MEETING NOTICE
AND AGENDA

REGIONAL ENERGY WORKING GROUP
The Regional Energy Working Group may take action on any item appearing on this agenda.

Thursday, January 26, 2012
11:30 a.m. to 1 p.m.
SANDAG 7th Floor
401 B Street, Suite 800
San Diego, CA  92101-4231

Staff Contact:  Susan Freedman
(619) 699-7387
susan.freedman@sandag.org

AGENDA HIGHLIGHTS

• SAN DIEGO GAS & ELECTRIC’S GENERAL RATE CASE OVERVIEW
• SANDAG INVOLVEMENT IN THE SAN DIEGO GAS & ELECTRIC GENERAL RATE CASE PHASE 2 PROCEEDING

SANDAG offices are accessible by public transit.
Phone 511 or see www.511sd.com for route information.
Secure bicycle parking is available in the building garage off Fourth Avenue.

In compliance with the Americans with Disabilities Act (ADA), SANDAG will accommodate persons who require assistance in order to participate in SANDAG meetings. If such assistance is required, please contact SANDAG at (619) 699-1900 at least 72 hours in advance of the meeting.

To request this document or related reports in an alternative format, please call (619) 699-1900, (619) 699-1904 (TTY), or fax (619) 699-1905.
1. WELCOME AND INTRODUCTIONS

2. APPROVAL OF MEETING SUMMARY

The Regional Energy Working Group (EWG) is asked to approve the December 15, 2011, meeting summary.

3. PUBLIC COMMENTS/MEMBER COMMENTS

Members of the public shall have the opportunity to address the EWG on any issue within the jurisdiction of SANDAG that is not on this agenda. Anyone desiring to speak shall reserve time by completing a “Request to Speak” form and giving it to the EWG coordinator prior to speaking. Public speakers should notify the EWG coordinator if they have a handout for distribution to working group members. Public speakers are limited to three minutes or less per person. EWG members also may provide information and announcements under this agenda item.

REPORTS (4 THROUGH 6)

4. SAN DIEGO GAS & ELECTRIC’S GENERAL RATE CASE OVERVIEW

Staff will provide information about the General Rate Case Phase 2 (GRC-2) proceeding at the California Public Utilities Commission (CPUC). Summaries of the application and CPUC proceeding are attached.

5. SAN DIEGO GAS & ELECTRIC SOLAR STAKEHOLDER COLLABORATION MEETINGS

San Diego Gas & Electric (SDG&E) has formed a stakeholder group to discuss issues in its GRC-2 application. SANDAG Board Chair, Jerome Stocks, appointed EWG Chair Carrie Downey as the representative for SANDAG at these meetings. Chair Downey will provide the EWG with information about the stakeholder group and progress to date.

6. SANDAG INVOLVEMENT IN THE SAN DIEGO GAS & ELECTRIC GENERAL RATE CASE PHASE 2 PROCEEDING

Staff will present a summary of potential actions that SANDAG could take relevant to this proceeding. Chair Downey will present for discussion a suggested list of actions for the EWG to recommend to the Regional Planning Committee.

7. SCHEDULING AGENDA ITEMS FOR FUTURE MEETINGS

Members of the EWG are invited to suggest topics for future meetings. The next EWG meeting will occur on Thursday, February 23, 2012, from 11:30 a.m. to 1:00 p.m. The launch of a regional electric vehicle infrastructure (REVI) stakeholder group is planned for February and discussion of regional Property Assessed Clean Energy (PACE) programs for March.

+ next to an agenda item indicates an attachment
DECEMBER 15, 2011, MEETING SUMMARY

ITEM #1: WELCOME AND INTRODUCTIONS
Chair Carrie Downey, City of Coronado, called the meeting to order at 11:40 a.m.

ITEM #2: NOVEMBER 17, 2011 MEETING SUMMARY
Mike Evans, San Diego Regional Chamber of Commerce, motioned to approve the meeting summary from November 17, 2011. Claudia Valenzuela, San Diego Gas & Electric (SDG&E), seconded the motion. The motion carried without opposition.

ITEM #3: PUBLIC COMMENTS/MEMBER COMMENTS
Crystal Crawford, City of Del Mar private citizen, requested that the Energy Working Group (EWG) discuss private financing options such as Property Assisted Clean Energy (PACE) programs as a future agenda item. Ms. Crawford provided copies of an article describing the Sacramento PACE program for commercial energy retrofits. Ms. Crawford stated her support for the adoption of a PACE program for commercial retrofits in the County of San Diego and that a representative from Ygrene Energy Fund presented this information to the Chamber Energy and Water Committee for discussion as well.

Public comment also was received from Lane Sharman, who requested that the EWG discuss the formation of a San Diego Energy District (SDED). Mr. Sharman stated that a regional Joint Powers Authority could be created through Community Choice Aggregation (CCA) and that the SDED would be a public-private partnership. His goal is to formalize SDED as a CCA to be operational by the end of 2013 or early 2014. SDED is looking for input and support of public and private sectors. Mr. Sharman noted he can be contacted via e-mail at lane@solanaenergy.com.

Mr. Evans; Pamela Bensoussan, City of Chula Vista; Andrew McAllister, California Center for Sustainable Energy (CCSE); and Kayla Race, Environmental Health Coalition; all noted their interest in the suggested agenda items for future meetings.

Chair Downey commented that she will work with SANDAG staff on researching these topics as future agenda items.

Mr. McAllister announced CCSE was granted the Department of Energy (DOE) Solar Rooftop Challenge award to work with local jurisdictional partners on permitting issues and facilitating lowering cost of getting solar systems installed.

Chair Downey explained a change to the order of the Agenda. She moved Item 6 ahead of Items 4 and 5 in order to provide enough time for discussion on SDG&E’s General Rate Case.
ITEM #4: 2012 ENERGY WORKING GROUP MEETING CALENDAR

Due to the lack of time, this item was not discussed. EWG meeting dates for 2012 were included in the Agenda packet. The EWG generally meets the fourth Thursday of every month from 11:30 a.m. to 1 p.m.

ITEM #5: ADDITIONAL SANDAG COMMITMENTS ADOPTED WITH THE 2050 REGIONAL TRANSPORTATION PLAN AND SUSTAINABLE COMMUNITIES STRATEGY

Due to the lack of time, this information item was not discussed. Information was provided in the Agenda packet on the additional commitments included in the motion to adopt the 2050 Regional Transportation Plan (2050 RTP) and its Sustainable Communities Strategy (SCS).

ITEM #6: SAN DIEGO GAS & ELECTRIC’S GENERAL RATE CASE: POTENTIAL IMPACTS FOR PUBLIC AGENCIES

Susan Freedman, SANDAG, explained this is a continuation of the EWG discussion of San Diego Gas & Electric’s (SDG&E) General Rate Case, Phase 2 application (GRC-2) from the November 2011 meeting.

Chair Downey noted that the EWG is continuing the GRC-2 discussion and will continue to serve as a forum for regional discussion. She referred members to the Agenda packet, page 9, for the questions discussed at the November EWG meeting. Chair Downey also explained that the EWG will need to decide whether to continue to gather more information in 2012 or potentially take the next steps to elevate a recommendation through the SANDAG committees.

Ms. Bensoussan commented that the City of Chula Vista Attorney had indicated there may be a decision soon from the California Public Utilities Commission (CPUC) determining the legality of the Network Use Charge (NUC) in SDG&E’s GRC-2.

J.C. Thomas, Government and Regulatory Affairs Manager, and Chris Yunker, Rates and Analysis Manager, from SDG&E presented responses to comments posed at the November EWG meeting and reiterated SDG&E’s position on residential rates for solar and non-solar customers.

Mr. Thomas explained that SDG&E’s goals are to make solar available to all customers, create a sustainable solar future for their service territory, invest in smart grid technology to meet the future needs of customers, and create an equitable rate structure.

Mr. Thomas added that currently there are 14,700 residential and 700 large commercial solar customers and the industry is expected to continue to grow. Additionally, if SDG&E is able to adjust the rate structure, the net energy metering (NEM) cap could potentially be lifted. Currently 2.5 percent of the 5 percent NEM cap has been met.

Mr. Yunker responded to a question from the November EWG meeting regarding how solar customers are providing energy capacity at peak times. He presented a graph of energy use and solar generation during a peak day. He noted that solar can provide for some peak demand during the day, but there are night peak loads into the evening that solar energy cannot address.
Mr. Yunker stated that average bill impacts to residential NEM solar customers with the network use charge would be $0.20 per kilowatt hour (kWh). Mr. Thomas noted that this is greater than the wholesale rate of $0.02 per kWh and average renewable energy rate of $0.08 to $0.11 per kWh.

Mr. Yunker further described how installing solar systems would still hold value propositions for residential customers. Even with the NUC, residential customers would retain a discount of 69 percent on their electricity bills compared to non-solar customers. He explained that for commercial customers, there are several variables which factor into whether or not solar systems would still hold value propositions. On average, commercial systems export 20 to 25 percent of peak capacities from 70 kilowatt (kW) systems. Some commercial customers would be minimally affected and some would be more affected depending on how much solar is used to offset their load. SDG&E is currently examining trends and customer's patterns and could have data publicly available on potential commercial impacts of the NUC in January 2012.

Mr. McAllister, CCSE, presented an independent assessment of potential impacts of the GRC-2 to public agency customers. While CCSE's results are similar to those of SDG&E, they did not have access to information on how to incorporate the transmission and grid impacts into their analyses. Mr. McAllister stated that CCSE does have a stake in a growing solar market and incentives such as NEM and that state and federal tax credits have been driving the market to date.

CCSE analyzed data for water and school districts and found there would be negative bill impacts to public agencies that have already installed large solar systems. For example, on average, schools would experience a 77 percent increase on bills due to the proposed changes to the rate structure. Outside of a NUC, commercial and public agency demand and energy charges are going up by 100 percent in 2014, as proposed in the GRC-2.

Mr. McAllister noted that CCSE is not presenting an opposing case against SDG&E, and understands that there is a need for an equitable and sustainable rate system across sectors. However, the issue of how to continue promoting solar is a statewide policy call that should fall outside of one utility's rate case.

Mr. McAllister agreed with SDG&E that costs for solar installation are going down. He explained, however, that there are significant issues with the proposed changes to the Distributed Generation-Renewable Tariff (DG-R). Currently, public agencies that qualify for DG-R have lower demand charges in exchange for higher energy charges. This rate came out of the settlement decision for the last SDG&E General Rate Class (GRC) and was to encourage solar installations. Solar and other distributed generation (DG) customers could avoid heavy demand charge costs at peak hours by utilizing their solar systems during the peak. This also benefited the grid by shaving the overall peak demand. However, the proposed rate structure change will result in a demand charge increase of 90 percent or more. The DG-R would no longer help offset costs, thus affecting the value proposition of installing commercial (and public agency) scale solar systems.

Comments, questions, and discussion were as follows:

- Chair Downey requested clarification on the cost shifts occurring under NEM to non-solar customers versus Assembly Bill 1X (AB1X)-induced cost shifts to Tier 3 and Tier 4 customers.
Mr. Yunker explained that with the current 2.5 percent residential NEM solar customers, there is $15 million cost shift to upper tier customers. As of November, the cost per customer is $38 per year versus $26 per year in early 2011. Additionally, if the projected 250 megawatt (MW) of solar is installed in the San Diego region and the percent of peak load from NEM customers increases to 11 percent, non-solar customers would be paying $200 per year. SDG&E’s goal is to address this issue before this occurs.

- Mr. McAllister asked if the rates used by SDG&E took into account any other changes that may occur.
  - Mr. Yunker responded that the rates used were static and did not account for 2013 costs or any other changes in the future.

