



January 6, 2021

Caroline Winn, Chief Executive Officer

San Diego Gas and Electric
8326 Century Park Court
San Diego, CA 91123

RE: Mitch Mitchell Letter Dated December 17, 2020

Dear Ms. Winn,

This letter is in response to the above referenced letter from a member of your staff, Eugene “Mitch” Mitchell, San Diego Gas & Electric (SDG&E) Vice President, State Government Affairs & External Affairs to San Diego Community Power (SDCP) Board of Directors and Member City Mayors (San Diego, Chula Vista, Encinitas, La Mesa, and Encinitas). A copy of the letter is attached.

I appreciate the introduction to the letter reiterating SDG&E’s commitment to our shared customers, to community choice, and to being a good partner. Unfortunately, SDG&E’s actions speak louder than these words and the issue that spurred the letter is just one example. I’m writing to you in the hope that you will get involved to ensure cooperation towards mutually beneficial solutions on behalf of our shared customers.

The most immediate issue at hand is SDG&E’s Electric Procurement Revenue Requirement (ERRA) proposal to the California Public Utilities Commission (CPUC). As our Board has expressed, we believe that proposal relies on outdated forecasts to artificially and temporarily depress SDG&E’s rates at the exact same time “competitive” CCA programs are launching. While we understand this is a process and a decision to be made at the CPUC, we believe the resulting rate volatility will negatively impact our communities and customers. We have shared our position and proof points with your team and have made numerous attempts to create a collaborative process that could have resulted in a joint proposal to the CPUC on behalf of the region’s ratepayers. Rather than working together, SDG&E staff doubled down in support of its faulty math in our meetings and in your filings. Now the CPUC has stayed its decision in acknowledgement that SDG&E’s approach is not accurate and is out of step with the accurate proposals received by all other investor-owned utilities serving other customers of California.

In the spirit of what Mr. Mitchell declares as our common goal of a successful CCA launches and good partnership, we ask that SDG&E support the latest Alternate Proposed Decision in the ERRA proceeding issued on December 28, 2020.





Subsequent to this issue, we also seek a collaborative approach on renewable electricity procurement (i.e., renewable portfolio supply, or RPS, power). Our offer to seek a bilateral approach to procuring this power was rejected by your staff in early 2020, followed by RPS solicitations issued by SDG&E that have been delayed and caused confusion to SDCP and others in the market willing to buy the excess power. As a significant amount of that power was procured on behalf of future SDCP customers, and SDG&E will clearly be over-procured if you do not sell it, we cannot find any reason why all our attempts at purchasing some of that power have been unsuccessful. We are hopeful that 2021 will see a bilateral approach that is most efficient, and fair, for our shared customers.

The good news is we have reached a collaborative, though tenuous, rhythm in the transition of SDG&E's billing system. While your staff initially demanded that SDCP change its timeline to accommodate your schedule, we are thankful your team is now following state law and acknowledging CCA filings with the CPUC are the determinant of rollout schedules. SDCP has demonstrated our willingness to dedicate resources and have open dialogue to find win-win solutions, and we believe both companies are benefitting from the updated approach on this issue. With only a few months from launch, any change in schedule now would have significant consequences for us.

Cooperation between SDG&E and SDCP is imperative. We both will serve hundreds of thousands of customers; any inefficiencies or significant rate shifts caused by lack of cooperation will only harm our shared customers.

Mr. Mitchell closes his letter by stating: "it's our plan to exit the energy procurement side of our business and we recognize the success of CCAs is a key component to ensuring our safe and responsible departure." Beyond SDG&E's own business motivations, the families and businesses in our region told us in no uncertain terms they wanted choice, transparency, and local control over energy procurement decisions. The successful launch of CCAs, working cooperatively with SDG&E, is the only path to deliver on the will of the people while also making progress toward urgent climate action goals. Our collective challenge is to ensure both organizations "walk the walk" not just "talk the talk".

I believe we can continue this momentum with regular communication between you and I, ensuring our teams see collaboration starting at the top. Let's cooperate to ensure we are "walking together."





Sincerely,

A handwritten signature in black ink, appearing to read "Bill D. Carnahan", with a long horizontal flourish extending to the right.

