REGIONAL PLANNING COMMITTEE

Friday, March 5, 2004
12 noon – 2 p.m.
SANDAG
401 B Street, 7th Floor Conference Room
San Diego, CA

AGENDA HIGHLIGHTS

• PROGRESS ON "SMART GROWTH OPPORTUNITY AREAS" IN REGIONAL COMPREHENSIVE PLAN (RCP)
• RCP STRATEGIC INITIATIVES
• REGIONAL ENERGY WORKING GROUP MEMBERSHIP AND PRELIMINARY WORK PLAN

MISSION STATEMENT

The Regional Planning Committee provides oversight for the preparation and implementation of the Regional Comprehensive Plan that is based on the local general plans and regional plans and addresses interregional issues with surrounding counties and Mexico. The components of the plan include: transportation, housing, environment (shoreline, air quality, water quality, habitat), economy, borders, regional infrastructure needs and financing, and land use and design components of the regional growth management strategy.
Welcome to SANDAG! Members of the public may speak to the Regional Planning Committee on any item at the time the Committee is considering the item. Please complete a Speaker’s Slip which is located in the rear of the room and then present the slip to Committee staff. Also, members of the public are invited to address the Committee on any issue under the agenda item entitled Public Comments/Communications/Members’ Comments. Speakers are limited to three minutes. The Regional Planning Committee may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org/rcp under Regional Planning Committee on SANDAG’s Web site. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form also available on the Web site. E-mail comments should be received no later than Noon, two days prior to the Regional Planning Committee meeting.

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.

SANDAG offices are accessible by public transit.
Phone 1-800-COMMUTE or see www.sdcommute.com for route information.
ITEM # | RECOMMENDATION
--- | ---
+1. | APPROVAL OF FEBRUARY 6, 2004 MEETING MINUTES (pp. 5-11) APPROVE
2. | PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

Members of the public will have the opportunity to address the Regional Planning Committee on any issue within the jurisdiction of the Committee. Speakers are limited to three minutes each. This is also an opportunity for Regional Planning Committee members to make comments or announcements.

CONSENT ITEM

+3. | FINAL DATES AND LOCATIONS FOR THIRD ROUND OF RCP WORKSHOPS INFORMATION
(Shelby Tucker) (p. 12)

The dates and locations for the third round of workshops on the RCP have been finalized and are attached. Committee members are encouraged to attend.

REPORTS

+4. | PROGRESS OF SMART GROWTH WORKING GROUP ON "SMART GROWTH OPPORTUNITY AREAS" IN THE REGIONAL COMPREHENSIVE PLAN (RCP) DISCUSSION
(Stephan Vance) (pp. 13-14)

A short-term Smart Growth Working Group, consisting of members from the Technical and Stakeholders Working Groups, has been formed to make recommendations to the Regional Planning Committee on refining the smart growth opportunity areas concept map included in the draft RCP, and other smart growth issues. A progress report will be made. The Committee’s input is requested.

+5. | PROPOSED STRATEGIC INITIATIVES FOR REGIONAL COMPREHENSIVE PLAN DISCUSSION
(Bob Leiter) (pp. 15-22)

In order to ensure implementation of the actions included in the RCP, it is proposed that the Implementation Chapter of the final RCP include a list of “Strategic Initiatives.” The Committee is requested to discuss the draft Strategic Initiatives, keeping in mind that they will likely be modified as public input is received on the draft RCP through the public comment process and at the upcoming workshops.
6. **STATUS REPORT ON THE ENVIRONMENTAL IMPACT REPORT ON THE RCP**
   (Rob Rundle)  
   Preparation of the Environmental Impact Report (EIR) for the RCP is underway, and the SANDAG Board will be asked to accept the draft EIR for distribution to the public at its March 26, 2004 meeting. A progress report will be made.

7. **REGIONAL ENERGY WORKING GROUP STATUS UPDATE AND IMMEDIATE ACTION PLAN**
   (Rob Rundle) (pp. 23-30)  
   a. Subregional Appointments: Progress on the membership appointments to the Regional Energy Working Group will be reported. The first meeting of the Working Group will be held on Thursday, March 18, 2004.
   
   b. Preliminary Work Plan: SANDAG staff will outline a preliminary work plan for the Regional Energy Working Group. Representatives from SDG&E will discuss a schedule and milestones for incorporating input into the update of the Natural Gas Supply Strategy, Electric Resource Plan update, and for commenting on the proposed shift of costs associated with the state’s long-term energy contracts.

8. **UPCOMING MEETINGS**  
   The next meeting of the Regional Planning Committee is scheduled for Friday, April 2, 2004 at 12 noon. Please note that in May, two meetings are scheduled. The first will be held on Friday, May 7, 2004 from 12 noon – 2 p.m., and the second, which will be a joint meeting between the Regional Planning Committee and its working groups, will be held on Monday, May 24, 2004 from 9:30 a.m. – 12 noon. Due to the joint meeting, the regularly-scheduled June meeting is cancelled.

9. **ADJOURNMENT**

   + next to an agenda item indicates an attachment
NOTE: A new member orientation was held at 11:30 a.m. prior to the beginning of the Regional Planning Committee meeting.

The Regional Planning Committee meeting was called to order by Committee Chair Lori Holt Pfeiler at 12:02 p.m. The attending Committee members and alternates were as follows: Lori Holt Pfeiler (North County Inland); Judy Ritter (North County Inland); Patricia McCoy (South County); Maggie Houlihan (North County Coastal); Jerry Jones (East County); Bill Horn (County of San Diego); and Pam Slater (County of San Diego). Advisory Members present include: Gail Goldberg (Regional Planning Technical Working Group); Bill Figge (Caltrans); Leon Williams (MTS); David Druker (NCTD); and Lynn Baker (Regional Planning Stakeholders Working Group). Ron Morrison, the SANDAG Chairman, was also in attendance.

Self introductions were made. Chair Pfeiler announced that the Regional Planning Committee reached a major milestone when the SANDAG Board recently accepted the draft Regional Comprehensive Plan (RCP) for distribution. She thanked all members for their efforts in producing a quality report.

1. APPROVAL OF NOVEMBER 14, 2003 MEETING MINUTES

   Action: A motion and second was made to approve the November 14, 2003 meeting minutes. Two members abstained from the vote. The minutes were approved.

2. PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS

   There were no public comments.

