PVsyst application provided by bidders to determine energy output of the facility. Projects with an energy storage component were evaluated by optimizing operating profiles for energy arbitrage and ancillary services, based on price forecasts, over the term of the contract or useful life of the facility (utility owned).

### **Ancillary Services**

For projects eligible to participate in CAISO's ancillary services market, the value was calculated using forecasted ancillary service prices combined with forecasted energy prices to estimate an optimal profile for both value streams. The same estimated profile was used to estimate both, energy and A/S value.



## **Renewable Energy Credits**

The valuation of projects eligible to receive renewable energy credits benefited from this attribute using the estimated renewable output (using PVsyst for photovoltaic systems), combined with a forecasted REC price.

## **Costs**

### **Resource Adequacy**

The RA cost attribute was represented as fixed monthly contract payments. The monthly payments were based on the price, in \$/kW-mo, and quantity, in kW. If no monthly shape was provided in an offer, a flat monthly profile was applied.

### **Energy**

Energy costs were calculated using estimated energy production of the facility. In the case of photovoltaics, the output from PVsyst was used to estimate the output to the grid. For energy storage projects, the energy arbitrage component was not included as a cost; the net benefit of the arbitrage was included in the energy benefits (value) attribute.

### **Variable O&M**

Variable O&M costs were added to the NMV calculation if these costs were included in the offer. The per-unit prices were optionally set forth in the bid and applied to estimates of energy production from the dispatch model.

### **Transmission Upgrades**

Network upgrades costs reflect the amount that a bidder expects to initially pay out of pocket for transmission network upgrades that may qualify for reimbursement from SDG&E. SDG&E included these costs, which were provided by the bidders and expected to be based on applicable interconnection studies, in the NMV calculation.

### **Revenue Requirement (Utility-Owned Only)**

For utility owned offers, the revenue requirement was calculated by SDG&E's Utility Development Team. No additional cost components were introduced by the RFO bid evaluation team. See the UDT RFO Evaluation process below for additional details.

## **Net Score**

After the NMV was calculated and tabulated, other factors were applied to develop a Net Score. This score was used in the final tabulation of bid ranking and selection. A portfolio optimizer tool was implemented to select the best aggregate net score while still meeting the CPUC



decision capacity targets. The elements that were included in the Net Score, in addition to those included in the NMV, are as follows:

### **Avoided Renewable Curtailment**

The avoided renewable curtailment attribute is based SDG&E's load share of projected CAISO-wide renewable energy curtailment utilized in the Integrated Resource Planning models. It was applied as an additional value-side attribute in the Net Score computation. This attribute was created to address the CPUC's priority on renewable integration, "Our success to date with procurement of renewable energy necessitates consideration of *renewable integration* needs to ensure reliability while continuing the transition to 2030."<sup>1</sup> SDG&E adopted this attribute in the IRP RFO evaluation to further enable the goal of integrating existing and future renewable projects onto the electric grid.

### **Project Viability**

The project viability score estimates the likelihood that a project will meet its proposed commercially operation date, as submitted in the offer. Attributes included in the project viability score are listed below:

Permitting Status – the status of the applicable permit application, e.g. CEQA, at the time of the bid. Valuation scores were reduced for projects in earlier phases of permitting.

Technology Risk – offers utilizing commercially proven technology were given priority over untested technologies.

Developer Experience – those offerors with experience developing projects including both, projects currently in development and projects that are commercially operational, were given higher scores due to the expeditious nature of the required CODs in this RFO.

Project Financing – bidders that provided a description in its offer form(s) and/or documentation supporting its project financing were given a higher priority.

Diverse Business Enterprise – bidders qualifying as a diverse business were given higher priority.

The above scoring elements were compiled into a final value which was then applied to the value side of the Net Score calculation.

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1 D.19-11-016 Decision Requiring Electric System Reliability Procurement for 2021-2023, p. 29



## **Preferred Resources**

SDG&E included loading order in the evaluation per the guidance set forth in the Energy Action Plan. Priority was given first to demand response and energy efficiency. Energy storage, renewable and hybrids were given the same priority, lower than energy efficiency and higher than conventional generation, which was given no additional priority.

## **Other Attributes**

SDG&E placed a benefit to offers with a 10-year term, with proportionally decreasing benefit out to 20 years. Additionally, SDG&E added RA value to offers with points of interconnection within the SD-IV Local Resource Area.

## **UDT RFO EVALUATION PROCESS**

### **A. UDT RFO Pre-Screening Process for EPC and BOT Energy Storage Projects**

To ensure a robust response, SDG&E's supply management department contacted sixty-five different energy storage providers through Power Advocate to gauge interest in the UDT RFO. All EPC and BOT respondents had to meet a minimum threshold of commercial viability. The minimum threshold was the construction and operation of an energy storage system equal to or greater than 1MW/10MWh that had operated for at least one year. In addition to this general criteria, SDG&E also had minimum eligibility criteria for the equipment respondents could propose as described in Section 4.0 (A) of the RFO Addendum<sup>2</sup>. These minimum criteria were meant to serve as a screen for both project and bidder viability. Despite the robust outreach, the UDT only received offers from four respondents, all of which met the pre-screening criteria.

To keep the number of project variations limited, the UDT RFO asked for all EPC offers to be a minimum of 10 MW/40MWh systems, for each point of interconnection, at initial installation. For Kearny and Melrose, the UDT allowed for combined bids that were less than 20MW/80MWh (10MW/40MWh for each interconnection) due to physical site constraints.

### **B. UDT RFO Evaluation Process**

The 2021-23 IRP Reliability RFO Protocols limited the number of offers to six per respondent so the UDT RFO initially limited respondents to six offers per EPC or BOT project site. However, to address potential variations in project sizes, augmentation, and in-service dates for BOT sites, this number was updated in the RFO Addendum, to allow up to eight offers per BOT site. The UDT received conforming offers from four respondents. Two of the respondents submitted BOT offers for a single project site, and two respondents provided EPC bids for all of the EPC sites.

For BOT respondents, all offers received in the UDT RFO were provided to the 2021-23 IRP Reliability RFO, however two bids were not passed along due to the six offer per respondent

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<sup>2</sup> See Appendix B.2.



restriction. The six offers maximized the number of bids with 2021 commercial operation dates<sup>3</sup> and focused on smaller projects.

For EPC respondents, the UDT forwarded the most cost-effective offers on \$/MWh basis for each offer. However, some EPC offers were forwarded on the basis that, while these EPC offers may have had a higher \$/MWh cost, the overall net lifetime costs were lower. The total costs per MWh used to compare projects included the estimated utility costs in developing a given EPC site (interconnection costs and other site-specific development costs).

### **C. Site Selection for EPC Bids**

SDG&E solicited EPC offers for the sites listed below:

1. Boulevard – Area adjacent to SDG&E's Boulevard East Substation within existing SDG&E property.
2. Clairemont – Area adjacent to SDG&E's Clairemont Substation within existing SDG&E property.
3. Elliot – Area adjacent to SDG&E's Elliot substation within existing SDG&E property.
4. Kearny – Area adjacent to SDG&E's Kearny Substation within existing SDG&E property.
5. Melrose – Area adjacent to SDG&E's Melrose substation within existing SDG&E property.
6. Paradise – Area adjacent to SDG&E's Paradise substation within existing SDG&E property.

All bidders were given an opportunity to visit each of the EPC project sites identified above on January 9, 2020; the day prior to the bidder's conference.



San Diego Gas & Electric Advice Letter 3605-E  
September 11, 2020

## APPENDIX B.2

UDT RFO Addendum Original and Revised



**REVISED**



**SAN DIEGO GAS AND ELECTRIC COMPANY**  
SUPPLY MANAGEMENT DEPARTMENT  
8315 CENTURY PARK COURT, CP21D  
SAN DIEGO, CA 92123

# **ADDENDUM**

## **SDG&E's 2021-2023 IRP RELIABILITY RFO - ENERGY STORAGE ("ESS")**

**2021-2023**

**IRP RELIABILITY**

**REQUEST FOR OFFERS ("RFO")**

**Seeking**

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**ENERGY STORAGE SYSTEM**

**POWER PURCHASE TOLLING AGREEMENTS**

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**ENERGY STORAGE SYSTEM TURN-KEY  
BUILD, OWN, TRANSFER AGREEMENTS**

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**ENERGY STORAGE SYSTEM TURN-KEY  
ENGINEERING, PROCUREMENT, & CONSTRUCTION  
AGREEMENTS**

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VERSION 1

**ISSUED**

DECEMBER 30TH, 2019 ~~– REVISED JANUARY 14, 2020~~

**OFFERS DUE**

JANUARY ~~24~~<sup>24</sup>, 2020

**EMAIL QUESTIONS/COMMENTS TO**  
UtilityDevelopmentTeam@sdge.com



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## 1.0 BACKGROUND

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In accordance with Decision (D.)19-11-016 – Decision Requiring Electric System Reliability Procurement for 2021-2023 (the “IRP Procurement Track Decision”) approved on November 7, 2019, San Diego Gas & Electric Company (“SDG&E”) is issuing its 2021-2023 IRP Reliability Request for Offers (“RFO”) - Energy Storage to solicit offers from owners and operators of Energy Storage System (“ESS”) facilities, ESS developers and ESS developers/equipment suppliers.<sup>1</sup>

SDG&E is issuing this 2021-2023 IRP Reliability RFO – Energy Storage to help meet its system capacity requirement established in the IRP Procurement Track Decision. As authorized in the Decision, SDG&E is seeking a minimum of 292.9 MW incremental to the baseline resource assumptions identified for the analysis that led to the adoption of the Preferred System Plan in Decision 19-04-040. This RFO solicits offers from eligible facilities that interconnect within the CAISO balancing authority and as required by the Decision. SDG&E is soliciting a broad range of resources including energy efficiency, demand response, renewables, energy storage, and conventional.

With regards to energy storage, the RFO solicits offers for both third party owned, contracted resources and two types of utility owned resources. This Addendum and accompanying documents are being provided to facilitate the submission of offers for utility owned storage resources; specifically,

- 1) Offers from ESS developers to negotiate and enter into an Energy Storage System Turn-key Build, Own, Transfer Agreement (“ESSBOT”) under which the ESS developers would construct an ESS project on its land and SDG&E would acquire the ESS project from the ESS developer upon project completion, and;
- 2) Offers from ESS developers / contractors / equipment suppliers to negotiate and enter into an Energy Storage System Turn-key Engineering, Procurement and Construction Agreement (“ESSEPC”) under which the ESS developers / contractors / equipment suppliers would construct an ESS facility on SDG&E land.
- 3) Offers for other commercial arrangements which allow SDG&E to take ownership of the energy storage system.

While SDG&E’s 2021-2023 IRP Reliability RFO governs the solicitation, this Addendum describes additional requirements for processes for ESSBOT and ESSEPC offers, and sets forth each Respondent’s obligations, describes the procedures that each Respondent must adhere to, and outlines the pre-evaluation process each conforming offer will undergo. SDG&E will ultimately own ESSEPC or ESSBOT projects arising from this solicitation, and SDG&E shareholders may assume some risk of project cost overruns, system underperformance and/or failure. Accordingly, SDG&E will pre-evaluate all ESSBOT and ESSEPC offers to screen counterparties and proposed projects, and minimize counterparty risk associated with bids that are ultimately submitted to SDG&E’s Bid Evaluation Team. The Pre-evaluation Criteria will assess counterparty risk, technical merit of the

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<sup>1</sup> See <<https://www.sdge.com/2021-2023-irp-reliability-rfo>> SDG&E is issuing this 2021-2023 IRP Reliability RFO to achieve its megawatt (“MW”) targets established in the Decision Requiring Electric System Reliability Procurement for 2021-2023 (the “IRP Procurement Track Decision”) . SDG&E is seeking up to 300 MW in this solicitation. To summarize, this RFO is intended to meet both the Track 4 Decision requirements and the Energy Storage Decision requirements.



proposed system, and cost. High scoring offers identified in the pre-evaluation process will be submitted by SDG&E's Utility Development Team to SDG&E's Bid Evaluation Team by the Closing Date. These offers will then be evaluated against all other product types solicited in the 2021-2023 IRP Reliability RFO to determine overall cost-effectiveness. Offers receiving low scores in the pre-evaluation process will not be submitted to the Bid Evaluation Team.