Bill D Carnahan
Interim CEO
San Diego Community Power

Enclosure: Mitch Mitchell Letter Dated December 17, 2020

cc: Chair Joe Mosca
Vice Chair Steve Padilla
Director Serge Dedina
Director Bill Baber
Director Monica Montgomery Steppe
Honorable Mayor Todd Gloria, City of San Diego
Honorable Mayor Mary Salas, City of Chula Vista
Honorable Mayor Catherine Blakespear, City of Encinitas
Honorable Mayor Mark Arapostathis, City of La Mesa
Mitch Mitchell, Vice President, State Government Affairs & External Affairs,
SDG&E





Eugene "Mitch" Mitchell
Vice President
State Government Affairs & External Affairs
8330 Century Park Court, CP33B
San Diego, CA 92123
858.650.4075 -Tel

December 17, 2020

San Diego Community Power

1200 Third Street, 18th Floor
San Diego, CA 92101-4195

Honorable Chair Mosca and Members of the San Diego Community Power Board,

First and foremost, it is important that I reinforce SDG&E's support of Community Choice Aggregation (CCA) and our commitment to our soon to be shared customers. Our common goal remains a successful launch for CCAs in our region and we remain committed to be a good partner.

However, we wanted to take this opportunity to formally respond to San Diego Community Power's (SDCP) December 4 open letter to the California Public Utilities Commission (CPUC) about SDG&E's Electric Procurement Revenue Requirement (ERRA) proceeding and the subsequent revised Proposed Decision issued December 15 by the CPUC.

SDG&E is required to follow the law and well-established CPUC processes in setting rates. Electricity sales forecasting is one of many components that must be thoroughly vetted in this process. We have been working toward CPUC approval of an updated forecast under a separate, transparent proceeding (General Rate Case (GRC) Phase 2) in which the City of San Diego, consumer advocates and many other parties have participated for almost two years.

We are encouraged to have entered into a settlement agreement in the GRC Phase 2 proceeding with 13 parties, including the City of San Diego, California Public Advocates Office, The Utility Reform Network (TURN) and Utility Consumers' Action Network (UCAN), who agreed to an updated sales forecast using a methodology that would address rate volatility concerns. One of the terms of the settlement agreement is that SDG&E will use the 2019 sales forecast until implementation of the 2021 sales forecast in late 2021 in part because of changes in consumption patterns due to economic and other impacts of COVID-19.

SDG&E is simply not permitted to unilaterally change the sales forecast in the ERRA proceeding— only the CPUC can authorize the update, after an open proceeding where all interested parties have had the opportunity to weigh in. This is true for all California utilities regulated by the CPUC. In the meantime, we must use the currently authorized 2019 sales forecast to set rates.

The current regulatory process ensures transparency and proper vetting by interested parties but does not provide a forum for quick fixes or changes to adopted rules that we are required by law to abide by. We are committed to continue working with CCAs, the CPUC, and consumer advocates to not only implement an updated sales forecast but to also assess any other regulatory issues that may present challenges as the energy market becomes more and more decentralized.

We hope our desire to maintain a strong and collaborative relationship is reflected in our actions to work hand-in-hand with CCA staff as we collectively drive toward a smooth transition for customers. As you may be aware, we created a dedicated CCA team at SDG&E to support transition activities and we continue to work closely with SDCP staff on plans for a successful customer transition in 2021.

As we have shared in the past, it's our plan to exit the energy procurement side of our business and we recognize the success of CCAs is a key component to ensuring our safe and responsible departure. SDG&E prides itself on being an innovative leader in the energy industry and we are confident we can continue that legacy as it relates to CCA/utility partnership. We look forward to delivering the energy mix of your choosing for SDCP customers for years to come. At the end of the day, we all want to help pave the way to a cleaner energy future.

Respectfully,

A handwritten signature in blue ink that reads "Mitch Mitchell". The signature is written in a cursive style with a large initial "M".

Mitch Mitchell
Vice President – State Government & External Affairs

cc: Honorable Mayor Todd Gloria, City of San Diego
Honorable Mayor Mary Salas, City of Chula Vista
Honorable Mayor Catherine Blakespear, City of Encinitas
Honorable Mayor Mark Arapostathis, City of La Mesa