Clean Energy Alliance
JOINT POWERS AUTHORITY

AGENDA

Board of Directors Meeting Agenda
November 19, 2020, 2 p.m.
City of Solana Beach | Virtual Meeting

Per State of California Executive Order N-29-20, and in interest of public health and safety, we are temporarily taking actions to prevent and mitigate the effects of the COVID-19 pandemic by holding Clean Energy Alliance Joint Powers Authority meetings electronically or by teleconferencing. All public meetings will comply with public noticing requirements in the Brown Act and will be made accessible electronically to all members of the public seeking to observe and address the Clean Energy Alliance Joint Powers Authority Board of Directors.

Members of the public can watch the meeting live at:
https://solanabeach.12milesout.com/Video/Live.

You can participate in the meeting by e-mailing your comments to the Secretary at secretary@thecleanenergyalliance.org 1 hour prior to commencement of the meeting. If you desire to have your comment read into the record at the meeting, please indicate so in the first line of your e-mail and limit your e-mail to 500 words or less. These procedures shall remain in place during the period in which state or local health officials have imposed or recommended social distancing measures.

CALL TO ORDER

ROLL CALL

FLAG SALUTE

CLOSED SESSION

1. Conference with Legal Counsel—Existing Litigation
Government Code Section 54956.9(d)(1)
Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism, Application (A.) 20-07-009, filed July 10, 2020 with and pending before the California Public Utilities Commission

2. Conference with Legal Counsel—Initiation of Litigation
Government Code Section 54956.9(a)(4)
Number of cases: Two

RECESS TO CLOSED SESSION

RECONVENE TO OPEN SESSION 2:30 p.m.

REPORT FROM CLOSED SESSION

BOARD COMMENTS & ANNOUNCEMENTS

PRESENTATIONS

PUBLIC COMMENT

APPROVAL OF MINUTES
Minutes of the Regular Meeting held September 17, 2020
Minutes of the Regular Meeting held October 15, 2020

Consent Calendar

Item 1: **Clean Energy Alliance Treasurer's Report**

RECOMMENDATION
Receive and File Clean Energy Alliance Treasurer's Report.

Item 2: **Clean Energy Alliance Energy Risk Management Policy Approval**

RECOMMENDATION
Approve Clean Energy Alliance Energy Risk Management Policy.

Item 3: **Adopt Resolution Amending Conflict of Interest Code Adding Community Advisory Committee Members and Clarifying the Disclosure Categories**

RECOMMENDATION
Adopt Resolution 2020-006 amending Conflict of Interest Code adding Community Advisory Committee Members and clarifying the disclosure categories.

New Business

Item 4: **Clean Energy Alliance Interim Chief Executive Officer Report & Regulatory Affairs Update**

RECOMMENDATION
1) Receive and file Clean Energy Alliance Interim Chief Executive Officer Report.
2) Receive and file Clean Energy Alliance Regulatory Affairs Update Report.

Item 5: **Clean Energy Alliance Pro-Forma Update**

RECOMMENDATION
Receive presentation on the updated Clean Energy Alliance Pro-Forma.

Item 6: **Authorize Execution of Escrow Agreement and Establishment of Secured Account to Satisfy the Updated Financial Security Requirement**

RECOMMENDATION
1) Authorize the Interim Chief Executive Officer to execute an escrow agreement with River City Bank and San Diego Gas & Electric and establishment of a new account with River City Bank in satisfaction of the new Financial Security Requirement, subject to General Counsel approval.
2) Appropriate $147,000 for the Financial Security Requirement, to be funded by an increase in the loan from Calpine Energy Solutions.

Item 7: **Approve Increase in Promissory Note with Calpine Energy Solutions**

RECOMMENDATION
Authorize increase in promissory note with Calpine Energy Solutions from $400,000 to the maximum $650,000 to cover the Financial Security Requirement and Resource Adequacy collateral requirements.

Item 8: **Authorize Interim Chief Executive Officer to Negotiate Terms for Clean Energy Alliance Credit Solution**

RECOMMENDATION
Authorize Interim Chief Executive Officer to Negotiate Terms for Clean Energy Alliance Credit Solution.

BOARD MEMBER REQUESTS FOR FUTURE AGENDA ITEMS

ACKNOWLDGEMENT OF DEPARTING BOARD MEMBER

ADJOURN

NEXT MEETING: December 17, 2020, 2 p.m., hosted by City of Carlsbad (Virtual Meeting)

Reasonable Accommodations
Persons with a disability may request an agenda packet in appropriate alternative formats as require by the Americans with Disabilities Act of 1990. Reasonable accommodations and auxiliary aids will be provided to effectively allow participation in the meeting. Please contact the Carlsbad City Clerk's Office at 760-434-2808 (voice), 711 (free relay service for TTY users), 760-720-9461 (fax) or clerk@carlsbadca.gov by noon on the Monday before the Board meeting to make arrangements.

Written Comments
To submit written comments to the Board, please contact the Carlsbad City Clerk's office at secretary@thecleanenergyalliance.org*. Written materials related to the agenda that are received by 5:00 p.m. on the day before the meeting will be distributed to the Board in advance of the meeting and posted on the Authority webpage. To review these materials during the meeting, please contact the Board Secretary.*

Clean Energy Alliance – Board of Directors
Meeting Minutes
September 17, 2020 – 2 p.m.
City of Carlsbad City Hall
1200 Carlsbad Village Drive, Carlsbad, CA 92008
Teleconference Locations per State of California Executive Order N-29-20

Draft

CALL TO ORDER: Chair Haviland called to order the regular meeting of the Clean Energy Alliance at 2:00 p.m.

ROLL CALL: Schumacher, Becker, Haviland

FLAG SALUTE: Board Member Schumacher led the flag salute.

PUBLIC COMMENT: Addressing the Board via written comment was Gregg Ferry regarding the utility of microgrids.

BOARD COMMENTS & ANNOUNCEMENTS: None

PRESENTATIONS: None

APPROVAL OF MINUTES:
Minutes of the Regular Meeting held June 18, 2020
Minutes of the Special Meeting held June 26, 2020
Minutes of the Regular Meeting held July 16, 2020

Motion by Vice Chair Becker, second by Board Member Schumacher, to approve the minutes as submitted. Motion carried unanimously, 3/0.

CONSENT CALENDAR

ITEM 1: Clean Energy Alliance Treasurer's Report

RECOMMENDATION: Receive and File Clean Energy Alliance Treasurer's Report.

Motion by Board Member Schumacher, second by Vice Chair Becker, to received and file the report. Motion carried unanimously, 3/0.

ITEM 2: Clean Energy Alliance Interim Chief Executive Officer Report & Regulatory Affairs Update

Interim Chief Executive Officer Barbara Boswell presented an update on the timeline of the current launch schedule and stated that a final proposal will be brought before the Board for approval.

RECOMMENDATION: 1) Receive and file Clean Energy Alliance Interim Chief Executive Officer Report. 2) Receive and file Clean Energy Alliance Regulatory Affairs Update Report.

Motion by Board Member Schumacher, second by Vice Chair Becker, to received and file the reports. Motion carried unanimously, 3/0.

NEW BUSINESS

ITEM 3: Clean Energy Alliance Long-Term Renewable Solicitation

Interim Chief Executive Officer Barbara Boswell introduced the item and Brian Goldstein of Pacific Energy Advisors, who presented the analysis of the solicitation.

> **RECOMMENDATION:** Authorize Interim Chief Executive Officer to execute term sheets, exclusivity and confidentiality agreements related to the Long-Term Renewable Energy Solicitation.

Motion by Board Member Schumacher, second by Vice Chair Becker, to authorize Interim Chief Executive Officer to execute term sheets, exclusivity and confidentiality agreements related to the Long-Term Renewable Energy Solicitation.
Motion carried unanimously, 3/0.

ITEM 4: Clean Energy Alliance Communications & Marketing Kick-Off and Branding Input

Interim Chief Executive Officer Barbara Boswell presented the item and introduced Kevin Bostwick of Tripepi Smith who updated the Board on CEA Branding survey and response analysis thus far and requested Board feedback.

> **RECOMMENDATION:** Provide input into Clean Energy Alliance Branding.

The Board stated a preference for simplicity and requested that the logo choice focus on the Clean Energy piece and be returned to Board for selection and commented on looking forward to the next steps in the marketing and branding process.

ITEM 5: Clean Energy Alliance Interim Board Clerk Services

> **RECOMMENDATION:** Authorize Clean Energy Alliance Board Chair to execute an amendment to the Bayshore Consulting Group Agreement, for an amount not to exceed $18,000 through June 30, 2021, for Interim Board Clerk Services.

Interim Chief Executive Officer Barbara Boswell presented the item and introduced Interim Board Clerk services candidate Susan Caputo.

Motion by Board Member Schumacher, second by Vice Chair Becker, to authorize the Clean Energy Alliance Board Chair to execute an amendment to the Bayshore Consulting Group Agreement, for an amount not to exceed $18,000 through June 30, 2021, for Interim Board Clerk services.
Motion carried unanimously, 3/0.

ITEM 6: Clean Energy Alliance Legislative and Regulatory Policy Platform

Interim Chief Executive Officer Barbara Boswell reviewed the proposed Regulatory Policy Platform for the Board and stated that the Policy Platform will be returned to the Board for review and update in January of each year.

> **RECOMMENDATION:** Review, provide direction and approve Legislative and Regulatory Policy Platform.

Draft

Motion by Vice Chair Becker, second by Board Member Schumacher, to approve the Legislative and Regulatory Policy Platform.
Motion carried unanimously, 3/0.

ITEM 7: Clean Energy Alliance Bid Evaluation Criteria Policy

Interim Chief Executive Officer Barbara Boswell gave an overview of the Policy for the Board.

> **RECOMMENDATION:** Approve Clean Energy Alliance Bid Evaluation Criteria Policy

Public Comment was received from IBEW Local Union 569, regarding a recommendation to incorporate the following additional criteria to the Policy: 1) criteria on benefits to disadvantaged communities 2) criteria on environmental stewardship 3) edit reference to apprenticeship to read "State of California approved apprenticeship programs" 4) incorporate local job creation criteria.

The Board requested staff include more explicit language regarding environmental stewardship and programs that help disadvantaged communities in the Local Economic Sustainability category or adding additional categories; commented regarding using caution with definitions and use of terms of art that might prohibit the ability to meet the criteria; clearly defining how the categories will be utilized in the decision-making process; possibly incorporating language supporting job creation under Local Job Growth; and return the policy for approval at the October 15, 2020, meeting.

ITEM 8: Clean Energy Alliance Award Scheduling Coordinator Services

Interim Chief Executive Officer Barbara Boswell gave an overview of the item and explained the Direct Energy proposal note of a guarantee of positive new revenue related to the Congestion Revenue Rights Portfolio Management Program. Ms. Boswell commented that revenues would be seen with The Energy Authority and their management of the portfolio as well. In addition, the Direct Energy proposal had a fee of 20% of all revenue that is generated which is difficult to quantify at this point and The Energy Authority includes those services in the monthly fee.

> **RECOMMENDATION:** Authorize Interim Chief Executive Officer to execute an agreement with The Energy Authority to provide Scheduling Coordinator and Congestion Revenue Rights Portfolio Management Services, through June 30, 2023, for an annual amount not to exceed $140,400, to be billed monthly beginning May 2021 at $11,700, plus a one-time fee of $28,700, subject to General Counsel approval.

Motion by Board Member Schumacher, second by Vice Chair Becker, to authorize Interim Chief Executive Officer to execute an agreement with The Energy Authority to provide Scheduling Coordinator and Congestion Revenue Rights Portfolio Management Services, through June 30, 2023, for an annual amount not to exceed $140,400, to be billed monthly beginning May 2021 at $11,700, plus a one-time fee of $28,700, subject to General Counsel approval.
Motion carried unanimously, 3/0.

ITEM 9: Clean Energy Alliance By-Laws

General Counsel Greg Stepanicich presented the item and gave an overview of the by-laws.

> **RECOMMENDATION:** Approve Clean Energy Alliance By-Laws.

Draft

Motion by Vice Chair Becker, second by Board Member Schumacher, to approve the Clean Energy Alliance By-Laws.
Motion carried unanimously 3/0.

BOARD MEMBER REQUESTS FOR FUTURE AGENDA ITEMS: None

ADJOURN: Chair Haviland adjourned the meeting at 3:30 p.m.

____
Susan Caputo, MMC
Interim Board Clerk

Draft

Clean Energy Alliance – Board of Directors
Meeting Minutes
October 15, 2020 – 2 p.m.
City of Del Mar Civic Center -Town Hall
1050 Camino del Mar, Del Mar CA 92014
Teleconference Locations per State of California Executive Order N-29-20

DRAFT

CALL TO ORDER: Chair Haviland called to order the regular meeting of the Clean Energy Alliance at 2:00 p.m.

ROLL CALL: Schumacher, Becker, Haviland

FLAG SALUTE: Chair Haviland led the flag salute.

PUBLIC COMMENT: None

BOARD COMMENTS & ANNOUNCEMENTS: None

PRESENTATIONS: None

APPROVAL OF MINUTES:
Minutes of the Regular Meeting held August 20, 2020.

Motion by Board Member Schumacher, second by Vice Chair Becker, to approve the minutes as amended. Motion carried unanimously, 3/0.

<u>CONSENT CALENDAR</u>

ITEM 1: Clean Energy Alliance Treasurer's Report

RECOMMENDATION: Receive and File Clean Energy Alliance Interim Treasurer's Report.

ITEM 2: Clean Energy Alliance Interim Chief Executive Officer Report & Regulatory Affairs Update

RECOMMENDATION: 1) Receive and file Clean Energy Alliance Interim Chief Executive Officer Report.
2) Receive and file Clean Energy Alliance Regulatory Affairs Update Report

ITEM 3: Resolution Adopting Clean Energy Alliance Records Retention Schedule

RECOMMENDATION: Approve Resolution Adopting Clean Energy Alliance Records Retention Schedule.

Motion by Vice Chair Becker, second by Board Member Schumacher, to approve the Consent Calendar. Motion carried unanimously, 3/0.

NEW BUSINESS

ITEM 4: Clean Energy Alliance Draft Energy Risk Management Policy

Interim Chief Executive Officer Barbara Boswell introduced the item and Kirby Dusel and John Dalessi of Pacific Energy Advisors who provided the technical expertise in development of the policy. Mr. Dusel gave an overview of the policy highlighting key pieces.

> **RECOMMENDATION:** Receive presentation and provide input into the Clean Energy Alliance Energy Risk Management Policy.

The Board questioned and commented regarding appointment to the Risk Oversight Committee (ROC) and recommendation to include or not include a member of the Community Advisory Committee; delegations of authority; quick turn around on decisions regarding market power due to the limited time pricing is good; parameters for directing delegations of authority to the Chief Executive Officer and/or Chair by resolution; and a recommendation for a rotating one-year term for Board Members on the ROC.

ITEM 5: Clean Energy Alliance Branding Update and Logo Options

Interim Chief Executive Officer Barbara Boswell introduced the item and Kevin Bostwick of Tripepi Smith who presented the branding and logo update.

> **RECOMMENDATION:** Receive Clean Energy Alliance branding update and select preferred logo option.

Board Members commented regarding font and color preferences.

Motion by Chair Haviland, second by Board Member Schumacher, to approve logo option 1 with a sans serif font and color set A.
Motion carried unanimously, 3/0.

ITEM 6: Clean Energy Alliance Approval of Community Advisory Committee Nominees, Work Plan and Meeting Schedule

Interim Chief Executive Officer Barbara Boswell presented the item.

> **RECOMMENDATION:** 1) Approve Clean Energy Alliance Community Advisory Committee Nominees for City of Carlsbad; 2) Approve Clean Energy Alliance Community Advisory Committee Nominees for City of Del Mar; 3) Approve Clean Energy Alliance Community Advisory Committee Nominees for City of Solana Beach; 4) Approve Clean Energy Alliance Alternate Board Member to serve on Community Advisory Committee.; 5) Approve Clean Energy Alliance Community Advisory Committee Meeting Schedule and Work Plan

Motion by Board Member Schumacher, second by Vice Chair Becker, to approve the Community Advisory Committee Nominees for the cities of Solana Beach (Lee Haydu, 2-year; Debra Schade, PhD, 1-year), Del Mar (Dr. Donald Mosier, 2-year; Alan Sweedler, 1-year) and Carlsbad (Paige DeCino, 2-year; Seth Krauss, 1-year), and approve the CEA Alternate Board Member to serve on the Community Advisory Committee (Del Mar City Councilmember Dwight Worden). Motion carried unanimously, 3/0. Motion by Board Member Schumacher,

DRAFT

second by Chair Haviland, to approve the Clean Energy Alliance Community Advisory Committee Meeting Schedule and Work Plan. Motion carried unanimously, 3/0.

ITEM 7: Clean Energy Alliance Bid Evaluation Criteria Policy

Interim Chief Executive Officer Barbara Boswell presented the revised version of the policy.

General Counsel Gregory Stepanicich read into the record the following addition in to the first paragraph of the policy: "This Policy also informs bidders about the goals of CEA and factors that will be considered in evaluating bids and proposals. This Policy, however, shall not be construed to limit the discretion of the Board of Directors in selecting bids or proposals or awarding contracts in the best interests of CEA."

> **RECOMMENDATION:** Approve Clean Energy Alliance Bid Evaluation Criteria Policy.

Board Member Schumacher commented regarding the addition of clarification language under the Workforce Development Category.

Motion by Chair Haviland, second by Board Member Schumacher, to approve the Clean Energy Alliance Bid Evaluation Criteria Policy as amended by General Counsel and with the addition to add "California Approved" related to apprenticeship programs to the Workforce Development criteria. Motion carried unanimously, 3/0.

ITEM 8: Clean Energy Alliance Implementation Phasing Update

Interim Chief Executive Officer Barbara Boswell gave an overview of the item.

> **RECOMMENDATION:** Authorize Interim Chief Executive Officer to execute letter agreement with San Diego Gas & Electric (SDG&E) memorializing the amended Clean Energy Alliance Implementation Schedule to accommodate the delay in SDG&E's billing system replacement project, subject to General Counsel approval.

Vice Chair Becker made comments and General Counsel Stepanicich responded regarding the legally binding Letter of Agreement memorializing the schedule with SDG&E.

Motion by Chair Haviland, second by Vice Chair Becker, to authorize Interim Chief Executive Officer to execute letter agreement with San Diego Gas & Electric (SDG&E) memorializing the amended Clean Energy Alliance Implementation Schedule to accommodate the delay in SDG&E's billing system replacement project, subject to General Counsel approval.
Motion carried unanimously, 3/0.

BOARD MEMBER REQUESTS FOR FUTURE AGENDA ITEMS: None

ADJOURN: Chair Haviland adjourned the meeting at 3:42. p.m.

____

Susan Caputo, MMC
Interim Board Clerk

DRAFT

Clean Energy Alliance
JOINT POWERS AUTHORITY

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Marie Marron Berkuti, Interim Treasurer

ITEM 1: Clean Energy Alliance Treasurer's Report

RECOMMENDATION:

Receive and File Clean Energy Alliance Interim Treasurer's Report.

BACKGROUND AND DISCUSSION:

At its June 18, 2020 board meeting, the CEA Board adopted the Fiscal Year (FY) 2020/21 budget. This report provides the Board with the following financial information through October 31, 2020:

- Budget to Actuals – Reports actual revenues and expenditures compared to the adopted budget as of October 31, 2020.
- Statement of Financial Position – Reports assets and liabilities of CEA as of October 31, 2020
- List of Payments Issued – Reports payments issued for October 31, 2020

As of October 31, 2020, liabilities represent invoices received for services, but not yet paid. The noncurrent accounts payable are amounts due to the cities of Carlsbad, Del Mar and Solana Beach for services provided to the CEA for the period November 2019 to June 2020. These invoices are scheduled to be paid once the CEA is operational.

As part of its Resource Adequacy procurement, CEA was required to submit cash collateral deposits with SDG&E to satisfy credit requirements. On October 26, 2020, contracts were executed with SDG&E for these deposits and the initial payments of $240,000 due on November 10, 2020 have been recorded in the October Statement of Financial Position as Cash Collateral Deposits – SDG&E and an accounts payable. The total amount of the cash collateral deposits is $585,000 and a second payment will be made to SDG&E in February 2021 for the remaining amount due of $345,000. The deposits will be returned once the contracts are complete.

OCTOBER 31, 2020 REPORTS (FY 2020/21)

BUDGET TO ACTUALS

At its August 20, 2020 board meeting, the CEA Board approved a Promissory Note with Calpine Energy Solutions for $400,000 to provide funding for the FY 2020/21 budget through February 2021. A drawdown of $55,524.75 was made against the Promissory Note in October. CEA is still working towards obtaining the remaining CEA start-up funding from the proposed credit solution.

Of its approved $4,006,500.00 budgeted expenditures, $218,263.62 has been expended, leaving $3,788,236.38.

Clean Energy Alliance
Budget to Actuals
for the four month period ended October 31, 2020

	BUDGET	ACTUALS	VARIANCE
Revenue			
Credit Solution	$ 4,006,500.00	$ 55,524.75	(3,950,975.25)
Total Revenue	4,006,500.00	55,524.75	(3,950,975.25)
Expenditures			
Staffing/Consultants	$ 120,000.00	$ 38,502.50	$ 81,497.50
Legal Services	320,000.00	63,890.16	256,109.84
Professional Services	310,000.00	115,792.28	194,207.72
Memberships & Due	15,000.00	-	15,000.00
Print/Mail Services	132,000.00		132,000.00
Advertising	10,000.00		10,000.00
Graphic Design Services	10,000.00		10,000.00
Website Maintenance	2,500.00	78.68	2,421.32
Audit Services	40,000.00		40,000.00
CCA Bond	47,000.00		47,000.00
OPERATING EXPENSES	$ 1,006,500.00	$ 218,263.62	$ 788,236.38
CAISO Deposit	$ 500,000.00	$ -	$ 500,000.00
Cash-Flow & Lockbox Reserves	2,500,000.00		2,500,000.00
NON-OPERATING EXPENSES	$ 3,000,000.00	$ -	$ 3,000,000.00
TOTAL	$ 4,006,500.00	$ 218,263.62	$ 3,788,236.38
Net Results (Revenue - Expenditures)	$ -	$ (162,738.87)	$ (7,739,211.63)

STATEMENT OF FINANCIAL POSITION

CEA's Statement of Financial Position reports the assets and liabilities as of October 31, 2020.

Clean Energy Alliance
Statement of Financial Position
As of October 31, 2020

Assets		
River City Bank - Operating Account	$ 24,533.60	
Cash Collateral Deposits-SDG&E	240,000.00	
Total Assets		$ 264,533.60
Liabilities		
Accounts Payable		
Current	$ 301,939.39	
Noncurrent	54,645.96	
Total Liabilities		$ 356,585.35
Reserve for Future Expenditures		$ (92,051.75)

LISTING OF PAYMENTS

The report below provides the detail of payments issued by CEA for October 2020. All payments were within approved budget.

Clean Energy Alliance
List of Payments Issued October 2020

Date	Via	Vendor	Description	Amount
10/23/20	ACH	Tosdal APC	Sept 2020 Regulatory Counsel Svcs	$ 6,318.60
10/23/20	ACH	Bayshore Consulting	Aug 2020 CEO Services	11,175.00
10/23/20	ACH	Bayshore Consulting	Sept 2020 CEO Services	7,575.00
10/26/20	ACH	Hall Energy	Sept 2020 Energy Procurement Counsel Svcs	2,796.50
10/26/20	ACH	Keyes & Fox	Sept 2020 ERRA Forecast	11,677.53
10/26/20	ACH	RWG Law	Aug 2020 General Counsel Svcs	6,063.50
10/26/20	ACH	Tripepi Smith	Sept 2020 Retainer	9,223.75
10/29/20	ACH	Pacific Energy Advisors	Sept 2020 Technical Consulting Svcs	23,600.00
			Total October Payments	$ 78,429.88

FISCAL IMPACT

There is no fiscal impact associated with this item.

Clean Energy Alliance
JOINT POWERS AUTHORITY

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 2: Approved Clean Energy Alliance Energy Risk Management Policy

---

RECOMMENDATION:
Approve Clean Energy Alliance Energy Risk Management Policy.

BACKGROUND AND DISCUSSION:
At its regular meeting October 15, 2020, the Clean Energy Alliance (CEA) Board received a presentation on the draft Energy Risk Management Policy (ERMP or Policy).

As a load serving entity, CEA will be transacting in the wholesale energy market. These transactions include procurement of energy products needed to fulfill customer needs and meet regulatory compliance requirements, the negotiation of contracts for those products, review and validation of related invoices, payments of invoices, resolution of disputes and management of credit concerns.

These transactions have inherent risks that CEA will be required to manage. The ERMP provides a framework and related guidance, intended to establish procedures for administration of the tasks and responsibilities related to risk management, including identification of necessary roles and responsibilities assigned to those individuals and groups who will be involved in the energy transactions process and risk management activities. The ERMP as proposed reflects similar policies adopted by operating CCAs.

Energy market risks that the ERMP is intended to assist CEA in addressing include:

- Market Price Risk – exposure to changes in wholesale energy prices
- Counterparty Credit and Performance Risk – inability or unwillingness of a counterparty to perform according to its contractual obligations
- Load and Generation Volumetric Risk – inaccuracies in load forecasts resulting in over- or under-procurement of energy and/or customer rate revenues that deviate from projections
- Operational Risk – potential for failure to execute and control business activities relative to plan
- Liquidity Risk – risk that CEA will be unable to meet its financial obligations
- Regulatory/Legislative Risk – shifting state and federal regulatory policies, rules, and requirements that could negatively impact CEA

To mitigate CEA's exposure to such risks, the Policy has been drafted to focus on the following key principles:

- Risk Management Goals and Principles
    - CEA will manage its energy portfolio with the purpose of reducing energy-related greenhouse gas emissions, promoting electric rate stability and fostering local economic benefits while contemporaneously minimizing risks.
- Internal Control Principles
    - Internal control principles consist of business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of operational results and information pertinent to management, and facilitate attainment of business objectives. Key principles include the segregation of duties between front, middle and back office functions, and delegation of authority related to procurement activities.
- Risk Management Business Practices
    - A key component of the Policy is the requirement to regularly report risk metrics such as open positions, value-at-risk, and credit exposure.
- Risk Management Policy Governance
    - After the Board approves the Policy, it will oversee Policy administration until a Risk Oversight Committee is formed.

As proposed, the ERMP recommends:

- Internal controls whereby certain responsibilities/functions will be segregated;
- CEA's Board will oversee initial implementation of the ERMP and adopt future amendments as necessary;
- A Risk Oversight Committee (ROC) be created to include:
    - One CEA Board Member
    - Chief Executive Officer
    - Chief Financial Officer
    - General Counsel
    - Chief Operating Officer/Procurement Director (If/When Hired)
    - Technical Consultants will serve an advisory role

The Policy recommends the ROC:

- Meet beginning in late 2020 or early 2021;
- Meet a minimum of once per quarter;
- Provide updates to the Board regarding its meetings at least once per quarter;
- Adopt/adapt risk management guidelines;
- Specify permitted transactions and set related risk limits;
- Report any material violations of the Policy to the Board;
- Periodically review the ERMP and recommend updates.

<u>Delegation of Authority</u>

Delegations of Authority (DOAs) allow for timely and efficient participation in energy transactions. Unlike most other transactions that agencies enter into, energy transactions frequently require quick approval, sometimes within a matter of hours. Included in the ERMP is a proposed DOA to guide CEA energy transactions execution.

The proposed DOA:

- Shall be set at amounts commensurate with expected procurement levels and inclusive of designated executive staff and leadership;
- Allows for timely authorization to procure products that require quick responses;
- Executed transactions will be reported at the next Board meeting.

The chart below reflects anticipated energy transactions, anticipated volumes and notional values of the transactions, which have been used to develop the proposed DOA:

DRAFT EXAMPLE
Estimated average transaction sizes and terms for individual confirmations
CEA estimated annual power supply costs are ≈$65 million annually

Resource Type	Typical Annual Total MWh or MW	Usual Term	Term Used for Calculation	Price ($/MWh or $/kW-mo)	Notional Value
System Power	400,000	1-3 years	3	$36.00	$43,200,000
Resource Adequacy	1,200	1-3 years	3	$7.50	$27,000,000
Short-term Renewables	200,000	1-3 years	3	$16.00	$9,600,000
GHG-free	100,000	1-3 years	3	$5.00	$1,500,000
Long-term Renewables (fixed price)	250,000	10 years +	15	$35.00	$131,250,000
Long-term Renewables (index plus)	250,000	10 years +	10	$14.00	$35,000,000
System Power (for launch, 2 counterparties)	500,000	1-3 years	3	$36.00	$54,000,000

The proposed DOA is shown below:

Delegation of Authority: Title/Governing Body	Product Type	Tenor Limit	Volumetric Limit	Notional Value Limit
Chief Executive Officer	System Power	Up to 1 year	400,000 MWh	$ 15,000,000
	Resource Adequacy	Up to 1 year	1,500 MW	$ 10,000,000
	Renewables	Up to 1 year	200,000 MWh	$ 3,500,000
	GHG-free	Up to 1 year	200,000 MWh	$ 1,000,000
Chief Executive Officer + CEA Board Chair	All Products	1 to 5 years	Unlimited	$ 75,000,000
CEA Board	All Products	Any	Unlimited	Unlimited

The adoption of the ERMP will set the course for CEA's effective and efficient operations in the energy market while providing controls and establishing procedures to mitigate and minimize the associated risks.

FISCAL IMPACT
There is no fiscal impact by this action.