   CONSENT AGENDA (Items 3 and 4)

3. WORK PROGRAM TO COMPLETE FINAL REGIONAL COMPREHENSIVE PLAN (RCP)

   At its December meeting, the SANDAG Board of Directors accepted the draft Regional Comprehensive Plan for distribution to the public for review and comment. The work program to complete the final RCP was included in the agenda report.
4. PROPOSED JOINT MEETING WITH WORKING GROUPS AND RESULTING CHANGE TO MEETING SCHEDULE

It was proposed that the Regional Planning Committee host a joint meeting with the Regional Planning Technical and Stakeholders Working Groups in May to review and provide input on a Revised Draft RCP and a summary of key changes. The proposed meeting would be held from 9:30 a.m. to noon on Monday, May 24, 2004. As a result of this change, the June 4, 2004 meeting would be cancelled.

Action: A motion and second was made to approve the Consent Agenda. The motion passed unanimously.

REPORTS

5. RCP PUBLIC INVOLVEMENT (DISCUSSION)

Staff reported that the current RCP public involvement program has two components: (1) presentations on the RCP that will be made to all interested groups and organizations; and (2) the third round of public workshops on the draft RCP and the draft Environmental Impact Report (EIR).

The presentations started in January 2004 and will go through March 2004. 36 presentations have been scheduled to date. Staff mentioned that if anyone was interested in setting up a presentation or if anyone knows of a special interest group that would like a presentation, they should contact staff. CD’s for the Draft RCP are available. The CD includes the PowerPoint images that will be used at the presentations. All new members were encouraged to review the CD prior to the presentation being made to their jurisdiction.

Proposed dates, times, and locations for the third round of workshops were distributed to the Committee for review. Staff recommended that the third round of workshops be held in the form of an open house to receive input from the public on the draft RCP and draft EIR and answer any questions residents may have on the documents. Staff suggested an informal setting where four stations would be set up to receive comments. SANDAG representatives would be available at those stations to answer questions and take comments. Proposed themes at the stations are: (1) The ABC’s of the RCP; (2) The EIR; (3) RCP Goals, Objectives, and Actions; and (4) Implementation and Performance Monitoring. A registration and materials table also will be set up. Comment cards will be made available at each station, and participants will be encouraged to fill them out. This information has been discussed with the Working Groups, whose suggestions are included in the staff report.

Committee member comments on the local presentations and the upcoming workshops included:

- It would be helpful to have elected officials from neighboring cities at the presentations, as the level of importance is raised when elected officials attend.
• At a minimum, each Committee member should be at the presentation that will be made in their respective jurisdiction.

• A workshop should be held in Encinitas. It might be difficult for people in the surrounding areas to get to the Oceanside workshop by 6 p.m.

• The La Mesa workshop should be moved to El Cajon to provide easier access for those that live in the back country.

• Committee members should attend the workshop in their own subregional location.

• Advertising for the workshops should be done with greater lead time than the previous round of workshops. Workshop notices should be sent to community weekly newspapers at least two weeks in advance, in addition to publishing the announcements in the daily newspapers.

• The workshop notices should also be given to the local Chambers of Commerce to be included in their newsletters, and to each jurisdiction to be posted on their websites and to be sent out using their individual mail distribution lists.

6. RCP EARLY ACTIONS (DISCUSSION)

In order to get a good start on implementing the RCP, a series of “early actions” are proposed. The early actions primarily relate to land use and transportation issues addressed in the draft RCP, including:

• Refinements to the “Smart Growth Opportunity Areas” concept map;

• Preparation of guidelines for incorporating “Smart Growth Opportunity Areas” into local general plans and community plans;

• Development of guidelines for a smart growth incentive program;

• Development of guidelines for preparation of transportation corridor and network studies; and

• Development of guidelines for preparation of subregional transportation and land use plans.

Additionally, work is currently taking place on three additional key issues:

• Development of the TransNet Extension Expenditure Plan and Ordinance;

• Regional Housing Needs Assessment update; and

• Ongoing work on regional funding for habitat conservation and other environmental programs.
Both the Regional Planning Technical (TWG) and Stakeholders (SWG) Working Groups have discussed the early actions and recommend two sub-working groups consisting of representatives from the TWG, the SWG, and the public works directors to focus on refining the Smart Growth Opportunity Areas concept map and preparing guidelines for the subregional plans and implementation programs. The working groups would provide input to the Committee to help develop ideas and gain consensus before being included in the final RCP.

Committee Member comments:

- Staff is heading in the right direction on the early actions. However, the public needs to be informed of what smart growth is not. Some concerns are that if a community cannot incorporate smart growth, their infrastructure funding will not be provided, and they will end up with pot holes, sewer spills, no parking, etc.

- Demonstration projects should be developed that can be used as models and included in the Plan. A timeline should also be included. Projects need to be deliverable so that people can see that the Plan is actually being implemented. The Committee shouldn’t be planning just to plan.

- The City of San Diego has criteria which indicate that its Pilot Village projects need to be built in 3-5 years, and that they must have community buy-in. Staff added that the RCP could identify the City of San Diego projects and other “ready-to-go” smart growth projects as demonstration projects, illustrating implementation techniques and coordination with member agencies.

- Several jurisdictions in the region have similar issues and do not want to lose the feeling of their small town atmosphere. The Plan needs to identify areas where smart growth makes sense in each individual jurisdiction. If projects are done right, once they are started, they will grow from there. Once successful projects come on line, local communities will be more apt to buy into the concept.

- A visual poster board of good smart growth projects should be created and taken to the RCP presentations as an illustration of how smart growth can work in our region.

- The question was asked, given local growth control initiatives, how smart growth can work in Escondido or Encinitas. Chair Pfeiler replied that in downtown Escondido, a proposed condominium project will be built which will add 400 units. The downtown urban core still has room for development. Mayor Houlihan added that in Encinitas, along El Camino Real, there are potential opportunities for smart growth.

- While San Diego is discussing smart growth, Riverside is continually building. The longer the San Diego region takes to implement housing projects, the economy will be negatively affected because companies will relocate where their workforce is supported. In approximately five to seven years, Riverside will be faced with the same regional issues that San Diego is facing now.
The State knows that no matter what the region does for revenue, nothing can be done unless future housing is placed where the current infrastructure is. The old solution was to build more freeways, but that will not solve congestion.

The Committee has a lot of potentially contradicting decisions to make, and a lot of different problems need to be addressed. San Diego is not going to be able to have the kind of sprawl that Riverside has. Therefore, the region needs to be able to supply a different type of housing for residents, and builders will need to pay to tie into the transportation system.

