

Performance Audit of San Diego Gas & Electric (SDG&E) Franchise

City of San Diego

May 20, 2024



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Independent Auditor's Report

Crowe LLP (Crowe) conducted a performance audit of San Diego Gas & Electric (SDG&E), to determine compliance with Franchise terms and conditions set by the City of San Diego, for the period of start date of each of the agreements through July 7, 2023.¹ The objectives of the audit are described on pages six (6) through nineteen (19).

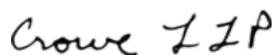
We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on pages 6 through 19 of this report.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of SDG&E to determine the audit procedures that were appropriate for the purpose of providing a conclusion on the audit objectives, as specified, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that SDG&E met the four (4) Audit Objectives in all significant respects for the period of the start date of each of the agreements to July 7, 2023. We include four (4) findings that were deemed not to be significant to the Audit Objectives but warranted inclusion in the report.

SDG&E's written management response to the deficiencies identified in our audit was not subjected to the auditing procedures applied in the audit of the compliance with Franchise terms and conditions and, accordingly, we express no opinion or conclusions on their response.



Crowe LLP

San Francisco, CA
May 20, 2024

¹ The start dates were as follows: Gas and Electric Franchises on July 8, 2021; Administrative MOU on November 1, 2021; Undergrounding MOU on April 6, 2022; and Energy Cooperative Agreement on May 25, 2021.

Executive Summary

Crowe LLP (Crowe) conducted a performance audit of San Diego Gas & Electric (SDG&E) compliance with the Electric and Gas Franchises, Administrative MOU, Utility Undergrounding Program MOU, and Energy Cooperation Agreement associated with the Franchises with the City of San Diego (City) (hereafter referred to as “Franchise”) for the period of the effective date of the applicable agreements through July 7, 2023 in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The goal of the audit was to determine whether SDG&E’s financial, operational, documentary and cooperative requirements are in conformance and compliance with the requirements of the Franchise.

The audit objectives, shown on pages six (6) through nineteen (19) of this report, were developed based on the requirements set forth in the Franchise between the City and SDG&E.

Crowe identified four (4) findings, which are presented in **Exhibit 1**. Further details of the findings, which were deemed not to be significant to the audit objectives, are presented on pages 22 through 28 of this report.

In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis.

Exhibit 1 Finding and Control Evaluation

Finding Number	Finding Description	Classification	Audit Objective Impacted
1	Inconsistent Undergrounding Project Cost Estimates	<i>Noncompliance and Deficiency</i>	3
2	Limited Collaboration with the City on SDG&E Undergrounding Construction Project Master Services Agreement (MSA) Evaluation Criteria	<i>Noncompliance</i>	3
3	SDG&E Did Not Comply with Section 6 a) of the Administrative MOU	<i>Noncompliance</i>	2
4	The City and SDG&E Did Not Comply with Section 2 of the Energy Cooperation Agreement	<i>Noncompliance</i>	4

Project Background

SDG&E Franchise with the City

The City has franchises with San Diego Gas & Electric (SDG&E or Grantee) for electric service and for gas service (Franchises). The City and SDG&E entered into these Franchises on June 8, 2021, passing ordinance O-21327 regarding transmitting and distribution of gas, and ordinance O-21328 regarding transmitting and distributing electricity. SDG&E commenced operations under these Franchises on July 8, 2021 (Effective Date) and they are effective for a primary term of ten (10) years.

1. Franchise Consideration

As consideration for the use of City streets, for the gas franchise, SDG&E is required to pay a bid amount of \$10,000,000 and a sum of three (3) percent of its gross gas revenues.² For the electric franchise, SDG&E is required to pay a bid amount of \$70,000,000 and a sum of sum of three (3) percent of its gross electric revenues. The bid amount is not recoverable through rates charged to customers (i.e., approved by the CPUC).

SDG&E is required to submit reports to the City on February 15th of each year that include gross receipts for the prior calendar year. Payments are made to the City on a quarterly basis based on the prior year gross receipts and are trued up at the end of the year based on actual results for the year. Late payments are subject to delinquency fee of 2 percent of the amount owed and 1 percent of the amount due per month of delay.

2. Compliance Assessment

Section 6 of the Franchise specifies that the City hire an independent auditor to conduct an audit of SDG&E's compliance with the franchise every two years after the Effective Date. The audit must address the Grantee's fulfillment of financial, operational, documentary, and cooperative agreements under the Franchises.

To oversee the audit and receive the report, the City established a Franchise Compliance Review Committee (Review Committee) made up of:

- 3 appointees from the City Council,
- 2 appointees selected by the Mayor.

The Review Committee is required to provide the auditor's report and its own report with recommendations to the City Council within 180 days of the end of each two-year period of the Franchise term.

The compliance assessment covers SDG&E's compliance with the following:

- Franchises,
- Administrative MOU,
- Utility Undergrounding MOU,
- Energy Cooperation Agreement associated with Franchises.

The compliance assessment covers two periods of time:

- Phase 1 – start dates of each of the agreements to July 7, 2023,³
- Phase 2 - July 8, 2023 to July 7, 2025.

The subject of this audit report is Phase 1. The Phase 2 audit report will be completed in mid-2026.

² With credits for City-imposed fees for right-of-way usage. SDG&E also is required to pay applicable statutory surcharges (e.g., municipal lands use surcharge).

³ The start dates were as follows: Gas and Electric Franchises on June 11, 2021; Administrative MOU on November 1, 2021; Undergrounding MOU on April 6, 2022; and Energy Cooperative Agreement on May 25, 2021.

Objectives, Scope, and Methodology

Crowe developed our audit plan and procedures to meet specific objectives identified by the City. In developing this audit plan, among other factors, we primarily considered the specific SDG&E compliance requirements included in the Franchise.

Purpose, Objectives, and Procedures

Crowe submitted several data requests to SDG&E which were progressively more focused throughout the engagement as we obtained more detailed data and information on the company’s operations. We reviewed policies and procedures to understand SDG&E’s use of supporting information systems. We conducted an internal controls assessment to obtain an understanding of SDG&E’s internal controls as they related to the Franchise. Finally, we developed workpapers to document results of the performance audit.

The audit included four (4) objectives, which we list below. The objectives of the audit were developed based on the City’s request for Crowe to determine whether SDG&E complied with terms and conditions included within the Franchises and MOUs.

Objective 1

Objective 1: Determine whether SDG&E complied with the requirements outlined in the Electric and Gas Franchise Agreements with the City of San Diego from the effective date of July 8, 2021 through July 7, 2023.

Approach

Franchise Compliance Area	Franchise Reference ⁴	Procedures
Payment of Bid Amount and Franchise Fees	Franchise, Section 4	<ul style="list-style-type: none"> Obtain City documentation listed in item 1 of Appendix B confirming payment of applicable bid amount and quarterly franchise fees Obtain documentation listed in item 1 of Appendix B from SDG&E supporting gross receipts, including adjustments for non-franchised activities Obtain documentation listed in item 1 of Appendix B and assess accuracy of SDG&E calculation of amounts due to City Obtain documentation listed in item 1 of Appendix B and assess payment accuracy, timeliness, and late fees, if applicable
Compliance with Laws	Franchise, Section 7	<ul style="list-style-type: none"> Obtain/review applicable policies, laws, and regulations Interview City personnel (e.g., management and public works personnel) Obtain City documentation of violations, if applicable Assess whether SDG&E complied with applicable policies, laws and regulations
City Reserved Powers;	Franchise, Section 8	<ul style="list-style-type: none"> Interview City personnel (e.g., public works personnel, inspectors)

⁴ Includes both Electric and Gas franchises which are organized similarly.

Franchise Compliance Area	Franchise Reference ⁴	Procedures
Relocation Efforts		<ul style="list-style-type: none"> • Determine population of applicable cases requiring relocation; sample cases and review documentation (design documents) related to SDG&E efforts to meet requirement, including design submittals and timing • Assess whether SDG&E complied with required provisions
Administrative MOU	Franchise, Section 9	<ul style="list-style-type: none"> • See procedures completed in Objective #2
Providing Location Data	Franchise, Section 9	<ul style="list-style-type: none"> • Interview City staff (e.g., public works) • Obtain documentation to confirm that SDG&E provided GIS data, if applicable • Assess the timeliness and completeness of SDG&E response to location data requests from City
Undergrounding of Facilities	Franchise, Section 10 (Electric)	<ul style="list-style-type: none"> • Obtain SDG&E budgets for 11 undergrounding projects covered by the new Undergrounding MOU, including: <ul style="list-style-type: none"> ○ Allied Gardens Blk 7R1 ○ Allied Gardens (Navajo) Blk 7T ○ North Clairemont Blk 6K1 ○ Clairemont Blk 6K2 ○ Crown Point Blk 2BB Job 2 ○ Del Mar Heights Blk 1Y ○ S. Mission Beach 2S2 ○ Muirlands La Jolla 1M1 ○ North Encanto Blk 4R1 ○ Palm City Blk 8R (joint project with City) ○ Jamacha Lomita Blk 4Y1 • Obtain documentation listed in item 1 of Appendix B supporting three in process undergrounding projects, including <ul style="list-style-type: none"> ○ Allied Gardens (Navajo) Blk 7T (design stage) ○ Crown Point Blk 2BB Job 2 (construction stage) ○ Del Mar Heights Blk 1Y (design stage) ○ Muirlands La Jolla 1M1 (design stage) • Obtain documentation from SDG&E and City listed in item 1 of Appendix B supporting actual amounts expended for undergrounding projects • Obtain documentation furnished by SDG&E to the City listed in item 1 of Appendix B to support project planning (e.g., design information, costs) • Interview City personnel to determine extent to which SDG&E coordinated and communicated with City on undergrounding activities • Assess whether a new or amended Underground MOU was negotiated in accordance with timing requirements

Franchise Compliance Area	Franchise Reference ⁴	Procedures
Coordination with Community Choice Aggregation (CCA)	Franchise, Section 11 (Electric)	<ul style="list-style-type: none"> Interview City staff (e.g., public works) to determine SDG&E level of assistance in implementation of CCA, and compliance with CCA Code of Conduct, if applicable Obtain documentation listed in item 1 of Appendix B supporting violations if applicable (e.g., rate payer funded marketing or lobbying efforts) Assess extent to which SDG&E is cooperating with CCA requirements
Climate Action, Local Energy, Energy Justice, and Purchasing of Local Materials	Franchise, Section 10 (Gas), 12 (Electric)	<ul style="list-style-type: none"> Obtain and review City Climate Action Plan Interview City personnel (management and SMEs) responsible for climate action, local energy use, and energy justice programs Obtain documentation/reports demonstrating SDG&E level of participation in these efforts Interview SDG&E personnel to determine efforts to participate Assess compliance with good faith effort to assist the City with these programs
Purchasing of Local Materials	Franchise, Section 10 (Gas), Section 12 (Electric)	<ul style="list-style-type: none"> Obtain documentation listed in item 1 of Appendix B to determine approaches used to purchase locally Assess whether SDG&E is making good faith efforts to purchase local materials
Repair Costs	Franchise, Section 12 (Gas), 14 (Electric)	<ul style="list-style-type: none"> Obtain documentation listed in item 1 of Appendix B to determine the extent, timing, and amount of payments made by SDG&E to City for repairs Assess whether SDG&E paid the City for the cost of repairs
Liquidated Damages	Franchise, Section 13 (Gas), 15 (Electric)	<ul style="list-style-type: none"> Obtain documentation listed in item 1 of Appendix B to support City damage assessments and payments to City for liquidated damages Assess whether SDG&E paid the City for applicable liquidated damages
Performance Bond	Franchise, Section 20 (Gas), 22 (Electric)	<ul style="list-style-type: none"> Obtain documentation listed in item 1 of Appendix B to support SDG&E has filed and maintained a faithful performance bond Assess whether SDG&E is in compliance with this requirement

Conclusion: SDG&E complied in all significant respects.

Objective

Objective 2: Determine whether SDG&E complied with the requirements outlined in the Administrative Memorandum of Understanding with the City of San Diego from the effective date of November 1, 2021 through July 7, 2023.

Approach

Compliance Area	Admin MOU Reference	Procedures
General Work Requirements	Section 4	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E work conformed with Municipal Code Chapter 6, Article 2, Division 11; and complied with City requirements and applicable laws Assess compliance with general work requirements
MOU Permit	Sections 5 and 6	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with permitting requirements for each type of work category (Category 1, 2, 3, 4 and Master Plan Approvals). This will include obtaining permit documentation for a sample of projects within each work category. Additionally, we will assess the extent to which SDG&E provided an online Work Portal for Category 1 projects with the required project profile information; consulted with the City' Project Map Finder to determine that no projects conflict with other field activities; and displayed signage at each project location Assess compliance with MOU permit requirements
Traffic Control Permits	Section 7	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E applied for a Street/Sidewalk Blockage Form (SSWBF) and Traffic Control Plan (TCP), if applicable, for projects that impeded vehicular, bicycle, or pedestrian traffic; and developed Working Drawings for various scenarios in developing TCPs Assess compliance with traffic control permit requirements
Work Hours	Section 8	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with work hour requirements Assess compliance with work hour requirements
Notification and Inspection Requirements, Commencement of Emergency Work and Preconstruction Activities	Section 10	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree for non-Emergency Work (other than Category 1) SDG&E contacted CMFE via e-mail to notify upcoming commencement of construction, invited CMFE to a pre-construction meeting, and provided a work schedule; for Emergency Work SDG&E complied with notification requirements in Municipal Code section 62.1211 and when the emergency is no longer occurring applied for the appropriate permit; and notified the City Liaison of impacted facilities prior to the start of work affecting access to public/private facilities; coordinated conflict checks in the ROW

Compliance Area	Admin MOU Reference	Procedures
		for Category 2 projects; and coordinated work with the City regarding street repair redundancy <ul style="list-style-type: none"> Assess compliance with notification requirements
Construction Requirements	Section 11	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with street repair requirements (e.g., restored in compliance with applicable laws); developed a process for approving third-party labs to perform soil/compaction tests; and restored landscaping and the site Assess compliance with construction requirements
Cooperation & Coordination with City Projects and City Work	Section 12	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with collaboration requirements (e.g., electronic methods of coordination, re-designed when conflicts arise, met monthly to review schedules, commenced relocation of facilities within 90 days after request from City, identified opportunities to improve noticing periods and communication, performed on-site field meetings to establish Standby Service requirements, performed exposure of its facilities, developed processes to identify projects that need Standby Services, and management support for cases involving imminent threats) Assess compliance with coordination requirements
ArcGIS	Section 13	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with development of an online website displaying GIS data, including making available GIS information describing facilities in the ROW, determining appropriate attributes, and making monthly updates Assess compliance with ArcGIS requirements
Two-Year Plan	Section 14	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with development of the Two-Year Plan cataloging planned projects into appropriate classifications (e.g., regular maintenance, minor repairs, major repairs); and made updates based on City input Assess compliance with Two-Year Plan requirements
Permanent Survey Markers	Section 15	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with survey requirements for cases where markers are disturbed during construction Assess compliance with survey requirements
Request for Records	Section 19	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with requests for records (i.e., within 10 days of sufficient detail) Assess compliance with request for records requirements

Compliance Area	Admin MOU Reference	Procedures
Security and Safety of Work Area	Section 20	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with requirements to maintain, cleanup and secure work areas Assess compliance with security and safety requirements
Hazardous Substance	Sections 21-25	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with hazardous substance requirements (e.g., obtain approvals, containerization, bear cost of remediation, removal, notice of release) Assess compliance with hazardous substance requirements
NPDES, Storm Water Management	Sections 26-27	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with NPDES permit and storm water management requirements (e.g., best management practices) Assess compliance with NPDES and storm water management requirements
Joint Utilities Coordinating Committee (JUCC)	Section 30	<ul style="list-style-type: none"> Obtain documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E participated in the JUCC. Assess compliance with JUCC participation requirements

Conclusion: SDG&E complied in all significant respects. Crowe found SDG&E noncompliant with one of 59 compliance requirements. See finding 3.

Objective

Objective 3: Determine whether SDG&E complied with the requirements outlined in the Undergrounding Memorandum of Understanding with the City of San Diego from the effective date of April 6, 2022 through July 7, 2023.

Approach

Compliance Area	MOU Reference	Procedures
Project Identification and Prioritization	Section 4.2.2	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E provided information on areas with High Fire Threat (HFT) District most beneficial to wildfire mitigation; as well as existing above ground facilities to aid with planning level project cost estimates Obtain documentation to support where SDG&E assisted with City Council meetings related to climate risk and public safety Assess compliance with project information requirements
Underground Utilities Districts	Sections 4.3, 4.5	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E participated in review of draft Underground

Compliance Area	MOU Reference	Procedures
		<p>Utilities District boundaries (e.g., written comments), attended field review meetings (e.g., minutes), advised on adjustments to draft boundaries (written comments) to achieve project cost efficiencies, and worked with communication infrastructure providers to identify attachments to poles within District</p> <ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to support prompt notifications by SDG&E for suggested modifications of boundaries Assess compliance with Underground Utilities Districts assistance requirements
Safety	Section 4.7	<ul style="list-style-type: none"> Obtain SDG&E safety policy Interview City personnel to determine if SDG&E employees adhered to safety policy Obtain documentation of SDG&E violations of its safety policy Assess compliance with safety policy
Program Level Communication	Sections 5.1, 14	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E staff are meeting on at least a monthly basis to review project related information, including project progress, risks, schedule, delays (e.g., meeting agendas, meeting attendee lists, and meeting notes) Obtain documentation listed in item 4 of Appendix B to support SDG&E DPOA assignment Assess compliance with program level and enhanced communication requirements
City/Grantee Cooperation with Design and Project Management	Section 6.2	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E provided the updated Qualified Designer List (on its website); reviewed components of City design bid packages; cooperated in timely scheduling and attendance at project kickoff; provided access to SDG&E controlled software or databases needed for design Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E reviewed design submittals, bid package review submittals and other relevant submittals for conformance with SDG&E standards; and that SDG&E cooperated in sequencing design approvals to align with construction sequencing Assess compliance with design and project management requirements
Grantee Acceptance of Design Performed by City	Section 6.3	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E provided a written Notice of Design Acceptance for each Rule 20 project; provided explanations for changes after Notice of Design Acceptance; and minimized design changes after bid package preparation is complete. Assess compliance with design acceptance requirements
Grantee Easements for Joint Projects	Sections 6.4., 7.11	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E managed communications with property owners, prepared and processed applicable easement forms;

Compliance Area	MOU Reference	Procedures
		<p>reviewed and approved easement terms and conditions with property owners; and provided qualified personnel for execution</p> <ul style="list-style-type: none"> Assess compliance with easement requirements
City Construction Scope and Streetlight Coordination	Section 6.7, 6.8, 7.8	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine extent to which SDG&E provided wiring up to service points (for streetlighting); participated in resolving issues with joint construction; and met/coordinated streetlight installation Assess compliance with City construction scope and streetlight requirements
Field Change Orders	Section 6.10	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E reviewed and commented on design changes without delay Assess compliance with City field change order requirements
Inspection and Acceptance of Construction by City	Section 6.11	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E provided timely construction inspections, required line workers, written inspector schedules, field layouts, and written Final Acceptance of Work Assess compliance with inspection requirements
Grantee Construction for Joint Projects	Section 6.13	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E has obtained applicable permits; coordination of outages; performed cutovers, intercepts, and energized streetlights; removed overhead facilities and vacated poles from service Assess compliance with grantee construction for joint projects requirements
Project Schedule for Joint Projects	Section 6.14	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E worked with City to create initial project schedule, regularly updated the schedule and provided updates to the City Interview City to understand how effectively SDG&E managed project schedules for joint projects Assess compliance with project schedule requirements
Project Kick-Off	Section 7.2	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E kicked off projects within 30 days of the NTP and provided a draft milestone schedule 30 days after the project kickoff meeting Assess compliance with project kickoff requirements
Grantee Responsibilities	Section 7.3	<ul style="list-style-type: none"> Interview City personnel to determine whether SDG&E was responsible for project level design and construction and execution activities, including mapping, customer service, designs, third-party coordination, permitting, construction, cabling, outages and energizations, cutovers, removals from services, street work and communications Obtain documentation listed in item 4 of Appendix B to determine whether Grantee complied with these responsibilities Assess compliance with Grantee responsibility requirements

Compliance Area	MOU Reference	Procedures
City Oversight of Grantee Executed Projects	Section 7.4	<ul style="list-style-type: none"> Interview City personnel, and obtain supporting documentation, to determine whether SDG&E scheduled meetings to review the 30% Design Baseline, notified the City with “Start Construction Notifications”, scheduled meetings with the City to review the “Construction Baseline” appropriately notified the City 20 days in advance of the start of electric construction work, and incorporated quality management checkpoints into the schedule Assess compliance with City oversight of Grantee Executed projects requirements
City Permitting Requirements	Section 7.5	<ul style="list-style-type: none"> Obtain documentation listed in item 4 of Appendix B to determine whether SDG&E obtained permits for project work, provided the City with a full listing of DSD permit numbers on a monthly basis, met with the City regarding process changes to City traffic control permits Assess compliance with City permitting requirements
Grantee Design	Section 7.6	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E performed all necessary designs and that SDG&E endeavored to reduce the size of aboveground equipment Assess compliance with Grantee design requirements
Grantee Construction	Section 7.7	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E executed all construction and coordinated all aspects of work on its facilities and customer service panel conversions Assess compliance with Grantee construction requirements
Grantee Pre-Construction Meeting	Section 7.9	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E arranged for the Grantee Pre-Construction Meeting Assess compliance with pre-construction meeting requirements
Service Panel Conversions and Inspections	Section 7.10	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E arranged to convert customer’s electrical service at customer direction; coordinated with property owners who performed their own service; provided grounding rods and related appurtenances; obtained building inspection permits from the City and complied with these permits, requested service panel conversion inspections provided by DSD, did not remove overhead power without written authorization from the City, and provided documentation regarding safety, reliability, or structural integrity issues and participate in information presentation to Council Assess compliance with service panel conversion and inspection requirements
Other Project Coordination Requested by City	Section 7.12	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E delivered facilities with potential conflict with applicable accessibility requirements and cooperate to study these conflicts to address compliance concerns; and notify the City of potential construction impacts from street tree or tree roots

Compliance Area	MOU Reference	Procedures
Environmental Compliance for Grantee Projects	Section 7.13	<ul style="list-style-type: none"> Assess compliance with other project coordination requirements Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E ensured construction complied with CEQA requirements, included compliance requirements in contracts and ROW submittals, provided environmental monitors notice prior to construction, supported City obtaining permits, performed construction under its NPDES permit, and adhered to City Whitebook requirements for C&D waste disposal Assess compliance with environmental compliance requirements
Grantee Project Cost Estimates	Section 8	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided updated Estimate Cost to Completion (EAC), preliminary cost estimates, initial cost estimates, 30% design estimates, 90% design estimates, IFC estimates, explanations for increases by 10 percent or more month over month Assess compliance with Grantee project cost estimate requirements
Design & Engineering Procurement	Section 9.1	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E procured design and engineering work under MSAs, posted sourcing for at least 10 days, created standard evaluation matrices, reviewed from a technical perspective, issued work based on consultant's workload, lead times, geographic coverage and performance metrics on past projects, maintained documentation of standard processes for evaluating bids, and provided all design/engineering contracts to City Assess compliance with design and engineering procurement requirements
Construction Procurement	Section 9.2	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E held competitive sourcing for MSAs, contractors are pre-qualified for work, posted sourcing for at least 10 days, created standard evaluation matrices, provided the City with draft evaluation matrix, maintained documentation of standard processes for evaluating bids, and provided all design/engineering contracts to City Assess compliance with construction procurement requirements
Construction Project Bidding	Section 9.3	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E used the MSA rate structure for time and equipment-based work that do not exceed the established Bid Threshold; competitively bid projects exceeding the Bid Threshold via Construction Project Bid; informed the City of factors that could impact Construction Project Bids; provided the City with bid summaries including completed bid evaluation matrices, list of bids, bid evaluation meeting minutes; met with City to discuss disagreements regarding award; and provided all Civil and Electric construction contracts on request Assess compliance with construction project bidding requirements

Compliance Area	MOU Reference	Procedures
Diverse Business Enterprises	Section 9.4	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E tracked yearly utility expenditures with DBEs and disadvantaged small businesses, made efforts to utilize DBEs, provided commitments in MSAs, and prepared DBE reports for the CPUC; and included Equal Employment Opportunity Requirements in its MSAs Assess compliance with diverse business requirements
Accounting for Grantee Project Expenses	Section 10	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided monthly billing back up to support invoices for surcharge program projects (e.g., direct costs, materials, overhead); subdivided costs into the categories consistent with MOU requirements; accounted for direct Surcharge Program Project costs in the Surcharge Specific Cost Pool; and provided a breakdown on overheads into labor, purchasing/warehouse, A&G and construction support, and other Assess compliance with Grantee accounting requirements
Invoicing	Section 11	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided monthly billing back up support documentation and provided timely (within 10 business days) supporting documentation upon City request Assess compliance with invoicing requirements
Reporting Requirements	Section 13	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided required reporting (e.g., underground cost per mile, monthly milestone reporting, project estimate report, monthly cashflow estimate) Assess compliance with invoicing requirements
Outreach	Section 15	<ul style="list-style-type: none"> Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E participated in meeting preparation and provided timely information for public notices and presentation materials, provided appropriate personnel, and consulted with the City on sensitivity of project visual impacts Assess compliance with outreach requirements

Conclusion: SDG&E complied in all significant respects. Crowe found SDG&E noncompliant with 2 of 166 compliance requirements. See findings 1 and 2.

Objective

Objective 4: Determine whether SDG&E complied with the requirements outlined in the Energy Cooperation Agreement with the City of San Diego from the effective date of May 25, 2021 through July 7, 2023.

Approach

Compliance Area	MOU Reference	Procedures
Cooperative, Unified Response	Section 1	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E cooperated with the City in submitting applications, letters of support, and testimony related to achieving 100% clean energy and net zero emissions Assess compliance with cooperation requirements
Implementation Plan	Section 2	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E worked with the City to develop an implementation plan within 90 days of City Council approval of the ECA Assess compliance with implementation plan requirements
Living Agreement	Section 3	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City personnel to determine to what degree SDG&E participated in the Cooperative Agreement Summit (CAS), where applicable Assess compliance with living agreement requirements
Costs	Section 4	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E cooperated in determining appropriate funding sources and necessary approvals for projects/programs Assess compliance with cost requirements
Clean Energy Collaboration Opportunities	Section 5	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E collaborate with the City to seek mutually agreed upon opportunities to deliver clean energy to residents, including following the Community Choice Aggregate (CCA) Code of Conduct; identifying energy efficiency and demand response programs; supporting City tree planting efforts by identifying locations, assisting with species ideas and providing support with highly trained arborists; identifying vendors open to receiving green waste and investigating use of diverted waste as a fuel source; providing clean transportation expertise (e.g., piloting vehicle electrification projects in the City); providing information to aid with AB 802 benchmarking in support of the City’s Climate Action Plan; help the City implement its Municipal Energy Strategy to reduce emissions in municipal buildings; and identify study areas where electrification can be accelerated Assess compliance with Clean Energy Collaboration requirements

Compliance Area	MOU Reference	Procedures
Safe Energy Collaboration Opportunities	Section 6	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E cooperated in providing hyper-localized situational awareness of potential weather threats; firefighting air resources to protect the City; investigation of weather stations and other technologies; and monitoring canyons where fires are more likely to ignite/spread; sharing intelligence and data; lending expertise to support the City’s Virtual Emergency Operations Center (EOC); attending town council and other public meetings; and reviewing the resiliency of the City’s existing infrastructure Assess compliance with Safe Energy Collaboration requirements
Reliable Energy Cooperation Opportunities	Section 7	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E assisted the City to develop a centralized dashboard to manage City-wide energy usage; shared expertise relating to facility and community-level microgrids; identified appropriate distributed energy resources (DER) projects; and assisted with demand response and DER efforts (e.g., by applying to the CPUC for approvals) Assess compliance with Reliable Energy Cooperation requirements
Equitable Energy Cooperation Opportunities	Section 8	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E worked with the City’s Environmental Committee to define program outcomes, and timelines related to equity-focused solar program; executed the program with a non-profit organization; spent \$1M of shareholder contributions each year for the program (which will be available for incentives, refunds, equipment, labor, program management and administration); began tracking affordability housing utility design applications, created a dashboard to track utility coordination/timing, and supported operational enhancements related to more rapid affordable housing development; identified underserved populations to launch careers; cooperated on refreshing the City-driven accelerated undergrounding program (see Utility Undergrounding MOU); expanded outreach to eligible low-income and hard-to-reach customers; and researched available grants Assess compliance with Equitable Energy Cooperation requirements
Ensuring Transparency	Section 9	<ul style="list-style-type: none"> Obtain documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E offered periodic informational opportunities on SDG&E’s business; annually presented rate structure, planned filings, and rate changes to the Council; annually offered to present planned projects and status to City Council Committee; annually offered to present a status update on Public Purpose Program (PPP) funds (e.g., CARE, FERA, LIHEAP) to City Council Committee; twice per year offered to present ways

Compliance Area	MOU Reference	Procedures
		<p>supporting Climate Action Plan goals to City Council Committee; four times per year met with City’s COO to discuss infrastructure projects, facility coordination, municipal energy bills, account questions, and other topics of mutual concern; annually provide an update to the Compliance Review Committee on Agreement implementation</p> <ul style="list-style-type: none"> Assess compliance with Transparency requirements

Conclusion: SDG&E complied in all significant respects. Crowe found SDG&E noncompliant with 1 of 31 compliance requirements. See finding 4.

Project Scope and Limitations

Undergrounding Project Scope and Limitations

Undergrounding projects have four (4) potential funding sources as follows:

Project Name	Within Scope of this Performance Audit	Funding Source
City surcharge projects	Yes	City surcharges beginning April 6, 2022
Legacy surcharge projects	Yes	City surcharges prior to April 6, 2022
Rule 20A projects	No	Customer rates
Wildfire mitigation – undergrounding program	No	Customer rates

City Surcharge Projects In Scope of Current Undergrounding MOU

The new undergrounding MOU projects considered within the scope of our audit are those in the following table:

Project Name	Start Date	State of Development	Number of Months in Scope of Current July 7, 2023 Audit Period Ending
SDG&E Projects			
Crown Point Blk 2BB Job 2	8/18/2022	Construction	9.5 months
Muirlands La Jolla Blk 1M1	Design: 3/7/2023	Design	4 months
Del Mar Heights Blk 1Y	Design: 4/10/2023	Design	3 months
Allied Gardens (Navajo) Blk 7T	2/18/2023 Design; 1/11/2024 Construction	Design	4.5 months
S. Mission Beach Blk 252	6/1/2023	Design	No progress yet
Allied Gardens Blk 7R1	5/16/2023	Design	No progress yet
N. Clairemont Blk 6K1	5/30/2023	Design	No progress yet
Clairemont Blk 6K2	5/30/2023		No progress yet
N. Encanto Blk 4R1	6/16/2023	Design	No progress yet
Joint Projects (SDG&E and City)			
Palm City (Egger Highlands) Blk 8R	2/22/2023	Design (City performing)	No progress yet
Jamacha Lomita Blk 4Y1	TBD	Not started	No progress yet

Consequently, for purposes of this Phase 1 audit timeframe, only one undergrounding project, Crown Point Blk 2BB Job 2, was within scope and under construction. A total of two other projects, Muirlands La Jolla Blk 1M1 and Allied Gardens (Navajo) Blk 7T had 4-4.5 months of progress and were in the design phase. The remainder were just getting started, with minimal progress, and will be captured within the Phase 2 audit scope.

The table below shows undergrounding projects considered “Legacy” surcharge projects which are subject to the compliance provisions contained within the new Undergrounding MOU for the period of April 6, 2022 to July 7, 2023. Note that most of these projects did not have much activity to assess new MOU compliance with as they were near project completion.

Project Name	Planned Completion Date
SDG&E Projects	
Clairemont Mesa 6DD1	In closeout
S. Mission Beach 2S1	Completed
Clairemont Mesa 6H	Q4 CY 2023
Golden Hills 8C	Q3 CY 2023
Muirlands 1M-J1	Q4 CY 2023
La Jolla 1J Job 1	Q4 CY 2023
Rolando Blk 7G2 (Joint Project)	Q3 CY 2023; final pole removals April 2024
La Jolla 1J Job2	Completed
Chollas 4J1	Q1 CY 2024
Lomita Block 4Y (Joint Project)	TBD; C&C planned to start March 2024, RFS to start July 2024

Projects Out of Scope of Current Undergrounding MOU

None of the current and planned Rule 20A projects are subject to the compliance provisions in the new Undergrounding MOU. Finally, none of the undergrounding projects SDG&E has completed as part of its wildfire mitigation program required in accordance with its Wildfire Mitigation Plans are within the scope of this audit.

Findings and Recommendations

Our performance audit resulted in four (4) findings. Findings include a recommendation to correct the issue, and are organized into the following six (6) components:

- *Condition* – includes the error observed based on facts revealed from the examination.
- *Criteria* – the basis for our evaluation; in this case a specific policy, procedure, or leading practice.
- *Cause* – the underlying reason for why the non-compliance or error occurred.
- *Effect* – the impact on the organization and/or the ratepayer from the error.
- *Recommendation* – a suggested action to correct the deficiency; or what can be done to address both the cause and condition.
- *Management Response* – an opportunity for the company to provide its response to the finding and/or recommendation.

Findings and recommendations from this performance audit are provided beginning on the next page.

A list of findings and recommendations is summarized below:

Finding Number	Finding Description
1	Inconsistent Undergrounding Project Cost Estimates
2	Limited Collaboration with the City on SDG&E Undergrounding Construction Project Master Services Agreement (MSA) Evaluation Criteria
3	SDG&E Did Not Comply with Section 6.a of the Administrative MOU
4	The City and SDG&E Did Not Comply with Section 2 of the Energy Cooperation Agreement

Finding #1 – Inconsistent Undergrounding Project Cost Estimates

Non-compliance Conclusion: *Non-compliance*

Internal Control Conclusion: *Deficiency*

Condition

SDG&E's undergrounding project cost estimates increased substantially between April 2023 and December 2023 because SDG&E did not include overhead costs in its initial April 2023 project cost estimates. For example, Table 1 below provides cost estimates provided by SDG&E to the City for the Navajo Blk 7T project at different points in time. SDG&E provided the City with an initial cost estimate of \$24,514,262. SDG&E subsequently revised this estimate by adding \$19,359,668 of overhead costs, which were not included in its initial cost estimate, for a revised total cost estimate of \$44,315,711, or 81% above the initial cost estimate. Table 2 shows a similar result where SDG&E's cost estimate for the Muirlands 1M1 project increased by 83% from \$12,640,121 to \$23,171,525 between April and December 2023 because of SDG&E revising the estimate to include overhead costs.

Table 1
Navajo Blk 7T Project
Project Cost Estimates

Date	Total Direct + Contingency Costs	Total SDG&E Overhead Costs	Total Fully-Loaded Costs	SDG&E Source Document
4/3/2023	\$24,514,262		\$24,514,262 ⁵	Initial Cost Estimate
10/30/2023			\$42,951,819	Cost Variance Report (11/14/2023)
12/14/2023	\$24,956,043	\$19,359,668	\$44,315,711	Initial Cost Estimate (revised)
Total Project Cost Increase			\$19,801,449 (81%)	

Table 2
Muirlands 1M1 Project
Project Cost Estimates

Date	Total Direct + Contingency Costs	Total SDG&E Overhead Costs	Total Fully-Loaded Costs	SDG&E Source Document
4/21/2023			\$12,640,121	Estimate Provided by SDG&E Project Manager
12/1/2023	\$14,739,743	\$8,431,782	\$23,171,525	Updated Initial Cost Estimate
Total Project Cost Increase			\$10,531,404 (83%)	

⁵ SDG&E used this \$24,514,262 as its baseline cost for its February 23, 2024 cost variance report.

Criteria

The following four (4) sections of the Undergrounding MOU related to SDG&E providing project cost estimates to the City which the City relies on for its cash flow forecasting:

- Section 4.2.3 - Upon request, GRANTEE will provide information to CITY regarding existing aboveground GRANTEE Facilities reasonably necessary to allow CITY to generate planning level cost estimates for Projects.
- Section 7.2.2 - Within thirty (30) days of the GRANTEE Project Kickoff, or as otherwise agreed upon, GRANTEE will provide a draft milestone schedule and updated Project estimate as part of its regular monthly reporting.
- Section 12.3 - GRANTEE acknowledges that CITY relies on Project expenditure forecasts to achieve long-term management of cash-flow reserves in the Municipal Surcharge Program Fund. For all Projects for which CITY has assigned GRANTEE Work under this MOU, GRANTEE will provide CITY updated monthly Project estimates and cashflows per requirements of this MOU and GRANTEE will be timely in informing CITY of any changes in Project costs or schedules that may affect the accuracy of such forecasts.
- Section 12.4 - CITY and GRANTEE will confer no later than thirty (30) days prior to each CITY annual budget process milestone to ensure Municipal Surcharge Program Funding is available for all planned Projects on the Project List, as updated, during each CITY Fiscal Year. CITY budget projections are due on the following dates, which may change at CITY's direction:
 - (a) Proposed Budget: December 1 for the next CITY Fiscal Year's Budget.
 - (b) May Revision: April 1 for the next CITY Fiscal Year's Budget.
 - (c) Mid-year Projection: December 1 for the current CITY Fiscal Year.
 - (d) Year-End Projection: April 1 for the current CITY Fiscal Year.

Cause

SDG&E did not develop quality control/quality assurance procedures to use in evaluating its cost estimates prior to submission to the City. Further, SDG&E's internal control processes did not identify this cost estimate deficiency.

Effect

SDG&E's failure to provide comprehensive and accurate initial undergrounding project cost estimates and the delays in ultimately furnishing accurate undergrounding project cost estimates created challenges for the City to forecast its future undergrounding cash flow and funding requirements for its portfolio of projects.

Recommendation

SDG&E should develop accurate undergrounding project cost estimates so that the City can accurately forecast cash flow balances and schedule projects. SDG&E should strengthen the quality control/quality assurance processes it uses for developing undergrounding project cost estimates.

Management Response

Pursuant to the Undergrounding MOU, SDG&E maintains it has met the obligations and is in compliance. We understand that there may have initially been deficiencies in cost estimates. Those deficiencies have been addressed in our efforts to improve our internal process and our reporting to the City of San Diego. SDG&E will take these lessons learned and continue to incorporate them in our process.

Our approach with the City of San Diego (as documented in emails and meeting minutes provided to auditors as responsive materials) was to be transparent and collaborative with every cost estimate. Upon discovering that the initial baselines and estimates did not include overhead costs, SDG&E re-baselined

every project with updated costs. This was done three times between August 2023 to December 2023 to ensure we had the most accurate forecast. It is not surprising that during the relevant period, the cost of doing business (i.e. materials, design, engineering, and labor) had sharply increased from the previous comparable projects. This iterative process also included multiple meetings with SDG&E's Strategic Undergrounding program to review and validate the updated sub-contractor and vendor rates. SDG&E had previously stated cost estimates would be iteratively developed over time to ensure the City had the most accurate cost forecast for their FY25 budget. Lastly, throughout this process SDG&E actively requested feedback from the City on project award order that affected cost(s) and mandated forecasts changes based on their preferences. SDG&E will strive to improve its internal processes to provide greater transparency in cost estimating.

Finding #2 – Limited Collaboration with the City on SDG&E Undergrounding Construction Master Services Agreement (MSA) Evaluation Criteria

Non-compliance Conclusion: *Non-compliance*

Internal Control Conclusion: *None*

Condition

SDG&E did not collaborate with the City to incorporate City input, provided on March 21, 2024, on the evaluation matrix that SDG&E used in scoring respondents to the MSA Request for Proposal (RFP) for Construction. SDG&E did provide an email on April 15, 2024 explaining to the City its rationale for not including the City's suggestion to adjust the weighting percentages to increase the weighting of pricing in the MSA evaluation matrix. In that email, SDG&E indicated a desire to prioritize an entity's safety record over pricing. However, SDG&E made this determination in isolation and did not fully collaborate with the City prior to arriving at this decision.

Criteria

Section 9.2.5 of the Undergrounding MOU states that GRANTEE and CITY will collaborate to create standard MSA evaluation matrices to evaluate the competitive sourcing of Civil and Electric Construction Work as part of any such sourcing effort, in accordance with the requirements of the San Diego City Charter, which shall address, at a minimum, the following aspects of the Work:

- (a) Safety record
- (b) Rates, Adjustments, Third Party Markup Percentage
- (c) Ability to meet scope of work requirements
- (d) Experience and technical ability
- (e) Experience with GRANTEE's Construction Standards and GRANTEE Facilities
- (f) Use of Diverse Business Enterprises (DBE)
- (g) Sustainability
- (h) Exceptions to GRANTEE Terms and Conditions

The evaluation matrices developed by the Parties will assign percentages and/or scoring to each aspect of the Work appropriate for the scope of Work at issue. Prior to GRANTEE advertising for a sourcing effort for Civil or Electric Construction Work, GRANTEE shall provide a draft evaluation matrix for CITY's review. CITY will provide comments on the matrix within ten (10) days of receipt. If GRANTEE does not receive comments from CITY within such period, GRANTEE will move forward with the proposed matrix for the sourcing effort.

Additionally, the Parties will develop evaluation matrices to be used on a regular basis to evaluate Construction Project Bids, as further described in Section 9.3.2 below. Such Construction Project Bid matrices shall be reviewed by the Parties not less than every three (3) years.

Cause

SDG&E determined that only incorporating input from the City on minor language changes to the Undergrounding MSA evaluation criteria was necessary, rather than the City suggested changes to the evaluation criteria weighting percentages and categories. SDG&E also considered that a safety and best value approach was superior to one that relies to a greater degree on lower (competitive) pricing.

Effect

Not considering City input on the MSA evaluation matrices does not align with the cooperative nature of the new Undergrounding MOU. Further, if SDG&E doesn't consider City input, it may create the appearance that the Undergrounding MSA evaluation criteria includes bias.

Recommendation

Going forward, SDG&E should carefully consider and fully discuss with the City its input on the MSA evaluation criteria before arriving at the final evaluation criteria and weightings. SDG&E also should provide the City with the MSA RFP package it intends to send to bidders so that the City has a more complete view of SDG&E's competitive MSA procurement process and can provide more informed feedback related to the evaluation categories and weightings.

Management Response

The preliminary Draft Report concludes SDG&E did not take City staff opinions into account when developing scoring templates to be used in the selection of bidders seeking to perform undergrounding work in the City of San Diego. SDG&E does not have access to the information the auditor reviewed to establish these assumptions. That said, SDG&E maintains the score weighting for bid price reflected the City's opinions and, in particular, emphasized price as a significant scoring element pursuant to the City's request.

Additionally, giving "safety" a higher score weight than "price" in the Capabilities and Experience portion of the scoring template was, and is, consistent with Undergrounding MOU section 9.2.5 where it is the first identified aspect of the items to be considered- followed by pricing. Emphasizing a safe working environment benefits everyone.

As noted above, SDG&E timely provided the Crowe audit team with responsive materials we hope that this Finding be reconsidered.

Crowe Response

We maintain that SDG&E can do a better job of collaborating with the City on the MSA evaluation criteria. This can be done through careful and timely consideration of City input on preliminary MSA evaluation criteria and weightings and thorough documentation of how SDG&E collaborated with the City to reach the final MSA evaluation criteria and weightings used for the solicitation.

Finding #3 – SDG&E Did Not Comply with Section 6 a) of the Administrative MOU

Non-compliance Conclusion: *Non-compliance*

Internal Control Conclusion: *None*

Condition

SDG&E did not establish an effective online Work Portal (“Portal”) that describes all Category 1 Projects taking place in the ROW and was unable to share this information timely with the City. The portal was ineffective due to inaccurate and / or incomplete data and delays in delivering data on current projects. For example, the portal included incorrect coordinates for projects and the same date used for start and end dates of projects.

Criteria

Section 6 a) of the Administrative Memorandum of Understandings states “Category 1: Maintenance, Inspection, and Low Impact Projects. The CITY has determined that projects in Category 1 may be performed by GRANTEE under this MOU without additional right-of-way permits from CITY. GRANTEE will establish an online Work Portal (“Portal”) that describes all Category 1 Projects taking place in the ROW and will share that information with the CITY. Category 1 Projects will be added to the Portal no later than ten (10) business days prior to commencement of physical Work by GRANTEE; provided that schedule, workforce and related information for a Project may be uploaded, updated or modified after the Project is added to the Portal.” Section 6 a) i) states “the Portal will contain the following information for each Category 1 Project:

- 1) Justification (maintenance, inspection or low impact) including master plan, as applicable
- 2) Job Name
- 3) Job Number
- 4) Scope of work
- 5) Street Address
- 6) Coordinates
- 7) Business Point of Contact (Name, Email, Phone)
- 8) Field Point of Contact (Name, Email, Phone)
- 9) Crew (GRANTEE vs. Contracted)
- 10) Start Date
- 11) Anticipated End Date
- 12) Time
- 13) Conflict (Y/N)
- 14) Moratorium (Y/N)
- 15) Maintenance Assessment District (Y/N)
- 16) SSWBF/Traffic Control (Y/N)
- 17) Approved Master Plan Reference.”

Cause

SDG&E data gathering and reporting methods were not adequate to satisfy the requirements of the portal.

Effect

The City was unable to properly or timely track and monitor Category 1 projects in the ROW because the portal was not operational.

Recommendation

The City and SDG&E identified an alternative approach to the online Work Portal which is currently operating effectively according to City and SDG&E personnel.

Management Response

In accordance with Section 6.a of the Administrative MOU an online portal was developed by SDG&E, in consultation with the City, to process and track Category 1 Low Impact Projects. Although the portal was developed, it was never officially utilized to submit Category 1 projects to the City due to identified information gaps in the GIS coordinates of subject projects. Based on the scopes of work covered by Category 1 and their minimal impact nature, same start and end dates are feasible.