ATTACHMENTS:
Clean Energy Alliance Energy Risk Management Policy

Clean Energy Alliance
JOINT POWERS AUTHORITY

Draft
Energy Risk Management Policy

Version: 1.0
Approval Date: [TBD]

Energy Risk Management Policy
Table of Contents

1.0 General Provisions 3
1.1 Background and Purpose of Policy 3
1.2 Scope of Business and Related Market Risks 3
1.3 Policy Administration 4
1.4 Policy Distribution and Acknowledgment 4
1.5 Policy Interpretation 4
2.0 Risk Management Goals 4
3.0 Risk Management Principles 5
3.1 General Risk Management Principles 5
3.2 Conflicts of Interest 5
3.3 Adherence to Statutory Requirements 5
3.4 System of Records 6
4.0 Definitions of Market Risks 6
4.1 Market Price Risk 6
4.2 Counterparty Credit and Performance Risk 7
4.3 Load and Generation Volumetric Risk 7
4.4 Operational Risk 8
4.5 Liquidity Risk 8
4.6 Regulatory/Legislative Risk 9
5.0 Internal Control Principles 9
6.0 Risk Management Business Practices 10
6.1 Risk Measurement Metrics and Reporting 10
6.2 Market Price Risk 11
6.3 Counterparty Credit and Performance Risk 12
6.4 Load and Generation Volumetric Risk 12
6.5 Operational Risk 12
6.6 Liquidity Risk 13
6.7 Regulatory/Legislative Risk 13
7.0 Risk Management Policy Governance 13
7.1 CEA Board of Directors 13
7.2 Risk Oversight Committee (ROC) 14

DRAFT

Energy Risk Management Policy

1.0 General Provisions

1.1 Background and Purpose of Policy

Clean Energy Alliance (CEA) participates in energy markets for purposes of fulfilling its role as a Community Choice Aggregator serving retail electricity customers located within the San Diego region. This Energy Risk Management Policy (Policy) has been developed to facilitate the achievement of CEA's organizational objectives while adhering to policies established by CEA's Board of Directors (Board), power supply and related contractual commitments, good utility practice, and applicable laws and regulations.

This Policy defines CEA's general energy risk management framework and provides management with the authority to establish processes for monitoring, measuring, reporting, and controlling market and credit risks to which CEA is exposed in its normal course of business.

1.2 Scope of Business and Related Market Risks

Beginning in May 2021, CEA will provide electric energy to retail customers within its service territory, which requires completion of the following business activities: bilateral purchases and sales of electricity under short-, medium- and long- term contracts; scheduling of load and generation of electricity into California Independent System Operator (CAISO) markets; retail marketing of electricity to consumers within its service territory; compliance with voluntary objectives and regulatory requirements that relate to carbon-free and Renewables Portfolio Standard (RPS) compliance; participation in the CAISO-administered Congestion Revenue Rights ("CRRs") market; management of the balance between load and generation over the short-, medium- and long-term planning horizons; and compliance with California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements. Participation in such activities expose CEA to certain risks, which include, but are not limited to, the following:

- Market Price Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk
- Regulatory/Legislative Risk

To mitigate CEA's exposure to such risks, this Policy has been drafted to focus on the following areas of concern:

- Risk Management Goals and Principles
- Definitions of Risks
- Internal Control Principles
- Risk Management Business Practices
- Risk Management Governance

This Policy does not address the following types of general business risk, which should be treated separately in other policies, ordinances and regulations pertaining to CEA: fire, accident and casualty; health, safety, and workers' compensation; general liability; and other such typically insurable perils. The

DRAFT

term “risk management,” as used herein, is therefore understood to refer solely to market risks as defined herein, and not those other categories of risk.

1.3 Policy Administration

This version of the Energy Risk Management Policy was adopted by the CEA Board of Directors on [insert date]. This Policy may be amended as needed by CEA’s Board.

1.4 Policy Distribution and Acknowledgment

This Policy shall be distributed to all CEA employees and third-party contractors who are engaged in the planning, procurement, sale and scheduling of electricity on CEA’s behalf and/or in other CEA departments providing oversight and support for these activities. All such employees and contractors are required to confirm in writing on an annual basis that they:

- Have read CEA’s Risk Management Policy
- Understand pertinent terms and requirements of the Policy
- Affirm the intent to comply with the Policy
- Understand that any violation of the Policy shall be subject to employee discipline up to and including termination of employment.

1.5 Policy Interpretation

Questions about the interpretation of any matters related to the Policy should be referred to the Risk Oversight Committee (ROC) or, if the ROC has not yet been formed, CEA’s Board. All legal matters stemming from this Policy will be referred to General Counsel.

2.0 Risk Management Goals

The goals of CEA’s energy risk management practices are to:

[1] assist in achieving the business objectives of retail rate stability and competitiveness;

[2] avoid losses and excessive costs, which would materially impact the financial condition of CEA;

[3] establish the parameters for energy procurement and sales activity to minimize costs while ensuring compliance with approved risk limits and policy objectives;

[4] assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders; and

[5] encourage the development and maintenance of a corporate culture at CEA in which the proper balance is struck between control and facilitation and in which professionalism, discipline, technical skills, and analytical rigor come together to achieve CEA objectives.

DRAFT

3.0 Risk Management Principles

3.1 General Risk Management Principles

CEA manages its energy resources and transactions with the objectives of reducing greenhouse gas emissions, supporting local economic development and providing customers with stable, competitive electric rates while contemporaneously minimizing risks. CEA's risk management principles include the identification of relevant risks, systematic risk measurement and reporting, and strict adherence to established risk policies. CEA will not engage in transactions without proper authorization or if such transactions are determined to be inconsistent with this Policy.

It is the policy of CEA that all personnel, including the Board, management, and agents, adhere to standards of integrity, ethics, conflicts of interest, compliance with statutory law and regulations and other applicable CEA standards of personal conduct while employed by or affiliated with CEA.

3.2 Conflicts of Interest

All CEA Directors, management, employees, consultants, and agents participating in any transaction or activity within the coverage of this Policy are obligated to give notice in writing to CEA of any financial interest such person has in any counterparty that seeks to do business with CEA, and to identify any real or potential conflict of interest such person has or may have with regard to any existing or potential contract or transaction with CEA. Further, all persons are prohibited from personally participating in any transaction or similar activity that is within the coverage of this Policy, or prohibited by California Government Code § 1090, and that is directly or indirectly related to the trading of electricity and/or environmental attributes as a commodity.

If there is any doubt as to whether a prohibited condition exists, then it is the employee's responsibility to discuss the possible prohibited condition with her/his manager or supervisor.

3.3 Adherence to Statutory Requirements

Compliance is required with rules promulgated by the state of California, California Public Utilities Commission, California Energy Commission, Federal Energy Regulatory Commission (FERC), Commodity Futures Trading Commission (CFTC), and other regulatory agencies.

Congress, FERC and CFTC have enacted laws, regulations, and rules that prohibit, among other things, any action or course of conduct that actually or potentially operates as a fraud or deceit upon any person in connection with the purchase or sale of electric energy or transmission services. These laws also prohibit any person or entity from making any untrue statement of fact or omitting to state a material fact where the omission would make a statement misleading. Violation of these laws can lead to both civil and criminal actions against the individual involved, as well as CEA. This Policy is intended to comply with these laws, regulations and rules and to avoid improper conduct on the part of anyone employed by CEA. These procedures may be modified from time to time by legal requirements, auditor recommendations, requests from the CEO and/or ROC, and other considerations.

In the event of an investigation or inquiry by a regulatory agency, CEA will provide legal counsel to employees. However, CEA will not appoint legal counsel to an employee if CEA's General Counsel and Chief Executive Officer determine that the employee was not acting in good faith within the scope of employment. CEA employees are prohibited from working for another power supplier, CCA or utility in a

DRAFT

related position while they are simultaneously employed by CEA unless an exception is authorized by the Board. For clarity, this prohibition is not intended to prevent CEA staff from performing non-CCA activities on behalf of CEA in the normal course of its business.

3.4 System of Records

CEA will maintain a set of records for all transactions executed in association with CEA's procurement activities. The records will be maintained in US dollars and transactions will be separately recorded and categorized by type of transaction. This system of record shall be auditable.

4.0 Definitions of Market Risks

The term "market risks," as used herein, refers specifically to those categories of risk which relate to CEA's participation in wholesale and retail markets as a Load Serving Entity (LSE) as well as CEA's interests in certain long-term contracting opportunities. Market risks include market price risk, counterparty credit and performance risk, load and generation volumetric risk, operational risk and liquidity risk, as well as regulatory and legislative risk. These categories are defined and explained as follows.

4.1 Market Price Risk

Market price risk is defined as exposure to changes in wholesale energy prices. Market price risk is a function of price volatility and the volume of energy that is contracted at fixed prices over a defined period of time. Prices in electricity markets exhibit high volatility, and appropriate forward procurement and hedging approaches are necessary to manage exposure to pricing volatility within the CAISO or bilateral energy markets.

Market price risk is also impacted by market liquidity, which may be an issue for certain energy or capacity products that CEA procures. Illiquid markets are characterized by relatively few buyers or sellers, making it more difficult to buy or sell a commodity and often resulting in higher premiums on purchases or deeper discounts on sales.

Another dimension of market price risk is congestion or "basis" risk. Congestion risks arise from the locational differences in prices between the point of delivery of CEA's load (meaning, power consumed by customers) and its contracted supply.

For CEA, market price risk manifests in two types of exposure. The first type of market price risk exposure is the potential for variations in power costs that are related to CEA's "open positions", meaning the volume of energy that will ultimately be required for delivery to CEA customers but that has not yet been purchased. Increases in market prices will increase CEA's costs when those open positions are eventually filled at the higher prices. Incurrence of higher than anticipated power costs can reduce funds available for financial reserves or other planned uses and can lead to the need for rate increases. Market price risk exposure related to open positions are monitored through net open position valuations and value at risk metrics as described in Section 6.1 of this Policy.

The second type of market price risk exposure is the potential for wholesale trading positions, long-term supply contracts and generation resources to move "out of the money," that is, become less valuable when compared to similar positions, contracts or resources obtainable at present prices. These same positions can also be "in the money" if such positions become more valuable when compared to similar positions, contracts or resources obtainable at present market prices. This valuation methodology is

DRAFT

commonly referred to as “Mark to Market.” Transaction valuation and reporting of positions shall be based on objective, market-observed prices. If CEA is “out of the money” on a substantial portion of its contracts, it may have to charge higher retail rates relative to competitors. Such a situation could erode CEA’s competitive position and market share if other market participants (e.g., Direct Access providers or SDG&E) are able to procure power at a lower cost and offer lower retail electric rates.

4.2 Counterparty Credit and Performance Risk

Performance and credit risk refer to the inability or unwillingness of a counterparty to perform according to its contractual obligations. Failure to perform may arise if an energy supplier fails to deliver energy as agreed. There are four general performance and credit risk scenarios:

[1] counterparties and wholesale suppliers may fail to deliver energy or environmental attributes, requiring CEA to purchase replacement products elsewhere, possibly at higher costs;

[2] counterparties may fail to take delivery of energy or environmental attributes sold to them, necessitating a quick resale of the product elsewhere, possibly at a lower price;

[3] counterparties may fail to pay for delivered energy or environmental attributes; and

[4] counterparties and suppliers may refuse to extend credit to CEA, possibly resulting in higher collateral posting costs, which could impact CEA’s cash position and/or bank lines of credit.

An important subcategory of credit risk is concentration risk. When a portfolio of positions and resources is concentrated with one or a very small number of counterparties, generating resources, or geographic locations, it becomes more likely that major losses will be sustained in the event of non-performance by a counterparty/supplier or as a result of unexpected price fluctuations at one location.

4.3 Load and Generation Volumetric Risk

Energy deliveries must be planned in consideration of forecasted load. CEA forecasts load over the long and short term and enters into long- and short-term fixed price energy contracts to hedge its load consistent with the provisions of its Integrated Resource Plan (IRP).

Load forecasting risk arises from inaccurate load forecasts and may result in the over- or under-procurement of energy and/or customer rate revenues that deviate from approved budgets. Energy delivery risk occurs if a generator fails to deliver expected or forecasted energy volumes. Variations in wind speed and cloud cover, for example, can also impact the respective amount of electricity generated by wind and solar resources. Furthermore, the occasional oversupply of power on California’s electric grid can lead to curtailment of energy deliveries or reduced revenue resulting from low or negative prices at certain energy delivery points. In general, weather is an important variable that can result in higher or lower electricity usage due to its impact of customer electricity usage (heating and cooling needs, for example) as well as energy production (by generators that are commonly impacted by ambient weather conditions).

In the CAISO markets this situation can result from both the oversupply and undersupply of electricity relative to CEA’s load as well as the over- or under-scheduling of generation or load into the day ahead market (relative to actual energy consumed or delivered in the real-time market). Load and generation volumetric risk may result in unanticipated open positions and imbalance energy costs, which are assessed

DRAFT

when actual and scheduled loads do not align. More specifically, imbalance energy costs result from temporal pricing differences that often exist in the day-ahead and real-time energy markets during discrete scheduling intervals. For example, if CEA's actual load is higher than scheduled in the day-ahead market, and real-time prices are comparatively high during such instances, then CEA bears the risk of higher-than-anticipated energy costs due to such variation. .

4.4 Operational Risk

Operational risk consists of the potential for failure to execute and control business activities relative to plan. Operational risk includes the potential for:

[1] organizational structure that proves to be ineffective in addressing risk, i.e., the lack of sufficient authority to make and execute decisions, inadequate supervision, ineffective internal checks and balances, incomplete, inaccurate and untimely forecasts or reporting, failure to separate incompatible functions, etc.;

[2] absence, shortage or loss of key personnel or lack of cross-functional training;

[3] lack or failure of facilities, equipment, systems and tools, such as computers, software, communications links and data services;

[4] exposure to litigation or sanctions resulting from violating laws and regulations, not meeting contractual obligations, failure to address legal issues and/or receive competent legal advice, not drafting and analyzing contracts effectively, etc.; and

[5] errors or omissions in the conduct of business, including failure to execute transactions, violation of guidelines and directives, etc.

4.5 Liquidity Risk

Liquidity Risk is the risk that CEA will be unable to meet its financial obligations. This can be caused by unexpected financial events and/or inaccurate pro forma calculations, rate analyses, and debt analyses. Some unexpected financial events impacting liquidity could include:

[1] breach of CEA credit covenants or thresholds – CEA has credit covenants included in its banking agreements and may, eventually, have similar covenants within its energy contracts. Breach of credit covenants or thresholds could result in the withdrawal of CEA's line of credit or may trigger the requirement to post collateral;

[2] contractual requirements to post collateral (with counterparties) due to a decline in market prices below the contract price; and

[3] from time to time CEA may be the subject of legal or other claims arising from the normal course of business. Payment of a claim by CEA could reduce CEA's liquidity if the cause of loss is not covered by CEA's insurance policies.

4.6 Regulatory/Legislative Risk

Regulatory risk encompasses market structure and operational risks associated with shifting state and federal regulatory policies, rules, and requirements that could negatively impact CEA. An example is the potential increase in exit fees for customers served by Community Choice Aggregators that could result in higher overall electricity costs for CEA customers (relative to SDG&E or DA service options).

Legislative risk is associated with actions by federal and state legislative bodies, which may impose adverse changes or requirements that could infringe upon CEA's autonomy, increase its costs, or otherwise negatively impact CEA's ability to fulfill its goals and objectives.

5.0 Internal Control Principles

Internal controls are based on proven principles that meet or exceed the requirements of financial institutions and credit rating agencies while also being considerate of good utility practice. The required controls shall include all customary and usual business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of results of operations as well as information pertinent to management, and facilitate attainment of business objectives. These controls shall remain fully integrated in all activities of the business and shall be consistent with stated objectives. There shall be active participation by senior management in risk management processes.

The required controls include the following:

[1] Segregation of duties and functions between front, middle, and back office activities. In general terms, the designation of responsibilities shall be organized as follows:

- Front office is responsible for planning (e.g. preparation of the IRP and other planning activities) and procurement (e.g. solicitation management, contract negotiation, structuring and pricing as well as contract execution), contract management, compliance and oversight of scheduling coordinator functions with the CAISO;

- Middle office is responsible for controls and reporting (e.g., risk monitoring, risk measurement, risk reporting, procurement compliance, counterparty credit review, approval and monitoring); and

- Back office is responsible for settlements and processing (e.g., verification, validation, reconciliation and analysis of transactions, tracking, processing and settlement of transactions).

[2] Delegation of authority as defined in section 6.5 (below) that is commensurate with responsibility and capability, and relevant training to ensure adequate knowledge to operate in and comply with rules associated with the markets in which such personnel may transact (e.g., CAISO). Contract origination, commercial approval, legal review, invoice validation, and transaction auditing shall be performed by separate staff or contractors for each transaction. No individual staff member shall perform all of these functions on a single transaction.

[3] Defining authorized products and transactions. In general terms, authorized and prohibited transactions are defined as follows:

DRAFT

- Authorized transactions are those transactions directly related to the procurement and/or administration of electric energy, reserve capacity, transmission and distribution service, ancillary services, congestion revenue rights, renewable energy, renewable energy credits, scheduling activities, tolling agreements, and bilateral purchases of energy products. All transactions must be consistent with this Policy and the Board approved IRP.

- It is the expressed intent of this Policy to prohibit the acquisition of risk beyond that encountered in the efficient optimization of CEA's generation portfolio and execution of procurement strategies. Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products or maintenance of open positions that do not conform with agreed upon thresholds is prohibited. Speculation is defined as buying energy in excess of forecasted load plus reasonable planning reserves, intentionally under procuring energy relative to minimum load hedging targets or selling energy or environmental attributes that are not yet owned by CEA. In no event shall speculative transactions be permitted. Any financial derivatives transaction including, but not limited to futures, swaps, options, and swap options are also prohibited. If any questions arise as to whether a proposed transaction(s) constitutes speculation, CEA shall conduct an analysis of the transaction and the Board shall review the transaction(s) to determine whether the transaction(s) would constitute speculation and document its finding in the meeting minutes.

[4] Defining proper process for executing power supply contracts. CEA will ensure power supply contracts are approved by pertinent technical personnel. Legal review will be required of various forms of agreement used by CEA.

[5] Accurately capturing transactions and other data, with standardization of electronic and hard copy documentation.

[6] Summarizing and reporting of transactions and other activity at regular intervals.

[7] Measuring risk and performance in a timely manner and at regular intervals.

[8] Regularly reviewing compliance to ensure that this Policy and related risk management guidelines are adhered to, with specific guidelines for resolving instances of noncompliance.

[9] Ensuring active participation by senior management in risk management processes.

6.0 Risk Management Business Practices

6.1 Risk Measurement Metrics and Reporting

A vital element of this Policy is the regular identification, measurement and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent basis using risk measurement methodologies that quantify the risks associated with CEA's procurement-related business activities and performance relative to stated goals.

CEA measures and updates its risks using a variety of tools that model programmatic financial projections, market exposure and risk metrics, as well as through short-term budget updates. The following items are measured, monitored and reported:

DRAFT

[1] Mark-to-Market Valuation – marking to market is the process of determining the current value of contracted supply. A mark-to-market valuation shall be performed at least once per quarter.

[2] Exposure Reporting – calculates the notional dollar risk exposure and value at risk of open portfolio positions at current market prices. The exposure risk calculations shall be performed at least once per quarter.

[3] Open Position Monitoring – on a monthly basis, CEA shall calculate/monitor its open positions for all energy and capacity products. If energy open positions for the month following the then current month (prompt month) exceed 10% of load, CEA will solicit market energy to close open positions and make a commercial decision to close the position. Open positions for terms beyond the prompt month will be monitored monthly and addressed in accordance with CEA's planning models and related policies.

[4] Counterparty Credit Exposure – calculates the notional and mark-to-market exposure to each CEA counterparty by deal and in aggregate. Counterparty credit exposure shall be reported on a quarterly basis. Counterparty exposure reporting includes contingent collateral posting risks arising from changes in market prices and other factors.

[5] Reserve Requirement Targets – no less than once per year, CEA staff will monitor CEA's reserves to ensure that they meet the targeted thresholds.

Consistent with the above, the Middle Office will develop reports and provide feedback to the Risk Oversight Committee. If a limit or control established by this Policy is violated, the Middle Office will send notification to the responsible party and the Risk Oversight Committee. The Risk Oversight Committee will discuss the cause and potential remediation of any violation to determine next steps for curing the violation.

Risk measurement methodologies shall be re-evaluated on a periodic basis to ensure CEA adjusts its methods to reflect the evolving competitive landscape.

6.2 Market Price Risk

CEA manages market price risk using its planning models which define forecasted load, energy under contract and CEA's open positions across various energy product types including renewable energy (Portfolio Content Category I and II; CEA does not anticipate procuring Portfolio Content Category III products), carbon-free energy and system power relative to CEA's procurement targets.

CEA determines the quantity of energy it intends to place under contract each year through the use of its planning models and in consideration of stated procurement targets. The planning models include an outline of the delivery term and quantity of each energy product that CEA intends to fill in the upcoming year. The planning models inform CEA's solicitation planning, including solicitation timing and strategy as well as the person/team responsible for related solicitations.

In general, CEA will seek to purchase some long-term renewable energy each year for purposes of diversifying market exposure while also avoiding potential "planning cliffs", which can occur when a significant portion of long-term contracts expire at or near the same point in time.

For products generally purchased through short- and medium-term contracts, CEA follows a similar temporal diversification strategy, with multiple procurement cycles occurring throughout the year.

Congestion risk is managed through the contracting process with a preference for day-ahead energy delivery at the SP 15 trading hub. Once energy is procured, CEA manages congestion risks through the application of CRRs consistent with its Congestion Revenue Rights Risk Management Guidelines. CRRs are financial instruments used to hedge against transmission congestion costs encountered in the CAISO day-ahead market. CEA uses a third-party scheduling coordinator to manage its CRR portfolio. CEA primarily uses CRRs to reduce its exposure to congestion charges.

6.3 Counterparty Credit and Performance Risk

CEA shall evaluate and monitor the financial strength of its suppliers in consideration of adopted Credit Guidelines. Generally, CEA manages its exposure to energy suppliers by exhibiting a preference for counterparties with Investment Grade Credit ratings as determined by Moody's or Standard and Poor's and through the use of security requirements in the form of cash and letters of credit. CEA measures its mark-to-market counterparty credit exposure consistent with industry best practices.

6.4 Load and Generation Volumetric Risk

CEA manages energy delivery risks by ensuring that contracts include appropriate contractual penalties for non-delivery, acquiring energy from a geographically and technologically diverse portfolio of generating assets (with a range of generation profiles that are generally complementary to the manner in which CEA's customers use electric power). Due to known production variability and supply uncertainty related to renewable and other carbon-free energy products, CEA includes planning margins in its procurement of such products to ensure that related targets/mandates are achieved.

CEA manages load forecasting and related weather risks by contracting with qualified data management and scheduling coordinators, which independently or jointly provide the systems and data necessary to forecast and schedule load using good utility practice. Load variability is also considered in establishing appropriate planning margins for renewable and other carbon free energy sources.

CEA's load scheduling strategy, as executed by its scheduling coordinator, shall be in accordance with adopted Load Bidding/Scheduling Guidelines. This strategy shall ensure that price risk in the day-ahead and real-time CAISO markets is managed effectively and is consistent with good utility practice.

6.5 Operational Risk

Operational risks are managed through:

- Adherence to this Policy, and oversight of procurement activity including delegation of authority;
- Conformance with applicable human resources policies and guidelines;
- Staff resources, expertise and/or training reinforcing a culture of compliance;
- Use of qualified, highly experienced contractors on an as-needed basis in the event that necessary expertise does not exist within CEA's own organization;
- Ongoing and timely internal and external audits; and
- Cross-training amongst staff

DRAFT

To ensure proper controls for executing energy transactions and to facilitate the efficient operation of CEA in its ordinary course of business, the Board delegates transactional authority that is commensurate with responsibility and capability. Accordingly, by approving this Policy, the Board delegates the following energy procurement authorities by product type, tenor, volume and notional value to its Chief Executive Officer and the ROC:

Delegation of Authority: Title/Governing Body	Product Type	Tenor Limit	Volumetric Limit	Notional Value Limit
Chief Executive Officer	System Power	Up to 1 year	400,000 MWh	$ 15,000,000
	Resource Adequacy	Up to 1 year	1,500 MW	$ 10,000,000
	Renewables	Up to 1 year	200,000 MWh	$ 3,500,000
	GHG-free	Up to 1 year	200,000 MWh	$ 1,000,000
Chief Executive Officer + CEA Board Chair	All Products	1 to 5 years	Unlimited	$ 75,000,000
CEA Board	All Products	Any	Unlimited	Unlimited

Any changes to the delegation of authority will require Board approval.

6.6 Liquidity Risk

CEA manages liquidity risk through adherence to its loan and power purchase agreement credit covenants; limiting commitments to provide security consistent with adopted Credit Guidelines; ensuring it has adequate loan facilities, prudent cash and investment management; and adherence to any applicable reserve policies. CEA monitors its liquidity (defined as unrestricted cash, investments, and unused bank lines of credit) no less than weekly. CEA utilizes scenario and sensitivity analyses while preparing budget, rate, and pro forma analyses to identify potential financial outcomes and ensure sufficient liquidity under adverse conditions.

6.7 Regulatory/Legislative Risk

CEA manages its regulatory and legislative risk through active participation in working groups and advocacy coalitions such as the California Community Choice Association. CEA regularly monitors and participates in, as necessary, regulatory rulemaking proceedings and legislative affairs to protect CEA's interests.

7.0 Risk Management Policy Governance

7.1 CEA Board of Directors

The CEA Board is responsible for adopting this Policy. The Board also approves CEA's annual budget, contracting authorities and delegated responsibilities for the management of CEA's operations to its Chief Executive Officer and staff. The Board is responsible for reviewing and recommending approval of substantive changes to this Policy, as needed, and for initiating and overseeing a review of the implementation of this Policy as it deems necessary. The Chief Executive Officer and Risk Oversight Committee (described below) may make reports and seek approval for any substantive changes to this Policy, and any such changes would be subject to Board approval.

7.2 Risk Oversight Committee (ROC)

To ensure the implementation of and compliance with this Policy, the Chief Executive Officer will establish a Risk Oversight Committee prior to the commencement of retail electric service by CEA.

The Chief Executive Officer will serve as the ROC's Chair. CEA's technical consultants will have standing invitations to the ROC meetings. The ROC will have authority to:

- Meet at least once per quarter, or as otherwise called to order by the ROC's Chair.
- No less than once per quarter, provide a report to the Board regarding its meetings, deliberations and any other areas of concern.
- From time to time, adopt and/or adapt risk management guidelines defining internal controls, strategies and processes for managing market risks incurred through or attendant upon wholesale trading, retail marketing, long-term contracting, CRR trading and load and generation scheduling.
- Specify the categories of permitted transactions and set risk limits for wholesale trading. The ROC will receive and review information and reports regarding risk management, wholesale trading transactions, and the administration of supply contracts.
- Have direct responsibility for enforcing compliance with this Policy. Any material violations of this Policy, as determined by the ROC, shall be reported to the Board for appropriate action.

DRAFT

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Gregory Stepanicich, General Counsel

ITEM 3: Resolution 2020-006 Amending Conflict of Interest Code Adding Community Advisory Committee Members and Clarifying the Disclosure Categories

---

RECOMMENDATION:

Adopt Resolution 2020-006 amending Conflict of Interest Code adding Community Advisory Committee Members and clarifying the disclosure categories.

BACKGROUND AND DISCUSSION:

California Government Code Section 87300 requires Clean Energy Alliance (CEA) to adopt and promulgate a Conflict of Interest Code (Code) that applies to those officials and designated positions who are involved in the Alliance decision making. At its regular meeting November 5, 2019, the CEA Board adopted its Code. The Code applies to the designated economic interests that exist within the jurisdiction of the Alliance and not just the jurisdiction of the Member Agencies. The proposed amendment adds the Community Advisory Committee Members and clarifies the disclosure categories.

Government Code Section 82011(b) requires the San Diego County Board of Supervisors to be the code reviewing body for the CEA's Code. If the Board adopts the Code amendment, staff will forward the resolution and the CEA's Conflict of Interest Code to San Diego County for review and approval. The Board of Supervisors is required to act upon the Conflict of Interest Code within ninety (90) days after receiving the Code for review. The Board of Supervisors may approve the Code as submitted, make revisions, or return the proposed Code to the CEA's Board for review and resubmission back to the Board of Supervisors for approval.

FISCAL IMPACT

There is no fiscal impact by this action.

ATTACHMENTS:

Resolution 2020-006

CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2020-006

A RESOLUTION OF THE CLEAN ENERGY ALLIANCE BOARD OF DIRECTORS AMENDING THE CONFLICT OF INTEREST CODE TO ADD MEMBERS OF THE COMMUNITY ADVISORY COMMITTEE AND CLARIFYING THE DISCLOSURE CATEGORIES

WHEREAS, Government Code Section 87300 requires state and local government agencies to adopt conflict of interest codes; and

WHEREAS, the Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. § 18730), which contains the terms of a standard conflict of interest code, which may be incorporated by reference in an agency's code; and

WHEREAS, the Clean Energy Alliance ("CEA") is a joint powers authority subject to Government Code Section 87300 code-filing requirement; and

WHEREAS, on November 5, 2019, the Board of Directors of the CEA ("Board") adopted a Conflict of Interest of Code by Resolution No. 2019-001 in accordance with the requirements of state law, and this Conflict of Interest Code was subsequently approved by the San Diego County Board of Supervisors as its code reviewing body; and

WHEREAS, the Board desires to amend the Conflict of Interest Code in order to add the members of the newly established Community Advisory Committee and to clarify the scope of the disclosure categories for all designated positions.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Clean Energy Alliance, as follows:

Section 1. The Board hereby rescinds Resolution No. 2019-001 and adopts an amended Conflict of Interest Code, a copy of which is attached hereto as Exhibit A, and shall be on file with the Secretary of CEA, and available to the public for inspection and copying during regular business hours.