The intent of the pre-evaluation process is to identify low risk counterparties and projects. As the IRP reliability RFO has limited each of the respondents to a maximum of six (6) offers, SDG&E's Development team will only be able to submit six total EPC and/or BOT offers from any one Respondent to the Bid Evaluation Team for final evaluation on the Closing Date. However, each EPC and BOT Respondent is encouraged to submit up to the following maximum number of offers per site: four (4) offers for Clairemont, Elliot and Paradise, six (6) offers for Boulevard, Kearny and Melrose, and eight (8) offers for any BOT site (see revised Table A-1-1).~~to four (4) offers per EPC or BOT site, with the exception of Boulevard, which will be allowed up to six (6) offers if microgrid offers are submitted.~~

This Addendum is intended to provide an overview of the process that SDG&E's Utility Development Team will use to pre-evaluate ESSEPC and ESSBOT offers, and includes detailed information regarding:

- Schedule for ESSBOT and ESSEPC offers;
- Overview of the pre-bid process and offer submittal process for ESSEPC and ESSBOT Respondents;
- Participation criteria/requirements for ESSEPC and ESSBOT Respondents;
- Pre-evaluation and ranking process description;
- Offer-to-revenue-requirement conversion process description;
- Process for Utility Development Team to submit final offers by the Closing Date.

SDG&E EMPHASIZES HERE THAT THE 2021-2023 IRP RELIABILITY RFO GOVERNS THIS SOLICITATION. RESPONDENTS **MUST COMPLY** WITH ALL TERMS, CONDITIONS AND REQUIREMENTS OUTLINED IN THE RFO. REQUIREMENTS, TERMS AND CONDITIONS OUTLINED IN THIS ADDENDUM ARE IN ADDITION TO THE REQUIREMENTS, TERMS AND CONDITIONS DESCRIBED IN THE 2021-2023 IRP RELIABILITY RFO. SDG&E RESERVES THE RIGHT TO MAKE ANY CHANGES TO THIS ADDENDUM AT ANY TIME.

For a ESSEPC or ESSBOT proposal to be considered in this RFO, an offer must be uploaded to Power Advocate®, in accordance with this RFO Addendum schedule no later than 5:00 PM Pacific Prevailing Time ("PPT"), on January ~~21<sup>st</sup>~~ 24<sup>th</sup>, 2020. Offers shall not be accepted that do not comply with the terms of this Addendum.

The Addendum Schedule is subject to change at SDG&E's sole discretion at any time. All changes to the Addendum Schedule will be posted to Power Advocate®. The Addendum Schedule may be affected by (but not limited to) issues such as: discussions proceedings before the CPUC, and efforts to obtain regulatory approval. SDG&E intends to notify Respondents of any schedule change, but will not be liable for any change in schedule or for failing to provide notice of any change. A



schedule detailing SDG&E's plans throughout the entire initial program period can be found in Section 5.0.

SDG&E will seek CPUC approval of executed Agreement(s) resulting from this RFO. Full performance under the executed Agreement(s) shall be contingent on obtaining CPUC approval.

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## 2.0 PRE-EVALUATION PROCESS

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SDG&E will ultimately own ESSEPC or ESSBOT projects arising from this solicitation, and SDG&E shareholders will assume some risk of project cost overruns, system underperformance and/or failure. Accordingly, a pre-evaluation and offer ranking process is necessary to screen all potential ESSEPC and ESSBOT counterparties and projects, and minimize counterparty risk associated with bids that are ultimately submitted to SDG&E's Bid Evaluation Team. The highest scoring EPC and BOT offers identified in the pre-evaluation process will be submitted by SDG&E's Utility Development Team to SDG&E's Bid Evaluation Team by the Closing Date. These offers will then be evaluated against all other product types solicited in the 2021-2023 IRP Reliability RFO to determine overall cost-effectiveness. Low scoring offers will not be submitted to the Bid Evaluation Team.

Respondents to this solicitation shall comply with the requirements described in both the 2021-2023 IRP RELIABILITY RFO – Energy Storage document, and this Addendum.

SDG&E will conduct a competitive pre-evaluation analysis of each proposal submitted utilizing the criteria and processes outlined below. All ESSEPC and ESSBOT proposals shall meet the minimum eligibility requirements as set forth in both the 2021-2023 IRP RELIABILITY RFO – Energy Storage document, and Section 3.0 of this Addendum. Respondents must complete all tabs and required fields in both the 2021-2023 IRP Reliability RFO Offer form and the ESSEPC/ESSBOT Supplemental Offer Form. All offers will be evaluated in accordance with the Minimum Eligibility and Pre-evaluation Criteria described in Section 4.0 of the Addendum.

SDG&E reserves the right to reject any and all bids.



### 3.0 ELIGIBILITY REQUIREMENTS

The *general* participation criteria for all ESS Respondents in this RFO must be met, and are found in Section 3.0(A) of the 2021-2023 IRP Reliability RFO – Energy Storage (“ESS”) document. Additional *specific* requirements for both ESSBOT and ESSEPC Respondents appear in Section 3.0(B), below. Respondents not meeting both the general and specific participation criteria may be deemed ineligible / nonconforming and their offers may not be considered.

#### A. General Participation Criteria

All ESSEPC and ESSBOT Respondents MUST meet all Participation Criteria found in Section 3.0(A) 2021-2023 IRP Reliability RFO- Energy Storage (“ESS”) document issued on December 13th, 2019.

#### B. Specific Participation Criteria for All ESSBOT and ESSEPC Respondents

1. For ESSBOT and ESSEPC offers, the Utility Development Team strongly prefers offers for projects that can achieve commercial operation by August 1, 2021 but will evaluate offers for projects with proposed commercial operation dates before August 1, 2023. This preference is reflective of the Bid Evaluation Team’s call for 50% of the IRP Reliability RFO’s resources to be commercially operational by August 1, 2021.
2. The Respondent must disclose any affiliate relationship it has with Sempra Energy or any of its subsidiaries or affiliates, if one exists.
3. Respondents must price in Operations and Maintenance (“O&M”) services that include O&M services through the end contract term as well as the expected useful life of the equipment. Variable and fixed O&M cost estimates must be included in the ESSEPC/ESSBOT Supplemental Offer Form. These costs will be paid on an annual basis. It is assumed that these costs may vary from year to year. To the extent possible, the Utility Development Team prefers O&M costs to show in the year in which they are likely to occur, rather than appearing as annual levelized costs. The Utility Development Team will not consider proposals with no corresponding O&M services offered.
4. O&M costs and augmentation costs should be based on the assumption that the system is operated according to Operating Profile #1 in the Degradation Tab of ESSEPC/ESSBOT Supplemental Offer Form. Where any of these costs are variable and a function of MWh throughput or other parameter, they should be specified in this manner.
5. Respondents shall price in a Capacity Guarantee for all ESSEPC and ESSBOT offers. This guarantee will cover both power and energy. The ESSEPC/ESSBOT Supplemental Offer Form allows Respondents to provide pricing for two different options: 1) energy capacity declines after Year 1, and 2) energy capacity is maintained at a constant value for the offer’s stated term. Power capacity must be maintained at a constant value for the offer’s stated term. Respondents will recover costs associated with the capacity guarantee



through a Long Term Services Agreement (“LTSA”) or similar mechanism throughout the stated term. For the constant energy guarantee option, the Utility Development Team prefers an augmentation strategy that minimizes the net present value of life cycle costs. The costs associated with guaranteeing capacity must be included in the Cost Tab of the ESSEPC/ESSBOT Supplemental Offer Form.

6. Respondents shall certify residual capacity for all ESSEPC and ESSBOT offers by confirming that the supplied capacity degradation curve applies in the post-term period. For each offer, Respondent must include a residual capacity value associated with each base offer’s stated term, capacity, and assumed operation according to Operating Profile 1 in the Cost Tab of the ESSEPC/ESSBOT Supplemental Offer Form by completing columns C (Year) and D (Annual Residual Capacity) of the Residual Capacity Table in the ESS UOG Cap-Price tab of the SDGE IRP ES Offer Form\_UOG.

Additional discussion of the residual capacity concept, and examples of how Respondents will incorporate the concepts into the bid materials, will be provided at the January 10th, 2020 ESSBOT and ESSEPC Bidder Conference.

7. Required offer size/capacity range.
  - a. ESSBOT Respondents – Must submit offers with a Minimum size of 10 MW/40MWh and maximum size of 300 MW/1200 MWh. All energy capacity values must be four (4) times the power capacity.
  - b. ESSEPC Respondents - Must submit offers that have a power rating of not less than 10 MW and an energy capacity of not less than 40 MWh. See Table A-1-1 for additional detail.
8. Multi-Project Discount – Respondents are encourage to identify any savings or economies of scale that could be realized by awarding multiple projects to the same Respondent. The proposed discount structure should be specified in the Multi-Project Discount Form. This information will be passed on to the Bid Evaluation Team in the form of a comment on the SDGE IRP ES Offer Form for consideration in their evaluation.
9. Contract Term - The Utility Development Team will only consider (3) three-year contracts for existing resources (assuming that a BOT respondent has an existing resource that meets all other participation criteria) or (10) ten-year contracts for new resources (most BOT offers and all EPC offers).
10. Interconnection requirements for all ESS are specified in Section 4.0 of the 2021-2023 IRP Reliability RFO – Energy Storage (“ESS”) document. Additional interconnection detail for ESSBOT and ESSEPC Respondents is found below.
  - a. ESSBOT Respondents have responsibility for development, land acquisition, permitting, financing and construction of the ESS facilities. ESSBOT offers shall include all costs associated with interconnecting the facility.
    - i. BOT Offers shall include CAISO interconnection cost estimates required to make the project deliverable to the CAISO grid, or shall describe the project’s ability to be considered a repower under the CAISO’s Business Practice Manual for Generator Management.



- ii. BOT Offers shall also include all costs for physical interconnection, including all switchgear and step-up transformers required for the project's identified interconnection voltage.
  - b. ESSEPC Respondents are responsible for procuring and installing all switchgear and step-up transformers to the site-specific interconnection voltage. Respondents shall include these interconnection cost estimates in their ESSEPC offers. All switchgear and interconnection equipment must comply with the SDG&E Distribution Interconnection Handbook. SDG&E is responsible for construction and costs associated with interconnecting the project from the high side of primary metering switchgear (cable pull section) to the grid. SDG&E will develop cost estimates for this interconnection activity, and will include those costs in each ESSEPC offer.
- 11. ESSBOT and ESSEPC offers must include a permitting plan and estimate of costs for identified responsibilities.
  - a. ESSBOT Respondents must include a permitting plan describing the required permits to construct and operate the facility for the duration of the proposed term.
  - b. ESSEPC project permitting responsibilities will be split between ESSEPC Respondents and SDG&E. See Exhibits A-1 through A-3 in Schedule III for additional details.
- 12. Please see Table A-1-1 for a summary of general project requirements for both ESSEPC and ESSBOT projects.