During, and after, the development of the Portal, SDG&E processed all projects that would otherwise qualify as Category 1 Low Impact as Category 2 Medium and High Impact projects due to the inaccuracies of the data exchange. Due to this approach, the City was able to properly and timely track and monitor all Category 1 Low Impact projects through the Category 2 Medium and High Impact Project process. Through this process, Category 1 projects were subject to standard CITY permitting requirements, as defined in San Diego Municipal Code section 113.0103, and were reviewed on a project-by-project basis by the Development Services Department (DSD). Therefore, SDG&E's Category 1 Low Impact projects were held to a higher level of scrutiny than was originally anticipated. City staff was made fully aware of projects that would have qualified as Category 1 Low Impact occurring in their right-of-way since SDG&E submitted permits and received approvals per the Category 2 process.

Since the audit period, the City and SDG&E have met, conferred, and revised the Administrative MOU to identify an alternative approach which is currently being utilized and is operating effectively.

Finding #4 – The City and SDG&E Did Not Comply with Section 2 of the Energy Cooperation Agreement

Non-compliance Conclusion: *Non-compliance*

Internal Control Conclusion: *None*

Condition

The City and SDG&E did not meet the 90-day deadline for developing an implementation plan as required under Section 2 of the Energy Cooperation Agreement (ECA). The ECA was approved by the City Council on June 7th, 2021. The Implementation Plan was required to be completed by September 5, 2021. The City and SDG&E initiated work on the ECA Implementation Plan in November 2021 and it was presented to the City Council's Environment Committee 284 days later, on March 18, 2022.

Criteria

Section 2 of the of the Energy Cooperation Agreement states, "The City and SDG&E will work together to develop an implementation plan outlining roles, processes, responsibilities, timelines, program, and development pathways, and estimated costs to achieve the goals and deliverables outlined in this Energy Cooperation Agreement within 90 days of City Council approval ("Implementation Plan"). Once finalized, the Implementation Plan must be provided to the San Diego City Council and the Compliance Review Committee described in the Electric and Gas Franchises. The City and SDG&E will update and revise the Implementation Plan periodically."

Cause

The City and SDG&E were in the process of developing the Administrative MOU during this time and were unable to meet the 90-day deadline.

Effect

The Implementation Plan was not finalized for 284 days. No negative impact to the outcomes for the ECA were identified.

Recommendation

The City and SDG&E implemented the necessary actions. The City and SDG&E initiated work on the ECA Implementation Plan in November 2021 and it was presented to the City Council's Environment Committee 284 days later, on March 18, 2022.

Management Response

SDG&E acknowledges the timeline for presentation of the ECA Implementation Plan was out of compliance per the Energy Cooperation Agreement. Multiple factors contributed to the presentation schedule, including negotiation of the Administrative MOU, negotiation of the Undergrounding MOU, and the ability to ensure alignment between the ECA Implementation Plan and the City's Climate Action Plan, which was released on February 28, 2022. For these reasons, SDG&E and the City made the joint strategic decision to delay the presentation of the Implementation Plan to the Environment Committee. The Findings should reflect the context of that joint decision, as well as have a "Status" category that says "Resolved."

Appendix A – Franchise and MOUs

This appendix provides the following governing documents:

- Franchises
- Administration MOU
- Undergrounding MOU
- Energy Cooperative Agreement.

Document	Date	Beginning Page No.	Document Size (Pages)
Gas Franchise	June 11, 2021	A-2	44 (40 plus 4 attachments)
Electric Franchise	June 11, 2021	A-45	47
Undergrounding MOU	February, 2022	A-92	40
Administration MOU	November 1, 2021	A-134	23
Energy Cooperative Agreement	May 25, 2021	A-157	11

ORDINANCE NUMBER O- 21327 (NEW SERIES)

DATE OF FINAL PASSAGE JUN 11 2021

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO GRANTING TO SAN DIEGO GAS AND ELECTRIC COMPANY, THE FRANCHISE (1) TO USE, FOR TRANSMITTING AND DISTRIBUTING GAS SUITED FOR LIGHTING BUT FOR USE BY CONSUMERS FOR ANY AND ALL LAWFUL PURPOSES OTHER THAN LIGHTING, ALL PIPES AND APPURTENANCES WHICH ARE NOW OR MAY HEREAFTER BE LAWFULLY PLACED AND MAINTAINED IN THE STREETS WITHIN THE CITY OF SAN DIEGO UNDER THAT CERTAIN FRANCHISE OF GRANTEE ACQUIRED PURSUANT TO SECTION 19 OF ARTICLE XI OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, AS THE SECTION EXISTED PRIOR TO ITS AMENDMENT ON OCTOBER 10, 1911; (2) TO CONSTRUCT, MAINTAIN, AND USE IN THE STREETS ALL PIPES AND APPURTENANCES WHENEVER AND WHEREVER SAID CONSTITUTIONAL FRANCHISE IS NOT NOW NOR SHALL HEREAFTER BE AVAILABLE THEREFOR, NECESSARY TO TRANSMIT AND DISTRIBUTE GAS SUITED FOR USE BY CONSUMERS FOR ANY AND ALL LAWFUL PURPOSES; (3) TO UTILIZE PIPES AND APPURTENANCES IN THE STREETS FOR TRANSMITTING GAS FOR USE OUTSIDE THE BOUNDARIES OF THE CITY FOR ANY AND ALL LAWFUL PURPOSES; AND (4) FOR COOPERATION WITH CITY CLIMATE ACTION AND CLIMATE JUSTICE GOALS; AND PROVIDING THE TERMS AND CONDITIONS OF THE FRANCHISE SO GRANTED.

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. Definitions

The following definitions apply in this Ordinance and are capitalized when they appear:

- (a) "Grantee" means San Diego Gas & Electric Company, a California corporation.
- (b) "City" means the City of San Diego, a municipal corporation of the State of

California, in its present incorporated form or in any later reorganized, consolidated, enlarged, or reincorporated form.

(c) "Administrative MOU" means that certain Administrative Memorandum of Understanding to be negotiated between the City and Grantee to define and promote a cooperative working relationship between the parties and to address the handling of operational issues as more fully described in Section 9. In the event of a conflict between the Administrative MOU and the Franchise, the Franchise shall control.

(d) "Applicable Law" means any law, rule, regulation, requirement, guideline, action, determination, or order of, or legal entitlement issued by, any governmental body having jurisdiction, applicable from time to time to the operation and ownership of Grantee's Gas facilities and to Grantee's business operations, or any other transaction or matter contemplated by the Franchise (including any which concern health, safety, fire, environmental protection, transmission and distribution, metering, billing, quality and use, public records, labor relations, environmental plans, building codes, nondiscrimination, and the payment of minimum and prevailing wages), including without limitation applicable provisions of the San Diego City Charter, the San Diego Municipal Code, the California Constitution, the California Public Utilities Code, the California Labor Code, the Federal Power Act, and orders and decisions of the California Public Utilities Commission (CPUC) and Federal Energy Regulatory Commission (FERC).

(e) "Bid Amount" means ten million dollars (\$10,000,000) plus any interest as provided in Section 4(d).

(f) "Books and Records" means Grantee's records, regardless of form, including physical, digital, and electronically stored information, including but not limited to records of income, expenditures, finance, charts, diagrams, ledgers, pictures, drawings, as well as Geographic Information System (GIS) locational data, photographs, and notes, which relate to

the placement, location, operation, and maintenance of Grantee's facilities in City Streets, which are both for the purpose of, and reasonably necessary to, verify Grantee's compliance with the terms in this Franchise.

(g) "City Manager" means the person defined in Sections 28, 260, and 265 of the Charter of the City of San Diego (San Diego Charter) as those provisions existed on the Effective Date or as those provisions may be hereafter amended, and the meaning shall include any person lawfully delegated rights or responsibilities by such person.

(h) "Commencement of Operations Date" means the date which is thirty (30) days after final passage of this Ordinance by the City Council if the Grantee already possesses a Certificate of Public Convenience and Necessity pursuant to California Public Utilities Code Division 1, Part 1, Chapter 5, Article 1.

(i) "Constitutional Franchise" means the right acquired through acceptance by Grantee or its predecessor in estate of the offer contained in the provisions of Section 19 of Article XI of the Constitution of the State of California, as the section existed prior to its amendment on October 10, 1911.

(j) "Construct, Maintain, and Use" means to construct, erect, install, operate, maintain, use, repair, relocate, or replace Pipes and Appurtenances thereto in, upon, along, across, under or over the Streets of the City.

(k) "CPUC" means the California Public Utilities Commission or any successor agency.

(l) "Effective Date" means the thirtieth day from and after the final passage of this Ordinance by the City Council pursuant to San Diego Charter section 295.

(m) "Franchise" means the Franchise granted by the City Council to San Diego Gas & Electric Company by Ordinance No. O- 21327, pursuant to San Diego Charter sections 103, 103.1, 104, and 105.

(n) "Gas" means natural, bio, or artificial gas or a mixture of any of them or gases lower in carbon density.

(o) "Gas Franchise Fee Surcharge" means the total amount of surcharges allowed by the Franchise and the CPUC to be levied solely on customers in the City as a consequence of the requirements of the Franchise, consisting prior to the Effective Date of those surcharges previously authorized by CPUC Resolution No. E-3788 and Decision No. 80234, which total 1.03% of Grantee's Gross Receipts as of the Commencement of Operations Date.

(p) "Good Utility Practice" means any of the practices, methods, and acts engaged in or approved by a significant portion of the natural gas utility industry in the western United States during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

(q) "Gross Receipts" means all gross operating revenues received by Grantee from the sale of gas to Grantee's customers with points of service within the corporate limits of the City (including, but not limited to, sales to military reservations with points of service within the City's corporate limits) which are credited in Account Nos. 480, 481, and 482 of the current Uniform System of Accounts of FERC as adopted by the CPUC or similar superseding accounts,

plus all revenues collected from CPUC-authorized surcharges rendered solely upon the ratepayers within the City as a result of the Franchise accounted for in Account No. 488 or its superseding account (less any portion of such surcharges which may be approved by the CPUC to capture the franchise fee on these revenues), less uncollectible amounts, and less any refunds or rebates made by Grantee to such customers pursuant to CPUC orders or decisions.

(r) "Pipes and Appurtenances" means pipes, pipelines, mains, services, traps, vents, vaults, manholes, meters, communication circuits, appliances, attachments, appurtenances, and, without limitation to the foregoing, any other equipment or property located or to be located in, upon, along, across, under or over the streets of the City, and used or useful for the purpose of the transmission and distribution of Gas and for internal communication systems, sometimes otherwise referred to as "facilities."

(s) "Streets" means the public freeways, highways, streets, ways, alleys, and places as they now or may hereafter exist within the City, but excludes easements or fees held by Grantee.

Section 2. Purpose

(a) The Franchise (1) to use, for transmitting and distributing Gas suited for lighting but for use by consumers for any and all lawful purposes other than lighting, all Pipes and Appurtenances which are now or may hereafter be lawfully placed and maintained in the Streets within the City under that certain franchise of Grantee acquired pursuant to section 19 of Article XI of the Constitution of the State of California, as the section existed prior to its amendment on October 10, 1911; (2) to Construct, Maintain, and Use in the Streets all Pipes and Appurtenances whenever and wherever said Constitutional franchise is not now nor shall hereafter be available therefor, necessary to transmit and distribute Gas suited for use by

consumers for any and all lawful purposes; (3) to utilize Pipes and Appurtenances in the Streets for transmitting Gas for use outside the boundaries of the City for any and all lawful purposes; (4) to aid in the City's establishment of a Climate Equity Fund; (5) subject to Applicable Law, to provide for Grantee's commitment to cooperate with the City in good faith on principles and policies for the attainment of the City's Climate Action Plan dated December 2015, local energy, energy justice, and climate equity objectives, including but not limited to the reduction of greenhouse gas emissions to the extent practical through energy efficiency measures, cooperation with any community choice aggregation program, the increased use of renewable sources of electric generation, wider deployment of local distributed energy resources, and advancing the electrification of transportation; and (6) meet at the City's request with the shared goal of aligning on climate goals in the City's Climate Action Plan when amended is hereby granted to San Diego Gas & Electric Company, a corporation organized and existing under and by virtue of the laws of the State of California.

(b) If gas and electric franchises are awarded to the same Grantee, the requirements of Sections 6, 9, and 10, need not be duplicated.

(c) Attached as Attachment 1 is a Table of Contents for the Franchise.

Section 3. Term

(a) The right, privilege, and Franchise, subject to each and all of the terms and conditions contained in this Ordinance, is hereby granted to San Diego Gas & Electric Company, a corporation organized and existing under and by virtue of the laws of the State of California, for the primary term of (10) years from and after the Commencement of Operations Date.

(b) Subject to the provisions set forth in Section 13, the primary term provided in Section 3(a) shall automatically be extended for a secondary term of ten (10) years. Grantee and

the City understand and agree that, unless one or more of the provisions set forth in Section 13(c), (d), or (e) apply, the Franchise shall automatically be extended without additional action of any kind by the City or Grantee.

(c) All associated agreements, rights, and obligations under the Franchise shall also expire at the expiration or earlier termination of the Franchise, except for the provisions set forth in Section 14.

Section 4. Consideration

(a) The rights and privileges herein granted are upon the express condition that Grantee, as consideration therefor and as compensation for the use of the Streets of the City as herein authorized and permitted, shall pay compensation to the City in the following amounts and manner: Grantee shall pay the Bid Amount, and shall pay each year in United States dollars, a sum equal to three percent (3%) of Grantee's Gross Receipts during the preceding calendar year, or fractional year, beginning on the Commencement of Operations Date. In addition, Grantee shall pay any applicable statutory surcharge, such as the Municipal Lands Use Surcharge required pursuant to California Public Utilities Code section 6350, *et seq.* Any City-imposed fees for right-of-way usage (Right-of-Way Fee) shall be credited with the consideration paid herein, provided the City will treat Grantee consistently with other applicants. Any revenues that remain after this credit of Right-of-Way Fees will be credited towards any additional fees the City imposes for inspection, trenching, cutting, or deterioration of the right-of-way. The three percent (3%) of Gross Receipts required to be paid to the City pursuant to Section 4(a) shall be deemed to be for Gas revenues for all lawful purposes except for lighting; there shall be no fee for Gas furnished for lighting. In addition, prior to the Commencement of Operations Date, Grantee applied to the CPUC to assess that certain Gas Franchise Fee Surcharge, which was authorized

pursuant to CPUC Resolution E-3788 and Decision No. 80324, and totals 1.03% of Grantee's Gross Receipts. Grantee shall in good faith support the continued effectiveness of Resolution E-3788 as it existed on the Commencement of Operations Date and remit such collections to City as provided in Section 5.

(b) Grantee or any successors shall not at any time apply or request to the CPUC, by application, advice letter, or any other filing, to include in rates or surcharges all or any portion of the Bid Amount, or interest thereon, paid to the City for award of the Franchise. The Bid Amount, and any interest thereon, is for the purpose of acquiring the Franchise and shall be solely an obligation of the Grantee, and no part of it shall be paid by Gas ratepayers. The Bid Amount is separate from and additional to the consideration to be paid for exercise of the Franchise under Sections 4(a) and 4(c), and shall be paid and accepted upon the express condition that Grantee shall not at any time apply to or otherwise request from the CPUC to recover any portion of the Bid Amount, or interest thereon, from Gas ratepayers in rates or surcharges. The Franchise and any previously paid portions of the Bid Amount shall be forfeited, and all future notes will be due and payable, if the Grantee or any successor ever applies to the CPUC or seeks or attempts to recover all or any portion of the Bid Amount or any interest thereon in rates or surcharges charged to customers inside or outside the City.

(c) During the term of the Franchise, Grantee covenants and agrees, that if Grantee agrees to pay another municipality more than three percent (3%) of Grantee's Gross Receipts (including receipts on CPUC authorized Gas surcharges) in a Gas franchise, Grantee shall notify the City of such agreement in writing within thirty (30) calendar days and offer to amend the Franchise to increase the franchise fee to equal the percentage of Gross Receipts in such other franchise. If the City agrees to accept the offer, the City and Grantee will execute and adopt any

documents necessary to amend the Franchise as soon as practicable given the need for regulatory approvals. To make such amendments effective, Grantee shall expeditiously file an application or request with the CPUC, as Grantee deems necessary, to gain approval of the amendments and the resulting increase in the franchise fee surcharge chargeable to the residents of the City. Grantee shall not be in violation of Section 4(c) if the CPUC fails to approve any such application or request.

(d) Section 4(d) applies only if Grantee elected to pay the Bid Amount in installments as consideration for the grant of the Franchise. If the structured promissory note method is selected by Grantee for paying the Bid Amount, then:

(1) On or before August 1 of each year of the term, Grantee shall pay the principal amount of five hundred thousand dollars (\$500,000) to the City Treasurer in lawful money of the United States. City shall provide Grantee with bank wire information upon the grant of this Franchise and Grantee shall wire the payment for 2021 as instructed and shall at the same time deliver promissory notes acceptable to the City Manager pledging payment to City for all subsequent years of the principal amount on or before August 1 of each year. The promissory notes shall bear interest as provided in Section 4(d)(3). The notes shall not be due and payable to the City until the maturity date of each installment on the note.

(2) The maturity dates of the promissory note installments shall be August 1st of each year of the term.

(3) Each promissory note shall provide for the payment of the principal amount plus interest, calculated on an actual/actual basis at the annual rate of three and thirty-eight one hundredths of a percent (3.38%).

(4) If during the term of this Franchise a material change in the creditworthiness of Grantee occurs, the City may demand a letter of credit, in the form, amount, for a term, and from an issuer reasonably acceptable to the City, to secure Grantee's obligation to fulfill any Bid Amount obligation not already paid by Grantee at the time of such material change in the creditworthiness of Grantee, and Grantee shall meet such demand. The City requires a minimum credit rating for the issuing financial institutions providing the letter of credit submitted by Grantee to be and remain of the "A" category or better for its senior unsecured debt, or equivalent. If at any point during the term of the letter of credit, none of the following Nationally Recognized Credit Rating Agencies (Moody's, Standard & Poor's, or Fitch) rate the financial institution with at least an "A" category, then Grantee must immediately replace the submitted letter of credit with one that is acceptable to the City, or pay the remaining notes in full with interest specified herein accrued to that date. All costs associated with the letter of credit shall be the responsibility of Grantee. The letter of credit shall provide that the City may unilaterally draw on the letter of credit to fulfill any Bid Amount obligation not paid by Grantee when due.

(5) Grantee may pay cash in discharge of a promissory note at any time before its maturity date, in which event interest shall be adjusted for early payment. The submission of cash payment shall be upon appointment with the City Treasurer's office.

(6) If the Franchise is not in effect on any future note maturity date due to the termination or forfeiture of the Franchise for any reason, then the promissory notes not yet due shall be void.

Section 5. Reports, Dates of Payment to City, Audits

(a) On or before the 15th day of February of each calendar year during the term of the Franchise, as defined in Section 3, and forty-five (45) calendar days after the expiration of the Franchise term, Grantee shall file with the City Clerk, the original, and with the Chief Financial Officer of the City, one copy, of a statement signed by its chief financial officer evidencing the Gross Receipts during the preceding calendar year or fractional calendar year.

(b) Within ten (10) calendar days after the filing of the statement of Gross Receipts required to be filed on or before the 15th day of February 2022, Grantee shall pay to the City Treasurer the money herein required to be paid by Grantee to the City upon the basis of the data set forth in said statement. For the avoidance of doubt, payment of the Bid Amount shall be governed by Section 4.

(c) Thereafter, no later than the 25th day of February, the 25th day of May, the 25th day of August, and the 25th day of November of each calendar year during the term of the Franchise, Grantee shall pay the City Treasurer one-fourth (1/4) of the money herein required to be paid by Grantee to the City upon the basis of the data set forth in the statement required by Section 5(a). If the first year is a fractional year, Grantee shall pay quarterly amounts not paid by the prior Grantee on the basis of the data in the prior Grantee's Gross Receipts for the preceding year on the dates required herein. By this method of payment it is contemplated and understood that Grantee is in effect paying the money herein required to be paid by Grantee to the City under Section 5(c) on the basis of Gross Receipts for the preceding calendar year and that an adjustment shall be made as more fully set forth in Section 5(d).

(d) Within ten (10) calendar days after the filing of the statement required by Section 5(a), Grantee shall pay the City Treasurer, or receive as a refund from the City, as the

case may be, a sum of money equal to the difference between the sum of the payments of money made in accordance with Section 5(c) and the annual payment of money herein required to be paid by Grantee to the City upon the basis of the data set forth in said statement.

(e) The City Manager, City Auditor, City Attorney, or any designees, at any reasonable time during business hours, may make examination at Grantee's office or offices, or through written electronic request and exchange of its Books and Records, germane to and for the purpose of verifying the data set forth in the statement required by Section 5(a). Grantee shall produce its Books and Records no later than five (5) business days after written request from the City.

(f) All Books and Records subject to examination in the Franchise shall be kept within the County of San Diego, or in such other place as the reasonable convenience of Grantee may require, until at least five (5) years following the termination of the Franchise; and if it becomes necessary for the City Manager, City Auditor, City Attorney, or any representative designated by the City, to make such examination at any place other than within the County, then all increased costs and expenses to the City necessary or incident to such examination and resulting from such Books and Records not being available within the County, shall be paid to the City by Grantee on demand.

(g) Disagreements concerning City's access to Grantee's Books and Records shall be timely referred to the City Manager or specified designee and a designated officer of the Grantee, and the City and Grantee shall attempt to resolve in good faith such disagreement.

(h) Upon request of the City, Grantee shall provide the City with any publicly available reports filed by Grantee with the CPUC.

(i) In addition to the remedies provided in Section 13, if Grantee fails to make the payments for the Franchise on or before the due dates as required in Sections 5(b) through 5(d), Grantee shall pay as additional consideration both of the following amounts:

(1) A sum of money equal to two percent (2%) of the amount due. This amount is required in order to defray those additional expenses and costs incurred by the City by reason of the delinquent payment including, but not limited to, the cost of administering, accounting and collecting said delinquent payment and the cost to the City of postponing services and projects necessitated by the delay in receiving revenue; and

(2) A sum of money equal to one percent (1%) of the amount due per month or any portion thereof as interest and for loss of use of the money due.

Section 6. Compliance Review Committee and Report

(a) An audit of Grantee's performance of the conditions of the Franchise shall occur every two (2) years after the Effective Date. The City shall establish a Franchise Compliance Review Committee (Review Committee) that will consist of five (5) members: three (3) appointees selected by the City Council and two (2) appointees selected by the Mayor. No nominee with a conflict of interest shall be appointed to the Review Committee. The Review Committee shall be a citizens' committee, formed pursuant to San Diego Charter section 43(b) and Council Policy 000-13. The Review Committee shall be created and established by City Council resolution every two (2) years only for the clearly defined purpose in the resolution, which shall include the duties in Section 6(b), and shall be temporary in nature and dissolved upon the completion of the objectives for which it was created. The Review Committee shall be created, and appointments shall be made, before the end of the first year of each successive two-year period of the Franchise term. The Review Committee, which shall meet publicly and comply with the Ralph M. Brown

Act, shall establish a mechanism by which members of the public may communicate with the Review Committee concerning the Franchise.

(b) The City shall use a competitive process to retain a qualified, independent, third-party auditor (independent auditor) every two (2) years. The independent auditor shall perform an audit of Grantee's conformance and compliance with all conditions of the Franchise and produce a written report documenting the work performed and the conclusions reached. The audit shall address Grantee's fulfillment of financial, operational, documentary, and cooperative requirements under the Franchise. The Grantee shall appoint an executive level representative to serve as the principal person responsible for coordinating with the independent auditor. The audit shall be completed and provided to the Review Committee no later than sixty (60) calendar days before the outside due date of the Review Committee's report. If Grantee fails to cooperate with the independent audit, the auditor's report shall document the refusal and any reason Grantee stated for failing to cooperate. The Review Committee shall review the independent auditor's report and shall provide the auditor's report and its own written report and recommendations to the City Council within one hundred eighty (180) calendar days of the end of each two-year period of the Franchise term. The Review Committee shall provide a recommendation to the City Council on the question of the automatic renewal for the secondary term of the Franchise, based on compliance with the Franchise and the Energy Cooperation Agreement. Grantee shall be given the opportunity to respond in writing to the Review Committee biennial reports and the recommendation regarding automatic renewal and such written response, if timely received, shall be provided to the City Council contemporaneously with the Review Committee's report or recommendation.

(c) Within ten (10) calendar days, Grantee shall comply and cooperate with all requests made by the City Manager, City Attorney, independent auditor, and City Auditor, or designees, which are reasonably necessary to verify Grantee's compliance with the terms in the Franchise. Upon request, Grantee shall provide to the City Manager, City Attorney, independent auditor, or City Auditor, or their designees, and at no cost to the City, all Books and Records required to be made available to the City under the Franchise, within ten (10) calendar days. If Grantee contends that legal restrictions prevent compliance with any part of the request, Grantee shall provide in writing a specific legal basis that clearly establishes that the law, the CPUC, or other agency with jurisdiction requires or prohibits Grantee from releasing the requested Books and Records. General references to provisions of the law or Grantee business preferences will not suffice. In addition, if Grantee is unable to produce the requested Books and Records within ten (10) calendar days, Grantee shall provide a good faith explanation and a date by which the Books and Records will be produced.

(d) The independent auditor shall be provided access to interview the City and employees of Grantee designated by Grantee regarding any subject which is relevant to confirming Grantee's compliance with the Franchise, within ten (10) business days after any request.

(e) The procedures provided in Section 6 shall be in addition to, and not in lieu of, the City's right to audit under Section 5. Nothing in Section 6 shall limit or impair the right of the City Auditor to conduct its own audits of Grantee's Books and Records needed to verify compliance with the Franchise, pursuant to San Diego Charter section 39.2, or of the City Attorney to perform her responsibilities under San Diego Charter section 40, including confirming compliance with the Franchise.

Section 7. Compliance with Laws

(a) All facilities or equipment of Grantee that Grantee shall Construct, Maintain and Use or remove, pursuant to the provisions of the Franchise, shall be accomplished in accordance with Applicable Law and with the ordinances, rules, and regulations of the City now or as hereafter adopted or prescribed, and such rules or regulations as are promulgated under state law, or orders of the CPUC or other governmental authority having jurisdiction in the premises.

(b) Without limiting the general applicability of the foregoing paragraph, or diminishing in any way the significance and consequence of Grantee's duty to comply with all laws, Grantee shall specifically observe and fully comply with the ordinances and regulations of the City as provided in Sections 8 and 9, and any effective Administrative MOU granted pursuant thereto.

(c) Consistent with Sections 7(a) and (b), all operations of Grantee shall comply with Good Utility Practice at all times.

Section 8. City Reserved Powers

(a) The City reserves the right for itself to lay, construct, erect, install, use, operate, repair, replace, remove, relocate, regrade, or maintain below surface or above surface improvements of any type or description in, upon, along, across, under or over the Streets of the City. The City further reserves the right to relocate, remove, vacate, or replace the Streets themselves. If the necessary exercise of the City's reserved rights conflicts with any Pipes and Appurtenances of Grantee Constructed, Maintained, and Used pursuant to the provisions of the Franchise, whether or not previously Constructed, Maintained, and Used, Grantee shall, without cost or expense to the City within ninety (90) calendar days after a request in writing by the City Manager, containing substantially complete designs for the portion of the work impacting

Grantee's facilities, begin the physical field construction of changing the location of all corresponding conflicting facilities or equipment. The Administrative MOU will include more detailed procedures to promote a cooperative working relationship between Grantee and the City regarding relocations but shall not control over the Franchise. Grantee shall proceed promptly to complete such required work in accordance with the Administrative MOU and within a reasonable time frame as permitted by Good Utility Practice and in accordance with Applicable Law.

(b) The City and Grantee are currently engaged in litigation related to which party bears the cost of relocation of Grantee's facilities in conflict with City water projects. Notwithstanding the language in Section 8(a) of this Franchise, with regard to such costs, the City and Grantee agree that they will abide by the final determination of the California courts or settlement thereof and Section 8(a) shall not supersede any such determination or settlement. Any agreements presently in effect or subsequently executed between the City and Grantee regarding the cost of such relocations shall remain in effect unless and until such final determination by the courts or settlement by the City and Grantee.

Section 9. Administrative Practices

(a) Grantee's exercise of rights to install, maintain, and operate its facilities in the Streets of the City shall at all times be subject to obtaining and maintaining in force an Administrative MOU. The Administrative MOU shall define Grantee's administrative practices throughout the Streets while exercising the Franchise rights; however, the Administrative MOU shall not be in lieu of or relieve Grantee from complying with the Franchise terms or obtaining more particular permits required for Grantee's specific projects or activities, nor shall the Administrative MOU curtail or limit Grantee's rights under the Franchise. The Administrative

MOU shall prescribe the categories of work that Grantee may perform without additional specific permits, and the categories of work that will require additional specific permits. The Administrative MOU shall be granted by the City Manager subject to the terms and procedures of the Franchise and on such other reasonable terms as may be established by the City Manager following consultation with Grantee and other utilities using the Streets. Grantee shall apply for an Administrative MOU within sixty (60) calendar days after the Effective Date, and the initial Administrative MOU shall expire on the second anniversary after the Effective Date. Each successive Administrative MOU shall have a term of two (2) years. Grantee shall not be charged a fee to obtain the Administrative MOU. The Administrative MOU shall be consistent with all terms in the Franchise, specifically including the terms of Sections 8 and 9. If there is any conflict between the provisions of the Franchise and the provisions of the Administrative MOU, the provisions of the Franchise shall control, and the conflicting provisions of the Administrative MOU shall be void.

(b) The Administrative MOU shall include and any additional terms agreed upon by the City and Grantee. Subject to Applicable Law and the requirements of the Franchise, the City Manager may take due consideration of Grantee's requests regarding provisions of each biennial Administrative MOU, provided the requests are consistent with and do not conflict with the terms of the Franchise. The City Manager shall determine if the conditions of the Franchise are fulfilled upon any application for an Administrative MOU and if Grantee's application is complete. The City Manager shall grant an Administrative MOU within thirty (30) calendar days after Grantee's complete application. The application shall contain sufficient information for the City Manager to assure compliance with all the requirements in the Franchise. Grantee shall apply for each successive Administrative MOU not less than one hundred eighty (180) calendar

days prior to expiration of the prior Administrative MOU. Any Administrative MOU granted by the City Manager shall be subject to the following conditions:

(1) Upon written request by the City Engineer or their specific designee, Grantee shall provide to the City within ten (10) calendar days, and immediately in the case of a City Manager-declared emergency, GIS coordinate data, or other locational records of Grantee's facilities as the City in its reasonable discretion requires for specific City projects or concerns, in a form and type determined by Grantee in its reasonable discretion in accordance with Good Utility Practice. In the administrative MOU the City and Grantee may agree on more detailed procedures for the provision of GIS data, including, if feasible, Grantee providing the City secure electronic access to certain GIS information of Grantee either directly or through an approved contractor. Although Grantee will make reasonable efforts to provide accurate GIS data to the City for City's design, engineering and planning purposes, Grantee makes no representations or warranties to the City or any of its agents, contractors or representatives that such GIS data may be relied upon for field work. The GIS data shall not be a substitute for the City's required conflict check and dig alert obligations prior to starting any field work. In cases of emergency, at the request of the City, Grantee shall have the appropriate Grantee staff promptly on site to support the City in emergency operations.

(A) Grantee's contention that information is confidential shall not relieve Grantee from the duty to produce the information to City. Grantee acknowledges that any information required to be submitted or provided in fulfillment of the obligations of the Franchise is a public record subject to disclosure in response to a California Public Records Act (California Government Code sections 6250 – 6276.48) (CPRA) request, unless the City or a court of competent jurisdiction determines that a specific exemption to the CPRA applies. If

Grantee submits information clearly marked confidential or proprietary, the City shall protect such information and treat it with confidentiality to the extent permitted or required by law; provided however, that the City shall assume no liability for having access to Grantee's records for official City purposes except by a judgment in a court of competent jurisdiction upon a claim arising from the established active negligence, sole negligence or willful misconduct of the City, its officers, agents, or employees. It shall be Grantee's responsibility to provide to the City the specific legal grounds on which the City can rely in withholding information from public disclosure should Grantee request that the City withhold such information. General references to sections of the law will not suffice. Rather, Grantee shall provide in writing a specific legal basis, including citations to applicable case law or other law, that reasonably establishes the requested information is exempt from disclosure. Grantee agrees to defend and indemnify City to the extent the City is sued for withholding from disclosure information deemed confidential by Grantee. If, at the time the documents are provided to the City, Grantee does not provide in writing a specific legal basis for requesting the City to treat the information as confidential, to protect it from release, and to withhold alleged confidential or proprietary information from CPRA requests, the City is not required to treat the information as being confidential and may release the information as required by the CPRA. When reviewing any request by Grantee for confidentiality, the City will consider California Government Code section 6254(e), which provides a CPRA exemption for records concerning geological and geophysical data relating to utility systems development that are obtained in confidence from any person.

(B) The City shall not be required to execute any non-disclosure agreement with Grantee to obtain prompt confidential access to Grantee's records for its facilities in City Streets except by order of a state or federal governmental agency or court

having jurisdiction to impose such requirement. Absent such order, the City may, but shall not be required, to execute non-disclosure agreements with Grantee respecting the locations of Grantee's facilities.

(2) Grantee's rights to uses in the Streets exist subject to City uses of the Streets unless Grantee's rights are in easement or fee, in which case the Franchise does not control. At all times the City's superior reserved rights to uses of the Streets shall be preserved under Section 8. No provision of an Administrative MOU may be written or construed to modify that explicit reservation which shall be controlling at all times.

(3) With respect to any and all City work in the Streets, the costs of protecting Grantee's facilities high pressure Gas facilities including any personnel, stand-by safety engineers, or similar service for the protection of Grantee's facilities and employee and public safety which may be necessary for any City-controlled excavation or other work shall be at Grantee's sole expense; provided however the cost of protecting Grantee's low and medium pressure Gas facilities shall be paid by the City. Upon written request from the City or an authorized agent, Grantee shall within ten (10) calendar days, or as soon as practicable in the case of emergency, arrange the on-site presence of any standby safety engineer that Grantee or City deem necessary for the protection of Grantee's facilities. If Grantee provides any other municipality with more favorable terms for the stand-by safety services described in this section, Grantee shall notify City in writing within ten (10) calendar days and thereafter make such terms available to the City.

(4) In its application for an Administrative MOU, Grantee shall submit to the City a list of projects and activities Grantee plans to perform in the two years covered by the Administrative MOU (Two-Year Plan). The Two-Year Plan shall catalog planned activities by

level of disruption and by the amount of coordination with City staff the activity requires. The activities may be classified as: (A) regular maintenance for which no street disruptions or traffic control plans are expected; (B) minor repairs or construction which will require traffic permits and control for less than thirty (30) calendar days; (C) major repairs or construction which are expected to require substantial permitting from the City, impacts to traffic or surrounding properties, or which may persist for more than thirty (30) calendar days; and (D) utilities undergrounding projects to be coordinated with the City. The Two-Year Plan shall constitute the understanding between the City and Grantee as to those activities anticipated to require coordination with the City and other utilities. If there are changed circumstances regarding the use of City Streets, the City Manager may require adjustments to Grantee's scheduled activities to account for such conditions or may allow deviations or changes to Grantee's Two-Year Plan at Grantee's request, and Grantee shall cooperate unless reliability, safety, or compliance obligations make such adjustments impractical. Grantee shall promptly inform the City if its plans materially change under any Two-Year Plan.

(5) Grantee shall fully cooperate with the City's uses of the Streets, including for the City's construction, maintenance, and repair of City utilities. The City will establish or continue to operate a Joint Utilities Coordinating Committee (Coordinating Committee) or similar body in which Grantee shall be a member and active participant. The purpose of the Coordinating Committee shall be to review and make recommendations to all utilities and the City on matters regarding utility installations and operations within the public rights-of-way. The Coordinating Committee shall be chaired by the City Manager or designee. The Coordinating Committee shall meet a minimum of four times each fiscal year. The Coordinating Committee shall give due consideration to Grantee's Two-Year Plan and to activities and projects the City

has planned in the two-year cycle. The City will encourage the participation on the Coordinating Committee of other utility entities lawfully using the Streets, including telephone and cable service companies. Grantee shall recognize that other utilities may have rights of use in the Streets that are not granted by the City, and will endeavor to efficiently communicate and schedule to minimize interferences of utility work with the uses of the Streets and adjoining property, for the public welfare and for the benefit of all parties in the performance of their planned work. The Coordinating Committee may, by agreement of the City and Grantee, establish standing subcommittees and may assign tasks to, and receive recommendations from, such subcommittees as it may deem necessary.

Section 10. Cooperation with City Climate Action, Local Energy, Energy Justice, and Purchasing of Local Materials

(a) *Climate Action and Local Energy.* Subject to Applicable Law, Grantee shall cooperate in good faith with the City's desire to accomplish the goals set forth in its Climate Action Plan dated December 2015. Subject to Applicable Law, Grantee shall reasonably assist the City in achieving its goals of reducing carbon-based greenhouse gas emissions related to generation of the Gas used by customers in the City's corporate boundaries and reducing other greenhouse gas emissions in the City through increased electrification of transportation. Grantee's acceptance of the Franchise includes Grantee's understanding of the City's policy objectives, and, subject to Applicable Law, its willingness to assist in good faith the City's goal of having all electricity used in the City generated from renewable fuel sources by 2035, including to the greatest extent practical and lawful, through local customer-controlled distributed energy resources. Grantee shall cooperate, subject to Applicable Law, with all the City's efforts to have distributed energy resources located in the City more completely and increasingly integrated with the operation of Grantee's electrical distribution system. Grantee

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accepts that the City will support expansion of non-Gas resources and other economic mechanisms to foster development of local renewable fueled electric distributed resources, electric storage, microgrids, electric transportation, and other technologies to be increasingly integrated with the design and operation of Grantee's electric distribution system. Grantee shall cooperate with the City in good faith toward fulfillment of these objectives in an Energy Cooperation Agreement as provided in Section 10(c), on a timetable that meets the City's Climate Action Plan, and with the City's understanding that many of the objectives are or will be subject to factors controlled by State legislation and orders of the CPUC.

(b) *Energy Justice.* Grantee shall cooperate with the City toward attainment of environmental and social justice in the provision of Gas service. Grantee shall support the City's 2019 Climate Equity Index and any subsequent versions or revisions. Grantee shall use good faith efforts to assist the City in fulfillment of Climate Equity Index recommendations, including (1) to assist the City in seeking and providing grant funding opportunities to support community engagement and invest in areas with very low to moderate access to opportunity, or in programs and projects that receive funding from any City fund established to advance climate equity objectives; (2) to support the City in conducting public engagement efforts, in partnership with community-based organizations, in census tracts with very low access to opportunity; (3) to assist the City in exploring the feasibility of establishing a sustainability ambassador program in areas with very low to moderate access to opportunity; (4) to assist the City in the determination of mechanisms to incorporate climate equity into City programs and projects; and (5) to cooperate with the City in periodically updating Climate Equity Index data. Grantee will use its best efforts to provide opportunities to low and moderate income customers for them to reduce energy bills through equitable access to energy efficiency, Gas alternative, and renewable

distributed energy resources, to reduce cost volatility, and to improve access to energy services that empower low and moderate income residents and disadvantaged businesses through efficiency and conservation.

(c) *Energy Cooperation Agreement.* Grantee agrees to comply with and fulfill the terms of the Energy Cooperation Agreement, regarding the subjects provided in Sections 10(a), (b), and (e) herein. The Energy Cooperation Agreement has been signed by Grantee's responsible officer and adopted by the City Council together with this Franchise. The Energy Cooperation Agreement arises from Grantee's proposals in support of City's policies and has been agreed to by the parties to establish reasonable standards for purposes of Sections 3(b) and 10(c). The Energy Cooperation Agreement is at all times subject to Applicable Law, and provides for Grantee's points of alignment and cooperation with the City's policy objectives provided in Sections 10(a), (b), and (e), including the identification of barriers and described measures that Grantee can and will take to support City policies. Grantee's cooperation with Section 10 shall be reported in the periodic compliance report provided in Section 6. The Energy Cooperation Agreement shall give due consideration of any legal or practical impediments cited by Grantee, including legislation, orders, and considerations for all customers (and not only those located in the City or immediately interested in a subject), as to why any policy cannot be implemented. The Energy Cooperation Agreement shall include discussion of opportunities for the City and its citizens, especially those citizens with low or moderate income, to gain access to energy efficiency, distributed energy resources, evolving technology, and transportation electrification programs and grants that are made available by the CPUC and California Energy Commission. The Energy Cooperation Agreement describes (1) Grantee's planned efforts to make opportunities available to City (and to other qualifying customers) to participate in

Grantee's State-authorized energy efficiency, distributed energy, emerging technology (including Electric Program Investment Charge opportunities, as applicable), Gas alternative, and transportation electrification program funding; (2) efforts that Grantee may take to support City's Municipal Energy Strategy and to making building energy efficiency resources as accessible as possible for the City and other customer building owners; (3) available programs and approach to how Grantee's proposals will give due consideration to the City's climate action goals and to the City's position and ability to partner with Grantee toward fulfillment of those goals, including through building codes, building energy benchmarking, deployment of renewable and storage distributed energy resources, microgrids, and electric transportation on City Streets.

(d) *Modification and Continuation of Energy Cooperation Agreement.* The Energy Cooperation Agreement may be modified to adapt to evolving circumstances at the request of Grantee, provided that the request for modification is reasonable and any amendment is approved by the City Council, which modification shall not be unreasonably refused, withheld or delayed. Grantee shall cooperate in good faith with any reasonable request by City for modification to the Energy Cooperation Agreement. The Energy Cooperation Agreement shall remain effective during the secondary term provided in Section 3(b).

(e) *Climate Equity Fund.* City has established a Climate Equity Fund to respond to the climate justice element of general planning pursuant to California Government Code section 65302(h)(4)(A). Any shareholder payments proposed by Grantee in the Energy Cooperation Agreement that are in addition to the consideration paid as a Bid Amount for the grant of the Franchise and the amounts paid pursuant to Section 4 of this Ordinance for exercise of the Franchise shall be paid or performed for the benefit of the Climate Equity Fund. Grantee agrees to support the objectives of the Climate Equity Fund in good faith. Grantee shall not apply

to the CPUC to recover shareholder contributions to the Climate Equity Fund in rates or other charges from Gas customers.

(f) *Purchasing of Local Materials.* Grantee shall use reasonable efforts to operate its business in a manner that the majority of purchasing of materials and supplies used in connection with its business occurs at addresses located in the City of San Diego.

Section 11. Indemnity, Defense, Insurance

(a) Grantee, to the fullest extent permitted by law, shall defend with legal counsel reasonably acceptable to the City, indemnify, and hold harmless the City and its officers, agents, departments, officials, and employees (Indemnified Parties) from and against all claims, losses, costs, damages, injuries (including death) (including injury to or death of an employee of Grantee, any agent or employee of a subcontractor of any tier), expense and liability (collectively "Claims"), including court costs, litigation expenses and fees of expert consultants or expert witnesses incurred in connection therewith and costs of investigation, that arise out of, in whole or in part, any acts performed, rights exercised, or rights or privileges granted under the Franchise, to or by Grantee, any employee, agent or subcontractor of any tier. Grantee's duty to defend, indemnify, and hold harmless shall not include (1) any Claims or liabilities arising from the active negligence, sole negligence, or willful misconduct of the Indemnified Parties, or (2) any Claims or liabilities regarding the award, amendment, renewal or extension of the Franchise to Grantee.

(b) Concurrent with the acceptance of the Franchise by Grantee, and as a condition precedent to the effectiveness of the Franchise, and in partial performance of the obligations assumed herein, Grantee shall procure and maintain at Grantee's expense for the duration of the Franchise from an insurance company that is admitted to write insurance in California or that has

a rating of or equivalent to A:VIII by A.M. Best & Company the following insurance against Claims for injuries to persons or damage to property which may arise from or in connection with the Franchise by Grantee, its agents, representatives, employees or subcontractors:

(1) Commercial General Liability (CGL): Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury, and personal and advertising injury, with limits no less than twenty-five million dollars (\$25,000,000) per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this Franchise or the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: ISO Form Number CA 00 01 covering any auto (Code 1), or if Grantee has no owned autos, hired (Code 8) and non-owned autos (Code 9), with limits no less than five million dollars (\$5,000,000) per accident for bodily injury and property damage.

(3) Workers' Compensation: as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limits no less than one million dollars (\$1,000,000) per accident for bodily injury or disease.

(c) Policies must be endorsed according to the following requirements:

(1) Additional Insured Status. The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of Grantee including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to Grantee's insurance (at least as broad as ISO

Form CG 20 10 11 85 or if not available, through the addition of both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 if a later edition is used).

(2) Primary Coverage. For any Claims related to the Franchise, Grantee's insurance coverage shall be primary coverage at least as broad as ISO CG 20 01 04 13 as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of Grantee's insurance and shall not contribute with it.

(3) Notice of Cancellation. Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the City.

(4) Waiver of Subrogation. Grantee hereby grants to City a waiver of any right to subrogation which any insurer of Grantee may acquire against the City by virtue of the payment of any loss under such insurance. Grantee agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

(d) Verification of Coverage. Grantee shall furnish the City with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the Declarations and Endorsement Page of the CGL policy listing all policy endorsements to City before the Franchise is awarded. However, failure to obtain the required documents prior to the award of the Franchise shall not waive Grantee's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

(e) Not more frequently than every five (5) years, if in the reasonable opinion of the City's Risk Manager or of an insurance broker retained by the City, the amount of the foregoing insurance coverage is not adequate, Grantee shall increase the insurance coverage as required by the City; provided that such coverage amounts may not increase by more than forty percent (40%) every five (5) years. Grantee shall furnish the City with certificates of insurance and with endorsements provided in Section 11(c) affecting coverage as required above. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. Any modification or waiver of the insurance requirements contained in the Franchise shall only be made with the written approval of the City's Risk Manager in accordance with established City policy.

