[This is an email exchange with SDG&E. Questions by Voice of San Diego. Answers by SDG&E.]

Q: Can you help me understand the nature of the four solutions SDG&E proposed?

A: SDG&E has provided SDCWA at least four solutions that we feel are in the best interest of the Water Authority and SDG&E's customers. All offers have all been rejected by the Water Authority. Some of the solutions include:

1. SDG&E has offered to negotiate a special contract to allow for rate stabilization/increased renewable supply, similar to arrangements SDG&E has in place with local tribes, which was rejected.
2. SDG&E also offered to work with SDCWA on eligibility for an existing state tariff option (RES-BCT) applicable to SDCWA-owned renewable generation to credit electricity used its SDCWA-owned facilities. This solution would allow SDCWA to use its Rancho Penasquitos power to offset load at other SDCWA locations. This option was also rejected by SDCWA.
3. On another occasion we offered to work with SDCWA to help them obtain interconnection and wheeling service under WDAT so that they could sell Rancho Penasquitos power in the ISO.
    a. Please note that the tariff in question (WDAT) specifically states that it shall <u>not</u> be used to provide retail electric service, which is what SDCWA is seeking. The above mentioned services (interconnection and wheeling out to the ISO) are *wholesale* services, which is why they are available under WDAT.
4. Since these attempts have not been accepted by SDCWA, we have offered to sit down to negotiate discounts and a special contract for SDCWA. However, we were never given the chance to offer other proposals because SDCWA has insisted on placing conditions on our negotiations that would not allow for a fair discussion and potentially place new financial burdens on the remaining SDG&E customers.

Q: What would the potential cost shift be? For instance, I had assumed the cost would be somewhat less to SDG&E, because part of what the Water Authority is doing is transmitting new electricity over an existing system, which would seem to require minimal costs to SDG&E other than lost sales.

A: While what SDCWA is asking for is to use the power they generate or purchase to feed its member agencies (provide a retail service), they have made it clear that they will not pay non-bypassable charges (i.e. public purpose programs and fees to maintain the grid) that all departing customers in our service territory are subject to paying. These are fees that all customers would be expected to pay when requesting to provide their own service.

Another fee that the SDCWA would be subject to, yet fighting is the Power Charge Indifference Adjustment (PCIA). This is a charge assessed by the local utilities to cover generation costs acquired prior to a customer's change in service provider.

This fee is collected by the local utility and is effectively an "exit fee" assessed to customers which receive their generation services from another provider.

What SDCWA is proposing, by not paying these fees, would in turn force remaining electric customers to subsidize water agencies. SDCWA further asserts that it should be shielded from any costs that are not specifically assignable to it as either transmission or distribution, which would include, but not be limited to, CARE programs, system reliability, public purpose programs such as net metering, etc., and contracts for renewable energy entered into on their behalf. Making an exception to a state statute for the Water Authority by shifting these costs onto the most vulnerable and low income electric customers would be precedent setting and is contrary to current state and Federal law.

SB 350 states that electric customers that continue to take their electrical service from SDG&E should <u>not</u> experience any cost increases to their electric rates as a result of another customer's decision to receive service from other providers.