TABLE A-1-1: PROJECT/SITE SUMMARY – REVISED

	<u>Boulevard</u>	<u>Clairemont</u>	<u>Elliot</u>	<u>Kearny 1 &amp; 2</u>	<u>Melrose 1 &amp; 2</u>	<u>Paradise</u>	<u>BOT</u>
<u>Max # of Offers</u>	<u>6</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>6</u>	<u>4</u>	<u>8</u>
<u>ESS Power Capacity (AC, net @ PCC)</u>	<u>10MW @ .95 PF</u>	<u>10MW @ .95 PF</u>	<u>10MW @ .95 PF</u>	<u>10, 14-20MW @ .95 PF</u>	<u>10, 14-20MW @ .95 PF</u>	<u>10MW @ .95 PF</u>	<u>10MW-300 MW @ .95 PF</u>
<u>ESS Energy Capacity (AC, net @ PCC)</u>	<u>30-40MWh</u>	<u>30-40MWh</u>	<u>30-40MWh</u>	<u>4 x ESS Power</u>	<u>4 x ESS Power</u>	<u>30-40MWh</u>	<u>4 x ESS Power</u>
<u>Approximate Sq. Ft</u>	<u>14,000</u>	<u>8,800</u>	<u>15,000</u>	<u>Two (2) x 25,000</u>	<u>24,000</u>	<u>21,000</u>	<u>TBD</u>
<u>Noise Limits at Property Line</u>	<u>50 dB 7a-10p 45 dB 10p-7a</u>	<u>50 dB 7a- 7p 45 dB 7p-10p 40 dB 10p-7a</u>	<u>50 dB 7a-7p 45 dB 7p-10p 40 dB 10p-7a</u>	<u>75 dB anytime</u>	<u>NW Property line 60 dB 7a-10p, 57.5 dB 10p-7a, 70 dB all other boundaries</u>	<u>50 dB 7a-7p 45 dB 7p-10p 40 dB 10p-7a</u>	<u>TBD</u>
<u>Containment for Transformers Required (Y/N)</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>
<u>Design Ambient Temperatures high/low</u>	<u>120/20</u>	<u>115/30</u>	<u>115/30</u>	<u>115/30</u>	<u>115/30</u>	<u>115/30</u>	<u>115/30</u>
<u>Micro Grid Offer Option</u>	<u>Yes</u>	<u>No</u>	<u>No</u>	<u>No</u>	<u>No</u>	<u>No</u>	<u>No</u>
<u># of Points of Interconnection</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>
<u>Interconnection Voltage (kV)</u>	<u>12.47kV</u>	<u>12kV</u>	<u>12kV</u>	<u>12kV</u>	<u>12kV</u>	<u>12kV</u>	<u>POI Dependent</u>
<u>Maximum Structure Height (ft) (unless further restricted by local ordinance)</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>30</u>	<u>25</u>	<u>25</u>	<u>TBD</u>



### **C. Additional Specific Criteria for ESSEPC Respondents Only**

The following criteria applies to ESSEPC Respondents only.

1. The energy storage equipment must fit within the designated site-specific footprints provided in Schedule IV.
2. ESSEPC projects must observe all zoning setbacks from property line, building height limitations, and noise limitations identified in Schedule IV.
3. Due to the abbreviated timeline for this RFO, SDG&E strongly prefers that the ESSEPC Respondents provide at least one “No-Redline” offer for each site where they intend to submit an offer. In determining which bids to submit to the Bid Evaluation Team, the Utility Development Team, as part of its evaluation process, has a preference for No-Redline offers. ESSEPC Respondents may redline the ESSEPC Pro Forma agreement and Exhibits, including Exhibit A-3 – Technical Specifications provided in the Schedules to this Addendum and submit such modifications in their offer package, provided such modifications add value to the offer. However, SDG&E discourages extensive modifications and will consider materiality of such changes on a qualitative basis as it evaluates the offers received. Separate ESSEPC/ESSBOT Supplemental Offer Forms should be submitted for Redline and No-Redline offers.
4. SDG&E reserves the right at its sole discretion to terminate or eliminate a proposed project site identified in Schedule IV prior to contract execution without the obligation to pay for costs incurred by the Respondent.

### **D. Additional Specific Criteria for ESSBOT Respondents Only**

1. ESSBOT Respondents must comply and confirm acceptance of the Schedule of BOT Assumptions described in Schedule II.
2. Per the BOT Assumption document, ESSBOT Respondents are expected to comply with the requirements of the Exhibit A-3 Technical Specification (included in Schedule III). Due to the abbreviated timeline for this RFO, SDG&E strongly prefers that the ESSBOT Respondents provide at least one offer that requires “No-Redline” of the Technical Specification for each site where they intend to submit an offer. In determining which bids to submit to the Bid Evaluation Team, the Utility Development Team as part of its evaluation process has a preference for No-Redline offers. ESSBOT Respondents may redline the Exhibit A-3 – Technical specifications provided in Schedule III to this Addendum and submit such modifications in their offer package, provided such modifications add value to the offer. However, SDG&E discourages extensive modifications and will consider materiality of such changes on a qualitative basis as it evaluates the offers received. Separate ESSEPC/ESSBOT Supplemental Offer Forms should be submitted for Redline and No-Redline offers.



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## 4.0 MINIMUM ELIGIBILITY AND PRE-EVALUATION PROCESS AND CRITERIA

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### A. MINIMUM ELIGIBILITY CRITERIA

All incoming proposals will be assessed for conformance with minimum eligibility criteria. Respondents must conform to minimum eligibility criteria to be considered. The Utility Development Team will utilize all the information provided in the required forms and narratives to assess proposals for eligibility. Respondents are responsible for the accuracy of all the discussions, figures and calculations. Errors discovered during the evaluation may impact a Respondent's participation.

Minimum eligibility criteria includes:

#### 1. Commercial Viability:

- a. General Criteria – Storage Systems.
  - ii. At least one commercial (non-demonstration) installation with a grid-connected power/energy rating equal to or greater than 1 MW and 10 MWh (1 MW *and* 10 MWh);
    1. in continuous operation for at least one year (with the exception of unplanned outages, see below);
      1. with no more than 15 days of unplanned outages in the last year; and
      2. Which has operated through at least 25 full equivalent discharge cycles in the last year and able to meet discharge requirements set forth in this RFO (4 hours continuous at full power rating).
  - ii. Respondents must show experience with post commercial operation trouble shooting and warranty performance for all components of 1 MW+ scale grid-connected energy storage systems it has constructed, including communications and controls.
- b. Equipment
  - i. The proposed Energy Storage Media/Battery must have been previously utilized or be substantially similar to energy storage media previously utilized in at least one commercial (non-demonstration) installation with grid-connected 1 MW (or greater) power capacity.
  - ii. The proposed Power Conversion System (PCS) must have been previously utilized or be substantially similar to a PCS previously utilized in at least one commercial (non-demonstration) installation with grid-connected 1 MW (or greater) power capacity.
  - iii. The proposed Control System must have been previously utilized or be substantially similar to a Control System used in at least one commercial (non-demonstration) installation with grid-connected 1 MW (or greater) power capacity.
  - iv. The Respondent shall state exactly what equipment is included in the offer. For example, ESS modules, control systems, inverters, enclosure types (as applicable), etc.



- v. The proposed Energy Storage Media/Battery manufacturer must have a manufacturing capacity of at least 40 MWh annually in compliance with ISO 9001 requirements.

In addition to the elements described above, SDG&E may also reject an offer if:

1. SDG&E uncovers evidence of market manipulation in the bid preparation and offer process;
2. the Respondent does not provide adequate evidence that it meets minimum eligibility criteria;
3. the Respondent cannot fulfill the terms and conditions of the Agreement; and/or,
4. The Respondent is unable to comply with RFO timing and other solicitation requirements.

## **B. PRE-EVALUATION PROCESS AND CRITERIA**

As described above, SDG&E will ultimately own ESSEPC or ESSBOT projects arising from this solicitation, and SDG&E shareholders will assume some risk of project cost overruns, system underperformance and/or failure. Accordingly, SDG&E will pre-evaluate all ESSBOT and ESSEPC offers to screen counterparties and proposed projects, and minimize counterparty risk associated with bids that are ultimately submitted to SDG&E's Bid Evaluation Team. High scoring offers identified in the pre-evaluation process will be submitted by SDG&E's Utility Development Team to SDG&E's Bid Evaluation Team by the Closing Date. These offers will then be evaluated against all other product types solicited in the 2021-2023 IRP Reliability to determine overall cost-effectiveness. Offers receiving low scores in the pre-evaluation process will not be submitted to the Bid Evaluation Team.

To emphasize, the intent of the pre-evaluation process is not to simply shorten the list of Respondents to some pre-determined number. Rather, the goal is to identify low risk counterparties and projects. If all Respondents and proposed projects score highly in the pre-evaluation, then the top six (6) offers from those Respondents will be forwarded to the Bid Evaluation Team on the Closing Date.

The pre-evaluation process is focused primarily on the following areas.

- Technical Merit of the Proposed System, including:
  - Proposed equipment
  - Project design/Layout
  - Performance/Operation
  - Environmental/Health/Safety
  - Exceptions to Exhibit A-3 Technical Specification (included in Schedule III)
- Respondent's Experience/Financial viability/Risk
  - Respondent's prior project experience with energy storage systems (particularly of systems of the same MW/MWh size as those being offered, and/or capabilities sought in the RFO)



- Respondent's prior experience providing post commercial operation support and services
  - Respondent's overall financial health and stability
  - Exceptions to the pro forma EPC contract and Exhibits – (included in Schedules I, III, IV, V, and VI): EPC Bidders Only
- Overall System Cost
  - CapEx
  - Fixed and Variable O&M

SDG&E WILL NOT REIMBURSE RESPONDENTS FOR THEIR EXPENSES UNDER ANY CIRCUMSTANCES, REGARDLESS OF WHETHER THE RFO PROCESS PROCEEDS TO A SUCCESSFUL CONCLUSION OR IS ABANDONED BY SDG&E IN ITS SOLE DISCRETION.



## 5.0 RFO SCHEDULE

The following schedule and deadlines apply to the RFO Addendum for ESSEPC and ESSBOT offers. SDG&E reserves the right to revise this schedule at any time and in SDG&E's sole discretion. Respondents are responsible for monitoring Power Advocate for updated schedules and possible amendments to the RFO or Addendum processes.

TABLE 5-1: ESSEPC and ESSBOT Specific Schedule

No.	Item/EPC & BOT Deliverable	Date
1	RFO Issued. ESSBOT and ESSEPC Respondents may provide written expression of interest any time after December 13th.	December 13, 2019
2	Deadline for Respondents to provide written expression of interest.	December 30, 2019
3	Deadline to receive executed NDA.	December 30, 2019
4.	SDG&E issues RFO Addendum to ESSEPC and ESSBOT Respondents. See Table 5-2 for a list of ESSEPC and ESSBOT documents, a description of each document, and the document release schedule.	December 30, 2019
5	ESSEPC Site Walk	January 9, 2020@8:00AM PPT
6	ESSEPC and ESSBOT Bidder conference (to be scheduled after the Bid Evaluation Team Bidder conference)	January 10, 2020 @ approximately 1:00 PM PPT
<del>7</del>	<u>Webinar on offer forms</u>	<u>January 17, 2020 @ 9:00 AM</u>
<del>68</del>	Deadline to submit written questions	January <del>15</del> <u>17</u> , 2020
<del>72</del>	Deadline to post answers to Questions in Power Advocate®	January <del>17</del> <u>21</u> , 2020
<del>810</del>	ESSBOT and ESSEPC bid packages due	January <del>24</del> <u>24</u> , 2020
<del>911</del>	Utility Development Team begins pre-evaluation and ranking process	January <del>24</del> <u>24</u> , 2020
<del>1012</del>	Utility Development Team converts highly ranked BOT and EPC offers to revenue requirements	February 3, 2020- February 6, 2020
<del>1113</del>	<b>CLOSING DATE:</b> Utility Development Team submits adjusted bids to SDG&E Bid Evaluation Team. Highly ranked ESSEPC and ESSBOT offers from pre-evaluation process and supporting documentation uploaded to the 2016 Preferred Resource RFO Website.	February 7, 2020



TABLE 5-2: ESSEPC/ESSBOT Addendum Documents (Note: Not all updates may be refelected below. Refer to Power Advocate for latest version of each document.)

Schedule	Filename	Description	Estimated Release Date
	00_Addendum_ESS_EPC_BOT_IRP_RFO_Rev1.pdf	Addendum document describing process, pre-evaluation criteria and schedule	12/30/2019
I	01_Schedule I_ESS_EPC_Form_Agt.docx	Proforma EPC agreement.	1/2/2020
II	02_Schedule II_ESS_BOT_Assupmtions.docx	List of assumptions that should be made regarding BOT contracts. No BOT proforma agreement will be provided.	1/2/2020
III	03_A1_Schedule III_ESS_Exhibit A1_General Project Description_Rev1.docx	Proforma EPC Exhibit A, including Exhibit A-1 - Project Description/Definition	<del>1/14/2020</del> 4/2/2020
III	03_A2_Schedule III_ESS_Exhibit A2 Project Requirements and Obligations.docx	Exhibit A-2 - Project Requirements and Obligations	1/2/2020
III	03_Schedule III_ESS_Exhibit A3 Project Technical Specification.docx	Exhibit A-3 - Project Technical Specification	1/2/2020
IV	04_Schedule IV_ESS_Exhibit K_Site_Descriptions_Rev1.pdf	ESSEPC site descriptions, including project footprints, setback, height limitations, interconnection points, etc.	<del>1/14/2020</del> 4/2/2020
V	05_Schedule V_ESS_Site_Geotech_Reports.docx	Existing geotechnical reports for ESSEPC sites	1/7/2020
VI	06_Schedule VI_ESS_All Other Exhibits_Form_EPC_Agt.docx	All other proforma EPC Exhibits.	1/7/2020
VII	07_ESS_EPC_BOT_Supplemental Offer_Form_Rev1.xlsm	Supplemental Offer Form spreadsheet	<del>1/15/2020</del> 4/2/2020
VIII	08_Multi_Project_Discount_Form.xlsx	Multi-Project Discount Form	1/7/2020

## **BIDDER CONFERENCE AND ESSEPC SITE WALK**

The Utility Development Team will host a Bidder Conference for ESSEPC and ESSBOT Respondents at approximately 1:00 PM on January 10, 2020. This event will provide a forum to discuss issues/questions relevant to the ESSEPC and ESSBOT offer process and pre-evaluation process. The start time of this event may be adjusted if necessary to accommodate the Bidder Conference being held by the SDG&E Bid Evaluation team earlier the same day.