- Chair Downey asked if there was a separate analysis on how much the average rates would increase if no subsidies were in place for solar customers to view a static picture on what the fees for all SDG&E customers would be if they were charged equally.
  - Mr. Yunker stated that information related to this was provided at the November 2011 EWG meeting. He noted there is a bigger policy question on whether SDG&E’s proposed rate structure changes will prevent reaching solar or greenhouse gas emission goals set for the state. SDG&E expects that an unsustainable rate structure in addition to incentives for installing solar systems will lead to more subsidies occurring and a solar market collapse.
  - Mr. McAllister noted that the California Solar Initiative was not the largest driver in the solar market, but instead the federal tax credit and NEM program are.

- Dave Weil, University of California San Diego (UCSD), asked if adding more storage capacity would help lower SDG&E’s costs.
  - Mr. Yunker explained SDG&E filed a smart grid application around the issue of storage, but in order for the grid to manage new batteries or energy storage, the design of the system will have to be changed.

- Chair Downey asked if SDG&E has information available to address the public concerns for commercial issues.
  - Mr. Yunker explained SDG&E is currently gathering information to include in their presentation to address commercial concerns.

- Kayla Race, Environmental Health Coalition, asked how much longer it will take solar customers to obtain return on their solar investments.
  - Mr. Yunker stated there would be an additional one to two years for residential solar customers to see return on their investments (ROI).
  - Mr. McAllister commented CCSE found the value proposition for the residential sector will still be available with two to five years additional ROI. However, it is the public agencies sector where solar vendors will no longer be able to make a value proposition to potential customers.

- Chair Downey asked how much the cost of solar installation has decreased.
  - Mr. McAllister explained that with third-party systems, there are financial benefits available from $3 to $3.50 per watt and the cost of installing residential solar systems has declined by 25 percent before any incentives are received.
Chair Downey commented that SDG&E’s proposed rate structure change would offset the savings from decreases in the cost of solar installations, and the ROI for residential solar would remain around eight years.

- Mr. McAllister stated while there would still be a value proposition for new residential solar customers, the ROI would not be as beneficial for current residential and non-residential solar customers.

Mr. McAllister commented that for residential rates, AB1X drives the difference between lower tiers and top tiers, and while AB1X helped solve the energy crisis in the state ten years ago, there are distortions that still exist today, including cost shifts to upper tier customers.

- Mr. Thomas explained there is distortion for top tier customers, but even without AB1X a value proposition still remains for solar. However, if there were no tiers and flat rates for all customers, solar customers would still use the grid without paying for the services that they receive. Moreover, at some point, utilities across the United States will face these same issues.

Ms. Race asked if SDG&E could get credits from NEM customers for their Renewable Portfolio Standard.

- Mr. Yunker responded this issue was up to the CPUC, but SDG&E would be open to discussing if CPUC approved it.

- Mr. McAllister noted that this issue often arises in solar discussion. Additionally, the CPUC is discussing how the utilities calculate the capacity of NEM and developing a uniform methodology.

- Mr. Yunker requested clarification if the calculations mentioned are to quantify how close utilities are to meeting the NEM cap.

- Mr. McAllister explained that the NEM cap is 5 percent of peak load, and the calculations will clarify how energy from solar systems on residential homes is included.

Peter Livingston, County of San Diego, stated there are general concerns from the County of San Diego Board of Supervisors on whether Power Purchase Agreements (PPAs) for solar systems will be viable in the future or rate structure will be too uncertain. Another concern is whether solar systems would be sized so that they never export energy as to not incur the network use charge. Mr. Livingston commented that the County also would like to know if SDG&E is open to discussing grandfathering for commercial industrial systems and public agencies that have made long term PPAs for 20 years, which will now result in negative investments. He also requested more detailed data on the energy costs for different types of facilities and what the additional network use charges would be.

- Mr. McAllister responded that there are issues for commercial customers as they usually offset the energy charges by using generated electricity. However, changes in energy and demand charges will result in high impacts as the longer term investments result in smaller margins on ROI for non-residential customers. In order to determine true cost impacts for non-residential solar customers, several assumptions have to be made about the project.

Chair Downey asked if SDG&E would consider a policy of grandfathering current solar customers under the current rate structure until their expected ROIs are met and then transfer them to the new rate structure.
Mr. Thomas responded SDG&E would consider discussing a policy of grandfathering, but there will still be interested stakeholders that will prefer to keep current rate structure in place.

Chair Downey recommended the larger entities consult with SDG&E and CCSE in order to better understand how the proposed rate structure changes will impact them. At the next meeting, in January 2012, the EWG will discuss whether they would like to take a position or make a recommendation through the SANDAG process regarding SDG&E’s GRC. Chair Downey also requested comments from all interested stakeholders before the next meeting.

Mr. McAllister responded there was information at the pre-hearing conference about the potential for a ruling on UCAN’s motion before the next meeting.

Ms. Bensoussan stated she will request more information on the schedule from the City of Chula Vista’s legal department and distribute.

Ms. Bensoussan commented there are competing goals and a disincentive which could affect the state’s goals to encourage adoption of solar energy and to reduce GHGs and encouraged the EWG to keep these goals in mind.

Mr. Evans stated he would like to know what rates should be in lieu of what SDG&E proposed and how much the state should subsidize solar. He noted other fundamental issues include how much of a subsidy non-solar generators should provide and how SDG&E’s proposal addresses other rate structure elements such as non-coincident peak charges. Mr. Evans noted if non-coincident peak charges are reduced, customers should receive benefits.

Chair Downey stated the CPUC will determine what costs SDG&E can recover.

Mr. Yunker explained smart meters gather more data on how customers impact the grid during different periods throughout the day. The pilot study for electric vehicles (EVs) included super off-peak periods and an exemption to network use periods during these periods to charge EVs. SDG&E will consider looking at super off-peak periods for all customers.

Rich Caputo, San Diego Renewable Energy Society, stated that his energy bill would increase from $60 to $340 per month due to the network use charge that SDG&E is proposing. He further commented that a $22 per month increase charge for customers who have large solar systems goes against the intent of NEM, which encourages solar installation and acceleration of the solar market. Mr. Caputo commented that this is an issue that should be brought before the state legislature and should not be a rate case as SDG&E’s proposal would reverse state policy and result in negative impacts to the solar market. NEM is a valuable mechanism which promotes adoption of solar energy and can be changed through legislation once state goals are reached.

### ITEM #7: ADJOURNMENT AND SCHEDULING AGENDA ITEMS FOR FUTURE MEETINGS

The next scheduled meeting is on January 26, 2012, from 11:30 a.m. to 1 p.m.

The meeting was adjourned at 1:12 p.m.
<table>
<thead>
<tr>
<th>REPRESENTATION</th>
<th>JURISDICTION / ORGANIZATION</th>
<th>NAME</th>
<th>MEMBER / ALTERNATE</th>
<th>ATTENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>South County Subregion</td>
<td>City of Coronado</td>
<td>Hon. Carrie Downey, Chair</td>
<td>Member</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>City of Chula Vista</td>
<td>Hon. Pamela Bensoussan</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td>North County Coastal Subregion</td>
<td>City of Del Mar</td>
<td>Hon. Don Mosier</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>City of Solana Beach</td>
<td>Hon. Lesa Heebner</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td>North County Inland Subregion</td>
<td>City of Escondido</td>
<td>Hon. Ed Gallo</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Vacant</td>
<td>Vacant</td>
<td>Alternate</td>
<td>-</td>
</tr>
<tr>
<td>East County Subregion</td>
<td>City of Santee</td>
<td>Hon. Rob McNelis</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Vacant</td>
<td>Vacant</td>
<td>Alternate</td>
<td>-</td>
</tr>
<tr>
<td>City of San Diego Subregion</td>
<td>City of San Diego</td>
<td>Hon. Sherri Lightner</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hon. David Alvarez</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td>County of San Diego Subregion</td>
<td>County of San Diego</td>
<td>Peter Livingston</td>
<td>Member</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vacant</td>
<td>Alternate</td>
<td>-</td>
</tr>
<tr>
<td>Public Transit Operators</td>
<td>Metropolitan Transit System (MTS)</td>
<td>Sharon Cooney</td>
<td>Member</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>North County Transit District (NCTD)</td>
<td>Vacant</td>
<td>Alternate</td>
<td>-</td>
</tr>
<tr>
<td>Other Public Agencies</td>
<td>San Diego County Regional Airport Authority</td>
<td>Paul Manasjan</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brett Caldwell</td>
<td>Alternate</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ed Gowens</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Unified Port of San Diego</td>
<td>Michelle White</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cody Hooven</td>
<td>Alternate</td>
<td>No</td>
</tr>
<tr>
<td>Universities</td>
<td>San Diego State University</td>
<td>Dr. Heather Honea</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>University of California, San Diego</td>
<td>Dave Weil</td>
<td>Alternate</td>
<td>YES</td>
</tr>
<tr>
<td>Energy Utility</td>
<td>San Diego Gas &amp; Electric</td>
<td>Matt Burkhart</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Claudia Valenzuela</td>
<td>Alternate</td>
<td>YES</td>
</tr>
<tr>
<td>Energy Non-Profit</td>
<td>California Center for Sustainable Energy</td>
<td>Andrew McAllister</td>
<td>Member</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Charlie Buck</td>
<td>Alternate</td>
<td>YES</td>
</tr>
<tr>
<td>Transportation Fuels</td>
<td>San Diego Clean Fuels Coalition</td>
<td>Greg Newhouse</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Vacant</td>
<td>Vacant</td>
<td>Alternate</td>
<td>-</td>
</tr>
<tr>
<td>REPRESENTATION</td>
<td>JURISDICTION / ORGANIZATION</td>
<td>NAME</td>
<td>MEMBER / ALTERNATE</td>
<td>ATTENDING</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------------</td>
<td>--------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Energy Academics and Research</td>
<td>Energy Policy Initiatives Center, University of San Diego School of Law</td>
<td>Scott Anders, Vice Chair</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nilmind Silva-Send</td>
<td>Alternate</td>
<td>YES</td>
</tr>
<tr>
<td>Environment/Social Justice</td>
<td>Environmental Health Coalition</td>
<td>Nicole Capretz</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Sierra Club</td>
<td>Kayla Race</td>
<td>Alternate</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bill Powers</td>
<td>Member</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Carolyn Chase</td>
<td>Alternate</td>
<td>NO</td>
</tr>
<tr>
<td>Business</td>
<td>San Diego Regional Chamber of Commerce</td>
<td>Mike Evans</td>
<td>Member</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mike Nagy</td>
<td>Alternate</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Carmen Sandoval</td>
<td>Alternate</td>
<td>NO</td>
</tr>
<tr>
<td>Economic Development</td>
<td>North County Economic Development Council</td>
<td>David Lloyd</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>South County Economic Development Council</td>
<td>Hon. Pamela Bensousan</td>
<td>Alternate</td>
<td>YES</td>
</tr>
</tbody>
</table>

**OTHER ATTENDEES:**
Rich Caputo, San Diego Renewable Energy Society  
Laura Copiz, BLM  
Crystal Crawford  
Jamie Edmonds, Solar / Electric Vehicle  
Michael Gervais  
Peter Hasapopoulous, Sierra Club  
Stephen Heverly  
Catherine Sinh, City Walks  
J.C. Thomas, SDG&E  
Chris Yunker, SDG&E  
Linda Wagner, City of Chula Vista  
Lane Sharman, Solana Energy  
Tom Blair, City of San Diego  
David Hauser, City of Carlsbad  
Elaine Lukey, City of Carlsbad  
Mo Lasaie, City of Oceanside  
Kathy Winn, City of Escondido  
Susan Freedman, SANDAG  
Rob Rundle, SANDAG  
Allison King, SANDAG  
Katie Levy, SANDAG
SAN DIEGO GAS & ELECTRIC’S GENERAL RATE CASE OVERVIEW

Introduction

On October 3, 2011, San Diego Gas & Electric (SDG&E) filed Phase 2 of its General Rate Case (GRC-2) with the California Public Utilities Commission (CPUC). On October 27, 2011, the Utility Consumers’ Action Network (UCAN) filed a Motion for Preliminary Ruling Determining SDG&E’s Rate Design Application Violates the Public Utilities Code and Compelling SDG&E to Resubmit its GRC Phase 2 Application. Many parties responded in support of UCAN’s motion and in opposition to the proposed rate designs in SDG&E’s application. The Regional Energy Working Group (EWG) has discussed the GRC-2 at its meetings in November and December 2011.

