



CONFIDENTIAL MEMORANDUM

To: Jack Clark, Aaron Lu, Cody Hooven, and Ashley Rosia
City of San Diego

From: Bill Monsen and Mark Fulmer
MRW & Associates, LLC

Subject: Peer Review of SDG&E Response to Request for Proposals

Date: March 14, 2018

In September 2017, the City of San Diego (the City) issued a Request for Proposals for 100% Renewable Energy (RFP).¹ The purpose of this RFP² was to solicit proposals to assist the City achieve its goals for essentially 100% renewable energy supply for the residents and businesses in the City, which is a key element in its CAP. The City only sent the RFP to San Diego Gas & Electric (SDG&E)³; as such, the City only received one proposal, a response from SDG&E (Response). The City asked MRW & Associates, LLC (MRW) to review the Response. This memorandum provides MRW's review.

The memorandum is organized as follows. After presenting a Summary of Conclusions, MRW's review is organized around 21 questions concerning the Study.⁴ In addition to the responses to the City-provided questions, MRW has developed a set of questions for City Staff to help clarify the Response.

¹ https://www.sandiego.gov/sites/default/files/web_version_sdge-city_of_san_diego_rfp_10089288-18-f.pdf

² The RFP is a direct result of the City's Climate Action Plan (CAP) provision which postulates that the 100% goal will be pursued via "CCA or another program." As such, the RFP was issued as an exploratory alternative to the City forming a CCA; it sought information about "another program" that might be a vehicle to meet the objective of the CAP.

³ The City only sent the RFP to SDG&E as it was effectively the only entity that responded to the City's Request for Qualifications (RFQ) that has the legal authority to sell electricity to retail customers. To sell electricity to retail customers, the provider must be a Community Choice Aggregation program (CCA) or an "electrical corporation" and "public utility" as defined by the Public Utilities Code. It should be noted that Direct Access and full municipal electric service theoretically are other means for supplying electricity to retail customers but both options are practically unavailing or unavailable for service to provide service to a set of retail customers as large as envisioned by the CAP.

⁴ The City provided MRW with 17 questions for organization of this review. These questions were consistent with the questions provided by City to MRW for its review of the CCA Feasibility Study (see "Feasibility Study for a Community Choice Aggregate," Willdan Financial Services and EnerNex, July 2017 (Draft CCA Feasibility Study)). In

Summary of Conclusions

While SDG&E's proposed approach is possibly feasible, overall the Response raises more questions than it answers. The Response proposes that SDG&E, as a regulated utility, assist the City with procurement of electricity on behalf of the residents and businesses in San Diego outside of its existing tariffs. SDG&E would provide this service in collaboration with the City. However, despite providing this procurement service only for a select set of SDG&E's customers, all customers in the City (except for current or future Direct Access customers) would remain as "bundled" service customers of SDG&E.⁵ This differs from other utility programs in which SDG&E allows a small subset of customers to participate. In this case, SDG&E is proposing to offer a geographically-defined tariff to all customers in the City. SDG&E would perform this service only if it was able to obtain approval for this novel service from the California Public Utilities Commission (CPUC).

The RFP as well as SDG&E's response to the RFP are unique; MRW is unaware of another jurisdiction that is exploring CCA asking for their incumbent Investor-Owned Utility to propose an alternative to CCA or for a regulated energy utility in California to propose a program similar to that presented in the Response. As such, the approach proposed by SDG&E may present regulatory and/or legal challenges that might ultimately result in the project envisioned by SDG&E being rejected or delayed by the CPUC.⁶

Furthermore, the Response gives little or no information about the approach, costs, or risks associated with the proposed joint City-SDG&E effort. In addition, should the CPUC reject SDG&E's unique proposal, the City would be in a position of either (1) trying to implement a Community Choice Aggregation program (CCA) or (2) limiting its efforts to achieve essentially a 100% renewable supply for the citizens and businesses in San Diego to SDG&E's procurement paradigm as directed and authorized by the California legislature and CPUC, thus threatening the City's ability to meet its municipal CAP goals.