In addition, Utility Development Team will host a site walk for the ESSEPC project sites on January 9, 2020. The site walk will start at 8:00 AM PPT with safety orientation and a brief overview of the sites, followed by an escorted visit to several of the sites. Respondents can make note of the any existing sites conditons and develop any questions they may have with regards to the implementation or maintenance of projects at any of these sites.

Though participation in these events is NOT required to submit an offer, SDG&E encourages participation in both events.

Event: ESSEPC Site Walk  
Date: January 9th, 2020  
Time: 8:00 AM – 3:00 PM  
Location: SDG&E's Century Park East Campus Auditorium 1  
8680 Balboa Ave, San Diego, CA 92123

Event: ESSEPC/ESSBOT Bidder Conference  
Date: January 10<sup>th</sup>, 2020  
Time: 1:00 PM – 4:00 PM  
Location: SDG&E's Century Park East Campus Auditorium 1  
8680 Balboa Ave, San Diego, CA 92123

Please monitor Power Advocate® for further details (such as conference presentation materials). SDG&E will make efforts to notify Respondents of conference details via e-mail as well as providing this information via Power Advocate®.



## 6.0 RFO WEBSITE AND RESPONSE INSTRUCTIONS

Respondents to the ESSEPC and ESSBOT product types in the 2021-2023 IRP Reliability RFO must register for and access the 2021-2023 IRP Reliability RFO ESSEPC/ESSBOT RFO ADDENDUM event on the PowerAdvocate® website. All documents related to ESSEPC and ESSBOT offers, as well as subsequent revisions, will be available for download from PowerAdvocate®. Respondents are responsible for monitoring PowerAdvocate® for subsequent updates, notices and postings.

All Respondents who provide a formal expression of interest for the ESSEPC and/or ESSBOT product types will receive email instructions describing the process to register for PowerAdvocate®.

2021-2023 IRP Reliability ESSEPC/ESSBOT RFO ADDENDUM event on the PowerAdvocate® website will contain the documents described in Table 5-2 for download for all Respondents.

### **RESPONSE INSTRUCTIONS**

Respondents are required to submit the documents described below in response to this solicitation. Failure to provide the listed information may result in the proposal being deemed non-conforming and may disqualify the proposal from further consideration.

On or before January ~~21st~~<sup>24<sup>th</sup></sup>, 2020, all ESSEPC and ESSBOT Respondents shall submit the following documents in tab 2, “Upload Documents” in PowerAdvocate® as part of this RFO Pre-evaluation Process:

1. ESSEPC/ESSBOT Supplemental Offer Form. Respondents must complete all tabs and all fields in the ESSEPC/ESSBOT Supplemental Offer Form.
2. ESSEPC/ESSBOT Multi-Project Discount Form. This form is optional for Respondents who submit offers for multiple projects and are able to provide a discount.
3. Redline forms of Schedule III, including Exhibit A-3: Energy Storage Technical Specification. Respondent shall submit a redlined document with any exceptions to this specification. If no exceptions are taken, Respondent shall submit a signed letter on company letter head stating as such. (Both EPC and BOT Respondents)
4. Redline form of Schedule I - Energy Storage EPC Pro Forma (EPC Respondents Only). Respondent shall submit a redlined document with any exceptions to these requirements. If no exceptions are taken, Respondent shall submit a signed letter on company letter head stating as such.
5. Redline form of Schedule VI – All other Pro Forma Exhibits (EPC Respondents Only). Respondent shall submit a redlined document with any exceptions to these requirements. If no exceptions are taken, Respondent shall submit a signed letter on company letter head stating as such.



6. All required forms and documents for the 2021-2023 IRP Reliability RFO,<sup>2</sup> including:
  - a. SDGE IRP RFO ES Offer Form\_UOG (NOTE: SDG&E will complete the Revenue Requirement (\$) and Additional Variable Costs (\$/MWh) fields in the “5. ESSUOG Cap-Price” Tab.) Respondent should complete all other required fields on this form.
  - b. Project Description Form (As clarified, this is NOT a separate document. It is a tab on the ES Offer Form\_UOG.)
  - c. Electric Interconnection / Repowering Information (BOT Respondents only)
  - d. Credit Application (As clarified, this document is NOT required for EPC or BOT Respondents)
  - e. Diverse Business Enterprise Subcontracting Commitment and Reporting Requirements Form (optional)

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<sup>2</sup> These documents are available for download at <https://www.sdge.com/2021-2023-irp-reliability-rfo>



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## **7.0 REJECTION OF OFFERS**

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SDG&E SHALL TREAT ALL RESPONDENTS FAIRLY AND EQUALLY AND SHALL EVALUATE ALL OFFERS IN GOOD FAITH. WHILE SDG&E IS VIGOROUSLY PURSUING THE GOALS OF THE ENERGY STORAGE DECISION, SDG&E MAKES NO GUARANTEE THAT A CONTRACT AWARD SHALL RESULT FROM THIS RFO, EVEN AFTER AN OFFER HAS BEEN SHORTLISTED. SDG&E RESERVES THE RIGHT AT ANY TIME, AT ITS SOLE DISCRETION, TO ABANDON THIS RFO PROCESS, TO CHANGE THE BASIS FOR EVALUATION OF OFFERS, TO TERMINATE FURTHER PARTICIPATION IN THIS PROCESS BY ANY PARTY, TO ACCEPT ANY OFFER OR TO ENTER INTO ANY DEFINITIVE AGREEMENT, TO EVALUATE THE QUALIFICATIONS OF ANY RESPONDENT OR THE TERMS AND CONDITIONS OF ANY OFFER, OR TO REJECT ANY OR ALL OFFERS, ALL WITHOUT NOTICE AND WITHOUT ASSIGNING ANY REASONS AND WITHOUT LIABILITY OF SEMPRA ENERGY, SDG&E, OR ANY OF THEIR SUBSIDIARIES, AFFILIATES, OR REPRESENTATIVES TO ANY RESPONDENT. SDG&E SHALL HAVE NO OBLIGATION TO CONSIDER ANY OFFER.



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## 8.0 CONFIDENTIALITY

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EXCEPT WITH THE PRIOR WRITTEN CONSENT OF SDG&E, RESPONDENTS MAY NOT DISCLOSE (OTHER THAN BY ATTENDANCE ALONE AT ANY MEETING TO WHICH MORE THAN ONE RESPONDENT IS INVITED BY SDG&E) TO ANY OTHER RESPONDENT OR POTENTIAL RESPONDENT THEIR PARTICIPATION IN THIS RFO, AND RESPONDENTS MAY NOT DISCLOSE, COLLABORATE ON, OR DISCUSS WITH ANY OTHER RESPONDENT, OFFER STRATEGIES OR THE SUBSTANCE OF OFFERS, INCLUDING WITHOUT LIMITATION THE PRICE OR ANY OTHER TERMS OR CONDITIONS OF ANY INDICATIVE OR FINAL OFFER.

SDG&E WILL USE THE HIGHER OF THE SAME STANDARD OF CARE IT USES WITH RESPECT TO ITS OWN PROPRIETARY OR CONFIDENTIAL INFORMATION OR A REASONABLE STANDARD OF CARE TO PREVENT DISCLOSURE OR UNAUTHORIZED USE OF RESPONDENT'S CONFIDENTIAL AND PROPRIETARY INFORMATION THAT IS LABELED AS "PROPRIETARY AND CONFIDENTIAL" ON THE OFFER PAGE ON WHICH THE PROPRIETARY INFORMATION APPEARS ("CONFIDENTIAL INFORMATION"). RESPONDENT SHALL SUMMARIZE ELEMENTS OF THE OFFER(S) IT DEEMS CONFIDENTIAL. THE SUMMARY MUST CLEARLY IDENTIFY WHETHER OR NOT PRICE, PROJECT NAME, LOCATION, SIZE, TERM OF DELIVERY AND TECHNOLOGY TYPE (EITHER COLLECTIVELY OR INDIVIDUALLY) ARE TO BE CONSIDERED CONFIDENTIAL INFORMATION. CONFIDENTIAL INFORMATION MAY BE MADE AVAILABLE ON A "NEED TO KNOW" BASIS TO SDG&E'S DIRECTORS, OFFICERS, EMPLOYEES, CONTRACTORS, CONSULTANTS, THE INDEPENDENT EVALUATOR, AGENTS AND ADVISORS ("REPRESENTATIVES"), BUT SUCH REPRESENTATIVES SHALL BE REQUIRED TO OBSERVE THE SAME CARE WITH RESPECT TO DISCLOSURE AS SDG&E.

NOTWITHSTANDING THE FOREGOING, SDG&E MAY DISCLOSE ANY CONFIDENTIAL INFORMATION OF ANY RESPONDENT TO COMPLY WITH ANY LAW, RULE, OR REGULATION OR ANY ORDER, DECREE, SUBPOENA OR RULING OR OTHER SIMILAR PROCESS OF ANY COURT, SECURITIES EXCHANGE, CONTROL AREA OPERATOR, GOVERNMENTAL AGENCY OR GOVERNMENTAL OR REGULATORY AUTHORITY AT ANY TIME EVEN IN THE ABSENCE OF A PROTECTIVE ORDER, CONFIDENTIALITY AGREEMENT OR NON-DISCLOSURE AGREEMENT, AS THE CASE MAY BE, WITHOUT NOTIFICATION TO THE RESPONDENT AND WITHOUT LIABILITY OR ANY RESPONSIBILITY OF SDG&E TO THE RESPONDENT.

IT IS EXPRESSLY CONTEMPLATED THAT MATERIALS SUBMITTED BY A RESPONDENT IN CONNECTION WITH THIS RFO WILL BE PROVIDED TO THE CPUC, ITS STAFF, THE CEC, ITS STAFF, SDG&E'S INDEPENDENT EVALUATOR, SDG&E'S PRG, AND THE COST ALLOCATION METHODOLOGY ("CAM") GROUP. ADDITIONALLY, SDG&E MAY PROVIDE LIMITED INFORMATION SUCH AS (BUT NOT LIMITED TO) ON-LINE DATE, INTERCONNECTION POINT, TECHNOLOGY AND OTHER OPERATIONAL CHARACTERISTICS TO THE CAISO FOR MODELING PURPOSES. SDG&E WILL SEEK CONFIDENTIAL TREATMENT PURSUANT TO PUBLIC UTILITIES CODE SECTION 583 AND GENERAL ORDER 66-C OF THE CPUC, WITH



RESPECT TO ANY RESPONDENT CONFIDENTIAL INFORMATION SUBMITTED BY SDG&E TO THE CPUC. SDG&E WILL ALSO SEEK CONFIDENTIALITY PROTECTION FROM THE CALIFORNIA ENERGY COMMISSION (“CEC”) FOR RESPONDENT’S CONFIDENTIAL INFORMATION AND WILL SEEK CONFIDENTIALITY AND/OR NON-DISCLOSURE AGREEMENTS WITH THE PROCUREMENT REVIEW GROUP (“PRG”). SDG&E CANNOT, HOWEVER, ENSURE THAT THE CPUC OR CEC WILL AFFORD CONFIDENTIAL TREATMENT TO A RESPONDENT’S CONFIDENTIAL INFORMATION OR THAT CONFIDENTIALITY AGREEMENTS OR ORDERS WILL BE OBTAINED FROM AND/OR HONORED BY THE PRG, CEC, OR CPUC.