On January 18, 2012, the Assigned Commissioner to the proceeding, Commissioner Mark Ferron, filed the Assigned Commissioners Scoping Memo and Ruling (Scoping Ruling) in response to SDG&E’s application and UCAN’s motion. Commissioner Ferron ruled that SDG&E must resubmit its GRC-2 proposal and testimony without the Network Use Charge (NUC) by February 17, 2012. Staff will provide an update on the CPUC proceeding.

Discussion

GRC-2 Proceeding

A GRC is typically performed every three years and provides the CPUC the opportunity to examine a utility’s operations and costs and to establish an approved revenue requirement. SDG&E’s Phase 2 addresses the allocation of charges, and includes the introduction of a NUC. SDG&E’s Phase 2 Application (A. 11-10-002) that was filed with the CPUC on October 3, 2011, is available online at www.sdge.com/regulatory/A11-10-002.shtml. It consists of 11 chapters. Chapter 1 provides a policy overview, chapter 2 provides details about the proposed NUC, and chapter 3 includes the proposed rate changes for all customer classes. Based on the Scoping Ruling, this application will be re-filed with the CPUC in February.

In the Scoping Ruling, Commissioner Ferron explained that in addition to his concerns regarding the legality of the NUC, introducing the charge is a statewide issue, as it could affect Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and other distributed generation and self-generation customers outside of the SDG&E territory. He determined that “the issue of whether to establish a NUC should not be included within the scope of this GRC proceeding” and ruled that “SDG&E shall submit a revised rate design proposal and updated testimony that does not include the NUC.” SDG&E’s revised proposal can still contain the basic service fee, the prepay option, and
other proposed rate changes from the original application. The Scoping Ruling is included as Attachment 1 to this staff report.

All filings to this proceeding are available on the CPUC’s Web site at http://docs.cpuc.ca.gov/published/proceedings/A1110002.htm. A summary of UCAN’s Motion and intervenor comments are included as Attachments 2 and 3, respectively.

Updated Schedule

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prehearing Conference</td>
<td>December 9, 2011</td>
</tr>
<tr>
<td>SDG&amp;E Revised Application and Testimony</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td>Division of Ratepayer Advocates Testimony</td>
<td>May 1, 2012</td>
</tr>
<tr>
<td>Intervenor Testimony</td>
<td>May 25, 2012</td>
</tr>
<tr>
<td>Concurrent Rebuttal Testimony</td>
<td>June 22, 2012</td>
</tr>
<tr>
<td>Mandatory Settlement Conference</td>
<td>Week of June 25, 2012</td>
</tr>
<tr>
<td>Public Participation Hearings</td>
<td>To Be Determined</td>
</tr>
<tr>
<td>Opening Briefs</td>
<td>August 24, 2012</td>
</tr>
<tr>
<td>Reply Briefs</td>
<td>September 14, 2012</td>
</tr>
<tr>
<td>Request for Final Oral Argument</td>
<td>September 25, 2012</td>
</tr>
<tr>
<td>Proposed Decision Mailed</td>
<td>November 2012</td>
</tr>
<tr>
<td>Comments on Proposed Decision</td>
<td>20 days after mailing</td>
</tr>
<tr>
<td>Reply Comments on Proposed Decision</td>
<td>5 days after Opening Comments</td>
</tr>
<tr>
<td>Final Commission Decision</td>
<td>December 2012</td>
</tr>
</tbody>
</table>

Attachments: 1. Assigned Commissioner’s Scoping Memo and Ruling
2. Summary of the Utility Consumers’ Action Network Motion
3. Summary of SDG&E General Rate Case Phase 2 Intervenor Comments

Key Staff Contact: Susan Freedman, (619) 699-7387, susan.freedman@sandag.org
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902E) For Authority To Update Marginal Costs, Cost Allocation, and Electric Rate Design.

Application 11-10-002 (Filed October 3, 2011)

ASSIGNED COMMISSIONER’S SCOPING MEMO AND RULING

This scoping memo and ruling (Scoping Ruling) sets forth the category, need for hearing, issues to be addressed and schedule of the proceeding, and designates the presiding officer pursuant to Rule 7.3 of the Commission’s Rules of Practice and Procedure. The Scoping Ruling also addresses a motion filed by the Utility Consumers Action Network on October 27, 2011.

1. Background

On October 3, 2011, San Diego Gas & Electric Company (SDG&E) filed Application (A.) 11-10-002 to establish marginal costs, allocate revenues, and design rates for service provided to its customers in connection with its revenue requirements for service in 2013. This cost allocation and rate design proceeding is commonly referred to as “Phase 2” of a utility’s General Rate Case (GRC).1

In that application SDG&E included two new rate elements: (1) a Network Use Charge (NUC) for all customers, which would recover distribution demand costs on the basis of a customer's actual distribution demand; and (2) a monthly

---

1 SDG&E’s Phase 1 GRC application, primarily addressing revenue requirements, was filed as A.10-12-005 and is in progress.
Basic Service Fee, which would apply to all residential customers. SDG&E also proposed a Prepay Program, which would allow customers the option to prepay for electric and gas service and to amend Tariff Rule 20 to facilitate converting overhead facilities to underground for fire safety purposes.

Protests were timely filed by The Utility Reform Network (TURN), the Division of Ratepayer Advocates (DRA), the Center for Accessible Technology (CforAT), Californians for Renewable Energy (CARE), The Greenlining Institute, San Diego Public Agencies,2 Utility Consumers Action Network (UCAN), City of San Diego, Solar Alliance, San Diego Solar Coalition (SDSC), and Vote Solar Initiative (Vote Solar). Southern California Edison Company (SCE) filed a response to the application. SDG&E filed a reply to the protests.

On October 27, 2011, UCAN filed a motion for a preliminary ruling determining that SDG&E’s rate design application did not comply with the Public Utilities Code and directing SDG&E to resubmit its application without the NUC and Basic Service Fee. UCAN also requests that the proposed Prepay Program be removed from the application. Timely replies supporting the motion were filed by Vote Solar, DRA, jointly by TURN and CforAT, San Diego Public Agencies, Solar Alliance, Sierra Club, and SDSC. Replies opposing the motion were filed by SDG&E and jointly by PG&E and SCE. UCAN was granted leave to respond to these replies.

---

On December 9, 2011, the Commission held a duly noticed prehearing conference (PHC) to determine parties, create the service list, identify issues, consider the schedule, and address UCAN’s motion. At the PHC, the assigned Administrative Law Judges (ALJs) also granted a motion filed by County of San Diego for party status.

2. UCAN’s Motion

UCAN’s motion seeks a determination that the NUC, Basic Service Fee and Prepay Program violate various sections of the Public Utilities Code. As such, it asserts that none of these proposals may be considered and SDG&E’s application should be rejected as incomplete. UCAN therefore requests that SDG&E be ordered to submit an alternate rate design proposal that does not contain these rate design elements. As an alternative, UCAN proposes that due to the statewide interest in these rate design issues, they should be considered in a separate rulemaking.

2.1. NUC

SDG&E states that under its current rate design, Net Energy Metering (NEM) customers do not pay their fair share of costs incurred on their behalf by SDG&E to provide service, including use of the distribution system. As a result, SDG&E states that non-NEM customers subsidize NEM customers. SDG&E, therefore, proposes a NUC, which would charge customers for their actual use of the electric distribution grid. The proposed charge would apply the same rate for grid usage to all customers within each customer class.3

3 Application at 3-4.
UCAN argues that the NUC is contrary to Pub. Util. Code § 2827 and the Legislature’s intent to subsidize the solar industry to promote deployment of solar distributed power. First, it contends that since non-NEM customers do not export energy over the distribution network, the NUC is effectively a surcharge on net metering customers. Further, it maintains that such a charge would reduce the benefits of installing solar and diminish customer incentives to invest in renewable energy sources. Finally, UCAN asserts that the NUC, combined with the Basic Service Fee, could cause the annual rate increases for Tier 1 and Tier 2 customers to exceed the cap established by § 739.9.

2.2. Basic Service Fee

SDG&E’s residential customers currently pay a minimum charge of $0.17/day, or approximately $5.10 for a 30-day month. SDG&E proposes to replace this minimum bill charge with a Basic Service Fee of $3.00/month. SDG&E states that this fee is intended to recover part of the costs that it incurs to

---

4 Unless otherwise specified, all statutory references are to the Public Utilities Code.

5 Pub. Util. Code § 2827 was enacted to establish a net metering program for residential and small commercial customers. In enacting this statute, the Legislature found that this program would, be a way to “encourage substantial private investment in renewable energy, stimulate in-state economic growth, reduce demand for electricity during peak consumption periods, help stabilize California's energy supply infrastructure, enhance the continued diversification of California's energy resource mix, reduce interconnection and administrative costs for electricity suppliers, and encourage conservation and efficiency.” (Pub. Util. Code § 2827, subd. (a).)

6 UCAN Motion at 13-14.

7 UCAN Motion at 14-18.

8 UCAN Motion at 21.

9 Application at 4.
provide service to every residential customer. To maintain compliance with Senate Bill (SB) 695, SDG&E proposes an offsetting reduction in the residential Tier 1 energy rates.

UCAN asserts that the Basic Service Fee, even when combined with the reduction in energy rates, may increase the bill of Tier 1 customers. It contends that this increase would violate § 739.9, as rate increases for Tier 1 and Tier 2 customers are to be based on the prior year’s Consumer Price Index, and Decision (D.) 09-12-048, which requires a Tier 2 advice letter filing for rate adjustments.\footnote{UCAN Motion at 22-23.} UCAN further maintains that the Commission has already rejected a fixed customer charge on policy grounds.\footnote{UCAN Motion at 24 (citing D.11-05-047).}

\subsection*{2.3. Prepay Program}

SDG&E proposes to offer a cost-free option to prepay for electric and gas service. It states that this program would provide customer benefits including no deposit to establish service, flexible payment amounts and no disconnect or reconnect fee.\footnote{Application at 5.} SDG&E proposes to limit the availability of the prepay option to no more than 1\% of its customers per year for the initial three years, ending December 31, 2016. After that time, SDG&E will determine whether the program should be continued.
UCAN believes that the Prepay Program is designed to appeal to customers with bad debt. It maintains that customers participating in the program would be deprived of the minimum termination notice requirements under §§ 779, 779.1, and 739.4, as well as other statutory protections. UCAN asserts that these disadvantages are contrary to § 453.