Following this brief summary, MRW's review of SDG&E's Response consists of two sections. The next section presents a brief summary of SDG&E's proposal. Last, MRW provides responses to a set of questions developed by City Staff and MRW related to how the Response meets the City's needs.

addition to the questions provided by the City, MRW developed four other questions for use in reviewing the Response.

⁵ "Bundled" customers are those who receive full commodity service from their incumbent utility. This contrasts with "departing load customers"—those who take commodity service from a Direct Access provider or a Community Choice Aggregator. As discussed later, the distinction is important in that "bundled" customers are exempt from any "exit fees," (e.g., PCIA).

⁶ If the program proposed by SDG&E was rejected by the CPUC, the City would still be able to revisit other options. Also, state law might change in the future to require Load-Serving Entities to provide 100% renewable service. On the other hand, if the CPUC were to reject SDG&E's proposal, the City would be at risk of not establishing a pathway to achieve the CAP goal of 100% renewable energy by 2035.

Summary of SDG&E Proposal

SDG&E responded to the City's Request For Proposals (RFP) for 100% Renewable Energy⁷ on October 31, 2017 (Response). The Response mirrors and amplifies on SDG&E response to the City's Request for Statements of Qualifications.⁸ SDG&E's proposal consists of the following main points:

1. Existing SDG&E customers in City would remain bundled service customers of SDG&E.⁹
2. SDG&E would provide procurement services for City to help City meet its Climate Action Plan goals.¹⁰
3. SDG&E would develop a separate tariff for accounts that participate in the program.¹¹
4. SDG&E expects that the program would be an "opt-out" program.¹²
5. It is expected that the City would request that SDG&E procure greater levels of renewables than are currently in SDG&E's portfolio for other bundled service customers.¹³
6. The scope of project, amount and timing of renewable procurement, and all other program details to be developed collaboratively with City.¹⁴
7. The expected online date for the yet-to-be-developed program is late 2021.¹⁵

It is important to note that even before describing its proposal, SDG&E stated its requested "Exceptions and/or Conditions Requested" as follows:

Any services provided by SDG&E would be subject to CPUC jurisdiction and any required approvals. SDG&E would seek approval from the CPUC for any new arrangements with the City.

This RFP response is not intended to be, nor shall it be, construed as either a binding commitment or an attempt to define all terms and conditions of the proposed transaction described herein. Rather, it is intended to set forth an outline of certain proposals for discussion and acknowledges significant uncertainty in the procurement environment. Any legal obligations between SDG&E and the City shall arise only after definitive written agreements have been negotiated by the City and SDG&E in form and content satisfactory to all parties, all necessary approvals to enter into such agreements have been obtained, and the parties have executed and delivered such definitive written agreements. SDG&E retains the right in its sole discretion to determine, for any reason, not to participate in the proposals described herein.¹⁶

⁷ RFP 10089288-18-F, issued September 7, 2017 (RFP).

⁸ RFSQ 10088487-18-A.

⁹ Response, Tab B, p. 4.

¹⁰ Response, Tab B, p. 4.

¹¹ Response, Tab B, p. 4.

¹² Response, Tab B, p. 18.

¹³ Response, Tab B, p. 5.

¹⁴ Response, Tab B, p. 4.

¹⁵ Response, Tab B, p. 11.

¹⁶ Response, Tab A, Section 2.1 (emphasis added).

These exceptions and limitations make clear two key points regarding the Response:

1. The Response is not a proposal to provide services. Instead, it is a proposal to initiate discussions between the City and SDG&E to develop a joint project that may or may not ultimately result in a project that would help the City meet its 100% renewable goals in its CAP.
2. Even assuming that the City and SDG&E were to succeed in developing such a potential project, that joint effort would still need to be approved by the CPUC. If the CPUC rejected the proposed joint project, then the City would need to start from scratch to determine how it would meet its CAP goals.

SDG&E's Response is not a complete proposal but instead is a conceptual proposal to begin discussions with the City. As such, the Response gives little or no information about the approach, costs, or risks associated with its proposed joint City-SDG&E effort. Given this lack of specifics, it is not possible to perform any sort of meaningful comparison of the Response to other alternatives available to the City, such as pursuing a CCA.