Public Comments:

Dutch Van Dierendonk, a back country resident, commented that people in the back country have expressed concern that changes are going to occur in the back country without their consent. If there is not community buy-in, it will be difficult to implement the Plan in this area. Staff responded that they will work with subregional areas to develop approaches on how to solve those issues. This Plan will not be a one size fits all project.

Jim Whalen, representing J. Whalen and Associates, asked if the Plan takes into account tribal reservations and whether any plans have been considered, even if Proposition A (Rural Lands Initiative) does not pass. Staff commented that the Borders chapter of the RCP provides information on working with tribal governments. Staff’s focus over the next year will be on how to work with the tribal governments on a government to government level, how to understand their land use plans and their sovereignty.

A Committee member mentioned that a measure will be on the ballot to allow gambling in non-gaming areas.

7. PERFORMANCE MONITORING FOR THE REGIONAL COMPREHENSIVE PLAN (DISCUSSION)

The passage of AB 361 (Kehoe) requires that SANDAG monitor progress on the RCP through quality of life indicators and performance standards that are both realistic and measurable. Chapter 8 in the draft RCP discusses this issue. The task is to develop a realistic set of indicators that can be implemented and monitored on an annual basis. Three fundamental criteria should be kept in mind while developing indicators.

1. The indicators should be limited in number and kept to a reasonable amount;
2. The indicators should use data that is both readily available and practical; and
3. The indicators should be determined within a reasonable amount of time.

The Technical and Stakeholders Working Groups will make recommendations on indicators for the Committee’s consideration. The Committee expressed support for the criteria, and directed staff to limit the number of indicators.
The SANDAG Board approved the formation of an Energy Working Group and directed it to report to the Regional Planning Committee on the implementation of the Regional Energy Strategy and on the steps needed to coordinate regional energy planning.

The Committee was requested to appoint elected officials from each of the sub-regions and the City and the County of San Diego, and to direct the Energy Working Group to initiate its activities. The SANDAG Board designated 14 business, environmental, government, and other organizations that comprise the remainder of the representatives on the Energy Working Group.

The Working Group will direct coordination of energy planning, policy, and consensus building. It also will coordinate with the Border Energy Issues Group and other inter-regional energy interests. It will review and advocate for legislation to help the region work towards energy self-sufficiency and to achieve other goals of the Regional Energy Strategy.

Staff added that some organizations have already made their appointments to the Energy Working Group. The San Diego-Imperial County Labor Council has decided to assign its own representative to the Working Group. Several different parts of labor want to sit at the table. Working through the Labor Council could prove to be more fruitful and would be more beneficial. Staff also offered to work with the Regional Planning Committee representatives to select the appropriate geographical representatives to sit on this group.

Staff mentioned that the SANDAG budget needed to be reviewed to determine how much funding would be available for this work. Approximately $120,000 has been identified as being left over from last year. Staff will be going before the Board to request that the funding be dedicated to this effort. SDG&E is willing to match that amount and other stakeholder groups will also be requested to contribute funding.

Chair Pfeiler noted that the Energy Working Group should be advised that they report to the Regional Planning Committee, and the Regional Planning Committee reports to the SANDAG Board, where the actual policy will be set.

Committee comments:

- There are different perspectives on what has been or what needs to be done throughout the region regarding energy. There needs to be first steps taken, and SANDAG has taken those steps.

- The Borders Committee has formed an energy group that is working with Tijuana on energy issues. The Regional Planning Committee should coordinate their efforts with the Borders Committee.
Public Comment:

Scott Molloy, Public Policy Advocate for the Building Industry Association (BIA), requested that the BIA be added to the membership list for the Energy Working Group. He noted that the BIA will be providing energy solutions to the region through its work and has a major stake in this issue.

Staff responded that the Board’s intention was to keep this group to a minimal size. Chair Pfeiler added that the BIA is welcome to attend the meetings and provide input. After the Working Group has met several times, it will be determined if an element is missing from the membership. If so, the Regional Planning Committee will need to go before the Board, where the Working Group membership was decided, to have the membership list modified.

9. UPCOMING MEETINGS (INFORMATION)

The next meeting will be held from 12 noon to 2 p.m. on Friday, March 5, 2004.

10. ADJOURNMENT

Chair Holt Pfeiler adjourned the meeting at 1:27 p.m.

BOB LEITER
Director of Land Use and Transportation Planning

Key Staff Contact: Carolina Gregor, (619) 699-1989; cgr@sandag.org
FINAL DATES AND LOCATIONS FOR THIRD ROUND OF RCP WORKSHOPS

As discussed at the February 6, 2004 Regional Planning Committee meeting, the third round of RCP workshops will focus on obtaining feedback and public comments on the draft EIR and draft RCP.

The following is the final schedule for the upcoming RCP workshops.

<table>
<thead>
<tr>
<th>Date</th>
<th>Subregion</th>
<th>Location</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saturday, April 17</td>
<td>North County Coastal (1)</td>
<td>San Dieguito Boys and Girls Club, Encinitas</td>
<td>9 – 11 a.m.</td>
</tr>
<tr>
<td>Monday, April 19</td>
<td>North County Inland</td>
<td>Wildwood Community Center, Vista</td>
<td>6 – 8 p.m.</td>
</tr>
<tr>
<td>Wednesday, April 21</td>
<td>Central San Diego</td>
<td>City Heights Center, San Diego</td>
<td>6 – 8 p.m.</td>
</tr>
<tr>
<td>Thursday, April 22</td>
<td>South County</td>
<td>Chula Vista Public Library</td>
<td>6 – 8 p.m.</td>
</tr>
<tr>
<td>Saturday, April 24</td>
<td>East County</td>
<td>Renette Center, El Cajon</td>
<td>9 – 11 a.m.</td>
</tr>
<tr>
<td>Monday, April 26</td>
<td>North County Coastal (2)</td>
<td>Oceanside Senior Center</td>
<td>6 – 8 p.m.</td>
</tr>
</tbody>
</table>

Committee members are requested to mark their calendars and encourage their colleagues and other interested parties to attend the workshop(s) in their area. Invitations will be mailed shortly.