SDG&E, ITS PARENT COMPANY, SUBSIDIARIES, AND AFFILIATES, AND ITS AND THEIR STOCKHOLDERS, DIRECTORS, EMPLOYEES, OFFICERS, REPRESENTATIVES, SUCCESSORS AND ASSIGNS DISCLAIM ANY AND ALL LIABILITY ARISING OUT OF THE DISCLOSURE OF ANY OF RESPONDENT’S CONFIDENTIAL INFORMATION.



**SAN DIEGO COMMUNITY POWER**  
**Staff Report – Item 2**

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To: San Diego Community Power Board of Directors

From: Ryan Baron, General Counsel

Subject: Appointment of Bill Carnahan as Interim CEO and Approval of Employment Agreement

Date: September 24, 2020

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**Recommendation**

Adopt resolution appointing Bill Carnahan as Interim Chief Executive Officer and approving execution of an Employment Agreement with Mr. Carnahan in substantially the form attached hereto, with non-substantive revisions approved by the Chair and reviewed and approved as to form by the General Counsel.

**Background**

SDCP recently completed a nationwide CEO search and agreed to offer the position to Interim Executive Officer Cody Hooven. Shortly before making the decision final, the Board learned that state law precludes Ms. Hooven from holding a position specifically created under the organization's Joint Powers Authority agreement. Because of the critical series of municipal, commercial and residential launches and other key tasks SDGP must perform in the coming months, the Board decided during its September 18, 2020 closed session meeting to appoint Bill Carnahan, a former public utility executive with CCA and public power experience, as Interim CEO.

Mr. Carnahan previously served as Interim Executive Director of Clean Power Alliance (previously known as Los Angeles Community Choice Energy) from 2017 to 2018, during which time the agency's membership grew from three members to 31 members. Mr. Carnahan also guided the initial establishment of Clean Power Alliance's CCA program and policies, and oversaw hiring of its initial staff. His prior experience also includes serving as the Executive Director of the Southern California Public Power Authority from 2000 to 2016, and as Public Utilities Director for the City of Riverside from 1986 to 2000.

It is anticipated that once the CCA program successfully launches, SDGP will begin a new search for a long-term CEO.

**Analysis and Discussion**

The proposed Interim CEO Employment Agreement was developed after evaluation of similar contracts and a review of salaries for municipal, CCA, and public power executives in Southern



California area and the state. Mr. Carnahan will be compensated at an annual salary of \$295,000, with such other compensation and benefits as are described in the agreement.

**Fiscal Impact**

There is no impact to the current budget for Fiscal Year 20-21, as CEO salary and benefits were anticipated to be incurred during this fiscal year and the proposed agreement is within with budgeted amounts.

**Attachments**

Attachment A: Resolution

Attachment B: Employment Agreement



RESOLUTION NO. \_\_\_\_

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF SAN DIEGO COMMUNITY POWER  
APPOINTING AN INTERIM CHIEF EXECUTIVE OFFICER AND  
AUTHORIZING EXECUTION OF AN EMPLOYMENT AGREEMENT**

A. The Board of Directors of San Diego Community Power ("SDCP") desires to appoint Bill Carnahan as Interim Chief Executive Officer and to authorize the execution of an Employment Agreement with Mr. Carnahan.

B. Mr. Carnahan desires to serve as Interim Chief Executive Officer of SDCP starting on October 1, 2020.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of San Diego Community Power as follows:

1. Bill Carnahan is appointed as the Interim Chief Executive Officer pursuant to the Employment Agreement attached to the staff report.

2. The Board Chair is authorized to execute the Employment Agreement with Mr. Carnahan in substantially the form attached to the staff report, with non-substantive revisions approved by the Chair and reviewed and approved as to form by the General Counsel.

**PASSED AND ADOPTED** at a meeting of the Board of Directors of San Diego Community Power held on September 24, 2020.

\_\_\_\_\_  
Joe Mosca, Chair  
San Diego Community Power

ATTEST:

\_\_\_\_\_  
Megan Wiegelman, Interim Secretary  
San Diego Community Power



## INTERIM CHIEF EXECUTIVE OFFICER EMPLOYMENT AGREEMENT

THIS INTERIM CHIEF EXECUTIVE OFFICER EMPLOYMENT AGREEMENT (“**Agreement**”) is made by and between San Diego Community Power, a California joint powers authority (“**SDCP**”) and Bill Carnahan (“**Employee**”) as of October 1, 2020.

This Agreement is entered into on the basis of the following facts:

- A. SDCP has an immediate need for an employee to temporarily perform the position of Chief Executive Officer (“**Interim CEO**”), a position involving specialized skills including senior management and leadership skills needed to start-up, administer and run SDCP’s community choice energy program;
- B. SDCP wishes to have Employee perform the critically necessary duties and functions of the Interim CEO position while SDCP implements its community choice energy program and conducts a future competitive search for a regular replacement;
- C. Employee desires to accept employment by SDCP as its Interim CEO;
- D. The SDCP Board of Directors and Employee desire to establish this temporary employment relationship, subject to the terms and conditions set forth in this Agreement pertaining to compensation and benefits and related matters.

BASED UPON THE FOREGOING, SDCP AND EMPLOYEE AGREE AS FOLLOWS:

- 1. Employee Appointed. SDCP appoints and employs Employee as Interim CEO, and Employee accepts the appointment and employment. Employee will commence work on October 1, 2020 (“**Effective Date**”).
- 2. Duties of Employee. Employee shall perform the duties established for the SDCP Chief Executive Officer pursuant to SDCP’s Joint Powers Agreement; any resolutions,



bylaws, policies, procedures, rules, or other enactments of the SDCP Board of Directors; any directions of the SDCP Board of Directors; and as otherwise provided by applicable law or regulation.

(a) Full Energy and Skill. Employee shall faithfully, diligently, and to the best of Employee's abilities, perform all duties that may be required under this Agreement. Employee agrees that Employee has a duty of loyalty and a general fiduciary duty to SDCP. Employee shall devote the whole of Employee's working time, skill, experience, knowledge, ability, labor, energy, attention, and best effort exclusively to SDCP's business and affairs.

(b) No Conflict. Employee shall not engage in any employment, activity, consulting service, or other enterprise, for compensation or otherwise, which is actually or potentially in conflict with, inimical to, or which interferes with the performance of Employee's duties. SDCP acknowledges that Employee operates a consulting firm and that Employee may use personal leave for outside activities of this nature so long as there is no conflict of interest with SDCP.

3. Hours of Work. Employee is an exempt employee but is expected to engage in those hours of work that are necessary to fulfill the obligations of the Interim CEO position. Employee does not have set hours of work as Employee is expected to be available at all times. It is recognized that Employee must devote a great deal of time to the business of SDCP outside of SDCP's customary office hours, and to that end Employee's schedule of work each day and week may vary in accordance with the work required to be performed and in accordance with any specific direction provided by the SDCP Board of Directors.

4. Term. Employee is appointed as Interim CEO beginning on the Effective Date with a term of employment of one year. Such employment is "at will," subject to the terms of this Agreement and to the pleasure of the SDCP Board of Directors.



5. Compensation. Employee shall receive the base annual salary of Two Hundred Ninety Five Thousand Dollars (\$295,000), payable on a pro-rata basis on established paydays occurring at least once per month and in accordance with payroll in the same manner as all full-time SDCP employees, and subject to all applicable payroll taxes and withholdings.

6. Regular Benefits and Allowances. Employee shall not be entitled to participate in employee benefits (in the form of health insurance and retirement benefits), adopted by Employer for department manager employees from time to time. In lieu of employee benefits, Employee shall receive compensation equivalent to benefits Employee might otherwise be entitled to as a permanent SDCP employee in an amount equal to fifteen percent (15%) of Employee's base annual salary, payable on a pro-rata basis in conjunction with the payment of Employee's salary.

(a) Automobile. SDCP is currently not holding in-person board meetings and other in-person meetings due to COVID-19. Upon SDCP's reinstatement of in-person meeting attendance, Employee shall receive a gross monthly vehicle allowance of Five Hundred Dollars (\$500) per month. The parties intend for this taxable allowance to be in lieu of reimbursement on an itemized basis for mileage, gas, maintenance of a vehicle, etc. Employee shall not be separately reimbursed for mileage driven in his or her personal vehicle.

(b) Housing Allowance. SDCP is currently not holding in-person board meetings and other in-person meetings due to COVID-19. Upon SDCP's reinstatement of in-person meeting attendance, and to the extent SDCP and Employee agree that housing is needed, Employee shall receive a gross monthly housing or hotel allowance to be negotiated at the time the in-person attendance is required. The parties intend for this taxable allowance to be used by Employee to stay in a residence or hotel within San Diego County while performing duties as Interim CEO.



(c) Technology Allowance. Employee shall receive either an SDCP-owned cell phone and (accompanying SDCP-paid plan) or a \$100 monthly taxable technology allowance to use towards his or her personal discretionary technological purchases and expenses in furtherance of employment (*e.g.*, cellular phone, tablet, data plan, laptop computer). The parties intend this allowance to cover all technology-related costs that Employee incurs in the course and scope of his or her employment with SDCP.

7. Termination of Employment.

(a) At Will Employment. Employee understands and agrees that this Agreement can be terminated at will, at any time, for any reason, by either Employee or SDCP. No payment is due upon separation, other than payment for any wages earned as of the effective date of termination.

(b) No Property Interest. Employee understands and agrees that Employee has no constitutionally-protected property or other interest in Employee's employment as Interim CEO. Employee understands and agrees that Employee works at the will and pleasure of the SDCP Board of Directors, and that Employee may be terminated, or asked to resign, at any time, with or without cause, by a majority vote of its members.

8. Statutory Requirements. This Agreement shall be deemed to incorporate by reference the provisions of Sections 53243 *et seq.* of the Government Code, as it may be amended or renumbered.

9. Payment of Expenses of Employment. SDCP shall pay the following usual and customary employment expenses.

(a) The cost of any fidelity or other bonds required by law for SDCP Interim CEO.



(b) Subject to Section 8 of this Agreement, the cost to defend and indemnify Employee to the full extent of the law as provided by the California Government Claims Act (Government Code § 810 *et seq.*) or otherwise. Notwithstanding the foregoing, SDCP's obligation to defend and indemnify Employee shall extend only to the entry of a final judgment by the trial court, and shall not extend to providing defense or indemnity in connection with an appeal of the judgment, unless otherwise specifically provided by law. SDCP will determine, in its sole discretion, whether to compromise and settle any such claim or suit against Employee and the amount of any settlement or judgment rendered thereon.

10. Miscellaneous.

(a) Notices. Notices given under this Agreement shall be in writing and shall be served personally or sent by Federal Express or some equivalent private overnight delivery service. Notices shall be deemed received at the earlier of actual receipt or two (2) days following transmission to an overnight carrier.

SDCP: San Diego Community Power  
c/o Best Best & Krieger LLP  
655 W. Broadway, Suite 1500  
San Diego, CA 92101  
Attn: SDCP General Counsel

EMPLOYEE: Bill Carnahan  
BD Carnahan Management Services  
1775 Paseo Verano  
San Dimas, CA 91173

(b) Entire Agreement/Amendment. This Agreement constitutes the entire understanding and agreement between the parties as to those matters contained in it, and supersedes any and all prior or contemporaneous agreements, representations and understandings of the parties. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties and attached hereto.



(c) Attorney's Fees. If any legal action or proceeding is brought to enforce or interpret this Agreement, each party shall bear their own fees, including such fees and costs as may be incurred in enforcing any judgment or order entered in any such action.

(d) Severability. In the event any portion of this Agreement is declared void, such portion shall be severed from this Agreement and the remaining provisions shall remain in effect, unless the result of such severance would be to substantially alter this Agreement or the obligations of the parties, in which case this Agreement shall be immediately terminated.

(e) Waiver. Any failure of a party to insist upon strict compliance with any term, undertaking, or condition of this Agreement shall not be deemed to be a waiver of such term, undertaking, or condition. To be effective, a waiver must be in writing, signed and dated by the parties.

(f) Representation by Counsel. The parties acknowledge and agree that they were, or had the opportunity to be, represented individually by legal counsel with respect to the matters that are the subject of this Agreement and that they are fully advised with respect to their respective rights and obligations resulting from signing this Agreement.

(g) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Employee and City agree that venue for any dispute shall be in San Diego County, California.