The proposal is unique and may present regulatory and/or legal challenges that might ultimately result in the project envisioned by SDG&E being rejected by the CPUC. Establishing a geographically-specific tariff for broad groups of customers is essentially unheard of at the CPUC. Thus, MRW believes the Response proposes an approach that has no clear analog in California, meaning that it is difficult to determine the potential success of an application to the CPUC proposing such a program.

It appears that the timeline for implementation of the effort envisioned by the Response is approximately the same as the time to implement a CCA program: both programs could be online by 2021.¹⁷

Responses to Questions by City Staff and MRW

In order to structure this review, City Staff provided MRW with a set of questions that asked threshold questions regarding the Response.¹⁸ MRW supplemented these with additional threshold questions. The following sections present MRW's responses to these questions.

1. Does the Proposal consider all pertinent factors to determine current and future electric energy requirements of a 100% renewable program?

The SDG&E Response does not address future City geographic electrical energy requirements. In fact, SDG&E indicates that its Response does "not reflect an SDG&E forecast..."¹⁹ Its Illustrative Scenarios assume that "...customer load does not increase significantly between 2021 and 2026."²⁰ There may be

¹⁷ See "Figure 3: Illustrative Timeline," Response, Tab B, p. 11. Note that the CCA was originally expected to be online in mid-2020 (see Draft CCA Feasibility Study, p. 5) but now that the CPUC has adopted Resolution E-4907, the likely earliest online date for a CCA would be 2021.

¹⁸ City Staff also provided a set of questions for use in MRW's Peer Review of the Draft CCA Feasibility Study.

¹⁹ Response, Tab B, Appendix IV, p. 1.

²⁰ Response, Tab B, Appendix IV, p. 1

reasons that SDG&E chose not to provide forecasts in its Response (e.g., legal or market concerns) but SDG&E did not explain those limitations in its response.

This is not to say that SDG&E is unable to develop such forecasts; MRW believes that SDG&E is capable of developing such forecasts of future loads for the City. However, SDG&E's Response provides no discussion of those capabilities.

In summary, SDG&E's Response does not provide any information regarding its expectations for future electric energy requirements in the City.

2. Does the Proposal incorporate current power market conditions and reasonable projections of expected future conditions?

The Response discusses current conditions in the energy and renewable power markets but does not discuss future conditions in any detail.²¹ SDG&E uses publicly-available data regarding current costs of renewables.²² In its hypothetical scenarios, it assumes that the costs of renewables relative to "brown" power remain constant with today's prices.²³ The Response does identify many of the future uncertainties associated with attempting to implement a 100% renewable program, including market and regulatory uncertainties.²⁴

In summary, the Response provides a high-level view of the future power markets and conditions but fails to present any information about SDG&E's institutional knowledge about those markets. It is not clear to MRW that SDG&E would provide this confidential institutional knowledge to the City.

3. Considering the difficulty in accurately estimating greenhouse (GHG) emissions attributable to a given electricity supply portfolio, are the estimates of the GHG emissions intensity of the proposed scenarios relative to existing SDG&E tariffs reasonable and adequate?

The Response does not present any information about future supply portfolios for the loads in the City. Instead, SDG&E provides an example of the hypothetical GHG impacts of a 100% renewable plan assuming a GHG intensity for "Unspecified Sources" per the general assumption provided by the California Air Resources Board (CARB) (0.428 MT of CO₂e/MWh).²⁵ By using this value, the Response assumes that SDG&E's GHG intensity is equal to "Unspecified Sources," which may or may not be a good assumption. The Response provides no justification for use of this estimate of GHG emissions intensity. It would be reasonable for the City to follow up with SDG&E on this issue.

Questions to Clarify Proposal:

²¹ Response, Tab B, pp. 12-15. See also Response, Tab B, p. 7, fn. 11.

²² Response, Tab B, p. 13.

²³ Response, Tab B, pp. 8-9 (Tables 1 and 2).

²⁴ Response, Tab B, p. 10, pp. 15-16.

²⁵ Response, Tab B, p. 15 fn. 26.

1. Does SDG&E believe that its GHG intensity by 2035 would be equal to the CARB estimate? Is there a better estimate? Please explain your response.

4. Does the Response consider all pertinent factors in projecting future SDG&E rates for comparison to a 100% renewable program costs/payment projections?