BOB LEITER  
Director of Land Use and Transportation Planning

Key Staff Contact: Shelby Tucker, (619) 699-1916; stu@sandag.org
PROGRESS OF SMART GROWTH WORKING GROUP ON
"SMART GROWTH OPPORTUNITY AREAS" IN THE
REGIONAL COMPREHENSIVE PLAN

Introduction

At the last Regional Planning Committee meeting, staff reported on a number of early actions required to develop the final RCP. One of those actions was to establish an ad hoc group consisting of members from the Regional Planning Technical Working Group and the Regional Planning Stakeholders Working Group to refine the concept of smart growth opportunities areas (SGOA) introduced in the Urban Form chapter of the RCP. This Smart Growth Working Group (SGWG) has three main tasks:

- Refine the smart growth opportunity area (SGOA) concept map in the RCP,
- Prepare guidelines for incorporating smart growth opportunity areas into local general plans and community plans, and
- Develop guidelines for a smart growth incentive program.

The Regional Planning Committee asked staff to provide regular updates on the progress of the SGWG. The Smart Growth Working Group will have met twice since the last RCP meeting. This report discusses the issues the SGWG addressed at its first meeting. Given the timing of the Regional Planning Committee agenda mail-out, a verbal report will be provided regarding the issues discussed at the Working Group's second meeting.

Discussion

Membership of the Smart Growth Working Group

The Smart Growth Working Group consists of members from the County of San Diego, a number of cities, and representatives from the following Stakeholders Working Group members: the San Diego Housing Coalition, the Sierra Club, the Ramona Community Planning Group, and the Alliance for Habitat Preservation.

Results of First Meeting – Smart Growth Categories and Definitions

At the first meeting, the group set a schedule, refined its work tasks, and began discussing models for how smart growth opportunity areas could be defined and illustrated in the RCP. The schedule includes four meetings, concluding by the end of March. In addition, between the end of February
and mid-April, SANDAG staff will be meeting with local agencies to discuss smart growth opportunity area map designations for each jurisdiction.

As a prelude to refining the definition of SGOA’s, the Working Group discussed how smart growth concepts are being incorporated into the general plan updates currently underway by the cities of Chula Vista and San Diego, and the County of San Diego. They also considered the urban center classifications developed by the Denver Regional Council of Governments as a possible model for how smart growth areas could be defined in the San Diego region. The Denver model suggests both a typology of urban center types from “Central Business District” to “Neighborhood Nodes,” and defines them in terms of their land uses, transportation modes provided, employment density, and residential density. This model is useful because it demonstrates how the characteristics of smart growth can differ depending on their particular setting. This concept was discussed in the Urban Form chapter, but was not clearly articulated in the initial discussion of SGOA’s.

The Working Group also began discussing how local commitments to developing SGOA’s should be established. That discussion included the concept of distinguishing between existing smart growth areas and smart growth opportunity areas. This distinction will be important for communities that already have many of the characteristics of a smart growth area, but that have limited opportunity to absorb additional growth. Even though these communities may not be able to commit to much more intense development, they may still have infrastructure needs, and will want to be eligible to compete for future smart growth incentive funds.

Results of Second Meeting – Defining Local Commitments to Smart Growth

At its second meeting, the Smart Growth Working Group will discuss how the RCP should categorize smart growth opportunity areas, and what the essential characteristics of each category should be. Additionally, the group will discuss how local commitments should be manifested in local planning documents, zoning ordinances, and design standards. A verbal report of the results of that meeting will be made.

Recommendation

The Regional Planning Committee is requested to discuss and provide input on the progress of the Smart Growth Working Group on the smart growth opportunity areas and local commitments to smart growth.

BOB LEITER
Director of Land Use and Transportation Planning

Key Staff Contact: Stephan Vance, (619) 699-1924, sva@sandag.org
PROPOSED STRATEGIC INITIATIVES FOR REGIONAL COMPREHENSIVE PLAN

Introduction

The Implementation Framework chapter of the draft Regional Comprehensive Plan (RCP) states:

“Effective plans – developed in the public or private sector – include detailed implementation strategies. They specify follow-up actions, identify responsible parties, establish timelines, and provide specific benchmark criteria for measuring success. Without strong implementation strategies, well-crafted and well-intentioned plans are left to gather dust on a shelf. To avoid such a fate, the Regional Comprehensive Plan (RCP) includes an initial implementation strategy that will evolve with the plan over time.”

The initial Implementation Framework chapter of the RCP serves as a starting point in organizing how the plan's goals, policy objectives, and actions will be carried out. Recognizing that the plan is still in draft form, and that some of its policy objectives and actions are likely to change due to input received during the public review process, the chapter establishes a framework for working with the Regional Planning Committee, its Stakeholders and Technical Working Groups, and others in formulating a more detailed implementation chapter to be included in the final RCP that specifies concrete timeframes by which certain actions will be accomplished.

Because of the wide range of actions identified in the draft RCP, the Implementation Framework chapter recommends that RCP participants develop a list of “Strategic Initiatives;” that is, prioritized sets of related actions that could be undertaken by various groups of stakeholders to implement some of the key concepts contained in the plan. Developing a list of Strategic Initiatives allows for the actions to be organized into manageable units of work and prioritized by timeframe, helping ensure implementation.

The Technical Working Group has begun discussing a set of proposed draft Strategic Initiatives, and its input has been incorporated into the Attachment. The Stakeholders Working Group will begin discussing the proposed initiatives at its next meeting, and both Working Groups will continue their discussions at their next two meetings. Additionally, staff recognizes that additional work, such as stronger incorporation of potential early-action smart growth pilot projects in smart growth opportunity areas and identification of key performance-based indicators, remains to be done, and will work with the Working Groups to develop additional recommendations for the Committee's consideration at its upcoming meetings.

Recommendation

The proposed Strategic Initiatives are a “work-in-progress” that need additional refinement before they are included in the final RCP. Because the Strategic Initiatives will form the basis of the revised
Implementation chapter of the final RCP, the Regional Planning Committee is requested to provide initial input on the proposed initiatives, keeping in mind that they will likely be modified as the Working Groups suggest refinements and public input is received on the draft RCP through the public comment process and at the upcoming workshops.

Discussion

In discussing the Strategic Initiatives, it is important to emphasize that the RCP was designed as a guidance plan, rather than a regulatory plan. As such, the preferred implementation approach is that local and regional agencies incorporate concepts contained in the RCP into their local and regional plans as they update their plans. Additionally, the RCP recommends that incentives be provided to member agencies for implementing the concepts contained in the plan.

The Attachment provides an initial set of proposed Strategic Initiatives, organizing the actions contained in the draft RCP into general categories. Over the next two months, the Working Groups will help identify the lead agency (or agencies) and supporting participants designated to implement the initiatives, and the start date and duration of the activities.