(h) Section Headings. The headings on each of the sections and subsections of this Agreement are for the convenience of the parties only and do not limit or expand the contents of any such section or subsection.

(i) No Assignment. Employee may not assign this Agreement in whole or in part.



(j) Counterparts. This Agreement may be executed in two or more counterparts, including via facsimile or electronically-transmitted signature, each of which shall be deemed an original, but all of which together shall constitute one-in-the-same document.

SIGNATURES ON FOLLOWING PAGE



**SIGNATURE PAGE FOR INTERIM CEO EMPLOYMENT AGREEMENT**

Dated: \_\_\_\_\_

SAN DIEGO COMMUNITY POWER

\_\_\_\_\_  
Joe Mosca, Chair, Board of Directors

Attest:

Approved as to Form:

\_\_\_\_\_  
Megan Wiegelman, Board Secretary

\_\_\_\_\_  
Ryan Baron, General Counsel

Dated: \_\_\_\_\_

EMPLOYEE

\_\_\_\_\_  
Bill Carnahan, Employee



**SAN DIEGO COMMUNITY POWER**  
**Staff Report – Item 3**

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To: San Diego Community Power Board of Directors

From: Ryan Baron, General Counsel

Subject: Consideration and Approval of CEO Job Description and Organizational Chart

Date: September 24, 2020

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**Recommendation**

1. Approve Chief Executive Officer job description, subject to future changes by the Board of Directors.
2. Approve SDCP organizational chart, subject to changes made in the discretion of the Chief Executive Officer and subsequent notice to the Board at a regular meeting.

**Background**

This item is related to another item on the agenda, consideration to appoint Bill Carnahan as Interim Chief Executive Officer (“CEO”) and approve execution of an Employment Agreement with Mr. Carnahan. In connection with that item, the General Counsel recommends that the Board adopt a formal job description for the CEO position and adopt an initial SDCP organizational chart to assist the Interim CEO in performing initial hiring for SDCP.

**Analysis and Discussion**

**CEO Job Description**

Consistent with SDCP’s Joint Powers Agreement, the proposed job description provides that the CEO’s responsibilities will include, but not be limited to, responsibility for the day-to-day operation and management of SDCP and its CCA program, including overseeing administration, finance, staffing, marketing, public affairs, power planning and procurement, supply operations, local energy programs, and legislative and regulatory affairs. The proposed duties of the CEO would include hiring other SDCP staff, including other management staff, who will have specific responsibilities over the operational, administrative, and financial activities of SDCP, as determined by the CEO.

**Organizational Chart**

Relatedly, our office conducted a review of the management structure of other large CCA JPAs in California (in particular Clean Power Alliance and Central Coast Community Energy) and prepared



a draft organizational chart for the Board's review and approval. The organization chart would help guide the Interim CEO in performing initial hiring for SDCP.

The proposed organizational chart envisions two positions which would report directly to the CEO: a Chief Operating Officer (COO) and a Chief Financial and Administrative Officer (CFO/CAO). The COO's duties would include oversight and management responsibility over power planning and procurement, customer programs, legislative and regulatory affairs, and communications and outreach. The CFO/CAS's duties would include oversight and management responsibility over finances and rates, human resources, and information technology. Those reporting to the COO and CFO/CAO would include directors, managers, or other staff members as determined by the CEO.

The recommended Board action would allow the CEO to make changes to the chart, consistent with the CEO's authority over SDCP hiring and day-to-day management, subject to subsequent notice to the Board at a regular Board meeting.

**Fiscal Impact**

None.

**Attachments**

Attachment A: Proposed CEO Job Description

Attachment B: Proposed SDCP Organizational Chart



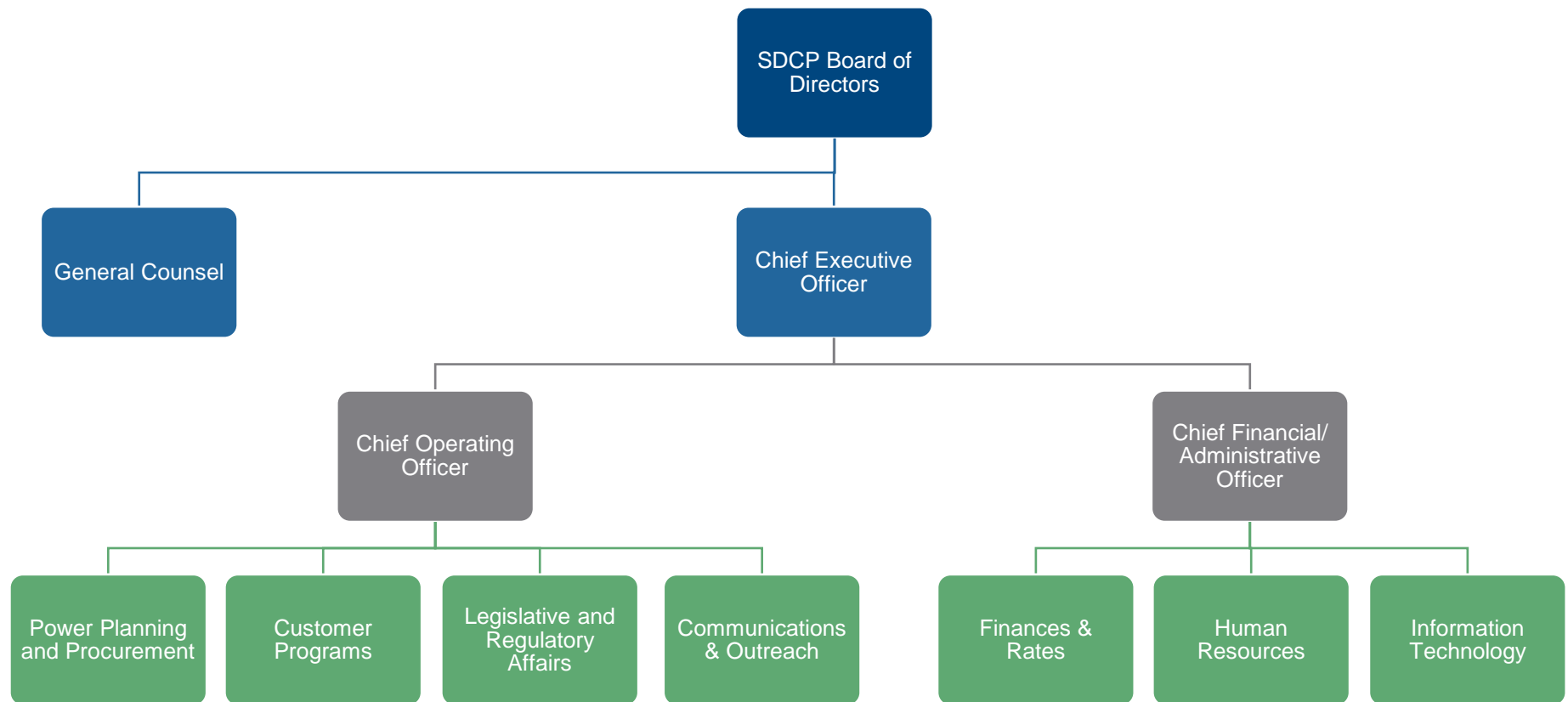
## Job Description

### **Chief Executive Officer**

The Chief Executive Officer is responsible for the day-to-day operation and management of San Diego Community Power (SDCP) and its community choice aggregation (CCA) program. The Chief Executive Officer may exercise all powers of SDGP except those powers specifically reserved to the Board under SDGP's Joint Powers Agreement, SDGP's bylaws, or other enactments or directions of the Board. Responsibilities of the Chief Executive Officer include:

- **SDGP Direction and Supervision:** Oversee all functions of SDGP, including administration, finance, staffing, marketing, public affairs, power planning and procurement, supply operations, local energy programs, and legislative and regulatory affairs; provide administrative direction and supervision to employees, including assigning projects and objectives; conducting performance evaluations; developing, motivating, and training; and, hiring, terminating and disciplining.
- **Board Relations; Implementation of Policies:** Foster and maintain a strong relationship with the Board; approve agendas for presentation to the Board; present briefings, policies, reports, and recommendations to the Board; administer and implement Board-adopted ordinances, resolutions, bylaws, policies, procedures, and other enactments.
- **Contracting:** Enter into and execute contracts, including power purchase agreements and other agreements, in accordance with criteria and policies established by the Board.
- **Internal Leadership:** Provide direction and assistance to staff members, including management team building and training.
- **Customer and Stakeholder Relations:** Interact with SDGP customers and stakeholders regarding a variety of issues; interact with the media presenting appropriate information on programs, services, and events.
- **Inter-Agency Relations:** Foster and maintain strong relationships with external agencies, including SDGP member agencies, other local, state, and federal governments, the California Public Utilities Commission, and other key agencies and stakeholders.
- **Strategies:** Develop and implement SDGP strategies in conjunction with other SDGP management staff; approve strategies and communicate to staff.
- **Reports and Correspondence:** Prepare, review, and approve a variety of reports and correspondence.
- **Other.** Perform other duties of a similar nature or level.





KEY	
1.	SDCP Board
2.	Board-Appointed Officers
3.	CEO-Appointed Officers
4.	Directors / Managers / Other



**SAN DIEGO COMMUNITY POWER**  
**Staff Report – Item 4**

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To: San Diego Community Power Board of Directors

From: Sean Connacher, Account Supervisor, Civilian

CC: Cody Hooven, SDCP Interim Executive Officer  
Director/Chief Sustainability Officer, City of San Diego

Subject: Approval of the San Diego Community Power Brand Messaging and Logo

Date: September 24, 2020

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**Recommendation**

Approve brand messaging and logo concept from Civilian.

**Background**

San Diego Community Power (SDCP) has enlisted Civilian, Inc to manage an array of marketing activities to drive awareness, spark community engagement, and minimize opt-outs as the CCA rolls out over the coming months. Over the past 2 months, Civilian has conducted background research and conducted a variety of stakeholder interviews to identify and articulate the core messages SDCP will need to deploy as it rolls out, including a visual brand identity which will inform all marketing and advertising efforts moving forward.

**Analysis and Discussion**

*Message Platform* – in order for SDCP to meet its business objectives during the phased rollout, a multi-tiered messaging strategy has been developed which articulates the agency's value proposition, competitive positioning and differentiation, and most relevant proof points to address questions, concerns, or potential opposition within the communities SDCP serves. Civilian recommends a platform which begins with an umbrella positioning statement and works down across a series of consumer-focused message zones. Namely:

- Positioning Statement:
  - As a neighborhood not-for-profit, SDCP provides future-focused energy choices and a clear path to 100% renewable energy – for today and as a legacy for future generations.
- Message Zones (each containing their own compelling proof points):
  - Customer-Driven Choice
  - Future-Focused
  - Pragmatic and Proven
  - Neighborhood Not-for-Profit



### *Brand Identity (Logo)*

Civilian's has arrived at a brand recommendation for SDCP using a step-by-step strategic process, with each stage defined by research and stakeholder insights:

- Brand Attribute Identification – with input from SDCP staff, the Community Advisory Committee, representative members of City staffs, and the SDCP Board of Directors (August session)
- Competitive Analysis – review of the CCA landscape, noting industry standards and best practices to apply to our brand recommendation (so that it's appropriate while uniquely SDCP)
- Conceptual Mood Boards – inspirational image exercise to explore a territory SDCP should inhabit
- Logo Concept – black and white sketches which establish the story and meaning behind logo options
- Final, Composed Logo – selection of a logo concept, refinement, and color application to bring the recommended logo to life

### **Fiscal Impact**

Not applicable



**SAN DIEGO COMMUNITY POWER**  
**Staff Report – Item 5**

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To: San Diego Community Power Board of Directors

From: Tom Bokosky, Director of Human Resources (City of Encinitas)

Subject: Approval of Employee Handbook

Date: September 24, 2020

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**Recommendation**

Approve the proposed Employee Handbook for San Diego Community Power.

**Background**

As a separate item on the agenda, the Board will consider appointment of an Interim Chief Executive Officer for SDCP. In addition, we anticipate that additional SDCP employees will be on-board in the near future. In preparation for the first SDCP employees, the Board of Directors desires to provide a basic structure for personnel administration.