Section 2. The amended Conflict of Interest Code shall be submitted to the Board of Supervisors of San Diego County for approval and said Code shall become effective 30 days after the Board of Supervisors approves the proposed amended Conflict of Interest Code as submitted.

Section 3. Any violation of any provision of the Conflict of Interest Code is subject to the administrative, criminal, and civil sanctions provided in the Political Reform Act, Government Code Section 81000 *et seq*.

The foregoing Resolution was passed and adopted this 19th day of November 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

____

E. Haviland, Chairperson

ATTEST:

____

Sheila Cobian, Secretary

EXHIBIT A

CONFLICT OF INTEREST CODE OF THE CLEAN ENERGY ALLIANCE

Incorporation of FPPC Regulation 18730
(2 California Code of Regulations, Section 18730) by Reference

The Political Reform Act (Government Code § 81000, *et seq*.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code Regs § 18730) that contains the terms of a standard conflict of code which can be incorporated by reference in an agency's code. After public notice and hearing, Section 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference. This incorporation page, Regulation 18730 and the attached Appendix designating positions and establishing disclosure categories, shall constitute the Conflict of Interest Code of the Clean Energy Alliance ("CEA").

All Officials and Designated Positions required to submit a statement of economic interests shall file their statements with the Secretary, as CEA's Filing Officer. CEA's Filing Officer shall retain the originals of the statements of all Officials and Designated Positions and shall make all retained statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

APPENDIX
CONFLICT OF INTEREST CODE of the
Clean Energy Alliance
Amended on November 19, 2020

PART A

DESIGNATED POSITIONS
GOVERNED BY THE CONFLICT OF INTEREST CODE

DESIGNATED POSITIONS	DISCLOSURE CATEGORY
Board of Directors	1, 2, 3,
Board of Directors (Alternates)	1, 2, 3,
Chief Executive Officer	1, 2, 3,
Treasurer	1, 2, 3,
General Counsel	1, 2, 3,
Members of Community Advisory Committee	1, 2, 3
Consultants and New Positions[1]	4

[1] Individuals providing services as a Consultant defined in Regulation 187300.3(a)(2), or in a new position created since this Code was last approved that makes or participates in making decisions shall disclose pursuant to the broadest disclosure category in this Code subject to the following limitations:

The Chief Executive Officer or his or her designee may determine in writing that a particular consultant or new position, although a "designated position", is hired to perform a range of duties that is limited in scope and thus not required to fully comply with disclosure requirements in this section. Such written determination shall include a description of the consultant's or new position's duties and, based upon that description, a statement of the extent of disclosure requirements. The Chief Executive Officer or his or her designee's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict of interest code. (Gov. Code Section 81008.)

CLEAN ENERGY ALLIANCE
CONFLICT OF INTEREST CODE

PART B

DISCLOSURE CATEGORIES

Officials and designated positions must report financial interests in accordance with the assigned disclosure categories.

CATEGORY 1:

Persons in this category shall disclose all interests in real property within the jurisdiction of CEA. Real property shall be deemed to be within the jurisdiction if the property or any part of it is located within or not more than two miles outside the boundaries of the jurisdiction or within two miles of any land owned or used by CEA.

Persons are not required to disclose a residence, such as a home or vacation cabin, used exclusively as a personal residence; however, a residence in which a person rents out a room or for which a person claims a business deduction may be reportable.

CATEGORY 2:

Persons in this category shall disclose all income (including gifts, loans and travel payments) from sources that contract with CEA, or that provide, plan to provide, or have provided during the previous two years, facilities, goods, commodities, technology, equipment, vehicles, machinery, or services, including training or consulting services of the type utilized by CEA.

CATEGORY 3:

Persons in this category shall disclose all business positions and investments in business entities that contract with CEA or that provide, plan to provide, or have provided during the previous two years, facilities, goods, commodities, technology, equipment, vehicles, machinery, or services, including training or consulting services of the type utilized by CEA.

CATEGORY 4:

Individuals who perform under contract the duties of any designated position shall be required to file Statements of Economic Interests disclosing reportable interests in the categories assigned to that designated position.

In addition, individuals who, under contract, participate in decisions which affect financial interests by providing information, advice, recommendation or counsel to CEA which could affect their financial interests shall be required to file Statements of Economic Interests, unless they fall within the Political Reform Act's exceptions to the definition of consultant. The level of disclosure shall be determined by the Chief Executive Officer or his or her designee. (See footnote in Part A for clarification.)

Clean Energy Alliance
JOINT POWERS AUTHORITY

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 4: Clean Energy Alliance Operational, Administrative and Regulatory Affairs Update

---

RECOMMENDATION:

1) Receive and File Community Choice Aggregation Update Report from Interim CEO.
2) Receive Community Choice Aggregation Regulatory Affairs Report from Special Counsel.

BACKGROUND AND DISCUSSION:

This report provides an update to the Clean Energy Alliance (CEA) Board regarding the status of the operational, administrative and regulatory affairs activities.

OPERATIONAL UPDATE

CEA is meeting its milestones for the implementation of its community choice aggregation (CCA) program and is on track to begin serving customers in May 2021/June 2021. (Attachment A - Clean Energy Alliance Timeline of Implementation Action Items).

CEA Launch Schedule

San Diego Gas & Electric (SDG&E) has been working over the past several years on their Customer Information System replacement program, known as Envision. They had committed to, and were on track, for a January 4, 2021 go live, despite the challenges of working remote in the COVID-19 environment. With a January 2021 go live, SDG&E committed to supporting the CEA launch of May 2021. On Friday July 10, CEA staff, its regulatory attorney Ty Tosdal and data manager Calpine Energy Solutions participated in a call with San Diego Community Power and SDG&E regarding the recently approved California Public Utilities Commission (CPUC) Decision D. 20-06-003, which requires the Investor Owned Utilities (IOU) to adopt rules and policy changes designed to reduce the number of residential disconnections, provide assistance with debt forgiveness and offer extended payment plans. The decision is required to be implemented by the IOUs April 2021. This timing has presented a challenge to SDG&E to keep its go live date of January 4, 2021 while also meeting the requirements of the decision. SDG&E submitted a letter to the CPUC requesting an extension to September 30, 2021 for implementing the new procedures and policies required by the decision. This request was denied by the CPUC, resulting in SDG&E postponing implementation of its Envision project to April 2021. The postponement of the Envision go live date impacts CEA's implementation.

CEA and its consultants have been working diligently with SDG&E to develop a launch schedule that minimized impact to CEA while also minimizing the risk of incorrect bills being sent to customers. SDG&E and CEA have agreed to a two-phased schedule with accounts transitioning to CEA in May and June 2021, and the Board authorized the Interim Chief Executive Officer to enter into a letter agreement with SDG&E memorializing the phased approach. The May 2021 Phase 1 would include the transition of Solana Energy Alliance customers to CEA as well as customers in Carlsbad and Del Mar who do not have complex billing plans. Those customers who have been identified with complex billing plans would

transition in June 2021. Staff continues to work with Calpine and SDG&E to fine tune the customer list for each phase.

Transition of Solana Energy Alliance customers to CEA

As part of the customer notification process, Solana Energy Alliance is required to submit a 6-month notice (Attachment B) to customers notifying them of the transition to Clean Energy Alliance in May 2021. The notice provides customers with CEA's goals of a minimum 50% renewable energy and target 2% rate discount compared to SDG&E, as well as their option to provide SDG&E 6-mont== notice to return to SDG&E bundled service.

CEA Communications and Marketing Update

CEA's communications & marketing team of Tripepi Smith took the feedback provided by the Board to the logo with the following results:

Now that the logo has been finalized, standard email signature blocks, letterhead and business cards will be developed and made available for use by the Board and staff.

The engagement with Tripepi Smith for communications and marketing services also includes an update of the CEA website. The team has been working diligently refreshing the website to reflect the current stage of progress for CEA's launch. The website is scheduled to go live December 1, with a presentation of the updated website at the December 17, 2020 Board meeting.

Community Advisory Committee
The first meeting of the CEA Community Advisory Committee has been scheduled for December 3, 2020, 2-4pm, to be held virtually via Zoom. The first meeting agenda will include the Brown Act compliance, Conflict of Interest and Form 700, and CEA Implementation schedule and program goals.

Expansion of Clean Energy Alliance
Staff has no update regarding CEA expansion.

Resource Adequacy Compliance
As a load serving entity, serving customers in 2021, CEA has an obligation to procure Resource Adequacy (RA), based on quantities allocated by CPUC and California Independent System Operator (CAISO). RA procurements does not supply any energy to CEA or its customers, rather it commits the seller to be available to supply energy to the grid if called upon by the CAISO and reduce the possibility of outages. This process is key to ensuring grid reliability. The RA compliance requirements, CEA has monthly and annual reporting requirements. Upcoming reporting requirements are:

- Year-Ahead Compliance Demonstration – October 31, 2020
    - Must demonstrate CEA has entered into contracts to meet CPUC requirements

- Monthly RA Compliance Reports - November 2020 (for January 2021 requirements)

CEA successfully procured all its RA requirements and is fully compliant with its RA obligation.

Long-Term Renewable Procurement
As a load serving entity, CEA will be required to procure 65% of its minimum state required renewable portfolio standards in contracts of 10-years or longer. To ensure compliance with this requirement, CEA's initial renewable energy solicitation is underway. The solicitation process, from beginning through final execution can be lengthy, particularly in light of the impacts of COVID-19 on the renewable development industry. The solicitation opened on July 1, 2020 with proposals due July 27, 2020. CEA's consultant, Pacific Energy Advisors, has identified a short list of projects and negotiations are proceeding. It is anticipated final contracts will be before the Board in late 2020/early 2021.

Administrative and Operational Policies
During the coming months as CEA prepares for its implementation and operation, policies will be brought to the Board for consideration in future Board meetings. The policies as proposed will be based on Government Code or regulatory requirements and best practices of successfully operational CCAs.

The policies and timeline as currently anticipated are:

January 21 Board Meeting
- Investment Policy

Contracts $50,000 - $100,000 entered into by Interim Chief Executive Officer

VENDOR	DESCRIPTION	AMOUNT
None to report		

REGULATORY UPDATE

See the attached regulatory report (Attachment C) from Tosdal APC for updates on the following:

San Diego Gas & Electric PCIA Trigger Application (A.20-07-009)
SDG&E's application in which it proposed to recover $8.92M Power Charge Indifference Adjustment (PCIA) undercollection through PCIA rates to CCA and Direct Access customers and simultaneously refund that amount to bundled customers over a 6-month amortization period beginning January 1, 2021.

SDG&E ERRA Forecast Proceeding (A.20-04-014)
Annual proceeding in which SDG&E sets its energy generation and Power Charge Indifference Adjustment rates for the coming year.

Arrearage Management Payment Plan (R.18-07-005)
New policy & program introduced by Decision 20-06-003 Disconnections and Reconnections. The Decision provides assistance to low-income residential customer to eliminate overdue charges and incentivize timely payments.

San Diego Gas & Electric Advice Letter 3257-E, Regarding CCA Financial Security Requirement (R.03-10-003)

At its October 8, 2020 meeting, the CPUC adopted its Resolution 5059, approving SDG&E's Advice Letter (AL) 3257-E regarding the CCA Financial Security Requirement. Currently, CCAs were required to post a $100,000 "bond" (in CEA's case a cash deposit) to provide funds to cover SDG&E costs should CEA have an unplanned termination of service and return to customers to SDG&E service. SDG&E's AL 3257-E implements new rules concerning the deposits, which, among other things, establishes a minimum amount of $147,000, and provides the ability to satisfy the requirement with the option of a letter of credit, surety bond, or cash deposit held in escrow by a third party commercial bank. CEA will be required to fulfill the new requirements by December 8, 2020, and file an Advice Letter with the CPUC confirming that it has satisfied the requirement.

FISCAL IMPACT
There is no fiscal impact by this action.

ATTACHMENTS:
Attachment A - Clean Energy Alliance Timeline of Implementation Action Item
Attachment B – Solana Energy Alliance Customer Notice
Attachment C – Tosdal APC Regulatory Update Report

Attachment A

Clean Energy Alliance
Timeline of Action Items
CCA Program Related

Timing	Description	Status	3rd Qtr '20	4th Qtr '20	1st Qtr '21	Apr-21	May-21	Jun-21	Jul-21
9/1/20	Marketing/Customer Outreach Plan Development & Kickoff								
9/17/20	Bid Evaluation and Criteria Scoring System	Complete							
9/17/20	Award Scheduling Coordinator Services	Complete							
	Introduce/Adopt Energy Risk Management Policy			10/15 & 11/19					
10/15/20	Records Retention Policy	Complete							
	System Testing with SDG&E								
	Set up Call Center/Scripting/IVR Recordings								
11/19/20	Credit Solution								
12/17/20	CEA Default Products/programs/renewable energy policies								
1/1/21	Create Customer Pre- and Post-Enrollment Notices								
1/21/21	Investment Policy								
2/1/21	Rate Setting								
3/1/21	Customer Noticing								
5/1/21	Launch - 2 phases May & June 2021								

Key:

Key
Board Actions/Activity
Staff/Consultant Activity
Marketing/Customer Outreach
CCA Launch

A Notice for Solana Energy Alliance Customers

Solana Energy Alliance
City Hall
635 S. Highway 101, Solana Beach, CA 92075
Info@SolanaEnergyAlliance.org • (858) 720-4422

PRSRT STD
U.S. POSTAGE
PAID
MINUTEMAN
PRESS

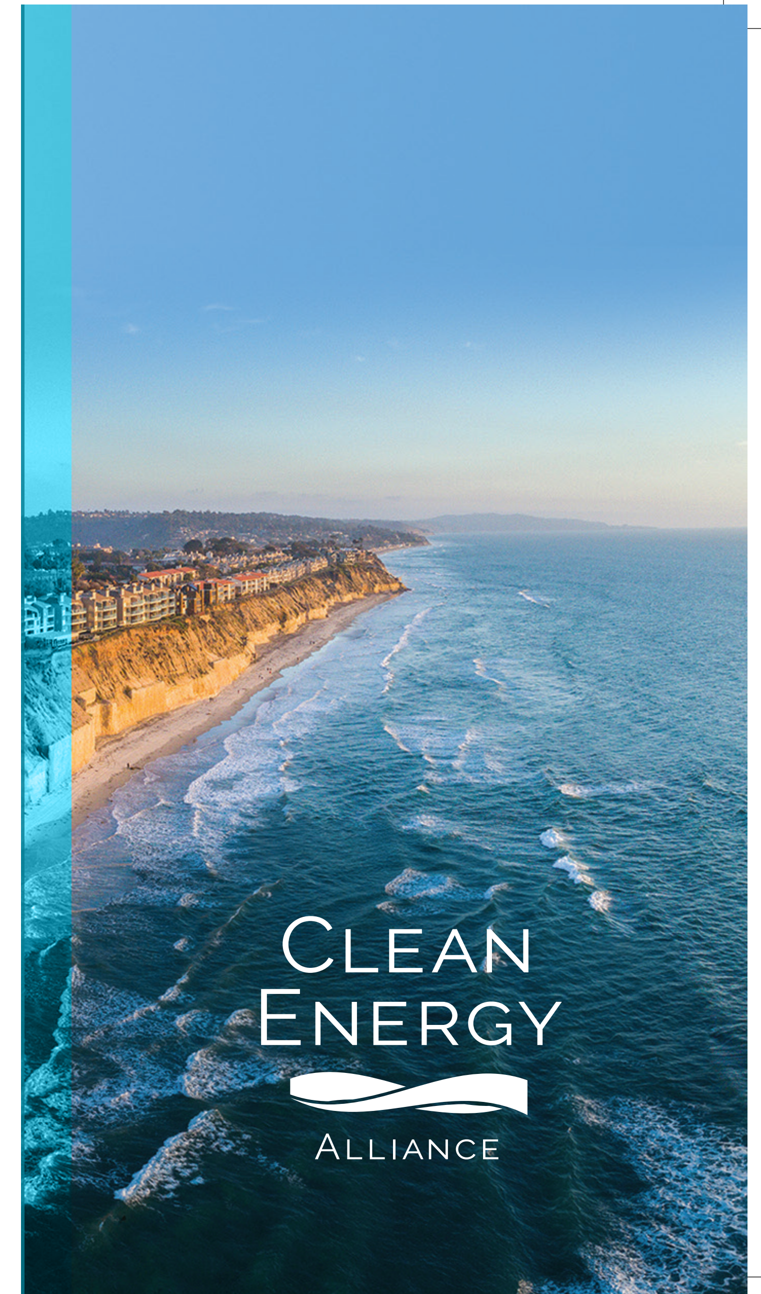
A Notice for Solana Energy Alliance Customers

In November 2019, the City of Solana Beach partnered with Carlsbad and Del Mar to form the Clean Energy Alliance, a new public entity that will operate a Community Choice Energy program within our communities' service territories. On May 1, 2021, Solana Energy Alliance (SEA) will merge with Clean Energy Alliance (CEA), continuing its service as an energy services provider and offering residents the same benefits, including cleaner energy, competitive rates, local programs, and local control. CEA also will help Solana Beach continue to lead the way in reducing greenhouse gas emissions, improving quality of life, and meeting its Climate Action Plan goals.

While CEA has not yet established its specific energy products or set rates, it has established a minimum 50% renewable default energy product and a target energy generation rate savings of 2% compared to San Diego Gas & Electric (SDG&E).

SEA customers wishing to return to SDG&E for its energy generation services must provide six (6) -months' notice to return. Please contact the SEA call center at 858-720-4422 for more information. Customers who return to SDG&E service will be required to make a 12-month commitment to SDG&E before they would be able to join CEA.

For more information on Clean Energy Alliance visit www.TheCleanEnergyAlliance.org and Solana Energy Alliance visit www.SolanaEnergyAlliance.org.



ENERGY REGULATORY UPDATE

To: Barbara Boswell, Interim Executive Officer, Clean Energy Alliance

From: Ty Tosdal, Regulatory Counsel, Tosdal APC

Re: Energy Regulatory Update

Date: November 13, 2020

The energy regulatory update summarizes important decisions, orders, notices and other developments that have occurred at the California Public Utilities Commission ("Commission") and that may affect Clean Energy Alliance ("CEA"). The summary presented here describes high priority developments and is not an exhaustive list of the regulatory proceedings that are currently being monitored or the subject of active engagement by CEA. In addition to the proceedings discussed below, Tosdal APC monitors a number of other regulatory proceedings as well as related activity by San Diego Gas & Electric ("SDG&E") and other Investor-Owned Utilities ("IOUs").

1. SDG&E PCIA Trigger Application (A. 20-07-009)

SDG&E submitted its Opening Brief to the CPUC on October 20, 2020 in which it proposed to recover the $8.92 million PCIA undercollection through PCIA rates and to simultaneously refund that amount (~$0.46 per month) to bundled customers (who paid for the undercollection through their 2020 rates) over a <u>6-month</u> amortization period beginning January 1, 2021. SDG&E also claims that accounting and system constraints make it "nearly impossible" to provide refunds to customers who depart to CCA or DA service during that amortization period. To overcome this, SDG&E proposed to require customers to give up their remaining share of the refund after they depart.

CEA, SEA, and SDCP submitted a joint Opening Brief on October 20, 2020 which requests that the Commission adopt a 36-month amortization period in order to reduce the SEA customers' PCIA rate spike from 120% under SDG&E's proposal to 20%. The San Diego CCA Programs and CalCCA argue that SDG&E's refund forfeiture proposal would shift costs to SDCP and CEA customers and discriminate against customers who choose to depart SDG&E for CCA service. The joint Opening Brief provided several proposed workarounds that could allow customers to keep their refund over a longer amortization period.

A joint Reply Brief was subsequently submitted on October 30, 2020 in which the San Diego CCA Programs showed that SDG&E's Opening Brief failed to demonstrate why the Commission should not adopt a 36-month amortization period. Copies of the joint Opening Brief and joint Reply Brief are included in Attachment A. SDG&E's Reply Brief indicates a willingness to support a 12-month amortization period and adopt the San Diego CCA Programs' proposal to

issue CAPBA refunds as a discount to the 2020 PCIA vintage instead of requiring customers to forfeit their due refund if they depart during the amortization period.

A Proposed Decision was issued by the Public Utilities Commission on November 13, 2020, approving a 12-month amortization period and an equal-cents per kWh allocation methodology for the $8.92 million CAPBA balance. Adoption of the amortization period and allocation methodology will result in a 1.9 cent increase in the PCIA for departing load customers next year, increasing bills for residential customers by $7.50 to $9.50 per month. The Proposed Decision does not address SDG&E's proposal that customers forfeit the refund owed to them for the PCIA overcollection that will be refunded to bundled customers who depart mid-year for CCA service. That issue will be addressed in SDG&E's ERRA Forecast proceeding. The Proposed Decision can be found in Attachment A.

2. SDG&E ERRA Forecast Proceeding (A. 20-04-014)

Counsel for SDCP and CEA submitted to the CPUC a joint Reply Brief on October 23, 2020 which responds to SDG&E's Opening Brief and reiterates the requests made in the joint Opening Brief. The joint Opening Brief is included in Attachment A. SDG&E also submitted a Reply Brief acknowledging SDCP and CEA's requests. SDG&E stated that it will adopt SDCP and CEA's proposal to provide more detailed information regarding actual and forecasted PABA balances. Additionally, SDG&E addressed the $84.5 million mistake pointed out by SDCP and CEA, and stated that it would correct the miscalculation in its November Update. Finally, SDG&E acknowledged that it has been improperly calculating the weighted average cost of its Green Tariff Shared Renewables (GTSR) program portfolio, which has resulted in artificially lower prices. SDG&E states that it will update the costs and include the corresponding reduction to the PABA in its November Update.

More importantly, SDG&E submitted its November Update on November 6, 2020 in which SDG&E revised proposed bundled customer rates and PCIA rates. SDG&E's November Update projects a total bundled customer rate decrease of $334.173 million. Current system average bundled rates would decrease by 2.96 cents per kWh, or 12.35% compared to currently effective rates. The magnitude of this decrease is due, in part, to SDG&E's use of 2019 forecast sales to calculate bundled customer rates without accounting for 2021 CCA departures. Failure to reduce the forecast sales by the amount of anticipated departed load will result in artificially low bundled customer rates in 2021 and pose a competitive disadvantage to CEA. Comments on the Update are currently being prepared.

3. Arrearage Management Payment Plan (AMP) (R. 18-07-005)

The Arrearage Management Payment plan (AMP) is one of several new policies and programs introduced by Decision 20-06-003-Disconnections and Reconnections. AMP, which will be administered by the IOUs, intends to be a valuable tool in assisting low-income residential customers to eliminate unmanageable arrears and incentivize timely payments.

The AMP is an arrearage forgiveness program whereby enrolled customers have 1/12 of their arrearage forgiven after each on-time payment. Eligible customers include those in the CARE/FERA programs with an arrearage of at least $500 for 90 days or more. CEA is required to notify SDG&E if they intend to participate in AMP by submitting a letter, with Board approval, at least 45 days prior to their intended start date of participation in AMP. SDG&E's Advice Letter 3602-E- Implementation of AMP, filed in September 2020, estimates the number of eligible AMP customers in SDG&E territory is between 20,000 and 25,000 customers. It can be assumed this number will continue to rise as COVID-19 continues to have detrimental effect on our economy.

In its response to CalCCA's protest to AL 3602-E, SDG&E states that it intends to remit amounts recovered for forgiven generation-related arrears to the CCAs on a monthly basis after those costs are recovered in CPUC-approved rates. SDG&E will request recovery of those costs in its annual Public Purpose Programs filing by October 1 of each year. After receiving Commission approval for recovery, SDG&E will implement the costs into PPP rates as of January 1 of the following year. As SDG&E recovers AMP costs—including costs related to forgiven generation-related arrears—in its PPP rates, the CCAs will receive their portion on a monthly basis, consistent with how SDG&E will be collecting those costs from customers through rates. SDG&E AL 3602-E and SDG&E's Reply to CalCCA's Protest can be found in Attachment A.

Due to the launch of SDG&E's new Customer Information System, the utility will need to provide AMP data to CCAs via manual spreadsheets until at least April 2021. SDG&E has only committed to providing AMP participation and payment data to CCAs on an ad-hoc basis. The Commission Decision does not require IOUs to provide AMP account-specific data on an ongoing basis, but SDG&E states they will work with the CCAs to provide data the CCAs feel is necessary to facilitate customers into AMP and provide ongoing support. Participation in the AMP is a valuable benefit to assist CEA's low-income customers in Communities of Concern, declining to do so would result in foregoing revenue from PPP.

4. Financial Security Requirements for CCAs (R. 03-10-003)

The Financial Security Requirement for CCAs (FSR) of $100,000 was established in 2007 as an interim measure until the Commission adopted D.18-05-022 establishing Reentry Fees and Financial Security Requirements for CCA programs. FSRs are required to cover the utility's administrative and incremental procurement costs in the event of an involuntary return of customers.

The FSR is now a minimum of $147,000. Pursuant to Resolution 5059-E, CEA must post their new financial security instruments, and submit an Advice Letter with the financial instrument as proof of compliance, to the CPUC by December 8, 2020. Letters of credit, surety bonds or cash held by a third-party are acceptable instruments to satisfy the FSR. Any interim financial security bond posted with the Commission will be returned when the CCA complies with the financial security requirements of D.18-05-022 and Resolution E-5059. A sample

escrow agreement and credit and surety bond templates have been provided to CEA's interim CEO.

The FSR will be updated twice per year (May and November) if the change in calculated amount is 10 percent or more. SDG&E filed Advice Letter 3540-E Update of CCA FSRs in May 2020 which includes the formula by which CCAs should calculate their new FSR amount. AL 3540-E, in which CEA's FSR Calculation Sheet is on page 9, is in Attachment A.

Attachment A

STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

FILED

11/13/20
09:20 AM

November 13, 2020 **Agenda ID #18972**
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 20-07-009:

This is the proposed decision of Administrative Law Judge Glegola. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 17, 2020 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON
Anne E. Simon
Chief Administrative Law Judge

AES:mph
Attachment

Decision **PROPOSED DECISION OF ALJ GLEGOLA (Mailed 11/13/2020)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U902E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism.	Application 20-07-009

DECISION REGARDING POWER CHARGE INDIFFERENCE ADJUSTMENT TRIGGER APPPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY

Summary

This decision approves, with modifications, the application of San Diego Gas & Electric Company (SDG&E) to temporarily increase its Power Charge Indifference Adjustment (PCIA) rates on departing load customers over twelve months, beginning January 1, 2021, to account for an estimated undercollection of $8.92 million. Decision 18-10-019 requires investor-owned utilities to file a PCIA trigger application when a PCIA undercollection balancing account reaches seven percent and the utility forecasts that the undercollection will reach ten percent.

This decision directs SDG&E to amortize the undercollection over twelve months using an equal cents per kWh allocation, to reduce the balance in the undercollection balancing account (CAPBA) to zero percent. Over the twelve-month amortization period, the CAPBA trigger will add 1.9¢/kwh to the PCIA

rate, and monthly bills for the average residential departing load customer in SDG&E's service territory will increase by roughly $7.50 to $9.50 per month, depending on usage.

This proceeding is closed.

1. Background

On July 10, 2020, San Diego Gas & Electric Company (SDG&E) filed an application to address an undercollection in its Power Charge Indifference Adjustment (PCIA) rate. SDG&E seeks the Commission's authorization to increase PCIA rates for its departing load customers,[1] and simultaneously decrease bundled customer rates.[2] PCIA is the rate intended to equalize cost sharing between departing load and bundled load customers, as required by statute.

Notice of the application appeared on the Commission's Daily Calendar on July 14, 2020. The following parties to this proceeding filed protests or responses to the application:

- California Alliance for Community Energy;
- San Diego Community Power, Solana Energy Alliance and Clean Energy Alliance (jointly);
- Direct Access Customer Coalition and the Alliance for Retail Energy Markets (jointly);
- California Community Choice Association;
- Public Advocates Office; and

[1] Departing load customers are customers who only receive electric utility distribution company (UDC) services from SDG&E. Departing Load customers include Direct Access, Community Choice Aggregation, and Green Tariff Shared Renewables customers.

[2] Bundled customers are customers who receive bundled electric service from SDG&E, meaning they receive electric generation and UDC services. Most of SDG&E's customers are bundled customers. (Application at footnote 2.)

- Shell Energy North America.

A prehearing conference (PHC) was held on August 27, 2020, to discuss the issues of law and fact and determine the need for hearings and the schedule for resolving this proceeding.

2. Jurisdiction and Commission Rules

Pub. Util. Code Section 365.2 provides that:

> The commission shall ensure that bundled retail customers of an electrical corporation do not experience any cost increases as a result of retail customers of an electrical corporation electing to receive service from other providers. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.

Pub. Util. Code Section 366.3 provides that:

> Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.

Decision (D.) 18-10-019 established a trigger mechanism to avoid excessive undercollections for a utility's PCIA undercollection balancing account (CAPBA).[3] D. 18-10-019 also requires Pacific Gas and Electric Company, Southern California Edison Company, and SDG&E (collectively, the investor-owned utilities or IOUs) to file a PCIA trigger application for the Commission's approval when the recorded monthly PCIA balance undercollection reaches

---

[3] Note that SDG&E refers to this account as CAPBA while Southern California Edison and Pacific Gas & Electric refer to the account as PUBA.

seven percent and the IOU forecasts that the balance will reach the 10 percent PCIA trigger threshold. D. 18-10-019 requires that the PCIA trigger application propose a revised PCIA rate that will bring the projected CAPBA balance below seven percent and maintain the balance below that level until January 1 of the following year. At that point, the PCIA rate adopted in the IOUs' annual Energy Resource Recovery Account forecast proceeding is anticipated to take effect.