2.4. Discussion

UCAN’s motion is premised on its belief that the NUC and Basic Service Fee will ultimately be found to be unlawful or contrary to Commission policy. However, it argues that many intervenors do not have the capability and resources to develop an alternative rate design proposal that does not contain these rate elements. As a result, UCAN believes the ALJ Division and Energy Division would bear the burden of developing an alternative rate design proposal. UCAN submits that this would likely delay the resolution of this proceeding. Therefore, UCAN argues that it is important to either resolve the lawfulness of the proposals at the onset or require SDG&E to provide an alternative rate design before proceeding further.

As a general matter, a utility should have the ability to present and advocate its rate design proposal and should not be required to submit alternative rate design proposals on behalf of intervenors. In prior instances where a utility proposed a new rate element, it was not required to include an alternative rate design proposal simply because the element had been contested on legal and/or policy grounds. Therefore, the novelty of the NUC, Basic Service Fee and Prepay Program do not, by themselves, warrant directing SDG&E to provide an alternate rate design proposal.
Based on the responses to UCAN’s motion and comments at the PHC, I believe that the issue of whether to establish a NUC should not be included within the scope of this GRC proceeding. Development of such a rate element could affect not only SDG&E and solar customers, but also PG&E, SCE and other distributed generation and self-generation customers. Furthermore, upon consideration of UCAN's motion and the responses to it, I am concerned that this particular NUC charge may be inconsistent with current law, regardless of whether it is justified by cost causation principles or an analysis of the cross-subsidies inherent in current policies.

My concerns about the legality of the current proposal are based on the following analysis: The last sentence of subdivision (g) of Section 2827 in essence provides that a utility may not create a “new charge” that would increase an eligible customer generator’s costs beyond those of other customers in the same rate class who are not eligible customer-generators. SDG&E’s proposed NUC is a new charge. While the NUC rate would apply to both customer-generators and those who are not customer-generators, it would apply differently to customer-generators, who would pay the charge on both incoming and outgoing power under SDG&E’s proposal. By contrast, the non-generator customer would pay a NUC only on incoming power. Thus, as proposed, the NUC might be viewed as imposing costs on customer-generators beyond those imposed on other customers in the same rate class. Further, the immediately preceding sentence of subdivision (g) states that “The charges for all retail rate components for eligible customer-generators shall be based exclusively on the customer-generator's net kilowatthour consumption over a 12-month period, without regard to the eligible customer-generator's choice as to from whom it purchases electricity that is not self-generated.” SDG&E’s NUC proposal raises concerns
under this provision was well, because the NUC would base the generator customer’s charges on network usage that is unrelated to net kWh consumption.

I am not persuaded that the lawfulness of the Basic Service Fee or the Prepay Program needs to be resolved before the factual issues surrounding these proposals may be considered. Because the legal basis for imposing a fixed residential customer charge has been addressed by D.11-05-047, this proceeding may be guided by that decision. Parties shall be provided the opportunity to explain the extent to which the determinations in D.11-05-047 are applicable here. Since the Prepay Program is a separate program and has no impact on rate design, there is no reason why the legal and factual issues surrounding this proposal cannot be considered in this proceeding.

Based on the above, UCAN’s motion to require SDG&E to file an alternate rate proposal is granted in part. The NUC is outside of the scope of this proceeding. Therefore, SDG&E shall submit a revised rate design proposal and updated testimony that does not include the NUC. This revised proposal shall be submitted by February 17, 2012.

3. Scope

Parties were provided an opportunity to comment in their protests and responses to the application, in their PHC statements and at the PHC on what issues should be included in the scope of this proceeding. SDG&E summarizes the issues on pages 2 – 6 of its application. As discussed in Section 2 above, the

---

13 D.11-05-047 concerned PG&E’s residential rate design which addressed PG&E’s request to approve a residential fixed customer charge. (D.11-05-047 at 23-35.)
NUC shall not be included in the scope of this proceeding and SDG&E shall be filing a revised rate design proposal that does not include this rate element.

Based on the filings, the discussion at the PHC and our discussion above, the following scope of issues are to be addressed in this proceeding:

- Should SDG&E’s sales forecast and marginal cost proposals be adopted?
- Should SDG&E’s electric revenue allocation and rate design proposals, including replacing the minimum bill charge for residential ratepayers with a Basic Service Fee, be adopted?
- Should SDG&E’s proposed tariff and bill changes be adopted?
- Should SDG&E’s proposed allocation and rate design proposals for street lighting be adopted?
- Should SDG&E’s Electric Tariff Rule 20 be amended to facilitate undergrounding distribution lines for fire safety purposes?
- Should SDG&E’s proposed Prepay Program be adopted?

4. Public Participation Hearings

Although not discussed at the PHC, it is anticipated that public participation hearings (PPH) will be scheduled as necessary. I understand that many speakers at the PPHs held for SDG&E’s Phase 1 GRC (A.10-12-005) spoke about the proposed NUC. As this rate element is no longer an issue in this proceeding, and based on the size of SDG&E’s territory, I believe that two to four PPHs should be scheduled. SDG&E should work with intervenors and the Public Advisor’s Office to determine the appropriate locations and proposed dates for PPHs and provide that information to the assigned ALJ no later than January 31, 2012.
5. **Schedule**

SDG&E seeks to have rates effective January 1, 2013. Based on the decision to remove consideration of the NUC from this proceeding, SDG&E will need to file a revised rate design application and testimony. As such, it is unlikely that the rates adopted in this proceeding will be effective by January 1, 2013. The schedule adopted below anticipates that a decision will be voted out in December, 2012.

It is the desire of this Commission to encourage parties to settle disputed issues. As such, the schedule includes a mandatory settlement conference. SDG&E is directed to schedule this conference. Parties shall contact the assigned ALJ if they would like a Commission mediator assigned to facilitate. Upon completion of this meeting, parties shall inform the assigned ALJ whether they wish to continue to explore settlement opportunities in this proceeding. To provide parties sufficient time to explore settlement opportunities, there shall be a single round of evidentiary hearings.

The evidentiary hearings shall begin on July 16, 2012 in the Commission’s Courtroom at 505 Van Ness Avenue, San Francisco, California. The first day of hearings will begin at 10:00 a.m.; on all subsequent days hearings will begin at 9:30 a.m.

<table>
<thead>
<tr>
<th>EVENT</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prehearing Conference</td>
<td>December 9, 2011</td>
</tr>
<tr>
<td>SDG&amp;E Revised Rate Design Application and Testimony</td>
<td>February 17, 2012</td>
</tr>
<tr>
<td>DRA Testimony</td>
<td>May 1, 2012</td>
</tr>
<tr>
<td>Intervenor Testimony</td>
<td>May 25, 2012</td>
</tr>
<tr>
<td>Concurrent Rebuttal Testimony</td>
<td>June 22, 2012</td>
</tr>
</tbody>
</table>
Legal briefing on the Basic Service Fee and the Prepay Program shall be included as part of the Opening Briefs.

The assigned Commissioner or ALJs may modify the schedule as necessary. The goal is to resolve this matter as soon as possible after it is submitted. In any event, it is anticipated this proceeding will be resolved within 18 months from the date of this scoping memo, pursuant to the requirements of Pub. Util. Code § 1701.5.

6. Hearing Preparation

On or before July 12, 2012, SDG&E shall organize a telephonic meet-and-confer conference with all parties to identify the issues on which the hearings will focus, key disputes, and any stipulations or settlements. Parties should also use the meet-and-confer to discuss witness schedules, time estimates from each party for the cross-examination of witnesses, scheduling concerns, and the order
of cross-examination. A list with the witness schedule and cross-examination estimates shall be submitted to the ALJ by 5:00 p.m. on July 13, 2012.

By the conclusion of the hearings, parties must agree on a briefing outline and use that outline for the opening and reply briefs.

7. Discovery

Discovery will be conducted according to Article 11 of the Rules. If the parties have discovery disputes they are unable to resolve by meeting and conferring, they shall raise these disputes under the Commission’s Law and Motion procedure. (See Rule 11.3.)

8. Final Oral Argument

Pursuant to Rule 13.13(b), a party in a ratesetting proceeding has the right to make a final oral argument before the Commission if the final oral argument is requested within the time and manner specified in the scoping memo or later ruling. In this proceeding, any party seeking to present a final oral argument shall file and serve a motion within 10 days of the filing date of reply briefs.

The motion shall state the request, the subjects to be addressed at oral argument, the amount of time requested, any recommended procedure and order of presentations, and all other relevant matters. The motion shall contain all the information necessary for the Commission to make an informed ruling on the motion and to provide an efficient, fair, equitable, and reasonable final oral argument. If more than one party seeks the opportunity for final oral argument, parties shall use their best efforts to present a joint motion, including a joint recommendation on procedure, order of presentations, and anything else relevant to the motion. Responses to the motion may be filed.

If no hearings are held in this proceeding, Rule 13.13(b) indicates that a party’s right to make a final oral argument ceases to exist. As provided for in
Rule 13.13(a), the Commission may still, on its own motion or upon the recommendation of the assigned Commissioner or ALJ, schedule a final oral argument.

9. **Filing, Service and Service List**

The official service list was created at the December 9, 2011 PHC and is now on the Commission’s website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission’s Process Office, the service list, and the judge. Prior to serving any document, each party must ensure that it is using the most up-to-date service list. The list on the Commission’s web site meets that definition.

Electronic service is now the standard under Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Parties are reminded that, when serving copies of documents, the document format must be consistent with the requirements set forth in Rule 1.10(a).

Rules 1.9 and 1.10 govern service of documents only and do not change the Rules regarding the tendering of documents for filing. All documents formally filed with the Commission’s Docket Office must include the caption approved by the Docket Office and this caption must be accurate.

Other documents, including prepared testimony, are served on the service list but not filed with the Docket Office. We will follow the electronic service protocols adopted by the Commission in Rule 1.10, whether formally filed or just served. This Rule provides for electronic service of documents, in a searchable format, unless the appearance or state service list member did not provide an e-mail address. If no e-mail address was provided, service should be made by
United States mail. Additionally, parties shall serve paper copies of all filings on the presiding officer and Assigned Commissioner.

10. Categorization and Need for Hearings

This scoping memo confirms the Commission’s preliminary categorization of both proceedings as ratesetting. This determination is appealable under the provisions of Rule 7.6. This scoping memo also confirms that hearings are necessary and sets forth the hearing schedule.

11. Ex Parte Communications

In ratesetting proceedings, ex parte communications with the assigned Commissioner, other Commissioners, their advisors and the ALJ are only permitted as described in Pub. Util. Code § 1701.3(c) and Rules 8.2, 8.3, and 8.5.

12. Intervenor Compensation

A party who intends to seek an award of compensation pursuant to Pub. Util. Code §§ 1801-1812 should file and serve a notice of intent to claim compensation no later than 30 days after the December 9, 2011 PHC.14 Under the Commission’s Rules, future opportunities may arise for such filings but such an opportunity is not guaranteed.

In this proceeding, parties intending to seek an award of intervenor compensation must maintain daily record keeping for all hours charged and a sufficient description for each time entry. Sufficient means more detail than just “review correspondence” or “research” or “attend meeting.” In addition, intervenors must classify time by issue. When submitting requests for compensation, the hourly data should be presented in an Excel spreadsheet.

As reflected in the provisions set forth in Pub. Util. Code § 1801.3(f) and § 1802.5, all parties seeking an award of intervenor compensation must coordinate their analysis and presentation with other parties to avoid duplication.

13. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission’s procedures or who has questions about the electronic filing procedures should contact the Commission’s Public Advisor at (866) 849-8390 or (415) 703-2074, or (866) 836-7825 (TTY-toll free), or send an e-mail to public.advisor@cpuc.ca.gov.

14. Presiding Officer

Pursuant to Public Utilities Code Section 1701.3 and Rule 13.2, ALJ Amy Yip-Kikugawa and ALJ Stephen Roscow are designated as the presiding officers.