The Response presents “Illustrative Customer Bill Impacts” for different customer classes.²⁶ However, SDG&E flatly states that this illustrative example “do[es] not reflect SDG&E forecasts nor an SDG&E rate.”²⁷ The illustrative example also does not include various costs that would affect rates and bill impacts, such as administrative costs, integration costs, local development costs, or financing costs.²⁸ The Response provides an explanation why it excluded these costs.²⁹ However, by excluding these costs, the bill impacts on customers are certainly understated (since these excluded costs will not be zero.) The Response does at least identify the factors that are key drivers to the overall cost of the proposed Program.³⁰ It would be reasonable for the City to follow up with SDG&E to attempt to gain greater insights into the expected costs and allocation of labor for the proposed program

.Questions to Clarify Proposal:

1. What is SDG&E’s estimate of the annual number of person-hours that the City would have to devote to this effort? Please provide a range based on lower and higher levels of City involvement in procurement.

2. What is SDG&E’s estimate of the annual number of person-hours and costs that SDG&E would incur related (1) development of the Proposal, (2) obtaining approval for the Proposal, (3) startup, and (4) ongoing administration of the Proposal?

3. Does SDG&E anticipate allocating all regulatory costs associated with (1) obtaining approval and (2) future regulatory activities to the City? How does SDG&E propose to track and account for those costs?

4. Does SDG&E anticipate owning any of the new renewables that would be related to the Proposal?

5. Does the Response consider all pertinent factors in projecting a 100% renewable program operating results?

The Response identifies the key drivers to the costs related to the Proposal.³¹ However, the Response does not present operating results for the City.

²⁶ Response, Tab B, Appendix IV.

²⁷ Response, Tab B, Appendix IV.

²⁸ Response, Tab B, Appendix IV.

²⁹ Response, Tab B, Appendix IV.

³⁰ Response, Tab B, pp. 11-15.

³¹ Response, Tab B, pp. 11-15.

6. Does the Response include reasonable cost-of-service variables?

The Response does identify many of the key variables associated with the cost of generation services for customers in the City.³² It also identifies the uncertainties associated with implementation of a 100% renewable program.³³ However, the Response only provides illustrative examples for cost-of-service of the proposed Program and these examples fail to include likely program costs. In addition, the Response does not attempt to comprehensively quantify the magnitude of these uncertainties.³⁴

7. Does the Response regarding the 100% renewable program present an adequate analysis of potential economic benefits and challenges of various supply scenarios?

The Response identifies key uncertainties and potential challenges associated with supplying 100% renewable power.³⁵ However, the Response relies on illustrative examples³⁶ and high-level estimates³⁷ to derive any sort of estimates of potential costs and benefits associated with the proposal. Aside from the “significant regulatory uncertainty” associated with pursuing approval for the proposed Program through the CPUC, the Response does spell out other potential risks associated with the proposed Program.³⁸

It appears that SDG&E understands the key regulatory risk associated with its proposed Program: the need to (1) develop a program concept with the City, (2) apply to the CPUC to obtain approval to implement the program concept, and (3) obtain approval from the CPUC. However, the Response provides only brief discussions of how this process might work³⁹ or the likelihood of the CPUC approving the joint SDG&E-City application.⁴⁰ The Response explicitly refuses to discuss the strengths and weaknesses of SDG&E’s proposed approach.⁴¹

In addition, the Response is not clear regarding how the different renewable procurement efforts might work. For example, the Response discusses using “banked” resources as one approach for achieving higher level of renewable supplies in the near term.⁴² Also, the calculations supporting the illustrative examples⁴³ and rate benefits⁴⁴ are not clear.

³² Response, Tab B, pp. 11-15.

³³ Response, Tab B, pp. 15-16.

³⁴ It should be noted that the Response does present a range of the incremental costs of renewable resources. See Response, Tab B, p. 7, fn. 11.

³⁵ Response, Tab B, pp. 11-16.

³⁶ Response, Tab B, pp. 7-9.

³⁷ Response, Tab B, p. 16.

³⁸ Response, Tab B, pp. 15-16.

³⁹ Response, Tab B, p. 16.

⁴⁰ Response, Tab B, p. 16.