3. Application

In its application, SDG&E states that its CAPBA balance through April 30, 2020 is undercollected by $2.22 million, or 7.9 percent, and that the company does not expect the undercollection to self-correct below the seven percent trigger point within 120 days of April 30, 2020. SDG&E reports that its CAPBA undercollection exceeded the 10 percent trigger threshold on May 31, 2020, and in its reply briefs writes that its undercollection reached $5.49 million as of August 31, 2020. SDG&E projects the undercollection to reach $8.92 million as of December 31, 2020. SDG&E requests authorization to collect $8.92 million in revenue from departing load customers, thereby reducing the CAPBA balance to zero, and to refund that amount to bundled customers. SDG&E proposes to amortize this amount over three months, beginning on October 1, 2020, and ending December 31, 2020. SDG&E offers two proposals to achieve this.

SDG&E's asserts that the CAPBA undercollection relates to the $0.005/kWh PCIA rate cap for each resource vintage established in D. 18-10-019 , and results in bundled customers funding the revenue shortfall of departing load customers. For 2020, the departing load customers' forecast of PCIA revenues is $28 million. The primary cause of the current undercollection is that the PCIA rates approved in SDG&E's 2020 ERRA Forecast Application do not

reflect the recovery of the entire forecasted Departing Load PCIA revenues of $28 million due to the $0.005/kWh PCIA rate cap.[4]

SDG&E presents two cost recovery proposals. SDG&E's initial proposal seeks to increase PCIA rates for its departing load customers using the existing allocation applied for the PCIA common template – *i.e.*, using the generation revenue allocation factors. Using generation revenue allocation factors, a typical residential departing load customer in the 2015 PCIA vintage using 400 kWh per month could see a bill increase of approximately $187 (from $13 to $200) from the PCIA charge for the 3-month period October, November and December 2020. SDG&E's alternative proposal seeks to increase PCIA rates for its departing load customers using an equal cents per kWh vintage rate, regardless of customer class. Using an equal cents per kWh vintage rate, a typical residential departing load customer in the 2015 PCIA vintage using 400 kWh per month could see a bill increase of approximately $30 (from $13 to $43) for the three-month period of October 2020 through December 2020.

---

[4] SDG&E lowered the PABA revenue requirement by the amount of the fully calculated system PCIA cap amount to recalculate PCIA rates to be below the system cap, then used the approved generation revenue allocation factors to recalculate PCIA rates. Thus, departing load customers system average vintage PCIA rate did not exceed the half a cent cap.

However, as a result of this methodology, all customer class rates 2009 and later received lower rates due to the lower vintage revenues—including vintages that would not have otherwise reached the cap. Additionally, because of the use of this methodology, the use of class rates and vintage class determinants will not calculate the exact revenues that the system does because the rates are not the same – *i.e.*, the residential class rate would be different than the system average rate.

SDG&E will update its capping mechanism methodology to match that of SCE and PG&E in its 2021 ERRA November Update Filing if the PCIA rates are capped to isolate the undercollection to a specific vintage.

4. Issues Before the Commission

The Scoping Memo and Ruling determined the issues before the Commission are as follows:

- Is there an undercollection of SDG&E's CAPBA and, if so, in what amount?
- Does the application meet the standards set out in D. 18-10-019?
- Is SDG&E's request just, reasonable, and consistent with Commission decisions and rules?
- Should the Commission authorize SDG&E to obtain $8.92 million, or a different amount, from Departing Load customers and refund this amount to bundled customers?
- Should the Commission approve SDG&E's three-month cost recovery proposal, its alternative cost recovery proposal, or some other proposal? Are there reasons the Commission cannot amortize the rate increase over a period shorter or longer than three months?

5. Parties' Positions

Parties opposing the application do not dispute that SDG&E's CAPBA undercollection exceeds the seven percent threshold, nor whether the application complies with D. 18-10-019, though the California Alliance for Community Energy argues the trigger mechanism methodology adopted in D. 18-10-019 is ill-designed and leads to an unreasonable rate shock for departing load customers. The key disagreement among parties is over the length of the amortization period for SDG&E to collect revenue that brings its CAPBA undercollection below the seven percent threshold, with SDG&E requesting a shorter cost recovery period to reduce the need for additional trigger applications, and other parties calling for longer amortization periods to reduce rate shock for departing load customers.

In its application, SDG&E proposed a three-month amortization period from October 2020 through December 2020. In its opening brief, SDG&E proposes a six-month amortization period beginning January 1, 2021. In its reply brief, Shell Energy North America and California Alliance for Community Energy support allowing SDG&E to recover the undercollected CAPBA revenue over a 12-month period, at a minimum, beginning January 1, 2021. AReM/DACC recommends adopting an amortization period of no less than 24 months, which would lead to roughly a 0.95¢/kWh increase in PCIA rates. San Diego Community Power, Solana Energy Alliance and Clean Energy Alliance ask the Commission to adopt a 36-month amortization period relying on an equal-cents-per-kWh allocation.

Parties opposing the application assert that while the projected CAPBA balance must be reduced to below seven percent, the balance does not need to be reduced to zero, with most asserting that SDG&E's proposals are not just and reasonable, as both lead to high increases in rates.

6. Discussion and Analysis

In this decision we balance the statutory requirement of ensuring that bundled load customers do not subsidize service for departing load customers (and vice versa) with a community choice aggregator's need for market stability (and the goal of reducing rate shock for its customers). We find that there is a $5.49 million undercollection of SDG&E's CAPBA as of August 31, 2020, which is expected to reach $8.92 million by December 31, 2020, and note that no party disputes SDG&E's calculations. Further, we find that SDG&E complied with D. 18-10-019 by submitting an estimate using an approved methodology that would bring the undercollection to below seven percent by January 1, 2021.

We agree with parties that both alternatives proposed by SDG&E in its application will cause rate shock for departing load customers in SDG&E's service territory. Increasing monthly electricity bills by $30 a month, even temporarily, is excessive given the current economic climate, while increasing bills by $187 a month, again, even just for three months, is beyond excessive. Thus, we find both proposals in SDG&E's application are not just or reasonable.

We attempt to balance multiple goals here: minimizing rate shock for departing load customers, providing fair returns to bundled customers, and avoiding the need for another PCIA trigger application early in 2021. Like the other parties, we disagree with SDG&E that the revenue recovery period must be within the same Calendar Year. While the optimal amortization period for SDG&E may have been three months in Calendar Year 2020, and SDG&E is correct that D. 18-10-019 requires it to *propose* a rate structure that brings its undercollection to under seven percent by January 1 of 2021, D.18-10-019 does not require the Commission to adopt that proposal without modifications. However, we agree with SDG&E that only reducing its undercollection to just under the trigger point of seven percent increases the risk of more trigger applications in 2021 and following years, as does an overly lengthy revenue recovery period. We acknowledge California Alliance for Community Energy's point that the Commission may need to revisit the trigger mechanism methodology adopted in D. 18-10-019, but that is not in the scope of this proceeding.

Bearing in mind both the findings and goals discussed above, and the specific facts in this case, we authorize SDG&E to recover the full undercollection amount, relying on the same equal-cents-per-kWh allocation, amortized over twelve months, beginning on January 1, 2021 and ending on December 31, 2021.

This would lead to an a 1.9¢/kWh increase in the PCIA. Over the twelve-month amortization period, monthly bills for the average residential departing load customer in SDG&E's service territory will increase by roughly $7.50 per month, for those customers using 400 kWh per month, and by roughly $9.50 per month for those using 500 kWh per month. While we recognize that this monthly increase is still noticeable for departing load customers, on balance we believe it is a preferable outcome to any other alternative proposed in the record, as it reduces over time, the amount that bundled load customer rates are subsidizing departing load customer service, it reduces the risk of multiple trigger applications from SDG&E in the future, and it accomplishes both at a rate increase that is significantly less than either increase proposed in SDG&E's application.

In this decision we do not rule on SDG&E's argument, made in its reply briefs, that the Commission should require departing customers leaving SDG&E in the middle of 2021 to forgo a refund,[5] as we do not find that is in the scope of this proceeding, but instead better suited for SDG&E ERRA forecast proceeding. For similar reasons, we also do not adopt SDG&E's proposal for a one-time transfer of the CAPBA overcollection due to bundled customers into the 2020 vintage of PABA.

---

[5] *See* SDG&E Reply Briefs at 24:

…SDG&E is willing to support a 12-month amortization period provided that: (1) the Commission agree that the benefit of an extended 12-month amortization period is just and reasonable and outweighs the nominal amount of bundled overcollection that departing customers would forgo, or (2) the Commission adopts SDG&E's proposal for a one-time transfer of the CAPBA overcollection due to Bundled customers into the 2020 vintage of PABA.

7. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Glegola in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____________________, and reply comments were filed on ________________________ by ______________________________.

8. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Thomas J. Glegola is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SDG&E's CAPBA undercollection exceeds the seven percent threshold established in D. 18-10-019.
2. SDG&E's proposed amortization period of three months for its CAPBA undercollection will result in rate shock to departing load customers.
3. A twelve-month amortization period for SDG&E's CAPBA undercollection will reduce rate shock.

Conclusions of Law

1. Pub. Util. Code Section 365.2 and Pub. Util. Code Section 366.3 requires the
2. Commission to ensure that bundled rate customers and departing load customers pay only for costs related to their service.
3. The Commission may adopt a CAPBA undercollection recovery period
4. over multiple years.
5. This application complies with D. 18-10-019.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to collect $8.92 million in Power Charge Indifference Adjustment from departing load customers, amortized over twelve months, beginning January 1, 2021, to account for an estimated undercollection of $8.92 million.
2. San Diego Gas & Electric Company shall increase its Power Charge Indifference Adjustment rate by 1.9¢/kWh.
3. By December 31, 2020, San Diego GAS & Electric Company shall file with the Commission's Energy Division a Tier 1 Advice Letter containing the new rates.
4. Application 20-07-009 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism.	Application 20-07-009 (Filed on July 10, 2020)

JOINT OPENING BRIEF OF SAN DIEGO COMMUNITY POWER, CLEAN ENERGY ALLIANCE, SOLANA ENERGY ALLIANCE, AND THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION

Ty Tosdal
Tosdal APC
777 South Highway 101, Suite 215
Solana Beach, CA 92075
Telephone: (858) 252-6416
E-mail: ty@tosdalapc.com

Attorney for:
San Diego Community Power
Clean Energy Alliance
Solana Energy Alliance

Evelyn Kahl, General Counsel
California Community Choice Association
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
E-mail: regulatory@cal-cca.org

October 20, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism.	Application 20-07-009 (Filed on July 10, 2020)

JOINT OPENING BRIEF OF SAN DIEGO COMMUNITY POWER, CLEAN ENERGY ALLIANCE, SOLANA ENERGY ALLIANCE, AND THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION

Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the October 7, 2020 Scoping Memo and Ruling setting the schedule in this proceeding, San Diego Community Power ("SDCP"), Clean Energy Alliance ("CEA"), Solana Energy Alliance ("SEA"), (collectively, the "San Diego CCA Programs"), and the California Community Choice Association ("CalCCA"), hereby submit this Joint Opening Brief regarding San Diego Gas & Electric Company's ("SDG&E") *Expedited Application Under the Power Charge Indifference Adjustment Account Trigger Mechanism,* submitted on July 10, 2020 ("Application") in which SDG&E proposes to increase the Power Charge Indifference Adjustment ("PCIA") to recover $8.92 million balance in its PCIA undercollection balancing account ("CAPBA") from departing load customers over the course of three months.[1]

I. INTRODUCTION

The Commission should not approve SDG&E's three-month cost recovery proposal and should instead require SDG&E to amortize the PCIA rate increase over 36 months to minimize

[1] *Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism*, Application ("A.") 20-07-009, filed July 10, 2020, at 2.

rate shock to current departing load customers. SDG&E's proposal to bring its $8.92 million CAPBA balance down to zero before the end of Calendar Year 2020 would cause substantial rate escalation, counter to the intent of Decision ("D.") 18-10-019, which established the cap and trigger mechanism for PCIA increases that reach certain thresholds.[2] An amortization period extended over 36 months, however, would allow SDG&E to fully recover the CAPBA balance while providing a reasonable cushion to departing load customers. SDG&E suggests that an extended amortization period may be feasible under the condition that customers who depart in 2021 agree to forfeit their CAPBA refund, which SDG&E says it is unable to implement due to billing system constraints. SDG&E has not met the burden of proof and failed to demonstrate why its billing system cannot accommodate a longer amortization period and a full implementation of the CAPBA refund.

II. BACKGROUND

The Commission revised the methodology used to calculate the PCIA in Rulemaking ("R.") 17-06-026, resulting in D. 18-10-019. That decision adopted a cap on the annual change in the PCIA rate and required the investor-owned utilities ("IOU") to establish an interest-bearing balancing account to track the obligations of departing load customers in the event the cap is reached.[3] By adopting the PCIA rate cap, the Commission intended to protect against volatility in the PCIA and promote certainty and stability for all customers by limiting annual PCIA changes.[4] The Commission concluded that, since revenue shortfalls tracked in the CAPBA are to be repaid to bundled customers with interest, capping annual increases in the PCIA does not violate the cost-

[2] Decision ("D.") 18-10-019, *Decision Modifying the Power Charge Indifference Adjustment Methodology*, Rulemaking ("R.") 17-06-026, October 19, 2018.

[3] D. 18-10-019 at OP 9.

[4] *Id.* at Finding of Fact 18, Conclusion of Law 19.

shifting provisions of Public Utilities Code Sections 365.2, 366.2, and 366.3.[5] The Commission also adopted a trigger mechanism for the PCIA cap that requires an IOU to submit an expedited application when its balancing account reaches 7% of forecast PCIA revenues and the balance of the account is forecasted to reach 10%.[6]

An expedited application must include a projected account balance as of 60 days or more from the date of filing, depending on when the balance will reach the 10% threshold, and "propose a revised PCIA rate that will bring the projected account balance below 7% and maintain the balance below that level until January 1 of the following year . . ."[7] Subsequently, SDG&E submitted Advice Letter ("AL") 3436-E establishing SDG&E's CAPBA, and the Commission approved it on October 31, 2019.[8]

SDG&E submitted the present Application pursuant to D. 18-10-019 on July 10, 2020. In its Application, SDG&E explains that the CAPBA balance reached 7.9% of forecast PCIA revenue on April 30, 2020, exceeded the 10% trigger threshold on May 31, 2020, and is projected to reach $8.92 million, or 32%, of forecasted PCIA revenues by December 31, 2020.[9] SDG&E's Application requests Commission authorization to increase current effective PCIA rates over a 3-month period in order to obtain funding from departing load customers for the full amount of the forecasted $8.92 million undercollection and simultaneously refund bundled customers by the end of Calendar Year 2020.[10] The Application would increase the monthly bill of a residential

---

[5] D. 18-10-019 at Conclusion of Law 23.

[6] D. 18-10-019 at OP 10.

[7] *Id.*

[8] AL 3436-E, Establishment of the Power Charge Indifference Adjustments Balancing Account Pursuant to Decision 18-10-019, filed September 30, 2019, effective October 30, 2019.

[9] Application at 1-2.

[10] *Id*. at 5.

departing load customer by approximately $30 per month under one proposal, and $187 per month under another.[11]

Pursuant to Administrative Law Judge ("ALJ") Thomas J. Glegola's September 18, 2020 Ruling, SDG&E submitted an update on its CAPBA balance and provided an explanation of accounting and billing systems limitations allegedly preventing SDG&E from collecting revenue in Calendar Year 2021 (the "Report").[12] SDG&E's Report contends that amortization cannot extend beyond Calendar Year 2020 since, in part, system and billing constraints prevent proper tracking of and accounting for collections and reimbursements as customers depart for CCA or Direct Access ("DA") service. These logistical issues are exacerbated by the expected rollout of SDCP and CEA, both of which are expected to depart a significant portion of bundled service customers throughout 2021.[13] To overcome these constraints, SDG&E proposes that it may be able to accommodate a longer amortization period if bundled customers who depart during Calendar Year 2021 agree to forfeit the remainder of their CAPBA refund.

III. DISCUSSION

SDG&E, as the applicant, bears the burden of affirmatively establishing the reasonableness of all aspects of its application,[14] and that burden of proof generally is measured based upon a

---

[11] Application at 6-7.

[12] San Diego Gas & Electric Company's Update on CAPBA Balance and Report Re Accounting and Billing Systems Pursuant to ALJ's September 18, 2020 Ruling, A. 20-07-009, October 1, 2020.

[13] SDG&E Report at 3-4; *see also* San Diego Community Power *Community Choice Aggregation Plan and Statement of Intent* at 17; Clean Energy Alliance *Community Choice Aggregation Implementation Plan and Statement of Intent* at 4.

[14] *See, e.g.,* D. 12-12-030, *Decision Mandating Pipeline Safety Implementation Plan, Disallowing Costs, Allocating Risk of Inefficient Construction Management to Shareholders, and Requiring Ongoing Improvement in Safety Engineering,* R. 11-02-019, December 28, 2012 at 42; Pub. Util. Code § 451 (requiring that rates be "just and reasonable").

preponderance of the evidence.[15] As further explained below, SDG&E fails to meet this standard as its proposed amortization period and purported inability to extend the amortization period beyond 2020 without requiring departing load customers to forfeit their refund are neither just nor reasonable, inconsistent with the law, and noncompliant with the rules and regulations set forth by the Commission.

A. The Commission Should Deny SDG&E's Three-Month Cost Recovery Proposal Because It Is Not Feasible and Would Cause Rate Shock

In its Application, SDG&E requests Commission authorization of a refund to bundled customers and simultaneous increase to Power Charge Indifference Adjustment ("PCIA") rates to bring its $8.92 million CAPBA balance down to zero before the end of Calendar Year 2020.[16] The substantial rate shock associated with this short period is the type PCIA rate swing that the Commission explicitly sought to avoid when it adopted the cap and trigger mechanism in the first place. Moreover, given the current procedural status of this proceeding, SDG&E's original proposal is no longer feasible.

Instead of proposing a solution that goes beyond three months, which would have been a logical approach, SDG&E proposes to modify the allocation methodology to reduce the degree of rate shock. Rather than use the generation allocators used originally to allocate PCIA costs among customer classes, it proposes an equal-cents-per-kWh allocation. While directionally this

---

[15] *See* D.18-10-019 at 5; D. 15-07-044, *Order Modifying Decision (D.) 12-12-030 and Denying Rehearing, as Modified,* R.11-02-019, July 27, 2015 at 29 (observing that the Commission has discretion to apply either the preponderance of evidence or clear and convincing standard in a ratesetting proceeding, but noting that the preponderance of evidence is the "default standard to be used unless a more stringent burden is specified by statute or the Courts.").

[16] Application at 1-2. Specifically, SDG&E's Expedited Application requested authorization to amortize the undercollection over a 3-month period beginning October 1, 2020 and concluding December 31, 2020. Though this proceeding's timeline extends into that proposed window, SDG&E argues that recovery must still occur before the end of Calendar Year 2020 due to system constraints.

improves the degree of rate shock, and the San Diego CCA Programs and CalCCA support the equal-cents-per-kWh approach, it does not alleviate the dramatic escalation in rates that would occur with a compressed amortization period. Rates would still increase between 238 percent for residential departing load customers, or $30 per month, and 362 percent for streetlighting.[17]

Neither proposal from SDG&E is reasonable. The consequence of either would be a staggering and unprecedented increase in the PCIA for departing load customers in SDG&E territory. The effect would be an unintended consequence of adopting the cap and trigger and deviate from the Commission's intent in D.18-10-019, namely that the PCIA rate cap "protect[] against volatility in the PCIA."[18] Moreover, bundled ratepayers would not be greatly affected one way or the other, due to the balance of bundled and departing load customers in SDG&E's service territory. The CAPBA "payback" to bundled customers is relatively small, ranging from a .75 percent to 1.16 percent average monthly bill reduction.

In addition, neither alternative is feasible in practice. Currently, a proposed decision is scheduled for some time in November 2020.[19] If a final decision granting SDG&E's request were to be approved in mid-November, SDG&E would only have one month in Calendar Year 2020 to collect the full CAPBA balance through increased PCIA rates. Accordingly, the Commission should reject SDG&E's proposals. Instead, for the reasons described below, the Commission should adopt a 36-month amortization relying on an equal-cents-per-kWh allocation.

---

[17] Fuhrer Testimony at SF-17 to SF-18.

[18] D.18-10-019 at 86 ("We affirm that a cap protects against volatility in the PCIA.").

[19] Scoping Memo at 5.

B. The Commission Should Adopt a Three-Year Amortization Period of the 2020 CAPBA Balance Relying on an Equal-Cents-Per-kWh Allocation

The Commission should reject SDG&E's proposed amortization and allocation alternatives and, instead, adopt a reasonable approach. A 36-month amortization commencing January 1, 2021, coupled with an equal-cents-per-kWh allocation best achieves the objective of minimizing rate shock and reducing PCIA volatility with minimal effect on bundled customers.

Currently, residential customers of SEA, the only currently operational CCA in SDG&E service territory, who are assigned a 2017 Vintage, pay a PCIA rate of $0.03187.[20] Under SDG&E's 3-month amortization proposal, SEA customers would see their current effective PCIA rate increase to either $0.49958 using the generation revenue allocation or $0.10812 under the equal-cents-per-kWh allocation methodology.[21] These whopping 1,468 percent and 239 percent respective increases would likely grow larger if SDG&E is able to amortize the full CAPBA balance over the remaining two months of Calendar Year 2020. Under a 36-month amortization period, however, SEA customers would pay a 2020 PCIA rate of $0.07085, or a 122 percent increase using the generation revenue allocation methodology and $0.03822, or a 20 percent increase using the equal-cents-per-kWh allocation.[22] As such, a 36-month amortization using the equal-cents-per-kWh allocation would best serve to mitigate the rate shock on departing load customers while still allowing SDG&E to fully recover the CAPBA undercollection on behalf of bundled customers.

---

[20] SDG&E Data Response 03.

[21] *See* Fuhrer Testimony at SF-A-2, SF-B-2. Proposed PCIA rate with 3-month amortization for residential customer assigned a PCIA 2017 Vintage is $0.49958/kWh; Alternative proposed PCIA rate with 3-month amortization using an equal-cents-per-kWh for residential customer assigned a PCIA 2017 Vintage is $0.10812/kWh.

[22] SDG&E Data Response 03.

Table 1 lists current effective 2020 PCIA rates for Vintage 2017 customers and compares the rates that would be charged under SDG&E's proposed amortization period with the rate under a 36-month amortization period using both allocation methodologies.

Table 1 – Rate Impact of a 3-Month and 36-Month Amortization Period on PCIA Vintage 2017 Using Both Allocation Methods ($/kWh)

Customer Class	Current Effective Rates[23]	SDG&E Proposed Rate Using Generation Revenue Allocation[24]	36-Month Amortization Using Generation Revenue Allocation[25]	SDG&E Proposed Rates Using Equal Cents per kWh[26]	36-Month Amortization Using Equal Cents per kWh[27]
Residential	0.03187	0.49958	0.07085	0.10812	0.03822
Small Commercial	0.02678	0.24030	0.04457	0.10302	0.03313
Medium and Large C&I	0.02946	0.06693	0.03258	0.10570	0.03581
Agriculture	0.02226	0.78608	0.08591	0.09850	0.02861
Streetlighting	0.02094	0.42537	0.05465	0.09719	0.02730
System	0.02983	0.10608	0.03619	0.10608	0.03619

Given the magnitude of rate increase proposed in SDG&E's Application, it would be reasonable and justifiable to extend the amortization period to 36 months. Regardless of the total amount that SDG&E is ultimately approved to recover, an amortization period of 36 months would spread the costs over a longer period of time and minimize rate shock. The Commission has wide latitude to set the amortization period in this proceeding based on well-established ratemaking principles, and doing so would not conflict with D.18-10-019, which requires an

[23] *See* Exhibit SDCCA-01; SDG&E Response to SDCP Data Request 3.3.
[24] Fuhrer Testimony at SF-A-2.
[25] *See* Exhibit SDCCA-01; SDG&E Response to SDCP Data Request 3.3.
[26] Fuhrer Testimony at SF-B-2.
[27] *See* Exhibit SDCCA-02; SDG&E Response to SDCP Data Request 3.3

applicant to propose to bring an unspecified amount of the outstanding balance of the trigger account below 7% before the end of the year, but does not prescribe or otherwise require the Commission to adopt a particular amortization period, much less one that brings the balance to 0% before the end of the year. [28] Further, an extended amortization period would retain intended cost-shifting protections because the balance would be repaid to bundled customers with interest.[29]

While a 36-month amortization period would provide significant relief to departed load customers, it would have little impact on bundled customers. SDG&E's Application reflects that a typical non-CARE residential customer using 400 kWh is estimated to receive a refund of roughly $0.94 per month from the CAPBA Trigger refund under a 3-month amortization schedule.[30] Under the 36-month amortization period, that bundled customer could see a monthly credit or refund of roughly $0.085 per month.[31] Given the small amount of the proposed refund under either scenario, bundled customers would not face a significant hardship if the monthly refund amount was reduced to allow for a full collection over a 36-month amortization period. Further, bundled customers would still be repaid the full amount with interest in accordance with cost-shifting provisions and the Commission's intent. The impact of reducing an already low monthly refund payment to bundled customers is outweighed by the harm that would be eliminated with a 36-month amortization period for departing load customers.

---

[28] D. 18-10-019 at OP 10.

[29] *Id*. at Conclusion of Law 23.

[30] Fuhrer Testimony at SF-12; SDG&E Report at 5-6.

[31] This estimated monthly refund amount was estimated as follows: 0.255 cents/kWh * 400 kWh * 3 months / 36 months = 8.5 cents per month.

C. SDG&E's Purported Inability to Accommodate A Longer Amortization Period Unless Departing Load Customers Agree to Forfeit Their CAPBA Refund Is Unreasonable and Violates Resolution E-4013

As bundled load customers depart in 2021, they will stop receiving their refund for the CAPBA undercollection through commodity rates and begin paying the PCIA rate.[32] If the CAPBA balance is recovered through 2021, however, those same customers would still be owed their share of the CAPBA balance refund that they earned as bundled customers in 2020. SDG&E contends that, due to accounting and billing system limitations and the substantial customer departures expected in 2021, it will be unable to accurately track and issue customer refunds beyond 2020.[33] To overcome these constraints, SDG&E proposes that it may be able to accommodate a longer amortization period if bundled customers who depart during Calendar Year 2021 agree to forfeit the remainder of their CAPBA refund.[34]

Since SDG&E does not track CAPBA balances or develop rates at the customer level, SDG&E claims it would be "nearly impossible" to track, account for, and reimburse CAPBA credits and refunds at a customer level over an extended amortization period.[35] Further, such tracking is apparently unsupported by both SDG&E's legacy billing system and its new billing system expected to go live in 2021.[36] SDG&E claims that neither system is capable of tracking customer movement on an individual customer level, supporting more than one PCIA rate per

---

[32] *Id*.

[33] *San Diego Gas & Electric Company's Update on CAPBA Balance and Report Re Accounting and Billing System Pursuant to ALJ's September 18, 2020 Ruling*, A. 20-07-009, October 1, 2020 at 3.

[34] *Id*. at 5.

[35] *Id*. at 4-5.

[36] *Id*. at 5.

vintage and per customer class, or supporting more than one bundled commodity rate for the applicable rate schedule.[37]

SDG&E's claims lack sufficient detail and evidentiary support to understand its system limitations and, if correct, these claims suggest a failure of compliance with Resolution E-4013. Even if SDG&E is correct, however, adopting a 36-month amortization would provide ample time to adjust the system to accomplish the crediting, even if commencement of the crediting cannot begin immediately.

1. The Commission Should Require SDG&E to Show Why It Failed to Proactively Address these Limitations as Required by Resolution E-4013

When the Commission approved the IOUs' CCA Implementation Tariffs and implemented the State's CCA Program in Resolution E-4013, it clarified that "utilities have the sole responsibility for ensuring that their respective systems are ready for CCA implementation within six months from the date the first CCA files its Implementation plan. . . "[38] While this clarification was made in the context of system readiness for the very first CCAs to come online, the same general principle, i.e., that utilities are responsible for ensuring system readiness, still applies. Both SDCP and CEA filed their implementation plans in December 2019 with both plans indicating that bundled customers would begin departing for CCA service in March and May 2021 respectively.[39] Thus, SDG&E had ample time far beyond the required six-month notice period to

[37] *Id*. at 6.

[38] Resolution E-4013 at Finding 8.

[39] *See* San Diego Community Power *Community Choice Aggregation Implementation Plan and Statement of Intent* at 17; Clean Energy Alliance *Community Choice Aggregation Implementation Plan and Statement of Intent* at 1.

make the system adjustments necessary to adequately accommodate departures to the two new CCAs.

Since both SDCP's and CEA's Implementation Plans were filed after the Commission created the PCIA cap and trigger Mechanism in D. 18-10-019, SDG&E's system adjustments should have included a means by which to properly track, account for, and issue reimbursements. The cap and trigger were established in 2018 and went into effect starting with the ERRA forecast for 2020.[40] Since SDCP and CEA submitted implementation plans long *after* the cap and trigger were established, SDG&E should have foreseen that the CAPBA balance could exceed the trigger around the same time that a significant portion of bundled customers would be departing for CCA and DA service.

SDG&E fails to demonstrate why it did not take steps to ensure that its system could properly track and account for individual CAPBA refunds to accommodate the present scenario. Even if SDG&E did not foresee an amortization period extending beyond the calendar year, it should have foreseen that the balance could exceed the trigger in 2021. In fact, should the CAPBA balance exceed the trigger in 2021, amidst the substantial, staggered departures, it seems that SDG&E will find itself in the same position. Thus, SDG&E cannot rely on purported system constraints to oppose an extended amortization period without providing additional evidence to demonstrate that its lack of planning apparently in violation of Resolution E-4013 was just and reasonable.

---

[40] D. 18-10-019 at 86.