(f) Grantee may fulfill the insurance obligations of Sections 11(b) through (d) by self-insurance. Grantee shall provide a certificate to the City evidencing the fulfillment of these requirements.

Section 12. Repair Costs

Grantee shall pay to City on demand the cost of all repairs to City property made necessary by any of the operations of Grantee under the franchise granted hereby, provided however that Grantee shall not be responsible for repairing the Streets to a condition better than existed prior to Grantee's work being performed, except as required by Applicable Law. For the avoidance of doubt, if Grantee's operations cause the need for a repair to a street, sidewalk, curb or gutter, which, because of a change in Applicable Law must be built to new standards, Grantee shall repair or build the street, sidewalk, curb or gutter to such new standards. Grantee may make repairs to streets, sidewalks, curbs and gutters itself at its own cost in accordance with City

specifications if the same can be done without undue inconvenience to the public use of the streets.

Section 13. Forfeiture, Termination and Other Remedies

(a) *Interpretation.* The Franchise is granted upon each and every condition herein contained and shall be strictly construed against Grantee. Nothing shall pass by the Franchise granted to Grantee unless granted in plain and unambiguous terms. Each of the Franchise conditions is a material and essential condition to the granting of the Franchise. The City and Grantee acknowledge the importance of informal dispute resolution procedures as set forth in Section 15(a), including, but not limited to informal discussions and reasonable and good faith attempts to resolve issues at the appropriate level and in the most expeditious manner possible. However, if such informal attempts at resolution described in Section 15(a) and (b) do not resolve the issue, then the remedies in this Section 13(a), (b), (c), (f) and (g) shall apply. If Grantee fails, neglects, or refuses to comply with any of the conditions of the Franchise, and if such failure, neglect, or refusal shall continue for more than thirty (30) calendar days after written demand by the City Manager for compliance, then the City may exercise the remedies provided in Section 13.

(b) *Breach of the Franchise. Remedies Aside from Termination:* If Grantee breaches the Franchise by failing, neglecting, or refusing to comply with any of the conditions of the Franchise, and if such failure, neglect, or refusal shall continue for more than thirty (30) calendar days after written demand by the City Manager for compliance, or as otherwise required by the terms herein, then the City may invoke the procedures set forth in Section 15, and upon obtaining a final and non-appealable judgment that the Franchise has been breached from a court of competent jurisdiction as set forth in Section 15, (1) may obtain all rights and remedies allowed

by law with the exception of termination, including money damages, declaratory relief, specific performance, and mandatory injunction and (2) may also pursue the remedy of termination pursuant to Section 13(c).

(c) *Breach of the Franchise: The Remedy of Termination.* In addition to the rights and remedies set forth in Section 13(b), if the City Manager in consultation with the City Attorney recommends that the City terminate the Franchise, by proposing a resolution to the City Council to terminate the Franchise, the City may then, after obtaining a two-thirds vote of the members of the City Council, terminate the Franchise and all the rights, privileges and the Franchise shall be at an end. If such termination were to occur, the provisions of Section 4 shall apply, including but not limited to those that apply to the Bid Amount. Thereupon and immediately, Grantee shall surrender all rights and privileges in and to the Franchise. The remedies and procedures outlined or provided in this Section 13(c), including termination, shall be deemed to be cumulative.

(d) *The City's Right to Void the Automatic Renewal for Secondary Term.* The Parties agree that the City reserves the right to void the automatic renewal for the secondary term that is described in Section 3(b). Voiding the automatic renewal for the secondary term does not impact the grant of the Franchise for the first ten (10) year term. The City's right to void the automatic renewal only applies to the secondary ten (10) year term of the Franchise. No later than thirty (30) calendar days prior to the tenth anniversary of the Effective Date, and no earlier than the ninth anniversary of the Effective Date, the City may void the automatic renewal if the City, through action of a two-thirds vote of the members of the City Council, votes to void the automatic renewal. Voiding the automatic renewal does not require a finding of any breach by Grantee. If the automatic renewal provision is invoked such that the secondary term is terminated, the

provisions of Section 4 shall apply, including but not limited to those that apply to the Bid Amount.

(c) *Termination due to Municipalization Ordinance.* In addition to the remedies set forth in Section 13(b) and (c), the City also has the right to terminate the Franchise if the City Council, or the electors of the City, adopt an ordinance that authorizes the City of San Diego to municipalize the provision of gas services in the City of San Diego, pursuant to Section 104 of the City Charter or other Applicable Law. The City's right to terminate pursuant to this Section 13(e) shall be a right reserved by Applicable Law to the City Council and City electors and may be exercised at any time during the Franchise term. If such termination were to occur, the provisions of Section 4 shall apply, including but not limited to those that apply to the Bid Amount.

(f) *Liquidated Damages.* The City and Grantee recognize and agree that certain breaches of specified conditions in the Franchise by Grantee will result in damages to the City. The City and Grantee further recognize that the cost of postponing services or projects, or other delay expenses, may not practically warrant termination of the Franchise by City under Section 13(c) or require specific proof of damage by the City under Section 13(b). For such specified conditions and limited periods of Grantee breach, at the City's sole discretion and election, liquidated damages as set forth within Section 13(f) and (g) shall be as an alternative remedy to those provided elsewhere in Section 13, provided that such liquidated damages shall be the sole remedy available to the City for any such breach if City elects to collect liquidated damages. The City, instead of pursuing liquidated damages under Section 13(f), may elect to pursue other remedies available to it under this Section 13, but any such pursuit of other remedies shall be an election. For the absence of doubt, the City may either collect liquidated

damages under Section 13(g) or pursue alternative remedies for breach under Section 13(b) and (c), but may not pursue both. The City-elected liquidated damage assessments shall be applicable only to Grantee breaches of the conditions specified in Section 13(g), and only for the maximum time periods provided in Sections 13(f) and (g).

(1) If the City elects the remedy of liquidated damages for the breach of any of the specified conditions in Section 13(g), it shall deliver written notice to Grantee of the breach and the date on which the breach commenced, and the notice shall provide Grantee the same thirty (30) calendar day right to cure provided in Section 13(a). If after the thirty (30) calendar days from notice of the breach, the condition has not been cured or justified to the satisfaction of the City Manager, at City's election the remedy of liquidated damages shall thereafter be a remedy that shall apply only to the condition of breach specified in the notice and only for a period not-to-exceed one hundred eighty (180) calendar days from the date that is thirty (30) calendar days after each such notice. The liquidated damages provided in Section 13(g) shall accrue and be paid on each uncured unique incident notice even if multiple notices cite the same specified breached condition. For any breach that has not been cured within the notified cure period, Grantee shall be liable to the City for all accumulated assessed liquidated damages during the maximum period of applicability. The City Manager shall assess and bill Grantee for all such damages that shall be accrued during the liquidated damage assessment period and shall carry interest as provided by law from the date of assessment. All assessed liquidated damages and interest shall be payable to the City on the quarterly payment dates provided for fees and surcharge revenue in Section 5. During the pendency of any disputed liquidated damage assessment period, the parties shall engage in dispute resolution as provided in Section 15, and any resulting decision by a court of competent jurisdiction shall control

regarding the payment of the liquidated damages set forth in this Section 13(f). Section 13 shall not be construed to impair the City's right to acquire Grantee's property or facilities at any time as provided by the California Constitution and the San Diego Charter.

(2) By entering the Franchise, Grantee and the City agree that the specified Franchise conditions and liquidated damage amounts provided in Section 13(g) represent a reasonable endeavor by the parties to estimate a fair compensation for any loss that may be sustained by the City as the result of that breach of the specified condition for the period. Jointly foreseeable and reasonably estimable damages to the City of Grantee's breach of conditions in Section 13(g) include, but are not limited to, costs arising from Grantee's interference, disruptions, suspensions, obstructions, and delays to the City's programs, projects, contracts, and the cost to efficiencies in City-reserved uses of the Streets. The City's election of liquidated damages under Sections 13(f) and (g) is an alternative that shall be available to the City in lieu of Section 13(b), and is not and shall not be construed as a penalty. Grantee acknowledges that amounts provided in Sections 13(g) are capped and bear a reasonable relationship to the range of harm that the parties might reasonably have anticipated to follow from the specified breaches when they entered into the Franchise, and thereby provide a complete and final remedy for those violations if the City so elects liquidated damages.

(g) *Liquidated Damages for Breach of Specified Conditions.* If elected by the City pursuant to Sections 13(f), the following events of Grantee breach shall have the corresponding daily liquidated damage charges excepting weekends and holidays:

(I) Failure to deliver facility location records and Gas facility drawings and other engineering record information required by Section 9 without conditions not provided for in the Franchise: fifteen hundred dollars (\$1,500) per calendar day for delay and disruption.

(2) Failure to timely coordinate, bear costs, and physically relocate facilities upon direction of the City Manager as required by Section 8: fifteen hundred dollars (\$1,500) per calendar day for delay and disruption. Actual cost of relocation shall be borne as set forth in Section 8.

(3) Failure to provide and pay for standby safety engineers for protection of Grantee facilities within ten (10) calendar days' notice from the City or its authorized agents as required by Section 9: Cost of standby engineers plus fifteen hundred dollars (\$1,500) per calendar day for delay impacts.

Section 14. Survivability

If the Franchise is terminated for any reason, then the following Sections of the Franchise shall survive that termination: Section 1, Section 4(e)(6), Sections 13(b), (c), (d), and (e), and Sections 15 to 24. In addition, the insurance required of Grantee in Section 11 shall be maintained until any remaining Grantee obligations to the City are fulfilled.

Section 15. Dispute Resolution

(a) If any dispute arises under the Franchise, including any alleged breach, the City and Grantee shall use reasonable efforts to resolve the dispute. The City and Grantee shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to the City and Grantee. If the City and Grantee do not agree on such a solution within fifteen (15) calendar days, then, upon written notice by either party to the other, such dispute shall be referred to the City Manager and a member of Grantee's executive staff for further consultation and negotiation.

(b) If the City Manager and the member of Grantee's executive staff are unable to agree on a solution within fifteen (15) calendar days of such referral, the City and Grantee shall

attempt in good faith to settle the dispute by non-binding mediation administered by a mediator acceptable to both parties. The City and Grantee will cooperate in selecting a mediator. The City and Grantee will share equally in the mediation costs and each party will bear its own attorneys' fees and related costs, including any expert witness fees. The parties will use their best efforts to conclude the non-binding mediation within forty-five (45) calendar days after the City Manager and member of Grantee's executive team conclude their discussions. The parties may extend the dates in Section 15 by mutual agreement.

(c) If the City and Grantee do not agree on a solution through non-binding mediation, then either party may pursue litigation in any court with jurisdiction. Notwithstanding any other provision of Section 15, the City or Grantee may proceed directly to litigation if there is an urgency that renders the preceding dispute resolution process impracticable.

Section 16. Publication Expense

Grantee shall reimburse the City for all publication expenses incurred in connection with granting the Franchise, within thirty (30) calendar days after the City provides Grantee a written statement of the expenses.

Section 17. Authority for Grant

Notwithstanding any other provisions, the Franchise is granted solely and exclusively under Sections 103, 103.1, 104, and 105 of the San Diego Charter.

Section 18. No Transfer Without Consent

Grantee shall not sell, transfer, or assign the Franchise or the rights and privileges granted thereby without the consent of the City Council, as set forth in San Diego Charter Section 103.

Section 19. Right of City's Electors

This grant of Franchise and authority shall be and is subject to the right of the majority of the electors of the City voting at any election at any time thereafter to repeal, change, or modify the grant, and such right is hereby expressly reserved to the electors; and it is expressly agreed that at any election held in the City, a majority of the electors of the City voting at the election shall have the right to repeal, change, or modify the terms of this Franchise and the authority granted hereunder.

Section 20. Performance Bond

Grantee shall file and maintain a faithful performance bond in favor of the City in the sum of five million dollars (\$5,000,000) to guarantee that Grantee shall well and truly observe, fulfill, and perform each and every term and condition of the Franchise. The bond shall be acknowledged by Grantee as principal and by a corporation licensed by the Insurance Commissioner of the State of California to transact the business of a fidelity and surety insurance company as surety. In case of any breach of any condition of the Franchise causing actual provable damage to the City, up to the whole amount of the sum named in the bond may be taken and shall be recoverable from the principal and sureties upon such bond.

Section 21. Bankruptcy

Grantee and the City acknowledge that if Grantee becomes a debtor in bankruptcy under the bankruptcy laws of the United States (Bankruptcy Code), the Franchise shall be treated as an executory contract pursuant to Bankruptcy Code section 365(c). Grantee and the City further acknowledge that, as a non-assignable contract pursuant to applicable law, including San Diego Charter section 103 and California Public Utilities Code section 6203, the Franchise may not be assumed or assigned by the trustee or the debtor-in-possession without the consent of the City. In

the event that the debtor-in-possession assumes the Franchise and the Franchise is sold pursuant to the Bankruptcy Code, it is the intent of the parties that the City shall have the right of first refusal to match the price of any buyer for the purchase of Grantee's facilities and assets and may acquire Grantee's facilities by matching any bona fide offer of purchase made in bankruptcy. Grantee and City acknowledge that if the City files any petition for bankruptcy pursuant to Chapter 9 of the Bankruptcy Code, Grantee's claims shall be treated consistently with the applicable provisions of that Chapter.

Section 22. Acquisition and Valuation

Nothing in the Ordinance or the Franchise granted hereby shall be construed as in any way impairing the City's rights to acquire property of Grantee through the exercise of the City's power of eminent domain or through voluntary agreement between the City and Grantee. If the City chooses to exercise its power of eminent domain, it shall do so in accordance with the procedures provided by the general law of the State of California. The valuation of such property for condemnation purposes shall be made in accordance with such general law.

Section 23. Severability

If any term, covenant, or condition of the Franchise or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of the Franchise and their application shall not be affected thereby but shall remain in force and effect. The parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination, unless a court or

governmental agency of competent jurisdiction holds that such provisions are not severable from all other provisions of the Franchise.

Section 24. Effective Date

This Ordinance shall take effect and be in force on the thirtieth day from and after the date of its final passage pursuant to San Diego Charter section 295.

APPROVED AS TO FORM: MARA W. ELLIOTT, City Attorney

By /s/ Jean Jordan
Jean Jordan
Assistant City Attorney

FMO:als:jvg
03/28/21
5/24/21 COR. COPY
Or.Dept: Office of the Mayor
Doc. No.: 2666466_2
Attachment: Table of Contents

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of 06/08/2021.

ELIZABETH S. MALAND
City Clerk

By /s/ Connie Patterson
Deputy City Clerk

Approved: 6/10/21
(date)


TODD GLORIA, Mayor

Vetoed: _____
(date)

TODD GLORIA, Mayor

(Note: The date of final passage is June 11, 2021, which represents the day this ordinance was returned to the Office of the City Clerk with the Mayor's signature of approval.)

ATTACHMENT 1
TO
GAS FRANCHISE

ATTACHMENT 1

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Passed by the Council of The City of San Diego on JUN 08 2021, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Joe LaCava	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jennifer Campbell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stephen Whitburn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monica Montgomery Steppe	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marni von Wilpert	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Raul A. Campillo	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vivian Moreno	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sean Elo-Rivera	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage JUN 11 2021.

AUTHENTICATED BY: TODD GLORIA
Mayor of The City of San Diego, California.

(Seal) ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By Connie Patterson, Deputy

I HEREBY CERTIFY that the foregoing ordinance was not finally passed until twelve calendar days had elapsed between the day of its introduction and the day of its final passage, to wit, on MAY 25 2021, and on JUN 11 2021.

I FURTHER CERTIFY that said ordinance was read in full prior to passage or that such reading was dispensed with by a vote of five members of the Council, and that a written copy of the ordinance was made available to each member of the Council and the public prior to the day of its passage.

(Seal) ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By Connie Patterson, Deputy

Office of the City Clerk, San Diego, California

Ordinance Number O- 21327

II 57.8
6/18/2021

(O-2021-129)
COR. COPY

ORDINANCE NUMBER O- 21328 (NEW SERIES)

DATE OF FINAL PASSAGE JUN 11 2021

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO GRANTING TO SAN DIEGO GAS AND ELECTRIC COMPANY, THE FRANCHISE (1) TO USE, FOR TRANSMITTING AND DISTRIBUTING ELECTRICITY SUITED FOR LIGHTING BUT FOR USE BY CONSUMERS FOR ANY AND ALL LAWFUL PURPOSES OTHER THAN LIGHTING, ALL POLES, WIRES, CONDUITS, AND APPURTENANCES WHICH ARE NOW OR MAY HEREAFTER BE LAWFULLY PLACED AND MAINTAINED IN THE STREETS WITHIN THE CITY OF SAN DIEGO UNDER THAT CERTAIN FRANCHISE OF GRANTEE ACQUIRED PURSUANT TO SECTION 19 OF ARTICLE XI OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, AS THE SECTION EXISTED PRIOR TO ITS AMENDMENT ON OCTOBER 10, 1911; (2) TO CONSTRUCT, MAINTAIN, AND USE IN THE STREETS ALL POLES, WIRES, CONDUITS, AND APPURTENANCES WHENEVER AND WHEREVER SAID CONSTITUTIONAL FRANCHISE IS NOT NOW NOR SHALL HEREAFTER BE AVAILABLE THEREFOR, NECESSARY TO TRANSMIT AND DISTRIBUTE ELECTRICITY SUITED FOR USE BY CONSUMERS FOR ANY AND ALL LAWFUL PURPOSES; (3) TO UTILIZE POLES, WIRES, CONDUITS, AND APPURTENANCES IN THE STREETS FOR TRANSMITTING ELECTRICITY FOR USE OUTSIDE THE BOUNDARIES OF THE CITY FOR ANY AND ALL LAWFUL PURPOSES; (4) TO CONTINUE UNDERGROUNDING OVERHEAD FACILITIES IN THE CITY; AND (5) FOR COOPERATION WITH CITY CLIMATE ACTION AND CLIMATE JUSTICE GOALS; AND PROVIDING THE TERMS AND CONDITIONS OF THE FRANCHISE SO GRANTED.

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. Definitions

The following definitions apply in this Ordinance and are capitalized when they appear:

- (a) "Grantee" means San Diego Gas & Electric Company, a California corporation.

(b) "City" means the City of San Diego, a municipal corporation of the State of California, in its present incorporated form or in any later reorganized, consolidated, enlarged, or reincorporated form.

(c) "Administrative MOU" means that certain Administrative Memorandum of Understanding to be negotiated between the City and Grantee to define and promote a cooperative working relationship between the parties and to address the handling of operational issues as more fully described in Section 9. In the event of a conflict between the Administrative MOU and the Franchise, the Franchise shall control.

(d) "Applicable Law" means any law, rule, regulation, requirement, guideline, action, determination, or order of, or legal entitlement issued by, any governmental body having jurisdiction, applicable from time to time to the operation and ownership of Grantee's electrical facilities and to Grantee's business operations, or any other transaction or matter contemplated by the Franchise (including any which concern health, safety, fire, environmental protection, electrical transmission and distribution, metering, billing, quality and use, public records, labor relations, environmental plans, building codes, nondiscrimination, and the payment of minimum and prevailing wages), including without limitation applicable provisions of the San Diego City Charter, the San Diego Municipal Code, the California Constitution, the California Public Utilities Code, the California Labor Code, the Federal Power Act, and orders and decisions of the California Public Utilities Commission (CPUC) and Federal Energy Regulatory Commission (FERC).

(e) "Bid Amount" means seventy million dollars (\$70 million) plus any interest as provided in Section 4(e).

(f) "Books and Records" means Grantee's records, regardless of form, including physical, digital, and electronically stored information, including but not limited to records of

income, expenditures, finance, charts, diagrams, ledgers, pictures, drawings, as well as Geographic Information System (GIS) locational data, photographs, and notes, which relate to the placement, location, operation, and maintenance of Grantee's facilities in City Streets, which are both for the purpose of, and reasonably necessary to, verify Grantee's compliance with the terms in this Franchise. "Books and Records" also includes records of internal and external charges and expenditures for the public Municipal Undergrounding Surcharge funds authorized by the CPUC and collected from electric customers in the City pursuant to CPUC Resolution No. E-3788 or any succeeding order, including records of bidding and contracts, overhead and personnel charges, information to verify the applicable prevailing wage was paid, and the processes for accounting expenditures and charging of costs to the Municipal Undergrounding Surcharge funds.

(g) "City Manager" means the person defined in Sections 28, 260, and 265 of the Charter of the City of San Diego (San Diego Charter) as those provisions existed on the Effective Date or as those provisions may be hereafter amended, and the meaning shall include any person lawfully delegated rights or responsibilities by such person.

(h) "Commencement of Operations Date" means the date which is thirty (30) days after final passage of this Ordinance by the City Council if the Grantee already possesses a Certificate of Public Convenience and Necessity pursuant to California Public Utilities Code Division 1, Part 1, Chapter 5, Article 1.

(i) "Constitutional Franchise" means the right acquired through acceptance by Grantee or its predecessor in estate of the offer contained in the provisions of Section 19 of Article XI of the Constitution of the State of California, as the section existed prior to its amendment on October 10, 1911.

(j) "Construct, Maintain, and Use" means to construct, erect, install, operate, maintain, use, repair, relocate, or replace Poles, Wires, Conduits, and Appurtenances thereto in, upon, along, across, under or over the Streets of the City.

(k) "CPUC" means the California Public Utilities Commission or any successor agency.

(l) "Effective Date" means the thirtieth day from and after the final passage of this Ordinance by the City Council pursuant to San Diego Charter section 295.

(m) "Electric Franchise Fee Surcharge" means the total amount of surcharges allowed by the Franchise and the CPUC to be levied solely on customers in the City as a consequence of the requirements of the Franchise, consisting prior to the Effective Date of those surcharges previously authorized by CPUC Resolution No. E-3788 and Decision No. 80234, which have as subparts: (a) a differential surcharge of one and nine tenths of a percent (1.9%) approved by Decision No. 80234; (b) a further differential surcharge of thirty-five one hundredths of a percent (0.35%) authorized by CPUC Resolution No. E-3788; and (c) a Municipal Undergrounding Surcharge of three and fifty-three one hundredths of a percent (3.53%), all together totaling five and seventy-eight one hundredths of a percent (5.78%), approved by CPUC Resolution No. E-3788.

(n) "Franchise" means the Franchise granted by the City Council to San Diego Gas & Electric Company by Ordinance No. O-~~21328~~ **21328**, pursuant to San Diego Charter sections 103, 103.1, 104, and 105.

(o) "Good Utility Practice" has the same meaning as in the California Independent System Operator glossary of utility terms, and means any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable

judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

(p) "Gross Receipts" means all gross operating revenues received by Grantee from the sale of electricity to Grantee's customers with points of service within the corporate limits of the City (including, but not limited to, sales to military reservations with points of service within the City's corporate limits) which are credited in Account Nos. 440, 442, 444, 445, and 446 of the current Uniform System of Accounts of FERC as adopted by the CPUC or similar superseding accounts, plus all revenues collected from CPUC-authorized surcharges rendered solely upon the ratepayers within the City as a result of the Franchise accounted for in Account No. 451 or its superseding account (less any portion of such surcharges which may be approved by the CPUC to capture the franchise fee on these revenues), less uncollectible amounts, and less any refunds or rebates made by Grantee to such customers pursuant to CPUC orders or decisions.

(q) "Municipal Undergrounding Surcharge" means that part of the Electric Franchise Fee Surcharge that is specifically designated for the undergrounding of overhead lines in the City and consists of three and fifty-three one hundredths of a percent (3.53%), as approved by CPUC Resolution No. E-3788 as of the Effective Date.

(r) "Poles, Wires, Conduits, and Appurtenances" means poles, towers, supports, wires, conductors, cables, guys, stubs, platforms, crossarms, braces, transformers, insulators, conduits, ducts, vaults, manholes, meters, cut-outs, switches, communication circuits, appliances, attachments, appurtenances, and, without limitation to the foregoing, any other equipment or property located or to be located in, upon, along, across, under or over the streets of the City, and

used or useful for the purpose of the transmission and distribution of electricity and for internal communication systems, sometimes otherwise referred to as "facilities."

(s) "Streets" means the public freeways, highways, streets, ways, alleys and places as they now or may hereafter exist within the City, but excludes easements or fees held by Grantee.

(t) "Undergrounding MOU" means that certain Memorandum of Understanding Regarding Implementation of Franchise Undergrounding Obligations to be negotiated between the City and Grantee regarding the management and implementation of the City's undergrounding program as more fully described in Section 10. In the event of a conflict between the Undergrounding MOU and the Franchise, the Franchise shall control.

Section 2. Purpose

(a) The Franchise (1) to use, for transmitting and distributing electricity suited for lighting but for use by consumers for any and all lawful purposes other than lighting, all Poles, Wires, Conduits, and Appurtenances which are now or may hereafter be lawfully placed and maintained in the Streets within the City under that certain franchise of Grantee acquired pursuant to section 19 of Article XI of the Constitution of the State of California, as the section existed prior to its amendment on October 10, 1911; (2) to Construct, Maintain, and Use in the Streets all Poles, Wires, Conduits, and Appurtenances whenever and wherever said Constitutional franchise is not now nor shall hereafter be available therefor, necessary to transmit and distribute electricity suited for use by consumers for any and all lawful purposes; (3) to utilize Poles, Wires, Conduits, and Appurtenances in the Streets for transmitting electricity for use outside the boundaries of the City for any and all lawful purposes; (4) to provide for an expeditious, efficient, publicly transparent, and accountable program for the conversion of overhead wires and poles in the City to underground facilities; (5) to aid in the City's establishment of a Climate Equity Fund; (6) subject to Applicable Law, to provide for Grantee's

commitment to cooperate with the City in good faith on principles and policies for the attainment of the City's Climate Action Plan dated December 2015, local energy, energy justice, and climate equity objectives, including but not limited to the reduction of greenhouse gas emissions to the extent practical through energy efficiency measures, cooperation with any community choice aggregation program, the increased use of renewable sources of electric generation, wider deployment of local distributed energy resources, and advancing the electrification of transportation; and (7) meet at the City's request with the shared goal of aligning on climate goals in the City's Climate Action Plan when amended; is hereby granted to San Diego Gas & Electric Company, a corporation organized and existing under and by virtue of the laws of the State of California.

(b) If gas and electric franchises are awarded to the same Grantee, the requirements of Sections 6, 9, and 12, need not be duplicated.

(c) Attached as Attachment 1 is a Table of Contents for the Franchise.

Section 3. Term

(a) The right, privilege, and Franchise, subject to each and all of the terms and conditions contained in this Ordinance, is hereby granted to San Diego Gas & Electric Company, a corporation organized and existing under and by virtue of the laws of the State of California, for the primary term of (10) years from and after the Commencement of Operations Date.

(b) Subject to the provisions set forth in Section 15, the primary term provided in Section 3(a) shall automatically be extended for a secondary term of ten (10) years. Grantee and the City understand and agree that, unless one or more of the provisions set forth in Section 15(c), (d) or (e) apply, the Franchise shall automatically be extended without additional action of any kind by the City or Grantee.

(c) All associated agreements, rights, and obligations under the Franchise shall also expire at the expiration or earlier termination of the Franchise, except for the provisions set forth in Section 16.

Section 4. Consideration

(a) The rights and privileges herein granted are upon the express condition that Grantee, as consideration therefor and as compensation for the use of the Streets of the City as herein authorized and permitted, shall pay compensation to the City in the following amounts and manner: Grantee shall pay the Bid Amount, and shall pay each year in United States dollars, a sum equal to three percent (3%) of Grantee's Gross Receipts during the preceding calendar year, or fractional year, beginning on the Commencement of Operations Date. In addition, Grantee shall pay any applicable statutory surcharge, such as the Municipal Lands Use Surcharge required pursuant to California Public Utilities Code section 6350, *et seq.* Any City-imposed fees for right-of-way usage (Right-of-Way Fee) shall be credited with the consideration paid herein, provided the City will treat Grantee consistently with other applicants. Any revenues that remain after this credit of Right-of-Way Fees will be credited towards any additional fees the City imposes for inspection, trenching, cutting, or deterioration of the right-of-way. The three percent (3%) of Gross Receipts required to be paid to the City pursuant to Section 4(a) shall be deemed to be for electric revenues for all lawful purposes except for lighting; there shall be no fee for electricity furnished for lighting.

(b) Grantee or any successors shall not at any time apply or request to the CPUC, by application, advice letter, or any other filing, to include in rates or surcharges all or any portion of the Bid Amount, or interest thereon, paid to the City for award of the Franchise. The Bid Amount, and any interest thereon, is for the purpose of acquiring the Franchise and shall be solely an obligation of the Grantee, and no part of it shall be paid by electric ratepayers. The Bid

Amount is separate from and additional to the consideration to be paid for exercise of the Franchise under Sections 4(a) and 4(c), and shall be paid and accepted upon the express condition that Grantee shall not at any time apply to or otherwise request from the CPUC to recover any portion of the Bid Amount, or interest thereon, from electric ratepayers in rates or surcharges. The Franchise and any previously paid portions of the Bid Amount shall be forfeited, and all future notes will be due and payable, if the Grantee or any successor ever applies to the CPUC or seeks or attempts to recover all or any portion of the Bid Amount or any interest thereon in rates or surcharges charged to customers inside or outside the City.

(c) In addition to the franchise fee required by Section 4(a), the portion of Gross Receipts required to be paid for undergrounding, as required by Section 10, shall also be deemed a portion of the consideration for the Franchise.

(d) During the term of the Franchise, Grantee covenants and agrees, that if Grantee agrees to pay another municipality more than three percent (3%) of Grantee's Gross Receipts (including receipts on CPUC-authorized electric surcharges) in an electric franchise, Grantee shall notify the City of such agreement in writing within thirty (30) calendar days and offer to amend the Franchise to increase the franchise fee to equal the percentage of Gross Receipts in such other franchise. If the City agrees to accept the offer, the City and Grantee will execute and adopt any documents necessary to amend the Franchise as soon as practicable given the need for regulatory approvals. To make such amendments effective, Grantee shall expeditiously file an application or request with the CPUC, as Grantee deems necessary, to gain approval of the amendments and the resulting increase in the franchise fee surcharge chargeable to the residents of the City. Grantee shall not be in violation of Section 4(d) if the CPUC fails to approve any such application or request.

(e) Section 4(e) applies only if Grantee elected to pay the Bid Amount in installments as consideration for the grant of the Franchise. If the structured promissory note method is selected by Grantee for paying the Bid Amount, then:

(1) On or before August 1 of each of the years specified in Table 1 of this Section 4(e), Grantee shall pay a portion of the Bid Amount as specified in Table 1 to the City Treasurer in lawful money of the United States. City shall provide Grantee with bank wire information upon the grant of this Franchise and Grantee shall wire the payment for 2021 as instructed and shall at the same time deliver promissory notes acceptable to the City Manager pledging payment to City for all subsequent years and portions of the Bid Amount as specified in Table 1 on or before August 1 of each of the specified years. The promissory notes shall bear interest as provided in Section 4(e)(3). The notes shall not be due and payable to the City until the maturity date of each installment on the note.

Table 1

2021	\$10 million
2022	\$10 million
2023	\$10 million
2024	\$10 million
2025	\$10 million
2026	None
2027	None
2028	None
2029	None
2030	\$10 million
2031	\$10 million

(2) The maturity dates of the promissory note installments shall be August 1st of the year such payment is due as shown in Table 1 above.

(3) Each promissory note shall provide for the payment of the principal amount plus interest, calculated on an actual/actual basis at the annual rate of three and thirty-eight one hundredths of a percent (3.38%).

(4) If during the term of this Franchise a material change in the creditworthiness of Grantee occurs, the City may demand a letter of credit, in the form, amount, for a term, and from an issuer reasonably acceptable to the City, to secure Grantee's obligation to fulfill any Bid Amount obligation not already paid by Grantee at the time of such material change in the creditworthiness of Grantee, and Grantee shall meet such demand. The City requires a minimum credit rating for the issuing financial institutions providing the letter of credit submitted by Grantee to be and remain of the "A" category or better for its senior unsecured debt, or equivalent. If at any point during the term of the letter of credit, none of the following Nationally Recognized Credit Rating Agencies (Moody's, Standard & Poor's, or Fitch) rate the financial institution with at least an "A" category, then Grantee must immediately replace the submitted letter of credit with one that is acceptable to the City, or pay the remaining notes in full with interest specified herein accrued to that date. All costs associated with the letter of credit shall be the responsibility of Grantee. The letter of credit shall provide that the City may unilaterally draw on the letter of credit to fulfill any Bid Amount obligation not paid by Grantee when due.

(5) Grantee may pay cash in discharge of a promissory note at any time before its maturity date, in which event interest shall be adjusted for early payment. The submission of cash payment shall be upon appointment with the City Treasurer's office.

(6) If the Franchise is not in effect through that date 20 years after the Effective Date due to termination or forfeiture of the Franchise for any reason, then any promissory notes not yet due shall be void and the City shall pay Grantee the Pro Rata Partial Refund Amount calculated as follows: the Bid Amount divided by twenty (20) multiplied by each and every year remaining on the Franchise, plus the remainder amount, less any unpaid Bid Amount as of the date of termination or forfeiture, multiplied by 0.75. The remainder amount shall be calculated by dividing the Bid Amount by twenty (20), and then dividing it again by 12, multiplied by the

number of months remaining in the year during which the termination or forfeiture occurs. As an example, if this Franchise were terminated or forfeited 9 years and 3 months after the Effective Date (on Oct. 1, 2030), the total Pro Rata Partial Refund Amount would equal $\$3.5M \times 11$ years + $\$291,667 \times 9$ months = $\$38.5M + \$2.625M - \$10M \times 0.75 = \$23,343,750M$. For the avoidance of doubt, the table below uses the mathematical formula described above and shows the amount of refund due each year, assuming (a) the termination occurs on the anniversary of the Effective Date; and (b) payment of the annual Bid Amount for the previous year has already occurred prior to the date of termination, but the payment due on August 1 (if any) has not yet been made. For terminations that do not occur on an anniversary of the Effective Date, the mathematical formula described above shall apply. If there is a discrepancy between the table below and the mathematical formula described above, the mathematical formula shall control for all purposes.

A	B	C	D	E
Termination Date (Anniversary of Effective Date Prior to Aug. 1 Payment)	Amount Previously Paid by Grantee to City	Amount "Earned" by the City at \$3.5 million per year	Column B Minus Column C	Pro Rata Partial Refund Amount to be paid by City to SDG&E (Column D multiplied by .75)
Anniversary Date, 2022	\$10 million	\$3.5 million	\$6.5 million	\$4.875 million
Anniversary Date, 2023	\$20 million	\$7 million	\$13 million	\$9.75 million
Anniversary Date, 2024	\$30 million	\$10.5 million	\$19.5 million	\$14.625 million
Anniversary Date, 2025	\$40 million	\$14 million	\$26 million	\$19 million
Anniversary Date, 2026	\$50 million	\$17.5 million	\$32.5 million	\$24.375 million
Anniversary Date, 2027	\$50 million	\$21 million	\$29 million	\$21.75 million
Anniversary Date, 2028	\$50 million	\$24.5 million	\$25.5 million	\$19.125 million
Anniversary Date, 2029	\$50 million	\$28 million	\$22 million	\$16.5 million
Anniversary Date, 2030	\$50 million	\$31.5 million	\$18.5 million	\$13.875 million

Anniversary Date, 2031	\$60 million	\$35 million	\$25 million	\$18.75 million
Anniversary Date, 2032	\$70 million	\$38.5 million	\$31.5 million	\$23.625 million
Anniversary Date, 2033	\$70 million	\$42 million	\$28 million	\$21 million
Anniversary Date, 2034	\$70 million	\$45.5 million	\$24.5 million	\$18.375 million
Anniversary Date, 2035	\$70 million	\$49 million	\$21 million	\$15.75 million
Anniversary Date, 2036	\$70 million	\$52.5 million	\$17.5 million	\$13.125 million
Anniversary Date, 2037	\$70 million	\$56 million	\$14 million	\$10.5 million
Anniversary Date, 2038	\$70 million	\$59.5 million	\$10.5 million	\$7.875 million
Anniversary Date, 2039	\$70 million	\$63 million	\$7 million	\$5.25 million
Anniversary Date, 2040	\$70 million	\$66.5 million	\$3.5 million	\$2.625 million
Anniversary Date, 2041	\$70 million	\$70 million	\$0	\$0

(7) In addition to and separate from the Bid Amount, in 2037, 2038, 2039 and 2040, Grantee shall contribute \$5 million per year (a total of \$20 million), to the City's General Fund for the City to use to further the City's Climate Action and Climate Equity goals. Grantee may make such contributions the City's General Fund earlier, but not later, than the years indicated. Such contributions shall not be due if the Franchise is not in effect for any reason in such years.

Section 5. Reports, Dates of Payment to City, Audits

(a) On or before the 15th day of February of each calendar year during the term of the Franchise, as defined in Section 3, and forty-five (45) calendar days after the expiration of the Franchise term, Grantee shall file with the City Clerk, the original, and with the Chief Financial Officer of the City, one copy, of a statement signed by its chief financial officer evidencing the Gross Receipts during the preceding calendar year or fractional calendar year.

(b) Within ten (10) calendar days after the filing of the statement of Gross Receipts required to be filed on or before the 15th day of February 2022, Grantee shall pay to the City Treasurer the money herein required to be paid by Grantee to the City upon the basis of the data set forth in said statement. For the avoidance of doubt, payment of the Bid Amount shall be governed by Section 4.

(c) Thereafter, no later than the 25th day of February, the 25th day of May, the 25th day of August, and the 25th day of November of each calendar year during the term of the Franchise, Grantee shall pay the City Treasurer one-fourth (1/4) of the money herein required to be paid by Grantee to the City upon the basis of the data set forth in the statement required by Section 5(a). If the first year is a fractional year, Grantee shall pay quarterly amounts not paid by the prior Grantee on the basis of the data in the prior Grantee's Gross Receipts for the preceding year on the dates required herein. By this method of payment it is contemplated and understood that Grantee is in effect paying the money herein required to be paid by Grantee to the City under Section 5(c) on the basis of Gross Receipts for the preceding calendar year and that an adjustment shall be made as more fully set forth in Section 5(d).

(d) Within ten (10) calendar days after the filing of the statement required by Section 5(a), Grantee shall pay the City Treasurer, or receive as a refund from the City, as the case may be, a sum of money equal to the difference between the sum of the payments of money made in accordance with Section 5(c) and the annual payment of money herein required to be paid by Grantee to the City upon the basis of the data set forth in said statement.

(e) The City Manager, City Auditor, City Attorney, or any designees, at any reasonable time during business hours, may make examination at Grantee's office or offices, or through written electronic request and exchange of its Books and Records, germane to and for the purpose of verifying the data set forth in the statements required by Sections 5(a) and 10.

Grantee shall produce its Books and Records no later than five (5) business days after written request from the City.

(f) All Books and Records subject to examination in the Franchise shall be kept within the County of San Diego, or in such other place as the reasonable convenience of Grantee may require, until at least five (5) years following the termination of the Franchise; and if it becomes necessary for the City Manager, City Auditor, City Attorney, or any representative designated by the City, to make such examination at any place other than within the County, then all increased costs and expenses to the City necessary or incident to such examination and resulting from such Books and Records not being available within the County, shall be paid to the City by Grantee on demand.

(g) Disagreements concerning City's access to Grantee's Books and Records shall be timely referred to the City Manager or specified designee and a designated officer of the Grantee, and the City and Grantee shall attempt to resolve in good faith such disagreement.

(h) Upon request of the City, Grantee shall provide the City with any publicly available reports filed by Grantee with the CPUC.

(i) In addition to the remedies provided in Section 15, if Grantee fails to make the payments for the Franchise on or before the due dates as required in Sections 5(b) through 5(d), Grantee shall pay as additional consideration both of the following amounts:

(I) A sum of money equal to two percent (2%) of the amount due. This amount is required in order to defray those additional expenses and costs incurred by the City by reason of the delinquent payment including, but not limited to, the cost of administering, accounting and collecting said delinquent payment and the cost to the City of postponing services and projects necessitated by the delay in receiving revenue; and

(2) A sum of money equal to one percent (1%) of the amount due per month or any portion thereof as interest and for loss of use of the money due.

Section 6. Compliance Review Committee and Report

(a) An audit of Grantee's performance of the conditions of the Franchise shall occur every two (2) years after the Effective Date. The City shall establish a Franchise Compliance Review Committee (Review Committee) that will consist of five (5) members: three (3) appointees selected by the City Council and two (2) appointees selected by the Mayor. No nominee with a conflict of interest shall be appointed to the Review Committee. The Review Committee shall be a citizens' committee formed pursuant to San Diego Charter section 43(b) and Council Policy 000-13. The Review Committee shall be created and established by City Council resolution every two (2) years only for the clearly defined purpose in the resolution, which shall include the duties in Section 6(b), and shall be temporary in nature and dissolved upon the completion of the objectives for which it was created. The Review Committee shall be created, and appointments shall be made, before the end of the first year of each successive two-year period of the Franchise term. The Review Committee, which shall meet publicly and comply with the Ralph M. Brown Act, shall establish a mechanism by which members of the public may communicate with the Review Committee concerning the Franchise.

(b) The City shall use a competitive process to retain a qualified, independent, third-party auditor (independent auditor) every two (2) years. The independent auditor shall perform an audit of Grantee's conformance and compliance with all conditions of the Franchise and produce a written report documenting the work performed and the conclusions reached. The audit shall address Grantee's fulfillment of financial, operational, documentary, and cooperative requirements under the Franchise. The Grantee shall appoint an executive level representative to serve as the principal person responsible for coordinating with the independent auditor. The audit

shall be completed and provided to the Review Committee no later than sixty (60) calendar days before the outside due date of the Review Committee's report. If Grantee fails to cooperate with the independent audit, the auditor's report shall document the refusal and any reason Grantee stated for failing to cooperate. The Review Committee shall review the independent auditor's report and shall provide the auditor's report and its own written report and recommendations to the City Council within one hundred eighty (180) calendar days of the end of each two-year period of the Franchise term. The Review Committee shall provide a recommendation to the City Council on the question of the automatic renewal for the secondary term of the Franchise, based on compliance with the Franchise and the Energy Cooperation Agreement. Grantee shall be given the opportunity to respond in writing to the Review Committee biennial reports and the recommendation regarding automatic renewal and such written response, if timely received, shall be provided to the City Council contemporaneously with the Review Committee's report or recommendation.

(c) Within ten (10) calendar days, Grantee shall comply and cooperate with all requests made by the City Manager, City Attorney, independent auditor, and City Auditor, or designees, which are reasonably necessary to verify Grantee's compliance with the terms in the Franchise. Upon request, Grantee shall provide to the City Manager, City Attorney, independent auditor, or City Auditor, or their designees, and at no cost to the City, all Books and Records required to be made available to the City under the Franchise, within ten (10) calendar days. If Grantee contends that legal restrictions prevent compliance with any part of the request, Grantee shall provide in writing a specific legal basis that clearly establishes that the law, the CPUC, or other agency with jurisdiction requires or prohibits Grantee from releasing the requested Books and Records. General references to provisions of the law or Grantee business preferences will not suffice. In addition, if Grantee is unable to produce the requested Books and Records within

ten (10) calendar days, Grantee shall provide a good faith explanation and a date by which the Books and Records will be produced.

(d) The independent auditor shall be provided access to interview the City and employees of Grantee designated by Grantee regarding any subject which is relevant to confirming Grantee's compliance with the Franchise within ten (10) business days after any request.

(e) The procedures provided in Section 6 shall be in addition to, and not in lieu of, the City's right to audit under Sections 5 and 10. Nothing in Section 6 shall limit or impair the right of the City Auditor to conduct its own audits of Grantee's Books and Records needed to verify compliance with the Franchise, pursuant to San Diego Charter section 39.2, or of the City Attorney to perform her responsibilities under San Diego Charter section 40, including confirming compliance with the Franchise.

Section 7. Compliance with Laws

(a) All facilities or equipment of Grantee that Grantee shall Construct, Maintain and Use or remove, pursuant to the provisions of the Franchise, shall be accomplished in accordance with Applicable Law and with the ordinances, rules, and regulations of the City now or as hereafter adopted or prescribed, and such rules or regulations as are promulgated under state law, or orders of the CPUC or other governmental authority having jurisdiction in the premises.

(b) Without limiting the general applicability of the foregoing paragraph, or diminishing in any way the significance and consequence of Grantee's duty to comply with all laws, Grantee shall specifically observe and fully comply with the ordinances and regulations of the City as provided in Sections 9 and 10, and any effective Administrative MOU granted pursuant thereto.

(c) Consistent with Sections 7(a) and (b), all operations of Grantee shall comply with Good Utility Practice at all times.

Section 8. City Reserved Powers

(a) The City reserves the right for itself to lay, construct, erect, install, use, operate, repair, replace, remove, relocate, regrade, or maintain below surface or above surface improvements of any type or description in, upon, along, across, under or over the Streets of the City. The City further reserves the right to relocate, remove, vacate, or replace the Streets themselves. If the necessary exercise of the City's reserved rights conflicts with any Poles, Wires, Conduits, and Appurtenances of Grantee Constructed, Maintained, and Used pursuant to the provisions of the Franchise, whether or not previously Constructed, Maintained, and Used, Grantee shall, without cost or expense to the City within ninety (90) calendar days after a request in writing by the City Manager, containing substantially complete designs for the portion of the work impacting Grantee's facilities, begin the physical field construction of changing the location of all corresponding conflicting facilities or equipment. The Administrative MOU will include more detailed procedures to promote a cooperative working relationship between Grantee and the City regarding relocations, but shall not control over the Franchise. Grantee shall proceed promptly to complete such required work in accordance with the Administrative MOU and within a reasonable time frame as permitted by Good Utility Practice and in accordance with Applicable Law.