⁴¹ Response, Tab B, Appendix I, p. 18.

⁴² Response, Tab B, p. 8

⁴³ Response, Tab B, pp. 7-9.

⁴⁴ Response, Tab B, Appendix IV.

Questions to Clarify Proposal:

1. Please explain how SDG&E's Scenario 2 would apply "Banked Resources" and how those Banked Resources would apply in Scenario 1. If SDG&E's assumption in Scenario 1 is that the City would not receive any benefit from Banked Resources, please so state.
2. Please clarify the meaning of "...using Banked Resources now rather than holding onto them for a later date." Please provide details related to SDG&E's estimates of these "Banked Resources."
3. Please provide the workpapers supporting the figures and tables related to the two Scenarios.
4. Please clarify the reference to "1.C.6" in Tables 1 and 2.

8. Does the Response regarding the 100% renewable program present a reasonable assessment of job creation, both total jobs created and local jobs created?

The Response mentions the potential for job creation assuming that the program results in 2,000 MW of incremental renewable projects in the City and in San Diego County (i.e., 500 direct and indirect jobs, \$50 million of output annually).⁴⁵ However, MRW was unable to find any support for the assertion that 2,000 MW of new renewable projects would or could be created by the proposed program, let alone the timeframe over which those new renewables would be developed. SDG&E used NREL's Jobs and Economic Development Impacts (JEDI) model to develop these impacts. The JEDI model is publicly-available and has been used in other studies, including the feasibility study of a City CCA.⁴⁶

9. Should any additional benefits or challenges be considered?

From MRW's perspective, one of the potential benefits (or costs) of the proposed Program is the economic benefits (or costs) associated with the Program having lower (or higher) rates than SDG&E's otherwise applicable tariffs for its other bundled service customers. This was not addressed in the Response.

The main challenge associated with SDG&E's proposal is the requirement to obtain CPUC approval for any program. SDG&E should explain how it would attempt to obtain approval for a program that is unlike any other program submitted to the CPUC, its assessment of the likelihood of success, and the timeline associated with such an effort. Other challenges include how SDG&E would address potential cost shifts to non-City customers and whether there would need to be something like a PCIA for participating customers in the City as a result of the program.

Questions to Clarify Proposal:

1. If the program results in new "steel in the ground," would that exacerbate SDG&E's over-capacity situation? Please explain whether there will be any cost shifts to non-City customers as a result of the

⁴⁵ Response, Tab B, p. 16.

⁴⁶ See Draft CCA Feasibility Study, p. 81.

program (e.g., more Utility-Owned Generation (UOG) is used to serve non-City customers as a result of higher levels of renewables for City, resulting in a change in costs to serve those non-City customers).

2. Please explain whether there will be any sort of “customer indifference” charge related to the program. If so, how and where would it be determined?

10. Does the Response present a reasonable assessment of enhanced or new community program potential such as distributed generation and demand side programs?

The Response mentions these resources as potential ways to help meet the City’s CAP goals. However, the Response does not provide any assessment of the impact of such technologies. This is not unexpected since the SDG&E Response was a proposal to begin discussions with the City.

11. Does the Proposal for the 100% renewable program provide a thorough evaluation of the prospective program’s ability to achieve rate competitiveness with existing SDG&E tariffs? What other factors, if any, should be considered?

Because the Proposal is not for an operation outside of SDG&E’s control, SDG&E does not discuss rate “competitiveness.” Instead, SDG&E implies that its proposed Program could likely be more expensive than remaining on bundled service provided by SDG&E.⁴⁷

12. Does the Response consider all pertinent factors to assess the overall cost-benefit potential of a 100% renewable program?

As discussed elsewhere, the Response does, at a very high level, identify the types of factors that would need to be considered to assess the cost-effectiveness of the proposed Program. However, since SDG&E states that it does not develop rate forecasts beyond a year-ahead,⁴⁸ it is not clear how SDG&E would be able to demonstrate that its proposed Program is cost-beneficial relative to pursuing another options, such as CCA.

13. Does the Response consider all pertinent risk factors involved with establishment and operation of a 100% renewable program, and are such factors properly weighted and analyzed?