IT IS RULED that:

1. The motion of Utility Consumer’s Action Network to compel San Diego Gas & Electric Company to resubmit is General Rate Case Phase 2 Application without the Network Use Charge, Basic Service Fee and Prepay Program is granted in part.

2. San Diego Gas & Electric Company shall file a revised rate design proposal and testimony that does not include the Network Use Charge by February 17, 2012.

3. This proceeding is categorized as ratesetting. This ruling is appealable within 10 days under Rule 7.6.

4. The Commission’s preliminary determination that hearings are necessary is confirmed.
5. The issues to be resolved in this proceeding are listed in Section 3 of this Scoping Memo and Ruling.

6. The procedural schedule is listed in Section 5 of this Scoping Memo and Ruling.

7. The prepared testimony in this proceeding shall be electronically served on the entire service list on the dates set forth in the adopted procedural schedule, and hard copies are to be provided to the assigned Commissioner and Administrative Law Judges.

8. Administrative Law Judge (ALJ) Amy C. Yip-Kikugawa and ALJ Stephen Roscow are designated the presiding officers for this proceeding.

9. Rules 8.2, 8.3, and 8.5 governing ex parte communications apply to this proceeding.

Dated January 18, 2012, at San Francisco, California.

/s/ MARK J. FERRON
Mark J. Ferron
Assigned Commissioner
Summary of the Utility Consumers' Action Network Motion

Motion for Preliminary Ruling determining SDG&E’s Rate Design Application Violates the Public Utilities Code and Compelling SDG&E to Resubmit its GRC Phase 2 Application.

Summary of Utility Consumers’ Action Network’s (UCAN) Arguments

1. Network Use Charge directly violates Section 2827 of the Public Utilities Code and acts as a surcharge on net energy metering (NEM) customers.
   - NEM customers will see an increase in their bill while non-NEM customers will have a negligible impact.
   - The legislature has recognized the cost shift and intended that subsidy.
   - Network Use Charge undermines the foundation of the California Solar Initiative (CSI) program and reduces the incentive to invest in alternative energy systems.

2. The Network Use Charge and Basic Service Fee alter Tier 1 and Tier 2 rates in violation of the rate caps established in Section 739.9 of the Public Utilities Code.
   - Non-NEM customers see up to 50 percent increase, while NEM customers may see over 200 percent increase.
   - Bill impacts for 2015 were absent from SDG&E application and testimony. UCAN requested this information from SDG&E.
     - Majority of Tier 1 customers will experience an increase in their bills, at most, a 51.4 percent increase for 50 kWh customers.
   - SDG&E does not know the change in Consumer Price Index in future years, therefore cannot really know the impact of Network Use Charge in the future.

3. SDG&E’s prepay option runs counter to the minimum termination notice requirements mandated in Section 779.1.

UCAN’s Proposed Options to CPUC

- Reject application and require SDG&E to resubmit (UCAN’s preferred option).
- Process SDG&E’s application and devise its own rate design with intervenor input.

Groups that Oppose UCAN’s Motion

- San Diego Gas & Electric
- Southern California Edison/Pacific Gas & Electric

Intervenors that Responded in Support of UCAN’s Motion:

- Division of Ratepayer Advocates
- The Utility Reform Network/Center for Accessible Technology
- San Diego Solar Coalition
- Solar Alliance
- Sierra Club
- Vote Solar
- San Diego County Public Agencies
### Summary of Comments

<table>
<thead>
<tr>
<th>Representing</th>
<th>Summary of Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utility Consumers’ Action Network (UCAN)</strong></td>
<td>Small commercial and residential customers but also will be involved in some large customer rate issues</td>
</tr>
<tr>
<td></td>
<td>- New proposed charges are illegal</td>
</tr>
<tr>
<td></td>
<td>- Issues with revenue allocation methodology</td>
</tr>
<tr>
<td></td>
<td>- Marginal generation costs, marginal demand costs, proposed demand charges, and proposed adders are all problematic. Methodology for calculating marginal energy and capacity costs differs dramatically from UCAN’s</td>
</tr>
<tr>
<td></td>
<td>- Issues from A.10-07-009 must be addressed: Peak Time Rebate levels, Transit Oriented Development (TOD) rates, demand charges</td>
</tr>
<tr>
<td></td>
<td>- Large customer issues: non-generation rates, troubling rate design which causes large customers to make uneconomic decisions that affect all customers</td>
</tr>
<tr>
<td><strong>Californians for Renewable Energy, Inc. (CARE)</strong></td>
<td>Non-profit organization</td>
</tr>
<tr>
<td></td>
<td>Network Use Charge</td>
</tr>
<tr>
<td></td>
<td>- Larger than the California Public Utilities Commission (CPUC) Net Surplus Compensation rate for net energy metering (NEM)</td>
</tr>
<tr>
<td></td>
<td>- Violates the intent of Assembly Bill 920 (AB 920), defeating the State’s objective of lowering peak demand</td>
</tr>
<tr>
<td></td>
<td>- Benefits of surplus generation from solar are ignored in SDG&amp;E’s analysis</td>
</tr>
<tr>
<td><strong>Center for Accessible Technology</strong></td>
<td>Residential customers with disabilities</td>
</tr>
<tr>
<td></td>
<td>Concerns with impacts of Basic Service Fee, Prepay Option, and medical baseline exemption from the network use charge</td>
</tr>
<tr>
<td><strong>San Diego County Public Agencies</strong></td>
<td>Carlsbad Municipal Water District, Fallbrook Public Utility District, Helix Water District, Lemon Grove School District, Padre Dam Municipal Water District, Poway Unified School District, San Diego County Office of Education, San Diego County Water Authority, Vallecitos Water District, and Valley Center Municipal Water District</td>
</tr>
<tr>
<td></td>
<td>Network Use Charge: illegal under Section 2827</td>
</tr>
<tr>
<td></td>
<td>- SDG&amp;E does not specify exactly what costs are included in customer’s usage of the distribution system</td>
</tr>
<tr>
<td></td>
<td>- SDG&amp;E attempts to eliminate subsidy for NEM against intent of legislature to encourage distributed generation</td>
</tr>
<tr>
<td></td>
<td>- At least half of new renewable capacity would need to come from rooftop solar in order to meet Governor Brown’s goal, and NEM has been most successful strategy for effectuating rooftop solar</td>
</tr>
<tr>
<td></td>
<td>- The proposal ignores impacts to existing solar customers, instead focuses on future customers and undermines Government Code section 4217.10 requiring energy costs savings to exceed construction costs for public agency projects</td>
</tr>
<tr>
<td></td>
<td>- Public agencies will be among hardest hit and they are not “affluent” as SDG&amp;E suggests most solar customers are</td>
</tr>
<tr>
<td></td>
<td>- Agencies are trapped in 20 to 25-year Power Purchase Agreement (PPA) contracts with uncertainty of electricity prices</td>
</tr>
<tr>
<td></td>
<td>- The application undervalues renewable generation and ignores benefits</td>
</tr>
<tr>
<td></td>
<td>- Concerns about jobs in solar industry</td>
</tr>
<tr>
<td>Representing</td>
<td>Summary of Comments</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Southern California Edison</strong></td>
<td>Electric utility company</td>
</tr>
<tr>
<td></td>
<td>• Supports rate design proposals that decrease the inequitable rate subsidies that currently exist in residential rate structure</td>
</tr>
<tr>
<td></td>
<td>• Has particular interest in the proposed Network Use Charge; NEM customers bypass some fixed costs that electric utilities incur to provide service or access to service them and the resulting revenue deficiency paid by other customers is large</td>
</tr>
<tr>
<td><strong>City of San Diego</strong></td>
<td>City’s own operations and community as a whole</td>
</tr>
<tr>
<td></td>
<td>• Proposed charges would be significantly damaging to the economics of existing distributed generation (DG) projects and dim prospects for future projects</td>
</tr>
<tr>
<td></td>
<td>• Proposal is contrary to intentions of state law and policy</td>
</tr>
<tr>
<td></td>
<td>• <strong>Basic service fee and Network Use Charge</strong> are a shift toward nonbypassable, fixed charges and away from volumetric pricing</td>
</tr>
<tr>
<td></td>
<td>• Possibility of further radical changes in regulated rates will be deterrent to development of renewable generation systems</td>
</tr>
<tr>
<td></td>
<td>• Low penetration levels of NEM and net zero buildings – only 38MW of non-residential solar, 31 percent of non-residential California Solar Institute CSI goal set for SDG&amp;E</td>
</tr>
<tr>
<td></td>
<td>• Concerns about demand charge to be included in time-of-day pricing for small commercial and industrial customers</td>
</tr>
<tr>
<td></td>
<td>• SDG&amp;E needs to put in place a new mechanism to ensure a project’s economics once it has been installed</td>
</tr>
<tr>
<td><strong>The Utility Reform Network (TURN)</strong></td>
<td>Residential and small commercial customers</td>
</tr>
<tr>
<td></td>
<td><strong>Network Usage Charge</strong></td>
</tr>
<tr>
<td></td>
<td>• Would cause an increase in bills for some customers using less than 130 percent of baseline in excess of the limits in sections 739.9 and 739.1(b)(2)</td>
</tr>
<tr>
<td></td>
<td><strong>Basic Service Fee</strong></td>
</tr>
<tr>
<td></td>
<td>• Would effectively increase the bills of some residential customers using less than 130 percent of baseline</td>
</tr>
<tr>
<td></td>
<td>• SDG&amp;E believes that the rate increase limitations apply only to a customer using exactly 130 percent of baseline; this is a narrow view and is not supported by the statues or past Commission precedents</td>
</tr>
<tr>
<td></td>
<td><strong>Prepay Program</strong></td>
</tr>
<tr>
<td></td>
<td>• This would deprive customers of the consumer protections mandated by Section 77 and 739.4 of the Public Utilities (PU) Code</td>
</tr>
<tr>
<td></td>
<td>• The program would appeal to customers who have previously been disconnected for nonpayment, but they would continue to be at risk of service disconnection</td>
</tr>
<tr>
<td><strong>Greenlining Institute</strong></td>
<td>Primarily low-income and middle-income residential customers</td>
</tr>
<tr>
<td></td>
<td><strong>Network Use Charge</strong> violates rate caps for Tier 1 and Tier 2</td>
</tr>
<tr>
<td></td>
<td><strong>Basic Service Charge</strong> would be burdensome to customer trying to conserve energy</td>
</tr>
<tr>
<td></td>
<td><strong>Prepay option</strong> weakens disconnection protections</td>
</tr>
<tr>
<td>Representing</td>
<td>Summary of Comments</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Division of Ratepayer Advocates (DRA)</strong></td>
<td><strong>Network Use Charge:</strong> Even at 50 percent, substantial percent of Tier 1 customers could face a 10 to 40 percent bill increase, Network Use Charge is not consistent with Section 2827 (g), two customers having the same energy consumption would have substantially different bill impacts depending on whether or not they own solar.</td>
</tr>
<tr>
<td>Residential and small commercial customers</td>
<td><strong>Marginal Costs:</strong> proposals to update and modify the methodologies for calculating marginal customer, distribution, and generation costs; DRA will review proposals.</td>
</tr>
<tr>
<td></td>
<td><strong>Revenue Allocation:</strong> DRA will assess how the allocation impacts residential and small commercial customers to assure that they do not face significant rate shock. Also, in the settlement for A.10-07-009, the parties agreed that the allocation of dynamic pricing implementation can be evaluated in this proceeding.</td>
</tr>
<tr>
<td></td>
<td><strong>Basic Service Fee:</strong> the Tier 1 rate reduction is insufficient; almost all customers with usage up to 130 percent of baseline will see increases larger than 5 percent.</td>
</tr>
<tr>
<td></td>
<td><strong>Residential Tier 3 and 4 Rate Issues:</strong> reject SDG&amp;E’s consolidation of Tiers 3 and 4</td>
</tr>
<tr>
<td></td>
<td><strong>Small Commercial Rate Design Issues:</strong> SDG&amp;E proposes to increase Peak Shift Work event day adder so as to reflect 100 percent of the marginal generation capacity costs, if the dynamic pricing settlement is adopted by the Commission. The settlement would include an optional TOU in 2013 and default TOU in 2014. Small commercial customers may not be able to adapt to PSW adders due to operational constraints.</td>
</tr>
<tr>
<td>Solar Alliance</td>
<td><strong>Network Use Charge:</strong></td>
</tr>
</tbody>
</table>
| State-focused alliance of solar PV manufacturers, installer, and financiers | • Violates the Public Utilities Code net metering statutes  
• Fails to account for the benefits of NEM exports to the grid  
• Creates barrier to solar installation, contrary to CSI and Governor’s goals                                                                                                                              |
| San Diego Solar Coalition                        | **Network Use Charge:**                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
• Does not capture the benefits that NEM systems provide to SDG&E, Chris Yunker’s testimony assigns no capacity value to NEM customers’ generation  
• Contravenes the renewable energy policy of the State and the California Solar Initiative                                                                 |
| Vote Solar Initiative                            | **Network Use Charge:** imposes obstacle to solar investment, and is contrary to state law/policy.                                                                                                                                                                                                                                                                                                                                                         |
| Non-profit with 9,000 members in CA              | **Basic Service Fee:** will dilute strong conservation price signal in current rate structure                                                                                                                                                                                                                                                                                                                                                                         |
SAN DIEGO GAS & ELECTRIC SOLAR STAKEHOLDER COLLABORATION MEETINGS   File Number 3200300