The Attachment also identifies the "Early Actions" that the Committee discussed last month. (The early actions are identified by the initials "EA" in the left hand column.) It should be noted that the table does not include Strategic Initiatives related to the "Borders" chapter – the Borders Committee was asked to participate in prioritizing the actions in the Borders chapter at their last meeting, and their input will be folded into the list of Strategic Initiatives.

Initial input provided today by Regional Planning Committee will be relayed to the Technical and Stakeholders Working Groups as they discuss the Strategic Initiatives at their March and April meetings. The Working Groups will be asked to make recommendations, along with those of the Borders Committee, to the Regional Planning Committee on the initiatives. Staff will make additional refinements to the Strategic Initiatives based upon public comments and input gathered at the RCP workshops this spring. Those refinements will be reflected in the revised draft RCP that the Regional Planning Committee and its Working Groups will review on May 24, 2004, before the final RCP is presented to the SANDAG Board of Directors this June.

As part of the RCP implementation process, it is anticipated that the list of Strategic Initiatives will be reviewed on an annual basis in order to coordinate with agency work programs and budget cycles.

BOB LEITER
Director of Land Use and Transportation Planning

Attachments

Key Staff Contact: Bob Leiter, (619) 699-6980; ble@sandag.org
PROPOSED CATEGORIES AND ACTIVITIES

1 LAND USE / TRANSPORTATION

1.1 Smart Growth Planning Program
EA a. Refine Smart Growth Opportunity Area (SGOA) Concept Map
EA b. Prepare guidelines for incorporating SGOA’s into local general plans and community plans, and process for reflecting local land use changes into future updates to the growth forecast
EA c. Revise SANDAG’s “Transportation Project Evaluation Criteria” to consolidate transportation project categories, to incorporate land use-related criteria, and to incentivize smart growth where appropriate
EA d. Establish guidelines for Smart Growth Incentive Program, which will allocate funding for community improvements in SGOA’s
EA e. Implement Smart Growth Incentive Program as funding becomes available
EA f. Develop and implement Smart Growth Community Education Program

1.2 Smart Growth Urban Design Guidelines
a. Monitor Smart Growth Trip Generation Rates
b. Prepare revised Parking Reduction Guidelines
c. Prepare Urban Design Best Practices Manual which addresses:
   ▪ Transportation design guidelines for SGOAs
   ▪ Transit facility guidelines for new development
   ▪ Guidelines for public/private partnerships to fund enhanced transit facilities
   ▪ Crime prevention, universal design, accessibility, bike and pedestrian access, and other urban design issues
d. Develop design guidelines for schools in urbanized areas
e. Develop guidelines for joint use of school / park facilities in urbanized areas

1.3 Sub-regional Transportation / Land Use Planning Program
EA a. Develop guidelines for preparation of transportation corridor and network studies
EA b. Develop guidelines for preparation of sub-regional transportation / land use plans and implementation programs, and prioritization mechanisms
EA c. Prepare studies for selected corridors and network study areas (focused on mainline improvements to that corridor)
EA d. Prepare sub-regional plans / implementation programs for selected areas (focused on a smaller segment of the larger corridor, and on integration with local land use and transportation improvements, implementation, funding, etc.)

1.4 Updated Growth and Development Forecast
a. Prepare updated growth and development forecast, based on transportation / land use priorities from RCP as reflected in local general plans, to provide a guide for service providers
1.5 Regional Transportation Plan Update
   a. Incorporate RCP’s smart growth goals and policy objectives into the Regional Transportation Plan during the next RTP update
   b. Identify needs at inter-modal connection points at key locations
   c. Develop plans for regional airport
      ▪ Improve access to international and domestic markets at regional airport facilities
      ▪ Address multi-modal access for existing or new regional airport
   d. Address multi-modal access to other goods movement centers
   e. Address relationship of interregional high speed rail service to RTP plan objectives, and amend plan as appropriate

1.6 Transportation Implementation Programs
   a. Develop strategy for completing the regionally significant arterials in the Mobility 2030 Network (Note: still being refined internally)
   b. Ensure that appropriate transportation projects incorporate pedestrian and bicycle access
   c. Develop and implement local and regional strategies for Transportation Demand Management (TDM)
   d. Develop and implement local and regional strategies for Transportation Systems Management (TSM)
   e. Develop guidelines for use of Integrated Systems Management for transit stations / activity centers
   f. Update annual Short-Range Transit Plan (ensure transit is accessible, available, and affordable)
   g. Implement special transit programs for seniors and persons with disabilities

1.7 Regional Transportation Funding Program
   EA a. Develop and implement regional funding program for 2030 Mobility Network (Finish TransNet Expenditure Plan)
   EA b. Evaluate use of transportation development impact funding
   EA c. Evaluate use of transportation user fees / private investment funding

1.8 Local Smart Growth Implementation
   a. Incorporate smart growth concepts into local plans and policies, and process development projects in conformance with the plans.
      ▪ Assist in preparation of specific plans for smart growth opportunity areas (SGOA’s)
      ▪ Early action grants for development of smart growth projects in SGOA’s

2 HOUSING
2.1 Regional Housing Needs Allocation Update
   EA a. Utilize policy objectives in draft RCP Regional Planning and Policy Framework, Urban Form, Transportation and Housing Chapters to guide preparation of draft Regional Housing Needs Assessment process
   EA b. Adopt updated Regional Housing Needs Assessment process
2.2 Regional Housing Implementation Programs
   a. Hold forums on local and regional housing planning issues
   b. Affordable housing public education program
   c. Coordinate with SANDAG’s Economic Division to develop and implement a fiscal reform proposal that reflects regional consensus and incentivizes housing production
   d. Moderate income housing incentives, e.g., location-efficient mortgages, employer assisted housing programs

2.3 Local Housing Planning and Implementation Programs
   a. Update general plan housing and land use elements and zoning to reflect updated regional housing needs allocations and address other regional and local housing policy issues
      ▪ Identify and rezone appropriate sites for new housing close to public transit, employment, and other services
      ▪ Identify underutilized sites for housing, such as vacant and/or deteriorated shopping centers
      ▪ Identify and rezone sites for special needs housing
      ▪ Develop and implement local affordable housing programs and incentives
      ▪ Develop and implement housing rehabilitation programs
      ▪ Implement homeownership programs
      ▪ Provide replacement housing as redevelopment / infill development occurs
      ▪ Ensure efficient use of existing housing funds
      ▪ New funding programs for affordable housing
   b. Develop guidelines for incorporating “green building” techniques and universal design principles for accessibility into new and existing housing
   c. Develop and implement programs to eliminate environmental and health hazards in existing housing