2. The Commission Should Require SDG&E to Explain Why Its New Billing System Is Unable to Support Customer-Level Tracking of Refunds and Credits Over the Extended Amortization Period

In D. 18-08-008, the Commission granted SDG&E's request for authority to implement its Customer Information System ("CIS") Replacement Program and found that the new CIS system would allow SDG&E to implement new and evolving tariff and program offerings and address a wide range of customer service transactions.[41] In that Application, SDG&E stated that it urgently needed to replace the outdated CIS with a new "modernized CIS platform that will enable SDG&E to implement increasingly complex California regulatory requirements, and keep pace with the rapidly changing energy industry and evolving service demands of customers."[42]

Despite the new billing system's promising features, SDG&E's Report suggests that both the new platform and the legacy platform are equally incapable of accommodating the increasingly complex requirements of the PCIA cap and trigger mechanism.[43] As such, the Commission should require SDG&E to provide a more detailed showing as to why its new billing system cannot allow for tracking individual customer CAPBA balance refunds and providing credits to bundled load customers who depart in 2021. Past Commission decisions support the notion that SDG&E may be able to use different methodology to credit bundled and unbundled customers. For example, the San Onofre Nuclear Generating Station ("SONGS") revised settlement agreement provides that SDG&E will credit unbundled customers through the PCIA and bundled customers through the non-fuel generation balancing account.[44]

---

[41] D. 18-08-008, *Decision Granting Authority to Implement Customer Information System Replacement Program and Approving Settlement Agreement*, A. 17-04-027, August 10, 2018 at Finding of Fact 10.

[42] *Id*.

[43] SDG&E Report at 5.

[44] *See* San Diego Gas & Electric Advice Letter 3265-E, *Implementation of the SONGS 2018 Revised Settlement Agreement in Rates Effective October 1, 2018 and Tariff Modifications in Compliance with Decision 18-07-038*, September 7, 2018.

Yet another alternative method may be to include the credit as a reduction to the 2020 or 2021 PCIA vintage rate. This method would credit both bundled customers (who pay the most recent PCIA vintage rate through their bundled generation rate) and those who depart for CCA or DA service. Since the PCIA rates are cumulative, if the credit is reflected as a reduction to the 2020 vintage, it would also be given to any subsequent vintage—including bundled customers and any customer who departs after July 1, 2020. This approach is utilized by Southern California Edison ("SCE") and would appear to allow SDG&E to overcome its purported limitations.[45]

In addition, SDG&E should be made to show why the new billing system cannot be utilized in some alternative manner that would accommodate an extended amortization period while allowing customers to receive their full refunds. Even if SDG&E lacks the account level information necessary to credit customers back with their actual contribution, it could pro-rate the contribution amount per average customer bill and provide customers with a one-time credit line on their bill, similar to the "Climate Credit."

3. Requiring Bundled Customers to Forfeit their Refund is Unjust, Unreasonable, and Would Lead to Impermissible Cost-Shifting

The revenue shortfall that results from the $0.005/kWh PCIA rate cap is funded by bundled customers through their rates until a CAPBA trigger application is warranted, at which point the utility can seek authorization to raise PCIA rates and pay back bundled customers.[46] SDG&E suggests that, in light of system constraints, an extended amortization period may be accommodated if bundled customers agree to forfeit their CAPBA refund after they depart for CCA or DA service in 2021. Under this scheme, SDG&E would effectively penalize bundled

---

[45] *See* Southern California Edison *Preliminary Statement: Power Charge Indifference Undercollection Balancing Account (PUBA)*, Cal. PUC Sheet No. 68068-E.

[46] *Prepared Direct Testimony of Eric L. Dalton on Behalf of San Diego Gas & Electric Company,* July 10, 2020 at ED-4.

customers for choosing to depart to CCA or DA service by withholding the remaining refund they would otherwise receive if they remained with SDG&E. Regardless of the refund amount, such differential treatment would violate the non-discrimination provisions of the CCA Code of Conduct established in D. 12-12-036.[47]

Further, by withholding a customer's due share of the CAPBA refund, SDG&E would effectively shift the costs of the 2020 undercollection balance to customers who funded the revenue shortfall in 2020 but depart in 2021. The Commission sought to preserve cost-shifting protections under the cap and trigger mechanism by requiring that bundled customers be repaid with interest for their share of the undercollection covered through their rates.[48] Under SDG&E's proposal, customers who paid to fund the PCIA undercollection in 2020 would not receive that full repayment if they depart during the extended amortization period. This outcome would necessarily result in impermissible cost-shifting since the forfeited amount would effectively cover the portion of 2020 PCIA charges owed by departed load customers.

Therefore, SDG&E's proposal to accommodate an extended amortization period on the condition that customers departing during the amortization period agree to forfeit their due share of the CAPBA refund, regardless of the amount, is unjust, unreasonable, unsupported by Commission rules, and in violation of statutory cost-shifting provisions. Since SDG&E has failed to demonstrate otherwise, the Commission should reject refund forfeiture as a condition to an extended amortization period.

---

[47] *See* D. 12-12-036 at 25, A1-6, A1-8. Rule 14 requires utilities to apply tariffs in the same manner to similarly situated entities; Rule 18 prohibits discrimination against CCAs, for example by refusing to provide products or services to CCAs or their customers.

[48] D. 18-10-019 at Conclusion of Law 23.

4. SDG&E Fails to Address How Refund Forfeiture Would Impact the Total CAPBA Balance and PCIA Rates

Since SDG&E seeks to increase PCIA rates to pay the simultaneous refund to bundled customers, refund forfeiture should necessarily reduce the total CAPBA balance that must be recovered. If the actual balance is lower than forecast balance, then PCIA rate increases would need to be adjusted accordingly to avoid overcollection from departed load customers. SDG&E fails to address this relationship in its Application or Report. For example, SDG&E does not propose any kind of true-up procedure to account for differences in the forecast balance and actual balance resulting from departures. As such, it is unclear whether this proposed forfeiture scenario could result in overcollection, how SDG&E would track this, and at what point SDG&E would seek to make a correction. These questions further highlight why SDG&E's proposed condition to an extended amortization period is unreasonable and should not be adopted.

5. Adopting a 36-Month Amortization Period for Recovery of the CAPBA Balances Allows More Time to Make Any System Changes Necessary to Accommodate Crediting of Bundled Customers Who Become Departing Load in 2021

SDG&E's upgraded CIS system is expected to go live in 2021, the same year in which SDG&E expects a significant portion of bundled customers to depart to CCA and DA service.[49] SDG&E suggests that the upgraded billing system cannot properly accommodate an extend amortization period amidst numerous departures, and thus seeks to fully recover the balance before the departures occur. It remains unclear, however, whether SDG&E's improved billing system, once fully implemented, could accommodate the period after the dust has settled and all departures are finalized around late 2021. A 36-month amortization period would provide the extra time needed to finalize departed load customer counts and determine the feasibility of

---

[49] *See* SDG&E Report at 3-5.

system adjustments that could establish a credit for the amount of the CAPBA refund that SDG&E claims must be forfeited.

IV. CONCLUSION

For the foregoing reasons, the Commission should require SDG&E to recover the CAPBA balance over a 36-month amortization period using an equal-cents-per-kWh approach and, absent a showing that sufficiently justifies SDG&E's purported system limitations, require SDG&E to provide bundled customers with their full refund, even if they depart for CCA or DA service and transition to departing load customers in the middle of the year.

Respectfully submitted,

/s/ Ty Tosdal

Ty Tosdal
Tosdal APC
777 South Highway 101, Suite 215
Solana Beach, CA 92075
Telephone: (858) 252-6416
E-mail: ty@tosdalapc.com

Attorney for:
San Diego Community Power
Clean Energy Alliance
Solana Energy Alliance

/s/ Evelyn Kahl

Evelyn Kahl, General Counsel
California Community Choice Association
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
E-mail: regulatory@cal-cca.org

October 20, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism.	Application 20-07-009 (Filed on July 10, 2020)

JOINT REPLY BRIEF OF SAN DIEGO COMMUNITY POWER, CLEAN ENERGY ALLIANCE, SOLANA ENERGY ALLIANCE, AND THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION

Ty Tosdal
Tosdal APC
777 South Highway 101, Suite 215
Solana Beach, CA 92075
Telephone: (858) 252-6416
E-mail: ty@tosdalapc.com

Attorney for:
San Diego Community Power
Clean Energy Alliance
Solana Energy Alliance

Evelyn Kahl, General Counsel
California Community Choice Association
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
E-mail: regulatory@cal-cca.org

October 30, 2020

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism.	Application 20-07-009 (Filed on July 10, 2020)

**JOINT REPLY BRIEF OF
SAN DIEGO COMMUNITY POWER, CLEAN ENERGY ALLIANCE,
SOLANA ENERGY ALLIANCE, AND THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION**

Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the October 7, 2020 Scoping Memo and Ruling setting the schedule in this proceeding, San Diego Community Power ("SDCP"), Clean Energy Alliance ("CEA"), Solana Energy Alliance ("SEA") (collectively, the "San Diego CCA Programs"), and the California Community Choice Association ("CalCCA"), hereby submit this Joint Reply Brief regarding San Diego Gas & Electric Company's ("SDG&E") *Expedited Application Under the Power Charge Indifference Adjustment Account Trigger Mechanism,* submitted on July 10, 2020 ("Application"). SDG&E's Application requests authority to increase the Power Charge Indifference Adjustment ("PCIA") to recover $8.92 million in its PCIA undercollection balancing account ("CAPBA") from departing load customers.[1]

SDG&E's Application remains unjust, unreasonable, and contrary to the specific purpose of the PCIA cap established by the Commission in D. 18-10-019. While SDG&E has revised its original proposal to recover the full CAPBA balance over a 3 month period, and now proposes to

[1] *Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Power Charge Indifference Adjustment Account Trigger Mechanism*, Application ("A.") 20-07-009, filed July 10, 2020, at 2.

recover the balance over 6-month amortization period, the new proposal does not go far enough to limit the volatility and magnitude of rate impacts that would follow.[2] Under the revised proposal, residential SEA customers would see their PCIA rates increase by 734 percent using generation revenue allocation and nearly 120 percent using an equal-cents-per-kWh approach.[3] SDG&E has also failed to demonstrate through argument or evidence why the Commission should adopt its proposal to deny refunds for one group of customers expected to depart SDG&E service for SDCP and CEA in 2021 in return for an extended amortization period for an entirely different set of customers, i.e., customers currently being served by SEA who departed SDG&E service in 2018.

Since SDG&E has failed to affirmatively establish the reasonableness of its proposed amortization period and its request that departing load customers forfeit a refund that bundled customers will be receiving as a result of the PCIA undercollection, the Commission should deny SDG&E's proposal. Instead, the Commission should adopt the proposal put forth by the San Diego CCA Programs and CalCCA that would allow SDG&E to amortize the full CAPBA balance over 36-months and provide departing load customers with the full amount of the refund owed to them.[4]

I. DISCUSSION

While the San Diego CCA Programs and CalCCA support the equal-cents-per-kWh allocation proposal made by SDG&E, the programs oppose a 6-month amortization period for

---

[2] *See Opening Brief of San Diego Gas & Electric Company in Support of Its Application Under the Power Charge Indifference Adjustment Account Trigger Mechanism*, A. 20-07-009, October 20, 2020. ("SDG&E Opening Brief").

[3] *See* SDG&E Opening Brief at Attachment A and B (showing PCIA 2017 Vintage for residential customers will increase from $.03187/kWh to $.26573/kWh under generation revenue allocation and to $0.06999/kWh using equal-cents-per-kWh).

[4] *See Joint Opening Brief of San Diego Community Power, Clean Energy Alliance, Solana Energy Alliance, and the California Community Choice Association*, A. 20-07-009, October 20, 2020. ("SDCCA Opening Brief").

recovery of the CAPBA balance. SDG&E's Opening Brief, like its Application, lacks sufficient evidence to demonstrate why the Commission should not adopt a longer amortization period in conjunction with an equal-cents-per-kWh allocation in order to adequately mitigate rate shock to departed load customers. Issue No. 5 in the Assigned Commissioner's Scoping Memo and Ruling concerns whether the Commission should approve SDG&E's cost recovery proposals or some other proposal, and asks if there are reasons the Commission cannot amortize the rate increase over a period of longer than three months.[5] Yet SDG&E's Opening Brief fails to demonstrate that its 6-month proposal is just and reasonable. Given SDG&E's failure to meet its burden, the San Diego CCA Programs and CalCCA request the Commission deny SDG&E's proposal and instead adopt a 36-month amortization period utilizing an equal-cents-per-kWh allocation method. Further, the San Diego CCA Programs and CalCCA request the Commission reject SDG&E's request that bundled customers forfeit their refund if they depart SDG&E service and instead require SDG&E to pursue an alternative means of preserving customer indifference.

A. SDG&E's 6-Month Amortization Proposal is Unjust and Unreasonable

In its Opening Brief, SDG&E concedes that the 3-month period proposed in the Application is no longer practicable under this proceeding's timeline, and now requests that the Commission approve a 6-month cost recovery amortization period beginning January 1, 2021 and concluding June 30, 2021.[6] Under this proposal, bundled customers who depart during the 6-month period would be required to forfeit their remaining CAPBA refund. Despite arguments to the contrary made by the San Diego CCA Programs, CalCCA, and other parties in this proceeding[7],

---

[5] Scoping Memo at 4.

[6] SDG&E Opening Brief at 12.

[7] *See* SDCCA Opening Brief at 7 ("A 36-month amortization period. . . coupled with an equal-cents-per-kWh allocation best achieves the objective of minimizing rate shock and reducing PCIA volatility with

SDG&E states that "[t]here is no reason to extend the amortization period beyond 6 months."[8] This statement is plainly incorrect.

1. SDG&E's Proposal Does Not Align with D. 18-10-019

There are several reasons to extend the amortization period beyond 6 months—namely, to mitigate the astronomical rate shock posed by SDG&E's proposals. SDG&E states that a 6-month amortization "sufficiently reduces rate shock" without addressing the magnitude of the increase or considering whether or how rates could be reduced further.[9] Under a 6-month amortization period, residential SEA customers would see their PCIA rates increase by 734 percent using the generation revenue allocation method and nearly 120 percent using the equal-cents-per-kWh method.[10] SDG&E's proposal can hardly be considered "sufficient" to mitigate rate increase of this magnitude. In contrast, the 36-month amortization period proposed by the San Diego CCA Programs and CalCCA would result in only a 20 percent increase in the PCIA using equal-cents-per-kWh approach.[11]

SDG&E claims that recovering the full balance by June 2021 "most closely aligns" with D. 18-10-019, which requires that the proposed PCIA rate bring the projected balance below 7%

---

minimal effect on bundled customers."); CalCCA Protest at 5 ("[L]onger amortization periods significantly reduce rate impacts while still ensuring revenue. . . recovery."); *see also,* ARem/DACC Opening Brief at 8 ("AReM/DACC recommend that the amortization period for the CAPBA recovery be set at no less than 24 months."); *Comments of the California Alliance for Community Energy* at 5 ("In the interest of simple customer fairness if not adherence to its own principles, the Commission should order a recovery schedule that amortizes the final recovery amount over the maximum number of months possible."); Shell Energy Opening Brief at 5 ("An extended amortization period [of at least 12 months] will ease the burden on already struggling businesses without imposing any costs on bundled customers.").

[8] SDG&E Opening Brief at 12.

[9] *Id.* at 13.

[10] *See Id.* at Attachment A and B (showing PCIA 2017 Vintage for residential customers will increase from $.03187/kWh to $.26573/kWh under generation revenue allocation and to $0.06999/kWh using equal-cents-per-kWh).

[11] *See* SDCCA Opening Brief at 7.

until January 1 of the following year.[12] Without explicitly saying so, SDG&E appears to suggest that June 2021's proximity to January 1, 2021 somehow aligns the proposal with the Commission's intent. The anticipated rate shock associated with SDG&E's proposal and the Commission's stated intent to promote certainty and stability for all customers, however, show this suggestion to be misguided.

Since the rate impact is reduced as the amortization period is extended, SDG&E cannot reasonably claim that a 6-month amortization period most closely aligns with the Commission's intent in D. 18-10-019. The Commission sought to ensure that any PCIA methodology it adopted in that proceeding would provide "reasonably predictable outcomes that promote certainty and stability for all customers within a reasonable planning horizon."[13] It found that the PCIA cap would help satisfy this particular guiding principle by limiting the change of the PCIA from one year to the next.[14] Now, as a result of the cap, SDG&E proposes to suddenly spring either a 734 percent or 120 percent PCIA rate increase on customers and cause the very uncertainty and instability that the Commission wished to avoid. SDG&E can significantly mitigate this volatility, as the Commission intended, by adopting a 36-month amortization period. Thus, there is ample reason to extend amortization beyond 6 months. SDG&E's position is unreasonable and not supported by the facts.

[12] SDG&E Opening Brief at 12.
[13] D. 18-10-019 at 127.
[14] *Id.* at Finding of Fact 18.

2. SDG&E's Arguments in Support Of a 6-Month Amortization Period are Misleading and Not Supported by Commission Decisions

SDG&E's Opening Brief states that an amortization period extending beyond 6 months would be improper because it would exacerbate cost shifts and would only prolong, not alleviate, departing load customers' obligations to bundled customers.[15] These statements are inaccurate and misleading. First, it is false to suggest that the current CAPBA balance represents any kind of cost shift. In D. 18-10-019, the Commission found that the PCIA cap does not violate cost-shifting provisions because balances will be repaid to bundled customers with interest.[16] Thus, indifference will be preserved under any amortization period as long as bundled customers are repaid the full balance with interest. As such, a 36-month amortization period over which bundled customers receive their full refund with interest will both reduce rate shock to departed load customers and preserve indifference as directed by the Commission.

Second, it is disingenuous to suggest that parties are requesting a longer amortization period to alleviate departing load customer obligations. The San Diego CCA Programs and CalCCA are proposing that SDG&E adopt 36-month amortization period in order to mitigate PCIA rate spikes—not, as SDG&E suggests, to relieve departed load customers of their obligations to pay the CAPBA balance. To the contrary, the San Diego CCA Programs and CalCCA oppose SDG&E's efforts to require refund forfeiture, which if adopted, would necessarily result in a reduction of the total CAPBA balance and existing CCA customers' obligations.

SDG&E provides no further evidence demonstrating why 6 months is a more appropriate length of time, thus it is unclear why a 6-month amortization period would be preferable to a longer period that truly reduces the monthly bill impact to departed load customers. As such, SDG&E

---

[15] SDG&E Opening Brief at 18.

[16] D. 18-10-019 at Conclusion of Law 23.

has failed to adequately demonstrate why the Commission cannot adopt a longer amortization period. The Commission should reject SDG&E's proposal and adopt a 36-month amortization period using equal-cents-per-kWh allocation, which would most closely conform with Commission decisions and ratemaking principles.

B. SDG&E's Opening Brief Provides No Evidence to Show That Purported System Constraints Make Refund Forfeiture A Necessary Condition to Extending the Amortization Period

Citing only the October 1 Update Report and providing the same general justification for its proposal, SDG&E in its Opening Brief emphasizes that bundled customers who depart in an extended amortization period should forfeit their refund.[17] SDG&E states "[a]sking the departing customers to forfeit a nominal refund amount in exchange for having received the benefit of an extended amortization period is just and reasonable."[18] To the contrary, the proposed rate increase applies only to current CCA customers, and so the only customers who will benefit from an extended period are those who have already departed—not bundled customers who will be departing in 2021. SDG&E is asking these customers to forfeit their due refund in exchange for a benefit conferred solely to another group of customers, i.e. departed customers. The same sacrifice is not being asked of bundled customers who remain with SDG&E. Such discriminatory treatment of these customers for the benefit of others is not just and reasonable.

Furthermore, SDG&E has not presented any evidence showing that system constraints make its proposal reasonable under the circumstances, or that alternative means of tracking bundled customer refunds over a longer amortization period, such as those proposed in the Opening Brief of the San Diego CCA Programs and CalCCA, are unworkable.[19] Given the lack of

[17] SDG&E Opening Brief at 15.
[18] *Id*. at 17.
[19] SDCCA Opening Brief at 13-14.

evidence supporting its position, SDG&E has not sufficiently demonstrated that forfeiture of the refund is substantively related to, much less an unavoidable consequence of, extending the amortization period. As such, the Commission should reject any notion that forfeiture is a just and reasonable consequence of an extended amortization period. In fact, as the San Diego CCA Programs and CalCCA argue in their Opening Brief and discuss below, requiring bundled customers to forfeit their refund because they leave utility service, regardless of the amount, is manifestly unjust and unreasonable.[20]

C. SDG&E's Proposal is The Only Proposal Advanced in This Proceeding That Would Result in Cost-Shifting

In support of its proposal, SDG&E argues that a 6-month period "helps to preserve indifference as directed by the Commission"[21] While the San Diego CCA Programs and CalCCA appreciate SDG&E's commitment to preserving indifference, these cost-shifting concerns are notably absent from the refund forfeiture discussion. SDG&E argues that such a condition is just and reasonable given the small amount of expected refund ($0.47 per month) and the number of customers expected to depart *after* June 2021.[22] Regardless of the refund amount or number of customers affected, the CAPBA refund represents the bundled customers' share of the PCIA undercollection they covered through rates in 2020. Since the PCIA undercollection is attributable to current CCA and DA customers, but was paid for by bundled customers, forfeiture would necessarily result in a departing customer having to bear additional costs that were not incurred on their behalf. This demonstrates that SDG&E's proposal does not help to preserve indifference and would give rise to impermissible cost-shifting between bundled and departed customers. SDG&E

---

[20] *Id*. at 14-15.
[21] SDG&E Opening Brief at 13.
[22] *Id*. at 17.

failed to address this outcome and thus has failed to demonstrate how this proposed cost-shift is truly just and reasonable. In contrast, the proposal put forth by the San Diego CCA Programs and CalCCA *would* preserve indifference by requiring that bundled customers receive their full CAPBA refund even if they depart for SDCP, CEA, or any other DA service during the amortization period.

SDG&E similarly fails to address whether the CAPBA balance will be updated to reflect refund forfeitures. The proposed PCIA rate increases are calculated to recover the full $8.92 million PCIA undercollection that is owed to bundled customers. If bundled customers forfeit their share of the refund as they depart to SDCP and CEA, the total CAPBA balance to be recovered would necessarily decrease. Failure to adjust the balance and PCIA rates accordingly could result in an overcollection. SDG&E's Opening Brief makes no mention of whether or when such adjustments will occur, and thus fails to show that refund forfeiture is a just and reasonable condition to accommodate an extended amortization period.

D. The Commission Should Adopt SDG&E's Equal-Cents-per-kWh Cost Recovery Allocation Proposal to Ameliorate Rate Shock

SDG&E's Opening Brief recommends that the Commission approve an alternative cost recovery proposal using an equal-cents-per-kWh allocation to mitigate customer rate shock.[23] The San Diego CCA Programs and CalCCA agree with this methodological approach because it provides a more equitable solution to distributing the rate increase than the approved PCIA cost allocation methodology of generation revenue allocation factors. SDG&E's characterization of this alternative allocation method as "the only meaningful way to mitigate rate shock and mitigate

[23] *Id*. at 18.

customer impact"[24] ignores other mechanisms, such as extending the amortization period to minimize rate shock. The equal-cents-per-kWh allocation method should be utilized in conjunction with a 36-month amortization period to provide true relief to customers.

II. CONCLUSION

For the foregoing reasons, the Commission should require SDG&E to recover the CAPBA balance over a 36-month amortization period using an equal-cents-per-kWh approach. Since SDG&E failed to sufficiently demonstrate purported system limitations, the Commission should also require SDG&E to provide bundled customers with a full refund, regardless of whether or when they depart for CCA or DA service.

Respectfully submitted,

/s/ Ty Tosdal

Ty Tosdal
Tosdal APC
777 South Highway 101, Suite 215
Solana Beach, CA 92075
Telephone: (858) 252-6416
E-mail: ty@tosdalapc.com

Attorney for:
San Diego Community Power
Clean Energy Alliance
Solana Energy Alliance

/s/ Evelyn Kahl

Evelyn Kahl, General Counsel
California Community Choice Association
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
E-mail: regulatory@cal-cca.org

October 30, 2020

[24] *Id*. at 19.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902E) for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG Related Forecasts	Application 20-04-014

REPLY BRIEF OF SAN DIEGO COMMUNITY POWER AND CLEAN ENERGY ALLIANCE

Jacob Schlesinger
Keyes & Fox LLP
1580 Lincoln St. Suite 880
Denver, CO 80203
Phone: (970) 531-2525
Email: jschlesinger@keyesfox.com

Tim Lindl
Keyes & Fox LLP
580 California Street, 12th Floor
San Francisco, CA 94104
Phone: (510) 314-8385
E-mail: tlindl@keyesfox.com

Counsel to San Diego Community Power and Clean Energy Alliance

October 23, 2020

SUBJECT MATTER INDEX

I. INTRODUCTION 1

II. REPLY 3

C. Scoping Issue No. 3 – Whether the Commission should approve a 2021 Portfolio Allocation Balancing Account forecast revenue requirement of $373.828 million. 3

I. Scoping Issue 9 – Whether the Commission Should Approve SDG&E's Proposed Vintage Power Charge Indifference Adjustment in Rates 4

i. SDG&E's Interpretation of the Baseline PCIA Rate Flies in the Face of the Commission's Price Cap Policy 4

ii. SDCP and CEA Appreciate SDG&E's Commitment to Correcting its PCIA Calculation Error. 7

J. SCOPING ISSUE NO. 10 – Whether the Commission should approve SDG&E's proposed 2021 rate components for the Green Tariff Shared Renewables Program. 7

III. CONCLUSION 9

TABLE OF AUTHORITIES

Commission Rules of Practice and Procedure
Rule 13.11 1

Commission Decisions
D.12-12-030 2
D.15-01-051 .... 8, 9
D.18-10-019 .... 4, 5, 6

California Statutes
Cal. Pub. Util. Code § 2831 8
Cal. Pub. Util. Code § 451 2

Legislation
CA S.B. 43 (Wolk), ... 8

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902E) for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG Related Forecasts	Application 20-04-014

REPLY BRIEF OF SAN DIEGO COMMUNITY POWER AND CLEAN ENERGY ALLIANCE

Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the July 6, 2020 Scoping Memo and Ruling setting the schedule for this proceeding, San Diego Community Power ("SDCP") and Clean Energy Alliance ("CEA") hereby submit this Reply Brief regarding San Diego Gas and Electric Company's ("SDG&E") *Application for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG Related Forecasts*, submitted on April 15, 2020 ("Application").

SDCP and CEA limit this reply brief to responding only to those issues addressed in SDCP and CEA's Opening Brief, filed on September 25, 2020. Accordingly, SDCP and CEA only respond to the Opening Brief of SDG&E Regarding its Application for Approval of its 2021 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts ("SDG&E Opening Brief").

I. INTRODUCTION

As further explained below, SDCP and CEA submit this reply brief to show that SDG&E's interpretation of the proper baseline rate to use when calculating the Power Charge Indifference Amount ("PCIA") price cap runs contrary to the specific purpose of the cap established by the Commission. In addition, SDCP and CEA note their appreciation for SDG&E's commitment to

correcting its calculation error and look forward to reviewing the corrections in SDG&E's November Update. Further, based on SDG&E's admissions in its Opening Brief and subsequent discovery responses, the Commission should ensure that SDG&E, in its November update, corrects the GT Interim Pool Price along with the other components of the GTSR rates.

As an aside, SDCP and CEA refute any implication by SDG&E that intervenors somehow failed to fulfill their obligations under the Administrative Law Judge's ("ALJ") direction to meet and confer. At the pre-hearing conference, the ALJ directed "the parties to meet and confer regarding a standard form for the issues and the ordering of issues in briefs."[1] On September 9, all parties met and agreed to use the list and order of issues in the scoping memo as the standard form for the ordering of issues in this complex proceeding. Intervenors appropriately declined SDG&E's request to provide their specific arguments that they would advance in Opening Briefs.

SDG&E, as the applicant in this proceeding, bears the burden of affirmatively establishing the reasonableness of all aspects of its application.[2] SDG&E first has the opportunity to make this showing in its application, and then again in its opening brief. Intervenors may simultaneously submit an opening brief identifying issues or concerns with the information provided and positions taken in SDG&E's application. Thereafter, each party has the opportunity to reply to issues identified in opening briefing. The ALJ did not, nor would it have been appropriate to, require intervenors to give SDG&E a "preview" of the issues they plan to address in opening briefs. The ALJ did not convey such a requirement as doing so would be a significant departure from the standard form of Commission litigation and would allow SDG&E two opportunities for

---

[1] June 17, 2020 Prehearing Conference Reporter's Transcript at p. 24:20-25:5 (ALJ Wercinski).
[2] D.11-02-019, *Decision Mandating Pipeline Safety Implementation Plan, Disallowing Costs, Allocating Risk of Inefficient Construction Management to Shareholders, and Requiring Ongoing Improvement in Safety Engineering*, p. 42 (Dec. 28, 2012) ("D.12-12-030"); Pub. Util. Code § 451 (requiring that rates be "just and reasonable").

response—first, in the opening briefs, and again in reply. Parties agreed on the form and order for presenting issues in briefs per the ALJ's request but, appropriately, did not pre-commit to, nor specify, the arguments each intended to advance in opening briefs.

II. REPLY

C. Scoping Issue No. 3 – Whether the Commission should approve a 2021 Portfolio Allocation Balancing Account forecast revenue requirement of $373.828 million.

SDCP and CEA's Opening Brief discussed the importance of requiring SDG&E to provide necessary underlying volumetric data to understand the difference between forecasted PABA revenue requirements and actual PABA balances.[3] SDCP and CEA noted that they would continue to request that SDG&E provide its underlying data on an ongoing monthly basis via discovery.[4]

Since the filing of Opening Briefs, SDCP and CEA and have met and conferred with SDG&E and SDG&E has agreed to provide the requested information under a seal of confidentiality. SDCP and CEA appreciate SDG&E's cooperation on this request. However, going forward, the Commission should require that SDG&E provide such information up-front in its ERRA forecast proceedings to ensure expediency and efficiency in this fast-paced but impactful proceeding.