Introduction

Due to the level of discussion generated by SDG&E’s General Rate Case Phase 2 (GRC-2) and network use charge, in January 2012, SDG&E formed a voluntary stakeholder group to vet and discuss solar rates. SDG&E invited all parties to the CPUC Proceeding A.11-10-002, as well as additional local and statewide stakeholders, including a representative from the Regional Energy Working Group (EWG). SANDAG Board Chair Jerome Stocks, Deputy Mayor of Encinitas, appointed EWG Chair Carrie Downey, Councilmember of Coronado, to participate on the stakeholder group.

On January 13, 2012, SDG&E held its first San Diego Solar Stakeholder Collaboration meeting to discuss the GRC-2 and network use charge. The meeting was held at the California Center for Sustainable Energy (CCSE) with conference call and web access capabilities.

Discussion

EWG Chair Downey and/or SANDAG staff plan to participate in each San Diego Solar Stakeholder Collaboration meeting and will provide updates to the EWG. Several members of the EWG also participated including the County of San Diego, City of Chula Vista, City of San Diego, CCSE, Energy Policy Initiatives Center at University of San Diego School of Law (EPIC), and the San Diego Regional Chamber of Commerce. At the stakeholder meeting, the group reached consensus on the following three actions:

1. SDG&E will hold two identical information sessions on "solar/ratemaking 101" on Wednesday, January 25, and Friday, January 27, 2012.

   If any EWG members would like to attend one of the “solar/ratemaking 101” information sessions, please RSVP no later than January 20, 2012, to Deanna Watson, SDG&E, at DMWatson@semprautilities.com or 858-654-6432. The meeting locations will be determined once SDG&E has the number of RSVPs that plan to attend. Both meetings will be held in San Diego. The January 27 session will include conference call and web access capabilities.

2. A subcommittee is to convene to initiate an independent study to examine the costs and benefits of solar and assess what, if any, subsidies exist. The study would account for the various subsidies provided to customer rate classes.
The volunteers for the subcommittee include EWG Chair Downey; Michael Shames, Utility Consumers’ Action Network (UCAN); Scott Anders, EPIC; Andrew McAllister, CCSE; Sara Birmingham, Solar Alliance; Dan Sullivan, San Diego Solar Coalition; and SDG&E representatives. Other stakeholders are welcome to attend and a meeting will be set in the near term.

3. SDG&E will set up a Web site or blog space to post agendas, meeting notes and other relevant materials pertaining to the San Diego Solar Stakeholder Collaboration. No internet site is known as of the writing of this report.

Key Staff Contact: Susan Freedman, (619) 699-7387, susan.freedman@sandag.org
SAN DIEGO ASSOCIATION OF GOVERNMENTS
REGIONAL ENERGY WORKING GROUP

January 26, 2012

AGENDA ITEM NO.: 6

Action Requested: RECOMMEND

SAN DIEGO INVOLVEMENT IN THE SAN DIEGO GAS & ELECTRIC
GENERAL RATE CASE PHASE 2 PROCEEDING File Number 3200300

Introduction

On October 3, 2011, San Diego Gas & Electric (SDG&E) filed Application 11-10-002 for Phase 2 of its General Rate Case (GRC-2) with the California Public Utilities Commission (CPUC). The Regional Energy Working Group (EWG) has discussed this item at the November and December 2011 EWG meetings. At the meeting on December 15, Chair Carrie Downey sought suggestions from members and regional stakeholders as to what action, if any, the EWG should recommend that SANDAG take on this matter. In addition, staff e-mailed Chair Downey’s request for input to the EWG distribution list of members and interested parties. Responses were due to SANDAG by January 5, 2012, and are included as Attachment 1 to this report. Public comments given at the November and December 2011 meetings on this subject also are included in Attachment 1.

Recommendations

The EWG is asked to discuss actions that SANDAG could take related to the GRC-2 and make a recommendation to the Regional Planning Committee (RPC). The following actions are suggested:

1) Chair Downey, as the SANDAG EWG representative, continues to participate on the SDG&E Solar Stakeholder group.
2) SANDAG EWG participates in subsequent energy-related stakeholder groups relevant to the successful implementation of the Sustainable Communities Strategy (SCS) and Regional Energy Strategy (RES).
3) At a CPUC public participation hearing, SANDAG submit a letter in support of the consensus position of the Solar Stakeholder group, as long as it is consistent with the SCS and RES.
4) SANDAG does not become an intervenor in CPUC Proceeding A. 11-10-002.

Discussion

Stakeholder Group Participation

SANDAG has a long history of energy planning. As a result of the 2003 RES, SANDAG established the EWG in 2004. Many policy measures from the 2009 RES have been included as actions in the 2050 Regional Transportation Plan and its SCS. The EWG has served as a forum to discuss regional energy issues and build consensus (or minimize conflicts). Based on these activities, the EWG can
provide a unique perspective to the SDG&E Solar Stakeholder Collaboration, as well as subsequent energy-related stakeholder groups.

Public Participation Hearings

During proceedings like the GRC-2, the CPUC holds “public participation hearings.” At these hearings, SANDAG can submit into the record a letter stating its position on SDG&E’s application. SANDAG can attend a hearing in person at the CPUC in San Francisco or file comments electronically. Public participation hearings will likely be scheduled during June or July 2012.

Monitor the CPUC Proceeding

The EWG does not need to become a formal intervenor in a CPUC proceeding in order to receive all filings, monitor progress, and discuss issues. Chair Downey and staff are on the “service list” for this proceeding to receive all information as it is filed at the CPUC. Developments in this proceeding, including the revised submittal by SDG&E, can be accessed without intervening. If members of the EWG are interested in joining the service list, SANDAG staff can provide instruction for doing so.

Next Steps

The EWG recommendation, and a staff recommendation, will be presented to the RPC at its meeting on February 10, 2012. The RPC will make a recommendation to the Board of Directors at its meeting on February 24, 2012. Chair Downey and staff will continue to participate in SDG&E’s Solar Stakeholder Collaboration meetings. Staff also will continue to update the EWG on the Board decision, SDG&E’s revised GRC-2 filing, and progress at the stakeholder meetings.

Attachments: 1. Comments from EWG Members and Interested Parties in Response to SDG&E GRC-2

Key Staff Contact: Susan Freedman, (619) 699-7387, susan.freedman@sandag.org
Comments from Energy Working Group (EWG) Members and Interested Parties in Response to San Diego Gas & Electric (SDG&E) General Rate Case Phase 2 (GRC-2)

Comments Received via Email December 17, 2011-January 5, 2012

SANDAG Member Agency Comments

City of Carlsbad – Elaine Lukey, Environmental Manager

The City of Carlsbad supports the EWG continuing as a regional forum for further dialogue on this issue.

City of Chula Vista – Pamela Bensoussan, Deputy Mayor

While we might acknowledge the valid concerns of SDG&E concerning the long-term stability of rate structures and grid infrastructure with widespread adoption of distributed generation, many of these concerns will not be realized in the timeframe of the next few years or even decade. A more appropriate time for this discussion about any fundamental rate design change would be after net metering has reached its 5 percent cap (predicted in the next two to five years) or as part of future negotiations about potentially raising the cap. Net metering and its cost effectiveness are already being closely tracked and regulated by the California Public Utilities Commission (CPUC) to ensure balance and customer equity per the State Legislation’s direction.

The proposed rate design could negatively impact the EWG and the region in meeting its climate and clean energy goals as outlined in of SANDAG’s Climate Action Plan, Regional Energy Strategy, and other programs designed to improve local air quality. Already, the prospect of significant rate increase to solar users is resulting in a re-evaluation of solar projects that were planned by municipalities (Chula Vista is an example) and a halting of demand by commercial and residential users, whose primary concern is lowering costs. The current impact to SDG&E’s proposal is the growing uncertainty around the economic benefit of solar energy—typically viewed as a 25 year investment—with projects being placed on hold and planning already coming to an abrupt halt.

This untimely proposal to target solar users with rate hikes will result in a significant setback to our state and regional goals for better air quality and the over-reaching goal of transitioning away from unsustainable energy sources. As this proposal comes on the heels of a large scale multi-year campaign by SDG&E with its government agency partners to encourage installation of solar systems through incentives and subsidies, it undermines the potential success of these programs and investments and the potential for progress towards the overall goal of environmental sustainability.

I am in favor of recommending that SANDAG send a letter to the CPUC outlining these concerns and others that are being raised by the public and by SANDAG member agencies. In addition, I recommend that dialogue begin with SANDAG member agencies that are intervening in the proceedings at CPUC.