(b) The City and Grantee are currently engaged in litigation related to which party bears the cost of relocation of Grantee's facilities in conflict with City water projects. Notwithstanding the language in Section 8(a) of this Franchise, with regard to such costs, the City and Grantee agree that they will abide by the final determination of the California courts or settlement thereof and Section 8(a) shall not supersede any such determination or settlement. Any

agreements presently in effect or subsequently executed between the City and Grantee regarding the cost of such relocations shall remain in effect unless and until such final determination by the courts or settlement by the City and Grantee.

Section 9. Administrative Practices

(a) Grantee's exercise of rights to install, maintain, and operate its facilities in the Streets of the City shall at all times be subject to obtaining and maintaining in force an Administrative MOU. The Administrative MOU shall define Grantee's administrative practices throughout the Streets while exercising the Franchise rights; however, the Administrative MOU shall not be in lieu of or relieve Grantee from complying with the Franchise terms or obtaining more particular permits required for Grantee's specific projects or activities, nor shall the Administrative MOU curtail or limit Grantee's rights under the Franchise. The Administrative MOU shall prescribe the categories of work that Grantee may perform without additional specific permits, and the categories of work that will require additional specific permits. The Administrative MOU shall be granted by the City Manager subject to the terms and procedures of the Franchise and on such other reasonable terms as may be established by the City Manager following consultation with Grantee and other utilities using the Streets. Grantee shall apply for an Administrative MOU within sixty (60) calendar days after the Effective Date, and the initial Administrative MOU shall expire on the second anniversary after the Effective Date. Each successive Administrative MOU shall have a term of two (2) years. Grantee shall not be charged a fee to obtain the Administrative MOU. The Administrative MOU shall be consistent with all terms in the Franchise, specifically including the terms of Sections 8 and 9. If there is any conflict between the provisions of the Franchise and the provisions of the Administrative MOU, the provisions of the Franchise shall control, and the conflicting provisions of the Administrative MOU shall be void.

(b) The Administrative MOU shall include any additional terms agreed upon by the City and Grantee. Subject to Applicable Law and the requirements of the Franchise, the City Manager may take due consideration of Grantee's requests regarding provisions of each biennial Administrative MOU, provided the requests are consistent with and do not conflict with the terms of the Franchise. The City Manager shall determine if the conditions of the Franchise are fulfilled upon any application for an Administrative MOU and if Grantee's application is complete. The City Manager shall grant an Administrative MOU within thirty (30) calendar days after Grantee's complete application. The application shall contain sufficient information for the City Manager to assure compliance with all the requirements in the Franchise. Grantee shall apply for each successive Administrative MOU not less than one hundred eighty (180) calendar days prior to expiration of the prior Administrative MOU. Any Administrative MOU granted by the City Manager shall be subject to the following conditions:

(1) Upon written request by the City Engineer or their specific designee, Grantee shall provide to the City within ten (10) calendar days, and immediately in the case of a City Manager-declared emergency, GIS coordinate data, or other locational records of Grantee's facilities as the City in its reasonable discretion requires for specific City projects or concerns, in a form and type determined by Grantee in its reasonable discretion in accordance with Good Utility Practice. In the Administrative MOU, the City and Grantee may agree on more detailed procedures for the provision of GIS data, including, if feasible, Grantee providing the City secure electronic access to certain GIS information of Grantee either directly or through an approved contractor. Although Grantee will make reasonable efforts to provide accurate GIS data to the City for City's design, engineering and planning purposes, Grantee makes no representations or warranties to the City or any of its agents, contractors or representatives that such GIS data may be relied upon for field work. The GIS data shall not be a substitute for the City's required

conflict check and dig alert obligations prior to starting any field work. In cases of emergency, at the request of the City, Grantee shall have the appropriate Grantee staff promptly on site to support the City in emergency operations.

(A) Grantee's contention that information is confidential shall not relieve Grantee from the duty to produce the information to City. Grantee acknowledges that any information required to be submitted or provided in fulfillment of the obligations of the Franchise is a public record subject to disclosure in response to a California Public Records Act (California Government Code sections 6250 – 6276.48) (CPRA) request, unless the City or a court of competent jurisdiction determines that a specific exemption to the CPRA applies. If Grantee submits information clearly marked confidential or proprietary, the City shall protect such information and treat it with confidentiality to the extent permitted or required by law; provided however, that the City shall assume no liability for having access to Grantee's records for official City purposes except by a judgment in a court of competent jurisdiction upon a claim arising from the established active negligence, sole negligence, or willful misconduct of the City, its officers, agents, or employees. It shall be Grantee's responsibility to provide to the City the specific legal grounds on which the City can rely in withholding information from public disclosure should Grantee request that the City withhold such information. General references to sections of the law will not suffice. Rather, Grantee shall provide in writing a specific legal basis, including citations to applicable case law or other law, that reasonably establishes the requested information is exempt from disclosure. Grantee agrees to defend and indemnify City to the extent the City is sued for withholding from disclosure information deemed confidential by Grantee. If, at the time the documents are provided to the City, Grantee does not provide in writing a specific legal basis for requesting the City to treat the information as confidential, to protect it from release, and to withhold alleged confidential or proprietary information from

CPRA requests, the City is not required to treat the information as being confidential and may release the information as required by the CPRA. When reviewing any request by Grantee for confidentiality, the City will consider California Government Code section 6254(e), which provides a CPRA exemption for records concerning geological and geophysical data relating to utility systems development that are obtained in confidence from any person.

(B) The City shall not be required to execute any non-disclosure agreement with Grantee to obtain prompt confidential access to Grantee's records for its facilities in City Streets except by order of a state or federal governmental agency or court having jurisdiction to impose such requirement. Absent such order, the City may, but shall not be required, to execute non-disclosure agreements with Grantee respecting the locations of Grantee's facilities.

(2) Grantee's rights to uses in the Streets exist subject to City uses of the Streets unless Grantee's rights are in easement or fee, in which case the Franchise does not control. At all times the City's superior reserved rights to uses of the Streets shall be preserved under Section 8. No provision of an Administrative MOU may be written or construed to modify that explicit reservation which shall be controlling at all times.

(3) With respect to any and all City work in the Streets, the costs of protecting Grantee's high voltage transmission facilities including any personnel, stand-by safety engineers or similar service for the protection of Grantee's facilities and employee and public safety which may be necessary for any City-controlled excavation or other work, shall be at Grantee's sole expense; provided however the cost of protecting Grantee's distribution level facilities shall be paid by the City. Upon written request from the City or an authorized agent, Grantee shall within ten (10) calendar days, or as soon as practicable in the case of emergency, arrange the on-site presence of any standby safety engineer that Grantee or City deem necessary for the protection

of Grantee's facilities. If Grantee provides any other municipality with more favorable terms for the stand-by safety services described in this section, Grantee shall notify City in writing within ten (10) calendar days and thereafter make such terms available to the City.

(4) In its application for an Administrative MOU, Grantee shall submit to the City a list of projects and activities Grantee plans to perform in the two years covered by the Administrative MOU (Two-Year Plan). The Two-Year Plan shall catalog planned activities by level of disruption and by the amount of coordination with City staff the activity requires. The activities may be classified as: (A) regular maintenance for which no street disruptions or traffic control plans are expected; (B) minor repairs or construction which will require traffic permits and control for less than thirty (30) calendar days; (C) major repairs or construction which are expected to require substantial permitting from the City, impacts to traffic or surrounding properties, or which may persist for more than thirty (30) calendar days; and (D) utilities undergrounding projects to be coordinated with the City. The Two-Year Plan shall constitute the understanding between the City and Grantee as to those activities anticipated to require coordination with the City and other utilities. If there are changed circumstances regarding the use of City Streets, the City Manager may require adjustments to Grantee's scheduled activities to account for such conditions or may allow deviations or changes to Grantee's Two-Year Plan at Grantee's request, and Grantee shall cooperate unless reliability, safety, or compliance obligations make such adjustments impractical. Grantee shall promptly inform the City if its plans materially change under any Two-Year Plan.

(5) Grantee shall fully cooperate with the City's uses of the Streets, including for the City's construction, maintenance, and repair of City utilities. The City will establish or continue to operate a Joint Utilities Coordinating Committee (Coordinating Committee) or similar body in which Grantee shall be a member and active participant. The purpose of the

Coordinating Committee shall be to review and make recommendations to all utilities and the City on matters regarding utility installations and operations within the public rights-of-way. The Coordinating Committee shall be chaired by the City Manager or designee. The Coordinating Committee shall meet a minimum of four times each fiscal year. The Coordinating Committee shall give due consideration to Grantee's Two-Year Plan and to activities and projects the City has planned in the two-year cycle. The City will encourage the participation on the Coordinating Committee of other utility entities lawfully using the Streets, including telephone and cable service companies. Grantee shall recognize that other utilities may have rights of use in the Streets that are not granted by the City, and will endeavor to efficiently communicate and schedule to minimize interferences of utility work with the uses of the Streets and adjoining property, for the public welfare and for the benefit of all parties in the performance of their planned work. The Coordinating Committee may, by agreement of the City and Grantee, establish standing subcommittees and may assign tasks to, and receive recommendations from, such subcommittees as it may deem necessary.

Section 10. Undergrounding of Facilities

(a) The prior Grantee has been engaged in a program of converting to underground certain of its facilities in accordance with Rule 20 of the CPUC. Grantee must budget prior to the end of each calendar year certain sums of money for said program for the next succeeding year and allocate these sums to undergrounding projects in the various governmental jurisdictions throughout the Grantee's entire electric service territory. In 2002, the prior Grantee increased the amounts of money budgeted for undergrounding as a portion of the consideration for the granting of the rights and privileges contained in this franchise by applying to the CPUC for a Municipal Undergrounding Surcharge. Section 10 provides for the continuation of undergrounding of overhead lines and poles in the City as provided herein. The City and Grantee shall designate

liaisons to coordinate and communicate undergrounding activities within the City for purposes of enhancing communication between the City and SDG&E.

(b) As long as Rule 20 or its successor tariff remains in effect, Grantee shall apply to the CPUC for authority to budget amounts of money for the undergrounding of existing overhead facilities to reach a sum which is equal to four and one-half percent (4.5%) of said Gross Receipts as defined in Section 1(e), with 1.15% of Gross Receipts to be included within the base rates, and 3.35% in the form of a municipal undergrounding surcharge.

(c) Prior to the Commencement of Operations Date, the prior Grantee applied for Municipal Undergrounding Surcharges from the CPUC, resulting in the issuance of Resolution E-3788 which approved a Municipal Undergrounding Surcharge of 3.53%. Resolution E-3788 also approved an additional franchise fee differential surcharge of 0.35%. Grantee shall in good faith support the continued effectiveness of Resolution E-3788 as it existed on the Commencement of Operations Date and remit such collections to City as provided in Section 5.

(d) Grantee shall regularly apply to the CPUC for Rule 20 or successor program funding for the City in amounts equal to 1.15% of Gross Receipts. Grantee shall provide for such amounts in its applications and in good faith support Commission approval, provided Grantee shall not be responsible if the Commission authorizes lesser amounts or modifies or terminates the program. Grantee shall annually report to City in writing the percentage of Gross Receipts received for the City for that year in Rule 20 or successor program funding.

(e) Until and unless City elects to assume the obligation, Grantee shall be responsible, to the extent within the reasonable control of Grantee, for ensuring that all funds allocated for any calendar year, are expended before the end of the succeeding calendar year,

provided that Grantee and City may agree in a writing approved by resolution of the City Council.

(f) Grantee shall provide to the City all system information necessary to plan and design Municipal Undergrounding Surcharge-funded projects, including system information necessary to prepare both planning-level and design-level project cost estimates. Grantee shall cooperate with the City to provide efficient and cost-effective execution of planned projects, including, but not limited to (1) providing timely access to information the City deems relevant and necessary to evaluate pricing for project design services; and (2) ensuring the timely delivery of project support services upon receipt of substantially complete plans from the City, including design review and inspections necessary for the acceptance of infrastructure construction contracted and managed by the City, to the extent mutually agreed by the City and Grantee in the Undergrounding MOU, which agreement shall not be unreasonably withheld or delayed.

(g) The prior Grantee and City entered into a Memorandum of Understanding Regarding Implementation of Franchise Undergrounding Obligations ("Undergrounding MOU") approved by City Council Resolution No. R-295892 on December 11, 2001. Within sixty (60) days of the adoption of the Administrative MOU, the parties shall negotiate a new or amended Undergrounding MOU, which shall be presented to the City Council for approval by resolution. The new or amended Undergrounding MOU shall establish a written protocol for design and construction and for other related materials and services necessary for Municipal Underground Surcharge-funded projects in a manner that complies with both the City's ordinances and policies for procurement, unless otherwise prohibited by Applicable Law, and satisfies Grantee's and CPUC rules and regulations to assure safety and quality, as established in CPUC General Orders. The Undergrounding MOU shall provide for timely access to information, timely delivery of pricing proposals with commercially reasonable assurances, and timely delivery of

project support services. If in the negotiation of the Undergrounding MOU Grantee contends that laws prevent adherence to the City's ordinances and policies, Grantee shall provide in writing a specific legal basis that clearly establishes that the CPUC or other agency with jurisdiction requires or prohibits Grantee from following these ordinances and policies, including, if Grantee so contends, any prohibition on City, CPUC, and public access to Books and Records regarding the charges and expenditures of the Municipal Undergrounding Surcharge funds. General references to provisions of the law or Grantee business preferences will not suffice. If there is any disagreement in the negotiation of the new Undergrounding MOU, the dispute resolution procedures in Section 17 shall apply.

(h) The new or amended Undergrounding MOU provided for in Section 10(g) shall provide for the coordination and execution of the Municipal Undergrounding Surcharge program, including provisions for design and construction by Grantee, for reimbursement of Grantee by City, for design and construction by City in circumstances where City and Grantee agree, or as determined in the Undergrounding MOU, it is more appropriate for the City to contract for work, for compliance with Grantee and CPUC standards, and other appropriate administrative matters.

(i) Expenses directly and exclusively related to undergrounding electric infrastructure and indirect costs reasonably related to the program are reimbursable from Municipal Undergrounding Surcharge funds, but shall exclude payments for executive incentives and bonuses, and any indirect costs not reasonably related to the program. The contracting and accounting for Municipal Undergrounding Surcharge-funded projects shall be separate from and not comingled with the contracting and accounting for any other projects or work. Contracts for projects for which Grantee will apply for payment from Municipal Undergrounding Surcharge funds shall not contain non-disclosure clauses by which Grantee may assert that City may not

confidentially review such contracts and related documents. The Undergrounding MOU shall describe the accounting information and documentation Grantee shall include with all invoices for the undergrounding work submitted by Grantee for payment from the Municipal Undergrounding Surcharge funds.

(j) Grantee shall provide the City access to all Books and Records for Grantee processes and contracting describing costs for which Grantee requests reimbursement from the Municipal Undergrounding Surcharge fund. Grantee shall cooperate with the production of any Books and Records requested by the City to verify payment of Grantee's invoices to be paid from public funds, all in accordance with Section 10(g). Furthermore, Grantee shall submit to the City on an annual basis Grantee's average undergrounding costs per mile under the Municipal Undergrounding Surcharge program, calculating using the "miles installed" methodology further described in the Undergrounding MOU. It is the intent of Section 10(j) to provide and explicitly emphasize that Municipal Undergrounding Surcharge funds as authorized by the CPUC for the Franchise are City funds, and therefore the City shall have access to all Books and Records that it reasonably deems necessary to verify expenditure of said funds. Upon request of the City Manager, City Attorney, City Auditor, or their designee, Grantee shall provide all requested Books and Records reasonably necessary to verify charges to or expenditure of Municipal Undergrounding Surcharge undergrounding funds within ten (10) business days.

(k) The City shall determine and prioritize undergrounding projects, emphasizing undergrounding in communities of concern and high fire threat areas, and will establish project timelines according to the Underground Utilities Procedural Ordinance (San Diego Municipal Code Chapter 6, Article 1, Division 5, sections 61.0501 – 61.0519), in coordination with Grantee. Grantee shall cooperate with the City by including in its Two-Year Plans required by

Section 9 all planned undergrounding district projects as provided by City to Grantee in a manner which reasonably coordinates the schedules of the parties.

(l) Section 10 is intended only to be a portion of the consideration to be paid by Grantee to the City for the rights and privileges granted herein and therefore it does not create or confer any rights or obligations to any person other than the City or Grantee. Section 10 shall not be deemed in any way to be an impairment of the City's rights as more particularly set forth in Section 8.

Section 11. Cooperation with Community Choice Aggregation

Grantee shall cooperate with the City's exercise of its right to provide Community Choice Aggregation (CCA) to customers in the City pursuant to California Public Utilities Code sections 331.1 and 366.2, as may be amended from time to time. Subject to Applicable Law providing for electric commodity cost indifference between CCA customers and Grantee bundled service customers, Grantee shall cooperate with the City in any City decision to be a community choice aggregator, independently or through a joint powers agreement with other municipal authorities, and shall provide all such assistance required by law for the City's implementation of CCA. Grantee shall at all times abide by the CCA Code of Conduct established by Decision D.12-12-036 of the CPUC, as such Code of Conduct and underlying legislation may be amended by the California Legislature and CPUC from time to time. Any Grantee breach of the CCA Code of Conduct through marketing or lobbying with ratepayer funds shall constitute a material breach of the Franchise.

Section 12. Cooperation with City Climate Action, Local Energy, Energy Justice, and Purchasing of Local Materials

(a) *Climate Action and Local Energy.* Subject to Applicable Law, Grantee shall cooperate in good faith with the City's desire to accomplish the goals set forth in its Climate Action Plan dated December 2015. Subject to Applicable Law, Grantee shall reasonably assist

the City in achieving its goals of reducing carbon-based greenhouse gas emissions related to generation of the electricity used by customers in the City's corporate boundaries and reducing other greenhouse gas emissions in the City through increased electrification of transportation. Grantee's acceptance of the Franchise includes Grantee's understanding of the City's policy objectives, and, subject to Applicable Law, its willingness to assist in good faith the City's goal of having all electricity used in the City generated from renewable fuel sources by 2035, including to the greatest extent practical and lawful, through local customer-controlled distributed energy resources. Grantee shall cooperate, subject to Applicable Law, with all the City's efforts to have distributed energy resources located in the City more completely and increasingly integrated with the operation of Grantee's electrical distribution system. Grantee accepts that the City will support economic mechanisms to foster development of local renewable fueled electric distributed resources, electric storage, microgrids, electric transportation, and other technologies to be increasingly integrated with the design and operation of Grantee's electric distribution system. Grantee shall cooperate with the City in good faith toward fulfillment of these objectives in an Energy Cooperation Agreement as provided in Section 12(c), on a timetable that meets the City's Climate Action Plan, and with the City's understanding that many of the objectives are or will be subject to factors controlled by State legislation and orders of the CPUC.

(b) *Energy Justice.* Grantee shall cooperate with the City toward attainment of environmental and social justice in the provision of electric service. Grantee shall support the City's 2019 Climate Equity Index and any subsequent versions or revisions. Grantee shall use good faith efforts to assist the City in fulfillment of Climate Equity Index recommendations, including (1) to assist the City in seeking and providing grant funding opportunities to support community engagement and invest in areas with very low to moderate access to opportunity, or

in programs and projects that receive funding from any City fund established to advance climate equity objectives; (2) to support the City in conducting public engagement efforts, in partnership with community-based organizations, in census tracts with very low access to opportunity; (3) to assist the City in exploring the feasibility of establishing a sustainability ambassador program in areas with very low to moderate access to opportunity; (4) to assist the City in the determination of mechanisms to incorporate climate equity into City programs and projects; and (5) to cooperate with the City in periodically updating Climate Equity Index data. Grantee will use its best efforts to provide opportunities to low and moderate income customers for them to reduce energy bills through equitable access to energy efficiency and renewable distributed energy resources, to reduce cost volatility, and to improve access to energy services that empower low and moderate income residents and disadvantaged businesses through efficiency and conservation.

(c) *Energy Cooperation Agreement.* Grantee agrees to comply with and fulfill the terms of the Energy Cooperation Agreement, regarding the subjects provided in Sections 12(a), (b), and (e) herein. The Energy Cooperation Agreement has been signed by Grantee's responsible officer and adopted by the City Council together with this Franchise. The Energy Cooperation Agreement arises from Grantee's proposals in support of City's policies and has been agreed to by the parties to establish reasonable standards for purposes of Sections 3(b) and 12(c). The Energy Cooperation Agreement is at all times subject to Applicable Law, and provides for Grantee's points of alignment and cooperation with the City's policy objectives provided in Sections 12(a), (b), and (e), including the identification of barriers and described measures that Grantee can and will take to support City policies. Grantee's cooperation with Section 12 shall be reported in the periodic compliance report provided in Section 6. The Energy Cooperation Agreement shall give due consideration of any legal or practical impediments cited

by Grantee, including legislation, orders, and considerations for all customers (and not only those located in the City or immediately interested in a subject), as to why any policy cannot be implemented. The Energy Cooperation Agreement shall include discussion of opportunities for the City and its citizens, especially those citizens with low or moderate income, to gain access to energy efficiency, distributed energy resources, evolving technology, and transportation electrification programs and grants that are made available by the CPUC and California Energy Commission. The Energy Cooperation Agreement describes (1) Grantee's planned efforts to make opportunities available to City (and to other qualifying customers) to participate in Grantee's State-authorized energy efficiency, distributed energy, emerging technology (including Electric Program Investment Charge opportunities, as applicable), and transportation electrification program funding; (2) efforts that Grantee may take to support City's Municipal Energy Strategy and to making building energy efficiency resources as accessible as possible for the City and other customer building owners; (3) available programs and approach to how Grantee's proposals will give due consideration to the City's climate action goals and to the City's position and ability to partner with Grantee toward fulfillment of those goals, including through building codes, building energy benchmarking, deployment of renewable and storage distributed energy resources, microgrids, and electric transportation on City Streets.

(d) *Modification and Continuation of Energy Cooperation Agreement.* The Energy Cooperation Agreement may be modified to adapt to evolving circumstances at the request of Grantee, provided that the request for modification is reasonable and any amendment is approved by the City Council, which modification shall not be unreasonably refused, withheld or delayed. Grantee shall cooperate in good faith with any reasonable request by City for modification to the Energy Cooperation Agreement. The Energy Cooperation Agreement shall remain effective during the secondary term provided in Section 3(b).

(e) *Climate Equity Fund.* City has established a Climate Equity Fund to respond to the climate justice element of general planning pursuant to California Government Code section 65302(h)(4)(A). Any shareholder payments proposed by Grantee in the Energy Cooperation Agreement that are in addition to the consideration paid as a Bid Amount for the grant of the Franchise and the amounts paid pursuant to Section 4 of this Ordinance for exercise of the Franchise shall be paid or performed for the benefit of the Climate Equity Fund. Grantee agrees to support the objectives of the Climate Equity Fund in good faith. Grantee shall not apply to the CPUC to recover shareholder contributions to the Climate Equity Fund in rates or other charges from electric customers.

(f) *Purchasing of Local Materials.* Grantee shall use reasonable efforts to operate its business in a manner that the majority of purchasing of materials and supplies used in connection with its business occurs at addresses located in the City of San Diego.

Section 13. Indemnity, Defense, Insurance

(a) Grantee, to the fullest extent permitted by law, shall defend with legal counsel reasonably acceptable to the City, indemnify, and hold harmless the City and its officers, agents, departments, officials, and employees (Indemnified Parties) from and against all claims, losses, costs, damages, injuries (including death) (including injury to or death of an employee of Grantee, any agent or employee of a subcontractor of any tier), expense and liability (collectively "Claims"), including court costs, litigation expenses and fees of expert consultants or expert witnesses incurred in connection therewith and costs of investigation, that arise out of, in whole or in part, any acts performed, rights exercised, or rights or privileges granted under the Franchise, to or by Grantee, any employee, agent or subcontractor of any tier. Grantee's duty to defend, indemnify, and hold harmless shall not include (1) any Claims or liabilities arising from the active negligence, sole negligence, or willful misconduct of the Indemnified Parties, or (2)

any Claims or liabilities regarding the award, amendment, renewal or extension of the Franchise to Grantee.

(b) Concurrent with the acceptance of the Franchise by Grantee, and as a condition precedent to the effectiveness of the Franchise, and in partial performance of the obligations assumed herein, Grantee shall procure and maintain at Grantee's expense for the duration of the Franchise from an insurance company that is admitted to write insurance in California or that has a rating of or equivalent to A:VIII by A.M. Best & Company the following insurance against Claims for injuries to persons or damage to property which may arise from or in connection with the Franchise by Grantee, its agents, representatives, employees or subcontractors:

(1) Commercial General Liability (CGL): Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury, and personal and advertising injury, with limits no less than twenty-five million dollars (\$25,000,000) per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this Franchise or the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: ISO Form Number CA 00 01 covering any auto (Code 1), or if Grantee has no owned autos, hired (Code 8) and non-owned autos (Code 9), with limits no less than five million dollars (\$5,000,000) per accident for bodily injury and property damage.

(3) Workers' Compensation: as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limits no less than one million dollars (\$1,000,000) per accident for bodily injury or disease.

(c) Policies must be endorsed according to the following requirements:

(1) Additional Insured Status. The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of Grantee including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to Grantee's insurance (at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 if a later edition is used).

(2) Primary Coverage. For any Claims related to the Franchise, Grantee's insurance coverage shall be primary coverage at least as broad as ISO CG 20 01 04 13 as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of Grantee's insurance and shall not contribute with it.

(3) Notice of Cancellation. Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the City.

(4) Waiver of Subrogation. Grantee hereby grants to City a waiver of any right to subrogation which any insurer of Grantee may acquire against the City by virtue of the payment of any loss under such insurance. Grantee agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

(d) Verification of Coverage. Grantee shall furnish the City with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the Declarations and Endorsement Page of the CGL policy listing all policy endorsements to City before the Franchise is awarded. However, failure to obtain the required documents prior to the award of the

Franchise shall not waive Grantee's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

(e) Not more frequently than every five (5) years, if in the reasonable opinion of the City's Risk Manager or of an insurance broker retained by the City, the amount of the foregoing insurance coverage is not adequate, Grantee shall increase the insurance coverage as required by the City, provided that such coverage amounts may not increase by more than forty percent (40%) every five (5) years. Grantee shall furnish the City with certificates of insurance and with endorsements provided in Section 13(c) affecting coverage as required above. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. Any modification or waiver of the insurance requirements contained in the Franchise shall only be made with the written approval of the City's Risk Manager in accordance with established City policy.

(f) Grantee may fulfill the insurance obligations of Sections 13(b) through (d) by self-insurance. Grantee shall provide a certificate to the City evidencing the fulfillment of these requirements.

Section 14. Repair Costs

Grantee shall pay to City on demand the cost of all repairs to City property made necessary by any of the operations of Grantee under the franchise granted hereby, provided however that Grantee shall not be responsible for repairing the Streets to a condition better than existed prior to Grantee's work being performed, except as required by Applicable Law. For the avoidance of doubt, if Grantee's operations cause the need for a repair to a street, sidewalk, curb, or gutter, which, because of a change in Applicable Law must be built to new standards, Grantee shall repair or build the street, sidewalk, curb, or gutter to such new standards. Grantee may

make repairs to streets, sidewalks, curbs, and gutters itself at its own cost in accordance with City specifications if the same can be done without undue inconvenience to the public use of the streets.

Section 15. Forfeiture, Termination, and Other Remedies

(a) *Interpretation:* The Franchise is granted upon each and every condition herein contained and shall be strictly construed against Grantee. Nothing shall pass by the Franchise granted to Grantee unless granted in plain and unambiguous terms. Each of the Franchise conditions is a material and essential condition to the granting of the Franchise. The City and Grantee acknowledge the importance of informal dispute resolution procedures as set forth in Section 17(a), including, but not limited to, informal discussions and reasonable and good faith attempts to resolve issues at the appropriate level and in the most expeditious manner possible. However, if such informal attempts at resolution described in Section 17(a) and (b) do not resolve the issue, then the remedies in this Section 15(a)(b)(c)(f) and (g) shall apply. If Grantee fails, neglects, or refuses to comply with any of the conditions of the Franchise, and if such failure, neglect or refusal shall continue for more than thirty (30) calendar days after written demand by the City Manager for compliance, then the City may exercise the remedies provided in Section 15.

(b) *Breach of the Franchise: Remedies Aside from Termination:* If Grantee breaches the Franchise by failing, neglecting, or refusing to comply with any of the conditions of the Franchise, and if such failure, neglect, or refusal shall continue for more than thirty (30) calendar days after written demand by the City Manager for compliance, or as otherwise required by the terms herein, then the City may invoke the procedures set forth in Section 17, and upon obtaining a final and non-appealable judgment that the Franchise has been breached from a court of competent jurisdiction as set forth in Section 17, (1) may obtain all rights and remedies allowed

by law with the exception of termination, including money damages, declaratory relief, specific performance, and mandatory injunction and (2) may also pursue the remedy of termination pursuant to Section 15(c).

(c) *Breach of the Franchise: The Remedy of Termination:* In addition to the rights and remedies set forth in Section 15(b), if the City Manager in consultation with the City Attorney recommends that the City terminate the Franchise, by proposing a resolution to the City Council to terminate the Franchise, the City may then, after obtaining a two-thirds vote of the members of the City Council, terminate the Franchise and all the rights, privileges and the Franchise shall be at an end. If such termination were to occur, the provisions of Section 4 shall apply, including but not limited to those that apply to the Bid Amount. Thereupon and immediately, Grantee shall surrender all rights and privileges in and to the Franchise. The remedies and procedures outlined or provided in this Section 15(c), including termination, shall be deemed to be cumulative.

(d) *The City's Right to Void the Automatic Renewal for Secondary Term:* The Parties agree that the City reserves the right to void the automatic renewal for the secondary term that is described in Section 3(b). Voiding the automatic renewal for the secondary term does not impact the grant of the Franchise for the first ten (10) year term. The City's right to void the automatic renewal only applies to the secondary ten (10) year term of the Franchise. No later than thirty (30) calendar days prior to the tenth anniversary of the Effective Date, and no earlier than the ninth anniversary of the Effective Date, the City may void the automatic renewal if the City, through action of a two-thirds vote of the members of the City Council, votes to void the automatic renewal. Voiding the automatic renewal does not require a finding of any breach by Grantee. If the automatic renewal provision is invoked such that the secondary term is terminated, the

provisions of Section 4 shall apply, including but not limited to those that apply to the Bid Amount.

(e) *Termination due to Municipalization Ordinance:* In addition to the remedies set forth in Section 15(b) and (c), the City also has the right to terminate the Franchise if the City Council, or the electors of the City, adopt an ordinance that authorizes the City of San Diego to municipalize the provision of electric services in the City of San Diego, pursuant to Section 104 of the City Charter or other Applicable Law. The City's right to terminate pursuant to this Section 15(e) shall be a right reserved by Applicable Law to the City Council and City electors and may be exercised at any time during the Franchise term. If such termination were to occur, the provisions of Section 4 shall apply, including but not limited to those that apply to the Bid Amount.

(f) *Liquidated Damages.* The City and Grantee recognize and agree that certain breaches of specified conditions in the Franchise by Grantee will result in damages to the City. The City and Grantee further recognize that the cost of postponing services or projects, or other delay expenses, may not practically warrant termination of the Franchise by the City under Section 15(c) or require specific proof of damage by the City under Section 15(b). For such specified conditions and limited periods of Grantee breach, at the City's sole discretion and election, liquidated damages as set forth within Section 15(f) and (g) shall be as an alternative remedy to those provided elsewhere in Section 15, provided that such liquidated damages shall be the sole remedy available to the City for any such breach if City elects to collect liquidated damages. The City, instead of pursuing liquidated damages under Section 15(f), may elect to pursue other remedies available to it under this Section 15, but any such pursuit of other remedies shall be an election. For the absence of doubt, the City may either collect liquidated damages under Section 15(g) or pursue alternative remedies for breach under Section 15(b) and (c), but

may not pursue both. The City-elected liquidated damage assessments shall be applicable only to Grantee breaches of the conditions specified in Section 15(g), and only for the maximum time periods provided in Sections 15(f) and (g).

(1) If the City elects the remedy of liquidated damages for the breach of any of the specified conditions in Section 15(g), it shall deliver written notice to Grantee of the breach and the date on which the breach commenced, and the notice shall provide Grantee the same thirty (30) calendar day right to cure provided in Section 15(b). If after the thirty (30) calendar days from notice of the breach, the condition has not been cured or justified to the satisfaction of the City Manager, at City's election the remedy of liquidated damages shall thereafter be a remedy that shall apply only to the condition of breach specified in the notice and only for a period not-to-exceed one hundred eighty (180) calendar days from the date that is thirty (30) calendar days after each such notice. The liquidated damages provided in Section 15(g) shall accrue and be paid on each uncured unique incident notice even if multiple notices cite the same specified breached condition. For any breach that has not been cured within the notified cure period, Grantee shall be liable to the City for all accumulated assessed liquidated damages during the maximum period of applicability. The City Manager shall assess and bill Grantee for all such damages that shall be accrued during the liquidated damage assessment period and shall carry interest as provided by law from the date of assessment. All assessed liquidated damages and interest shall be payable to the City on the quarterly payment dates provided for fees and surcharge revenue in Section 5. During the pendency of any disputed liquidated damage assessment period, the parties shall engage in dispute resolution as provided in Section 17, and any resulting decision by a court of competent jurisdiction shall control regarding the payment of the liquidated damages set forth in this Section 15(f). Section 15 shall

not be construed to impair the City's right to acquire Grantee's property or facilities at any time as provided by the California Constitution and the San Diego Charter.

(2) By entering the Franchise, Grantee and the City agree that the specified Franchise conditions and liquidated damage amounts provided in Section 15(g) represent a reasonable endeavor by the parties to estimate a fair compensation for any loss that may be sustained by the City as the result of that breach of the specified condition for the period. Jointly foreseeable and reasonably estimable damages to the City of Grantee's breach of conditions in Section 15(g) include, but are not limited to, costs arising from Grantee's interference, disruptions, suspensions, obstructions, and delays to the City's programs, projects, contracts, and the cost to efficiencies in City-reserved uses of the Streets. The City's election of liquidated damages under Sections 15(f) and (g) is an alternative that shall be available to the City in lieu of Section 15(b), and is not and shall not be construed as a penalty. Grantee acknowledges that amounts provided in Sections 15(g) are capped and bear a reasonable relationship to the range of harm that the parties might reasonably have anticipated to follow from the specified breaches when they entered into the Franchise, and thereby provide a complete and final remedy for those violations if the City so elects liquidated damages.

(g) *Liquidated Damages for Breach of Specified Conditions.*

If elected by the City pursuant to Sections 15(f), the following events of Grantee breach shall have the corresponding daily liquidated damage charges excepting weekends and holidays:

(1) Failure to deliver facility location records and electric facility drawings and other engineering record information required by Section 9 without conditions not provided for in the Franchise: fifteen hundred dollars (\$1,500) per calendar day for delay and disruption.

(2) Failure to timely coordinate, bear costs, and physically relocate facilities upon direction of the City Manager as required by Section 8: fifteen hundred dollars (\$1,500) per

calendar day for delay and disruption. Actual cost of relocation shall be borne as set forth in Section 8.

(3) Failure to provide and pay for standby safety engineers for protection of Grantee facilities within ten (10) calendar days' notice from the City or its authorized agents as required by Section 9: Cost of standby engineers plus fifteen hundred dollars (\$1,500) per calendar day for delay impacts.

Section 16. Survivability

If the Franchise is terminated for any reason, then the following Section of the Franchise shall survive that termination: Section 1, Section 4(c)(6), Section 15(b), (c), (d) and (e), and Sections 16 to 26. In addition, the insurance required of Grantee in Section 13 shall be maintained until any remaining Grantee obligations to the City are fulfilled.

Section 17. Dispute Resolution

(a) If any dispute arises under the Franchise, including any alleged breach, the City and Grantee shall use reasonable efforts to resolve the dispute. The City and Grantee shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to the City and Grantee. If the City and Grantee do not agree on such a solution within fifteen (15) calendar days, then, upon written notice by either party to the other, such dispute shall be referred to the City Manager and a member of Grantee's executive staff for further consultation and negotiation.

(b) If the City Manager and the member of Grantee's executive staff are unable to agree on a solution within fifteen (15) calendar days of such referral, the City and Grantee shall attempt in good faith to settle the dispute by non-binding mediation administered by a mediator acceptable to both parties. The City and Grantee will cooperate in selecting a mediator. The City and Grantee will share equally in the mediation costs and each party will bear its own attorneys'

fees and related costs, including any expert witness fees. The parties will use their best efforts to conclude the non-binding mediation within forty-five (45) calendar days after the City Manager and member of Grantee's executive team conclude their discussions. The parties may extend the dates in Section 17 by mutual agreement.

(c) If the City and Grantee do not agree on a solution through non-binding mediation, then either party may pursue litigation in any court with jurisdiction. Notwithstanding any other provision of Section 17, the City or Grantee may proceed directly to litigation if there is an urgency that renders the preceding dispute resolution process impracticable.

Section 18. Publication Expense

Grantee shall reimburse the City for all publication expenses incurred in connection with granting the Franchise, within thirty (30) calendar days after the City provides Grantee a written statement of the expenses.

Section 19. Authority for Grant

Notwithstanding any other provisions, the Franchise is granted solely and exclusively under Sections 103, 103.1, 104, and 105 of the San Diego Charter.

Section 20. No Transfer Without Consent

Grantee shall not sell, transfer, or assign the Franchise or the rights and privileges granted thereby without the consent of the City Council, as set forth in San Diego Charter Section 103.

Section 21. Right of City's Electors

This grant of Franchise and authority shall be and is subject to the right of the majority of the electors of the City voting at any election at any time thereafter to repeal, change, or modify the grant, and such right is hereby expressly reserved to the electors; and it is expressly agreed that at any election held in the City, a majority of the electors of the City voting at the election

shall have the right to repeal, change, or modify the terms of this Franchise and the authority granted hereunder.

Section 22. Performance Bond

Grantee shall file and maintain a faithful performance bond in favor of the City in the sum of five million dollars (\$5,000,000) to guarantee that Grantee shall well and truly observe, fulfill, and perform each and every term and condition of the Franchise. The bond shall be acknowledged by Grantee as principal and by a corporation licensed by the Insurance Commissioner of the State of California to transact the business of a fidelity and surety insurance company as surety. In case of any breach of any condition of the Franchise causing actual provable damage to the City, up to the whole amount of the sum named in the bond may be taken and shall be recoverable from the principal and sureties upon such bond.

Section 23. Bankruptcy

Grantee and the City acknowledge that if Grantee becomes a debtor in bankruptcy under the bankruptcy laws of the United States (Bankruptcy Code), the Franchise shall be treated as an executory contract pursuant to Bankruptcy Code section 365(c). Grantee and the City further acknowledge that, as a non-assignable contract pursuant to applicable law, including San Diego Charter section 103 and California Public Utilities Code section 6203, the Franchise may not be assumed or assigned by the trustee or the debtor-in-possession without the consent of the City. In the event that the debtor-in-possession assumes the Franchise and the Franchise is sold pursuant to the Bankruptcy Code, it is the intent of the parties that the City shall have the right of first refusal to match the price of any buyer for the purchase of Grantee's facilities and assets and may acquire Grantee's facilities by matching any bona fide offer of purchase made in bankruptcy. Grantee and City acknowledge that if the City files any petition for bankruptcy

pursuant to Chapter 9 of the Bankruptcy Code, Grantee's claims shall be treated consistently with the applicable provisions of that Chapter.

Section 24. Acquisition and Valuation

Nothing in the Ordinance or the Franchise granted hereby shall be construed as in any way impairing the City's rights to acquire property of Grantee through the exercise of the City's power of eminent domain or through voluntary agreement between the City and Grantee. If the City chooses to exercise its power of eminent domain, it shall do so in accordance with the procedures provided by the general law of the State of California. The valuation of such property for condemnation purposes shall be made in accordance with such general law.

Section 25. Severability

If any term, covenant, or condition of the Franchise or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of the Franchise and their application shall not be affected thereby but shall remain in force and effect. The parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination, unless a court or governmental agency of competent jurisdiction holds that such provisions are not severable from all other provisions of the Franchise.

Section 26. Effective Date

This Ordinance shall take effect and be in force on the thirtieth day from and after the date of its final passage pursuant to San Diego Charter section 295.

APPROVED AS TO FORM: MARA W. ELLIOTT, City Attorney

By /s/Jean Jordan
Jean Jordan
Assistant City Attorney

FMO:als:jvg
03/28/21
5/24/21 COR. COPY
Or.Dept: Office of the Mayor
Doc. No.: 2666468
Attachments: Table of Contents

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of 06/08/2021

ELIZABETH S. MALAND
City Clerk

By /s/ Connie Patterson
Deputy City Clerk

Approved: 6/10/21
(date)


TODD GLORIA, Mayor

Vetoed: _____
(date)

TODD GLORIA, Mayor

(Note: The date of final passage is June 11, 2021, which represents the day this ordinance was returned to the Office of the City Clerk with the Mayor's signature of approval.)

ORIGINAL

UNDERGROUNDING
MEMORANDUM OF UNDERSTANDING
FOR
CITY OF SAN DIEGO & SDG&E
UTILITY UNDERGROUNDING PROGRAM

February 2022

DOCUMENT NO. 00-22440
FILED MAR 01 2022
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

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**UNDERGROUNDING MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF SAN DIEGO AND SAN DIEGO GAS & ELECTRIC
COMPANY**

THIS UNDERGROUNDING MEMORANDUM OF UNDERSTANDING (“MOU”) is entered into by and between **THE CITY OF SAN DIEGO**, a California municipal corporation (“**CITY**”), and **SAN DIEGO GAS & ELECTRIC COMPANY**, a California corporation (“**GRANTEE**”) (**CITY** and **GRANTEE** are collectively referred to herein as the “**Parties**”), to be effective when signed by both Parties, approved by the San Diego City Council (“**Council**”), and approved as to form by the San Diego City Attorney (the “**Effective Date**”).

On July 11, 2021, City of San Diego Ordinance No. 0-21328 became effective, entitled *An Ordinance of the Council of the City of San Diego Granting to San Diego Gas and Electric Company the Franchise for Transmitting and Distributing Electricity and other purposes* (the “**Franchise**”). The Franchise notes that the Parties previously entered into a Memorandum of Understanding Regarding Implementation of Franchise Undergrounding Obligations (“**2001 Undergrounding MOU**”) approved by San Diego City Council Resolution No. R-295892 on December 11, 2001. The Franchise calls for the Parties to negotiate a new or amended Undergrounding Memorandum of Understanding to continue the conversion to underground of **GRANTEE**’s aboveground electric facilities as identified by the Parties.

This MOU is intended to establish a protocol for the design, procurement and construction necessary to convert to underground **GRANTEE**’s electric facilities using Municipal Underground Surcharge funds (as defined in the Franchise) in a manner that complies with both **CITY**’s ordinances and policies for procurement and satisfies **GRANTEE**’s and California Public Utilities Commission rules and regulations to assure safety and quality.

1. Definitions. As used in this MOU, the following terms are defined as follows:

- 1.1. “**30% Design Baseline**” means **GRANTEE**’s trench and conduit 30% design schedule and 30% design estimate.
- 1.2. “**Applicable Laws**” has the meaning assigned to such term in the Franchises.
- 1.3. “**Actual Cost**” means the reporting of a cost value that was previously estimated and is now reported as a confirmation of cost incurred.
- 1.4. “**As-Builts**” means copies of the final construction drawings for the Improvements. As-Builts shall be notated to verify and record the quantities of all material installed and the physical position of installation. Additionally, As-Builts shall document any change in the actual installation performed as compared to the original drawing. As-Builts shall be provided by **CITY**’s qualified personnel.
- 1.5. “**Bid Documents**” means construction documents issued out for competitive bidding by **CITY** for a contractor to perform the undergrounding conversion Work.
- 1.6. “**Books and Records**” has the meaning assigned in the Franchise.
- 1.7. “**Business Days**” means any day other than a Saturday, Sunday or a Holiday. “**Days**” or “**days**” shall mean calendar days.

1.8. “**CGP**” means the State Water Resources Control Board’s Storm Water Construction General Permit.

1.9. “**CITY**” means the City of San Diego, which includes CITY’s agents, employees, and contractors. CITY shall be responsible for all CITY’s agents, employees and contractors and ensure that they adhere to all conditions as stated in this MOU.

1.10. “**CITY’s Address for Notices**” is:

City of San Diego Transportation Department
Utilities Undergrounding Program
MS 1900
202 C St.
San Diego, CA 92101

1.11. “**CITY Fiscal Year**” or “**Fiscal Year**” means July 1 to June 30.

1.12. “**CITY Liaison**” means the Assistant Deputy Director for the Right of Way Management Division as designated by the CITY to meet the designation requirement found in Section 10(a) of the Franchise.

1.13. “**CMFE**” means CITY’s Engineering and Capital Projects Construction Management Field Engineering Division.

1.14. “**Communities of Concern**” means a census tract that has been identified as having very low, low or moderate access to opportunity as identified in the San Diego Climate Equity Index or as otherwise identified in CITY policies.

1.15. “**Compliance Review Committee**” has the meaning assigned in the Franchise.

1.16. “**CPUC**” means the California Public Utilities Commission.

1.17. “**Defect**” or “**Defective Work**” means any design, engineering, materials, equipment, installation, service or other Work which (a) does not conform or otherwise meets the criteria of GRANTEE’s Specifications; (b) is of improper or inferior workmanship or material; (c) is inconsistent with industry standard generally accepted in the electric industry; or (d) could adversely affect the mechanical, electrical, or structure integrity of the Improvements.