Without this data, intervenors will not be able to verify whether SDG&E calculated its PABA balances correctly or whether its PABA forecasts are based on verifiable data and consistent with historical sales. Because the PABA balance is a significant input into the total indifference amount, it has a significant impact on PCIA rates.[5] As such, this underlying

[3] SDCP Opening Brief, pp. 9-11.
[4] *Id.* at 11.
[5] *See* SDCP Opening Brief, pp. 3-6.

volumetric data must be readily available to allow intervenors to examine the justness and reasonableness of the proposed PCIA rates.

I. Scoping Issue 9 – Whether the Commission Should Approve SDG&E's Proposed Vintage Power Charge Indifference Adjustment in Rates

i. SDG&E's Interpretation of the Baseline PCIA Rate Flies in the Face of the Commission's Price Cap Policy

SDG&E's interpretation of the baseline PCIA rate for calculating the $0.005/kWh PCIA rate cap contorts the plain language of Decision ("D.") 18-10-019, which seeks to ensure "rate stability and predictability."[6] SDG&E's interpretation, which diminishes the impact of the rate cap such that neither rate stability nor predictability is achieved, thus runs counter to the very policy purpose that led the Commission to adopt the price cap in the first place.

As discussed in SDCP and CEA's Opening Brief, SDG&E takes the position that it should use the rates *in effect* at the end of 2020 as the base rate upon which to establish the 2021 PCIA half-cent cap.[7] In other words, SDG&E asserts that if the Commission grants its trigger application (filed in A.20-07-009 on July 10, 2020), which would temporarily raise the PCIA in 2020 (for residential 2015 vintaged customers) from $0.03205/kWh to $0.49976, then the half cent cap should apply to the temporary trigger rate. Under this approach, the basis for the capped PCIA rate for 2021 would be set at $0.50476, instead of $0.03705, but this proposal results in an 1,459% increase over the approved 2020 PCIA—a far cry from the rate stability and predicitability intended when the Commission issued D.18-10-019.[8]

---

[6] D.18-10-019, *Decision Modifying the Power Charge Indifference Adjustment* Methodology, p. 3 (October 19, 2018).
[7] SDCP and CEA Opening Brief at pp. 12-16.
[8] Exh. SDCP-07, SDG&E CAPBA Response to SDCP DR 3.26; Exh. SDCP-16, CONFIDENTIAL – PCIA Model_2020 CAPBA Trigger 3 Mo._Gen Rev Alloc_Fuhrer.xlsx.

SDG&E's claim that its approach "makes sense" because "not using the current effective PCIA rates as the basis for the cap would set 2021 PCIA Rates at an *artificially low level*."[9] However, this argument completely ignores that the very purpose of the cap—which by definition is an artificial limit on price— is in fact to keep PCIA rates at an "artificially low level" because doing so "promotes certainty and stability for all customers within a reasonable planning horizon."[10]

Similarly, SDG&E argues that not using the rates resulting from its trigger application to set the half cent PCIA cap would result in a CAPBA balance that would "be in a perpetual state of undercollection and repeated triggers."[11] SDG&E assumes that is "not what the Commission intended in D.18-10-019."[12] Yet, a plain reading of D.18-10-019 supports the opposite conclusion. In fact, the Commission revealed that it was not aiming to avoid perpetual undercollections and specifically found "that repayment of undercollections with interest is consistent with our statutory obligation to protect against cost shifts."[13]

SDG&E's argument that SDCP and CEA's proposal creates an "artificially low level" that is apt to "increase the likelihood"[14] that the cap will be hit is also unavailing because the Commission created the trigger mechanism to account for this very likelihood.[15] As stated in D.18-10-019, temporary undercollections are not a concern since they will be trued-up and re-paid (with interest) under the trigger mechanism.[16] Further underscoring the purpose of providing rate stability, the Commission requires that, under this trigger mechanism, an investor-owned utility

---

[9] SDG&E Opening Brief, p. 14 (emphasis added).
[10] D.18-10-019, Finding of Fact 18.
[11] SDG&E Opening Brief, p. 14.
[12] *Id.*
[13] D.18-10-019, p. 87.
[14] SDG&E Opening Brief, p. 14.
[15] D.18-10-019, pp. 85-86.
[16] *Id.*

must file an expedited rate application, where needed, to bring any undercollection *below* 7% of the PCIA rate; the Commission does not specify that the balance be brought down to zero.[17] In other words, the trigger mechanism does not seek to avoid *any* undercollections, only those above 7%.

Moreover, the Commission recognized and intended that any rates set via a utility's trigger application are intended to be only temporary, and that the utility would revert to the baseline rate set in an EERA forecast proceeding when the CAPBA balance falls below 7%. In D.18-10-019, the Commission clearly instructed that a trigger application "shall propose a revised PCIA rate that will bring the projected account balance below 7% and maintain the balance below that level *until January 1 of the following year, when the PCIA rate adopted in that utility's ERRA forecast proceeding will take effect*."[18] Setting the half cent PCIA rate cap based on temporary trigger rates makes little sense if the goal of the cap and trigger mechanism is to promote certainty and stability of the PCIA.

SDG&E also claims that its proposed approach "is consistent with how SDG&E treats all rate changes," but it provides absolutely no support for this statement.[19] Moreover, even if SDG&E's claim were supported by evidence, the point is irrelevant given that PCIA rates are very specifically proscribed by the Commission and through a methodology that is generally applicable to all investor-owned utilities and not just SDG&E. Thus, the question is not how SDG&E treats its other non-specified rates, but rather, whether its proposal to set the PCIA rate cap in this proceeding is consistent with Commission direction.

---

[17] *Id*. at 87.
[18] *Id*. (emphasis added).
[19] SDG&E Opening Brief, p. 14.

Finally, SDG&E contends that this issue is "premature and not ripe for adjudication in this year's ERRA Application" anyhow because SDG&E will not be able to implement its new PCIA rates until January 1, 2021.[20] While it may be true that SDG&E's trigger application will not be decided until after a decision issues in this docket, that fact is unknown at this time. If a decision issues sooner and the Commission fails to address this issue in this proceeding, then SDG&E and other parties will lack guidance on the proper capped rates. Even if the issue does not arise this year due to timing issues, the Commission should nevertheless direct SDG&E on the proper methodology for setting capped PCIA rates in future ERRA forecast proceedings.

ii. SDCP and CEA Appreciate SDG&E's Commitment to Correcting its PCIA Calculation Error.

SDCP and CEA appreciate SDG&E's commitment to correcting two errors contained in the testimony of SDG&E witness Stacy Fuhrer.[21] SDCP and CEA look forward to receiving the corrected calculations in the November Update and confirming their accuracy.

J. SCOPING ISSUE NO. 10 – Whether the Commission should approve SDG&E's proposed 2021 rate components for the Green Tariff Shared Renewables Program.

In its Opening Brief and again in subsequent discovery responses, SDG&E admits that the weighted average price for energy procured from the GT Interim Pool (hereafter termed "GT Interim Pool Price") has not been modified since it was calculated in 2016.[22] SDG&E's failure to include the annually varying contract prices for these resources within the GT Interim Pool, as well as its failure to annually update the GT Interim Pool Price, is directly contrary to the unequivocal Commission requirement that "…GTSR rates should be updated annually."[23] The

[20] *Id*. at 14.
[21] *Id*. at 15.
[22] *Id*. at 18; Exh. SDCP-43, SDG&E Response to SDCP DR 9.1.
[23] D.15-01-051, Conclusion of Law Number 53.

Commission should direct SDG&E to annually update the GT Interim Pool Price along with the other components of the GTSR rates in accordance with D.15-01-051. This is especially true given the extensive use of the Interim Pool.[24]

GT Interim Pool resources routinely account for the majority of generation procured for SDG&E's GT program. In fact, GT Interim Pool resources accounted for 84% and 68% of total generation procured for the GT program in 2018 and 2019, respectively.[25] Additionally, in 2018 and 2019, GT Interim Pool resources that have escalating year-over-year contract energy prices accounted for 46% and 38% of total GT Interim Pool generation, respectively.[26]

SDG&E admits in response to SDCP DR 9.3d that "[t]he escalation in the contracts is not specifically included in the GT Interim Pool price."[27] As confirmed in subsequent diocovery, this means that SDG&E has ignored the fact that each of the underlying PPAs that serve the GT Interim Pool escalates in each year of the PPA.[28] Not accounting for these price increases artificially deflates SDG&E's GTSR rates below their actual costs. Under-pricing the GTSR Interim Pool resources thus improperly shifts GTSR costs onto non-GTSR customers in violation of Commission direction and state law.[29] It would also allow SDG&E to offer a competing green energy product an unreasonably low and unfairly subsidized rate to those customers that are eligible for CCA service. To its credit, SDG&E has agreed to update the GT Interim Pool Price

---

[24] Exh. SDCP-45, SDG&E Supplemntal Response to SDCP DR 9.3(d).
[25] *Compare* Exh. SDCP-37, SDG&E Response to SDCP DR 5.4b *with* Exh. SDCP-46, SDG&E Response to SDCP DR 7.03. (To calculate the annual percent of total GT generation provided by GT Interim Pool resources alone, we divided total GT Interim Pool generation (provided in Exh. SDCP-37) by the sum of total Midway generation (provided by Exh. SDCP-46) and total GT Interim Pool generation.)
[26] *Id.*
[27] Exh. SDCP-45, SDG&E Supplemental Response to SDCP 9.3(d).
[28] Exh. SDCP-45, SDG&E Supplemental Response to SDCP 9.3(d).
[29] D.15-01-051; 2013 Bill Text CA S.B. 43 (Wolk), codified at Cal Pub Util Code § 2831 ("It is the further intent of the Legislature that a green tariff shared renewables program be implemented in a manner that ensures nonparticipating ratepayer indifference for the remaining bundled service, direct access, and community choice aggregation customers.").

in its November Update to reflect the PPA cost escalators.[30] The Commisison should ensure the updated GTSR Interim Pool costs along with the other components of the GTSR rates are in accordance with D.15-01-051.

III. CONCLUSION

For the foregoing reasons, SDCP and CEA request that the Commission reject SDG&E's misapplication of the PCIA rate methodology and instead apply the PCIA cap in a manner that is consistent with established Commission policy, and should further direct SDG&E to update its GTSR rate components in the November Update.

Respectfully submitted,

Jacob Schlesinger
Tim Lindl
Keyes & Fox LLP
1580 Lincoln St. Suite 880
Denver, CO 80203
Phone: (970) 531-2525
Email: jschlesinger@keyesfox.com

Counsel to San Diego Community Power and Clean Energy Alliance

October 23, 2020

[30] Exh. SDCP-45, SDG&E Supplemental Response to SDCP 9.3(d).

Clay Faber - Director
Federal & CA Regulatory
8330 Century Park Court
San Diego, CA 92123

cfaber@sdge.com

September 9, 2020

ADVICE LETTER 3602-E / 2902-G
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: Implementation of San Diego Gas & Electric Company's Arrearage Management Payment (AMP) Plan in Compliance with D.20-06-003

San Diego Gas & Electric Company (SDG&E) hereby submits this filing to the California Public Utilities Commission (Commission) for approval of modifications to its electric and gas tariffs as shown in Attachments A and B.

PURPOSE

The purpose of this Advice Letter (AL) is to comply with Ordering Paragraphs (OP) 83 and 87 of Decision (D.) 20-06-003 (Decision), issued on June 16, 2020, as follows:

1) Pursuant to OP 83, Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and SDG&E, collectively (IOUs) must each file a Tier 2 AL within 90 days of this decision to implement their Arrearage Management Payment (AMP) plan for California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) residential customers.

2) Pursuant to OP 87, the IOUs shall, in the Tier 2 AL implementing the AMP Plan, propose a resolution to address California Community Choice Association's (CalCCA) concern related to the allocation of proportional debt recovery.

BACKGROUND

On September 28, 2017, Governor Brown signed Senate Bill (SB) 598 into law. Among other things, SB 598 requires the Commission to develop rules, policies or regulations with a goal of reducing the statewide disconnection rate of gas and electric utility customers by January 1, 2024.

On December 13, 2018, the Commission adopted the interim rules in D.18-12-013, which set forth various emergency interim measures to reduce the number of residential customer disconnections and to improve the reconnection processes for disconnected customers.

On April 16, 2020, in response to the novel Coronavirus pandemic, COVID-19, the Commission issued Resolution M-4842, directing the utilities to implement applicable Emergency Customer

Protections through April 16, 2021. The Emergency Customer Protections include a disconnection moratorium for all residential and small business customers. Additionally, SDG&E proposed a temporary *pro-rata* allocation method for partial payments from CCA customers through April 16, 2021. At the conclusion of the Emergency Customer Protections, SDG&E will revert to the CCA payment allocation method described in its tariffs.

Pursuant to SB 598, on June 11, 2020, the Commission issued D.20-06-003, the Phase 1 Decision adopting rules and policy changes designed to reduce the number of residential customer disconnections for the Investor Owned Utilities. This Decision, among other things, adopts and makes permanent with modifications the Interim Rules Decision and provides additional customer protections. The Decision also establishes the creation of Arrearage Management Payment (AMP) plans administered by the IOUs (AMP program). Through the AMP program, the IOUs are directed to forgive up to $8,000 of eligible customers' outstanding arrearages as they make on-time monthly payments over the course of 12 months. D.20-06-003 directs the creation of an AMP Working Group comprised of the IOUs, Energy Division, TURN, CCAs and interested parties to discuss details and to reach consensus on the rollout of their proposed AMP plans. The IOUs were further directed to address CalCCA's concerns regarding allocation and recovery of forgiven AMP arrearages for CCA customers during the working group process.

The Decision directs the IOUs to file a Tier 2 advice letter within 90 days of the Decision implementing the AMP and proposing a resolution to address allocation and recovery of CCA AMP-related debt forgiveness. This Advice Letter complies with OP 83 to establish an AMP Plan and OP 87 to propose a resolution to address CCA recovery of customer debt forgiven through the AMP.

AMP IMPLEMENTATION

Timing of Implementation

As a result of the ongoing discussions with the working group, on August 13, 2020, Energy Division issued a letter stating its interpretation that, despite the ongoing COVID-19 Emergency Customer Protections through April 16, 2021, the Decision required implementation of the AMP prior to the end of the Customer Protections period. Energy Division strongly encouraged the IOUs to develop and propose a 2020 AMP implementation date. Pursuant to Energy Division's letter, SDG&E is proposing to implement AMP on the latter of 1) 90 days post-Energy Division's letter dated August 13, 2020, or 2) 45 days after approval of this Advice Letter. This implementation timing permits SDG&E to implement the AMP consistent with Energy Division's direction, and to make any necessary operational changes as directed by Energy Division after Advice Letter approval.

Manual Implementation

As discussed in the working group process, SDG&E is in the process of deploying its new Customer Information System (CIS),[1] scheduled to go online in April 2021. The new CIS is a comprehensive system replacement to improve and support SDG&E's critical business

[1] SDG&E applied for authority to replace its legacy CIS system in A.17-04-027. The CIS replacement was approved by the Commission in August 2018 in D.18-08-008.

processes and customer engagement functions, and is the product of over three years of effort by SDG&E employees and contractors. At this stage, the CIS replacement requires a system freeze of SDG&E's legacy billing system until the new CIS goes live next year. The system freeze is required to ensure a stable transition and minimize overall risk and customer impact, as SDG&E transitions from its legacy system to the new CIS. Because of the system freeze through April 2021, to implement AMP prior to the CIS "go-live," SDG&E will implement AMP on an entirely manual basis. This will require additional resources, AMP specialists, and lead to additional costs. It is unknown to SDG&E at this time how many customers will sign up for AMP, however, SDG&E currently estimates that approximately 20,000 to 25,000 customer accounts in SDG&E's service territory could be eligible for AMP. The additional program resources for the manual implementation will perform eligibility checks, customer education, calculation and processing of debt forgiveness, processing of monthly acknowledgement correspondence, tracking, and overall program management. AMP specialists will also be responsible for providing on-going support to customers during the AMP program. Due to the manual nature of this process, there will be some limitations to implement the AMP program in 2020. For example, SDG&E is unable to make changes to customer bills at this time, therefore, the bill for an AMP enrolled customer account may not identify AMP until after the new CIS is deployed. Further, all reporting will be done manually through spreadsheets. Reporting is described further below.

AMP Criteria

Per D.20-06-003, the AMP Plan is a debt forgiveness payment plan option available to assist eligible CARE and FERA residential customers who meet specific eligibility criteria as described below. Upon customer enrollment in the AMP, 1/12th of a specific outstanding balance will be forgiven after the customer makes each on-time monthly payment of their current charges.

1. AMP Plan Eligibility and Enrollment Criteria

   The AMP Plan is available to an individually metered, bundled and unbundled residential customer account that is currently enrolled in CARE and/or FERA (Eligible Customer).

   An Eligible Customer may elect to participate in the AMP Plan if they meet the following conditions:

   a. The Eligible Customer has past due arrearages greater than $500 for electric and $250 for gas only customers;

   b. The Eligible Customer has an arrearage at least 90 days of age or older; and,

   c. An Eligible Customer must be a customer of the utility for at least 6 months, and have made at least one (1) full on-time payment of that months' current charges by that month's payment due date within the last 24 months.[2]

2. AMP Plan Forgiveness

   a. Once an Eligible Customer is enrolled in the AMP Plan (AMP Participant), 1/12 of the AMP Participant's debt will be forgiven, up to a maximum of $8,000 (AMP Amount) per AMP, after each on-time payment of the current month's charges.

[2] When SDG&E transitions to the new CIS in April 2021, SDG&E will waive this requirement until 24 months' worth of customer payment data is available in its new CIS. The new CIS is converting 13 months of historical data at the time of deployment in April 2021.

b. After twelve on-time payments of the current month's charges, the AMP Participant's AMP Amount debt will be forgiven. This is considered successful completion of the AMP Plan.
    a. After successful completion of the AMP Plan, any remaining arrearage (in excess of the $8,000 forgiven per AMP) is owed to the utility and may be eligible for a payment plan.

c. Any payment received, including Low Income Home Energy Assistance Program (LIHEAP) pledge payments, shall be applied towards the AMP Participant's current bill only and will not be applied to any AMP Arrearage Amount. If a payment is received in excess of current month's charges, the excess will be applied to future charges.

d. An AMP Participant will receive an acknowledgment of on-time payment received at three (3), six (6), and nine (9) months of participation in the AMP Plan.

e. An AMP Participant can miss up to two non-sequential payments if the customer makes up the payment on the next billing due date with an on-time full payment of both the current and missed payments.

f. An AMP Participant who misses two sequential payments shall be removed from the AMP Plan. An AMP Participant removed from the AMP Plan may re-enroll after completing a 12-month waiting period, which begins the first month after the eligible customer drops out of the AMP. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant is removed from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan.

g. An AMP Participant, who drops out of the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after dropping out from the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant drops out from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan.

h. An AMP Participant, who successfully completes the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after successful completion of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria.

i. All bundled charges forgiven will be recorded to the residential uncollectible balancing account (RUBA).

j. California Hub for Energy Efficiency Financing (CHEEF) and On Bill Financing (OBF) charges will not be eligible for forgiveness in the AMP Plan.

k. To make current monthly charges more predictable, an AMP Participant can request to participate in LPP while participating in the AMP Plan.

Pursuant to OP 5, SDG&E will provide annual AMP reporting related to OPs 70-82 of D.20-06-003 beginning in 2022.

Proposed Marketing and Customer Outreach

Pursuant to Resolution M-4842, SDG&E will continue the disconnection moratorium for residential and small business customers through April 16, 2021. SDG&E will take the following initial steps to provide outreach efforts to enroll eligible customers in the AMP Program.[3]

In order to help customers avoid disconnection and manage unpaid arrearages, SDG&E plans to reach customers in a variety of channels.

At program inception, to ensure information is available and easy to find, AMP requirements, benefits, and FAQ's will be posted on SDG&E's website on relevant assistance pages. Additionally, a communication will be sent to current CARE/FERA customers, to provide awareness of the AMP program and their eligibility. Customers will be directed to call the Customer Care Center (CCC) to speak with an Energy Service Specialist (ESS) with questions and help to enroll, as needed.

Prior to the conclusion of the disconnection moratorium, collection notices will be updated to include general information about AMP benefits and requirements. Current marketing and outreach efforts to eligible CARE/FERA customers will be reviewed to determine where secondary AMP messaging can be included to help raise awareness for at-risk customers. As space permits, secondary messaging about AMP and payment arrangements will be promoted through communication channels such as printed material, email and the SDG&E bill package, as well as through social media channels.

Relevant AMP information will be also provided to community partners and CBOs that serve the most at-risk customers to help communicate program benefits and requirements. As trusted partners to vulnerable populations, these organizations are well positioned to help describe the program in terms that the customers will understand, especially for non-English speaking customers or members of the community who speak English as a second language. AMP enrollment materials will be also be available in multiple languages, as required.

In early 2021 SDG&E will send an outreach communication to residential customers informing them that Emergency Customer Protections are ending and explaining their options for financial assistance, including AMP.

IOU's Response to CalCCA's Proposed Cost Recovery/Allocation Solutions (OP 87):

D.20-06-003 directs the IOUs to offer AMP plans for all eligible CARE/FERA customers, and to forgive those customers arrearages upon receiving on-time payments. CalCCA actively participated in the Rulemaking to address the impacts of the new disconnection policies, rules, and procedures, including AMP, on the CCAs. To address the potential impact on CCA uncollectibles for CCAs that choose to participate in AMP, the Commission directed the IOUs to address the issues of concern related to proportional recovery raised by CalCCA during the working group and propose a resolution in this Advice Letter. During the working group

[3] Distribution of marketing and outreach materials will coincide with the AMP implementation date. Pursuant to Energy Division's letter, SDG&E is proposing to implement AMP on the later of 1) 90 days post-Energy Division's letter dated August 13, 2020, or 2) 45 days after approval of this Advice Letter.

process, CalCCA proposed options to address the impacts of AMP debt forgiveness on CCAs who opt to participate in the program. CalCCA's "Option A" proposed that the IOUs track all customer debt forgiven through the AMP program—including CCA customer debt related to commodity costs—and recover that debt on behalf of both the IOUs and the CCAs through the utilities' Public Purpose Program (PPP) charge. SDG&E agrees with CalCCA's "Option A" and proposes to track all debt forgiven through the AMP Plan for both bundled and unbundled customers, including CCA commodity-related debt forgiven. SDG&E further proposes to recover the forgiven debt through the utility's PPP charge, including the commodity-related CCA charges to its participating CCAs.[4] This collection and payment allocation method will apply only to debt forgiven for eligible CARE/FERA customers through the AMP program. Therefore, SDG&E's Rule 27 will not change, and at the conclusion of the COVID-19 Emergency Customer Protections, SDG&E will continue to follow the payment allocation method outlined in Rule 27.

SDG&E's proposed utility charge recovery of AMP costs is consistent with the public purpose nature of the AMP Program. D.20-06-003 establishes AMP as a social program to address those most in need, specifically low-income customers enrolled in CARE/FERA. SDG&E's proposed cost recovery through the PPP charge is similar to SDG&E's CARE/FERA discount program, which is also recovered via the PPP. SDG&E proposes to recover AMP costs via PPP from all customers on an equal cent per kilowatt hour charge based on authorized sales. SDG&E's proposed "Option A" recovery method resolves the cost recovery issue addressed by CalCCA and it facilitates CCA participation in the AMP program.

Absent express notice of a CCA's decision to participate in the AMP Plan, SDG&E does not have the authority or ability to forgive the commodity-related arrearages of CCA customers. Therefore, for unbundled customers to have CCA charges forgiven in the AMP Plan, the CCA must elect to participate in the AMP Plan. If the CCA does not elect to participate, SDG&E may only forgive the utility charges through its AMP. Therefore, SDG&E requests that participating CCA's provide SDG&E reasonable notice that the CCA is electing to participate in the AMP. To that end, SDG&E proposes a 45 day notice period from participating CCAs, after which CCA customers would be eligible for forgiveness of commodity-related costs through the AMP. If a CCA subsequently chooses to discontinue the AMP Plan for commodity costs, SDG&E proposes a 60 day notice period, after which CCA customers enrolling in AMP will not be considered eligible for forgiveness of CCA commodity costs. Additionally, if a CCA decides to discontinue the AMP Plan, any CCA customers already enrolled in the AMP program will remain eligible for the full AMP Amount debt forgiveness of both utility and CCA commodity debts. SDG&E believes it is reasonable for the customers who have relied on the AMP Plan and remain in good standing to continue forgiveness of debt, mid-program, if the CCA decides to terminate the program early. CCA customers enrolled in AMP after a CCA elects not to participate in the AMP program will remain eligible for forgiveness of utility arrearages.

SDG&E proposes that the same processes regarding AMP availability, election to participate, the noticing periods, and cost recovery through PPP, apply for load serving entities (LSEs) for whom SDG&E provides unbundled customer billing for non-commodity utility related charges.

---

[4] SDG&E is proposing the aforementioned method to address recovery of CCA debt forgiven through AMP pursuant to OP 87 of D.20-06-003. Consistent with OP 98 and Commission General Order 96-B, Section 5.1(1), SDG&E submits that submission of this proposal is merited through a Tier 2 advice letter. However, given the rate impacts associated with the proposal, the Option A proposal may require approval through a Commission Resolution.

Consistent with this proposal, and pursuant to OP 91 of D.20-06-003, SDG&E will propose the aforementioned cost recovery regarding AMP uncollectibles in a separate Tier 2 AL establishing SDG&E's residential uncollectible balancing account (RUBA), as required by D.20-06-003.

Response to CCA Requests For Additional Data Sharing

On Friday, August 28, 2020, at the 4th AMP Working Group, CalCCA requested additional reporting from the IOUs.

SDG&E does not intend to deviate from any of the reports currently provided to its CCAs. The Decision does not specifically require the IOUs to provide this account-specific data or reporting to the CCAs on an ongoing basis, however, SDG&E will work with our CCAs to provide data that they feel they need to successfully facilitate eligible customers into AMP and provide customers with ongoing support. As previously noted, SDG&E is undergoing a generational upgrade to its CIS system, so much of the data requested by CalCCA would have to be provided on a manual basis until the new CIS is operational. The manual nature of the work limits SDG&E's ability to provide certain information on the timeframes requested. SDG&E is unable to provide the AMP-related reporting requested by CalCCA on a weekly basis. SDG&E is looking into whether it could provide reporting on a monthly basis after the CIS replacement. SDG&E further notes that its two Joint Powers Authorities (JPAs) are not scheduled to begin service until mid-2021. SDG&E will work with its current CCA, Solana Energy Alliance, to accommodate data requests prior to implementation of the new CIS system.

Net Energy Metering (NEM) Customers

During the 4th AMP Working Group, the parties agreed that AMP eligibility and treatment for all NEM customers[5] would be deferred until a later date. Thus, SDG&E does not have a proposal at this time.

Proposed Electric Tariff Modifications:

Rule 1 – Definitions

ARREARAGE MANAGEMENT PAYMENT (AMP) PLAN: AMP is a debt forgiveness payment plan. See also Rule 9.

Rule 9 – Rendering and Payment of Bills

H. Arrearage Management Payment (AMP) Plan

Per D.20-06-003, the AMP Plan is a debt forgiveness payment plan option available to eligible customers. Upon customer enrollment in the AMP, 1/12 of the AMP Participant's debt will be forgiven after each on-time payment of the current month's charges.

1. AMP Plan Eligibility and Enrollment Criteria

[5] SDG&E NEM tariffs include: NEM, NEM-ST, NEM-FC, NEM-V, NEM-V-ST, VNM-A, VNM-A-ST, and VNEM-SOMAH.

The AMP Plan is available to an individually metered, bundled and unbundled residential customer account that is currently enrolled in CARE and/or FERA (Eligible Customer).

For unbundled customers to have CCA charges forgiven in the AMP Plan, the CCA has to elect to participate to the AMP Plan and provide SDG&E reasonable notice. Within 45 days of SDG&E receiving notice that the CCA has opted into the AMP Plan, SDG&E will consider the CCA customers commodity-related charges eligible for forgiveness through the AMP Plan. If the CCA does not elect to participate, only utility charges will be forgiven.

The AMP Plan is not available to NEM customers (NEM customers include customers participating in NEM, NEM-ST, NEM-FC, NEM-V, NEM-V-ST, VNM-A, VNM-A-ST, and VNEM-SOMAH).

An Eligible Customer may elect to participate in the AMP Plan if they meet the following conditions:

b. An Eligible Customer has past due arrearages greater than $500 for electric;

b. An Eligible Customer has an arrearage at least 90 days of age or older; and,

c. An Eligible Customer must be a customer for at least 6 months, and has made at least one (1) full on-time payment of that months' current charges by that month's payment due date within the last 24 months.

