



The City of San Diego
M E M O R A N D U M

DATE: April 24, 2018
TO: Warren Ruis, Director, Regional Public Affairs, San Diego Gas & Electric
FROM: Cody Hooven, Chief Sustainability Officer
SUBJECT: Peer review response and data request

Background

The City of San Diego (City) has adopted a Climate Action Plan that includes a 100% renewable energy goal, and corresponding greenhouse gas reductions, by 2035. The City issued a request for information and qualifications to gather information from interested parties about programs to reach this goal. Most recently, the City issued a request for proposals to San Diego Gas & Electric (SDG&E) identifying specific information needed in a proposal in order to consider an alternative program to reaching the City's goal. SDG&E's response provided a concept for the City to consider, but did not provide a fully described program proposal. Thus, the City and SDG&E have begun regular meetings to negotiate additional details needed by the City for this conceptual program to be a viable option. Concurrently, the City is also exploring the development of a Community Choice Aggregation (CCA) program, analyzing projected costs and benefits of a San Diego CCA. Ultimately, the Mayor, City Council, stakeholders and the general public need to understand the options before them in order to make an informed decision. The City has committed to selecting a pathway in 2018 with which to proceed.

Purpose of memo

The purpose of this memo is twofold: to acknowledge receipt of SDGE's response (submitted to the City on April 20, 2018) to the peer review of their proposal conducted by the City's consultant, MRW; and to request further information from SDG&E based on recent discussions.

SDG&E's response to peer review

The City appreciates SDG&E's response to the peer review and the continued dialogue around their proposal. We are concerned, however, that SDG&E is not taking the opportunity to provide detailed responses to many questions presented in the peer review. Instead SDG&E focused more on challenging the understanding of the City's consultant regarding what SDG&E has proposed to the City. The consultant, MRW, is an expert advisor to the City on our overall energy needs and our 100% renewable energy goals. Per our request, they provided their expert analysis based on the proposal SDG&E submitted to the City in writing, guided by questions provided by City staff. MRW is a neutral third-party and impartial to the outcome of this process; their task is to provide the City with energy and financial expertise when requested. The City will ultimately make this decision in a transparent manner and

looks forward to continuing discussions with SDG&E that lead to new, critical details of their proposal decision-makers and the public may review.

Information request

The information request from the City is based on recent discussions between the City and SDG&E in which the City agreed to explore the possibility of conducting a cost analysis of SDG&E's proposal. SDG&E has indicated that it cannot provide a more detailed cost analysis than what is in its proposal to allow the City and stakeholders to compare costs of SDG&E's proposal to the costs projected in the CCA business plan. However, SDG&E agreed to provide some data and review the methods and inputs the City and its consultants deem appropriate in order for the City to develop an analysis independent of SDG&E. Please see below for additional data needed for the City and its consultant to develop a cost analysis. Concrete and quantitative information provided in writing will be much more helpful than qualitative information or responses. We suggest a discussion about this request at our next meeting. We have invited MRW to that meeting to support any technical discussions about our request. Based on the outcome of that discussion, the City will determine if a cost analysis is feasible.

Current information request (additional data may be requested later):

1. Assuming the tariff to be used to implement the SDG&E program is in the form of an "add-on" to SDG&E's otherwise applicable tariff for its bundled service customers:
 - a. Could the "add-on" be less than zero? If so, please provide more information.
 - b. If the "add-on" were greater than zero (i.e., the cost of the SDG&E program would be greater than the bundled service rate for existing SDG&E customers), does SDG&E have any assessment of the "opt-out" rate as a function of price above the bundled service rate?
2. In discussions, SDG&E has indicated the potential for establishing an "exit fee" for customers in the boundaries of the City of San Diego that opt out of the SDG&E program after SDG&E has made purchases on those customers' behalf. Please provide information about how the exit fee could be calculated, the duration of the exit fee, and any other details regarding this proposal.
3. If the program was terminated, SDG&E would likely assess termination fees related to future power purchases and other costs incurred by SDG&E for participants in the program at the time of the termination. If so, please explain how such a termination fee could be calculated and the term of the termination fee.
4. Describe the allocation of banked RECs to Scenario 2 provided in the SDG&E program. Presumably, customers have already paid for the renewable generation that created the banked RECs. Describe the costs.
5. Please provide SDG&E's estimated annual administrative and general (A&G) costs associated with the SDG&E program.
6. Provide SDG&E's best estimate of regulatory costs associated with (1) obtaining approval and (2) future regulatory activities to customers of the proposed program those costs, and confirm both of these costs will be allocated to customers of the proposed program.



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MEMORANDUM

This information can help inform additional discussions, the City's analysis, and proposed program development. Our next collective meeting is scheduled for April 26, 2018. Please contact Cody Hooven, 619-236-6563 or chooven@sandiego.gov if you have any questions prior to the 26th.