1.18. “**Designated Person of Authority (DPOA)**” means a person identified by a Party to provide clarifications, direction, and approvals on behalf of that Party. The DPOA may hold various titles within each organization, such as “Project Manager”, “Resident Engineer”, or “Contract Administrator” and may be an employee or contractor of the Party, provided that the person has the appropriate level of administrative authority with respect to the requirements of this MOU.

1.19. “**Design Locations**” also known as “**Design By Location**” is a means of identifying smaller components of a distribution electric or gas design whereby a designer limits identifying callouts per smaller component. The callouts focus on equipment, labor, parts and pieces for each small

component of the design. Ultimately, an entire design will be identified by the collective Design Locations.

1.20. “**DSD**” means CITY’s Development Services Department.

1.21. “**Excavation**” means trenching, boring, and removal of soil required for the installation of GRANTEE’s Substructures or conduit, all necessary backfilling including required imported backfill material and removal of trench spoil, and surface repair.

1.22. “**Final Acceptance**” means GRANTEE’s acceptance of any Work performed by CITY on GRANTEE Facilities pursuant to a Project as further defined in Section 6.11.

1.23. “**Final Billing**” means the summary of Actual Costs provided to CITY at the completion of each Project.

1.24. “**Final Grade**” means the grade of the Work after paving and landscaping are complete.

1.25. “**Finish Grade**” means the grade of the Work before paving and landscaping.

1.26. “**Governmental Authorities**” means any local, regional, state or federal governmental entities having jurisdiction over any aspect of this MOU, CITY, GRANTEE or the Work performed pursuant to this MOU.

1.27. “**GRANTEE**” means San Diego Gas & Electric Company, which includes GRANTEE’s agents, employees, and contractors. GRANTEE shall be responsible for all GRANTEE’s agents, employees, and contractors and ensure that they adhere to all conditions as stated in this MOU.

1.28. “**GRANTEE’s Address for Notices**” is:

SDG&E Regional Public Affairs Department
8330 Century Park Ct.
San Diego, CA 92123

1.29. “**GRANTEE’s Construction Standards**” means GRANTEE’s Gas and Electric Construction Standards, including GRANTEE’s Service Standards and Guide, as may be amended from time to time (Gas and Electric Construction Standards and the Service Standards and Guide are available at <https://www.sdge.com/builder-services>).

1.30. “**GRANTEE Facilities**” means any facility, instrument, appurtenance or piece of equipment used for the delivery of energy or in support of the delivery of energy and associated uses thereof by GRANTEE within the ROW.

1.31. “**GRANTEE Inspector**” means the person assigned by GRANTEE to inspect and accept or reject new GRANTEE Facilities based on compliance or lack thereof with GRANTEE’s Construction Standards and Specifications.

1.32. “**GRANTEE Liaison**” means its Regional Public Affairs Manager as designated by the GRANTEE to meet the designation requirement found in Section 10(a) of the Franchise.

- 1.33. **“GRANTEE Planner”** means the person assigned by GRANTEE to coordinate technical planning activities on Projects in support of the GRANTEE Project Manager
- 1.34. **“GRANTEE Pre-Construction Meeting”** means a meeting organized by CITY after GRANTEE has hired a contractor to install the trench and conduit for the Project, which shall include, at a minimum, GRANTEE’s contractor, CITY Resident Engineer, GRANTEE Field Construction Advisors and Construction Manager, GRANTEE Project Manager, GRANTEE Planner, communications providers, other utilities and applicable CITY staff.
- 1.35. **“GRANTEE Project Coordinator”** means the person assigned by GRANTEE to coordinate the Work with CITY in the field.
- 1.36. **“GRANTEE Project Kickoff”** means the GRANTEE-scheduled kickoff meeting after receipt of Notice to Proceed.
- 1.37. **“GRANTEE Project Manager”** means the person assigned to manage the entire Project on behalf of GRANTEE.
- 1.38. **“GRANTEE’s Specifications”** means GRANTEE’s material, equipment and construction drawings and requirements (including any revisions, supplements or GRANTEE approved field changes) detailing the Work to be performed.
- 1.39. **“High Fire Threat District (HFTD)”** means those areas within California where there is a higher risk for power line fires igniting and spreading rapidly and where additional fire-safety regulations apply, as required by the CPUC and adopted as part of a statewide fire-threat map that outlines the boundaries of the HFTD via Tier 1 Advice Letter on January 19, 2018, as may be amended from time to time.
- 1.40. **“Improvements”** means those physical improvements or upgrades required by either CITY or GRANTEE to ensure protection of GRANTEE Facilities including, without limitation, curbs, sidewalks, berms, barricades, gutters, bridle or pedestrian paths, raised planters or parking lot berms in residential, commercial, manufacturing, or industrial projects. CITY’s plans for its Improvements shall provide verification of Finish Grade.
- 1.41. **“Joint Project Pre-Construction Meeting”** means a meeting led by CITY after delivery of the Mobilization Notice for any Joint Project held with GRANTEE Project Manager, GRANTEE Planner and GRANTEE Inspector, CITY’s contractor, and other communication providers and utility owners to discuss construction related questions and responsibilities for a Joint Project.”
- 1.42. **“Landowner”** means any public or private entity, or a natural person or persons, whose property is affected in any way by Work.
- 1.43. **“Monthly Invoicing Backup Material”** means those materials described in Appendix B - Invoicing Backup Material.
- 1.44. **“Municipal Surcharge Program Fund”** means funds collected under the Municipal Undergrounding Surcharge as defined in section 1(q) and 10(c) of the Franchise and remitted to CITY in accordance with section 5 of the Franchise, which are available for budgeting and expenditure exclusively for utility undergrounding purposes.

1.45. **“Notice of Design Acceptance”** means a notice from GRANTEE to CITY that GRANTEE takes no exceptions to a design submitted by CITY.

1.46. **“NPDES”** means a National Pollution Discharge Elimination System

1.47. **“Overheads”** means overhead costs are those activities and services that are associated with direct costs, such as payroll taxes, pension benefits, engineering, administrative and general (A&G) functions, etc. that cannot be economically direct-charged. The overhead allocations adhere to the methodology established by the Federal Energy Regulatory Commission (FERC) and were derived using the same methodology in GRANTEE’s most recent General Rate Case (GRC) filing.

1.48. **“Qualified Designer”** means a person who has both passed qualifying exams administered by GRANTEE in a particular design discipline (overhead design, underground design, gas design, vault design) and has also completed the requisite number of hours demonstrating their capabilities in that discipline.

1.49. **“Qualified Designer List”** means GRANTEE’s updated list of all qualified designers in their respective disciplines. A designer may be qualified in one, two, three or all four disciplines (overhead design, underground design, gas design, and vault design). Qualified Designers only design for disciplines for which they are qualified. The Qualified Designer List is available at <https://www.sdge.com/builder-services> (as may be amended from time to time)

1.50. **“Raceway Release”** means the raceway, inspection and release of customer side service equipment from the point of demarcation at the pull can to the existing weather head, which authorizes GRANTEE to proceed with customer energization.

1.51. **“Resident Engineer”** means the CITY employee or CITY hired Construction Management Consultant assigned to inspect and accept or reject Work.

1.52. **“ROW”** means the publicly-dedicated right-of-way of CITY, which are public easements for streets, alleys, or other uses, as defined in SDMC 113.0103, as may be amended from time to time.

1.53. **“SDMC”** means the San Diego Municipal Code, as may be amended from time to time.

1.54. **“Start Construction Notification”** means GRANTEE’s notification to CITY that GRANTEE is about to begin construction activities on a Project.

1.55. **“Substructures”** means manholes, handholes, vaults, pads (for transformers, terminators or fuse cabinets), grounding grids and other structures needed to accommodate cables, connections, transformers and appurtenances.

1.56. **“Surcharge Program”** means CITY’s Municipal Undergrounding Surcharge Program, as defined in the Franchise.

1.57. **“Utility Undergrounding Advisory Committee”** means the San Diego City Charter section 43(b) Citizens’ Committee formed on February 12, 2014 by Council Resolution R-308721. The Committee issued its final Report and Recommendations on March 23, 2015.

1.58. **“Work”** means all labor, engineering, design, material and equipment to be performed on GRANTEE Facilities or in the ROW with respect to a Project.

1.59. **“Work Order”** means a document describing a task to be completed by CITY or GRANTEE, as applicable, with respect to any type of Work.

2. Goals, Term and Amendments

2.1. **Goals.** The Franchise requires that this MOU “provide for the coordination and execution of the Municipal Undergrounding Surcharge Program, including provisions for design and construction by GRANTEE, for reimbursement of GRANTEE by CITY, for design and construction by CITY in circumstances where CITY and GRANTEE agree, or as determined in the Undergrounding MOU, it is more appropriate for CITY to contract for Work, for compliance with GRANTEE and CPUC standards, and other appropriate administrative matters.” To that end, the Parties have established certain goals for this MOU and the Surcharge Program, as follows:

2.1.1. Maximize the value of the Surcharge Program by:

2.1.1.1. Ensuring Projects are cost effective and that prudent care of public funds is always maintained.

2.1.1.2. Striving for expeditious overall delivery of completed Projects and planning for a practical minimum number of days streets are impacted by construction.

2.1.1.3. Actively pursuing the development of best practices to reduce impacts to communities during the construction process.

2.1.1.4. Delivering Projects that meet all standards for safety, quality, and reliability.

2.1.1.5. Keeping stakeholders informed through transparent information sharing and timely reporting.

2.1.1.6. Keeping residents, business owners and communities informed using proactive communication and outreach with customers prior to and during Project construction.

2.2. **Term.** This MOU shall become effective on the Effective Date and shall terminate immediately upon the termination, expiration or forfeiture of the Electric Franchise for any reason (“**Term**”). In the event of termination of this MOU, the Parties will meet and confer to discuss how to resolve any active Projects in a manner that will provide for the safety of the public and GRANTEE Facilities.

2.3. **Amendments.** Either Party may initiate a request for the other Party to review proposed amendments to update the provisions of this MOU and the Parties agree to review all such proposals in good faith. Any changes to this MOU are subject to approval by the Council.

3. Rule 20. GRANTEE will continue to work with CITY to underground certain aboveground utility facilities in accordance with the requirements of the CPUC’s Rule 20 program and CPUC orders. The Parties acknowledge that the CPUC is currently reviewing the Rule 20 program and a decision regarding the continuation of the Rule 20 program is not expected before the execution of this MOU. The Parties

agree to meet and confer if and when the CPUC recommends any significant changes or proposes a decision regarding Rule 20.

4. Program Oversight and Governance. CITY shall act as the overseeing and governing body of the Surcharge Program.

4.1. CITY Program Management Responsibilities. CITY owns and is responsible for managing the Surcharge Program. CITY's responsibilities with respect to management of the Surcharge Program include the following, without limitation:

- 4.1.1. Project identification and prioritization;
- 4.1.2. Establishing Underground Utilities Districts where Projects are selected by CITY;
- 4.1.3. Determining which Projects will be designed and constructed by GRANTEE as defined in Section 7 and which will be designed and constructed as Joint Projects as defined in Section 6;
- 4.1.4. Managing the Municipal Surcharge Program Fund, including all accounting thereof;
- 4.1.5. Assigning sufficient Municipal Surcharge Program Fund monies to Projects; and
- 4.1.6. Managing communication providers and other utilities impacted by any Project.

4.2. Project Identification and Prioritization.

4.2.1. CITY shall prioritize Projects in accordance with CITY Policies, as amended from time to time. Such prioritization shall account for undergrounding needs in Communities of Concern and communities with higher fire risk, as identified in the High Fire Threat District tool, the City's Climate Resilient SD Plan, and intelligence and data from SDG&E meteorology teams and academic research partners.

4.2.2. GRANTEE will supply information reasonably required by CITY to prioritize parts of CITY with aboveground distribution GRANTEE Facilities within the High Fire Threat District, and where undergrounding may be the most beneficial for wildfire mitigation. Upon request, GRANTEE will participate and support CITY staff in making presentations to Council concerning climate risk and public safety.

4.2.3. Upon request, GRANTEE will provide information to CITY regarding existing aboveground GRANTEE Facilities reasonably necessary to allow CITY to generate planning level cost estimates for Projects.

4.3. Underground Utilities Districts.

4.3.1. Underground Utilities Districts are created according to the "**Underground Utilities Procedural Ordinance**" (SDMC Chapter 6, Article 1, Division 5). GRANTEE will participate in the review of draft Underground Utilities District boundaries, including attending field review meetings, and will advise on adjustments to draft boundaries to achieve Project cost efficiencies.

4.3.2. If at any time after creation of an Underground Utility District, GRANTEE discovers a need to modify the boundary, such as to add or remove parcels, or exempt poles, stub poles or anchors, or other similar reasons, GRANTEE will promptly notify CITY.

4.4. Annual Project List. CITY will provide in writing to GRANTEE by July 30 of each year (thirty (30) days after the start of CITY's Fiscal Year), a list of Projects expected to be released to GRANTEE for the following twelve (12) month period with estimated Notice to Proceed (NTP) dates by quarter; and a list of Projects CITY desires to jointly deliver with GRANTEE support with estimated CITY start dates by quarter ("**Project List**").

4.5. Communication Infrastructure Providers. Prior to scheduling a public hearing for creation of an Underground Utilities District, GRANTEE will work with CITY and respective communication infrastructure providers to identify attachments to GRANTEE's poles within the proposed District. CITY will notify all affected persons and utility companies and secure their cooperation in accordance with the Underground Utilities Procedural Ordinance. SDMC 61.0509 governs the Parties' obligations concerning joint trench.

4.6. Non-Program CITY Work and Third-Party Work. CITY will be responsive to GRANTEE requests for utility coordination to facilitate Projects where CITY is the utility provider, CITY is planning or managing work in the ROW unrelated to the Program or has permitted work by a third party that may impact a Project (e.g., CITY Capital Improvement Projects, third-party construction in CITY ROW, etc.), including notifying appropriate CITY departments that may be impacted by a Project and securing CITY department participation for Projects. GRANTEE shall not be responsible for any delays or other impacts arising from other (non-Program) CITY work or third-party work in the ROW or any such party's failure to comply with Project schedules or milestones.

4.7. Safety.

4.7.1. The Parties agree and acknowledge that safety is of the utmost importance for all Work performed under this MOU.

4.7.2. CITY will provide copies of GRANTEE's safety policies to all CITY employees and contractors present at sites. CITY employees and contractors will adhere to GRANTEE's safety policies where doing so does not conflict with CITY requirements or policies. GRANTEE will adhere to GRANTEE's safety policy for all employees and contractors under GRANTEE's direct control.

4.7.3. Additionally, either Party reserves the right to suspend any Project for a reasonable safety reason, including without limitation, unstable or dangerous soil conditions. The Parties will meet and confer to explore all reasonable options to mitigate or resolve any such safety issue to enable the Project to move forward if Parties mutually agree regarding mitigation measures.

4.7.4. Payment to GRANTEE will not be withheld for Project expenditures that are reimbursable under this MOU incurred prior to suspending or terminating a Project, nor will GRANTEE be responsible for delays arising from any suspension of Work for safety.

5. Program Level Communications.

5.1. CITY DPOA, GRANTEE DPOA and pertinent staff shall meet on a regular basis, at least monthly, to review Project related information including, but not limited to, the Project List, all open and active Projects, all upcoming Work milestones, potential causes of delay, Project risks, and budget

forecasting. The Parties will submit Project documentation via ProCore or a similar software program that manages document transmittals whenever possible.

5.2. Each Party will have one DPOA for the Surcharge Program, however the assignment of a DPOA will not prohibit or limit any Project communications between the Parties. DPOA assignments will be communicated in writing, including clarification on the scope of that person's authority, and substitution or replacement of an assigned DPOA shall be communicated without delay. The DPOA may not have signature authority on all relevant approvals but serves as the Party's point of contact for obtaining required signatures, and to provide clarification on approval steps and signature authorities within the DPOA's organization.

6. Joint Projects. In accordance with the Project List, the Parties shall manage those Projects to be jointly delivered by CITY with GRANTEE support as follows:

6.1. CITY Design Responsibilities.

6.1.1. CITY will notify GRANTEE of its intention to commence Project design for a specific Project ("CITY Project Initiation Notice") and schedule a kick-off meeting ("CITY Project Kickoff").

6.1.2. CITY will be responsible for all Project designs, in all aspects, including joint trench design and coordination described in SDMC 61.0509. CITY will ensure all GRANTEE Facilities are designed by a Qualified Designer on the Qualified Designer List.

6.1.3. CITY will perform all corrections, edits or modifications to the designs concerning GRANTEE Facilities requested by GRANTEE during the Project lifecycle until GRANTEE accepts ownership of GRANTEE Facilities, in accordance with the procedures specified herein. GRANTEE will exercise care to avoid impacts to individual Project schedules once Final Designs are approved.

6.1.4. CITY will design all GRANTEE Facilities in compliance with GRANTEE's Construction Standards and GRANTEE's Specifications.

6.2. CITY and GRANTEE Cooperation for Design and Project Management of Joint Project

6.2.1. GRANTEE will provide, in a timely manner, the following support to CITY in preparation for the CITY Project Kickoff and as needed for the duration of the Project:

6.2.1.1. Provide CITY the Qualified Designer List, which shall be used exclusively for the design of any GRANTEE Facilities. GRANTEE shall ensure that the Qualified Designer List is updated and available on GRANTEE's Builder Services webpage for CITY's use. GRANTEE will not be responsible for impacts to Project schedules or Project cost if a Qualified Designer contracted by CITY for this Work becomes unavailable.

6.2.1.2. GRANTEE will review components of CITY design bid packages including design scope, references to designs, GRANTEE's Construction Standards, GRANTEE's Specifications and other GRANTEE materials included therein.

6.2.2. GRANTEE will cooperate in the timely scheduling of the CITY Project Kickoff, attend the CITY Project Kickoff, and provide necessary information for the selected Qualified Designer

to start the design. This includes providing CITY's selected Qualified Designer with access to any GRANTEE-controlled software or databases necessary for performing the design.

6.2.3. At the CITY Project Kickoff, CITY's selected Qualified Designer will be present, and the Parties will develop a draft Project schedule that includes all agreed-upon sequencing and durations for the Project. Schedule maintenance, reporting and coordination is described further in Section 6.14 below.

6.2.4. CITY will submit and GRANTEE will review all design submittals, bid package review submittals and other agreed-upon relevant submittals to support CITY, for conformance with GRANTEE Standards, safety and constructability in accordance with the timelines described in Appendix C - GRANTEE Design Review Timelines. For Work Orders consisting of more than 400 Design Locations, or with unique design requirements, including but not limited to boring requirements or bridge attachments, the Parties will discuss and approve appropriate review times.

6.2.5. Once the Project-specific design review timeline is established, if additional time is necessary to perform corrections, edits, or modifications, GRANTEE and CITY will amend the Project schedule accordingly and GRANTEE will make a good faith effort to minimize additional days of review time.

6.2.6. GRANTEE will cooperate with CITY in sequencing Project design approvals as necessary to support CITY's sequencing of construction including CITY's option to sequence the construction Work on private property in advance of construction Work in the ROW.

6.2.7. Parties recognize that these are large and complicated Projects, and the Parties may encounter various challenges regarding the coordination of approval processes for contracts and change orders. As such, GRANTEE agrees to be a good faith partner to CITY and will offer flexibility and cooperation regarding design and construction requirements where feasible and safe.

6.3. GRANTEE Acceptance of Design Performed by CITY.

6.3.1. Notice of Design Acceptance. Upon acceptance of each CITY submittal, GRANTEE will send a written "**Notice of Design Acceptance**" to CITY. Notices of Design Acceptance are valid for a period of six (6) months. CITY designers remain responsible for the quality of their design.

6.3.2. Changes after Notice of Design Acceptance. The Parties recognize that late changes to prior design acceptances can have detrimental impacts on the cost and schedule for delivering a Project. Should GRANTEE discover the need for design changes after a Notice of Design Acceptance has been granted, GRANTEE will inform CITY and provide explanation as to why revision of the prior Notice of Design Acceptance is necessary to ensure safety, reliability, constructability, changes in standards, or compliance with regulatory requirements. GRANTEE will cooperate with CITY in mitigating the impacts on Project cost and schedule to accommodate the revisions and issue a revised Notice of Design Acceptance.

6.3.3. Mitigating Changes After CITY Bid Package Completion. CITY recognizes that designs can become outdated due to subsequent changes in GRANTEE's Specifications, upgrades in the field unrelated to the Project, or changes to site conditions. The Parties also recognize that there are practical challenges to immediately implementing an approved design because of required timelines for bidding and other processes and changes to bid packages during or after the bidding process can impact

the Project with additional costs and delays. CITY procurement practices are to limit Project design changes after bid package preparation. GRANTEE will endeavor to minimize Project design changes or seek appropriate design deviations where practical and safe to do so once CITY bid package preparation is complete, in accordance with the terms of this MOU.

6.4. GRANTEE Easements for Joint Projects.

6.4.1. Where public right-of-way does not provide sufficient space for conduits, equipment, or other GRANTEE Facilities necessary for completing the overhead to underground conversion, CITY will coordinate discussions with the Qualified Designer, GRANTEE and property owners to identify a feasible and viable location for the easement along with alternative feasible and viable locations.

6.4.2. CITY will explain to the property owner of the identified feasible and viable locations for the proposed easement the specific terms and conditions of GRANTEE's easement proposal. Should the property owner agree to the terms, GRANTEE will prepare and process GRANTEE's easement forms to secure easement rights for the benefit of GRANTEE to which CITY is not a party. If the property owner does not agree to GRANTEE's terms and conditions for an easement at the identified location or the alternatives, the responsibility to identify feasible design alternatives remains with CITY.

6.4.3. Design approvals will not be finalized prior to GRANTEE acquiring all easements that are needed for the design to be complete. However, design reviews may continue concurrent with the process of acquiring easements; provided that concurrent Work may result in additional reviews.

6.4.4. CITY will actively manage communications with property owners; however, GRANTEE's land management professionals will handle the review and approval of easement terms and conditions with property owners and the execution of easements. CITY will continue to manage communications until all easements required for the Project are fully executed by GRANTEE and the respective property owners.

6.4.5. If CITY is the public landowner for a needed easement, CITY will be timely in executing approvals if all conditions required by Applicable Laws are met. Council approval may be required for the granting of easements where CITY is the public landowner.

6.4.6. In all cases, if an easement is to be granted to GRANTEE, then GRANTEE will provide for the services of qualified personnel necessary for execution.

6.4.7. Both Parties will cooperatively pursue resolution of all land rights issues to facilitate completion of Projects with a shared interest in reducing cost and timeline impacts to the Project.

6.4.8. In no event shall GRANTEE be held responsible for delays arising from GRANTEE's inability to obtain easements as long as GRANTEE is reasonably pursuing such easements.

6.4.9. Other than those negotiated directly with CITY, the terms and conditions of any such easement shall be at the sole discretion and responsibility of GRANTEE.

6.4.10. Any compensation required with respect to any easement necessary to complete a Project under the Surcharge Program shall be paid for through the Municipal Surcharge Program Fund.

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6.5. Environmental Compliance for Joint Projects.

6.5.1. CITY will be responsible for all required environmental compliance for construction Work performed by CITY personnel and CITY contracts, including obtaining all necessary environmental reviews and approvals required by Applicable Laws (including permits).

6.5.2. The Parties agree and acknowledge that CITY controls and is responsible for environmental compliance relating to construction activities under the Surcharge Program, and GRANTEE is responsible for long-term operations and maintenance of GRANTEE Facilities. If CITY is aware or anticipates that any mitigation or monitoring requirements or any applicable permits for any Project may create post-construction impacts, the Parties will work collaboratively to resolve these issues so that no additional mitigation measures will impact GRANTEE Facilities during operations unless GRANTEE consents in writing to manage such measures.

6.6. Compliance with Applicable Laws. CITY will be responsible for obtaining any and all agency permits required for construction on a Joint Project. GRANTEE will support obtaining of agency permits, including but not limited to providing information about methods of construction to be used by GRANTEE and participating in meetings with regulatory authorities. If a governmental agency imposes conditions which necessitate any changes in the trench or conduit system shown on GRANTEE's Specifications for the Project, CITY shall not proceed with any Work affected by such conditions until GRANTEE has completed the necessary approval of redesign of construction drawings and new agreement documents have been signed by an authorized representative of GRANTEE and CITY reflecting such changes in accordance with the terms of this MOU. Construction Work performed by GRANTEE will be subject to all requirements of agency permits obtained for the Project.

6.7. CITY Construction Scope. The scope of construction to be contracted and managed by CITY for Joint Projects is as follows:

6.7.1. CITY will perform electrical service conversion Work on all properties within the Project except where property owners agree to self-perform their own conversion Work.

6.7.2. CITY will perform any customer side electrical Work needed during GRANTEE's execution of service cut-over Work.

6.7.3. CITY will perform all trench and conduit Work in the ROW and on private property. Prior to trench and conduit Work commencing, CITY will perform field markout of utility infrastructure prior to GRANTEE performing field layout as described in Section 6.11.5 herein. Additionally, CITY will be responsible for coordinating all joint trench Work with all communication providers and other utility owners for Joint Projects.

6.7.4. CITY will coordinate with communications providers for wire removal.

6.7.5. CITY will perform all streetlight installations, and installation of all conduit required to service the streetlights. As described in Section 6.13, GRANTEE will be responsible for wiring up to the service points and fulfilling electrical service orders to energize the streetlights.

6.7.6. CITY will have lead responsibility for all customer communications, stakeholder communications and issue resolutions pertaining to the Project. GRANTEE will participate in the resolving of issues when resolution requires GRANTEE involvement, upon CITY notification thereof.

6.8. Streetlight Coordination. CITY will design all streetlights and perform streetlight construction; provided that at CITY's discretion, CITY and GRANTEE may meet and confer regarding the assignment of such Work to GRANTEE, which may require further coordination of the Parties. The Parties acknowledge that there are inherent challenges in coordinating the installation, field approvals and energizing of streetlights that are part of any undergrounding Project. The Parties agree to evaluate opportunities for improved coordination and to pursue changes to contracting and operational practices that lead to increased efficiencies.

6.9. Construction Scheduling and Coordination.

6.9.1. CITY will provide notice to GRANTEE of CITY mobilizing their contractor for construction of a Project ("**Mobilization Notice**").

6.9.2. After delivery of the Mobilization Notice, CITY will arrange a Joint Project Pre-Construction Meeting with CITY's contractor, GRANTEE Project Coordinator, Inspector, Planner and Project Manager. GRANTEE will be provided at least ten (10) Business Days' notice of such Joint Project Pre-Construction Meeting.

6.9.3. GRANTEE and impacted communications and other utilities providers shall be invited to the Joint Project Pre-Construction Meeting and given an opportunity to discuss safety and other construction-related compliance issues.

6.9.4. CITY will report to GRANTEE Inspector immediately regarding any damage to any GRANTEE Facilities resulting from CITY's Work and will file a complete written report with GRANTEE of the surrounding circumstances within 24 hours of the incident or by the end of the next working day, whichever is later.

6.10. Field Change Orders: CITY will retain design services necessary to process any Field Change Orders (FCO) or other design support that may be necessary during construction. GRANTEE will review and comment on all design changes and shall endeavor to do so without delay.

6.11. GRANTEE Inspection and Acceptance of Construction Performed by CITY.

6.11.1. GRANTEE shall provide construction inspections in a timely manner consistent with 6.13.1.3.

6.11.2. GRANTEE will supply to the jobsite in a timely manner any required line workers or other specialty personnel that are required by GRANTEE and which GRANTEE does not allow CITY to supply.

6.11.3. Three months prior to CITY's release of its advertisement for construction bids for a Project, GRANTEE shall deliver to CITY an initial written schedule of days and hours in which GRANTEE's Inspector will be available at the Project job site, and GRANTEE shall cooperate with CITY to finalize an agreed-upon schedule. When inspection is requested outside of the agreed-upon schedule, GRANTEE will supply a qualified inspector to the job site within a reasonable time frame.

6.11.4. For any source of potential delays to CITY Work, GRANTEE will notify CITY about the potential delay at the earliest opportunity and will cooperate with CITY to attempt to prevent or mitigate the impact of the delay.

6.11.5. GRANTEE will perform field layouts in accordance with the approved design prior to CITY commencing construction Work. CITY will accept GRANTEE's layout as provided.

6.11.6. Any portion of the Work that is Defective may be rejected by GRANTEE, at the expense of CITY, at any time prior to Final Acceptance. Any Defective Work, or Work rejected for legitimate non-compliance with GRANTEE's Specifications, GRANTEE's Construction Standards, Applicable Laws (including permits), or the terms of this MOU, will be corrected or re-performed at CITY's sole expense prior to Final Acceptance.

6.11.7. Upon conclusion of Work by CITY and correction or re-performance of any Defective Work, CITY will provide red lined As-Built of the new GRANTEE Facilities installed to the GRANTEE Inspector. CITY will maintain a set of the current GRANTEE's Specifications at each Project job site, which will always be available for review by the GRANTEE Inspector and Project Coordinator upon request. CITY will also maintain at each Project job site any related Project plans (e.g., alignment and Finish Grade of Improvements) approved by other governmental authorities with jurisdiction over the Work.

6.11.8. Final Acceptance shall occur when the GRANTEE Inspector verifies that the new GRANTEE Facilities meet GRANTEE's Specifications and GRANTEE's Construction Standards. GRANTEE shall accept, reject or request more information from CITY within ten (10) Business Days after receiving the Final Acceptance inspection request from CITY in writing.

6.11.9. GRANTEE will notify CITY in writing of Final Acceptance of the Work. Failure of GRANTEE to reject Defective Work during construction shall not be construed to imply Final Acceptance of such Work nor preclude GRANTEE's rights to reject Work as described in this MOU. CITY will be required to correct all legitimately claimed Defects which become evident at any time prior to Final Acceptance by GRANTEE. The cost of all such repairs, material, labor, and Overheads necessary to correct Defective Work shall be borne by CITY.

6.11.10. CITY will retain full title, risk of loss and responsibility for the ownership, custody, and control of Work performed by CITY until Final Acceptance and ownership, custody, and control of the new GRANTEE Facilities shall pass to GRANTEE only upon Final Acceptance.

6.12. CITY Work Warranties.

6.12.1. CITY represents and warrants that all Work performed by CITY, and all materials used in any Joint Project, will be new, of good quality and condition, free from Defects in workmanship and will conform to GRANTEE's Specifications. This warranty, except with respect to conduit Work, will begin at Final Acceptance of the Work by GRANTEE as described in Section 6.11 and will end one (1) year later. The warranty for conduit Work will start at Final Acceptance by GRANTEE and will end when the primary and secondary underground electrical system is energized. Furthermore, CITY will be responsible for any correction activities needed on the trench Work until new excavation occurs in that area (collectively, the "Warranty Period").

6.12.2. During the Warranty Period, CITY will correct any Defective Work arising from a breach of this warranty within ninety (90) days of notification by GRANTEE. If CITY is unable or unwilling to correct the Defective Work within such time period (or such extended time period agreed upon by the Parties), GRANTEE may notify CITY that GRANTEE will correct the Defective Work and will invoice CITY for the costs of such Work in accordance with the invoicing requirements of this MOU. Notwithstanding the foregoing, GRANTEE may immediately perform any emergency corrective Work if the Defect creates a hazardous condition or otherwise threatens the health or safety of persons or property without prior notice to CITY.

6.13. GRANTEE Construction for Joint Projects.

6.13.1. The following are conditions precedent prior to GRANTEE performing GRANTEE construction Work for a Joint Project:

6.13.1.1. Inspection and Final Acceptance by GRANTEE of all CITY-installed trench, conduit and substructures, including service trenches.

6.13.1.2. CITY Building Inspector has verified that all inspections and releases required for all cutovers have been completed.

6.13.1.3. GRANTEE has obtained all applicable permits from CITY and other applicable governmental agencies necessary to perform the Work described in Section 6.13.2.

6.13.1.4. CITY has installed and has approved for energizing all streetlights not in conflict with any overhead facilities.

6.13.2. Upon completion of the conditions precedent described above, GRANTEE will coordinate all outages and install all necessary electric materials to energize a primary underground facility and all secondary stations, cutover all customers to the new GRANTEE Facilities, perform all intercepts with existing GRANTEE Facilities, energize all installed streetlights, remove all overhead GRANTEE Facilities and upon vacation of poles by communications providers, and remove vacated poles from service. Once the primary underground facility and secondary stations are energized, GRANTEE will begin energizing streetlights, which will take approximately twenty (20) to thirty (30) Business Days after energization.

6.14. Project Schedules for Joint Projects.

6.14.1. GRANTEE and CITY will cooperate to create an initial Project schedule within thirty (30) days following CITY Project Kickoff. The initial Project schedule will be reviewed and updated regularly by CITY throughout the Project life cycle. GRANTEE will provide schedule updates to CITY for GRANTEE activities.

6.14.2. CITY will provide GRANTEE a milestone report every month for each Joint Project for which a CITY Project Kickoff has occurred, using the scheduled and actual start and completion dates for the Work ("**Monthly Milestone Report**"). The Monthly Milestone Report will be developed jointly and will include major design, bid and award, and construction milestones.

6.14.3. CITY will provide updated estimates and changes for milestones that affect GRANTEE's planning of Work and resources on a timely basis, particularly with respect to significant changes. GRANTEE will maintain such data in GRANTEE's Project scheduling system.

6.15. CITY Insurance Requirements. GRANTEE and CITY will confer on insurance requirements imposed during CITY's procurement process to ensure that insurance levels for CITY-performed Work are appropriate based on the nature of the Project, considering factors such as the scope, location, and complexity of Work.

6.16. Indemnity. CITY shall be solely responsible for all Work performed on a Project by any CITY employee, contractor, consultant, affiliate, agent or representative ("CITY Contractor") prior to Final Acceptance by GRANTEE. This shall not preclude CITY from seeking indemnification from any CITY Contractor. During the period prior to Final Acceptance of such Project, and extending for three (3) years from Final Acceptance, CITY shall indemnify, defend and hold GRANTEE, and its current and future parent company, subsidiaries, affiliates and their respective directors, officers, shareholders, employees, representatives, successors and assigns (collectively, "Indemnitees"), harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses (collectively, "Claims") resulting from: (a) injuries to or death of any and all individuals, including, without limitation, members of the general public, or any employee, contractor, consultant, representative, agent or affiliate of either Party, arising out of or connected in any manner with the performance of the Work by CITY or any CITY Contractor; (b) damage to, loss, and/or destruction of property of any type arising out of or connected in any manner with the performance of the Work by CITY or any CITY Contractor; or (c) third party claims of any kind, whether based upon negligence, strict liability or otherwise, arising out of or connected in any manner to CITY or any CITY Contractor's acts or omissions in breach of this Agreement. This indemnification obligation shall not apply to the extent that such Claims are caused by either the willful misconduct of an Indemnitee or an Indemnitee's sole or active negligence. CITY agrees to pay all costs and expenses incurred by GRANTEE in enforcing CITY's indemnity and defense obligations as specifically set forth above.

7. Projects Executed by GRANTEE.

7.1. Notice to Proceed. For each Project CITY decides to release to GRANTEE ("GRANTEE Projects"), in accordance with the Project List, CITY shall deliver a written notice to proceed ("NTP") to GRANTEE's DPOA. The NTP shall contain all documents necessary to allow GRANTEE to commence design and construction of the Project, which shall include, at a minimum:

- 7.1.1. Council Resolution creating the respective Underground Utility District.
- 7.1.2. Underground Utility District Boundary Map.
- 7.1.3. CITY Approved Environmental Documents, including, without limitation, the certified CEQA determinations, and any mitigation and monitoring requirements.
- 7.1.4. Locations for new streetlighting locations.
- 7.1.5. Preliminary scoping information CITY possesses regarding the Project that may assist GRANTEE in developing Project estimates.
- 7.1.6. CITY scheduling considerations (moratoriums, Capital Improvement Project timelines, etc.).

7.2. Project Kick-Off.

7.2.1. Upon receipt of the NTP, GRANTEE shall within thirty (30) days, or as otherwise agreed upon with CITY, schedule a kick-off meeting with the DPOAs and assigned Project resources to review all documents, further scope the Project, discuss draft schedule milestones, and identify potential Project risks (“**GRANTEE Project Kickoff**”).

7.2.2. Within thirty (30) days of the GRANTEE Project Kickoff, or as otherwise agreed upon, GRANTEE will provide a draft milestone schedule and updated Project estimate as part of its regular monthly reporting.

7.3. GRANTEE Responsibilities. To support the goal of Project efficiency and minimizing community impact, GRANTEE shall be responsible for all Project level design and construction execution activities, including, without limitation, mapping, customer services, designs, third-party coordination, permitting, construction, cabling, outages and energizations, cutovers, removals from service, street Work and communications.

7.4. CITY Oversight of GRANTEE Executed Projects.

7.4.1. 30% Design Baseline. Upon GRANTEE’s completion of trench and conduit 30% design, GRANTEE will schedule a meeting to review the “**30% Design Baseline**,” which includes review of the schedule and estimate. The meeting will include any updates regarding finalizing Project scope and risks. Within five (5) Business Days of GRANTEE providing the final 30% Design Baseline resulting from the meeting, CITY shall provide any comments or concerns in writing.

7.4.2. Start Construction Notification. GRANTEE will notify CITY of its intent to start construction by issuing CITY the “**Start Construction Notification**.” CITY will have fifteen (15) Business Days from delivery of the Start Construction Notification to inform GRANTEE in writing of any concerns. GRANTEE may commence construction on the Project any time after that period. Construction costs will accrue to such Project after such date.

7.4.3. Construction Baseline. Upon GRANTEE awarding the trench and conduit Work to its contractor, GRANTEE will schedule a meeting to review the “**Construction Baseline**” with CITY to present a construction baseline schedule and estimate. The meeting will include any updates regarding finalizing Project scope and risks. Within five (5) Business Days of GRANTEE providing the final Construction Baseline resulting from the meeting, CITY shall provide any comments or concerns in writing.

7.4.4. Electric Construction Notification. GRANTEE will notify CITY at least twenty (20) Business Days in advance of the start of electric construction Work.

7.4.5. GRANTEE and CITY will incorporate mutually agreeable quality management checkpoints into the Project schedule.

7.5. CITY Permitting Requirements.

7.5.1. GRANTEE will obtain CITY permits for Project Work in the ROW from DSD; provided that the Parties shall endeavor to work towards an alternate construction authorization method. GRANTEE’s reporting requirements to CITY regarding GRANTEE’s permit activity are described in that certain Administrative Memorandum of Understanding between the Parties dated November 1, 2021 (as

may be modified or amended from time to time). GRANTEE shall provide CITY with a full listing of DSD permit numbers on a monthly basis.

7.5.2. GRANTEE and CITY will meet and confer within 90 days of the Effective Date to discuss potential process changes regarding CITY traffic control permits that may enable the Parties to reduce Project costs.

7.6. GRANTEE Design. GRANTEE shall perform all necessary designs for GRANTEE Facilities. GRANTEE will consider options to reduce the size of aboveground equipment as technology, reliability and safety allow, as requested by the Utility Undergrounding Advisory Committee.

7.7. GRANTEE Construction. GRANTEE shall execute construction and coordinate all aspects of Work on all GRANTEE Facilities and customer service panel conversions, provided that SDMC 61.0509 will govern the Parties' obligations concerning joint trench for GRANTEE Projects. In accordance with SDMC 61.0509, GRANTEE will not have any control or responsibility arising from any action required to be taken by any communication infrastructure provider or other utility involved in any Project.

7.8. Streetlight Coordination. CITY will design all streetlights and perform streetlight construction; provided that at CITY's discretion, CITY and GRANTEE may meet and confer regarding the assignment of such Work to GRANTEE, which may require further coordination of the Parties. The Parties acknowledge that there are inherent challenges in coordinating the installation, field approvals and energizing of streetlights that are part of any undergrounding Project. The Parties agree to evaluate opportunities for improved coordination and to pursue changes to contracting and operational practices that lead to increased efficiencies.

7.9. GRANTEE Pre-Construction Meeting. Once GRANTEE has hired a contractor to install the trench and conduit for the Project, GRANTEE shall inform CITY, and CITY shall arrange the "**GRANTEE Pre-Construction Meeting**" within ten (10) Business Days. All attendees shall wear appropriate personal protective equipment.

7.10. Service Panel Conversions and Inspections.

7.10.1. At customer direction, GRANTEE will convert customers' electrical service using one of the following options:

7.10.2. Default options: "Meyers Adaptor" or "Direct Feed" are used if the existing customer-side equipment meets the requirements for such options, or the property owner agrees to pay for repair or upgrade of customer-side equipment necessary to use such options, without delaying the Project. GRANTEE will plan the Project schedule such that a responsive property owner interested in pursuing the repair or upgrade be allowed a reasonable amount of time to hire an electrician, pull permits, meet with GRANTEE Planner, perform the repair or upgrade, and complete the permit approvals, without causing Project delays.

7.10.3. Alternative option: the "Overhead Loop and Bond" conversion method is used for those customers who do not meet the minimum requirements to use the default options or where using the default options will put the Project at risk for delays. When the "Overhead Loop and Bond" conversion method is used, CITY will issue a Raceway Release protecting the customer-side electrical service conductors from the point of demarcation at the pull can to the existing weather head, provided

that it has passed inspection including compliance with the grounding requirements of 2017 NEC 250.24(A)(1), *see EXHIBIT 250.8*.¹ Upon receiving the CITY Raceway Release, GRANTEE may proceed with energizing conduits within the released raceway for purposes of performing the service cutover. Unless the CITY Building Official instructs otherwise, services may be cutover while CITY action to correct code compliance on existing customer-side equipment is still in progress.

7.10.4. For property owners who do not wish to have GRANTEE perform service conversion or wish to perform a voluntary panel upgrade, GRANTEE will coordinate with property owner and their contractors.

7.10.5. GRANTEE may provide and install grounding rods and related appurtenances as a reimbursable Project cost where such Work is needed to ensure the safety of the service conversion Work performed by GRANTEE.

7.10.6. GRANTEE will obtain building inspection permits from CITY prior to performing underground conversion of electrical services and will comply with all inspection requirements necessary to close the permit. Intake of GRANTEE requests for these permits will be handled by CITY's Transportation Department.

7.10.7. GRANTEE will request service panel conversion inspections according to instructions provided by DSD. As needed, CITY's Transportation Department will convene meetings with DSD and GRANTEE to verify that communications and efficiencies of the permit inspection process are consistent with the goals stated in Section 2 of this MOU.

7.10.8. GRANTEE shall not remove overhead power from any CITY-owned streetlight until GRANTEE receives written authorization from CITY.

7.10.9. CITY may request GRANTEE provide documentation concerning any such safety, reliability or structural integrity issues. CITY may additionally request GRANTEE participate in informational presentations to Council and the Compliance Review Committee describing the extent the Parties have actively pursued solutions.

7.11. GRANTEE Easements.

7.11.1. Where the ROW does not provide sufficient space for conduits, equipment, or other GRANTEE Facilities necessary for completing the overhead to underground conversion, GRANTEE shall approach property owners to obtain easements as required. Such easements shall be written for the limited purposes required for GRANTEE to construct, own, operate, repair, maintain and remove GRANTEE Facilities.

7.11.2. Any compensation required with respect to any easement necessary to complete a Project under the Surcharge Program shall be paid for through the Municipal Surcharge Program Fund.

7.11.3. No Project-specific construction contracts may be entered into by either CITY or GRANTEE until all required easements are identified and procured.

¹The grounding electrode conductor shall be protected from physical damage.

7.11.4. GRANTEE will manage communications with property owners until all easements are obtained.

7.11.5. If CITY is the public landowner for a needed easement, CITY will be timely in executing approvals if all conditions required by Applicable Laws are met. Council approval may be required for the granting of easements where CITY is the public landowner.

7.11.6. In all cases, if an easement is to be granted to GRANTEE, then GRANTEE will provide for the services of qualified personnel necessary for execution.

7.11.7. Both Parties will actively pursue resolution of all land rights issues to facilitate completion of Projects.

7.11.8. In no event shall GRANTEE be held responsible for delays arising from GRANTEE's inability to obtain easements as long as GRANTEE is reasonably pursuing such easements.

7.11.9. Other than those negotiated directly with CITY, the terms and conditions of any such easement shall be at the sole discretion of GRANTEE.

7.12. Other Project Coordination Requested by CITY.

7.12.1. GRANTEE will deliver to CITY prior to completion of design the proposed location of GRANTEE Facilities that have potential for conflicting with applicable federal, state and local accessibility requirements. GRANTEE will cooperate with CITY requests to further study these conflicts to ensure compliance concerns are addressed early to avoid impacting the pace of construction.

7.12.2. GRANTEE will notify CITY as early as possible of potential construction impacts to a street tree or street tree roots. GRANTEE acknowledges that CITY policies prioritize the protection and retention of existing street trees within the right of way. Tree removal must be approved by a City horticulturist or arborist and is only an option after all other reasonable options have been considered. CITY will provide assessment and recommendations in coordination with GRANTEE. When, following consultation with a CITY horticulturist or arborist, it is unreasonable to perform the undergrounding construction without removal or loss of a tree, the CITY will provide for the installation of a new street tree.

7.13. Environmental Compliance for GRANTEE Projects.

7.13.1. GRANTEE will ensure its construction complies with applicable environmental requirements including any mitigation, monitoring and reporting requirements established under CEQA. CITY will, unless otherwise noticed to GRANTEE, provide the qualified personnel for monitoring, curation and other specialized activities specified in the mitigation, monitoring and reporting requirements. GRANTEE may provide certain environmental support upon request of CITY, which will be documented by the Parties upon occurrence.

7.13.2. GRANTEE will cooperate with CITY by:

7.13.2.1. Including all applicable compliance requirements in construction contracts and right-of-way permit submittals.

7.13.2.2. Providing CITY environmental monitors a minimum notice of 24 hours (48 hours preferably) before construction starts and throughout the construction process when monitoring is required

7.13.2.3. Supporting CITY in obtaining agency permits when required for the Project. Such support may include, but is not limited to, providing information about GRANTEE construction processes and participating in meetings with resource agencies.