2. AMP Plan Forgiveness

a. Once an Eligible Customer is enrolled in the AMP Plan (AMP Participant), 1/12 of the AMP Participant's debt will be forgiven, up to a maximum of $8,000 (AMP Amount) per AMP, after each on-time payment of the current month's charges.
    i. AMP Amount is determined at the time of enrollment.

b. After twelve on-time payments of current month's charges, the AMP Participant's AMP Amount debt will be forgiven. This is considered successful completion of the AMP Plan.
    i. After successful completion of the AMP Plan, any remaining arrearage (in excess of the $8,000 forgiven, per AMP) is owed to the utility and may be eligible for a payment plan.

c. Any payment received, including Low Income Home Energy Assistance Program (LIHEAP) pledge payments, shall be applied towards the AMP Participant's current bill only and will not be applied to any AMP Amount. If a payment is received in excess of current month's charges, the excess will be applied to future charges.

d. An AMP Participant will receive an acknowledgment of on-time payment received at three (3), six (6), and nine (9) months of participation in the AMP Plan.

e. An AMP Participant can miss up to two non-sequential payments if the customer makes up the payment on the next billing due date with an on-time full payment of both the current month's charges and the previous month's past-due bill(s).

f. An AMP Participant who misses two sequential payments shall be removed from the AMP Plan. An AMP Participant removed from the AMP Plan may re-enroll after completing a 12-month waiting period, which begins the first month after the eligible customer drops out of the AMP. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant is removed from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of removal.

g. An AMP Participant, who drops out of the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after dropping out of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant drops out of the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of dropping out.

h. An AMP Participant who successfully completes the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after successful completion of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria.

i. All bundled charges forgiven will be recorded to the Residential Uncollectible Balancing Account (RUBA).

j. CHEEF and OBF charges will not be eligible for forgiveness in the AMP Plan

k. To make current monthly charges more predictable, an AMP Participant can request to participate in LPP while participating in the AMP Plan.

Proposed Gas Tariff Modifications:

Rule 1 – Definitions

ARREARAGE MANAGEMENT PAYMENT (AMP) PLAN: AMP is a debt forgiveness payment plan. See also Rule 9.

Rule 9 – Rendering and Payment of Bills

G. Arrearage Management Payment (AMP) Plan

Per D.20-06-003, the AMP Plan is a debt forgiveness payment plan option available to eligible customers. Upon customer enrollment in the AMP, 1/12 of the AMP Participant's debt will be forgiven after each on-time payment of the current month's charges.

1. AMP Plan Eligibility and Enrollment Criteria

   The AMP Plan is available to an individually metered, bundled and unbundled residential customer account that is currently enrolled in CARE and/or FERA (Eligible Customer).

   An Eligible Customer may elect to participate in the AMP Plan if they meet the following conditions:

   a. An Eligible Customer has past due arrearages greater than $250 for gas only customer;

   b. An Eligible Customer has an arrearage at least 90 days of age or older; and,

   c. An Eligible Customer must be a customer for at least 6 months, and has made at least one (1) full on-time payment of that months' current charges by that month's payment due date within the last 24 months.

2. AMP Plan Forgiveness

   a. Once an Eligible Customer is enrolled in the AMP Plan (AMP Participant), 1/12 of the AMP Participant's debt will be forgiven, up to a maximum of $8,000 (AMP Amount) per AMP, after each on-time payment of the current month's charges.
      i. AMP Amount is determined at the time of enrollment.

b. After twelve on-time payments of current month's charges, the AMP Participant's AMP Amount debt will be forgiven. This is considered successful completion of the AMP Plan.
    i. After successful completion of the AMP Plan, any remaining arrearage (in excess of the $8,000 forgiven, per AMP) is owed to the utility and may be eligible for a payment plan.

c. Any payment received, including Low Income Home Energy Assistance Program (LIHEAP) pledge payments, shall be applied towards the AMP Participant's current bill only and will not be applied to any AMP Amount. If a payment is received in excess of current month's charges, the excess will be applied to future charges.

d. An AMP Participant will receive an acknowledgment of on-time payment received at three (3), six (6), and nine (9) months of participation in the AMP Plan.

e. An AMP Participant can miss up to two non-sequential payments if the customer makes up the payment on the next billing due date with an on-time full payment of both the current month's charges and the previous month's past-due bill(s).

f. An AMP Participant who misses two sequential payments shall be removed from the AMP Plan. An AMP Participant removed from the AMP Plan may re-enroll after completing a 12-month waiting period, which begins the first month after the eligible customer drops out of the AMP. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant is removed from the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of removal.

g. An AMP Participant, who drops out of the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after dropping out of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria. If an AMP Participant drops out of the AMP Plan, the remaining arrearage will be owed to the utility and may be eligible for a payment plan at the time of dropping out.

h. An AMP Participant who successfully completes the AMP Plan, may re-enroll after completing a 12-month waiting period, which begins the month after successful completion of the AMP Plan. Re-enrolling in the AMP Plan requires an Eligible Customer to meet AMP Plan Eligibility and Enrollment Criteria.

i. All bundled charges forgiven will be recorded to the Residential Uncollectible Balancing Account (RUBA).

j. CHEEF and OBF charges will not be eligible for forgiveness in the AMP Plan

k. To make current monthly charges more predictable, an AMP Participant can request to participate in LPP while participating in the AMP Plan.

EFFECTIVE DATE

SDG&E believes this submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to OPs 83 and 87 of D.20-06-003 and General Order 96-B. Consistent with OP 98 and Commission General Order 96-B, Section 5.1(1), SDG&E submits that submission of the Option A proposal is merited through a Tier 2 advice letter. However, given the rate impacts associated with the proposal, the Option A proposal may require approval through a Commission Resolution. Pursuant to the agreement reached during the fourth AMP Working Group, SDG&E respectfully requests that this submittal be

approved for implementation on the later of 1) 90 days post-Energy Division's letter dated August 13, 2020, or 2) 45 days after approval of this Advice Letter.

PROTEST

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than September 29, 2020, which is 20 days after the date this Advice Letter was submitted with the Commission. There is no restriction on who may submit a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. A copy of the protest should also be sent via e-mail to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Greg Anderson
Regulatory Tariff Manager
E-mail: GAnderson@sdge.com and
SDGETariffs@sdge.com

NOTICE

A copy of this submittal has been served on the utilities and interested parties shown on the attached list, including interested parties in R.18-07-005, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by email to SDG&ETariffs@sdge.com.

/s/ Clay Faber

CLAY FABER
Director – Federal & CA Regulatory

Clay Faber - Director
Regulatory Affairs
8330 Century Park Court
San Diego, CA 92123-1548

CFaber@sdge.com

October 6, 2020

Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Re: **San Diego Gas & Electric's (SDG&E) Reply to Protest of SDG&E Advice Letter 3602-E/2902-G**

Pursuant to General Order (GO) 96-B, San Diego Gas & Electric (SDG&E) hereby replies to the Protest of California Community Choice Association (CalCCA) to SDG&E Advice Letter (AL) 3602-E/2902-G.

BACKGROUND

On September 9, 2020, SDG&E submitted a Tier 2 AL, Advice Letter 3602-E/2902-G, requesting California Public Utilities Commission (Commission or CPUC) approval for SDG&E's modifications to its electric and gas tariffs in compliance with Ordering Paragraphs (OP) 83 and 87 of Decision (D.) 20-06-003.

AL 3602-E/2902-G proposes to implement SDG&E's Arrearage Management Payment (AMP) plan for California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) residential customers as well as a resolution to address CalCCA's concern related to the allocation of proportional debt recovery.

On September 29, 2020, CalCCA served a timely protest to SDG&E AL 3602-E/2902-G and Southern California Edison's AL 4287-E to SDG&E.

SUMMARY OF CALCCA'S PROTEST

CalCCA states that while the AL adequately addressed the requirements established in D.20-06-003, they request the following clarification from SDG&E:

1. The AL should clarify how often SDG&E plans to remit amounts recovered for generation-related arrears to the CCA.
2. SDG&E should be required to provide program information at intervals requested by the CCAs, and SDG&E should clarify what customer information it will provide CCAs that participate in the AMP.

SDG&E'S RESPONSE

1. **SDG&E intends to remit amounts recovered for generation-related arrears to the CCAs on a monthly basis upon CPUC approval of rate recovery**.

SDG&E intends to remit amounts recovered for forgiven generation-related arrears to the CCAs on a monthly basis after those costs are recovered in CPUC-approved rates. AMP costs will be tracked intra-year and SDG&E will request recovery of those costs in its annual Public Purpose Programs (PPP) filing by October 1 of each year. After receiving Commission approval for recovery, SDG&E will implement the costs into PPP rates as of January 1 of the following year. As SDG&E recovers AMP costs—including costs related to forgiven generation-related arrears—in its PPP rates, the CCAs will receive their portion on a monthly basis, consistent with how SDG&E will be collecting those costs from customers through rates. As such, the CCAs will be receiving recovery at the same time as SDG&E does through CPUC approved rates.

SDG&E charges commodity charges and remits those charges to CCAs on a daily basis. Remitting the generation-related arrears that are forgiven through AMP on the same schedule, however, is not practicable because the Commission must first approve recovery of those AMP costs for both the utility and the CCAs through PPP rates. Additionally, remitting recovery of AMP generation-related costs on a daily basis is unreasonable because customer bill cycles vary, thus recovery of the arrearage forgiveness will vary as well. Remitting CCA AMP recovery on a monthly basis, after Commission approval of recovery, is the consistent, reasonable, and feasible option to achieve implementation of SDG&E's proposal.

2. **SDG&E will continue to work with CCAs in SDG&E's service territory to address data reporting concerns**.

    a. Manual Implementation Period

SDG&E understands CalCCA's request for the six categories of information outlined in their protest. As SDG&E noted in AL 3602-E/2902-G, "SDG&E will work with our CCAs to provide data that they feel they need to successfully facilitate eligible customers into AMP and provide customers with ongoing support."[1] SDG&E remains in the process of deploying its new Customer Information System (CIS), scheduled to go online in April 2021. At this stage, the CIS replacement requires a system freeze of SDG&E's legacy billing system until the new CIS goes live next year. The system freeze is required to ensure a stable transition and minimize overall risk and customer impact, as SDG&E transitions from its legacy system to the new CIS. As described in its advice letter, SDG&E is implementing its AMP on a manual basis to meet the deadlines mandated by D.20-06-003 and Energy Division's August 13, 2020 letter encouraging the utilities to implement AMP in 2020. Thus, the associated reports provided to the CCAs will also have to be created on a manual basis. Additionally, the current CIS produces files on a monthly basis, so SDG&E would be unable to quantify the information requested by CalCCA on a daily or weekly basis.

SDG&E currently has one CCA, Solana Energy Alliance (SEA), in its service territory. Prior to May 2021, when Clean Energy Alliance (CEA) comes online and merges with SEA, there will be very few residential CCA customers eligible for AMP. SDG&E has begun discussions with SEA to address the AMP program and AMP-related data for the small number of eligible customers.

---

[1] AL 3602-E/2902-G at 7.

During this initial launch of AMP, SDG&E proposes to provide the six items outlined in CalCCA's protest to SEA on a monthly basis, due to the small number of eligible SEA AMP customers, and because SEA customers are generally in the same two billing cycles.[2] As such, weekly reports are unnecessary and overly burdensome, because customer billing and payment activities occur once per month.

b. CCA AMP Reporting in the New CIS

After SDG&E's new CIS goes live, SDG&E will continue to provide information consistent with its current reports, as noted in AL 3602-E/2902-G.[3] In May 2021, CEA will come online with a larger residential customer base and more CCA customers will be eligible for AMP. San Diego Community Power (SDCP), is also scheduled to come online in 2021, with residential customer enrollment scheduled to begin in early 2022. Prior to these transitions, SDG&E will continue its discussions with CEA and SDCP to address the AMP program and related data reporting requests. These discussions will address the individual CCA's data requests as well as the concerns expressed by CalCCA, to facilitate an efficient AMP program for both the utility and participating CCAs. SDG&E believes this ongoing dialogue is the best avenue to address the needs of its new CCAs as they come into service.

CONCLUSION

SDG&E respectfully provides this Reply to CalCCA's protest and requests that the Commission approve Advice Letter 3602-E/2902-G as submitted.

Sincerely,

/s/ Clay Faber
Clay Faber
Director – Regulatory Affairs

cc: AdviceTariffManager@sce.com
Karyn.Ganseki@sce.com
shawndai@cal-cca.org
EDTariffUnit@cpuc.ca.gov
Service List R.18-07-005

[2] These manual reports will be provided separately from other CCA data reports provided by SDG&E.
[3] AL 3602-E/2902-G at 7.

Clay Faber - Director
Regulatory Affairs
8330 Century Park Court, CP32F
San Diego, CA 92123-1548

cfaber@sdge.com

May 11, 2020

ADVICE LETTER 3540-E
(U902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: UPDATE OF COMMUNITY CHOICE AGGREGATOR FINANCIAL SECURTY REQUIREMENTS FOR MAY 2020 PURSUANT TO DECISION 18-05-022

PURPOSE

In compliance with California Public Utilities Commission (Commission) Decision (D.) 18-05-022, San Diego Gas & Electric Company (SDG&E) is submitting its advice letter updating the financial security requirement (FSR) for community choice aggregators (CCAs) in its service area. The FSR is designed to cover the incremental administrative and procurement costs resulting from an involuntary return of CCA customers to utility bundled service.

In accordance with the direction provided in D.18-05-022, the CCA FSR calculations will be updated on May 10 and November 10 of each year.

SDG&E's advice letter (AL) 3259-E establishing the original CCA FSRs pursuant to D.18-05-022 was approved by the Commission on September 14, 2018. However, corresponding updates to SDG&E's Rule 27 governing FSR posting requirements are still pending before the Commission in AL 3257-E.

BACKGROUND

Public Utilities Code (PUC) Section 394.25(e) ensures that existing customers of an electric utility are protected from potential costs resulting from a mass involuntary return of CCA customers to utility service. Those potential costs fall into two categories: 1) the administrative costs incurred by the utility for returning CCA customers to utility service, and 2) the incremental procurement costs incurred by the utility for procuring electricity for the returned customers.

D.18-05-022 implements Section 394.25(e) as it relates to CCAs, which reads:

> *If a customer of an electric service provider or a community choice aggregator is involuntarily returned to service provided by an electrical corporation, any reentry fee imposed on that customer that the commission deems is necessary to avoid imposing costs on other customers of the electrical corporation shall be the obligation of the electric service provider or a community choice aggregator, except in the case of a customer returned due to default in payment or other contractual obligations or because the customer's contract has expired. As a*

> *condition of its registration, an electric service provider or a community choice aggregator shall post a bond or demonstrate insurance sufficient to cover those reentry fees. In the event that an electric service provider becomes insolvent and is unable to discharge its obligation to pay reentry fees, the fees shall be allocated to the returning customers.*

In order to implement this statutory provision, the Commission determined in D.18-05-022 both the amount of the reentry fee required for an involuntary return of CCA customers to utility service and the bond or insurance sufficient to cover the reentry fee in the event of CCA insolvency.[1]

DISCUSSION

In D.18-05-022, the Commission determined that, for the purposes of calculating the FSR, the reentry fee for CCAs includes both utility administrative costs and incremental procurement costs.[2] To calculate the administrative cost component of the CCA FSRs, SDG&E used the per-customer reentry fee for voluntary returns from Schedule CCA.[3] This value is currently set at $1.12 per returning customer.

SDG&E forecasted the incremental procurement cost component of the CCA FSRs using the methodology set forth in the Joint Utilities' direct testimony (Exhibit JU-01, Appendix E),[4] to the extent the methodology is consistent with D.18-05-022.[5] Adjustments made to Appendix E for the purposes of calculating the incremental procurement component of the FSR include the following:[6]

- Forecast incremental procurement costs are based on six months of incremental utility procurement, rather than 12 months as shown in the Joint Utilities' testimony.
- To the extent the calculated incremental procurement cost is negative, the negative procurement costs are allowed to offset up to 100% of the applicable administrative costs, subject to the $147,000 FSR minimum as adopted in D.18-05-022.

The final amount of the FSR for each CCA has been set equal to the sum of the calculated incremental administrative and procurement costs as defined above or $147,000, whichever is greater.

FSR calculations for each CCA in SDG&E's service area are included as Attachment A. As directed in D.18-05-022, SDG&E will update CCA FSR amounts on May 10 and November 10 of each year. Updated CCA FSRs will be submitted via Tier 2 advice letter, and postings will be due on January 1 and July 1, respectively. A deadband will apply when determining whether any adjustments are necessary during the May and November updates to the currently posted CCA FSRs.[7] Concurrent

---

[1] Resolution E-4133 provided an interim methodology for calculating the amount of a bond required by Section 394.25(e) that has been used to date.

[2] D.18-05-022 at 15.

[3] *Id.*

[4] The *Joint Utilities' Direct Testimony Proposing A Methodology for Calculating and Implementing the CCA Financial Security Requirement* was submitted in Commission Rulemaking 03-10-003 on July 28, 2017.

[5] *Id.* at 7.

[6] *Id.* at 15-16.

[7] *Id.* at 16.

with each CCA FSR update advice letter, SDG&E will serve by electronic means on each applicable CCA a copy of the advice letter, with the relevant supporting data, redacted of any third party proprietary information, and the calculation of each respective CCA's FSR amount.

D.18-05-022 lists acceptable forms for satisfying the FSR to include letters of credit, surety bonds, and cash held in escrow at a U.S. branch of a commercial bank.[8]

EFFECTIVE DATE

SDG&E believes that this submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after disposition) and respectfully requests an approval date of June 10, 2020, 30 days after the date submitted.

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than June 1, 2020, which is 20 days of the date this Advice Letter was submitted with the Commission. There is no restriction on who may submit a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. A copy of the protest should also be sent via e-mail to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson
Regulatory Tariff Manager
E-mail: mcaulson@sdge.com

NOTICE

A copy of this submittal has been served on the utilities and interested parties shown on the attached list, including interested parties in R.03-10-003, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed. Address changes should be directed to SDG&E Tariffs by email to SDGETariffs@sdge.com.

/s/ Clay Faber

CLAY FABER – DIRECTOR
Regulatory Affairs

[8] *Id.*

General Order No. 96-B
ADVICE LETTER SUBMITTAL MAILING LIST

cc: (w/enclosures)

Public Utilities Commission
Office of Ratepayer Advocates (ORA)
R. Pocta
Energy Division
M. Ghadessi
M. Salinas
L. Tan
R. Ciupagea
Tariff Unit

CA Energy Commission
B. Penning
B. Helft

Advantage Energy
C. Farrell

Alcantar & Kahl LLP
M. Cade
K. Harteloo

AT&T
Regulatory

Barkovich & Yap, Inc.
B. Barkovich

Braun & Blaising, P.C.
S. Blaising
D. Griffiths

CA Dept. of General Services
H. Nanjo

California Energy Markets
General

California Farm Bureau Federation
K. Mills

California Wind Energy
N. Rader

City of Poway
Poway City Hall

City of San Diego
L. Azar
J. Cha
D. Heard
F. Ortlieb
H. Werner
M. Rahman

Clean Energy Renewable Fuels, LLC
P. DeVille

Clean Power Research
T. Schmid
G. Novotny

Davis Wright Tremaine LLP
J. Pau

Douglass & Liddell
D. Douglass
D. Liddell

Ellison Schneider Harris & Donlan LLP
E. Janssen
C. Kappel

Energy Policy Initiatives Center (USD)
S. Anders

Energy Regulatory Solutions Consultants
L. Medina

Energy Strategies, Inc.
K. Campbell

EQ Research
General

Goodin, MacBride, Squeri, & Day LLP
B. Cragg
J. Squeri

Green Charge
K. Lucas

Hanna and Morton LLP
N. Pedersen

JBS Energy
J. Nahigian

Keyes & Fox, LLP
B. Elder

Manatt, Phelps & Phillips LLP
D. Huard
R. Keen

McKenna, Long & Aldridge LLP
J. Leslie

Morrison & Foerster LLP
P. Hanschen

MRW & Associates LLC
General

NLine Energy
M. Swindle

NRG Energy
D. Fellman

Pacific Gas & Electric Co.
M. Lawson
M. Huffman
Tariff Unit

RTO Advisors
S. Mara

SCD Energy Solutions
P. Muller

Shute, Mihaly & Weinberger LLP
O. Armi

Solar Turbines
C. Frank

SPURR
M. Rochman

Southern California Edison Co.
K. Gansecki

TerraVerde Renewable Partners LLC
F. Lee

TURN
M. Hawiger

UCAN
D. Kelly

US Dept. of the Navy
K. Davoodi

US General Services Administration
D. Bogni

Valley Center Municipal Water Distr
G. Broomell

Western Manufactured Housing Communities Association
S. Dey

Interested Parties in:
R.03-10-003

Information redacted is confidential per D.16-08-024, G.O. 66-D, and PU Code §§ 583 and 454.5(g).

SDG&E Advice Letter 3540-E Attachment A - CCA Financial Security Requirement

Solana Energy Alliance

1	Average On-Peak and Off-Peak Forward Price Source	ICE					
2	Calculation Month (M)	April-20					
	3	4	5	6	7	8	
	Trading Day Average for 6 Months Forward Strip From Month of (M-1)	Average On-Peak Forward Price	Average Off-Peak Forward Price	CCA Load Forecast On-Peak (MWh)	CCA Load Forecast Off-Peak (MWh)	CCA Monthly Peak Demand (MW)	
	May-20	$ 21.28	$ 18.60				
	Jun-20	$ 29.69	$ 23.04				
	Jul-20	$ 48.13	$ 29.24				
	Aug-20	$ 51.62	$ 31.87				
	Sep-20	$ 44.01	$ 32.07				
	Oct-20	$ 36.60	$ 29.37				
	Nov-20	N/A[1]					
	Dec-20						
	Jan-21						
	Feb-21						
	Mar-21						
	Apr-21						
9	Forecast CCA Number of Service Accounts (SA)		SA				
10	Customer Re-Entry Fee	$ 1.12	Per SA				
11	IOU-Specific Line Loss Factor	104.3%					
12	IOU System Average Bundled Service Generation Rate	$ 97.85	Per MWh				
13	Prior Period's CCA FSR	$ 147,000					
14	Minimum FSR	$ 147,000					

RPS Cost Forecast Inputs

15	REC Value	$ 17.35	Per MWh
16	RPS Annual Target Percentage	33%	

RA Cost Forecast Inputs

17	RA Planning Reserve Margin (PRM) Requirement	115%	
18	Local RA Volume-Weighted Average Price (VWAP)		Per kW-mo
19	System RA Volume-Weighted Average Price (VWAP)		Per kW-mo
20	Annual Peak Demand in TAC Area	4,158	MW
21	Annual Local Capacity Requirement (LCR) in TAC Area	3,888	MW

	Load Forecast Calculation			Load Forecast Calculation Formulas
22	CCA Usage Forecast		MWh	Sum of Columns 6, 7
23	CCA Annual Peak Demand		MW	Max of Column 8 (Lines -)
24	CCA Average Peak Demand		MW	Average of Column 8 (Lines -)

	RA Forecast Calculation			RA Forecast Calculation Formulas
25	CCA Peak Load Share (based on CCA Annual Peak Demand)			Line 23 ÷ 20
26	CCA Local RA Requirement		MW	Line 25 x 21
27	CCA Net System RA Requirement		MW	Line (24 x 17) - Line 26

	Incremental Cost Calculation	Total		Incremental Cost Calculation Formulas
28	Energy Cost Forecast (incl. IOU-Specific Line Loss Factor)			[Sum Product of Columns 4, 5, 6, 7] x Line 11
29	RPS Cost Forecast (incl. IOU-Specific Line Loss Factor)			Line 15 x 16 x 22 x 11
30	RA Cost Forecast			[(Line 18 x 26) + Line (19 x 27)] x 6 x 1000
31	Forecast Cost of New Procurement			Line 28 + 29 + 30
32	Forecast Revenues (Total Revenues Collected from Returned CCA Customers through the IOU System Average Bundled Service Generation Rate)			Line 12 x 22
33	Incremental Procurement Cost Exposure (Forecast Cost of New Procurement Less Forecast Revenues)			Line 31 - 32
34	Administrative Costs			Line 9 x 10

	Financial Security Requirement Calculation		FSR Calculation Formulas
35	**CCA Financial Security Requirement (FSR) under Section 394.25(e)**		Max [Line 33 + 34, 0]
36	**Final FSR**		Max [Line 35 , Line 14]
37	**Prior Period's CCA FSR**		Line 13
38	**Change Required to CCA FSR**		Line 36 - 37 if 10% and $20,000 deadband threshold is exceeded

Notes:

1. While CCA Monthly Peak demand for 12 months is used to estimate monthly Local RA requirement, only months 1-6 are used to calculate System RA requirement and Forecast Cost of New Procurement.
2. The CCA Load Forecast has been provided by Community Energy Alliance (CEA).
3. May 2020 CCA Monthly Peak Demand (MW) is derived from May 2019 Historical Interval Data and represents the Monthly Max Demand (MW) for active SEA customers.

Information redacted is confidential per D.16-08-024, G.O. 66-D, and PU Code §§ 583 and 454.5(g).

SDG&E Advice Letter 3540-E Attachment A - CCA Financial Security Requirement

San Diego Community Power

Line	Item	Value	
1	Average On-Peak and Off-Peak Forward Price Source	ICE	
2	Calculation Month (M)	April-20	

3	4	5	6	7	8
Trading Day Average for 6 Months Forward Strip From Month of (M-1)	Average On-Peak Forward Price	Average Off-Peak Forward Price	CCA Load Forecast On-Peak (MWh)	CCA Load Forecast Off-Peak (MWh)	CCA Monthly Peak Demand (MW)
May-20	$ 21.28	$ 18.60			
Jun-20	$ 29.69	$ 23.04			
Jul-20	$ 48.13	$ 29.24			
Aug-20	$ 51.62	$ 31.87			
Sep-20	$ 44.01	$ 32.07			
Oct-20	$ 36.60	$ 29.37			
Nov-20	N/A[1]				
Dec-20					
Jan-21					
Feb-21					
Mar-21					
Apr-21					

Line	Item	Value	Unit
9	Forecast CCA Number of Service Accounts (SA)		SA
10	Customer Re-Entry Fee	$ 1.12	Per SA
11	IOU-Specific Line Loss Factor	104.3%	
12	IOU System Average Bundled Service Generation Rate	$ 97.85	Per MWh
13	Prior Period's CCA FSR	$ -	
14	Minimum FSR	$ 147,000	

RPS Cost Forecast Inputs

Line	Item	Value	Unit
15	REC Value	$ 17.35	Per MWh
16	RPS Annual Target Percentage	33%	

RA Cost Forecast Inputs

Line	Item	Value	Unit
17	RA Planning Reserve Margin (PRM) Requirement	115%	
18	Local RA Volume-Weighted Average Price (VWAP)		Per kW-mo
19	System RA Volume-Weighted Average Price (VWAP)		Per kW-mo
20	Annual Peak Demand in TAC Area	4,158	MW
21	Annual Local Capacity Requirement (LCR) in TAC Area	3,888	MW

Line	Load Forecast Calculation			Load Forecast Calculation Formulas
22	CCA Usage Forecast		MWh	Sum of Columns 6, 7
23	CCA Annual Peak Demand		MW	Max of Column 8 (Lines -)
24	CCA Average Peak Demand		MW	Average of Column 8 (Lines -)

Line	RA Forecast Calculation			RA Forecast Calculation Formulas
25	CCA Peak Load Share (based on CCA Annual Peak Demand)			Line 23 ÷ 20
26	CCA Local RA Requirement		MW	Line 25 x 21
27	CCA Net System RA Requirement		MW	Line (24 x 17) - Line 26

Line	Incremental Cost Calculation	Total		Incremental Cost Calculation Formulas
28	Energy Cost Forecast (incl. IOU-Specific Line Loss Factor)			[Sum Product of Columns 4, 5, 6, 7] x Line 11
29	RPS Cost Forecast (incl. IOU-Specific Line Loss Factor)			Line 15 x 16 x 22 x 11
30	RA Cost Forecast			[(Line 18 x 26) + Line (19 x 27)] x 6 x 1000
31	Forecast Cost of New Procurement			Line 28 + 29 + 30
32	Forecast Revenues (Total Revenues Collected from Returned CCA Customers through the IOU System Average Bundled Service Generation Rate)			Line 12 x 22
33	Incremental Procurement Cost Exposure (Forecast Cost of New Procurement Less Forecast Revenues)			Line 31 - 32
34	Administrative Costs			Line 9 x 10

Line	Financial Security Requirement Calculation		FSR Calculation Formulas
35	**CCA Financial Security Requirement (FSR) under Section 394.25(e)**		Max [Line 33 + 34, 0]
36	**Final FSR**		Max [Line 35 , Line 14]
37	**Prior Period's CCA FSR**		Line 13
38	**Change Required to CCA FSR**		Line 36 - 37 if 10% and $20,000 deadband threshold is exceeded

Notes:

1. While CCA Monthly Peak demand for 12 months is used to estimate monthly Local RA requirement, only months 1-6 are used to calculate System RA requirement and Forecast Cost of New Procurement.
2. The CCA Load Forecast has been provided by San Diego Community Power (SDCP)
3. SDCP customer enrollment begins March 2021, therefore items 6,7,8, & 9 are zero prior to March 2021.

May 11, 2020

Information redacted is confidential per D.16-08-024, G.O. 66-D, and PU Code §§ 583 and 454.5(g).