3 HEALTHY ENVIRONMENT/ NATURAL HABITATS
3.1 Regional Habitat Management Program
   a. Develop and implement regional habitat management and monitoring plan
   b. Coordinate regional habitat monitoring databases
   c. Develop regional habitat funding program
   d. Prepare guidelines for protecting natural habitats in urbanized areas, and for use of native vegetation in urban landscapes
   e. Develop guidelines to protect agricultural soils for future production, and to buffer them from native habitats and urban land uses

4 HEALTHY ENVIRONMENT / WATER QUALITY
4.1 Regional Water Quality Management Program
   a. Evaluate current efforts to implement Water Quality Best Management Practices in region, and revise programs as needed
   b. Develop and implement a watershed-based water quality planning process
   c. Develop and maintain water quality assessment database
   d. Continue to implement water quality public education programs
### PROPOSED CATEGORIES AND ACTIVITIES

<table>
<thead>
<tr>
<th>5</th>
<th>HEALTHY ENVIRONMENT / SHORELINE PRESERVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Regional Shoreline Preservation Program</td>
</tr>
<tr>
<td>a.</td>
<td>Evaluate opportunities for beach sand natural systems restoration</td>
</tr>
<tr>
<td>b.</td>
<td>Develop and implement near-shore habitat conservation plan</td>
</tr>
<tr>
<td>c.</td>
<td>Continue to implement and improve existing beach sand replenishment programs</td>
</tr>
<tr>
<td>d.</td>
<td>Develop regional funding program for beach sand replenishment and other shoreline preservation activities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6</th>
<th>HEALTHY ENVIRONMENT / AIR QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Regional Air Quality Management Program</td>
</tr>
<tr>
<td>a.</td>
<td>Continue to update and implement Regional Air Quality Strategy</td>
</tr>
<tr>
<td>b.</td>
<td>Continue to implement strategies to reduce industrial air pollution and other stationary sources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7</th>
<th>ECONOMIC DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>Regional Economic Development Program</td>
</tr>
<tr>
<td>a.</td>
<td>Expand access to international trade infrastructure.</td>
</tr>
<tr>
<td>b.</td>
<td>Develop and implement workforce training and development programs consistent with the economic goals and objectives of the Regional Economic Prosperity Strategy.</td>
</tr>
<tr>
<td>c.</td>
<td>Continue to update and implement Regional Economic Prosperity Strategy and address major economic development infrastructure needs.</td>
</tr>
<tr>
<td>d.</td>
<td>Develop and implement state-local fiscal reform proposal that reflects regional consensus on these issues.</td>
</tr>
<tr>
<td>e.</td>
<td>Update regional employment and residential lands inventory and compare to RTIP expenditures.</td>
</tr>
<tr>
<td>f.</td>
<td>Implement programs to attract venture capital resources to the region.</td>
</tr>
<tr>
<td>g.</td>
<td>Conduct regional review of industrial “regulatory barriers” and implement improvements as needed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>8</th>
<th>PUBLIC FACILITIES / WATER SUPPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Regional Water Supply Plans and Programs</td>
</tr>
<tr>
<td>a.</td>
<td>Update and implement regional water supply and transmission facility plans</td>
</tr>
<tr>
<td>b.</td>
<td>Develop seawater desalination facilities to serve the region, and bi-national and interregional needs</td>
</tr>
<tr>
<td>c.</td>
<td>Implement water conservation programs</td>
</tr>
<tr>
<td>d.</td>
<td>Implement water conservation public education programs</td>
</tr>
<tr>
<td>e.</td>
<td>Develop funding program for local water conservation activities</td>
</tr>
<tr>
<td>f.</td>
<td>Continue to develop funding programs for regional water projects</td>
</tr>
<tr>
<td>g.</td>
<td>Seek funding for bi-national and interregional water projects</td>
</tr>
</tbody>
</table>
PROPOSED CATEGORIES AND ACTIVITIES

9  PUBLIC FACILITIES / ENERGY

9.1 Regional Energy Strategy Implementation
   a. Coordinate planning and updating of Regional Energy Strategy
   b. Develop renewable energy resource projects
   c. Increase use of renewable energy resources throughout the bi-national and interregional area
   d. Develop energy generation and transmission facilities
   e. Develop and implement energy conservation programs
   f. Develop guidelines and incentives for energy-efficient building design
   g. Develop energy efficiency plans and programs for regional transportation facilities and operations

10 PUBLIC FACILITIES / WASTE MANAGEMENT

10.1 Regional Solid Waste Management Program
   a. Implement County Integrated Waste Management Plan, including Siting Element and funding strategies
   b. Implement solid waste recycling programs

11 BORDERS – Being worked on by Borders Committee, and will be inserted next round.

12 INTEGRATED REGIONAL INFRASTRUCTURE STRATEGY

12.1 IRIS Implementation
   a. Develop guidelines for linking annual expenditures of capital improvement programs to the long term goals of facility master plans that incorporate RCP goals.
   b. Promote coordination of plans and capital investments between local jurisdictions and infrastructure providers. Utilize Memorandums of Understanding (MOU) or compacts where appropriate.
   c. Implement demand and systems management strategies to maximize efficient service provision.
   d. Secure stable funding sources for all services. Utilize user fees to fund local services whenever possible.
   e. Support legislation that reduces voter requirement for bond approval to 55%.

12.2 Strategic Initiatives for Specific Infrastructure Providers
   f. Develop and adopt contingency funding plan to upgrade Point Loma Wastewater Treatment Plant.
   g. Seek bond funding for K-12 school renovation and expansion.
   h. Identify joint-use opportunities and collaborate to expand or improve schools in existing urbanized areas.
   i. Seek fair share of state funding for community colleges in San Diego region.
   j. Seek bond funding for community college renovation and expansion.