**Analysis and Discussion**

The proposed Employee Handbook organizes personnel policies into one consolidated document for the maintenance of rules that govern the employment of a workforce for San Diego Community Power. Staff recommends that the Board adopt the proposed Employee Handbook and delegate to the CEO the authority to authorize employment, establish job responsibilities, and perform other personnel actions as to all subordinate employees in accordance with all federal and state laws and regulations and these policies. The proposed Employee Handbook also provides authority to the CEO to update the Employee Handbook to accommodate changes in operations and employment laws and regulations. All updates/ amendments must be consistent with applicable law, the SDCP Joint Powers Agreement, and any Board-adopted ordinances, policies, or procedures of SDCP.

**Fiscal Impact**

Not Applicable.

**Attachment**

Attachment A: Proposed San Diego Community Power Employee Handbook



San Diego Community Power

Employee Handbook

September 2020



## **Introduction**

The policies contained in this Employee Handbook ("Policies") apply to all San Diego Community Power ("SDCP") employees but do not create any contract right, or any express or implied contract of employment. SDCP retains the full discretion to modify these Policies at any time in accordance with law.

## **Delegation of Authority; Handbook Amendments**

The SDCP Board of Directors delegates to the Chief Executive Officer the authority to authorize employment, establish job responsibilities, and perform other personnel actions as to all subordinate employees in accordance with all federal and state laws and regulations and these Policies. The Chief Executive Officer may delegate the responsibility to perform personnel actions in accordance with this section. The SDCP Board of Directors also delegates to the Chief Executive Officer the authority to amend these Policies; provided, however, that all amendments shall be consistent with applicable state and federal law, the SDCP Joint Powers Agreement, and all ordinances, resolutions, policies, and other enactments of the SDCP Board of Directors.

## **Equal Employment Opportunity**

SDCP affords equal employment opportunity for all qualified employees and applicants as to all terms of employment, including compensation, hiring, training, promotion, transfer, discipline, and termination. SDCP strictly prohibits discrimination against employees or applicants for employment on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age (40 and over), sexual orientation, or military and veteran status or any other basis protected by law. Employees, volunteers, or applicants who believe they have experienced any form of employment discrimination or abusive conduct are encouraged to report the conduct immediately by using the complaint procedures provided in these Policies, or by contacting the U.S. Equal Employment Opportunity Commission, or the California Department of Fair Employment and Housing.

## **Applications and Recruitment**

### Applications

Job applications shall require information describing an individual's training, experience, and other pertinent information as deemed necessary to assess qualifications for the job. Applicants may be required to provide supplementary information, including but not limited to answers to job-related questions; resume; licenses; certifications; diplomas; letters of recommendation; and references. All applications must be completed in full and signed, physically or electronically, by the person applying. Incomplete or not fully signed applications will not be accepted. Applicants who meet the minimum qualifications and pass all examinations may be subject to a background, reference check and medical examination.



### Appointments

The Chief Executive Officer will make all appointments except for those positions that report to the Board of Directors. The Chief Executive Officer has discretion to decide in what manner a vacancy shall be filled. Vacancies may be filled by reinstatement, promotion, transfer, demotion, appointment of temporary employees, or from an appropriate eligibility list if available. No specific list shall have priority over other lists. The Board of Directors will make appointments for those positions that report to it.

### Background Checks

After a conditional offer of employment is made to an applicant, SDCP may then request information about criminal convictions, except for misdemeanor marijuana-related convictions that are over two years old, or convictions that have been judicially sealed, eradicated, or expunged. Unless required by law, SDCP will not deny employment to any applicant solely because the individual has been convicted of a crime. SDCP may, however, consider the nature, date and circumstances of the offense, evidence of rehabilitation, as well as whether the offense is relevant to the duties of the position.

### Pre-Hire Medical Examination and Drug Screen

If a medical examination and/or drug screen is relevant to the duties of a position and required by SDCP, upon notification of an applicant accepting an offer of employment with SDCP, an appointment for a physical examination and drug screen may be scheduled by SDCP for the applicant at a designated location and with a physician of SDCP's choice.

If applicable, each applicant is required to submit to a complete medical history questionnaire and any medical tests established for the position description.

After the physical examination and the evaluation of the questionnaire by the physician, the physician will advise SDCP about an individual's functional abilities and limitations in relation to the essential job functions. A copy of the physician's assessment will be kept by SDCP in a file separate from the official personnel records.

### E-Verify

SDCP participates in E-Verify and will provide the federal government with all new employee Form I-9 information to confirm their authorization to work in the U.S.

### **At-Will Employee**

An at-will employee is one who serves at the pleasure of the Chief Executive Officer, does not have any property right in continued employment, and does not have right to any pre- or post-disciplinary procedural due process or evidentiary appeal.

### **Employment of Relatives**

SDCP regulates the employment and placement of relatives, spouses, and domestic partners to avoid conflicts of interest and to promote safety, security, supervision, and morale. It is the



policy of SDCP not to appoint, promote or transfer a person to a position within the same department, division, or facility in which the person's relative already holds a position, if it would result in a potential for creating an adverse impact on supervision, safety, security, morale or efficiency.

### **Outside Employment**

An employee shall not engage in any paid or self-employment, activity, or enterprise which is inconsistent, incompatible or in conflict with the employee's SDCP duties, functions, responsibilities, or that of the department in which the individual is employed. To avoid perceived or actual conflicts of interest that may arise from outside employment, all employees must obtain written approval from the Chief Executive Officer prior to undertaking any outside employment.

### **Separation of Employment**

An employee who desires to resign in good standing will give written notice to the Chief Executive Officer, as delineated below, stating the effective date of resignation and the reason for leaving.

- a. Executive and Management employees: at least one month in advance of the last day of actual work unless such time limit is waived by the Chief Executive Officer.
- b. All other employees: at least two weeks in advance of the last day of actual work unless such time limit is waived by the Chief Executive Officer.

### **Limitations on Political Activity**

SDCP employees are prohibited from engaging in political activity during working hours, on SDCP property, or using SDCP resources. No SDCP employee shall participate in political activities of any kind while in an SDCP uniform or other SDCP issued clothing.

### **Performance Evaluations**

(Reserved)



## **Code of Conduct**

### **Philosophy**

It is the intention of SDCP to develop and ensure the highest standards of professional conduct in its employees. To this end, the following guidelines are established to help employees measure the integrity of their actions.

1. As trusted public employees, it is essential to maintain a constructive, creative, and practical attitude toward your job, as well as a deep sense of social responsibility. A high standard of dignity and worth should be reflected in the services rendered.
2. For employees to merit the respect and confidence of the Board, other officials, the public, and employees, it is necessary to maintain a dedication to the highest ideals of honor and integrity.
3. Employees must recognize that SDCP's chief function is to always serve the best interest of all citizens. The public's interest is the employee's primary concern rather than their own personal considerations.
4. It is unacceptable for SDCP employees to seek favors. Efforts to achieve personal gain, obtain profits secured by confidential information, or misuse public time are regarded as highly dishonorable for all employees.
5. Always act in an honest manner and be truthful in securing employment.
6. Possess and use drugs only in a lawful manner and drink only non-alcoholic beverages while on duty.
7. Be free of the influence of drugs not prescribed by a physician or lawfully available without a prescription while on duty.



## **Harassment, Discrimination and Retaliation Prevention Policy**

### Philosophy

It is the intention of SDCP to establish a strong commitment to prohibiting and preventing all forms of discrimination, harassment (including sexual harassment), and retaliation. This Policy informs all covered individuals of their rights and obligations and establishes procedures for the proper handling of complaints made by such individuals who feel they have been subjected to discrimination, harassment, or retaliation.

### Method

**Policy Statement:** SDCP prohibits discrimination, harassment, and retaliation because of an individual's protected classification. "Protected Classification" includes race, religious creed (including, but not limited to, religious dress and grooming practices), color, national origin (including, but not limited to, language use restrictions), ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex (including, but not limited to, pregnancy, childbirth, breastfeeding and/or related medical conditions), gender, gender identity, gender expression, age (40 and over), sexual orientation, military and veteran status, use of family or medical leave, or any other basis protected by federal, state, or local law. This Policy prohibits discrimination, harassment, or retaliation because: (1) of an individual's protected classification; (2) the perception that an individual has a protected classification; or (3) the individual associates with a person who has or is perceived to have a protected classification. It is the policy of the SDCP to create and maintain a working environment that is free from all forms of discrimination, harassment (including sexual harassment), and retaliation.

**Covered Individuals and Scope of Policy:** This Policy applies to all persons, including employees regardless of rank or title, reserve employees, elected and appointed officials, volunteers, applicants, paid and unpaid interns, vendors, and contractors and is intended to protect such individuals from discrimination, harassment, and retaliation by any person(s), including members on the public, in connection with the performance of their job duties for SDCP. This Policy applies to all terms and conditions of employment, internships, and volunteer opportunities, including, but not limited to, selection, hiring, placement, promotion, disciplinary action, layoff, recall, transfer, leave of absence, compensation, and training.

**Protected Activity:** This Policy prohibits discrimination, harassment, or retaliation because of an individual's protected activity. Protected activity includes making a request for an accommodation for a disability; making a request for accommodation for religious beliefs; making a complaint under this Policy; opposing violations of this Policy; or participating in an investigation under this Policy.

**Reporting Responsibilities:** All covered individuals are responsible for reporting any conduct they believe violates this Policy as soon as possible.

**Disciplinary Action:** A violation of this Policy is grounds for appropriate sanctions or disciplinary action, up to and including termination.



Prohibition Against Retaliation: Retaliation against a person for involvement in a complaint or investigation under this Policy is prohibited by law and constitutes a violation of this Policy, which is grounds for appropriate sanctions or disciplinary action, up to and including termination.

### Definitions

Discrimination: Discrimination includes treating covered individuals differently and adversely because of the individual's protected classification, actual or perceived; because the individual associates with a person who is member of a protected classification, actual or perceived; or because the individual participates in a protected activity as defined in this Policy.

Harassment: Harassment may include, but is not limited to, any of the following conduct taken because of a person's actual or perceived protected classification.

Verbal Harassment — Includes, but is not limited to epithets, derogatory comments or slurs communicated orally or in writing, and propositioning based on a person's protected classification. This includes inappropriate comments about appearance, dress, physical features, gender identification, or race-oriented stories and jokes.

Physical Harassment — Includes, but is not limited to, violence or threats of violence as stated in the Workplace Violence "Zero-Tolerance" Policy assaulting, impeding or blocking movement, offensive touching, leering, or any physical interference with normal work or movement of a covered individual when directed at the individual on the basis of the individual's protected classification.

Visual Harassment — Includes, but is not limited to, derogatory posters, notices, electronic or text messages, photographs, bulletins, cartoons, or drawings related to a protected classification.

SDCP Human Resources — The SDCP employee, division, or contractor designated by the Chief Executive Officer to handle human resources matters and other matters covered by this Policy.

Sexual Harassment — Includes, but is not limited to, harassment based on sex, gender, pregnancy, childbirth, breastfeeding, or medical condition related to pregnancy, childbirth, or breastfeeding. Sexual harassment includes, but is not limited to, unwelcome sexual advances, requests for sexual favors, and other visual, verbal, or physical conduct of a sexual nature where:

1. Submission to the conduct is made either explicitly or implicitly as a term or condition of employment (quid pro quo sexual harassment); or
2. Submission to or rejection of the conduct is used as a basis for employment decisions (quid pro quo sexual harassment); or
3. Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment (hostile work environment sexual harassment.)

Guidelines for Identifying Harassment – Harassment includes any conduct which would be unwelcome or unwanted to an individual of the recipient's same protected classification. The following guidelines to determine if conduct is unwelcome or unwanted should be followed:



1. Sexually harassing conduct, for example, can occur between people of the same or opposite sex, between peers, supervisor to subordinate, subordinate to supervisor, or member of the public to employee and need not be motivated by sexual desire.
2. It is no defense that the recipient “appears” to have consented to the conduct at issue by failing to protest about the conduct. A recipient may not protest for many legitimate reasons, including the need to avoid being insubordinate or to avoid being ostracized or subjected to retaliation.
3. Simply because no one has complained about a joke, gesture, picture, physical contact, or comment does not mean the conduct is welcome. Harassment can evolve over time. Small, isolated incidents might be tolerated up to a point. The fact no one has yet complained does not preclude someone from complaining if the conduct is repeated in the future.
4. Even visual, verbal, or physical conduct between two people who appear to welcome the conduct can constitute harassment of a third person who witnesses the conduct or learns about the conduct later. Conduct can constitute harassment even if it is not explicitly or specifically directed at an individual.
5. Conduct can constitute harassment even if the individual has no intention to harass. Even well-intentioned conduct can violate this Policy if the conduct is directed at, or implicates a protected classification, and if an individual would find it offensive (e.g., gifts, over-attention, endearing nicknames, hugs).