SDG&E Advice Letter 3540-E Attachment A - CCA Financial Security Requirement

Clean Energy Alliance

Line		
1	Average On-Peak and Off-Peak Forward Price Source	ICE
2	Calculation Month (M)	April-20

3	4	5	6	7	8
Trading Day Average for 6 Months Forward Strip From Month of (M-1)	Average On-Peak Forward Price	Average Off-Peak Forward Price	CCA Load Forecast On-Peak (MWh)	CCA Load Forecast Off-Peak (MWh)	CCA Monthly Peak Demand (MW)
May-20	$ 21.28	$ 18.60			
Jun-20	$ 29.69	$ 23.04			
Jul-20	$ 48.13	$ 29.24			
Aug-20	$ 51.62	$ 31.87			
Sep-20	$ 44.01	$ 32.07			
Oct-20	$ 36.60	$ 29.37			
Nov-20	N/A[1]				
Dec-20					
Jan-21					
Feb-21					
Mar-21					
Apr-21					

Line			
9	Forecast CCA Number of Service Accounts (SA)		SA
10	Customer Re-Entry Fee	$ 1.12	Per SA
11	IOU-Specific Line Loss Factor	104.3%	
12	IOU System Average Bundled Service Generation Rate	$ 97.85	Per MWh
13	Prior Period's CCA FSR	$ -	
14	Minimum FSR	$ 147,000	

RPS Cost Forecast Inputs

Line			
15	REC Value	$ 17.35	Per MWh
16	RPS Annual Target Percentage	33%	

RA Cost Forecast Inputs

Line			
17	RA Planning Reserve Margin (PRM) Requirement	115%	
18	Local RA Volume-Weighted Average Price (VWAP)		Per kW-mo
19	System RA Volume-Weighted Average Price (VWAP)		Per kW-mo
20	Annual Peak Demand in TAC Area	4,158	MW
21	Annual Local Capacity Requirement (LCR) in TAC Area	3,888	MW

Load Forecast Calculation

Line				Load Forecast Calculation Formulas
22	CCA Usage Forecast		MWh	Sum of Columns 6, 7
23	CCA Annual Peak Demand		MW	Max of Column 8 (Lines -)
24	CCA Average Peak Demand		MW	Average of Column 8 (Lines -)

RA Forecast Calculation

Line				RA Forecast Calculation Formulas
25	CCA Peak Load Share (based on CCA Annual Peak Demand)			Line 23 ÷ 20
26	CCA Local RA Requirement		MW	Line 25 x 21
27	CCA Net System RA Requirement		MW	Line (24 x 17) - Line 26

Incremental Cost Calculation

Line		Total		Incremental Cost Calculation Formulas
28	Energy Cost Forecast (incl. IOU-Specific Line Loss Factor)			[Sum Product of Columns 4, 5, 6, 7] x Line 11
29	RPS Cost Forecast (incl. IOU-Specific Line Loss Factor)			Line 15 x 16 x 22 x 11
30	RA Cost Forecast			[(Line 18 x 26) + Line (19 x 27)] x 6 x 1000
31	Forecast Cost of New Procurement			Line 28 + 29 + 30
32	Forecast Revenues (Total Revenues Collected from Returned CCA Customers through the IOU System Average Bundled Service Generation Rate)			Line 12 x 22
33	Incremental Procurement Cost Exposure (Forecast Cost of New Procurement Less Forecast Revenues)			Line 31 - 32
34	Administrative Costs			Line 9 x 10

Financial Security Requirement Calculation

Line			FSR Calculation Formulas
35	**CCA Financial Security Requirement (FSR) under Section 394.25(e)**		Max [Line 33 + 34, 0]
36	**Final FSR**		Max [Line 35 , Line 14]
37	**Prior Period's CCA FSR**		Line 13
38	**Change Required to CCA FSR**		Line 36 - 37 if 10% and $20,000 deadband threshold is exceeded

Notes:

1. While CCA Monthly Peak demand for 12 months is used to estimate monthly Local RA requirement, only months 1-6 are used to calculate System RA requirement and Forecast Cost of New Procurement.
2. The CCA Load Forecast has been provided by Community Energy Alliance (CEA).
3. CEA customer enrollment begins May 2021, therefore items 6,7,8, & 9 are zero prior to May 2021.

Clean Energy Alliance
JOINT POWERS AUTHORITY

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 5: Clean Energy Alliance Pro Forma Update

RECOMMENDATION:
Receive presentation on the updated Clean Energy Alliance Pro Forma.

BACKGROUND AND DISCUSSION:
Staff has been anticipating bringing forward an updated Clean Energy Alliance (CEA) Pro Forma at the November 19 Board meeting, to reflect San Diego Gas & Electric's (SDG&E) November update to its Energy Resource Recovery Account (ERRA) rate application. The ERRA process establishes generation and Power Charge Indifference Adjustment (PCIA) rates for the coming year. As CEA staff and consultants delved into the November update, which SDG&E submitted on November 6, it became apparent that there were significant challenges and questions with regards to the impact on generation rates for 2021. The technical experts have submitted data requests to SDG&E to better understand what is being presented by SDG&E. The rates reflected in the ERRA update are incredibly low and not reflective of what is being seen in other IOU territories. With the questions and uncertainties related to the November update, we were unable to prepare any type of a reliable pro forma update.

As of the preparation of this staff report, staff has reached out to SDG&E to request a meeting to discuss the filing and our concerns, and other actions related to participating in the proceeding that are being undertaken, including filing comments on November 18, 2020, with the California Public Utilities Commission (CPUC) as part of the proceeding. The proposed decision on the ERRA application is due from the CPUC on 12/2/20. We will hope to have more clarity for the December 17 CEA Board meeting upon which to prepare a reliable pro forma update.

FISCAL IMPACT
There is no fiscal impact by this action.

ATTACHMENTS:
None

Clean Energy Alliance
JOINT POWERS AUTHORITY

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 6: Authorize Execution of Escrow Agreement and Establishment of Secured Account to Satisfy the Updated Financial Security Requirement

---

RECOMMENDATION:

1. Authorize the Interim Chief Executive Officer to execute an escrow agreement with River City Bank and San Diego Gas & Electric and establishment of a new account with River City Bank in satisfaction of the new Financial Security Requirement (FSR), subject to General Counsel approval.

2. Appropriate $147,000 for the Financial Security Requirement, to be funded by an increase in the loan from Calpine Energy Solutions.

BACKGROUND AND DISCUSSION:

In 2018, the California Public Utilities Commission (CPUC) issued Decision 18-05-022 (Decision) which established reentry fees and financial security requirements for CCAs. The purpose of the FSR instrument is to cover costs borne by SDG&E in the event of a mass involuntary return of CEA customers to the SDG&E, such as the decertification of CEA or a CCA failure. SDG&E may only withdraw funds from the financial security instrument for unpaid administrative or procurement costs associated with the return of CEA customers to the Investor Owned Utilities (IOU). Any withdrawal of those funds must first be approved by the CPUC.

Under the Decision, IOUs, including SDG&E, were required to submit advice letters implementing the FSR requirements. Those advice letters were submitted in August 2018; however, they were suspended by the CPUC until final implementation issues could be resolved. On October 8, 2020, the CPUC adopted the Resolution finalizing the implementation of the IOU advice letters and setting the minimum FSR at $147,000. To date, CCAs have been operating under an interim amount of $100,000, which was submitted to the CPUC as part of the CEA's CCA registration process. The FSR can be satisfied in three ways: Letter of Credit, Surety Bond, or Cash Deposit with a 3rd Party Financial Institution Subject to an Escrow Agreement. Of these options, the least cost is Cash Deposit with 3rd Party with an Escrow Agreement.

In order to meet this new requirement, staff has begun working with SDG&E and River City Bank on a form of Escrow Agreement, a sample of which is attached. Additionally, the Resolution requires that CEA submit an advice letter to the CPUC with the FSR instrument as proof of compliance no later than December 8, 2020. Staff is working with its legal team to draft the advice letter, which must be submitted with a copy of the executed Agreement. In accordance with the Resolution, once the advice letter is submitted and compliance with the FSR is demonstrated by way of an executed Agreement, the interim financial security amount of $100,000 currently held by the CPUC will be returned to CEA.

FISCAL IMPACT

The updated $147,000 Financial Security Requirement is proposed to be funded by an increase in the loan from Calpine. Once all requirements have been met the CPUC will refund the $100,000 deposit that CEA originally made in March 2020 as part of its CCA Registration process.

ATTACHMENTS:

Escrow Agreement Template

ESCROW AGREEMENT

This Escrow Agreement ("**Agreement**"), effective as of the last date set forth below ("**Effective Date**"), is made by and among: (a) [INSERT NAME OF CCA] ("**CCA**"); (b) [INSERT NAME OF BANK] ("**Bank**"); and (c) [INSERT NAME OF IOU] ("**IOU**"), each of which is a Party and all of which are Parties.

This Agreement is made with reference to the following facts:

- Recitals -

A. On June 7, 2018, the California Public Utilities Commission ("**Commission**") issued Decision ("**D.**")18-05-022 by which the Commission established reentry fees and financial security requirements ("**FSR**") applicable to community choice aggregators ("**CCAs**"), as required by California Public Utilities Code Section 394.25(e).

B. In D.18-05-022, the Commission determined that cash may be used by CCAs to satisfy their respective FSR obligation provided that the cash is deposited at a U.S. branch of a commercial bank acting as the escrow holder.

C. In D.18-05-022, the Commission established that CCAs should submit a compliance advice letter with the Commission for the purpose of posting the FSR instrument, which includes one of the following: an escrow agreement for cash held by a bank, a letter of credit and a surety bond ("**FSR Instrument**").

D. On October 9, 2020, the Commission issued Resolution E-5059 by which the Commission provided further guidance on issues related to FSR Instruments.

E. In Resolution E-5059, the Commission stated its expectation that terms and conditions in the FSR Instrument should be mutually acceptable among the Parties, and no Party may unreasonably withhold its agreement to commercially reasonable terms and conditions of the FSR Instrument.

F. In response to Resolution E-5059, IOU submitted a supplemental advice letter to the Commission on November 6, 2021 for the purpose of revising its tariff to reflect changes directed by the Commission in Resolution E-5059. As accepted by the Commission, IOU's approved tariff ("**Tariff**") shall govern matters related to the FSR Amount and other matters related to the FSR Instrument and reentry fees. Notwithstanding the foregoing, in the event of a conflict between a term or condition in the Tariff and a term or condition in this Agreement, this Agreement shall control.

G. This Agreement is intended to describe and make effective the FSR Instrument used by CCA for the purpose of satisfying CCA's FSR obligation with a cash deposit held by Bank.

/

- Agreement -

The Parties agree as follows:

1. **Definitions**. Capitalized terms used herein shall have the meanings ascribed to such terms herein or in the Tariff.

2. **Appointment.** CCA and IOU hereby appoint Bank as their escrow agent for the purposes set forth herein, and Bank hereby accepts such appointment under the terms and conditions set forth herein. It is understood that Bank has no responsibility with respect to the validity or perfection of the security interest described herein other than to act in accordance with the terms of this Agreement.

3. **FSR Deposit**.

   (a) CCA represents that, as of the Effective Date, CCA has deposited with Bank cash in an amount equal to or greater than the FSR Amount, as defined in Section 3.b. The initial deposit and any additional deposits, and any interest earned thereon, shall collectively be referred to as the "**FSR Deposit**." Bank holds the FSR Deposit in a demand deposit account, identified as Account [________________] ("**Escrow Account**"). CCA solely owns the Escrow Account, and Bank is holding the FSR Deposit for the benefit of IOU, as described further below.

   (b) As reflected in IOU's most recent semi-annual advice letter submitted by IOU pursuant to Ordering Paragraph 8 of D.18-05-022 and approved by the Commission ("**FSR Update Advice Letter**"), the FSR Amount as of the Effective Date is $147,000 ("**FSR Amount**"). If the FSR Amount is increased as part of a subsequent FSR Update Advice Letter, CCA shall, by the date set forth in the Tariff, increase the FSR Deposit in an amount required to ensure that the FSR Deposit equals or exceeds the FSR Amount. If the FSR Amount is decreased as part of a subsequent FSR Update Advice Letter, CCA may issue a return request to IOU as described in Section 4(f).

   (c) CCA hereby grants to IOU a present and continuing first-priority security interest in, and, lien on (and right to net against) the Escrow Account and the FSR Deposit, subject to the terms and conditions set forth herein ("**Security Interest**").

   (d) Bank hereby acknowledges the Security Interest granted to IOU by CCA. Bank hereby waives and releases all liens, encumbrances, claims and rights of setoff it may have against the Escrow Account or the FSR Deposit, except that Bank shall retain a lien on the FSR Deposit for the payment of its Administration Fee (as defined and described in Section 7) and for the payment of any amounts credited to the Escrow Account for which payment or reimbursement to Bank has not been made or received.

   (e) Bank shall place the FSR Deposit in a demand deposit account offered by Bank.

   (f) All interest earned on the FSR Deposit shall be added to the FSR Deposit. Interest earned on the FSR Deposit may be returned to CCA upon written request under Section

4(f), provided that returning the interest earned will not reduce the FSR Deposit below the then-applicable FSR Amount.

4. Disposition.

(a) Release of the FSR Deposit, or a portion thereof, as applicable, shall occur as described in this Section 4. Bank shall have no obligation to verify IOU's compliance with Commission orders in drawing on the FSR Deposit. Without limiting the generality of the foregoing, in issuing the Draw Notice (as defined below) IOU shall be deemed to represent and warrant to Bank and CCA as follows:

(i) IOU has not issued a Draw Notice except (A) upon written agreement between CCA and IOU or (B) after at least 20 days ("**20-day Period**") following IOU's notification to CCA and the Commission, through IOU's submission of a Tier 1 advice letter consistent with Resolution E-5059 ("**Involuntary Return Advice Letter**"), that CCA has involuntarily returned its customers to IOU and amounts are therefore owed by CCA for reentry fees.

(ii) CCA has not, within the 20-day Period, notified IOU in writing of (A) CCA's agreement to promptly pay amounts owed by CCA for reentry fees through direct payment by CCA to IOU or (B) CCA's consent that IOU may withhold CCA customer payment remittances in satisfaction of the Draw Amount.

(iii) The amount requested in the Draw Notice does not include any amount that CCA disputes in writing within the 20-day Period, it being understood and agreed by CCA and IOU that such disputed amount shall continue to be held by Bank until the disposition of such disputed amount has been addressed through an order or ruling of the Commission in the Provider of Last Resort proceeding, or such other administrative proceeding as the Commission shall determine.

(b) If at any time Bank receives a written instruction executed by an IOU Authorized Representative (as defined in Section 10) requesting a release of the FSR Deposit, or a portion thereof ("**Draw Amount**"), substantially in the form of Schedule 3 attached hereto ("**Draw Notice**"), Bank shall comply with such Draw Notice without consent from CCA, but subject to the funds transfer security procedure described in Section 4(c), and shall pay the FSR Deposit or such specified amount(s) to IOU as directed in such Draw Notice within three (3) business days after Bank's receipt of such Draw Notice. IOU agrees to provide contemporaneously a copy of the Draw Notice to CCA.

(c) A Draw Notice must be executed by an IOU Authorized Representative. Bank will confirm the instructions pursuant to the authenticity procedures used by Bank. As soon after the Effective Date as reasonably practicable, Bank shall inform IOU and CCA of the authenticity procedures used by Bank. Bank shall not be obligated to make any payment or otherwise to act on instructions under this Agreement if Bank is unable to validate the authenticity of the instructions.

(d) Within three (3) business days after written request from CCA, IOU shall instruct Bank to release funds from the Escrow Account to CCA if the amount of the FSR Deposit is greater than the FSR Amount, or as otherwise reasonably requested by CCA. Without

limiting the generality of the foregoing, the entire amount of the FSR Deposit shall be returned to CCA, and this Agreement shall be terminated (as described in Section 11), if CCA posts another FSR Instrument (including an escrow agreement with another bank) that covers the FSR Amount.

(e) In no event shall Bank accept any instruction from CCA nor shall Bank permit any distribution or release of any part of the Escrow Account or FSR Deposit without instruction executed by an IOU Authorized Representative. The Parties agree that Bank shall act upon and according to the direction of IOU, and that CCA shall have no claim for any inappropriate instructions, orders or notice other than against IOU pursuant to the terms of the Tariff or otherwise under law.

(f) CCA and IOU acknowledge that Bank is authorized to use the following funds transfer instructions ("**Wire Transfer Instructions**") to disburse the FSR Deposit, or a portion thereof, to CCA or IOU, in each case as directed by IOU pursuant to a Draw Notice:

CCA:	Bank name:	____________
	Bank Address:	____________
	ABA number:	____________
	Account name:	____________
	Account number:	____________
IOU:	Bank name:	____________
	Bank Address:	____________
	ABA number:	____________
	Account name:	____________
	Account number:	____________

(g) The Parties and Bank agree that CCA and IOU may change their respective Wire Transfer Instructions set forth in Section 4(h) in accordance with Section 10. In the event any Draw Notice provides instructions different than the Wire Transfer Instructions set forth in Section 4(h), Bank shall seek confirmation of such Wire Transfer Instructions by telephone call-back to an Authorized Representative, and Bank may rely upon the confirmation of anyone purporting to be that Authorized Representative. The persons and telephone numbers designated for call-backs may be changed only in writing and executed by an Authorized Representative and delivered in accordance with Section 10.

5. Bank. Bank shall have only those duties as are specifically and expressly provided herein, which shall be deemed purely ministerial in nature, and no other duties, including but not limited to any fiduciary duty, shall be implied. Except with respect to this Agreement, Bank has no obligation to comply with the terms and conditions of any agreement between IOU and CCA**,** nor shall Bank be required to determine if CCA or IOU has complied with any agreement. Subject to Section 4(b), Bank may rely upon and shall not be liable for acting upon any written notice, document, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper Party or Parties.

6. **Resignation, Replacement and Succession.**

   (a) Bank may resign and be discharged from its duties or obligations hereunder by giving no less than sixty (60) days' advance written notice of such resignation to CCA and IOU.

   (b) CCA may remove Bank as escrow agent by providing no less than sixty (60) days' advance written notice of such removal to Bank and IOU.

   (c) Bank's sole responsibility after the notification period expires shall be to hold the FSR Deposit (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent agreed to and appointed by CCA, at which time of delivery Bank's obligations hereunder shall cease and terminate.

   (d) Any entity into which Bank may be merged or converted or with which it may be consolidated, or any entity to which all or substantially all the escrow business may be transferred, shall be responsible for duties of Bank under this Agreement without further act; provided, however, Bank shall in all such instances provide written notice to CCA and IOU.

7. **Compensation and Payment of Costs.** CCA shall be solely responsible to pay Bank any and all fees charged by Bank ("**Administration Fee**"). Bank shall invoice CCA for each Administration Fee, and CCA shall pay such invoice within thirty (30) days of its receipt thereof.

8. **Limitation on Liability**. Bank shall not be liable for any action taken, suffered or omitted to be taken by it in good faith except to the extent that Bank's gross negligence or willful misconduct was the cause of any direct loss to either Party. Notwithstanding anything in this Agreement to the contrary, in no event shall Bank be liable for special, incidental, punitive, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if Bank has been advised of the likelihood of such loss or damage and regardless of the form of action. Bank shall have no responsibility or liability to CCA for complying with written instructions or other written directives concerning the Escrow Account originated by IOU and delivered to Bank in accordance with this Agreement.

9. **Indemnification.** The Parties agree jointly and severally to indemnify, defend, hold harmless, pay or reimburse Bank and its affiliates and their respective successors, assigns, directors, agents and employees ("**Indemnitees**") from and against any and all losses, damages, claims, liabilities, penalties, judgments, settlements, litigation, investigations, costs or expenses (including, without limitation, the fees and expenses of outside counsel and experts and their staffs and all expense of document location, duplication and shipment) (collectively, "**Losses**"), arising out of or in connection with (i) Bank's performance of this Agreement, except to the extent that such Losses are determined by a court of competent jurisdiction through a final order to have been caused by the gross negligence, willful misconduct, or bad faith of such Indemnitee; and (ii) Bank's following any instructions or directions, whether joint or singular, from CCA and/or IOU received in accordance with this Agreement.

10. **Notices.** All communications (including, without limitation, all Draw Notices or changes to the Wire Transfer Instructions) under this Agreement shall be (a) in writing executed by the

appropriate Party(ies), (b) delivered on a business day as a Portable Document Format ("**PDF**") attached to an email, and (c) delivered to the email address of the intended recipient of such communication, as set forth below. With respect to any communication (including, without limitation, any Draw Notice) under this Agreement delivered by a CCA and/or IOU to Bank, such communication shall be evidenced by the signature of a designated person as set forth in Schedule 1 for CCA and Schedule 2 for IOU (each, an "**Authorized Representative**"). No Draw Notice or other written notice to the Bank shall be deemed delivered and effective unless the Bank actually shall have received such Draw Notice or other written notice on a business day as a PDF attached to an email at the email address set forth in this Section 10, and, in the case of a Draw Notice to Bank, Bank has been able to validate the authenticity of the request pursuant to the security procedure described in Section 4(b). Bank shall not be liable to IOU, CCA or other person for refraining from acting upon a Draw Notice or any other written notice if such Draw Notice or any other written notice was delivered to any other email address, including but not limited to a valid email address of any employee of Bank. All written communications between the Parties or from the Escrow Agent to a Party shall be deemed delivered and effective on the date evidenced by the sending party's email transmittal. The notice information for each Party is as follows:

If to CCA:

[CCA's name]
[CCA's address]
Attention: [Title or person's name]
Tel No.: ______________
Email Address: ______________

If to IOU:

[IOU's name]
[IOU's address]
Attention: [Title or person's name]
Tel No.: ______________
Email Address: ______________

If to Bank:

[Bank's name]
[Bank's address]
Attention: [Title or person's name]
Tel No.: ______________
Email Address: ______________

11. Termination. Upon mutual agreement of the Parties in writing or delivery of the entire FSR Deposit by Bank to IOU or CCA pursuant to the terms of this Agreement, this Agreement shall terminate.

12. Miscellaneous.

(a) The provisions of this Agreement may be waived, altered, amended or supplemented only by a writing signed by the Parties.

(b) Neither this Agreement nor any right or interest under this Agreement may be assigned by any Party, except with respect to Bank as provided in Section 6, without the prior written consent of the Parties, which consent shall not be unreasonably withheld.

(c) This Agreement shall be governed by and construed under the laws of the State of California, without regard to its conflicts of law principles. Each Party irrevocably waives any objection on the grounds of venue, forum non-conveniens or any similar grounds, and irrevocably consents to service of process by mail or in any other manner permitted by applicable law. Any and all litigation or disputes arising out of or relating to this Agreement shall be litigated in the County of [Presumed to be the County in which Bank is located] in the State of California.

(d) No Party is liable to any other party for losses due to, or if it is unable to perform its obligations under the terms of this Agreement because of, acts of God, fire, war, terrorism, floods, strikes, electrical outages, equipment or transmission failure, or other causes reasonably beyond its control.

(e) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument or instruction, as applicable. All signatures of the parties to this Agreement may be transmitted as a PDF attached to an email, and such PDF will, for all purposes, be deemed to be the original signature of such Party whose signature it reproduces, and will be binding upon such Party.

(f) If any provision of this Agreement is determined to be prohibited or unenforceable by reason of any applicable law of a jurisdiction, then such provision shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in such jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

(g) CCA and IOU represent, warrant and covenant that each document, notice, instruction or request provided by such CCA or IOU to Bank shall comply with applicable laws and regulations.

(h) Each Party represents and warrants to each other party that: (i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation; (ii) this Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms; (iii) there is not pending, or to its knowledge, threatened against it or any legal proceeding that could materially adversely affect its ability to perform under this Agreement; (iv) it is acting for its own account, and its decision to enter into this Agreement is based upon its own judgment, not in reliance upon the advice or recommendations of any other party to this Agreement and it is capable of assessing the merits of and understanding, and understands and accepts the terms, conditions and risks of this Agreement; and (v) it has not relied on any promises, representations, statements or information of any kind whatsoever that are not contained in this Agreement in deciding to enter into this Agreement.

(i) Nothing in this Agreement, whether express or implied, shall be construed to give to any person or entity other than the Parties any legal or equitable right, remedy, interest or claim under or in respect of the FSR Deposit or this Agreement.

[*signature page follows*]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized representatives.

[CCA'S NAME]

By:_______________________________
Name: [Authorized Representative's name]
Title: [Authorized Representative's title]

Date: [Date]

[IOU'S NAME]

By:_______________________________
Name: [Authorized Representative's name]
Title: [Authorized Representative's title]

Date: [Date]

[BANK'S NAME]

By:_______________________________
Name: [Authorized Representative's name]
Title: [Authorized Representative's title]

Date: [Date]

SCHEDULE 1 TO ESCROW AGREEMENT

[COMMUNITY CHOICE AGGREGATOR]

Telephone Numbers and Authorized Signatures for Person(s) Designated to Give Applicable Instructions and Confirm Funds Transfer Instructions

Name	Telephone Number	Signature
[Name]	[Phone No.]	______________________
[Name]	[Phone No.]	______________________
[Name]	[Phone No.]	______________________

For your security, please cross off any unused signature lines on this Schedule 1.

All communications (including but not limited to Wire Transfer Instructions and Draw Notices) must be delivered in accordance with Section 10 of this Agreement.

SCHEDULE 2 TO ESCROW AGREEMENT

[INVESTOR-OWNED UTILITY]

Telephone Numbers and Authorized Signatures for Person(s) Designated to Give Applicable Instructions and Confirm Funds Transfer Instructions

Name	Telephone Number	Signature
[Name]	[Phone No.]	________________________
[Name]	[Phone No.]	________________________
[Name]	[Phone No.]	________________________

For your security, please cross off any unused signature lines on this Schedule 2.

All communications (including but not limited to Wire Transfer Instructions and Draw Notices) must be delivered in accordance with Section 10 of this Agreement.

SCHEDULE 3 TO ESCROW AGREEMENT

DRAW NOTICE

[to be placed on IOU's Letterhead]

Date:___________________

RE: ESCROW AGREEMENT, effective as of _______ __, 202_ ("**Effective Date**"), by and among [Community Choice Aggregator's name] ("**CCA**"), [Investor-Owned Utility] ("**IOU**") and [Bank Name], in its capacity as escrow agent and bank ("**Bank**") ("**Agreement**").

Pursuant to Section 4 of the Agreement, IOU hereby instructs Bank to disburse the amount of [$____________/or the total balance of the Fund (including earnings)] to [SCE][the Community Choice Aggregator], in accordance with the payment instructions provided in the Agreement. IOU hereby represents and warrants that it is not issuing this Draw Notice until the 20-day period has expired following IOU's submission of the Involuntary Return Advice Letter, as defined and described in Section 4(c) of the Agreement, and as otherwise described in Section 4(c) of the Agreement.

Sincerely,

[INVESTOR-OWNED UTILITY]

By:______________________________

Name: [Authorized Representative's name]

Title: [Authorized Representative's title]

Date:___________________

Clean Energy Alliance
JOINT POWERS AUTHORITY

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 7: Approve Increase in Promissory Note with Calpine Energy Solutions

---

RECOMMENDATION:
Authorize increase in promissory note with Calpine Energy Solutions from $400,000 to the maximum $650,000 to provide funds for the Financial Security Requirement and Resource Adequacy collateral requirements.

BACKGROUND AND DISCUSSION:
At its August 20, 2020 meeting, the Clean Energy Alliance (CEA) Board authorized executing a $400,000 promissory note with Calpine Energy Solutions for a portion of a loan provided for in the agreement between CEA and Calpine. The agreement provided up to $650,000 in available funds. The initial funding included anticipated administrative costs related to start up. Since that time additional costs have been identified that were not anticipated in the initial promissory note. These include the updated Financial Security Requirement and cash collateral deposits required as part of the resource adequacy procurements. Increasing the promissory note from $400,000 to $650,000 provides the funding necessary for these unanticipated costs.

FISCAL IMPACT
The $650,000 loan from Calpine is to be repaid beginning within three months of serving customers and fully repaid within twelve months. The loan is a debt of Clean Energy Alliance, and there is not recourse to the Member Agencies.

ATTACHMENTS:
None

Staff Report

DATE: November 19, 2020

TO: Clean Energy Alliance Board of Directors

FROM: Barbara Boswell, Interim Chief Executive Officer

ITEM 8: Authorize Interim Chief Executive Officer to Negotiate Terms for Clean Energy Alliance Credit Solution

---

RECOMMENDATION:
Authorize Interim Chief Executive Officer to negotiate terms for Clean Energy Alliance Credit Solution.

BACKGROUND AND DISCUSSION:
At its August 20, 2020 meeting, the Clean Energy Alliance (CEA) Board directed staff to continue working on a credit solution for its start-up and initial power supply costs and return to the Board at its November 19 meeting with options.

Actions taken to date related to pursuing a credit solution include:

February 20, 2020	Considered RFP responses for Credit Solution and put selection on hold until June 2020.
June 18, 2020	Considered Credit Solution offers from JP Morgan and River City Bank. Directed staff to reach out to Member Agencies regarding providing guaranty for River City Bank option for $2.5M of a total $4.0M credit solution.
July 8, 2020	City of Solana Beach City Council approved guaranty up to $175,000.
July 14, 2020	City of Carlsbad City Council directed staff to return with to City Council with potential loan to CEA in lieu of providing guaranty.
July 20, 2020	City of Del Mar City Council approved guaranty up to $75,000.
July 28, 2020	City of Carlsbad City Council considered loan terms and conditions; did not approve making loan to CEA.
August 20, 2020	CEA Board approved executing promissory note with Calpine Energy Solutions for administrative costs through January 2021.

Since CEA began its efforts related to identifying its start-up credit solution, activities have progressed in support of the May 2021 launch, and as a result there is more clarity into the actual energy supply costs to be incurred prior to launch. This had increased the credit need to $4,342,808 as detailed below:

Funding Need for Credit Solution

Admin Costs February – June 2021	$540,000
CAISO Deposit	500,000
Deposits	245,000
Energy Supply Costs	3,057,808
TOTAL FUNDING NEED	$4,342,808

CEA staff has worked with both JP Morgan and River City Bank related to updated terms of credit solutions. Both financial institutions have indicated a willingness to update its credit terms. Below reflects the summary of those conversations:

River City Bank: Due to the credit solution being funded closer to launch, RCB has Indicated a willingness to consider a credit solution that does not require guarantees from Member Agencies, subject to credit approval.

JP Morgan: JP Morgan has provided revised credit terms that increases the term from 3 years to 5 years; revised its rate covenants to be applicable to only those costs not covered by other sources; and is open to discussions about a carve out for a rate subsidy program. The loan is subject to credit approval.

The updates to both the credit options are beneficial to CEA, and bring both options closer in alignment with regards to pros and cons.

Staff recommends continuing discussions with both financial institutions to determine the option that provides the greatest benefits at the lowest cost, and to begin completing the due diligence process with both banks to ascertain approval, and return with the final option at the December 17, 2020 meeting.

FISCAL IMPACT
The credit solution will be repaid from future energy sales revenues.

ATTACHMENTS:
None