13 OTHER

13.1 Intergovernmental Review Program
   a. Develop social equity guidelines for large-scale projects that will address applicable RCP policy objectives in areas such as transportation, housing, air quality, water supply, water quality, energy, and solid waste
b. Implement enhanced environmental review of large-scale projects ref RCP, CMP, RTP provisions, including social equity considerations

13.2 RCP Performance Monitoring Program
EA a. Develop and implement RCP performance monitoring program for lag indicators
EA b. Develop and implement RCP performance monitoring program for lead indicators

13.3 RCP Public Participation Program
EA a. Develop and implement strategies to ensure effective public participation in RCP implementation

13.4 Enhanced Analytical Tools
a. Develop consistent approach for analyzing traffic impacts of development, including consistent standards for measuring “level of service”
   - Develop model that can be used to evaluate effectiveness of smart growth urban design strategies
   - Acquire visual simulation software that can be used to illustrate the outcomes of various transportation and land use strategies
b. Develop traffic forecasting models to better predict trip generation rates and trip lengths, specifically as they related to jobs and housing availability within defined regional and sub-regional areas

* EA Early Actions
REGIONAL ENERGY WORKING GROUP STATUS UPDATE
AND IMMEDIATE ACTION PLAN

Introduction

At its December 2003 meeting, the SANDAG Board of Directors approved the recommendation of the Energy Task Force and the Executive Committee to take the responsibility for implementing and coordinating the San Diego Regional Energy Strategy.

Since the Board of Directors took action in December, many recommended actions have been completed or are currently in progress. This report will provide the Regional Planning Committee with an update regarding the status of the following issues:

- Regional Energy Working Group membership
- Budget and funding
- SANDAG Overall Work Plan for FY 2005
- Immediate action plan

Recommendation

Based on the timetable established to provide input on the cost allocations, it is recommended that the Regional Planning Committee authorize the Regional Energy Working Group to formulate strategies regarding the proposed restructuring of costs among the utilities and their customers. Due to the timing of the CPUC hearings, these strategies and recommendations should be brought to the SANDAG Board of Directors in March.

Regional Energy Working Group Membership

The SANDAG Board of Directors approved the formation of the Regional Energy Working Group (REWG) at their December 2003 meeting. The REWG will advise the Regional Planning Committee on issues related to the Regional Energy Strategy. Attached is a list of the recommended membership of the REWG and the status of the appointment of the representatives on the working group. The first meeting of the working group is currently scheduled for March 18, 2004 from 9 a.m. - 11 a.m. (Attachment 1)
Budget and Funding

The SANDAG Board directed staff to request other organizations involved in the working group to help provide interim funding through June 2004. SANDAG has requested funding and/or in-kind services from the energy working group constituency and has received a funding commitment from San Diego Gas and Electric (SDG&E). In addition, SANDAG has reprogrammed funding in the FY 2004 Overall Work Plan to allocate sufficient resources to provide staff support to the working group.

SANDAG Overall Work Plan for FY 2005

SANDAG has included Regional Energy Planning and Coordination in the draft FY 2005 Overall Work Plan. The objective of this SANDAG work element is to: (1) coordinate the implementation of the Regional Energy Strategy; (2) coordinate regional energy planning among the jurisdictions, industry, consumer representatives, environmental organizations, and other interested entities; (3) staff the Regional Energy Working Group; (4) work with federal and state energy planning and regulating agencies to help the region attain energy self-sufficiency; and (5) promote coordination in energy planning with other regions. The entire description of this work element is provided in Attachment 2.

Immediate Action Plan

A number of more immediate actions will be coming to the Regional Planning Committee and the Regional Energy Working Group during the next several months. Among these issues are:

1. Developing regional consensus for cost allocation for long-term energy contracts to minimize impacts to SDG&E ratepayers (Attachment 3);
2. Provide input into the update of SDG&E's Electric Resource Plan; and

The working group will be asked to make a recommendation on the proposed restructuring of costs that are allocated to SDG&E, Pacific Gas and Electric, and Southern California Edison to pay costs related to the long-term energy contracts the state entered into during the energy crisis of 2000-01.

Discussion

During the energy crisis of 2000-2001, the State of California (Department of Water Resources) entered into long term contracts to ensure an adequate supply of energy through the year 2013. The DWR determines the annual revenue requirement necessary to recover the cost of providing power to energy users under the contracts and submits the revenue requirement to the California Public Utilities Commission for cost recovery. The CPUC is then required to allocate these costs among the customers covered by the long-term contracts. The CPUC is proposing to change the formula that has been used to allocate these costs which could shift over $1 billion in additional fees to the San Diego region’s rate payers over the life of the contracts. The Regional Energy Working Group should develop a strategy to ensure a fair and equitable methodology for determining the distribution of costs.
In addition, the Regional Energy Working Group should provide input into the update of the Electric Resource Plan and the Natural Gas Supply Strategy. These policy documents identify the vision for meeting the region’s energy demands now and in the future.

Although the Working Group will be discussing other important energy issues, the immediate action items outlined above represent issues that require the Working Group’s immediate input.

BOB LEITER
Director, Land Use and Transportation Planning

Attachments

Key Staff Contact: Rob Rundle, (619) 699-6949; rru@sandag.org
ENERGY WORKING GROUP

Membership in the Energy Working Group is as follows.

Elected Officials

Elected official appointments from the North Coastal, North Inland, East Suburban, and South Bay subregions, and City of San Diego and County of San Diego are underway, and a progress report and reminder will be presented at the meeting.

Organizations

Staff has sent letters to organizations requesting that they nominate a representative to fill the remaining twelve slots. The category organizations requested to appoint a member, and their appointees if announced, are:

San Diego Regional Chamber of Commerce
North San Diego Economic Development Corporation
Utility Customers’ Action Network (UCAN)
Department of Defense (DOD)
Environmental Health Coalition, representing environmental organizations
Sierra Club, representing environmental organizations
San Diego State University Foundation
San Diego - Imperial Counties Labor Council: Mr. Jerry Butkiewicz has accepted
Qualcomm, representing large business
Food and Beverage Association, representing small business: Mr. Stephen Zolezzi has accepted
San Diego County Water Authority: Hon. Bud Irvin has accepted; Hon. Jesse Dixon, alternate
San Diego Gas & Electric Company
San Diego Port District
San Diego Regional Energy Office
PROPOSED OVERALL WORK PROGRAM #30030
REGIONAL ENERGY PLANNING COORDINATION

OBJECTIVE

The objectives of the Regional Energy Planning Coordination work are to (1) coordinate the implementation of the Regional Energy Strategy; (2) coordinate regional energy planning among the jurisdictions, industry, consumer representatives, environmental organizations, and other interested entities; (3) staff the Regional Energy Working Group; (4) work with federal and state energy planning and regulating agencies to help the region attain energy self-sufficiency; and (5) promote coordination in energy planning with other regions. In 2005, the emphasis will be on forming the Regional Energy Working Group and implementing the Regional Energy Strategy.