Other points to consider are possible exemptions for local government agencies and the prospect of exemptions for retroactive (or “grandfathering”) existing solar users, although this would only address economic concerns—not progress towards environmental sustainability.
<table>
<thead>
<tr>
<th>Comments Received via Email December 17, 2011-January 5, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>City of Del Mar - Donald Mosier, Councilmember</strong></td>
</tr>
<tr>
<td>I believe that this is the most important single energy-related issue to confront the region, and that EWG should take a position opposing the transmission charge.</td>
</tr>
<tr>
<td>∙ EWG serve as regional forum for continued dialogue - Yes</td>
</tr>
<tr>
<td>∙ SANDAG submit a letter to SDG&amp;E and/or CPUC Commissioners - Yes</td>
</tr>
<tr>
<td>∙ SANDAG submit similar recommendations to jurisdictions that are intervening in the proceeding - Yes</td>
</tr>
<tr>
<td>SANDAG intervene in proceeding at CPUC - Yes</td>
</tr>
<tr>
<td>The impact on the growing use of solar power and the regional climate action plan would be extremely negative, and the SDG&amp;E proposal does not fairly reimburse solar generators for the power that they feed into the grid. Moreover, the CPUC filing has been extremely disruptive to the installation of new solar panels by creating an atmosphere of uncertainty that has immediate impacts that call for decisive action. San Diego County is a national laboratory for smart use of solar power, and this action by SDG&amp;E jeopardizes that experiment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>City of Oceanside - Mo. Lahsaie, Clean Water Program Coordinator</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Our suggestion is that the SANDAG EWG continues as a forum for dialogue.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>City of San Marcos - Jim Desmond, Mayor</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>I would like SANDAG to stay out of the SDG&amp;E rate case and solar issue. This is not a SANDAG issue.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>City of Solana Beach - Lesa Heebner, Councilmember and David Ott, City Manager &amp; Public Safety Director</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The City of Solana Beach submitted a letter (which follows this table). As stated in the letter, the Solana Beach City Council requests that SANDAG join Solana Beach in opposing SDG&amp;E’s GRC 2 application and request that SDG&amp;E withdraw their CPUC application for the reasons stated in the attached letter. In addition, Solana Beach requests that SANDAG submit similar recommendations to those recommendations being made by jurisdictions that are intervening in the CPUC process and that SANDAG consider intervening in the process because of the potential dire fiscal impacts to solar homeowners, municipalities, schools, commercial entities, and the solar industry consequences and decade’s worth of public policy promoting renewable energy far outweigh any benefits SDG&amp;E may receive if the their GRC 2 application is approved.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>County of San Diego - Peter Livingston, Energy &amp; Sustainability Manager</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The County of San Diego is an Intervenor in the proceedings for GRC 2. The Board of Supervisors voted down publically opposing GRC 2, so we are neutral at this point. We are also planning to meet with the other regional intervenors to discuss how we may collaborate. It is really too early to say how the County would want SANDAG to be involved. Our focus on intervening is largely for the community and not for our own operations. It may be beneficial for the EWG and SANDAG to provide input to the County.</td>
</tr>
</tbody>
</table>
Comments Received via Email December 17, 2011-January 5, 2012

Additional EWG Members

San Diego Regional Clean Fuels Coalition - Greg Newhouse, Chairman

While I believe EWG should serve as a regional forum for continued dialogue, I do not have any other comments on the SDG&E General Rate Case and solar treatment.

California Center for Sustainable Energy, Irene M. Stillings, Executive Director

I recommend that SANDAG continue its role as a regional forum for continued dialogue. As one of the authors of the original energy strategy adopted in 2003 that led to the establishment of the EWG, I believe that the dialogue was always envisioned as the major function. Intervening in a rate case is a very large investment of time and money, an action that I believe is outside the boundaries of SANDAG’s mission.

If the EWG wants to take a strong stand on this issue I recommend a letter to the CPUC and SDGE as the most effective action.

Environmental Health Coalition (EHC) – Kayla Race, Policy Advocate

EHC urges SANDAG to submit recommendations similar to those of jurisdictions that are intervening in the proceeding. California's rooftop solar power market, along with other forms of local clean energy, provides many benefits to the state, including tens of thousands of jobs, clean air, reduced global warming pollution, and a more diverse and, therefore, stable electricity grid. In fact, California’s solar energy market is the one bright spot in California’s economy with 3,500 companies employing some 25,000 people statewide. Continued growth in this industry, which is made up primarily of small California businesses, is on the horizon. Now is not the right time to squelch that potential.

Just the threat of SDG&E’s proposal is already having negative impacts on the local solar industry. That’s why SANDAG should act quickly to enter this debate with a bold voice and make recommendations similar to those of the many jurisdictions that are intervening in the proceeding, who say that SDG&E’s proposal will cost taxpayers hundreds of thousands of dollars a year.

EWG Interested Parties

Sophie A. Akins and Jennifer M. Haley, Best Best & Krieger, Attorneys at Law

The letter submitted by Best Best and Krieger follows this table.

Barry Butler, Butler Sun Solutions

The following is an opinion I provided to solar today magazine on the SDG&E rate case. Since it is the combined CPUC and SDG&E twisting the rules to favor using fossil fuels over solar I think SANDAG intervention is required. I have had a 3 kilowatt (kW) photovoltaic (PV) system on my house since 2002, I have Solar Hot Water and Solar Heated Hot Tub. As past Chairman of the American Solar Energy Society (ASES) Solar Thermal Division I have spent a lot of time on policy impediments to solar deployment. I am a stakeholder that wants to leave a livable planet to my grandchildren.

SDG&E’s answer is the usual double talk from SDG&E, which Southern Cal Edison (SCE) and Pacific Gas & Electric (PG&E) are also spouting. They say owners of PV systems are “not paying their fair share”. Net metering forces utilities to buy power from PV excess-generators during the day.
Comments Received via Email December 17, 2011-January 5, 2012

and deliver power to them at night; thus, the PV homeowner is using the grid for virtual storage. The price the PV generator is paid for the excess power, usually generated near peak hours, is $0.039 per kilowatt hour (kWh) based on the annual true-up formula SDG&E is using. SDG&E is selling the PV-generated electrons to the nearest non-PV neighbors for $0.18 to $0.48 per kWh, making a tidy profit for not having invested in the PV generating station. The PUC allows this, so instead of paying high rates for electrons generated on-peak, they are allowed utilities to buy low and sell high and pocket the benefits. They use some of this hidden profit to lobby the PUC to continue the rip-off. Now SDG&E claims that PV generators are not paying their fair share for the grid and want to unbundle the grid charges so everyone pays $400 per year just to be connected.

I say let them unbundle and charge the $400 per year, but at the same time change the net metering law so they have to pay 90 percent of the going rate for electrons delivered to the grid based on time of delivery. That way, PV generators would get $0.16 to $0.43 for solar electrons going into the grid on-peak and SDG&E would only get $0.02 profit, instead of $0.14 or more. The real problem is that SDG&E wants to have the benefits they get from net metering and charge the PV generators to be connected. In the real world, that is called double-dipping. The Public Utilities Commission (PUC) is really just retreaded utility people, i.e. the same as the fox watching the chicken coop. If the net metering law was changed to reflect the value of PV generation to the utility by their being able to avoid capital investment in peaking plants, distribution equipment replacements and upgrades, and new transmission lines, and instead pay rates based on time of generation, many homeowners would put in more PV, not less, and everyone would benefit: the utilities, the environment, and non-PV utility customers.

This is the utilities’ way of using the system and the PUC to line their pockets and slow the deployment of roof top PV systems. If SDG&E is allowed to get away with this, SCE and PG&E will be next in line to take advantage of the system that set up regulated monopolies in order to serve the public interest in delivering electric power but now tries to slow deployment of the cleanest, truly lowest cost electrons from rooftop PV systems. The PUC and these same utilities are also doing all that they can to slow or stop the deployment of solar hot water systems. If these regulated monopolies don’t become friendly to rooftop PV and solar hot water, they will find out that cellular electricity is a reality, just like cell phones, and with cost-effective batteries, many cellular PV generators will choose to drop off the grid, causing the high cost grid to be shared with fewer customers, which will result in raising the price to all who stay grid-connected.

The SDG&E rate case is penny wise and very pound foolish.

Keith Davidson, DE Solutions, Inc.

SDG&E makes a good case that Tier 3 & 4 residential customers are bearing a disproportionate share of the rate increases relative to all other customer classes. SDG&E attributes this to Assembly Bill 1X (AB1X) and PV net energy metering (NEM). I tend to agree that cross ratepayer class subsidies ought to be minimized and feel that some sort of network usage charge is appropriate. I would suggest that the phase in time schedule should be longer term for existing PV users than for new PV adopters.

On the other hand, there are system benefits from DG that SDG&E (and SCE and PG&E) have refused to recognize over the years. These include resource adequacy, capacity, and local grid support. These should be monetized for all types of DG in SDG&E territory. I also think local DG should count toward the utility Renewable Portfolio Standard goals – the Sunrise Power link is
costing $2,000/kW. As long as these unfairness issues continue, a measured subsidy remains appropriate. However, putting the whole burden on Tier 3 & 4 residential customers seems inequitable and ought to be rectified.

R.A. Figueroa, Principal, E Solutions Consulting

It looks to me that ratepayers in San Diego already pay one of the highest electric rates in the nation, thanks to our regulators approving deregulation of the electric industry in 1997. SDG&E is looking to have the non-solar users pay a higher rate for electricity. PV technology is still quite expensive with the most favorable payback times to be in about 12 to 15 years. People who elect to make the investment in PV systems, should bear the full costs of their service and investment. If SDG&E is asking in their GRC for non-PV users to pay for additional delivery costs because of the implementers of PV systems do not pay their fair share of the distribution system, I say that is unfair and non PV users should not be penalized for the benefit of few.

Solar power generation helps the people who have PV systems with their on-peak power, but remain hooked to the electric grid to depend on the utility to provide the full power requirements in case something goes wrong with their PV system. For that, they should pay their fair share for the delivery costs from SDG&E. I would endorse a position of my latter point if SANDAG issues a comment document to the CPUC, SDG&E, and other legislators.

Don Wood, Sr. Policy Advisor, Pacific Energy Policy Center

I don’t think SANDAG has the staff resources to become a full-fledged intervenor in the GRC. I suggest that the EWG draft a letter for the SANDAG board to consider sending the CPUC that incorporates recommendations similar to those SANDAG member local cities, school districts, and the other local agencies (CCSE, USD) that are intervening in the proceeding.

Public Comments from November and December EWG Meetings

November 17, 2011

Kurt Kammerer, Kammerer & Associates

Mr. Kammerer, speaking as a private citizen, commented that there is a need for SANDAG to look at the regulatory constructs and structures under which SDG&E is to make reductions in energy use. He stated that the current regulatory construct would not meet the state’s energy efficiency and DG reduction goals. Mr. Kammerer requested a discussion of SDG&E’s long-term strategy (long term procurement plan) to achieve energy efficiency goals, as well as regulatory constructs such as incentives, at a future EWG meeting.

Mr. Kammerer also commented that researching the phone industry may prove useful to SDG&E as similar issues were encountered when users switched to mobile phones from landlines. Additionally, he asked what SDG&E’s plan for long-term PV incentives will be in exchange for their proposal and whether SDG&E will oppose incentives in the future. Finally, Mr. Kammerer also asked if SDG&E is exploring options to install more renewables such as PV systems in the region to off-set high peaker plant rates.
Comments Received via Email December 17, 2011-January 5, 2012

**Erica Johnson, San Diego Solar Coalition**

Ms. Johnson commented that SDG&E’s GRC is an issue of cross-subsidy. She noted the importance of understanding how AB1X works. Customers in tiers three and four have been subsidizing tiers one and two. She stated that solar customers from tiers three and four are removing themselves from this cross-subsidy equation. In the solar industry, there are over 30,000 employees statewide and 100 companies in San Diego. The solar industry is the fastest growing industry, growing by 69 percent within the last year. Regionally, there are 14,000 solar producers in San Diego, which SDSC estimates results in 100,000,000 MW of solar generation, or a value of half billion dollars. Ms. Johnson added that SDG&E did not have to invest in building this solar network infrastructure for the region, but is benefiting from it.

**Dan Sullivan, San Diego Solar Coalition (SDSC)**

Mr. Sullivan stated that power being distributed from natural gas power plants must cross several miles of grid infrastructure, thus typical non-solar customers are paying for these transmission and infrastructure costs. However, when solar PV systems are installed into a neighborhood, the excess electricity generated is distributed across a short distance. The non-solar customer in the neighborhood is still charged the full transmission and distribution costs of the grid, even though the transmission system was not used to receive this solar power. Additionally, solar customers can be reimbursed as little as $0.04 for excess energy they feed into the grid, while SDG&E gains revenue by charging up to $0.31 per kWh. Mr. Sullivan noted that it is counter-intuitive that the more clean energy solar customers provide to the grid, the more they would have to pay if this GRC is approved by the CPUC. SDSC also disputes that solar customers are being subsidized by non-solar customers under the current rate structure. Finally, while solar power output is not constant, the solar output in the San Diego region is very predictable.