Retaliation – Retaliation occurs when adverse conduct is taken against a covered individual because of the individual’s protected activity as defined in this Policy. “Adverse conduct” may include, but is not limited to: disciplinary action, counseling, or taking sides because an individual has reported harassment or discrimination; spreading rumors about a complainant or about someone who supports or assists the complainant; shunning or avoiding an individual who reports harassment or discrimination; or making real or implied threats of intimidation to prevent or deter an individual from reporting harassment or discrimination.

Abusive Conduct – Abusive conduct means conduct in the workplace, with malice, that a reasonable person would find hostile, offensive, and unrelated to an employer’s legitimate business interests. Abusive conduct may include repeated infliction of verbal abuse, such as the use of derogatory remarks, insults and epithets, verbal, or physical conduct that a reasonable person would find threatening, intimidating, or humiliating, or undermining of a person’s work performance. A single act shall not constitute abusive conduct, unless especially severe and egregious.

#### Responsibilities:

SCDP – SDCP will take prompt appropriate action to correct reported incidents of discrimination, harassment, and retaliation. SDCP will pursue preventative measures to protect employees from discrimination, harassment, and retaliation and will take appropriate disciplinary action against anyone found to be in violation of this Policy. SDCP will not tolerate retaliation against a person who opposes, reports, or assists another person to oppose unlawful discrimination, harassment, or retaliation. SDCP will communicate and distribute this Policy to all employees and include it in all new employee orientation packets. This Policy will also be posted on SDCP’s Intranet (when available) and will be incorporated into employee handouts.



Mandatory Training – Mandatory training sessions on this Policy and the prevention of discrimination, harassment (including sexual harassment and abusive conduct), and retaliation will be held for personnel during appropriate in-service training programs and orientations as required by law.

Non-Managers and Non-Supervisors – Each non-manager or non-supervisor is responsible for:

1. Treating all individuals in the workplace or on worksites with respect and consideration.
2. Modeling behavior that conforms to this Policy.
3. Participating in periodic training.
4. Cooperating with SDCP's investigations pursuant to this Policy by responding fully and truthfully to all questions posed during the investigation.
5. Taking no actions to influence any potential witness while the investigation is ongoing; and
6. Reporting any act the individual believes in good faith constitutes harassment, discrimination, or retaliation as defined in this Policy, to the individual's immediate supervisor, or department head, or SDCP Human Resources.

Managers and Supervisors – In addition to the responsibilities listed above, each manager and supervisor, on all levels, is responsible for:

1. Understanding and complying with this Policy and procedures referencing discrimination, harassment (including sexual harassment), and retaliation.
2. Taking all steps necessary to prevent discrimination, harassment, and retaliation from occurring, including monitoring the work environment and taking immediate appropriate action to stop potential violations, such as removing inappropriate pictures and correcting inappropriate language.
3. Maintaining confidentiality of complaints made under this Policy, to the extent allowed by law.
4. Receiving complaints in a fair and serious manner, documenting steps taken to resolve complaints, and explaining the complaint procedure to employees.
5. Making employees aware of this Policy and obtaining additional information on the subject for them.
6. Taking all complaints or concerns of alleged discrimination harassment, or retaliation seriously no matter how minor or who is involved. If a complaint is received or if an incident of discrimination harassment, or retaliation becomes apparent, immediately contact SDCP Human Resources or the SDCP General Counsel to investigate and bring the matter to a final determination regardless of whether a complaint has been submitted.
7. Informing those who complain of discrimination, harassment, or retaliation of the complainant's option to contact the EEOC or DFEH regarding alleged Policy violations.
8. Making the employee aware that SDCP Human Resources will be notified of the complaint.



9. Making the employee aware that the Employee Assistance Program is available (if/when applicable).
10. Seeking to prevent any acts of retaliation against those reporting discrimination or harassment, including following up with those who have complained to ensure the behavior has stopped and that there are no reprisals.
11. Assisting in the investigation of complaints involving employee(s) in their departments and, when appropriate, if the complaint is substantiated, recommending appropriate corrective or disciplinary action in accordance with this Policy, up to and including termination; and
12. Participating in periodic training and scheduling employees for training.

SDCP Human Resources/SDCP General Counsel — SDCP Human Resources and/or the SDCP General Counsel will oversee the conduct of an independent investigation (internally or externally) of all complaints, maintain a confidential file on all charges of discrimination, harassment, or retaliation, and draft a report summarizing the investigation and investigator's determinations.

Confidentiality:

SDCP will make every effort to handle complaints of discrimination, harassment, and retaliation in a confidential manner to the greatest extent allowed by law. However, complete confidentiality cannot be guaranteed due to the need to fully investigate and the duty to take effective remedial action. An employee who is interviewed during an investigation is prohibited from attempting to influence any potential witness while the investigation is ongoing. An employee may discuss an interview with a designated representative. SDCP will not disclose a completed investigation report except as it deems necessary to support a disciplinary action, to take remedial action, to defend itself in adversarial proceedings, or to comply with the law or court order.

Complaint Procedure:

Filing – A covered individual who believes they have been subjected to discrimination, harassment, or retaliation, should immediately file a complaint, orally or in writing, with any one of the following without regard to any chain of command:

- a. The immediate supervisor.
- b. Any manager or supervisor within or outside the department.
- c. The Human Resources Manager; or
- d. The SDCP General Counsel.

Option to Report to Outside Administrative Agencies – An individual has the option to report discrimination, harassment, or retaliation to the U.S. Equal Employment Opportunity Commission (EEOC) or the California Department of Fair Employment and Housing (DFEH). These administrative agencies offer legal remedies and a complaint process. The nearest offices are listed on the Internet, in the government section of the telephone book or employees can check the posters that are located on SDCP bulletin boards for office locations and telephone numbers.



Proactive Approach – SDCP takes a proactive approach to potential Policy violations and will conduct an investigation if its supervisory or management employees become aware that harassment, discrimination, or retaliation may be occurring, regardless of whether the recipient or third party reports a potential violation.

#### Investigation Procedure:

Any manager or supervisor receiving a complaint of discrimination, harassment, or retaliation shall immediately notify SDCP Human Resources. Complaints about staff from Human Resources should be submitted to the SDCP General Counsel rather than SDCP Human Resources.

Failure by a manager or supervisor to report and address discrimination, harassment, or retaliation complaints or suspected acts shall be considered a violation of this Policy.

SDCP's investigation of any complaint of discrimination, harassment, or retaliation will be fair, prompt, thorough and impartial. Managers and supervisors shall make available any employee for interviews and present any documents required by the investigator.

SDCP Human Resources or the SDCP General Counsel will provide the person filing the complaint appropriate feedback about the status and conclusion of the investigation. Reasonable steps will be taken to protect the complainant from further discrimination, harassment, or retaliation while the investigation is pending.

Determination — After the investigation is completed, the investigator shall prepare a report and determination regarding the discrimination, harassment, or retaliation allegation levied. Whether or not any alleged action constitutes discrimination, harassment, or retaliation will be determined on a case-by-case basis by assessing the entire record and the totality of the circumstances, including the nature of the conduct and the context in which the alleged incidents occurred.

Disciplinary Action — Conduct need not rise to the level of a violation of law to violate this Policy. A single act can violate this Policy and provide grounds for discipline or other appropriate sanctions. If it is determined that discrimination, harassment, or retaliation has occurred, prompt appropriate disciplinary action or remedial action shall be taken. After reviewing the facts of the investigation, the appointing authority of the covered individual found in violation of this Policy shall commence appropriate corrective or disciplinary action in accordance with SDCP's Discipline Policy, other relevant SDCP policy, or other lawful basis.

Reoccurrence or Retaliation — No covered individual shall be subject to retaliation as the consequence of bringing a complaint to SDCP's attention or for participating in an investigation. Should the complainant or a witness be subjected to retaliation or a reoccurrence of the discriminating, harassing, or retaliating behavior, the complainant or witness should immediately contact any supervisor, department head, or manager without regard to any chain of command, SDCP Human Resources, or the SDCP General Counsel.

#### Prohibition of Abusive Conduct:

SDCP is committed to providing a safe and productive work environment. Every employee, and other individuals, including unpaid interns, volunteers, temporary agency workers, consultants, independent contractors, and visitors, have the right to be treated professionally and with respect and should not be subjected to conduct undertaken with malice, that is unrelated to



SDCP's legitimate business interest and that a reasonable person would find hostile or offensive. Any person who believes that they are being subjected to abusive conduct should immediately report this to their immediate supervisor, any manager or supervisor within or outside the department, SDCP Human Resources, or the SDCP General Counsel.

### **Safety and Secure Workplace – Zero Tolerance Policy**

It is the policy of SDCP that every employee is entitled to work in a safe work environment. To this end, violence, or the threat of violence in the workplace will not be tolerated in any form. It is inappropriate to use violence or threats of violence to intimidate, prevent work from being completed or in any way interfere with providing a safe workplace. Employees are expected to conduct themselves in accordance with the personnel rules of SDCP.

### **Use of Property and Electronic Equipment**

Work equipment, tools, and materials are provided by SDCP to its employees for the sole purpose of performing work-related tasks. Work tools are the property of SDCP, and it is the responsibility of the employee to use and maintain them appropriately.

SDCP may issue laptops and business cell phones to employees. Employees who use cell phones, whether personal or SDCP-issued, are expected to confine the use of any personal calls in a way that should not disrupt others, occur during meetings, or interrupt work processes.

Employees who use electronic devices or accounts (whether or not owned or controlled by SDCP) to conduct SDCP business or other public business should be mindful that SDCP is a public agency and as such is subject to public records requests. Communications related to the conducting of public business using a personal device or account may result in employee's device/account information being subject to review by SDCP and public disclosure.

SDCP periodically and without prior notice, monitors, reviews, accesses, or retrieves data from its equipment or resources, including electronic communications and content contained in or transmitted through SDCP networks or electronic resources. SDCP employees must provide the agency with the employee's username or password for any SDCP issued equipment or resource. The existence of passwords or delete functions does not restrict SDCP access. As a result, SDCP employees have no expectation of privacy in their use of any SDCP equipment or resources.

Upon resignation or the termination of employment, or at any other time the SDCP so requests, employees are required to return all items and property issued to them.



## **Employee Acknowledgement**

This is to acknowledge that I have received a copy of the San Diego Community Power ("SDCP") Employee Handbook and understand that it contains important information on SDCP's general personnel policies and my obligations as an employee. I acknowledge that I am expected to read, understand, and adhere to SDCP policies and will familiarize myself with the material in the handbook. I understand that I am governed by the contents of the handbook and that SDCP may change, rescind or add to any policies, benefits or practices described in this handbook, from time to time in its sole and absolute discretion, with or without prior notice. SDCP will advise employees of material changes within a reasonable timeframe.

Furthermore, I understand that employment with SDCP is not for a specified term and is at the mutual consent of the employee and SDCP. Accordingly, either the employee or SDCP can terminate the employment relationship at will, with or without cause, at any time. This represents a final and binding integrated agreement with respect to the at-will nature of the employment relationship and cannot be modified, unless it is modified in a written agreement signed both by the Chief Executive Office Director and me.

I UNDERSTAND THAT I AM AN AT-WILL EMPLOYEE WHO SERVES AT THE PLEASURE OF THE CHIEF EXECUTIVE OFFICER. I HAVE NO PROPERTY RIGHT IN CONTINUED EMPLOYMENT AND NO PRE OR POST DISCIPLINARY PROCEDURAL DUE POSSESS OR EVIDENTIARY APPEAL. I UNDERSTAND THAT NOTHING CONTAINED IN THE HANDBOOK IS INTENDED TO CREATE, NOR BE CONSTRUED AS CREATING, AN EXPRESS OR IMPLIED CONTRACT, OR GUARANTEE OF EMPLOYMENT FOR A DEFINITE OR INDEFINITE TERM.

EMPLOYEE'S SIGNATURE

DATE

EMPLOYEE'S PRINTED NAME