7.14. Stormwater. GRANTEE will perform construction under its own NPDES permit for stormwater pollution prevention. GRANTEE is aware that construction activity is also regulated by a municipal NPDES permit and enrollment in the CGP does not exempt a Project from the current and future municipal NPDES requirements. GRANTEE will have lead responsibility for all customer communications, stakeholder communications and issue resolution pertaining to the Project. Such communications and engagement will include GRANTEE contact information for the Project. Materials and communications will be co-branded with CITY logos upon CITY request.

7.15. Waste Disposal. GRANTEE will adhere to CITY Whitebook requirements for disposal of construction and demolition wastes as required by applicable permits, unless superseded by other Applicable Laws.

8. GRANTEE Project Cost Estimates

8.1. The Parties recognize that Projects are comprised of a series of individual Work Orders that have their own design, procurement, and construction lifecycle, as well as their own estimates, which change throughout the Work Order lifecycle. Each Work Order is issued at a different stage. Thus, the total Project estimate at any given time will be comprised of a group of individual Work Order estimates that are each at different stages of their lifecycle.

8.2. GRANTEE will provide the most up to date Estimated Cost at Completion (EAC) for all Project Work Orders monthly as part of the Monthly Invoicing Backup Material in accordance with Appendix B – Invoicing Backup Material. The EAC will be a dynamic estimate continually adjusted to reflect the current total estimated cost to complete the Work Order. The dynamic nature and monthly true-up of the estimate to actuals will allow the Work Order at completion to reflect the total estimate which will equal total Actual Costs.

8.3. GRANTEE will provide the following estimates throughout the Project lifecycle:

8.3.1. Preliminary Estimate. Upon request GRANTEE will provide preliminary estimates based on scoping information provided by CITY. These would be estimates provided in advance of any Notice to Proceed to GRANTEE.

8.3.2. Initial Estimate. GRANTEE will provide an Initial Estimate based off the initial kickoff meeting for the Project. This estimate will be adjusted by GRANTEE as new information becomes known but will still be referred to as the Initial Estimate on the Monthly Invoicing Backup Material until such time as the 30% Design Estimate is provided. Adjustments greater than 10% will be accompanied by an explanation.

8.3.3. 30% Design Estimate. Upon completion of the 30% Design Estimate for the trench and conduit Work Order design, GRANTEE will meet with CITY to discuss the 30% Design Estimate. The 30% Design Estimate will be baselined and reported on the Monthly Invoicing Backup

Material as the 30% Design Baseline. The 30% Design Estimate will be adjusted by GRANTEE as information becomes known but will still be referred to as the 30% Design Estimate on the Monthly Invoicing Backup Material until such time as the 90% Design Estimate is provided.

8.3.4. 90% Design Estimate. Upon completion of the 90% Design Estimate for any Work Order design, GRANTEE will update the Monthly Invoicing Backup Material to reflect the Design Estimate for that Work Order. The 90% Design Estimate for any Work Order will be adjusted by GRANTEE as new information becomes known but will still be referred to as the 90% Design Estimate on the Monthly Invoicing Backup Material until such time as an Issue for Construction (IFC) Estimate is provided. Adjustments greater than 10% will be accompanied by an explanation.

8.3.5. Issue for Construction (IFC) Estimate. Upon award of the trench & conduit Work Order to GRANTEE's construction contractor, GRANTEE will meet with CITY to discuss the IFC Estimate. The IFC Estimate will be baselined and reported on the Monthly Invoicing Backup material as the IFC Baseline. Upon award of subsequent Work Orders to construction contractors the estimates will be shown on the Monthly Invoicing Backup Material as IFC Estimates as well. All IFC Estimates will be adjusted by GRANTEE as new information becomes known but will still be referred to as the IFC Estimate on the Monthly Invoicing Backup Material. Adjustments greater than 10% will be accompanied by an explanation.

8.4. For all estimates, should an estimate increase by 10% or greater month over month, GRANTEE will provide CITY a detailed explanation concerning such change unless such change is the result of the advancement of the design Work Order in the Project lifecycle (e.g., the Work Order has moved from 30% Design Estimate to 90% Design Estimate).

8.5. The Parties understand that in accordance with the Franchise, new accounting practices will govern the Surcharge Program. As such, the Parties acknowledge the accuracy and predictability of Project estimates will take time to perfect and may not reflect average historical estimates or total Project costs. All estimates will include direct labor, material, Overheads and contingencies.

9. Verifying Competitive Procurement.

9.1. Design & Engineering Procurement

9.1.1. GRANTEE shall procure Design and Engineering Work in support of the Surcharge Program, which Work shall be managed under individual master services agreements ("MSAs"). "Design and Engineering" refers to any "consultant contract" in support of Surcharge Program Work, as described in SDMC 22.3202, which may include, without limitation, design, engineering, survey and other consultant Work. MSA sourcing efforts will occur no less than every five years.

9.1.2. GRANTEE's sourcing efforts for Design and Engineering Work shall be posted on GRANTEE's sourcing site for at least ten (10) days and in CITY's paper of record (or as otherwise required by Applicable Laws).

9.1.3. GRANTEE and CITY will collaborate during the Term of this MOU to create standard evaluation matrices to evaluate the competitive sourcing of Design and Engineering Work, which shall address, at a minimum, the following aspects of the Work:

- (a) Rates, Adjustments, Third Party Markup Percentage
- (b) Ability to meet scope of work requirements

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- (c) Experience and technical ability
- (d) Experience with GRANTEE Standards and GRANTEE Facilities
- (e) Use of Diverse Business Enterprises (DBE)
- (f) Sustainability
- (g) Exceptions to GRANTEE Terms and Conditions

The evaluation matrices developed by the Parties will assign percentages and/or scoring to each aspect of the Work appropriate for the scope of Work at issue. Prior to GRANTEE advertising a sourcing effort for Design and Engineering Work in support of the Surcharge Program, GRANTEE shall provide a draft evaluation matrix for CITY's review. CITY will provide comments on the matrix within ten (10) days of receipt. If GRANTEE does not receive comments from CITY within such period, GRANTEE will move forward with the proposed matrix for the sourcing effort.

9.1.4. GRANTEE will review all bids for Design and Engineering Work (1) from a technical perspective to determine whether the consultant has the appropriate level of expertise for the specific subset of Work at issue to perform the Work, and (2) from a commercial and risk perspective to determine consultant's ability and capacity to perform the Work. Design and Engineering bidders will be disqualified automatically if the bidder does not employ at least one Qualified Designer (if scope includes Design), carry required levels of insurance, answer all material bid questions, submit all required documents and carry appropriate certifications and licensure required for the scope of Work being sourced. Bidders must also be in good standing to do business in California.

9.1.5. GRANTEE will issue Surcharge Program Work to consultants with MSAs based on consultant's workload, lead times, geographic coverage and performance metrics on previous Projects at the discretion of GRANTEE.

9.1.6. GRANTEE will maintain documentation of standard processes for evaluating Design and Engineering bids and selecting the contract award recipients and will make documentation describing such processes available to CITY upon request.

9.1.7. Upon CITY's request, GRANTEE will provide all Design and Engineering contracts to CITY for Surcharge Program Work, which may include MSAs and Releases.

9.2. Construction Procurement

9.2.1. To bid or perform any Civil or Electrical Construction Work in support of the Surcharge Program, contractors must hold a valid MSA with GRANTEE. GRANTEE will hold a competitive sourcing effort not less than every five (5) years to grant MSAs to prime contractors. "Civil and Electric Construction" refers to any civil or electric construction Work performed in support of the Surcharge Program.

9.2.2. To be eligible to be awarded an MSA with GRANTEE for Civil or Electric Construction Work, contractors must be pre-qualified by GRANTEE to determine whether they have the capability to perform the scope of Work for which they are requesting prequalification, which may be one or multiple scopes. Opportunities for prequalification will be published with information concerning GRANTEE's processes for prequalification on GRANTEE's sourcing site and in CITY's paper of record for at least ten (10) days and will be provided to CITY for review prior to posting. GRANTEE will provide opportunities for contractors to become prequalified from time to time and prior to any MSA sourcing effort for Civil or Electric Construction Work.

9.2.3. When GRANTEE initiates a sourcing effort for Civil or Electric Construction Work, such sourcing effort will be posted for at least ten (10) days on GRANTEE's sourcing site and in CITY's paper of record (or as otherwise required by Applicable Laws).

9.2.4. GRANTEE's sourcing effort for Civil or Electric Construction MSAs will include, at a minimum, the following requirements:

- (a) Bidder must carry or obtain insurance that meets minimum GRANTEE requirements
- (b) Bidder must have valid and current ISNetWorld ("ISN") membership (or successor safety program)
- (c) Bidder must have a passing score or approved variance from GRANTEE in ISN based on bidder's safety metrics as reported in ISN (or successor safety program)
- (d) Bidder must satisfy or be exempted from the requirements of GRANTEE's collective bargaining agreements, as applicable
- (e) Bidding prime contractors must carry a current and valid general contractor's license (A or B) from the Contractor's State License Board (or as otherwise required by Applicable Laws)
- (f) Bidder must be in good standing to do business in California
- (g) Bidder must meet GRANTEE's minimum experience requirements for performing Work on electric utility systems in California

9.2.5. GRANTEE and CITY will collaborate to create standard MSA evaluation matrices to evaluate the competitive sourcing of Civil and Electric Construction Work as part of any such sourcing effort, in accordance with the requirements of the San Diego City Charter, which shall address, at a minimum, the following aspects of the Work:

- (a) Safety record
- (b) Rates, Adjustments, Third Party Markup Percentage
- (c) Ability to meet scope of work requirements
- (d) Experience and technical ability
- (e) Experience with GRANTEE's Construction Standards and GRANTEE Facilities
- (f) Use of Diverse Business Enterprises (DBE)
- (g) Sustainability
- (h) Exceptions to GRANTEE Terms and Conditions

The evaluation matrices developed by the Parties will assign percentages and/or scoring to each aspect of the Work appropriate for the scope of Work at issue. Prior to GRANTEE advertising for a sourcing effort for Civil or Electric Construction Work, GRANTEE shall provide a draft evaluation matrix for CITY's review. CITY will provide comments on the matrix within ten (10) days of receipt. If GRANTEE does not receive comments from CITY within such period, GRANTEE will move forward with the proposed matrix for the sourcing effort.

Additionally, the Parties will develop evaluation matrices to be used on a regular basis to evaluate Construction Project Bids, as further described in Section 9.3.2 below. Such Construction Project Bid matrices shall be reviewed by the Parties not less than every three (3) years.

9.2.6. If GRANTEE deviates from the standard scoring and selection criteria agreed upon by the Parties in a specific matrix by more than 10% for any category, GRANTEE will provide CITY revised scoring and selection criteria proposed for use for that specific Project prior to advertising. CITY will maintain confidentiality similarly to any CITY bid advertisements.

9.2.7. GRANTEE will maintain documentation of standard processes for evaluating Civil or Electric Construction bids and selecting the contract award recipients and will make documentation describing such processes available to CITY upon request.

9.2.8. Material Procurement. To the extent materials used on a Project are not obtained by the construction contractor hired to perform Work on such Project, such materials will be sourced directly from stock provided through GRANTEE's materials department and will be charged to the Project in accordance with Section 10.1.2 below. GRANTEE's materials department procures materials for GRANTEE's construction efforts service-territory wide to obtain the best value by achieving economies of scale and efficient materials management.

9.3. Construction Project Bidding

9.3.1. GRANTEE may elect to issue Civil or Electric Construction Work on a time and equipment basis to any MSA holder resulting from a sourcing effort, using the rate structure described in the MSA, for Work scopes that do not exceed GRANTEE's established bidding threshold, set annually by GRANTEE and communicated to CITY ("**Bid Threshold**"). Surcharge Program Work shall be assigned to MSA holders based on workload, lead times, geographic coverage and performance metrics on previous Projects at the discretion of GRANTEE.

9.3.2. Project Work scopes that exceed the Bid Threshold will be competitively bid to all existing qualified MSA holders for such scope as a fixed bid Work package ("**Construction Project Bid**") and will result in a Construction Project Release. GRANTEE will utilize the standard evaluation matrices and bid evaluation processes identified in Section 9.2. Notwithstanding the foregoing, GRANTEE may request CITY approve the assignment by GRANTEE of an MSA holder to a specific Work scope above the Bid Threshold when emergent circumstances warrant such exception.

9.3.3. Prior to advertising any Construction Project Bid to MSA holders, GRANTEE will inform CITY of any known information about the proposed Construction Project Bid that could impact bid pricing. Such inform may include, without limitation, working days limitations, alley work, hard digging, unique design criteria, etc. GRANTEE will disclose such information to CITY at least thirty (30) days prior to advertisement to allow CITY to make suggestions regarding modifying the Project to attract lower-priced bids or more competition. CITY will maintain confidentiality similarly to any CITY bid advertisements.

9.3.4. Prior to awarding a Construction Project Release under an MSA, GRANTEE will provide CITY with a bid summary that includes the completed bid evaluation matrix, list of bid evaluators by title, and bid evaluation meeting minutes.

9.3.5. Should CITY oppose an award, CITY and GRANTEE shall meet in a timely manner regarding further advancement of the Project. The Parties may decide to re-advertise the Construction Project Bid, modify the Project, cancel, or suspend the Project.

9.3.6. At CITY request, GRANTEE will provide to CITY all Civil and Electric Construction contracts pertaining to the Surcharge Program.

9.4. Diverse Business Enterprises

9.4.1. DBE Contracting Requirements. In accordance with CPUC General Order 156 and Cal. Pub. Util. Code sections 366.2 and 8283, as may be further amended from time to time, GRANTEE is required to track its yearly utility expenditures with certified minority, women, service-disabled veteran and LGBT business enterprises (collectively, "DBEs"), and tracks expenditures with disadvantaged small businesses qualified under the U.S. Small Business Administration's 8(a) Business Development Program. General Order 156 also requires GRANTEE to encourage the participation of DBEs in its contracting processes, perform external outreach to DBE suppliers and encourage prime contractors to utilize DBE subcontractors. Notwithstanding the foregoing, GRANTEE is not authorized or permitted to use quotas or set-asides to achieve its DBE goals.

9.4.2. DBE Classifications. The CPUC, pursuant to General Order 156 and other Applicable Laws, establishes the requirements and classifications for the types of DBEs for which GRANTEE must track and report its yearly utility expenditures, which may be amended by the CPUC from time to time. Such DBEs must be certified by the CPUC Clearinghouse or other method approved by the CPUC.

9.4.3. As of the Effective Date, GRANTEE seeks to secure at least 40% of GRANTEE's total yearly procurement through DBEs, including Surcharge Program Work, utilizing direct contracting with DBE and certified DBE subcontractors. GRANTEE's yearly goal may adjust over time.

9.4.4. Each of GRANTEE's MSAs includes the MSA holder's DBE procurement commitment for the scope of Work described therein, including direct and subcontracted Work.

9.4.5. MSA holders are required to provide GRANTEE monthly reports on payments made to certified DBE subcontractors in accordance with such MSA holder's agreed DBE subcontracting goal using GRANTEE's online subcontracting reporting system (or successor system).

9.4.6. GRANTEE files an annual DBE report with the CPUC describing GRANTEE's DBE contracting and subcontracting efforts. This is a public document and will be shared with CITY after filing.

9.5. Minimum Contracting Requirements.

9.5.1. MSAs for Surcharge Program Work shall contain, at a minimum, the following CITY requirements, to the extent applicable to the scope of Work covered by such MSA, and as may be amended from time to time:

9.5.1.1. Equal Employment Opportunity Requirements as described in SDMC Article 2, Chapter 2, Division 27:

- a. Submittal of Work Force Report and/or Equal Employment Opportunity Plan (SDMC 22.2705).
- b. Subcontractors must comply with CITY's equal employment opportunity outreach program (SDMC 22.2704).

9.5.1.2. Mandatory Non-Discrimination Contract Clause requirement (SDMC 22.3512).

9.5.1.3. Equal Benefits Requirements, as described in SDMC, Article 2, Chapter 2, Division 43).

9.5.1.4. Payment of Prevailing Wages, as described in SDMC, Article 2, Chapter 2, Division 30).

9.5.2. When GRANTEE informs CITY that GRANTEE plans to initiate a sourcing effort for any Surcharge Program Work, CITY shall provide GRANTEE with the applicable and current prevailing wage language for the Work scopes at issue to be included as part of the sourcing effort and in the resulting MSA.

9.5.3. Nothing herein shall restrict GRANTEE from negotiating or adopting its own requirements for MSAs for Surcharge Program Work, including any amendments to such MSAs, provided such requirements do not conflict with or are less stringent than applicable CITY requirements as described in this Section 9.5. Furthermore, GRANTEE shall have the right to terminate any MSA in accordance with its terms.

10. Accounting for GRANTEE Project Expenses.

10.1. GRANTEE monthly billing backup to support invoices for Surcharge Program Projects will subdivide Project costs into the following categories:

10.1.1. Direct Costs. Costs included in this category consist of labor and nonlabor charges including but not limited to contractor costs for engineering and design, construction, survey, etc.

10.1.2. Materials. Costs included in this category consist of cable, equipment, and other items included on the Project material list as required by the design not otherwise procured directly by contractors working on the Project. Such materials will be direct charged to the Project.

10.1.3. Overhead Costs.

10.1.3.1. Costs included in this category relate to those activities and services that are associated with direct costs, such as payroll taxes, pension and benefits, engineering, and administrative and general (A&G) functions, etc. that cannot be economically direct charged.

10.1.3.2. Overhead costs will include program-specific costs as defined in Section 10.2, as well as an allocation of costs from administrative and general utility support functions.

10.1.3.3. In alignment with the audit requirements described in the Franchise, or at the request of CITY, GRANTEE shall provide a breakdown of the costs included in the Surcharge Specific Cost Pool (as defined below) as follows:

- a. Design & Engineering
- b. Project Management
- c. Contract Administration
- d. Other

10.2. Surcharge Specific Cost Pool. The “**Surcharge Specific Cost Pool**” has been implemented exclusively for the Surcharge Program. The Surcharge Specific Cost Pool includes costs that are directly related to Surcharge Program Projects that cannot economically be direct charged to individual Projects. This may include, but is not limited to, design and engineering, Project management, and contract administration costs. An allocation of support costs associated with these services will also be charged to this pool.

10.2.1. The Parties acknowledge that the Surcharge Specific Cost Pool was implemented to ensure Municipal Surcharge Program Funds are directly and exclusively related to the Projects. The new accounting structure could have a significant impact on Project overhead costs in comparison to historical overhead costs and may result in either an increase or a decrease in Project costs.

10.2.2. Parties acknowledge that the methodology utilized by overhead pools to collect costs and allocate those costs to Projects may result in timing differences between when costs are incurred and when they are allocated to Projects.

10.3. Breakdown of Overheads. In alignment with the audit requirements described in the Franchise, or at request of CITY, GRANTEE shall provide a breakdown of costs allocated from general and administrative utility functions as follows:

10.3.1. Labor Overheads. Labor Overheads include payroll taxes, employee (excluding executives) incentive compensation plan, worker’s compensation, public liability/property damage, post-retirement benefits and vacation and sick costs.

10.3.2. Purchasing and Warehousing Overheads. The Purchasing and Warehousing Overheads are used to capture costs related to GRANTEE’s procurement activity in obtaining goods and services and costs associated with warehousing materials used in the operation of the business.

10.3.3. A&G and Construction Support Overheads. The A&G and Construction Support Overheads include Capital Administrative & General (A&G) Costs and Electric Department Overheads (construction and operational general expenses, such as management time). These costs are reasonably related to the Surcharge Program.

10.3.4. Other Overheads. Other Overheads incurred by Projects include charges for small tools and shop expenses.

11. Invoicing.

11.1. Monthly invoices shall be accompanied by the Monthly Billing Backup support documentation, which will include updated cost estimates for that month, the previous month as well as the percentage changed since last reported. Invoices are payable upon receipt, net thirty (30) days.

11.2. Within ten (10) Business Days of receiving a monthly invoice, CITY will notify GRANTEE of any request to review Books and Records associated with that Project prior to authorizing payment. If no request for Books and Records is made, invoice is due.

11.3. Within ten (10) Business Days of a request from CITY to review Books and Records as a condition of authorizing payment, GRANTEE will provide the requested supporting documentation.

11.4. Within ten (10) Business Days of receipt of Books and Records, CITY shall commence payment on the invoice in full or notify GRANTEE of potential dispute regarding certain charges included in the invoice. If CITY does dispute an invoice, but the dispute does not relate to the entire invoice, GRANTEE will re-invoice CITY with two invoices separating the verified amount from the amount in dispute to avoid significant delays in payment due to GRANTEE. CITY will pay the amount owed on the undisputed invoice promptly while the dispute is resolved on the disputed invoice in accordance with the terms of this MOU.

11.5. Monthly invoices are considered progress payments for all outstanding Actual Costs incurred by GRANTEE which shall be accompanied by the Monthly Billing Backup supporting documentation to demonstrate that the amount of monthly charges align with the estimated cost at completion and the percent of progress toward completion. Progress is measured as a ratio of working days completed to total working days of a Project activity.

11.6. A determination by CITY not to proceed to construction for a Project does not relieve CITY from the costs associated with the design and preparation for such Project.

11.7. Final Billing shall be provided to CITY no later than twelve months after Project completion.

12. Budget Coordination

12.1. CITY acknowledges that GRANTEE relies on CITY's obligation to reimburse costs for Work under this MOU incurred by GRANTEE and passed through to CITY without markup for profit in accordance with Section 10 herein. As such, this Section 12 establishes coordination requirements of the Parties in support of CITY's budgeting for the Surcharge Program.

12.2. CITY will be responsible for ensuring all Projects for which CITY has issued GRANTEE a Notice to Proceed or Mobilization Notice have been allocated funding from the Municipal Undergrounding Surcharge Fund to cover the total estimated costs to be incurred by GRANTEE in support of the Program in the upcoming CITY Fiscal Year. CITY will promptly notify GRANTEE if such funding is later restricted, is no longer available, or if CITY becomes aware that its funding commitments are at risk, at which time the Parties will meet and confer to discuss additional funding or Project suspensions, as needed.

12.3. GRANTEE acknowledges that CITY relies on Project expenditure forecasts to achieve long-term management of cash-flow reserves in the Municipal Surcharge Program Fund. For all Projects for which CITY has assigned GRANTEE Work under this MOU, GRANTEE will provide CITY updated monthly Project estimates and cashflows per requirements of this MOU and GRANTEE will be timely in informing CITY of any changes in Project costs or schedules that may affect the accuracy of such forecasts.

12.4. CITY and GRANTEE will confer no later than thirty (30) days prior to each CITY annual budget process milestone to ensure Municipal Surcharge Program Funding is available for all planned Projects on the Project List, as updated, during each CITY Fiscal Year. CITY budget projections are due on the following dates, which may change at CITY's direction:

- (a) Proposed Budget: December 1 for the next CITY Fiscal Year's Budget.
- (b) May Revision: April 1 for the next CITY Fiscal Year's Budget.

- (c) Mid-Year Projection: December 1 for the current CITY Fiscal Year.
- (d) Year-End Projection: April 1 for the current CITY Fiscal Year.

12.5. GRANTEE may suspend Work on a Project without penalty and will not be responsible for delays due to suspension of such Work if CITY does not allocate or cannot make sufficient funding available from the Municipal Surcharge Program Fund to cover the Work in accordance with Project estimates.

13. Reporting Requirements.

13.1. Cost Per Mile. GRANTEE shall submit to CITY on an annual basis GRANTEE’s average underground cost per mile for the Surcharge Program, calculated using the “Miles Installed” methodology described in the Franchise. The “Miles Installed” methodology reflects length of mainline trench and service trench installed as referenced in Appendix A – Cost Per Mile.

13.2. Project Monthly Milestone Reporting. GRANTEE will provide CITY a Monthly Milestone Report, Project Estimate Report and a forecasted Monthly Cashflow Estimate for all Projects where CITY has issued GRANTEE an NTP. The reports will be developed jointly and will include major design and construction milestones, Project estimates and cashflow forecasts such as but not limited to:

DESIGN ACTIVITIES	PRE-CONSTRUCTION ACTIVITIES	CONSTRUCTION ACTIVITIES
Trench & Conduit & One-Line 30%	City ROW/ TCP Permit	Service Panel Modifications
Trench & Conduit & One-Line 60%	Other Permits	Trench and Conduit
Trench & Conduit & One-Line 90%	All Easements Received*	Cable & Connections
Cable Pole 30%	All Joint Trench Offers Received*	Customer Cut-Over
Cable Pole 60%	NTP Construction Start (panel conversions)	Streetlights Phase 1
Cable Pole 90%	Trench & Conduit RFP & Award	Overhead Removals
Cable & Connections 60%	Electric RFP & Award	Pole Removals
Cable & Connections 90%	Other construction award	Streetlights Phase 2
Streetlighting 60%		Other construction
Streetlighting 90%		
OH Remove From Service 30%		
OH Remove From Service 60%		
OH Remove From Service 90%		
Other Misc. Job Levels 30%		
Other Misc. Job Levels 60%		
Other Misc. Job Levels 90%		

*To be reported as a milestone date only

Notes:

- 1 Not all activities are applicable to all projects and additional milestones may be added as necessary.
- 2 4kV - 12kV Cutover and SCADA are not required on every project so are included in "Other Misc."
- 3 Streetlight Phase 1 are lights not in conflict with overhead facilities, Streetlight Phase 2 are lights that were in conflict

13.3. At CITY’s request, GRANTEE will provide additional data or reports as jointly developed and agreed upon by the Parties during the Term of this MOU.

13.4. CITY will promptly provide GRANTEE the amount of electric Surcharge fees spent by the CITY when such information is required of the GRANTEE by the CPUC.

14. Enhanced Communication between CITY and GRANTEE.

14.1. Parties will actively pursue ways to minimize Parties' communications involving CITY personnel above the rank of Transportation Department Director. This includes establishing oversight procedures that can be largely performed by CITY DPOA. This also includes establishing steps for resolving problems of compliance with this MOU that can be largely managed by a CITY DPOA.

14.2. Parties will provide contact information for Project-assigned resources (for example, contact information for coordination of service cutover Work, street light energization, etc.).

14.3. Parties will ensure that appropriately knowledgeable personnel attend the monthly Underground Conversion Coordination meetings, or successor meetings.

14.4. If at any time CITY wants to cancel or suspend Work on any Project, CITY agrees to notify GRANTEE immediately to avoid unnecessary costs or delays. Similarly, GRANTEE shall inform CITY immediately in the event of any serious delay or barrier to Project development. Cancelling an approved Underground Utility District requires action by Council.

15. Outreach.

15.1. Parties will establish an open process of communication and coordination with the public and Council District offices. Additional coordination and communication may be needed with the Mayor's Office and Community Planning Groups. Formal Project communication plans shall be shared and coordinated between all Parties to ensure accurate and comprehensive information is provided.

15.2. CITY will facilitate community forum meetings in accordance with Utility Undergrounding Advisory Committee and Council District office recommendations and other CITY policies. GRANTEE will participate in meeting preparation including providing timely information for public notices and presentation materials. GRANTEE will provide appropriate personnel to speak for both formal presentations and information tables. The personnel representing GRANTEE will be prepared to communicate Project details relevant to a public audience including Project timelines.

15.3. Community forum dates will be set per the Project schedule to allow the greatest design flexibility for accommodating public input without delaying the design completion date or incurring avoidable costs for design changes.

15.4. GRANTEE will consult with CITY, including Council District offices, on community sensitivity to Project visual impacts and will plan accordingly to accommodate additional meetings with the community.

16. Dispute Resolution. In the event that a dispute arises between the Parties relating to the performance of a Party's obligations under this MOU, which may include, without limitation, interpretation of the terms of this MOU, reporting obligations, Project delays, invoices, or information sharing, either Party may notify the other Party, and the Parties shall confer promptly to manage such concerns. If the Parties' concerns cannot be satisfied through informal communications, the Party desiring formal resolution of the dispute shall notify the other Party in writing to request a meeting. The Parties will promptly identify the appropriate persons internal to the Party to resolve such dispute based on the nature of the dispute, and at a minimum, must include each Party's DPOA. Those persons will meet within seven (7) calendar days to attempt to resolve the dispute, provided that the Parties can mutually agree to extend such time if necessary. If the dispute cannot be resolved as a result of such

meeting, either Party may invoke the dispute resolution procedures described in section 17 of the Franchise.

17. Performance. GRANTEE and CITY will meet annually to review the operations of the Surcharge Program. At that meeting, the Parties will, at a minimum, (a) determine the level of funding needed in the following CITY Fiscal Year to support the targets, as agreed upon by the Parties, being set for undergrounding progress within that upcoming Fiscal Year, and (b) discuss ways to increase efficiencies and collaborate effectively. Furthermore, CITY may develop and maintain Project performance records. GRANTEE will have access to review those records on a regular, timely basis and may provide comments to CITY at its discretion, which comments shall be included directly in such records. The Parties agree and acknowledge that GRANTEE will not be held responsible for Project delays that arise out of or result from delays in the performance of any CITY obligation. Overall performance of GRANTEE related to this MOU will be monitored and reported to Council using such records and annual reviews as part of the two (2) year Compliance Review Committee cycle.

18. Legacy Projects. For Projects for which substantial Work was completed prior to adoption of this MOU, the Parties have agreed that it is in the best interest of the Surcharge Program to continue such Projects to completion under the terms of the previous MOU. For these Projects, the requirements of this MOU will be followed where doing so will not delay the completion date of such Projects or create other barriers to performance. These exceptions shall only apply to the following in-progress Projects:

- (a) Chollas 4J1
- (b) Clairemont Mesa 6DD1
- (c) Clairemont Mesa 6H
- (d) Golden Hills 8C
- (e) La Jolla 1J Job 1
- (f) La Jolla 1J Job 2
- (g) Lomita Block 4Y
- (h) Muirlands 1M-J1
- (i) Rolando Blk 7G2
- (j) S. Mission Beach 2S1

UNDERGROUNDING MEMORANDUM OF UNDERSTANDING between THE CITY OF SAN DIEGO and SAN DIEGO GAS & ELECTRIC COMPANY

IN WITNESS WHEREOF, the Parties have caused this MOU to be executed as of the last date below:


CITY OF SAN DIEGO

City Council Ordinance No. 0-21440


By: Jay Goldstone
Its: Chief Operating Officer

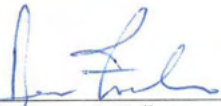
3/29/2022
Date

Approved as to form:


By: Ryan Gerrity
Its: Deputy City Attorney

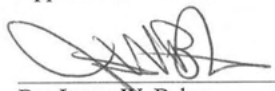
4/6/2022
Date

SAN DIEGO GAS & ELECTRIC COMPANY


By: Bruce A. Folkmann
Its: President and Chief Financial Officer

2/4/2022
Date

Approved as to form:


By: James W. Baker
Its: Assistant General Counsel

2/4/2022
Date

APPENDICES

Appendix A – Cost Per Mile

“**Cost Per Mile**” is defined as the total cost (design, materials, construction, etc.) to build one mile of a new underground system that will replace the overhead system. Total miles are determined by the trench footage (including service trenches) required to build the total underground system. The cost of removing the old overhead system (known as “**Remove From Service**” or “**RFS**”) is not included in the Cost Per Mile calculation. Generally, the number of underground miles of electric conduit that must be installed to replace overhead wires occurs at a factor of 1.5 to 3.0x. Items that impact cost include work hours, urban density, alleyways, environmental issues, hard digging, etc.

Project Example of Cost Per Mile Calculation:

Total overhead miles to be removed: 3 miles

Total underground miles constructed: 6 miles

Total cost of the new underground system: \$18M

Demolition and removal of old overhead system: \$1M (*removal of overhead system not included in Cost Per Mile*)

Total project cost: \$19M

Cost Per Mile: $\$18M/6 \text{ miles} = \mathbf{\$3M \text{ per mile}}$

For illustrative purposes only, below is a summary of an underground conversion project called Golden Hills 8C, depicting (1) the overhead lines removed and (2) the underground miles installed. Individual Projects are not representative of all Projects; each Project has its own features that dictate cost and schedule.

Example: Golden Hills 8C

Linear Mileage of Overhead Line to be Removed

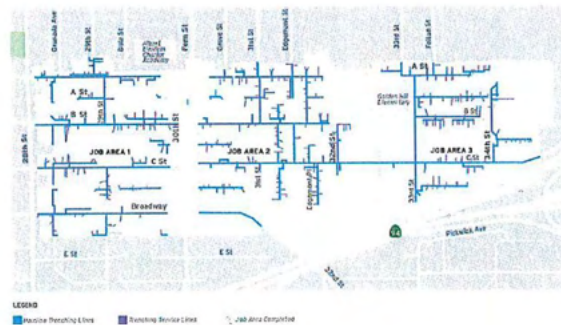


- Overhead Lines to be Removed*:
– **2.44 miles**
- Total Cost Removal of Overhead Lines
– **\$1.5M (not included in cost per mile calculation)**

* Sometimes referred to as street miles or center lane miles, although it would include pole footage for facilities not in the ROW such as back lot lines. This is a point A to point B measurement of overhead facilities and does not include service drop lengths, consideration for multiple circuits on same pole line or distances of undergrounded street crossings of minimal distances.

Example: Golden Hills 8C

Linear Mileage of Constructed Underground System



- New Underground Trench:
– **5.81 miles Mainline**
– **1.60 miles Service Trench**
- Total New Underground Trench:
– **7.41 miles**
- Cost of New Underground System:
– **\$40.1M**
- New Underground System:
– **\$5.41M/ mile**

Appendix B – Invoicing Backup Material

In accordance with Section 11 – Invoicing, monthly invoices will be accompanied with Monthly Invoicing Backup Material. Details for each Project will be broken down as follows:

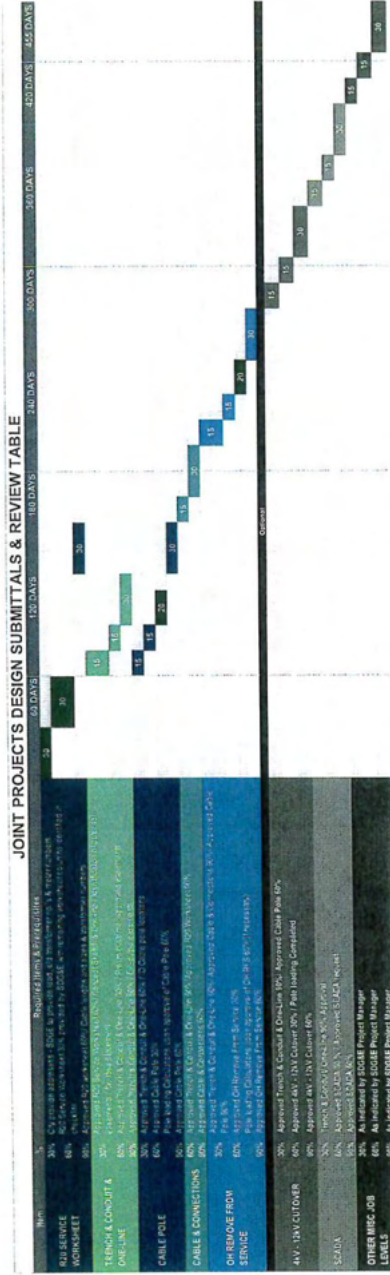
1. Project Name
2. UUP #
3. Work Order #
4. Project Detail (description of job level)
5. Status
6. Estimate Phase
7. Estimated Cost at Completion
8. Previous Estimated Cost at Completion
9. Estimate % Change
10. Job To Date Costs
11. Year To Date Costs
12. Directs
13. Materials
14. Overheads
15. Depreciation and Salvage Credit
16. Prior Charges Not Previously Billed
17. Monthly Net Billable Amount

Appendix C – GRANTEE Design Review Timelines

This table applies to design review times for Work Orders of up to 400 Design Locations with no unique scope items, which may include boring requirements, bridge attachments, transmission lines or other unique design elements.

Submittal	Design %	Required Items and Pre-Requisites	Review Time	Resubmittal Review Time	Full Submittal Requirements
R20 Service Worksheet	30%	City provide addresses - SDGE to provide load, old transformer no.'s & meter numbers	30	N/A	N/A
R20 Service Worksheet	60%	R20 Service Worksheet 30% provided by SDG&E with remaining worksheet columns identified in checklist	30	15 D	Checklist
R20 Service Worksheet	90%	Approved R20 worksheet 60%/ Cable lengths and sizes & transformer numbers			
Trench & Conduit & One-Line	30%	Approved R20 Service Worksheet 60%/ Concept Sketch & One-line / Identification of potential easements / facilities placement	15	15 D	Checklist
Trench & Conduit & One-Line	60%	Approved Trench & Conduit & One-Line 30% / Prelim customer approved easements	15	15 D	Checklist
Trench & Conduit & One-Line	90%	Approved Trench & Conduit & One-Line 60% / Executed easements	30	15D-30 D	Checklist
Cable Pole	30%	Approved Trench & Conduit & One-Line 60% / ID Cable pole	15	15 D	Checklist
Cable Pole	60%	Approved Cable Pole 30%	15	15 D	Checklist
Cable Pole		Pole loading Calculations upon approval of Cable Pole 60%	20		N/A
Cable Pole	90%	Approved Cable Pole 60%	30	15D-30 D	Checklist
Cable & Connections	60%	Approved Trench & Conduit & One-Line 90%/ Approved R20 Worksheet 90%	15	15 D	Checklist
Cable & Connections	90%	Approved Cable & Connections 60%	30	15D-30 D	Checklist
OH Remove From Service	30%	Approved Trench & Conduit & One-Line 90%/ Approved Cable & Connections 90%/ Approved Cable Pole 90%	15	15 D	Checklist
OH Remove From Service	60%	Approved OH Remove From Service 30%	15	15 D	Checklist
OH Remove From Service		Pole loading Calculations upon approval of OH RFS 60%(if	20		N/A
OH Remove From Service	90%	Approved OH Remove From Service 60%	30	15D-30 D	Checklist
4kV - 12kV Outover	30%	Approved Trench & Conduit & One-Line 90%/ Approved Cable Pole	15	15 D	Checklist
4kV - 12kV Outover	60%	Approved 4kV - 12kV Outover 30% / Pole loading Completed	15	15 D	Checklist
4kV - 12kV Outover	90%	Approved 4kV - 12kV Outover 60%	30	15D-30 D	Checklist
SCADA	30%	Trench & Conduit/ One-Line 90% Approval	15	15 D	Checklist
SCADA	60%	Approved SCADA 30 % / Approved SCADA request	15	15 D	Checklist
SCADA	90%	Approved SCADA 60%	30	15D-30 D	Checklist
Other Misc. Job Levels	30%	As indicated by SDG&E Project Manager	15	15 D	Checklist
Other Misc. Job Levels	60%	As indicated by SDG&E Project Manager	15	15 D	Checklist
Other Misc. Job Levels	90%	As indicated by SDG&E Project Manager	30	15D-30 D	Checklist

Undergrounding MOU



NOTES:

1. ACTIVITIES SDC&E MANAGES
2. 4V - 12KV CUTOVER & SCADA (IF NECESSARY) WOULD HAPPEN AFTER CABLE & CONNECTIONS (PRIOR TO RFS) - THIS IS INCLUDED IN TOTAL TIMELINE
3. INCLUDES CONSTRUCTIBILITY REVIEWS (PERFORMED BY SEPARATE GROUP)
4. ACTUAL PROJECT SCHEDULES VARY

San Diego Gas and Electric (SDG&E) Two-year Work Plan - City of San Diego						
Project Name	Location (Address)	Expected Start Date	Expected End Date	Permit Number (PTS)	Trenching? (Y/N)	
C1047, CWS: Install New 12kV Circuit - OH/UG DDOR 2020	6800 University Avenue	7/6/2021	4/2/2022	638126	Yes	
C139 - cutover to c138 - DDOR 2021	3400 Union Street	9/14/2021	2/12/2022	683294	Yes	
C147, MS: CUTOVER TO C146	2499 Qualcomm Way	11/13/2021	2/11/2022	682209	No	
C1480, VN: New Circuit C1480 DDOR 2020	4140 Pacific Hwy	1/25/2022	9/22/2022	673056	Yes	
C50 Reconductor and Capacitor	2050 Willow Street	8/30/2021	7/11/2022	681579	Yes	
C546, PB: INST 1200KVAR UG CAP	3800 Ingraham Street	1/20/2022	4/30/2022	687006	Yes	
C579,PB:INST 1200KVAR UG CAP (3-333823)	3359 Morena Blvd	10/19/2021	1/17/2022	683295 681633	Yes	
C833: Load Transfer from C833 to C511 & C510 - DDOR 2020	3020 Del Mar Heights Road	11/30/2021	2/28/2022	679120	No	
C928 New 12 KV Circuit	14300 Old Creek Road	10/29/2021	7/26/2022	666552 666549 666547	Yes	
C930: install 1200KVAR Capacitor	15010 Avenue of Science	8/30/2021	11/28/2021	2171488	Yes	
DAISY CHAIN RISER REPLACEMENT PROJECT	1577 Calle Leticia	3/2/2022	11/27/2022	690717	No	
Proposed City Storm Drain Conflict 2" PE main Drop	4085 Chamoune Ave	10/5/2021	12/30/2021		Yes	
3 gas Service Relocations Navajo storm drain proposed man holes	Formal Ct and Viavar St	10/1/2021	11/1/2021	638107	Yes	
3" PE Gas Reloc Coastal Rail Trail	Gilman Dr	12/15/2021	3/15/2022		Yes	
L49-17 Alvarado Rd to College Ave Phase 1	Alvarado Rd	11/30/2021	3/15/2022		Yes	
L49-17 College Ave & Canyon Crest Dr PH2	Canyon Crest rd	6/5/2022	8/1/2022		Yes	
SDSU West WO#5a: INSTALL 1160'-6"PE MAIN	9449 Friars Rd	7/15/2021	12/21/2022	No Permit Needed	Yes	
SDSU West WO#5B 6" PE Gas Aztec Way	9449 Friars Rd	10/11/2021	2/3/2022	No Permit Needed	Yes	
Sewer & AC Water 765A Reloc Gas @ Various locations	Calle Quebrada	10/1/2021	12/31/2021		Yes	
Sewr and AC Wter 765A relocate gas due to water conflict	Calle Quebrada	10/1/2021	12/31/2021		Yes	
Install Reg 691	Saturn Bld/Rimbey Ave	11/1/2021	12/31/2021	675947	Yes	
SW Crown Point West Moorland ST REL 250' STL	Moorland St	9/1/2021	12/31/2021	664686	Yes	
SW Crown Point West Buena Vista 75' - 2" STL	Buena Vista/La Cima	9/2/2021	1/1/2022	664686	Yes	
Witt Mission Valley - 241' 2" PE RELOC	588 Camino Del Rio N	10/1/2021	12/31/2021	649203	Yes	
Reloc 85' 2" PE & 5 SRVCS @ Meadowlark Dr	2264 Meadow Lark Dr	8/1/2021	12/31/2021	686573	Yes	
RS1460: L49-32 Whitherby St	Corner Whiterby and Hancock	10/1/2021	12/31/2021	667908	Yes	
Reg 691 Replacement (Saturn and Satellite) + 4" PE Upgrade	1601 Saturn Bld/Rimbey Ave	9/1/2021	12/31/2021	675947	Yes	
RFS REG953 BACKTIE FRIARS RD	Friars Rd/Fashion Valley	8/1/2021	12/31/2021	651842	Yes	
L3010 & L 49-125-RFS REG 1322 RELOC 280'-4" STL MAIN	9370 Scranton Rd	11/1/2021	2/28/2022	687159	Yes	
Lrg Main Bringup - Camino Santa Fe, Install 6,400' 4" Steel	Camino Santa Fe	9/1/2021	12/31/2021	664168	Yes	
AOC - SVC RELO - 3649 TEXAS ST	3649 TEXAS ST	7/1/2021	9/30/2021	689832	Yes	
CP473 Reloc 192 Conestoga Ct, San Diego	7712 MARGERUM AVE	8/1/2021	10/1/2021	672555	Yes	
AOC- 1915 Adams Ave, SD- Shallow Svc	1915 Adams Ave	8/24/2021	10/1/2021	699919	Yes	
GO112F - SVC RFS @ 3637 MAIN ST, SD	3736 MAIN ST	9/1/2021	10/1/2021	688992	Yes	
GO112F - MAIN & 25VC RELO @ 3340 ORANGE	3340 ORANGE AVE	9/1/2021	10/1/2021	688415	Yes	
CP66-4 Renewal Myrtle Ave and 37th St SD	3453 Myrtle Ave and 37th St	7/1/2021	10/31/2021	680292	Yes	
CP 512 SPLIT 278 - PARKBROOK ST	Parkbrook St & Parkbrook Ln	8/1/2021	10/31/2021	689388	Yes	
GO112F - 2 SVC RELO @ 3424 ALABAMA ST,SD	3424 ALABAMA ST	9/1/2021	10/31/2021	690234	Yes	

R/P 10080981 23 E. Independent Audit of SDG&E Gas and Electric Franchise
Two year Work Plan

CP-DC166- MAG BAG-1434 1ST AVE	1434 1ST AVE	9/1/2021	10/31/2021	685460	Yes
AOC - 2 Svc Rebo 60' of 2" PE 2 Ray St.	3767 Ray St.	9/1/2021	10/31/2021	659363	Yes
GO1:2F - SVC RELO @ 4650 LARKSPUR ST, SD	4650 LARKSPUR ST	9/1/2021	11/1/2021	693083	Yes
AOC - SVC RELO @ 2468 MORNINGSIDE ST, SD	2468 MORNINGSIDE ST	9/1/2021	11/1/2021	693083	Yes
Install EPM - R1408 - CONVENTION CENTER	111 W Harbor Dr	10/1/2021	11/1/2021		Yes
CP234 SPLIT CP513 CANTLEBURY MARLBOROUGH	E Cantlebury & Marlborough Dr	10/1/2021	11/1/2021		Yes
CP294 Renewal 903 McKee St w/o Kettner S	903 McKee St w/o Kettner Blvd	10/1/2021	11/1/2021		Yes
CP10 SVC Renewal 3321 & 3322 Date St SD	3321 OATE ST	10/1/2021	11/1/2021		Yes
CP 510/111-J - CLAIREMONT DR	Clairemont Dr and Calle Ne 1	9/1/2021	11/2/2021	689575	Yes
Inoperable Valve 6612	7583 Country Club Ln	9/1/2021	11/15/2021	689305	Yes
CP37 15F AG INSTALL- 1009 MADISON AVE. SD	1009 Madison and Rhode Island St	10/1/2021	11/24/2021	694822	No
CP 193 RECONNECT BONDS ABBOT ST SD	ABBOT ST	11/1/2021	12/1/2021		Yes
SVC RELOC: 2644-2656-2666-2676 ELM AVE IB	2644 Elm Ave	10/4/2021	12/4/2021		Yes
Install 4"HP- Camino Santa Fe	Camino Santa Fe	8/1/2021	12/30/2021	664163	Yes
CP341 Renewal - 6195 CHADWICK AVE	6195 Homedale St and Chadwick Ave.	10/1/2021	12/31/2021		Yes
GO1:2F - SVC RELO @ 5302 E PALISADES RD	5302 E. PALISADES RD	11/1/2021	12/31/2021		Yes
CP66- 2 BND WIRE INSTALL COPELAND@ORANGE	Copeland Ave and Orange Ave	11/1/2021	12/31/2021		Yes
CP75-2 SVC Renewal 3838 47th St SD	3838 47TH ST	11/1/2021	12/31/2021		Yes
Mag Bag 37 - 15 4455 Alabama St SD	4455 Alabama St	11/1/2021	12/31/2021	694820	Yes
AOC - SHALLOW SVC RELO @ 6475 DWANE AVE	6475 DWANE AVE	11/1/2021	12/31/2021	692351	Yes
6" ISO JT 291/201 MORNBLEND & DAWES ST	4467 DAWES ST	12/1/2021	1/1/2022	694821	Yes
LA9-131 8" STL Inop Valve 10036 Replace	131 Santa Barbara Street	1/10/2022	1/24/2022		Yes
CP506 Split 338 Lake Angela Dr and East	Lake Angela Dr. and East Lake Dr	1/1/2022	2/1/2022		Yes
CP503 Split CP117 Scripps Way SD	Lamas St and Stresemann St	1/1/2022	2/1/2022		Yes
CP 502/129 - 3141 Dickens St	3141 Dickens St	1/1/2022	2/1/2022		Yes
CP513 Split 234 / KENSINGTON PARK S	4763 KENSINGTON PARK	1/1/2022	2/1/2022		Yes
CP500 Split 102-2 - TBD	Sychar Rd N/O Skyline Dr.	1/1/2022	2/1/2022		Yes
CP228 Renewal - 1555 Halo St SD	1555 Halo St	1/1/2022	2/1/2022		Yes
CP 472 New Split CP180 Owen St SD	858 Rosecrans St	1/1/2022	2/1/2022	647473	Yes
CP 96-2 Renewal / 5903 POTOMAC ST	5903 POTOMAC ST	1/1/2022	2/28/2022	694795	Yes
GO1:2F - MAIN & 45VC RELO @ 4212 FLORIDA	4112 FLORIDA ST	12/1/2021	3/22/2022	694794	Yes
CP498 SPLIT 204 - 1740 47th St. SD	1740 47TH ST	3/1/2022	5/31/2022	683886	Yes
		6/1/2022	6/1/2022	Phase 1: 679558 Phase 2: 679556 Phase 3: 675173	Yes
TL673 Direct Buried Cable Replacement	Via Capri and La Jolla Scenic Drive				
Artesian Substation Project - East End	Rancho Bernardo Road east of Via Del Campo	8/1/2021	10/31/2021	673042 673048	Yes
TL6973 Del Mar Loop In Project	Via de la Valle East of I-5	7/1/2021	12/31/2021		Yes
TL605 Reconnector Project	Main St and Cesar Chavez Pkwy	1/1/2023	9/30/2023		Yes
TL625/659 Direct Buried Cable Replacement	Silvergate Ave and Venice St	1/1/2023	12/31/2023		Yes

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ADMINISTRATIVE MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF SAN DIEGO AND SAN DIEGO GAS & ELECTRIC COMPANY

THIS ADMINISTRATIVE MEMORANDUM OF UNDERSTANDING (“MOU”) is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation (“CITY”), and SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation (“GRANTEE”) (CITY and GRANTEE are collectively referred to herein as the “Parties”), to be effective when signed by both Parties and approved as to form by the San Diego City Attorney (the “Effective Date”).

