Questions for SDG&E (Franchise Compliance Review Committee – Aug 13, 2025)

1. **Use of Ratepayer Funding to Finance ECA Activities (Slide 7):** Slide 7 of SDG&E's presentation indicates that *"Funding sources for [the Energy Cooperation Agreement] may include: Ratepayer funding pursuant to approval from the California Public Utilities Commission"*. How much of SDG&E's ECA-related activities are being financed through charges to ratepayers, and under what CPUC approvals? Why should the utility's franchise obligations under the ECA be funded by ratepayers rather than shareholder funds, and what steps has SDG&E taken to ensure that customers are not paying for what are essentially contractual commitments to the City?

2. **Clean Energy Collaboration vs. Opposition to Rooftop Solar and Affordability Measures:** SDG&E's presentation emphasizes collaborative efforts toward clean energy (e.g. stating that since 2021 SDG&E has implemented projects to further the City's 100% clean energy goal). Yet at the same time, SDG&E has actively lobbied against distributed solar and affordability initiatives. For example, SDG&E, pushed for sweeping changes to net metering policies by proposing high fixed monthly charges and reduced net metering credits. Likewise, SDG&E has supported initiatives such as high mandatory fixed charges on bills that would seem to disproportionately impact low-income and low-usage households already struggling with some of the highest electricity rates in the nation. How does SDG&E reconcile this apparent contradiction?

   Additionally, what percentage of SDG&E's electricity currently comes from renewables, how has that percentage changed over time, and what specific plans are in place to increase it going forward? Can you also provide data on the percentage of SDG&E's overall energy supply used for heating, appliances, and other end uses that has shifted from gas to electrification, and how that trend has changed over time?

   Finally, SDG&E often describes Liquid Natural Gas (LNG) and Hydrogen as "clean energy," yet climate experts and environmental justice communities widely reject this framing. LNG (which I understand is sometimes fracked methane gas) and hydrogen both create significant greenhouse gas emissions and pollution throughout their life cycle. How does SDG&E justify labeling these fuels as "clean," and more importantly, what concrete steps are being taken to reduce reliance on LNG and Hydrogen, given that they remain fossil-fuel based and polluting sources of energy? Additionally, what percentage of the fuels SDG&E currently uses, and anticipates using in the future, are LNG, and what percentage are hydrogen sources not produced from water?

3. **Gaps in Building Decarbonization and SB-1221 Participation:** The ECA implementation plan includes support for building electrification. For instance, assisting City efforts to adopt zero-emission building standards and reach codes. However, beyond municipal buildings, there appear to be gaps in SDG&E's initiatives to decarbonize the broader building stock, and it's unclear how SDG&E is participating in California's SB-1221 pilot program for neighborhood decarbonization. Is SDG&E actively engaging in SB-1221's voluntary pilot program. For example, by identifying potential gas pipeline zones in its service territory that could be transitioned to all-electric service, and collaborating with the City or community groups to propose pilot decarbonization projects?

My understanding is that SDG&E has been using reach codes to gauge interest in potential SB-1221 pilot projects, which severely limits eligibility since only a few communities have successfully implemented these ordinances. SDG&E does not appear to be conducting broader community outreach to identify interest, unlike PG&E, which has engaged communities more directly. Why is SDG&E relying on reach codes as a filter rather than working with communities that are interested but have not been able to adopt reach codes—especially given that IOU involvement has been a barrier in some of these cases?

4. **Community Impact of ECA Programs vs. SDG&E's Lobbying and Rate Policies:** SDG&E highlights various community-oriented programs under the ECA. For example, planting 2,046 trees toward a 10-year goal and hosting electric vehicle education events in underserved neighborhoods as benefits of the franchise agreement. While these initiatives have merit, their impact may be small compared to the broader negative impacts of SDG&E's high rates and policy stances. How do the tangible benefits of these ECA programs (in terms of GHG reductions, community resilience, or customer savings) compare against SDG&E's concurrent actions, such as raising electricity rates, and lobbying to curtail rooftop solar incentives?

5. **Rate Setting and Overcharging – Response to Audit Findings:** A recent State Auditor review of CPUC regulatory outcomes found that SDG&E has exceeded its authorized rate of return in 9 of the last 10 years, in some cases by up to 1.5 percentage points – which in 2021 alone meant about $29 million in profit beyond what regulators had deemed reasonable. How does SDG&E explain this pattern of earning higher profits at the expense of ratepayers? If these excess profits were allowed under CPUC mechanisms, does SDG&E nonetheless acknowledge a responsibility to San Diegan's to avoid such windfalls in the future? What specific steps will SDG&E take to ensure that no overearning will occur in the future? And what steps is SDG&E taking to refund the money that it overearned according to the State Auditor?

6. **Finally, what steps (if any) will SDG&E plan to take to address the State Auditor's finding? Will any of the following remedies be implemented and if so which?:**

    1. Develop stricter internal controls and provide reports for the committee review.
    2. Adjust future rate cases to more accurately forecast costs.
    3. Issue customer refunds.
    4. Use excess profits to invest in community projects, for example:
        - Solar generating kiosks in community parks and public housing
        - Roof top solar on city owned buildings.
        - Invest in energy efficiency projects in residential buildings.
        - Other projects as recommended by the public.