The Response identifies broad risks associated with the changing market for renewables.⁴⁹ However, the Response does not attempt to analyze or weigh these risks relative to potential benefits of a 100% renewable program.

⁴⁷ Response, Tab B, pp. 7-9.

⁴⁸ Response, Tab B, Appendix IV, p. 1.

⁴⁹ Response, Tab B, p. 10, pp. 15-16.

MRW believes that SDG&E is capable of quantifying these risks if it were required to do so by the City. However, SDG&E's stated policy is to "not publish internal analysis on renewable prices or potential impacts from renewable incentives or tariffs...[or]...rates beyond a one-year timeframe."⁵⁰ Thus, it is not clear how SDG&E would be able to provide these longer-term analyses to support the City's decision-making process.

Questions to Clarify Proposal:

1. Would SDG&E be able to provide the City with analyses of the risks associated with the SDG&E proposal? If so, how and when might SDG&E provide such information to the City?

14. Does the Response provide an adequate analysis of the liabilities of a 100% renewable program?

The Response does discuss many of the potential risks associated with a 100% renewable program.⁵¹ However, SDG&E provides no quantitative and little or no qualitative analysis of these impacts.

Questions to Clarify Proposal:

1. Would SDG&E be able to provide the City with an assessment of the potential liabilities associated with a 100% renewable program? If so, how and when might SDG&E provide such information to the City?

15. Does the study consider these risks and their potential mitigation strategies or impacts to those risks if not mitigated that are associated with a 100% renewable program?

The Response does not discuss how the proposed Program would mitigate risks associated with a 100% renewable program.

16. Is the proposed timeline for the 100% renewable program reasonable?

The Response presents an "illustrative timeline" for development of the proposed Program.⁵² The timeline is based on a hypothetical program and, as a result, cannot be deemed reasonable or not. However, based on MRW's experience, it is not unreasonable to assume that such a novel program might take 2.5 years from start of development of the application to the CPUC to submission and approval of the final program compliance filing.

Of greater concern, the Response does not discuss the timeframe for moving from program implementation to providing 100% renewables for the City. The illustrative scenarios assert that the

⁵⁰ Response, Tab B, Appendix IV, p. 1.

⁵¹ Response, Tab B, p. 10, pp. 15-16.

⁵² Response, Tab B, p. 11.

proposed Program would meet the 100% renewable goal by 2035.⁵³ However, the Response does not discuss exactly how the proposed Program would accomplish this.

Questions to Clarify Proposal:

1. Has SDG&E discussed its proposed concept with CPUC?
2. If so, when and what were the outcomes from those discussions?
3. Does SDG&E expect to discuss this proposal with the CPUC? Why or why not?

17. Are the assumptions made in the Response to implement a 100% renewable program proposal reasonable and adequate?

As noted previously, the Response explicitly refuses to stand by any of the assumptions in the Response.⁵⁴ Therefore, it is not possible to assess the reasonableness of assumptions, other than to examine the reasonableness of the sources for SDG&E's assumptions.

18. Does the SDG&E proposal provide a clear description of the legal and regulatory viability of the proposed project?⁵⁵

One of the key uncertainties associated with the Response is that it would be based on what appears to be a geographically-differentiated tariff. MRW is unaware of such a tariff being in effect for the energy utilities in California that are under the jurisdiction of the CPUC. In addition, the Response does not address if such a geographically specific program could be legally adopted by the CPUC.

Since this is such a key uncertainty associated with the SDG&E proposal, it is critical for the City to gain a better understanding of SDG&E's perspectives on the legal and regulatory viability of the proposed Program.

Questions to Clarify Proposal:

1. Please describe in detail the steps necessary to obtain approval of SDG&E's proposal relate to the proposed SDG&E/City enterprise. This discussion should supplement the discussion in the Proposal.
2. Please provide ranges of time estimates associated with each step of the timeline needed to obtain approval of the Proposal.
3. Please explain why SDG&E believes that its proposed timeline is reasonable.
4. Please explain SDG&E's approach to overcoming resistance to the Proposal at the CPUC by other intervenors.

⁵³ Response, Tab B, pp. 7-9.

⁵⁴ See Response, Tab B, Appendix IV. See also Response, Tab B, p. 6.