On July 11, 2021, the following ordinances became effective (hereinafter, the “Franchises”): that certain City of San Diego Ordinance No. 0-21328, *An Ordinance of the Council of the City of San Diego Granting to San Diego Gas and Electric Company the Franchise for Transmitting and Distributing Electricity and other purposes* (the “Electric Franchise”) and that certain City of San Diego Ordinance No. 0-21327, *An Ordinance of the Council of the City of San Diego Granting to San Diego Gas and Electric Company the Franchise for Transmitting and Distributing Gas and other purposes* (the “Gas Franchise”).

The Franchises call for the Parties to negotiate an Administrative Memorandum of Understanding to “define and promote a cooperative working relationship between the parties and to address the handling of operational issues . . .” The Parties now wish to enter into this MOU to further define and promote the relationship between the Parties and permit GRANTEE to exercise its rights and obligations regarding the installation, operation, repair, replacement, maintenance and removal of Grantee’s facilities within the public rights of way of the CITY, in accordance with the terms of the Franchises.

- 1) Definitions: As used in this MOU, the following terms shall be defined as follows:
 - a) “Applicable Laws” shall have the meaning assigned to such term in the Franchises.
 - b) “Business Days” means any day other than a Saturday, Sunday or a Holiday. “Days” or “days” shall mean calendar days.
 - c) “CITY” shall mean the City of San Diego, and which shall include CITY’s agents, employees, and contractors. CITY shall be responsible for all CITY’s agents, employees and contractors and ensure that they adhere to all conditions as stated in this MOU.
 - d) “CITY’s Address for Notices” shall be:
SUSTAINABILITY & MOBILITY DEPARTMENT
1200 3RD AVE, SUITE 1800, MS1101B
SAN DIEGO, CA 92101
 - e) “CITY Liaison” shall mean the Director of the Sustainability & Mobility Department.
 - f) “CITY Requirements” shall mean applicable standards described in the Whitebook, the Greenbook, the California Building Code, City of San Diego Standard Drawings; The Street Design Manual; The Manual of Uniform Traffic Control Devices and the California Supplement, including, without limitation, applicable memoranda issued by the CITY Engineer.
 - g) “CMFE” shall mean CITY’s Engineering and Capital Projects Construction Management Field Engineering Division.
 - h) “CPUC” shall mean the California Public Utilities Commission.
 - i) “DSD” shall mean the CITY’s Development Services Department.
 - j) “Emergency” shall mean any unexpected situation or occurrence that has or may result in serious injury, property damage, or a threat to safety, security, or reliability of GRANTEE’s Facilities or the power grid.
 - k) “Emergency Work” includes temporary Work that is required to mitigate and restore active gas leaks, exposed gas lines, energized downed power lines, work to restore service to street lighting and signaling, damaged Facilities, cathodic protection, work to control, repair and restore energized facilities and the restoration of the ROW to a functional and safe condition

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- for all applicable modes of transportation.
- l) "Excavation" shall mean the act, process, or result of earthen material or substance being removed, cut into, dug, quarried, uncovered, displaced, or relocated.
 - m) "Facility" shall mean any facility, instrument, appurtenance or piece of equipment used for the delivery of energy or in support of the delivery of energy and associated uses thereof by GRANTEE within the ROW.
 - n) "GRANTEE" shall mean San Diego Gas & Electric Company, and which shall include GRANTEE's agents, employees, and contractors. GRANTEE shall be responsible for all GRANTEE's agents, employees, and contractors and ensure that they adhere to all conditions as stated in this MOU.
 - o) "GRANTEE's Address for Notices" shall be:
Regional Public Affairs Department
8330 Century Park Ct.
San Diego, CA 92123
 - p) "GRANTEE Liaison" shall mean its Regional Public Affairs Manager.
 - q) "Governmental Authorities" shall mean any local, regional, state or federal governmental entities having jurisdiction over any aspect of this MOU, CITY, GRANTEE or the Work performed pursuant to this MOU.
 - r) "Greenbook" shall mean *Standard Specifications for Public Works Construction, 2021 Edition*, published by Public Works Standards, Inc., as may be updated from time to time.
 - s) "Holiday" shall mean a day defined by the CITY as a City Holiday as listed at <https://www.sandiego.gov/city-holidays>.
 - t) "CITY Infrastructure" shall mean all assets including but not limited to streets, sidewalks, curbs, drains, pipes, gutters in the ROW.
 - u) "Maintenance" means routine, recurring Work necessary to keep GRANTEE's Facilities in such condition that they may be continuously used at their designated capacity and for their intended purpose, including, without limitation, functional checks, testing, inspection, servicing, minor repairs, upkeep, vegetation management, and ground clearance work.
 - v) "Moratorium" shall mean excavation restrictions placed on certain streets within the ROW as established by San Diego Municipal Code section 62.1200 *et seq.*
 - w) "NPDES" shall mean the National Pollutant Discharge Elimination System.
 - x) "POC" shall mean a Party's point of contact.
 - y) "ROW" shall mean the publicly dedicated right-of-way of the CITY, which are public easements for streets, alleys, or other uses, as defined in San Diego Municipal Code section 113.0103, as may be amended from time to time.
 - z) "SSWBF" shall mean a Street/Sidewalk Blockage Form issued by the CITY.
 - aa) "TCP" shall mean a Traffic Control Plan developed by GRANTEE and reviewed by CITY.
 - bb) "Whitebook" shall mean that most recently adopted version of the *City of San Diego Supplement to the Greenbook*, produced by the CITY's Public Works Department, Project Implementation Division, Standards & Contract Documents Section, as may be updated from time to time. In the event of a conflict between the Greenbook and the Whitebook, the Whitebook shall control.
 - cc) "Work" shall mean any activity required to inspect, test, check, implement, install, erect, excavate, trench, bore, construct, access, protect, electrify, power, maintain, repair, replace, remove, or modify new or existing Facilities within the Work Area by GRANTEE. Work shall also refer to any design construction activities by CITY or other parties in the ROW.
 - dd) "Work Area" shall mean any area of the ROW in which GRANTEE is performing Work.
- 2) Purpose: The purpose of this MOU is to dictate how GRANTEE exercises its rights and obligations regarding the performance of Work on or related to GRANTEE's Facilities within the CITY ROW, as granted by and in accordance with the terms of the Franchises. This MOU does not supersede any CITY permits, permissions or other approvals GRANTEE is required to obtain to perform Work as

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described in this MOU. In the event of a conflict between a Franchise and this MOU, the Franchise shall control.

- 3) Term. This MOU shall be effective for two (2) years from the Effective Date. GRANTEE may apply for successive memorandum of understandings with the CITY within 6 months of the expiration of this MOU.
- 4) General Work Requirements.
 - a) Entering Worksite and PPE. CITY reserves the right to enter upon any Work Area at all times to inspect and maintain the Work Area as CITY deems reasonably necessary; all personnel entering any Work Area must wear personal protective equipment (PPE) appropriate or required for the worksite at all times.
 - b) Conformance with San Diego Municipal Code Chapter 6, Article 2, Division 11. Work allowed and conducted pursuant to this MOU shall conform with the requirements in San Diego Municipal Code Chapter 6, Article 2, Division 11: "Procedures for Work on Utility Installations in the Public Right-of-Way" unless such requirements are superseded by other Applicable Laws; provided further, that any fees that may be assessed against GRANTEE pursuant to such requirements shall be credited against the fees paid to the CITY pursuant to the terms of the Franchises.
 - c) Compliance With CITY Requirements. GRANTEE and GRANTEE's agents and contractors shall comply with all Applicable Laws in the performance of Work under this MOU, including CITY Requirements, provided, however, that with respect to those activities for which the CPUC has exercised its regulatory authority, the CPUC's authority shall be presumed to be exclusive, and such regulations shall supersede CITY Requirements and other local or state Applicable Laws; provided further, CITY may request from GRANTEE written documentation of such exclusive CPUC authority with respect to such activity, provided that, in the event the CITY disagrees with the sufficiency of the documentation, and the Parties cannot come to agreement, they will follow the dispute resolution process as identified in Section 16(c) of this MOU. In the event of any conflict between this provision and any other provision of this MOU, this provision shall control. Furthermore, in the event of a conflict between any Applicable Law and a City Requirement, Applicable Laws shall control.
 - d) Facilities Access. Pursuant to the rights granted by CITY to GRANTEE in the Franchises, GRANTEE shall retain access to its Facilities in the ROW at all times and shall have the right to install its Facilities in the ROW, subject to the requirements of this Administrative MOU. CITY agrees that it will not affirmatively authorize third parties to block, restrict, impede or modify GRANTEE's access to its Facilities in the ROW and will provide reasonable assistance to GRANTEE if requested to ensure GRANTEE's rights to operate its Facilities in the ROW.
- 5) MOU Permit. The CITY has determined that certain types of Work performed by GRANTEE are permitted under this MOU may be performed by GRANTEE without the need for any additional right-of-way permits from CITY, if such Work is accomplished in accordance with the requirements of this MOU. The following classifications designate how GRANTEE's Work shall be managed.
 - a) Category I: Maintenance, Inspection, and Low Impact Projects. These projects are grouped as one category because of their low complexity and smaller scopes. These include routine maintenance, inspection and low impact projects which have no impact or minimal impacts on the ROW. Examples of these types of Projects are provided in Appendix A – Maintenance, Inspection and Low Impact Projects. The Parties acknowledge that this list is not exhaustive.
 - i. Maintenance and Inspection: Routine, recurring Work necessary to keep GRANTEE's Facilities in such condition that they may be continuously used at their designated capacity and for their intended purpose, including, without limitation, functional checks, testing, inspection, servicing, minor repairs, upkeep, vegetation management and ground clearance work.
 - ii. Low Impact Projects. Projects that are low in complexity and have no or minimal

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impacts on the ROW. These include:

- a. Like-kind replacements, meaning replacement of Facilities that are the same in size, material, and height.
 - b. No permanent impact or alteration to any CITY Infrastructure (CITY Infrastructure is replaced in kind).
 - c. No Work in ROW under Moratorium.
 - d. GRANTEE Facilities are not being installed in a manner that would restrict sidewalk clearance to less than 48” or within 10’ of a pedestrian ramp/curb return.¹
 - e. Work that will not take place in any sensitive archeological or paleontological areas.
 - f. Work that does not create major disturbances of CITY landscaping, including mature trees (as defined in CITY Requirements).
- b) Category 2: Medium and High Impact Projects. Any planned Project that does not qualify as a Category 1 Project is automatically considered a Category 2 Project.
- c) Category 3: Emergency Projects. A Project involving Emergency Work. This includes, without limitation, Work required to mitigate active gas leaks, energized downed power lines, restoring service to street lighting and signaling, damaged or failed underground equipment, or repairing damaged or deteriorating poles and/or equipment. This also includes Emergency Work to manage, de-energize, repair and restore energized facilities during Public Safety Power Shutoffs, and restoration of the ROW to its original condition in the event of damage to the ROW that impedes traffic or threatens public safety. This Work may fall into Category 1 or 2. These Projects will be automatically considered Emergency Work.
- d) Category 4: Compliance Projects. Infractions discovered through GRANTEE’s inspection and maintenance programs. Once discovered, GRANTEE is subject to strict correction deadlines imposed by the CPUC and other agencies, as further described in Appendix B – Compliance Deadlines. Compliance Projects may fall under Category 1 or 2 and will be managed accordingly.
- e) Master Plan Approvals. Work performed by GRANTEE on a consistent basis in the same manner can be submitted to CITY for approval as a “Master Plan.” CITY shall review Master Plan proposals within 28 days of delivery by GRANTEE. If approved, CITY shall determine if the Master Plan is classified as a Category 1 or Category 2 Plan. Category 1 Master Plans may be used by GRANTEE without further review, as long as GRANTEE’s Work is compliant with the Master Plan. Category 2 Master Plans will require normal permitting but will allow a more rapid CITY’s review. Approval of a Master Plan to move project(s) into Category 1 is at the sole discretion of the CITY.
- f) Permitting for projects to underground GRANTEE’s overhead poles and wires shall be controlled by provisions of the Undergrounding MOU required by the Electric Franchise.
- 6) Permitting Requirements by Category
- a) Category 1: Maintenance, Inspection, and Low Impact Projects. The CITY has determined that projects in Category 1 may be performed by GRANTEE under this MOU without additional right-of-way permits from CITY. GRANTEE will establish an online Work Portal (“Portal”) that describes all Category 1 Projects taking place in the ROW and will share that information with the CITY. Category 1 Projects will be added to the Portal no later than ten (10) business days prior to commencement of physical Work by GRANTEE; provided that schedule, workforce and related information for a Project may be uploaded, updated or modified after the Project is added to the Portal
 - i. The Portal will contain the following information for each Category 1 Project:

¹ Note that this classification is for determination of whether Work falls under Category 1, and does not speak to the application of the Americans with Disabilities Act or other CITY Requirements to GRANTEE’s Facilities.

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- 1) Justification (maintenance, inspection or low impact) including master plan, as applicable
 - 2) Job Name
 - 3) Job Number
 - 4) Scope of work
 - 5) Street Address
 - 6) Coordinates
 - 7) Business Point of Contact (Name, Email, Phone)
 - 8) Field Point of Contact (Name, Email, Phone)
 - 9) Crew (GRANTEE vs. Contracted)
 - 10) Start Date
 - 11) Anticipated End Date
 - 12) Time
 - 13) Conflict (Y/N)
 - 14) Moratorium (Y/N)
 - 15) Maintenance Assessment District (Y/N)
 - 16) SSWBF/Traffic Control (Y/N)
 - 17) Approved Master Plan Reference
- ii. GRANTEE will consult the CITY's Project Map Finder to ensure that its Category 1 Projects do not conflict with any other field activities taking place in the ROW. If GRANTEE identifies a field conflict, GRANTEE will coordinate with third party project owners (and provide proof of coordination to CITY upon request). If GRANTEE's Work conflicts with a CITY project, GRANTEE will coordinate with the CITY's project manager. CITY agrees to respond to GRANTEE's coordination requests within two (2) Business Days.
- iii. If a Low Impact Project occurs within a Maintenance Assessment District (MAD), it will be indicated on the Portal. CITY staff may contact GRANTEE's field point of contact as listed on the Portal should a MAD inspection be needed.
- iv. When Category 1 Work is being performed by GRANTEE's contractors, GRANTEE will display signage at each Project location to indicate GRANTEE project ownership. GRANTEE will also train its contractors on CITY procedures.
- b) Category 2: Medium and High Impact Projects. Medium and High Impact Projects shall be treated as standard projects of GRANTEE subject to standard CITY permitting requirements, as defined in San Diego Municipal Code section 113.0103, as may be amended.
- c) Category 3: Emergency Projects. Emergency Work may be performed immediately; provided GRANTEE provides notice to CITY as described herein, and to the extent such Emergency Work is a Category 1 project, GRANTEE shall add the Project to the Portal; if it is Category 2, GRANTEE shall apply for the respective permits required for such Work within fourteen (14) Business Days per San Diego Municipal Code section 62.1211, as may be amended; provided that if the Emergency does not require any additional Work, no further action will be taken.
- d) Category 4: Compliance Projects. Compliance Work may fall into Category 1 or Category 2, depending on the infraction. Compliance Work will become Emergency Work when GRANTEE has submitted a permit application to complete the Compliance Work but has not received the necessary approvals to commence Work within eight (8) weeks from the Compliance Work's due date, or the specific infraction must be resolved within 30 days. CITY and GRANTEE shall review all open Compliance Work on a weekly basis.
- e) Ongoing Review. The Parties agree to conduct ongoing reviews of these categories to determine adequacy and achieve improvements during the term of the MOU and subsequent MOUs, as appropriate.

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- 7) Traffic Control Permits.
- a) Generally. If any GRANTEE Project (except Emergency Work) impedes vehicular, bicycle, or pedestrian traffic, GRANTEE will apply for an SSWBF, including, if required, a TCP, in conformance with the latest edition of the City of San Diego Standard Drawings; the Street Design Manual; the Manual of Uniform Traffic Control Devices and the California Supplement; and Standard Specifications for Public Works Construction, including Regional and City of San Diego Supplement Amendments through DSD.
 - i. CITY and GRANTEE will work collaboratively to develop “Working Drawings” for the following scenarios for GRANTEE’s standard use in developing TCPs, at a minimum:
 - 1) Residential local streets with a truck parked in a legal parking space.
 - 2) Residential local streets with a truck parked in a travel lane.
 - 3) Minor intersection (not signalized) with travel lane closed.
 - ii. If there is a pre-approved Working Drawing for the instant scenario, GRANTEE will use the applicable Working Drawing; if not, GRANTEE will use a site-specific plan, if required. CITY and GRANTEE may add to the list of Working Drawings during the term of the MOU.
 - iii. TCPs shall be valid for 60 days from the date of issuance of and coordinated with associated project permits and approved dates; provided that if Work construction dates change, the SSWBF will be resubmitted with the valid, unmodified TCP.
 - b) Emergency Work. When Emergency Work impedes vehicular or pedestrian traffic, appropriate traffic control will be used at all times when Emergency Work is occurring. CITY’s inspector can request more information about traffic control management at the worksite from GRANTEE’s onsite POC. Traffic control for the final restoration Work performed by GRANTEE after the Emergency Work is complete will be managed in accordance with standard traffic control requirements as described herein.
 - c) Traffic Control Not Required. GRANTEE shall have no obligation to apply for an SSWBF or create a TCP for GRANTEE Work for which vehicle, bicycle, and pedestrian traffic are not impeded, and GRANTEE’S vehicles are parked legally.
 - d) Field Revisions. Upon request of GRANTEE, the assigned CITY Resident Engineer may approve minor deviations to the SSWBF or the associated TCP based on discovered field conditions, such as signage changes or minor submittal errors. Such corrections shall be made by the Deputy City Engineer to the on-site approved SSWBF.
- 8) Work Hours. All Work under this MOU, except Emergency Work, is subject to the following work hour restrictions and requirements, unless otherwise directed through an approved SSWBF.
- a) No Work or related activities shall occur:
 - i. Before 7:00 a.m. or after 3:30 p.m. Monday through Friday.
 - ii. Before 7:00 a.m. or after 3:30 p.m. on Saturday, unless objection is raised by CITY.
 - iii. Sundays and Holidays unless approved by CITY.
 - iv. In a school zone, before 9:00 a.m. or after 2:00 p.m. (modifiable for the respective school’s start and end times), Monday through Friday while school is in session. A school zone is any roadway within 500 feet of the school property.
 - b) Sunday, Holiday and after-hours work must be requested at least 2 working days in advance and is subject to CITY approval.
 - c) A CITY Construction Noise Permit is required for any construction Work between 7:00 p.m. and 7:00 a.m. Monday thru Saturday, or at any time on Sunday and holidays. To the extent CITY requires notification to customers of Work under a Noise Permit, GRANTEE shall not be required to share specific customer information with CITY.
 - d) Upon request of GRANTEE, the assigned CITY Resident Engineer may approve deviations

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- to the permitted Work hours in the field. Corrections shall be made by a Deputy City Engineer to the on-site approved SSWBF.
- e) The assigned CITY Resident Engineer must have approval of a Deputy City Engineer to modify a complete SSWBF approving Work during standard Work hours Monday-Friday to require GRANTEE to perform such Work after hours or on Sundays or Holidays except by request of GRANTEE.
- 9) Service Level Agreement.
- a) Following DSD's receipt of a complete permit application from GRANTEE, CITY will review each request and endeavor to approve the permit or provide feedback to GRANTEE within ten (10) Business Days.
 - b) Complete SSWBFs will be reviews by the CITY and approved or rejected within two (2) Business Days.
- 10) Notification and Inspection Requirements, Commencement of Emergency Work and Preconstruction Activities
- a) Category 1 Projects. On a regular basis, each CITY Resident Engineer will receive a list of Category 1 Projects planned for their ROW area via e-mail. CITY Resident Engineers can also access the Portal to view all upcoming and ongoing GRANTEE Projects. GRANTEE shall have no other notification responsibilities with respect to Category 1 Projects. Should a CITY Resident Engineer determine that an inspection is required for a Category 1 Project, the assigned CITY Resident Engineer will contact GRANTEE's POC via e-mail or phone as listed in the Portal for that Project to confirm applicable work locations and times.
 - b) Work Requiring Notification. All other non-Emergency Work requires notification. For all Work requiring notification, GRANTEE shall contact CMFE via e-mail to notify CMFE of the upcoming commencement of construction and invite CMFE to a pre-construction meeting, which shall occur within five (5) Business Days prior to commencement of construction. This meeting shall establish points of contact, define means and methods of the Project, and coordinate the GRANTEE's work schedule with scheduled CITY activities and CITY Transportation & Storm Station and Storm Water Department operations in and adjacent to the Work Area. At that time, GRANTEE shall submit a work schedule to CMFE via e-mail that includes a description of the Work to be performed, the specific location of such Work within the Work Area, and the dates and times of such Work. CMFE or the applicable CITY Resident Engineer shall respond via e-mail within two (2) Business Days of receipt of a request from GRANTEE confirming CMFE's attendance at the pre-construction meeting or requesting a scheduling change. If CMFE does not respond within such time frame, GRANTEE will attempt to contact the Associate and Senior Engineer supervising the Resident Engineer as identified on the District Map, to confirm need for a pre-construction meeting (or lack of need in writing).
 - c) Emergency Work. GRANTEE will notify the CITY of Emergency Work in accordance with the notification requirements set forth in San Diego Municipal Code section 62.1211 and the CITY's emergency excavation website at <https://www.sandiego.gov/tsw/unplannedexcavation>. After essential services are restored, and the Emergency is no longer occurring with respect to the Work, GRANTEE will apply for the appropriate permit based on the project type within fourteen (14) Business Days. Furthermore, GRANTEE shall check in-flight Emergency Work at least every other Business Day to ensure safety until final restoration is complete, and immediately in response to CITY notifying GRANTEE of a safety issue.
 - d) Public Access Approval. In addition to GRANTEE's base notification obligations, GRANTEE shall notify the CITY Liaison and any impacted facilities or businesses a minimum of ten (10) Business Days prior to start of any Work that may affect access to any public or private facilities in the Work Area and GRANTEE shall provide sufficient documentation to CITY describing such notification.

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- e) Project Coordination. Upon request of GRANTEE, with respect to Category 2 Projects, CITY shall conduct project coordination conflict checks in the ROW to determine whether any other projects are planned that may conflict with GRANTEE's Work.
 - f) Street Repair Redundancy. CITY and GRANTEE will coordinate on whether there is any planned CITY or third-party Work that will result in the disturbance of the parts of the ROW GRANTEE plans to repair to allow GRANTEE, CITY and such third parties to coordinate Work.
- 11) Construction Requirements
- a) Street Repair.
 - i. Street repair shall be conducted pursuant to the conditions of this MOU, GRANTEE's permit, CITY Requirements, as applicable, and Applicable Laws. Additional conditions may not be added following issuance of the respective permit for the Work.
 - ii. GRANTEE shall restore CITY Infrastructure actually modified or materially damaged by GRANTEE's Work in the ROW to its original condition. Pursuant to such obligation, if GRANTEE is restoring CITY Infrastructure that, at the commencement of GRANTEE's Work, is not compliant with Applicable Laws concerning accessibility, and GRANTEE's Work actually impacts, alters, or modifies such parts of the ROW, GRANTEE shall restore such CITY Infrastructure in compliance with Applicable Laws concerning accessibility, including but not limited to the American with Disabilities Act (ADA), the California Code of Regulations, or City Requirements, to the most accessible standard applicable and to the maximum extent feasible for such area of the ROW; provided GRANTEE shall only be required to restore CITY Infrastructure actually modified or damaged by GRANTEE's Work and no other CITY Infrastructure, even if connected or related to the improved CITY Infrastructure. This subsection shall not apply to CITY Infrastructure subject to any joint-use agreements or any situation where CITY Infrastructure is constructed on or within GRANTEE's prior existing easement or fee.
 - iii. GRANTEE shall not be required to repair any part of the ROW included in a Work Area caused by other utilities or third parties who failed to comply with CITY Requirements.
 - b) Approved Lab Option for Street Repair. CITY and GRANTEE will endeavor to develop a process for approving third-party labs to perform a soil and compaction tests for backfill, concrete and asphalt in order to eliminate trench plates on the streets whenever feasible.
 - c) Abandoned Facilities.
 - i. When GRANTEE retires a Facility from service, it shall be at GRANTEE's discretion whether such Facility will be removed from the ground or remain in place.
 - ii. For gas pipelines that are retired from service and remain in the ground, GRANTEE will use the same approach required for CITY Infrastructure as described in the version of the Whitebook approved for use by the CITY at the time the applicable permit is issued, including any associated memoranda issued by the CITY Engineer.
 - d) Resident Engineer Review. The assigned CITY Resident Engineer may request GRANTEE make reasonable modifications to the Work to protect the ROW, manage traffic impacts and ensure public safety, within the boundaries of the permits issued to GRANTEE to perform the Work and within the Work Area. The assigned CITY Resident Engineer may not require GRANTEE to perform any significant amounts of Work not described on the approved permit or in parts of the ROW not actually modified or impacted by GRANTEE's Work.
 - e) Landscaping and Site Restoration. Where GRANTEE's Work disturbs landscaping located in the ROW, GRANTEE will restore in kind; no maintenance beyond initial planting is

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- required, unless required by permits for the Work issued by other Governmental Authorities.
- 12) Cooperation & Coordination with CITY Projects and CITY Work.
- a) Coordination. CITY and GRANTEE agree and acknowledge that coordination and collaboration between the Parties at the earliest stages of development of CITY Capital Improvement Projects will help expedite the Work necessary to accommodate these Projects in a safe, efficient and timely manner. In particular, the Parties shall make reasonable efforts to collaborate on the development of appropriate electronic methods to share information regularly to coordinate effectively.
 - b) Minimizing Conflicts; Design Changes. CITY shall make reasonable efforts to design CITY Capital Improvement Projects in a manner that minimizes conflicts with existing GRANTEE Facilities whenever feasible. Once conflicts are discovered, the Parties will make good faith efforts to re-design out of conflicts at the earliest design stages.
 - c) CITY Project Schedules. CITY shall provide GRANTEE information updated at least monthly regarding all active CITY Capital Improvement Projects using Primavera 6 or similar scheduling software, including specific project milestones to be determined by the Parties. The Parties shall also endeavor to meet monthly to review this information. The CITY will endeavor to include information about potential 90-Day Notices (as defined below) in its Project Schedules.
 - d) Electric Transmission and High Pressure Gas Conflicts. CITY shall make reasonable efforts to provide GRANTEE as much advance lead time as possible with respect to relocations that involve high volume or high pressure gas lines or electric transmission equipment to ensure the safety and reliability of GRANTEE's systems.
 - e) Management of Relocations.
 - i. Design. If GRANTEE Facilities may need to be relocated to accommodate a CITY Capital Improvement Project, CITY agrees to provide GRANTEE electronic copies of CITY's (or its contractor's) design plans for the entire Project at 30% complete, 60% complete, 90% complete, 100% complete, signed plans, and any revisions thereto. CITY agrees to provide plans to GRANTEE at each stage even if conflicts do not appear to have changed or early checks reveal no conflicts.
 - ii. Initiating Field Construction. GRANTEE must initiate physical field construction to commence the relocation of its Facilities in conflict with a CITY Capital Improvement Project within 90 days after receipt of a request in writing from the CITY Manager or their designee (a "90-Day Notice"). "Initiating physical field construction" means, at a minimum, GRANTEE's attendance at a pre-construction meeting with the CITY's prime contractor for the Project. CITY agrees that a 90-Day Notice will be issued when the CITY has awarded the prime construction contract for the Project and such prime contractor will be ready to hold a pre-construction meeting with GRANTEE's representatives by the end of the 90-Day Notice period.
 - iii. Missing, Different or Inaccurate Information. Failure of CITY's design plans to include information or mistakes in Project information relevant to the relocation of GRANTEE's Facilities, or material changes to the CITY's design plans require issuance of a new 90-Day Notice, including revised plans. CITY shall endeavor to give GRANTEE reasonable time to re-design its Facilities to accommodate material design changes.
 - iv. Permitting. CITY permitting shall not be necessary for GRANTEE's Work to relocate its Facilities for the specific purpose of accommodating a CITY Capital Improvement Project; such Work shall be performed under CITY's Project authorizations and CITY shall include GRANTEE's relocation Work in its Project environmental clearances, provided that GRANTEE may need to obtain additional or separate right-of-way or SSWBF permits if they have not already been obtained.

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- v. Trees. GRANTEE shall not be required to relocate any Facilities to accommodate trees or other vegetation being planted or proposed to be planted by CITY as part of a CITY Capital Improvement Project.
- f) Slurry Seal and Paving Mark Out. If the CITY is slurry sealing or paving a road as part of any CITY Capital Improvement Project, CITY shall give GRANTEE's Liaison as much notice as possible of the timing and location of such projects and, at minimum, provide the information to GRANTEE upon receipt of the Traffic Control Permit (TCP). CITY and GRANTEE will work together to identify opportunities to improve notice periods and communication and explore the option of using protective hoods over GRANTEE assets during slurry sealing or paving activities where applicable.
- g) Exposed Gas Lines. CITY shall notify GRANTEE by calling (800) 411-SDGE no later than 24 hours after a gas main or service line is exposed by CITY, if any such exposure is unplanned or unexpected.
- h) Standby Services.
 - i. If the CITY is undertaking excavation Work near any energized Facilities, aboveground or underground, or any other Work that may endanger GRANTEE's Facilities or public or worker safety, CITY shall utilize 8-1-1/Dig.Alert in accordance with Applicable Laws.
 - ii. Once DigAlert issues a ticket for the Work and GRANTEE's Facilities are located and marked out, if visual monitoring or physical protection of Facilities is required (meaning Work occurring within ten (10) feet of Facilities 61 pounds or greater, or with a voltage of more than 60kV), GRANTEE shall contact the CITY contractor to arrange for an on-site field meet to establish standby requirements ("Standby Services"). Once Standby Services are established, CITY shall request Standby Services using the following contact information, which will be updated by GRANTEE as needed:
 - 1. For gas Facilities pressurized 61 to 400 pounds: Standby Request Line (760) 480-7612. This number is also provided through the positive response process when Facilities are being located and Standby personnel are required.
 - 2. For electric Facilities (overhead and underground): Diversified (626) 325-3212 x506.
 - 3. For gas Facilities pressurized over 400 pounds: GRANTEE will schedule Standby Services automatically without further CITY action.
 - iii. Standby Services will be provided to CITY within ten (10) days, as required by the terms of the Franchises, and all associated obligations in the Franchises shall apply.
 - iv. If CITY or GRANTEE identify conflicts with CITY Work that require chipping of protective concrete casing enclosing GRANTEE Facilities, GRANTEE shall schedule personnel to perform exposure of its Facilities to facilitate CITY Work.
 - v. If Standby Services are required, CITY Work may not commence until the appropriate personnel are onsite, and Work must cease if the personnel leave the site, unless Standby Services are no longer required. If GRANTEE's Standby personnel call a stop to the Work, the Work must be stopped until the Standby personnel are satisfied that the Work can commence safely and without damage to GRANTEE's Facilities.
 - vi. The costs of Standby Services required for the protection of GRANTEE's high pressure gas Facilities and electric transmission Facilities, including any personnel, stand-by safety engineers, or other services necessary for the protection of Grantee's Facilities or public safety shall be the responsibility of GRANTEE.
 - vii. The costs of Standby Services required for the protection of GRANTEE's low and medium pressure gas Facilities (meaning 60 psi or less) and electric distribution

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(meaning 12 kV or lower) Facilities, including any personnel, stand-by safety engineers, or other services necessary for the protection of Grantee's Facilities or public safety shall be the responsibility of CITY.

- viii. CITY and GRANTEE shall cooperate during the Term of the MOU to develop processes by which the Parties can identify planned CITY Projects in the design phase that may need Standby Services and schedule such Services accordingly.
 - ix. Additionally, CITY may request Standby Services where not required if CITY reasonably believes such Standby Services would be useful or beneficial because of outside factors; such Standby Services are outside of GRANTEE's established obligations as described in the Franchises and are the responsibility of the CITY.
 - x. CITY may request SDG&E management support and/or supervision in cases where the conditions have risen to a level of imminent threat to public safety or system operations.
- 13) ArcGIS. CITY and GRANTEE agree to cooperate on the development of an online website hosted by GRANTEE displaying Geographical Information Systems ("GIS") data describing the location of GRANTEE Facilities in the CITY ("ArcGIS Site"). Access to the ArcGIS Site shall be securely controlled by CITY. CITY will manage employee and contractor access to the ArcGIS Site in accordance with the information security (IS) requirements attached as Appendix C – ArcGIS Access Control Requirements provided that CITY does not control the ArcGIS Site and is not responsible for cybersecurity of the ArcGIS Site. GRANTEE shall have the right to audit CITY's access to the ArcGIS Site to ensure compliance with the ArcGIS Access Control Requirements at least yearly, with reasonable notice to CITY. CITY acknowledges GRANTEE contends that the GIS data provided by GRANTEE concerning GRANTEE's Facilities on the ArcGIS Site is confidential information of GRANTEE and is presumed to be subject to protection from the CPRA under Government Code section 6254(e) as geographic systems information regarding GRANTEE's power delivery systems and is highly sensitive.
- a) Base Facility Information. Within 30 days of the Effective Date, GRANTEE shall make available to CITY GIS information describing GRANTEE's Facilities in the ROW using the following attributes:
 - i. Electric: geographic location, pole or facility number; line/circuit number; transmission or distribution or both (transmission defined as above 69kV); overhead or underground; pole height (total pole, not height from ground).
 - ii. Gas: geographic location; line number (where available); size of pipeline above 8" in diameter or below; abandoned facilities.
 - b) GRANTEE Project Information: During the term of this MOU, the Parties shall work collaboratively to obtain and if feasible, add GRANTEE Project GIS location data into the ArcGIS Site or develop separate processes to accommodate Project Work. Appropriate attributes for Project-level GIS data shall be determined by the Parties as the work progresses. The Parties' intent is for GRANTEE Project Information to eventually be included as part of Grantee's Two-Year Plan, as described below.
 - c) Updates. GRANTEE shall update the ArcGIS Site at least once a month to incorporate new information.
 - d) Usage. CITY acknowledges that the ArcGIS Site is not intended to replace conflict checks or DigAlert requirements with respect to any CITY or third-party Work in the ROW.
 - e) GIS Data Requests. The Parties agree to use the ArcGIS Site for GIS requests to the furthest extent that such information is available on the ArcGIS Site; provided that if the CITY requires GIS data for a specific CITY Project, it is understood that GRANTEE may need to provide CITY additional information outside of the ArcGIS Site if not available therein, in accordance with the terms of the Franchises.

- 14) Two-Year Plan.

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- a) Pursuant to the terms of the Franchises, as part of its application for this MOU, GRANTEE is required to submit to CITY a list of Projects GRANTEE plans to perform during the term of this MOU (“Two-Year Plan”). The Two-Year Plan shall become a part of each MOU.
 - b) The Two-Year Plan shall catalog GRANTEE’s planned Projects (excluding Emergency Work and Compliance Projects) by level of disruption and by the amount of coordination required with CITY staff. Projects may be classified as: (A) regular maintenance for which no street disruptions or traffic control plans are expected; (B) minor repairs or construction which will require traffic permits for less than thirty (30) days; (C) major repairs or construction which are expected to require substantial permitting from the City, impacts to traffic or surrounding properties, or which may persist for more than thirty (30) calendar days; and (D) utility undergrounding projects to be coordinated with the CITY under separate agreements.
 - c) GRANTEE shall endeavor to provide information in the Two-Year Plan regarding estimated numbers of Category 4 Compliance Projects based on Work in previous years; provided, CITY acknowledges that previous years’ Work may not correlate to future Work and such estimates will not dictate GRANTEE’s ability to perform Compliance Work.
 - d) The CITY Manager or designee may request in writing adjustments to the Two-Year Plan to account for planned changes in the ROW. Grantee shall cooperate with such requests unless reliability, safety, or compliance obligations make such adjustments impractical. Grantee shall promptly inform the City of any material changes to the Two-Year Plan and update the Two-Year Plan as appropriate.
 - e) As of the Effective Date, GRANTEE shall submit Two-Year Plans to the CITY via Excel Spreadsheets in accordance with the Project classifications described above. Such lists shall include, at a minimum, the following information:
 - i. Project Name
 - ii. Point of Contact
 - iii. Location (Street Address)
 - iv. Coordinates, once available
 - v. Project Description
 - vi. Expected construction start date
 - vii. Expected construction end date
 - viii. Permit number, as applicable
 - ix. Excavation (Y/N)GRANTEE agrees to work cooperatively with CITY to modernize GRANTEE’s Two-Year Plan lists during the term of the MOU.
- 15) Permanent Survey Markers. If any Work proposed by the GRANTEE will disturb a survey marker, the GRANTEE shall have a California Registered Land Surveyor (“CRLS”) locate and document all surveying monuments, centerline ties, and benchmarks that shall be disturbed during construction at GRANTEE’s cost, *prior* to any physical work commencing. Documentation shall be provided to the CITY that the surveying has been completed. If it is determined by the GRANTEE that no monuments will be disturbed, a CRLS must indicate and sign Survey Monument statement on DS-3179 prior to obtaining a TCP for such Work.
- a) GRANTEE shall be financially responsible for the CRLS to perform a Pre-Construction Corner Record survey of all survey monuments identified to be disturbed, property markers and centerline ties to the Office of the County Surveyor prior to the start of construction, and prior to the completion of construction.
 - b) GRANTEE shall not disturb property markers and centerline ties, or benchmarks without notifying the CITY and providing to the CITY a copy of the preliminary Pre-Construction Corner Record that would be submitted to the Office of the County of Surveyor. The GRANTEE shall bear the expense of replacing any survey monument that shall be disturbed without the permission from the CITY.