Mr. Sullivan added that with the network use charge, it would be very difficult for solar contractors to be able to explain to potential customers how the system will work for them without 12 months of data.

**Tara Kelly, San Diego Solar Coalition**

Ms. Kelly commented that SDG&E’s GRC proposal is an attempt to circumvent NEM law. CPUC approval of this GRC would be damaging to the solar industry as well as local and state-wide economies. Additionally, this proposal is contradictory to 20 years of legislative support. Ms. Kelly urged the EWG to recommend opposition of SDG&E’s GRC proposal.

**Mike Bullock, Sierra Club Transportation Chair**

Mr. Bullock asked how much SDG&E pays per kWh for energy from peaker plants.

- Mr. Yunker responded that the rate is variable, but on average, SDG&E pays $0.10 to $0.15 per kWh.
Comments Received via Email December 17, 2011-January 5, 2012

Kathy Winn, City of Escondido

Ms. Winn asked how much the non-solar customers currently pay for network use on average. She also asked if the network use charge would be fixed or variable and whether the charge would differentiate between solar customers feeding excess generated power into the grid and drawing electricity from the grid.

- Mr. Yunker responded that non-solar tier three and four customers were paying an excess $29 per year at the start of 2011 and that this has increased to $35 per year. This increase is due to fewer customers paying for the grid as more solar systems are installed. Network use charge would vary depending on how much generated electricity is used on site without using the grid.

Masada Disenhouse

Ms. Disenhouse asked how this will impact the solar industry where businesses invest in the upfront cost of installing systems and sell or lease to homeowners.

- Chair Downey responded that the contract signed with the homeowner would govern the finances of the arrangement.
- Mr. McAllister added that in general terms, installers sell ownership to end users or sell to leasing companies for third party ownership and there are key leasing companies for residential and non-residential solar industries.

Pamela Bensoussan, City of Chula Vista

Ms. Bensoussan inquired if the EWG would make a recommendation on the GRC for the SANDAG Board of Directors to consider.

- Chair Downey responded that she would seek direction on whether the EWG should take a position on this issue. She added that SDG&E’s GRC proposal will be an ongoing issue and that the EWG had time to make a decision.

December 15, 2011

Rich Caputo, San Diego Renewable Energy Society

Mr. Caputo stated that his energy bill would increase from $60 to $340 per month due to the network use charge that SDG&E is proposing. He further commented that a $22 per month increase charge for customers who have large solar systems goes against the intent of NEM, which encourages solar installation and acceleration of the solar market. Mr. Caputo commented that this is an issue that should be brought before the state legislature and should not be a rate case as SDG&E’s proposal would reverse state policy and result in negative impacts to the solar market. NEM is a valuable mechanism which promotes adoption of solar energy and can be changed through legislation once state goals are reached.
November 17, 2011

Honorable Jerome Stocks
SANDAG Board of Directors
401 B Street, Suite 800
San Diego, CA 92101

RE: Opposition and Request to Withdraw SDG&E’s General Rate Change (GRC) Phase 2 Application

Dear Chairman Stocks:

We are writing to personally make you aware of our official statement of opposition to San Diego Gas and Electric’s (SDG&E) General Rate Change (GRC) Phase 2 application. In addition to stating our opposition, the City Council of Solana Beach has requested that SDG&E withdraw their application to the California Public Utilities Commission (CPUC). We hope that SANDAG will join us in our opposition to GRC Phase 2.

On October 3, 2011, SDG&E filed its GRC Phase 2 application with the CPUC. The GRC Phase 2 is a rate restructuring request that would significantly impact the solar industry as well as current owners of solar photovoltaic systems. After careful consideration of comments received from our community, the solar industry, SDG&E, and an independent study conducted by the California Center for Sustainable Energy (CCSE), the Solana Beach City Council has decided to strongly oppose SDG&E’s GRC Phase 2 application and recommends that SDG&E withdraw the request for the following reasons:

- According to CCSE, the “network charge” as proposed by SDG&E would result in a 94% annual electric bill increase for an average residential solar customer, and an average increase between 74 - 242% on municipalities, schools, public agencies and commercial entities.
- The continued growth of the solar industry in San Diego County and California in general could be significantly affected by SDG&E’s proposed rate structure and may have a detrimental effect on the economy, and specifically, jobs in this growing industry.
- The potential dire fiscal impacts to solar homeowners, municipalities, schools, commercial entities and the solar industry along with the two decades worth of public policy on promoting renewable energy far outweigh any benefits to SDG&E of the proposed GRC Phase 2 application.
- If SDG&E is successful in this GRC Phase 2 application, the other major energy companies throughout California, and the nation, will use it as a precedent to change their rate structures as well, potentially fatally crippling the solar industry nationwide.
For these reasons the Solana Beach City Council urges SANDAG to join with us to oppose the SDG&E GRC Phase 2 application and request that they withdraw the application.

Sincerely,

Lesa Heebner
Mayor
City of Solana Beach
SANDAG Board Member

Sincerely,

Joe Kellejian
Deputy Mayor
City of Solana Beach

Sincerely,

David W. Roberts
Councilmember
City of Solana Beach

Sincerely,

Mike Nichols
Councilmember
City of Solana Beach

Sincerely,

Thomas A. Campbell
Councilmember
City of Solana Beach
January 5, 2012

VIA E-MAIL & FACSIMILE
SFR@SANDAG.ORG AND 619.699.1905

SANDAG - Energy Working Group
401 B Street, Suite 800
San Diego, CA 92101-4231

Re: SDG&E Phase 2 General Rate Case

Dear Members of the SANDAG Energy Working Group:

San Diego Gas & Electric Company’s (SDG&E) Phase 2 General Rate Case Application before the California Public Utilities Commission (Commission) threatens a disproportionate hike in collections from those who have invested in renewable energy generation – with the worst of the impacts to be suffered by solar customers. The San Diego County Public Agency Coalition, which consists of eleven public agencies, opposes SDG&E’s proposal before the Commission and urges the San Diego Association of Governments (SANDAG) to do the same. While serving as a regional forum or submitting a letter to the Commission may be helpful, ultimately, it is the parties participating in the Commission’s proceeding that will determine the fate of SDG&E’s proposal. Our Coalition believes that SANDAG’s unique regional perspective makes it an essential party to this proceeding.

Although there are several groups of entities opposing SDG&E’s Application, those groups represent various discrete interests. For instance, Solar Alliance and Vote Solar are representing the interests of solar companies, Division of Ratepayer Advocates, the Utility Consumer Action Network, and The Utility Reform Network are representing consumers, Walmart is representing its private corporate interests, Sierra Club is representing environmental interests, and a variety of public agencies are representing their interests as well as the interests of their constituents, including the members of our Coalition, the City of San Diego, the City of Chula Vista and the County of San Diego. However, absent from the proceeding is the essential overarching regional perspective, which our Coalition believes SANDAG is in the unique position to provide. To ensure representation of regional interests, and to protect the good of the region from parties’ more insular interests, our Coalition urges SANDAG to become a party to the proceeding.

As the nation’s leader in energy efficiency and renewable energy, California has encouraged its residents for decades to reduce their energy use and, more recently, to invest in renewable energy.
clean energy, particularly solar power. The City of San Diego in particular is an established solar leader among American cities with more than 6,700 solar installations totaling just over 90 megawatts — ranking first and second in California in those categories, respectively, according to Solar-California. Implicit in the State's push toward clean energy is an agreement that the basic rules governing the use and costs of renewable generation would not be radically restructured, making previously sound investments uneconomic. While residents with solar may struggle with these new changes, the greatest impact will be on those entities with larger systems, such as business, including big box retailers, cities, school districts, water districts, transportation districts and other municipalities that have invested in solar.

Over the past few years, numerous San Diego County businesses, public agencies and residents have invested in solar energy, supporting the State's declared clean energy goals and supplementing their general funds with the cost savings generated by solar. In making these investments, SDG&E's customers relied on the economics of net energy metering (NEM) to permit them to net out exports of on-premises generation against any utility-provided electricity consumed by the customer. NEM customers receive bill credits for net-produced energy at nearly the same rate SDG&E would have charged the customer had the energy been consumed instead.

SDG&E's new proposed rate design decimates the economics of San Diego County solar investments – dramatically reducing the benefit to entities who acted progressively, helping the State meet its goals for reduced fossil fuel dependence, fewer greenhouse gas emissions and cleaner air quality. If adopted, SDG&E's proposed tariff changes will have a dramatic impact on San Diego County customers' bottom lines, nearly eliminating the cost savings of solar installations and taking significant amounts of money directly away from already financially challenged businesses and public agencies through increased electricity costs. Indeed, our Coalition has modeled SDG&E's proposal on many of our solar installations and has found that SDG&E's proposal will increase electricity costs by over 200% to several water districts, and, despite a partial exemption from SDG&E's proposal, schools are nonetheless facing potential bill increases upwards of 87%, in some cases.

Specifically, SDG&E proposes to force NEM customers to pay both for sending electricity into the grid as well as for taking it out, which SDG&E proposes to charge for twice: once in distribution charges and then again under the proposed "Network Use Charge." Specifically, SDG&E's Network Use Charge is a new billing component that charges for energy that flows through a meter regardless of its direction, drastically reducing the benefits of renewable investments. SDG&E's Application proposes to unilaterally eliminate an important Legislative subsidy for encouraging the installation of alternative energy, including solar. Although the protesting parties contend that SDG&E vastly overstates the extent and impact of the alleged solar subsidy, to the extent such a subsidy exists, that subsidy is the result of deliberate action by the Legislature, as codified by Public Utilities Code section 2827 and
reaffirmed as recently as August 2011 with the passage of Senate Bill 489, which, in fact, expanded NEM.

Our Coalition, which consists of Fallbrook Public Utility District, Helix Water District, Padre Dam Municipal Water District, San Diego County Water Authority, Vallecitos Water District, and Valley Center Municipal Water District, Alpine Unified School District, Lemon Grove School District, Poway Unified School District, the San Diego County Superintendent of Schools, and recently joined North County Transit District, contends that various aspects of the Application are illegal and unjustified. Indeed, the only parties to the proceeding supporting SDG&E’s Application are its fellow utilities, Pacific Gas and Electric Company and Southern California Edison.

Robust and active participation in the SDG&E’s Phase 2 General Rate Case before the Commission by all regional stakeholders, including SANDAG, is essential to ensure SDG&E’s proposal and its potential adverse impacts are fully vetted and considered by the Commission, and that the Commission’s ultimate decision on the Application is in the best interests of the region. Our Coalition therefore urges the Energy Working Group to recommend SANDAG become a party to SDG&E’s Phase 2 General Rate Case and oppose SDG&E’s Application.

Sincerely,

[Signature]

Sophie A. Akins, Esq.
Jennifer M. Haley, Esq.
of Best Best & Krieger LLP
For The San Diego County Public Agency Coalition:
Fallbrook Public Utility District,
Helix Water District,
Padre Dam Municipal Water District,
San Diego County Water Authority,
Vallecitos Water District,
Valley Center Municipal Water District,
Alpine Unified School District,
Lemon Grove School District,
Poway Unified School District,
San Diego County Superintendent of Schools, and
North County Transit District

JMH:aah