⁵⁵ MRW developed questions 18-21 supplementing the questions provided by City Staff.

5. Please provide relevant examples in California that demonstrate that the CPUC would be favorably inclined to accept the Proposal.
6. Please provide a legal opinion supporting the legality of SDG&E establishing a new geographic-specific tariff for SDG&E customers in the boundaries of the City of San Diego as discussed in the Response.
7. If SDG&E develops region-specific rates for the Proposal, how would SDG&E modify those rates in future rate cases? In order to ensure that there is no cost shifting as a result of the Proposal, would there be a need to perform specific cost of service studies for (1) the customers served by the Proposal and (2) for all other customers? Would the City be prohibited from intervening in such rate proceedings?
8. Please explain what “consideration” SDG&E would receive in exchange for entering into an agreement for the Proposal with the City?

19. Does the Response for the 100% renewable Program proposal provide a path forward for the City to meet its CAP goals if SDG&E’s primary proposal fails to obtain CPUC approval?

As discussed in more detail elsewhere, the Response does not address how the City would meet its CAP goals if, after several years of program development and litigation before the CPUC, the proposed Program is rejected by the CPUC. For example, if the CPUC rejected the proposed Program in 2021, then it would take several years for the City to develop a CCA or to develop and implement some other sort of program that might be available to the City at that time.

Questions to Clarify Proposal:

1. Can SDG&E provide alternative approaches to mitigate the risk to the City if the approach presented in the Response is rejected by the CPUC? If so, what are those alternatives?

20. Does the proposal provide a clear description of the approach that SDG&E plans to pursue for the program?

The Response is short of details about how the proposed Program would be developed. As such, it is very important for the City to gain a better understanding of the structure, ratemaking approach, and other factors that SDG&E envisions for the program.

Questions to Clarify Proposal:

1. What is the structure of the “tariff” (as mentioned in the Executive Summary) associated with the proposed enterprise between SDG&E and the City? Please describe this in detail.
2. Would it be an “adder” that applies to customers served by the Proposal (in addition to the SDG&E tariffs for bundled service for all SDG&E customers)?
3. Would the “adder” vary by customer class? By tariff? By TOU period?

4. If the “adder” does not vary by these factors, please explain in detail how SDG&E proposes to demonstrate ratepayer indifference associated with the Proposal. In particular, please explain how SDG&E intends to demonstrate that the cost of service for all functions (Generation, Transmission, Distribution, and Customer Services) for all customers served by the Proposal are in fact the actual costs to serve those customers.
5. Does SDG&E intend to develop a specific set of rates for each tariff for customers served by the Proposal? What would be the basis of those rates?

21. Does SDG&E’s proposal describe why its proposal is superior to other approaches?

No. SDG&E’s proposal specifically refused to provide such a comparison despite it being a specific requirement of the RFP.⁵⁶ Regardless, in order to understand how SDG&E differentiates its Proposal from other approaches, the City should have SDG&E clarify the differences between its proposed program and a CCA, if possible.

Questions to Clarify Proposal:

1. Does SDG&E contend that the unbundled cost to serve customers in the City of San Diego (at levels of renewables comparable with the rest of the SDG&E system) are equal to the cost to serve customers outside of the City of San Diego? If so, please provide studies that demonstrate this. If not, please explain why not and provide studies that show the differences in the cost of service. (By “costs,” we mean Generation, Transmission, Distribution, and Customer Services).
2. Has SDG&E developed estimates of the total cost to serve customers in the City of San Diego (at levels of renewables comparable with the rest of the SDG&E system)? If so, please provide such an estimate.
3. From SDG&E’s perspective, what are the advantages and disadvantages to the citizens and businesses of the City of San Diego associated with SDG&E’s Proposal?
4. Please explain how the Proposal would reduce price volatility for customers.
5. Please explain how the Proposal would reduce supply uncertainty and improve air quality.
6. Please explain how the Proposal would increase local control of energy procurement.
7. Please explain how the Proposal would increase the amount of energy efficiency available to residents and businesses of the City.

Conclusion

If you have any questions about this evaluation, please feel free to contact MRW at (510) 834-1999.

⁵⁶ Response, Tab B, Appendix I, p. 18.