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- c) All surveying shall be done by a CRLS or a Registered Civil Engineer authorized to practice land surveying within the State of California.
 - d) The CRLS for GRANTEE shall tie out and reset all survey monuments, property markers and centerline ties that are to be disturbed during construction in accordance with Section 8771 (Land Surveyors Act) of the California Business & Professions Code.
 - e) GRANTEE is required to remove intact and relocate historical concrete stamps as understood through CITY Standard Drawing Sheet SDG-115. Prior to final placement, the applicable CITY Resident Engineer shall approve the location in their reasonable discretion, not to be unreasonably withheld, conditioned or delayed.
- 16) Dispute Resolution.
- a) If any dispute arises between CITY and GRANTEE relating to the performance of Work under this MOU or the interpretation of the terms of this MOU, the Party requesting resolution of the dispute shall notify the other Party in writing. Such dispute shall be first addressed with the Supervisor of the Resident Engineers or their equivalent for the City of San Diego and GRANTEE's Liaison.
 - b) The Supervisor of the Resident Engineers and GRANTEE's Liaison shall have fifteen (15) days to meet to resolve the dispute. If the dispute is not resolved, the CITY shall schedule a meeting to review the dispute ten (10) days thereafter. Such meeting shall include the Supervisor of the Resident Engineers for the CITY or their equivalent, CITY's and GRANTEE's Liaisons, and each Party's Point of Contact relating to the topic of the dispute as described in the attached Appendix D – MOU Responsible Parties. More than one Responsible Party may be required.
 - c) If any dispute arises between CITY and GRANTEE relating to the jurisdiction of the CPUC, the Party requesting resolution of the dispute shall notify the other Party in writing. Such dispute shall be first addressed between counsel of the Parties and appropriate clients and if not resolved, shall then follow the dispute resolution procedures described below.
 - d) If the Responsible Parties are not able to resolve the dispute within 30 days, either Party may refer the dispute to the Deputy Chief Operating Officer or their equivalent for the CITY, and the Director of Design and Project Management and the Director of Regional Public Affairs for GRANTEE.
 - e) If the DCOO and Directors are unable to resolve the dispute, either Party may invoke the dispute resolution procedures described in the Franchises.
 - f) Backlogs. Separate from other types of disputes, if CITY experiences a backlog of requested permits that exceeds 200 permits or permits are aging for an average of fifteen (15) days or longer in the queue, GRANTEE may request a meeting between the CITY's Deputy Director of Engineering or their equivalent, CITY's Director of DSD or their equivalent, the Director of Design and Project Management for GRANTEE and the Director of Regional Public Affairs to allow GRANTEE to discuss methods to reduce the backlog.
- 17) Indemnification. GRANTEE, to the fullest extent permitted by law, shall defend with legal counsel reasonably acceptable to CITY, indemnify, and hold harmless the CITY and its officers, agents, departments, officials, and employees ("Indemnified Parties") from and against all claims, losses, costs, damages, injuries (including death) (including injury to or death of an employee of GRANTEE, or any agent or employee of a subcontractor of any tier), expense and liability (collectively "Claims"), including court costs, litigation expenses and fees of expert consultants or expert witnesses incurred in connection therewith and costs of investigation, that arise out of, in whole or in part, any acts performed, rights exercised, or rights or privileges granted under this MOU, including Claims arising from the Release of Hazardous Substances brought onto the ROW by GRANTEE which require investigation, cleanup, remediation, removal, or restoration pursuant to Applicable Laws. GRANTEE's duty to defend, indemnify, and hold the Indemnified Parties harmless shall not include (a) any Claims arising

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- from the active negligence, sole negligence, or willful misconduct of any Indemnified Party, or (b) any Claims regarding the award, issuance, amendment, renewal or extension of this MOU to GRANTEE.
- 18) Revocation. This MOU may be revoked by the CITY Manager upon written notice delivered to GRANTEE if GRANTEE breaches any of GRANTEE's material obligations under this MOU; provided that CITY Manager must provide GRANTEE's Liaison written notice of such breach, including any supplementary data or written information documenting such breach, and CITY must provide GRANTEE at least thirty (30) days to cure such breach prior to revocation, and CITY may not revoke the MOU if GRANTEE is diligently pursuing a cure of such breach to completion. Furthermore, the CITY Manager may not revoke the MOU for the specific breach under dispute so long as the Parties are participating in the dispute resolution process regarding such breach as described in Section 16.
- 19) Request for Records. Upon written request by the CITY Engineer or their specific designee, GRANTEE shall provide to the City within ten (10) calendar days, and immediately in the case of a CITY Manager-declared Emergency, GIS coordinate data or other locational records as the City in its reasonable discretion requires for specific City projects or concerns, in a form and type determined by Grantee in its reasonable discretion in accordance with Good Utility Practice (as defined in the Franchises).
- a) GRANTEE's contention that information is confidential shall not relieve Grantee from the duty to produce the information to CITY. GRANTEE acknowledge that any information required to be submitted or provided in fulfillment of the obligations of the Franchises is a public record subject to disclosure in response to a California Public Records Act (California Government Code sections 6250-6276.48) ("CPRA") request, unless the CITY or a court of competent jurisdiction determines that a specific exemption in the CPRA applies. If GRANTEE submits information clearly marked confidential or proprietary, the CITY shall protect such information and treat it with confidentiality to the extent permitted or required by law; provided however, that the CITY shall assume no liability for having access to GRANTEE's records for official CITY purposes except by a judgment in a court of competent jurisdiction upon a claim arising from the established active negligence, sole negligence or willful misconduct of the CITY, its officers, agents, or employees. It shall be Grantee's responsibility to provide to the CITY the specific legal grounds on which the CITY can rely in withholding information from public disclosure should GRANTEE request that the CITY withhold such information. General references to sections of the law will not suffice. Rather, GRANTEE shall provide a specific and detailed legal basis, including applicable case law or other law that reasonably establishes the requested information is exempt from disclosure. If, at the time the documents are provided to the CITY, GRANTEE does not provide a specific and detailed legal basis for requesting the CITY to treat the information as confidential, to protect it from release, and to withhold alleged confidential or proprietary information from CPRA requests, the CITY is not required to treat the information as being confidential and may release the information as required by the CPRA upon request. When reviewing any request by GRANTEE for confidentiality, the CITY will consider California Government Code section 6254(e), which provides a CPRA exemption for records concerning geological and geophysical data relating to utility systems development that are obtained in confidence from any person.
- b) CITY shall not be required to execute any non-disclosure agreement with GRANTEE to obtain prompt confidential access to GRANTEE's records for Facilities in the ROW, except by order of a Governmental Authority or court having jurisdiction to impose such requirement. Absent such order, CITY may, but shall not be required, to execute non-disclosure agreements with GRANTEE respecting the locations of GRANTEE's Facilities.
- 20) Security and Safety of Work Area. GRANTEE shall bear sole responsibility for the security and safety of the Work Area relating to any Work performed by or under the direction of GRANTEE. GRANTEE shall be responsible for the maintenance, cleanup, and securing of the Work Area, as appropriate, immediately following each day's work to ensure security and safety. CITY has no

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- obligation to secure or provide oversight of the Work Area or provide staffing or resources to GRANTEE relating thereto.
- 21) Hazardous Substance. GRANTEE shall not allow the illegal installation, storage, utilization, generation, sale or Release of any Hazardous Substance or otherwise regulated substances in, on, under or from the Work Area by any of GRANTEE's officers, employees, agents, contractors, invitees and guests. GRANTEE shall, prior to initiating any operations, obtain all required approvals from applicable Governmental Authorities, including without limitation the San Diego County Department of Environmental Health, local fire agencies, the San Diego County Department of Weights and Measures, the San Diego County Air Pollution Control District, and the San Diego Regional Water Quality Control Board. Installing, utilizing, storing, or any other presence of a Hazardous Substance includes boxes, bags, bottles, drums, cylinders, above or below ground tanks, equipment with tanks, or any other type of container, equipment or device which holds or incorporates a Hazardous Substance or hazardous waste.
 - 22) Release. For all purposes of this MOU, a "Release" shall include without limitation, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or otherwise disposing of a Hazardous Substance into the environment.
 - 23) Hazardous Substance. For all purposes of this MOU, "Hazardous Substance" shall mean any substance listed by the U.S. Environmental Protection Agency or the State of California as a hazardous substance, and all types of petroleum-related substances and their chemical constituents.
 - 24) Remediation. If GRANTEE's occupancy, use, development, maintenance, or restoration of the Work Area results in a Release of a Hazardous Substance, GRANTEE shall pay all costs of remediation and removal of the Hazardous Substance in accordance with all Applicable Laws, including an order of a Governmental Authority.
 - 25) Removal. GRANTEE shall be responsible for all costs incurred by CITY to remove any container, equipment or device requiring disposal or removal brought onto the ROW by GRANTEE as required by Applicable Laws, including an order of a Governmental Authority.
 - 26) Notice of Release. If GRANTEE knows or has reasonable cause to believe that a Hazardous Substance has been released on, from or beneath the MOU Area, GRANTEE shall immediately notify CITY and any appropriate regulatory or reporting agency pursuant to California Code of Regulations Title 19 and any other applicable laws or regulations. GRANTEE shall deliver a written report thereof to CITY within three (3) days after receipt of the knowledge or cause for belief and submit any required written report to regulatory or reporting agencies as required by regulation or law. If GRANTEE knows or has reasonable cause to believe that such substance is an imminent release or is an imminent substantial danger to public health and safety, GRANTEE shall take all actions necessary to alleviate the danger. GRANTEE shall immediately notify CITY in writing of any violation, notice to comply, or notice of violation received or the initiation of environmental actions or private suits related to the MOU Area.
 - 27) Subcontractors. All construction work requiring a licensed contractor pursuant to California Business & Professions Code sections 7000- 7191 shall be done by contractors appropriately licensed within the State of California. For Category 1 Projects, the contractor performing the Work and their POC shall be listed in the Portal.
 - 28) NPDES. GRANTEE shall comply with all applicable requirements of the NPDES Permit in force on the Effective Date (i.e., Permit No. R9-2013-0001), and all amendments thereto and all applicable succeeding NPDES Permits.
 - 29) Storm Water Management. GRANTEE shall comply with all applicable requirements of the San Diego Municipal Code Chapter 4, Article 3, Division 3: Storm Water Management and Discharge Control (the "Stormwater Code"), and employ "Best Management Practices," as that term is defined by the Stormwater Code, and as approved by CITY, in its governmental capacity, under its Stormwater Management Program. Failure to comply may subject the GRANTEE to administrative and/or judicial remedies.

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- 30) Joint Utilities Coordinating Committee. GRANTEE commits to participating in the Joint Utilities Coordinating Committee. Once the Joint Utilities Coordinating Committee is established, the appropriate staff and leadership representing CITY and GRANTEE will be identified to attend meetings of the Committee and any appropriate subcommittees.

(Signature page follows.)

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IN WITNESS WHEREOF, the Parties have caused this MOU to be executed as of the last date below:

CITY OF SAN DIEGO



By: Jay Goldstone
Its: Chief Operating Officer

Oct 29, 2021

Date:

Approved as to form:



Fritz Ortlieb (Nov 1, 2021 17:31 PDT)

By: Fritz Ortlieb
Its: Deputy City Attorney

Nov 1, 2021

Date:

SAN DIEGO GAS & ELECTRIC COMPANY



Bruce Folkmann (Oct 29, 2021 13:02 PDT)

By: Bruce A. Folkmann
Its: President and Chief Financial Officer

Oct 29, 2021

Date:

Approved as to form:



Hollie Bierman (Oct 28, 2021 20:52 PDT)

By: Hollie Bierman
Its: Senior Counsel

Oct 28, 2021

Date:

APPENDIX A: MAINTENANCE, INSPECTION AND LOW IMPACT PROJECT EXAMPLES

Common Types of Maintenance, Inspection and Low Impact Work (list not exhaustive, no Master Plan required):

- Access to manholes within the ROW
- Valve maintenance/inspection/repairs
- Regulator station maintenance/inspection/repairs
- Maintenance of existing poles within a 2-foot radius
- Work to open pad mounted or subsurface facilities for design purposes
- Replace transformers (like-kind with no ground disturbance)
- Replace terminator with a transformer (like-kind with no ground disturbance)
- Replace capacitors
- Replace switches in kind
- Change fuses
- Change out arm, equipment (pins & insulators, transformers, arms)
- Pole replacements/removals (like-kind with no ground disturbance)
- Overhead cable replacement, maintenance, and adjustments up to 300'
- Installing anchor-guy beneath existing conductors; pole remains in place and non-emergency failing pole & replacement/anchors
- Repair handhole (like-kind)

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APPENDIX B – COMPLIANCE DEADLINES

Electric Transmission

HFTD Tier (Location)	Level (Severity)	Compliance Deadline (From date of identification)
3	1	30 Days
3	2	6 Months
3	3	60 Months
2	1	30 Days
2	2	12 Months
2	3	60 Months
0	1	30 Days
0	2	36 Months
0	3	60 Months

Electric Distribution

- 12 months for most infractions
- 6 months for Fire Safety-related infractions

Gas Distribution and Transmission

- Per CPUC Natural Gas Safety Standards (GO112F): 90 days from discovery of a potential compliance event
- Pipeline and Hazardous Materials Safety Administration Regulations requiring integrity management assessments required to be performed on GRANTEE’s gas transmission system by December 31, 2022, in accordance with 49 CFR Part 192 subpart O.
- Cathodic Protection: 365 days from discovery of a potential compliance event.

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APPENDIX C – ARCGIS ACCESS CONTROL REQUIREMENTS

1. Passwords Standards:

- 8 character minimum
- Use at least 3 of the 4 complexity options:
 - i. upper-case letter
 - ii. lower-case letter
 - iii. number
 - iv. special character
- Maximum password age 90 days (must rotate password every 90 days)

2. Unique Users:

- Each user account should be assigned to an individual user
- Account credentials should not be shared

3. End Point Anti-Virus:

- Users shall have anti-virus/anti-malware software installed on the end point they are using to access the ArcGIS platform

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APPENDIX D – MOU RESPONSIBLE PARTIES



THE CITY OF SAN DIEGO

CITY OF SAN DIEGO RESPONSIBLE PARTIES

CHIEF OPERATING OFFICER

Jay Goldstone Chief Operating Officer jgoldstone@sandiego.gov

DEPARTMENT OF SUSTAINABILITY AND MOBILITY

Alyssa Muto Director amuto@sandiego.gov
Heather Werner Deputy Director hwerner@sandiego.gov

DEVELOPMENT SERVICES DEPARTMENT

Elyse Lowe Director elowe@sandiego.gov
George Ghossain Deputy Director, Eng. gghossain@sandiego.gov

ENGINEERING & CAPITAL PROJECTS DEPARTMENT

James Naglevoort Director, City Engineer jnaglevoort@sandiego.gov
Myrna Dayton Assistant Director, DCE mdayton@sandiego.gov
Luis Schaar Deputy Director, CMFE lschaar@sandiego.gov
Akram Bassyouni Deputy Director abassyouni@sandiego.gov

DEPARTMENT OF INFORMATION TECHNOLOGY

Scott Daeschner Deputy Director, GIS sdaeschner@sandiego.gov

TRANSPORTATION DEPARTMENT

Jorge Riveros Director jriveros@sandiego.gov
Patrick Hadley Deputy Director, ROW phadley@sandiego.gov

OFFICE OF THE CITY ATTORNEY

Fritz Ortlieb Sr Deputy City Attorney fortlieb@sandiego.gov
Shannon Eckmeyer Deputy City Attorney seckmeyer@sandiego.gov

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Appendix D
SDGE Administrative MOU Responsible Parties

Public Affairs

Warren Ruis	Director - Regional Public Affairs/Regional Public Affairs wruis@sdge.com
Bernadette Butkiewicz	Pub Affairs Manager • Regional Public Affairs bbutkiew@sdge.com
Antonio Cruz	Pub Affairs Manager • Regional Public Affairs acruz@sdge.com

Design and Project Management

Erika Schimmel-Guiles	Director of Design & Project Management esguiles@sdge.com
Nathan Bruner	Planning & Project Management Manager nbruner@sdge.com
Alton Kwok	Continuous Improvement & Permitting/Design & PM ckwok@sdge.com
Shaun McMahon	Municipal Advisor smcmahon@sdge.com

Gas Operations

Pat Kinsella	Director of Gas Operations - San Diego Region pkinsella@sdge.com
Tishmari Lewis	Gas Ops PMO Manager San Diego Region tlewis@sdge.com

Electric Operations

Darren Weim	Director of Electric Operations dweim@sdge.com
Tania Becerra	Electric Regional Operations tbecerra@sdge.com

Legal

Hollie Bierman	Senior Counsel hbierman@sdge.com
Jim Baker	Assistant General Counsel jwbaker@sdge.com

DUPLICATE

ENERGY COOPERATION AGREEMENT

This Energy Cooperation Agreement (“Agreement”) is made as of 05/25, 2021 (the “Effective Date”) between the City of San Diego, a municipal corporation (“City”), and San Diego Gas & Electric Company, a California corporation (“SDG&E”). The City and SDG&E may be referred to individually as a “Party” and collectively as “Parties.”

RECITALS

WHEREAS, the City is granting SDG&E a franchise to construct, maintain, and use poles, wires, conduits, and appurtenances for transmitting and distributing electricity in the streets of the City of San Diego (“Electric Franchise”) effective as of the Effective Date;

WHEREAS, the City is granting SDG&E a franchise to construct, maintain, and use pipes and appurtenances for transmitting and distributing gas in the streets of the City of San Diego (“Gas Franchise”) effective as of the Effective Date;

WHEREAS, the City has adopted a Climate Action Plan dated December 2015 with aggressive goals to reduce greenhouse gas (“GHG”) emissions, and plans to amend and update its Climate Action Plan as required to achieve its aggressive goals;

WHEREAS, SDG&E has committed to cooperate in good faith on principles and policies for the attainment of the City’s Climate Action Plan;

WHEREAS, SDG&E has made a climate pledge to achieve net zero emissions by 2045; and

WHEREAS, in connection with the Electric Franchise and the Gas Franchise, the City and SDG&E desire to work cooperatively to provide clean, safe, reliable, and equitable energy to San Diego residents and to support the City’s energy goals, especially with respect to the reduction of GHG emissions.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Cooperative, Unified Response.** The City and SDG&E agree that a cooperative, unified response is required to address the impact of climate change, the pandemic still upending the lives and livelihoods of San Diegans and people everywhere, and needed calls for social justice reform. Clean, safe, reliable and equitable energy for San Diego residents is a shared goal of the Parties. The City and SDG&E agree to cooperate and work with other government agencies, private companies, and other interested parties to achieve 100% clean energy and net zero GHG emissions, which cooperation may include submission of applications, letters of support, and testimony.
2. **Implementation Plan.** The City and SDG&E will work together to develop an implementation plan outlining roles, processes, responsibilities, timelines, program, and development pathways, and estimated costs to achieve the goals and deliverables outlined in this Energy Cooperation Agreement within 90 days of City Council approval (“Implementation Plan”). Once finalized, the Implementation Plan must be provided to the

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FILED 05/25/2021
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

DUPLICATE

San Diego City Council and the Compliance Review Committee described in the Electric and Gas Franchises. The City and SDG&E will update and revise the Implementation Plan periodically.

3. **Living Agreement.** The City and SDG&E agree that developments in the energy field are moving quickly, and therefore, the Parties agree they must regularly assess this Agreement to review new technologies, new laws, and regulations that govern the delivery of energy. Every three years after the Effective Date, the City and SDG&E agree to convene a Cooperation Agreement Summit (“CAS”), chaired by the Mayor of the City and the President of SDG&E or designees. The CAS will review the actions already taken under this Agreement, new developments since the Effective Date or previous CAS, and make mutually agreed upon changes to this Agreement that will be reflected in a CAS Report issued by the Parties at the end of each CAS. Any changes to this Agreement are subject to approval by the San Diego City Council (Council). This Agreement shall terminate immediately upon the termination or forfeiture of either the Electric Franchise or Gas Franchise for any reason.
4. **Costs.** The City and SDG&E will cooperate to secure necessary authority or approvals for mutually agreeable projects and programs, as further described in the Implementation Plan. Funding for such projects and programs may include: (a) ratepayer funding pursuant to approval from the California Public Utilities Commission (“CPUC”); (b) funding from the California Energy Commission, local, state and federal grants; and (c) other sources. The Parties will cooperate to determine appropriate funding sources and necessary approvals for each project or program.
5. **Clean Energy Collaboration Opportunities.** The City and SDG&E agree to collaborate and seek mutually agreed upon opportunities to deliver clean energy to San Diego residents, especially in communities of concern. These opportunities include, but are not limited to:
 - a. **San Diego Community Power.** SDG&E supports customer choice and the transition of energy procurement to local or state control. SDG&E agrees to follow the CCA Code of Conduct and to provide San Diego Community Power (“SDCP”) grid services and customer information in accordance with SDG&E Tariff Rule 27 and associated CPUC orders and proceedings. SDG&E has formed and will continue to strengthen a dedicated team to be the primary interface between SDG&E and staff from SDCP and other CCAs. SDG&E shares a goal with SDCP of making the customer experience as seamless as possible.
 - b. **Evaluate Energy Efficiency and Demand Response Opportunities with SDCP.** SDG&E will cooperatively work with the City, SDCP and third-party statewide implementers to identify energy efficiency and demand response programs which the City and SDCP may administer or in which they may participate.
 - c. **Enhanced Tree Planting.** SDG&E will continue to support the City’s tree planting efforts through SDG&E’s Right Tree, Right Place program (or successor programs), and identify additional tree planting locations, assist with tree species ideas, and provide technical support through SDG&E’s highly trained arborists. SDG&E plans to supplement the City’s efforts with direct in-community charitable support for planting up to 2,500 trees in the City in the ten years following the Effective Date. The City may claim any GHG credits that may be earned for this program.

- d. **Expand Green Waste Recycling.** SDG&E and the City will work to identify vendors open to receiving green waste, which can help reduce the City's carbon footprint by diverting waste from landfills. Furthermore, SDG&E and the City will investigate the opportunity to utilize this diverted waste as a fuel source as such technologies become available and feasible, potentially reducing GHG emissions.
 - e. **Expand Clean Transportation Efforts.** SDG&E will assist in the expansion of the City's municipal electric or alternate-fuel fleet by providing SDG&E's clean transportation expertise to the City through facilitated best practices training and will provide data and support for the Mayoral Executive Order to increase electric vehicle acquisition. Building on the more than 1900 vehicle chargers that SDG&E has already installed in the City, including multiple chargers at five City-owned facilities, SDG&E will continue to pilot additional vehicle electrification programs in and around the City, including chargers at schools, beaches and parks.
 - f. **Energy Benchmarking.** SDG&E will provide information and assistance to City staff to support the continued implementation of AB 802 benchmarking and the CEC's associated regulations and requirements to track building energy efficiency in support of the City's Climate Action Plan.
 - g. **Municipal Energy Strategy.** SDG&E will help the City implement its Municipal Energy Strategy to reduce GHG emissions at all municipal buildings and facilities, including, without limitation, by administering energy audits, supporting the electrification of municipal buildings, seeking appropriate energy efficiency measures to reduce facility energy usage, and providing the City reports on energy usage in municipal buildings to compare use over time.
 - h. **GHG Reduction Analysis.** City and SDG&E shall work collaboratively to identify and study areas where electrification can be accelerated towards the achievement of the City's climate action goals, while keeping affordability in mind and without causing economic disruption.
6. **Safe Energy Collaboration Opportunities.** The City and SDG&E agree to cooperate and seek mutually agreed upon opportunities to deliver safe energy to San Diego residents. These opportunities include, but are not limited to:
- a. **Wildfire Safety.** SDG&E will continue to develop and refine its nation leading weather network to provide hyper-localized situational awareness of potential weather threats to residents, businesses, the energy delivery system and the region. SDG&E will continue to provide fire-fighting air resources to protect the City and SDG&E's entire service territory. SDG&E will investigate the deployment of weather stations and other technologies, such as tools to measure vegetation growth, color and hydration to further inform SDG&E's state-of-the art fire risk index, as well as monitoring canyons where fires may be more likely to ignite and spread quickly. This information will be shared with City and County fire departments to provide real-time data for pending weather events and to create additional situational fire awareness.

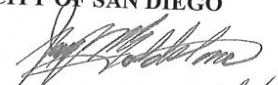
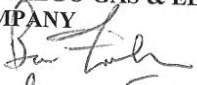
- b. **Increase Safety and Resiliency through Energy Intelligence.** SDG&E will share intelligence and data from SDG&E meteorology teams and academic research partners identifying the areas of the City where undergrounding may be most beneficial for wildfire mitigation to inform the City's sequencing of undergrounding projects.
 - c. **Facilitate Development of 100% Virtual EOC and City Outreach.** SDG&E will lend its expertise to support development of the City's Virtual Emergency Operations Center ("EOC") to reduce reliance on physical presence and manage emergencies remotely. SDG&E staff will also attend town council and other public meetings to discuss SDG&E's approach to wildfire management and share best practices for wildfire safety, including following public-safety power shut-off events.
 - d. **Develop Resiliency Review.** SDG&E and the City will collaborate to review the resiliency of the City's existing infrastructure and make recommendations to enable the City to better manage the impacts of climate change, especially with respect to wildfires and sea level rise, including, without limitation, the development of an inventory of critical municipal infrastructure.
7. **Reliable Energy Cooperation Opportunities.** The City and SDG&E agree to cooperate and seek mutually agreed upon opportunities to deliver reliable energy to San Diego residents. These opportunities include, but are not limited to:
- a. **Finalize & Refresh Central Dashboard for Energy Management.** SDG&E will assist the City in developing a centralized dashboard to manage City-wide energy usage from its facilities, meters and accounts. SDG&E will work with third-party implementers and energy audit experts to support the City in reducing energy use where possible.
 - b. **CCA Cooperation.** Facilitate Microgrid Development for City Water, Wastewater & Sewer Infrastructure Projects. SDG&E will share with the City expertise relating to facility and community-level microgrids to improve the resiliency of selected City facilities and neighborhoods. SDG&E will work with the City and SDCP to identify an appropriate distributed energy resources ("DER") project for development within the City. If a mutually agreed project is identified, SDG&E will submit an application to the CPUC seeking any required approval for such project. The City agrees that it will make reasonable efforts to support such application at the CPUC.
 - c. **CCA Cooperation.** Assist the City with Demand Response and Distributed Energy Resources (DER) Efforts. SDG&E will work with the City and SDCP to identify potential demand response or DER projects that may be available to the City pursuant to CPUC programs or through third parties. If a mutually agreed upon project is identified, SDG&E will submit an application to the CPUC seeking any required approval for such project. The City agrees that it will make reasonable efforts to support such application at the CPUC.
8. **Equitable Energy Cooperation Opportunities.** The City and SDG&E agree to cooperate and seek mutually agreed upon opportunities to deliver equitable energy to San Diego residents. These opportunities include, but are not limited to:

- a. **Equity-Focused Solar Expansion.** SDG&E shall work with the City of San Diego's Environment Committee to define the program, outcomes, timeline around the equity-focused solar program. SDG&E shall execute the approved program with non-profit organization of SDG&E's choosing to build a program or supplement an existing program designed to increase the number of income-qualifying residential customers with access to solar. SDG&E commits to spend \$1,000,000 of annual shareholder contributions in each of the first ten City fiscal years the Electric Franchise is in effect. As a condition of its contribution to the non-profit organization, SDG&E will require the non-profit organization to make available unused funds from a given year in future years. Such funds may be used for incentives, refunds, equipment, labor, program management and administration.
 - b. **Affordable Housing.** SDG&E understands that utility design and coordination is critical to ensuring a steady supply of new housing in the City, and that the City is focused on enhancing housing supply. SDG&E agrees to begin tracking affordable housing utility design applications within the City, and to create a dashboard that tracks utility coordination and completion timing. Additionally, SDG&E agrees to support operational enhancements related to more rapid affordable housing development.
 - c. **Encourage Diversity in Local Clean Energy Workforce.** SDG&E will aid local workforce development organizations to identify underserved populations to launch the careers and develop the next generation of clean energy infrastructure leaders.
 - d. **Undergrounding Prioritization.** The City and SDG&E acknowledge the success of the ongoing electric distribution undergrounding program. A majority of the electric system in the City has already been undergrounded. However, the City and SDG&E acknowledge that there is more work to be done. SDG&E and the City will cooperate to refresh the City-driven accelerated undergrounding program to prioritize projects in communities of concern.
 - e. **Energy Efficiency Campaign within Communities of Concern.** SDG&E will work with the City to expand outreach to low-income and hard-to-reach customers eligible for SDG&E's Energy Assistance Residential programs and other programs for low-income customers via targeted marketing and other appropriate mechanisms.
 - f. **State & Federal Grants.** The City and SDG&E will research available local, state and federal government and agency grants to identify projects that could help the City meet its climate action, equity and resiliency goals, with a focus on communities of concern, including grants or programs from the California Energy Commission, CPUC and the Department of Energy.
9. **Ensuring Transparency.** SDG&E will offer, on a periodic basis, informational opportunities to ensure elected and appointed officials and members of the public understand SDG&E's business and SDG&E's support for the City.
- a. **Rate Transparency.** Once a year, SDG&E shall offer to present to the Council on rate structure, planned rate filings and rate changes.

- b. **Major Projects & Undergrounding.** Twice a year, SDG&E shall offer to present to the appropriate City Council Committee on planned major energy and gas projects, status of undergrounding projects, and 20SD undergrounding fund collections.
- c. **Supporting Customer Equity.** Once a year, SDG&E shall offer to present to the appropriate City Council Committee a status update on the distribution of regulated public purpose program (PPP) funds within the City, including CARE, FERA, LIHEAP, energy efficiency, lighting programs, demand response and others as appropriate.
- d. **Supporting Climate Equity.** Twice a year, SDG&E shall offer to present to the appropriate City Council Committee on the ways SDG&E is supporting the City's Climate Action Plan goals, SDG&E's support for SDCP, and other projects SDG&E is working on to support GHG reduction efforts.
- e. **Supporting Municipal Staff & Operations.** Four times a year, an Officer of SDG&E shall offer to meet with the City's Chief Operating Officer (or designees, if requested by the COO), to discuss infrastructure projects, coordination on facility movement and relocation, municipal energy bills, account questions/management, and other topics of mutual concern. The COO, or designated City staff, will present an annual information item to the appropriate City Council Committee providing an overview of the quarterly meetings with SDGE.
- f. **Compliance Review Committee.** At least once a year, SDG&E will provide an update to the Compliance Review Committee on the implementation of this Agreement.

10. **Legal and Regulatory Environment.** The City and SDG&E operate within a legal and regulatory framework that governs the topics in this Agreement. For example, there are numerous federal and state laws governing the procurement, transmission and distribution of electricity and gas. As an electrical and gas corporation, SDG&E is heavily regulated by the CPUC, which sets the rates and the terms under which SDG&E provides utility services to customers. The Federal Energy Regulatory Commission regulates SDG&E's transmission of electricity and natural gas. All of the City's and SDG&E's efforts under this Agreement must be consistent with these laws and regulations, including funding for programs and projects.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed, for and on behalf of each, by their duly authorized agents, officers or representatives, as of the Effective Date.

<p>CITY OF SAN DIEGO</p>  <p>By: Jay M. Goldstone Title: Chief Operating Officer</p>	<p>SAN DIEGO GAS & ELECTRIC COMPANY</p>  <p>By: Bruce Townsend Title: President & CFO</p>
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#3302
5/25/2021

(R-2021-460)
COR. COPY

RESOLUTION NUMBER R- 313555

DATE OF FINAL PASSAGE JUN 07 2021

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO ADOPTING AN ENERGY COOPERATION AGREEMENT WITH SAN DIEGO GAS & ELECTRIC COMPANY IN CONNECTION WITH THE GRANTING OF FRANCHISES FOR THE USE OF CITY STREETS FOR PROVISION OF GAS AND ELECTRIC SERVICES IN THE CITY OF SAN DIEGO.

WHEREAS, the City of San Diego (City) is, by ordinances adopted together with this resolution, granting to San Diego Gas & Electric Company (SDG&E) franchises for the use of the streets of the City to furnish gas and electric services to customers in the City as a public utility; and

WHEREAS, the franchises represent a valuable grant and connected with such a grant the City requires that the grantee should not only fulfill the conditions of the franchise but also agree to cooperate with the City with respect to its energy, climate change mitigation, and energy justice policies; and

WHEREAS, the City has adopted a Climate Action Plan dated December 2015 with aggressive goals to reduce greenhouse gas emissions, and plans to amend and update its Climate Action Plan as required to achieve its aggressive goals; and

WHEREAS, SDG&E has committed to cooperate in good faith on principles and policies for the attainment of the City's 2015 Climate Action Plan and to discuss in good faith cooperation with updates to the Climate Action Plan; and

WHEREAS, SDG&E has itself made a climate pledge to achieve net zero emissions by 2045; and

WHEREAS, SDG&E will support the City's policies for energy justice in communities; and

WHEREAS, in connection with the Electric Franchise and the Gas Franchise the City and SDG&E desire to work cooperatively to provide clean, safe, reliable and equitable energy to San Diego residents and to support the City's energy goals;

WHEREAS, the Energy Cooperation Agreement shall not take effect and be in force until the effective date of the gas and electric franchises, which shall be on the thirtieth (30) day from and after the date of their final passage pursuant to San Diego Charter Sections 103 and 295.

NOW, THEREFORE,

BE IT RESOLVED, that the Council of the City of San Diego, hereby authorizes the Mayor to execute the Energy Cooperation Agreement with SDG&E under the terms and conditions contained in that document on file in the Office of the City Clerk as Document

No. ^{RR} 313555 .

APPROVED: MARA W. ELLIOTT, City Attorney

By /s/Jean Jordan
Jean Jordan
Assistant City Attorney

FMO:als:cw:jvg
05/12/21
5/24/21 COR. COPY
Or.Dept: Office of the Mayor
CC No.: N/A
Doc. No.: 2659274_3

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of 05/25/2021

ELIZABETH S. MALAND
City Clerk

By /s/Linda Irvin
Deputy City Clerk

Approved: 6/7/21
(date)

Todd Gloria
TODD GLORIA, Mayor

Vetoed: _____
(date)

TODD GLORIA, Mayor

Passed by the Council of The City of San Diego on MAY 25 2021, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Joe LaCava	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jennifer Campbell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stephen Whitburn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monica Montgomery Steppe	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marni von Wilpert	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Raul A. Campillo	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vivian Moreno	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sean Elo-Rivera	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage JUN 07 2021

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

(Seal)

TODD GLORIA
Mayor of The City of San Diego, California.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By Connie Patterson, Deputy
for Linda Irvin

Office of the City Clerk, San Diego, California

Resolution Number R- 313555

Passed by the Council of The City of San Diego on May 25, 2021, by the following vote:

YEAS: CAMPBELL, WHITBURN, VON WILPERT, CATE, CAMPILLO, ELO-RIVERA.
NAYS: LACAVA, MONTGOMERY STEPPE, MORENO.
NOT PRESENT: NONE.
RECUSED: NONE.

AUTHENTICATED BY:

TODD GLORIA

Mayor of The City of San Diego, California

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)

By: Linda Kruein, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true, and correct copy of
RESOLUTION NO. R-313555, approved on May 25, 2021. The date of final passage
is June 7, 2021.

ELIZABETH S. MALAND

City Clerk of the City of San Diego, California

(Seal)

By: Linda Kruein, Deputy

Appendix B – List of Records Obtained

This appendix provides the list of records Crowe requested and obtained during the course of this audit.

SDG&E

1. Franchise fees
 - a. Approval and commitment policy
 - b. General ledger journal entry transaction policy
 - c. Annual franchise fee calculation workbooks
 - d. Revenue reports
 - e. Reconciliation of revenue with SAP
 - f. System generated reports showing fee payments
 - g. Aging data
 - h. Write-off data
2. Gas and Electric franchise
3. Administrative MOU
 - a. Matrix providing compliance status by MOU section
 - b. 2-Year Plan, listing of projects
 - c. 2021 – Trenching, listing of projects
 - d. 2021 – City of SD Projects, listing of projects
 - e. 2021 Transmission – GM, listing of projects
 - f. Permits forms and approvals for selected projects
 - g. Communication between the City and SDG&E
 - h. Notification letters submitted to customers
4. Undergrounding MOU
 - a. Presentations to City Council (status)
 - b. Email exchanges between City and SDG&E regarding undergrounding prioritization
 - c. Invoices
 - d. Crowe Point 2BB kickoff meeting notes, project schedule, cost estimates, permit information, environmental compliance information, waste disposal information
 - e. Navajo Blk 7T kickoff meeting notes, project schedule, cost estimates, construction notification, cost variance report, schedule variance report, permit information, service panel conversions and inspections reports, environmental compliance information
 - f. Muirlands 1M1 kickoff meeting notes, project schedule, cost estimates, punch lists, email correspondence, service panel conversions and inspections reports
 - g. Project cost estimates (for all projects covered by new MOU)
 - h. Master service agreement instructions, contract template, scorecard, scope of work, job category descriptions, pricing workbook, program vendor list, bid review process, and results
 - i. Master service agreements

- j. Milestone reports (monthly)
 - k. Overhead costs
 - l. Overall project schedules
5. Surcharge billing information
 6. Energy Cooperation Agreement
 - a. Customer & Climate Equity update presentation (January 19, 2023)
 - b. Customer & Climate Equity update presentation (June 22, 2023)
 - c. Compliance Review Committee presentation (July 6, 2023)
 - d. Community Power Plan (May 2023)
 - e. ECA implementation plan (several versions)
 - f. CPUC Resolution E-5190. Approval, with Modifications, of Evaluation Criteria for the Partnership Pilot and Standard Offer Contract Pilot Pursuant to Decision 21-02-006
 - g. 30 Follow-up Questions related to the Energy Cooperation Agreement (August 29, 2023)
 - h. Ratepayer funding authority matrix
 - i. Annual report activity of SDG&E (U 902M) on low-income assistance programs for 2021
 - j. Monthly report activity of SDG&E (U 902M) on low-income assistance programs for January 2022 through June 2023
 - k. The Path to Net Zero report, April 2022
 - l. The Path to Net Zero presentation, May 2022
 - m. Various meeting agendas/minutes
 - n. SDG&E 2022 Presentation on Gas & Electric Rates (October 3, 2022)
 - o. Natural gas and electric rates update presentation (October 2022)

City

1. Franchise Compliance Review Committee meeting notes
2. Franchise fees and other payments
 - a. Quarterly Franchise Fee Statements (from SDG&E)
 - b. Proof of payment receipt for franchise fees
 - c. Proof of payment of Bid Amount
3. Administrative MOU
 - a. Matrix providing compliance status by MOU section
4. Undergrounding MOU
 - a. City compliance tracker workbook
 - b. Status update on the Utilities Undergrounding Program (June 22, 2023)
 - c. Report to Council, Status of the Utilities Undergrounding Program FY'23
 - i. Attachment 1, Program Status Information
 - ii. Map of Communities of Concern
 - iii. Map of Fire Risk Areas
 - iv. Attachment 2, Rule 20A Letter, Report from SDG&E

-
- v. Attachment 3, Project Cost and Schedule Estimates from SDG&E for Navajo Block 7T, Crown Point Block 2BB, Muirlands 1M1
 - vi. Attachment 3, Comprehensive list of planned and active Rule 20A projects
 - vii. Attachment 4, SDG&E Cost Forecast
 - viii. Attachment 5, Rule 20A Letter and Report from SDG&E
 - ix. Attachment 6, Map of Rule 20A Project Locations
 - d. Palm City 8R status meetings, summary reports, all activities reports
 - e. Email exchanges between City and SDG&E on various topics
 - f. Program status reports
 - g. Presentations
 - h. Various emails between the City and SDG&E
- 5. Organizational charts
 - 6. Energy Cooperative Agreement
 - a. Staff reports
 - b. Slide presentations
 - c. Supporting documentation (for presentations)
 - 7. Permitting statistics dashboard

Appendix C – List of Personnel Interviewed

This appendix provides the list of personnel Crowe interviewed during the course of this audit.

SDG&E

1. Bernadette Butkiewitz, Sr. Public Affairs Manager
2. Eric Dalton, Principal Accountant
3. Kelli Fitzgerald, Project Manager
4. Craig Gentes, Director of Accounting Operations
5. Katelyn Hailey, Regional Public Affairs Manager
6. Glenn Mueller, Senior Counsel
7. Brittany Syz, Director Regional Public Affairs
8. Shaun McMahon, Senior Municipality Advisor

City of San Diego

1. Nicholas Abboud, Assistant Deputy Director, Development Services Department
2. Mazen Abugharbieh, Program Manager, Development Services Department
3. Ali Alaeipour, Senior Civil Engineer, Development Services Department
4. Bethany Bezak, Director, Transportation Department
5. Ana Legy Del Rincon, Senior Civil Engineer, Transportation Department
6. Myrna Dayton, Assistant Director and Chief Deputy City Engineer, Engineering & Capital Projects Department
7. Tanner French, Senior Traffic Engineer, Development Services Department
8. Chris Gascon, Assistant Director, Transportation Department
9. Chelsea Klaseus, Deputy Director, Transportation Department
10. James Nabong, Assistant Deputy Director, Transportation Department
11. Christopher Naval, Assistant Deputy Director, Development Services Department
12. Megan Ong, Program Manager, Sustainability and Mobility Department
13. Jennifer Reynolds, Program Coordinator, Transportation Department
14. Luis Schaar, Assistant Director, Engineering & Capital Projects Department
15. Manjit Singh, Deputy Director, Development Services Department
16. Natalia Torres, Associate Civil Engineer, Transportation Department
17. Heather Werner, Interim Director, Sustainability and Mobility Department

Appendix D – Management Response



Katelyn Hailey
Regional Public Affairs
Manager

8330 Century Park Ct.,
CP31D
San Diego, CA 92123

tel: 619-798-0842
email: khailey@sdge.com

May 20, 2024

Aaron Coen, PMP
Crowe LLP

Via email to: Aaron.Coen@Crowe.com

Dear Mr. Coen:

SDG&E has received a Draft Report of the Performance Audit conducted by Crowe, LLP regarding SDG&E's compliance with the Gas and Electric Franchise Agreements, Administrative Memorandum of Understanding, Undergrounding Memorandum of Understanding, and the Energy Cooperation Agreement. We thank Crowe for working with us as it conducted the audit.

The referenced agreements above represent 387 separate commitments or obligations made by SDG&E to the City of San Diego. This audit, and those which will be performed on a biannual basis moving forward, was intended to determine whether SDG&E is in compliance with its commitments. Overall, the report shows that SDG&E has materially met or exceeded our commitments. But, as is usually the case, there remains room for improvement. SDG&E recommits to its commitments as we move forward with the City of San Diego.

SDG&E also wants to respond to the four findings deemed not to be significant to Audit Objectives. As discussed in greater detail below, of the four items highlighted in the preliminary Draft Report as Findings, two (Findings #3 and #4) have already been addressed and resolved during the audit period. Finding #1 has also been addressed through iterative updates and SDG&E will continue to strive to apply process and internal control improvements. Finally, SDG&E maintains Finding #2 is unsupported by the business records from both SDG&E's and the City of San Diego.

From a procedural standpoint, there were several challenges to this audit process. These challenges are primarily related to the audit's schedule and the unsurprising outcomes associated with schedule compression. We look forward to working with the City to ensure ample time is provided for the next audit.

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Due to a later than anticipated start of the audit, the timeline for this audit was rushed to a point where auditors were unable to ask any follow-up or clarifying questions or to develop understanding of the nature of SDG&E's business practices. As an example, we submitted information on three separate data requests on time, yet the draft report was issued to the City approximately two hours after such submittal—clearly not enough time to review the information, finalize the report, and send to the City.

To highlight the amount of information provided, SDG&E responded to 130 questions, many of which contained numerous sub-components. SDG&E provided the Crowe audit team with 463 separate documents over the duration of this audit, including several which required compilations to be created in the first instance. With respect to the audit of the Administrative Memorandum of Understanding, thirteen individual projects were sampled, and SDG&E responded to fifty-nine separate questions per project. For the Undergrounding Memorandum of Understanding, three projects were sampled, and SDG&E responded to seventy-seven questions per project.

Beyond the general observations above, SDG&E appreciates the ability to respond to the individual Findings:

Finding #1 – Inconsistent Undergrounding Project Cost Estimates

Pursuant to the Undergrounding MOU, SDG&E maintains it has met the obligations and is in compliance. We understand that there may have initially been deficiencies in cost estimates. Those deficiencies have been addressed in our efforts to improve our internal process and our reporting to the City of San Diego. SDG&E will take these lessons learned and continue to incorporate them in our process.

Our approach with the City of San Diego (as documented in emails and meeting minutes provided to auditors as responsive materials) was to be transparent and collaborative with every cost estimate. Upon discovering that the initial baselines and estimates did not include overhead costs, SDG&E re-baselined every project with updated costs. This was done three times between August 2023 to December 2023 to ensure we had the most accurate forecast. It is not surprising that during the relevant period, the cost of doing business (i.e. materials, design, engineering, and labor) had sharply increased from the previous comparable projects. This iterative process also included multiple meetings with SDG&E's Strategic Undergrounding program to review and validate the updated sub-contractor and vendor rates. SDG&E had previously stated cost estimates would be iteratively developed over time to ensure the City had the most accurate cost forecast for their FY25 budget. Lastly, throughout this process SDG&E actively requested feedback from the City on project award order that affected cost(s) and mandated forecasts changes based on their preferences. SDG&E will strive to improve its internal processes to provide greater transparency in cost estimating.

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Finding #2 – Limited Input Allowed to City on SDG&E Undergrounding Construction Master Services Agreement (MSA) Evaluation Criteria

The preliminary Draft Report concludes SDG&E did not take City staff opinions into account when developing scoring templates to be used in the selection of bidders seeking to perform undergrounding work in the City of San Diego. SDG&E does not have access to the information the auditor reviewed to establish these assumptions. That said, SDG&E maintains the score weighting for bid price reflected the City's opinions and, in particular, emphasized price as a significant scoring element pursuant to the City's request.

Additionally, giving "safety" a higher score weight than "price" in the Capabilities and Experience portion of the scoring template was, and is, consistent with Undergrounding MOU section 9.2.5 where it is the first identified aspect of the items to be considered—followed by pricing. Emphasizing a safe working environment benefits everyone.

As noted above, SDG&E timely provided the Crowe audit team with responsive materials we hope that this Finding be reconsidered.

Finding #3 – SDG&E Did Not Comply with Section 6 a) of the Administrative MOU

In accordance with Section 6.a of the Administrative MOU an online portal was developed by SDG&E, in consultation with the City, to process and track Category 1 Low Impact Projects. Although the portal was developed, it was never officially utilized to submit Category 1 projects to the City due to identified information gaps in the GIS coordinates of subject projects. Based on the scopes of work covered by Category 1 and their minimal impact nature, same start and end dates are feasible.

During, and after, the development of the Portal, SDG&E processed all projects that would otherwise qualify as Category 1 Low Impact as Category 2 Medium and High Impact projects due to the inaccuracies of the data exchange. Due to this approach, the City was able to properly and timely track and monitor all Category 1 Low Impact projects through the Category 2 Medium and High Impact Project process. Through this process, Category 1 projects were subject to standard CITY permitting requirements, as defined in San Diego Municipal Code section 113.0103, and were reviewed on a project-by-project basis by the Development Services Department (DSD). Therefore, SDG&E's Category 1 Low Impact projects were held to a higher level of scrutiny than was originally anticipated. City staff was made fully aware of projects that would have qualified as Category 1 Low Impact occurring in their right-of-way since SDG&E submitted permits and received approvals per the Category 2 process.

Since the audit period, the City and SDG&E have met, conferred, and revised the Administrative MOU to identify an alternative approach which is currently being utilized and is operating effectively.

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Finding #4 – The City and SDG&E Did Not Comply with Section 2 of the Energy Cooperation Agreement

SDG&E acknowledges the timeline for presentation of the ECA Implementation Plan was out of compliance per the Energy Cooperation Agreement. Multiple factors contributed to the presentation schedule, including negotiation of the Administrative MOU, negotiation of the Undergrounding MOU, and the ability to ensure alignment between the ECA Implementation Plan and the City's Climate Action Plan, which was released on February 28, 2022. For these reasons, SDG&E and the City made the joint strategic decision to delay the presentation of the Implementation Plan to the Environment Committee. The Findings should reflect the context of that joint decision, as well as have a "Status" category that says "Resolved."

Summary

In summary, SDG&E appreciates the opportunity to submit this Response and the work that Crowe has done. We hope that the next bi-annual audit regarding the City of San Diego and SDG&E's compliance with the Gas and Electric Franchise Agreements, Administrative Memorandum of Understanding, Undergrounding Memorandum of Understanding, and the Energy Cooperation Agreement will be scheduled with a timeline that allows for a full and comprehensive review of all responsive materials provided, and allows time for feedback, follow-up and clarification so that the audit can capture the full scope of SDG&E's work on the Franchises and related agreements. SDG&E takes pride in our work on these agreements, and on our relationship with the City over the last three years. We look forward to many more years of collaboration in reaching our shared objectives to serve our customers and the constituents of the City of San Diego.

Sincerely,



Katelyn Hailey
Regional Public Affairs Manager

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