PREVIOUS AND ONGOING WORK

SANDAG has prepared several energy plans and in 1995, the adopted Energy Plan was incorporated into the Regional Growth Management Strategy. In 2004, SANDAG accepted the Regional Energy Strategy and considered the recommendation of the Regional Energy Policy Advisory Committee that SANDAG be the implementing agency. SANDAG agreed that it would be the entity to implement regional energy planning coordination. SANDAG established the Energy Working Group, under the Regional Planning Committee, which then began the process of developing the coordination and implementation activities.

The Regional Energy Strategy is incorporated into the Regional Comprehensive Plan.

TASKS

01 Provide staff support to the Energy Working Group to assist it in its activities to promote the coordination of energy planning in the region. (FY 2005 - 30%)

02 Coordinate with the Border Energy Issues Group (BEIG) and other committees working on energy projects related to the Regional Energy Strategy. (FY 2005 - 15%)

03 Assist and monitor the SDG&E Electrical Energy Plan, with the Energy Working Group, for coordination with the Regional Energy Strategy. (FY 2005 - 10%)

04 Review tasks of the Regional Energy Strategy and provide a program to promote their implementation by the appropriate parties. (FY 2005 - 20%)

05 Monitor and comment on federal and state legislation affecting energy supply in the region. (FY 2005 - 10%)

06 Seek funding for additional activities for the program. (FY 2005 - 15%)
Committee: Regional Planning Committee; Working Group: Regional Energy Working Group; Project Manager – Rob Rundle

PRODUCTS

- Report summarizing the progress made by the region in coordinating energy planning and energy self-sufficiency as proposed by the Regional Energy Strategy.
- Report on federal and state energy legislation.

FUTURE ACTIVITIES

The Regional Energy Working Group will continue to monitor and evaluate the implementation of the Regional Energy Strategy, assist in the coordination of regional energy planning in the region and with Baja California and other counties, and promote energy self-sufficiency and conservation.
CPUC TO CONSIDER DWR ALLOCATION: SCE/PG&E SHIFT UNDUE COSTS TO SAN DIEGO CONSUMERS
Support for SDG&E’s Proposal Protects San Diego Electricity Consumers

During the energy crisis of 2000-2001 the Department of Water Resources (DWR) entered into long-term power contracts on behalf of the customers of San Diego Gas & Electric (SDG&E), Southern California Edison (SCE) and Pacific Gas & Electric (PG&E). Now, the California Public Utilities Commission (CPUC) is considering proposals to permanently allocate the costs of these contracts among the customers of SDG&E, SCE and PG&E through the life of these contracts.

Both SCE and PG&E have proposed an allocation that, if adopted, would shift more than $1.33 billion in undue costs to San Diego consumers over the next eight years, as compared to the allocation methodology adopted for 2003. SDG&E, however, has proposed a fair and equitable solution that avoids this cost shift.

BACKGROUND
During the energy crisis DWR entered into long-term power contracts on behalf of the customers of SDG&E, SCE and PG&E. DWR determines the annual revenue requirement necessary to recover the cost of providing power to customers under these contracts then submits this revenue requirement to the CPUC for cost recovery. The CPUC is then required to allocate these costs among the customers of SDG&E, SCE and PG&E.

The CPUC has initiated a proceeding to allocate the 2004 DWR Revenue Requirement to the customers of the three utilities and has indicated that, as part of this proceeding, it may adopt a permanent allocation methodology that will be utilized each year to allocate DWR contract costs to the customers of the three utilities through the remaining life of the contracts or 2013.

SDG&E’S FAIR & EQUITABLE PROPOSAL
SDG&E has proposed a fair and equitable solution based on the current Commission adopted methodology for allocating the 2003 DWR Revenue Requirement, which the Commission found to be the fairest proposal. The Office of Ratepayer Advocates also supports an allocation based on this methodology.

This equitable methodology allocates DWR’s non-avoidable or “fixed” contract costs to the customers of the three utilities based on a forecast of delivered energy, which means that the allocation is based on the forecasted customer usage of DWR power in each utility’s service territory.

How to Get Involved
To participate in this proceeding, you may write, call or e-mail the CPUC to provide feedback on this important issue.

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2782
Fax: (415) 703-1758
**ALTERNATIVE WILL SHIFT COST TO SAN DIEGO**

The alternative Costs Follow Contracts methodology proposed by both SCE and PG&E will create a permanent allocation methodology that would increase the allocation of DWR contract costs to SDG&E customers by more than $1.33 billion over the next eight years, as compared to the methodology adopted for 2003.

SCE also proposed a Costs Follow Contracts methodology to allocate DWR contract costs to the customers of the three utilities during the 2003 DWR Revenue Requirement proceeding. The Commission rejected SCE’s Costs Follow Contracts proposal for allocation of DWR’s 2003 Revenue Requirement, as an unfair and arbitrary allocator of DWR costs.

- The Costs Follow Contracts methodology allocates the non-avoidable costs of the DWR contracts based on the Commission adopted operational contract allocation rather than on energy usage.

- The CPUC, however, did not allocate the DWR contracts to the customers of the three utilities on the basis of contract costs but instead allocated the DWR long-term power contracts to the three utilities primarily on the basis of where the contracting generators were located and with operational considerations in mind.

- The CPUC adopted operational contract allocation, therefore, should not determine the DWR cost allocation, which would produce grossly inequitable results for SDG&E customers.

- SDG&E has calculated that a Costs Follow Contracts allocation methodology would shift costs of more than $1.33 billion to the customers of SDG&E, as compared to the Commission adopted methodology for allocating the 2003 revenue requirement.

- As this proceeding may result in a methodology that will be utilized each and every year to allocate DWR’s revenue requirement, we believe it particularly important for all advocates of SDG&E customers to join together and to be actively involved in this proceeding.

<table>
<thead>
<tr>
<th>Key Dates</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 17</td>
<td>Testimony - filed</td>
</tr>
<tr>
<td>January 9</td>
<td>Reply Testimony - filed</td>
</tr>
<tr>
<td>January 20</td>
<td>Evidentiary Hearings begin</td>
</tr>
<tr>
<td>February 10</td>
<td>Opening Briefs</td>
</tr>
<tr>
<td>February 18</td>
<td>Reply Briefs</td>
</tr>
<tr>
<td>March/April</td>
<td>CPUC Takes Action</td>
</tr>
</tbody>
</table>

* You may communicate with the CPUC Commissioners at any time during this proceeding.