California Community Choice Association

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March 1, 2017

California Public Utilities Commission
505 Van Ness Ave, 5th floor
San Francisco, CA 94102

Dear President Picker,
Commissioner Peterman,
Commissioner Randolph,
Commissioner Guzman Aceves,
Commissioner Rechtschaffen,

You may be aware of recent press regarding Sempra Energy Services lobbying San Diego public officials to discourage further study of the formation of a Community Choice Aggregation (CCA) program in San Diego County. In those articles, San Diego Gas and Electric Company (SDG&E) affiliate officials acknowledge these activities, and imply the Commission hasn't been clear in its prior direction to the Company. On the contrary, the Commission has been clear twice that SDG&E's Compliance Plan is inadequate. Without an approved Compliance Plan, marketing against CCA is not allowed; any other interpretation would render meaningless the requirements of D.12-12-036 and the CCA Code of Conduct.

We write to urge the Commission to issue an Order to Show Cause (OSC) why SDG&E should not be sanctioned for violating the Code of Conduct. The CCA Code of Conduct prohibits lobbying and marketing except through a physically and functionally separate marketing division, funded by shareholders, and established through a Commission process.

Before you now, in Advice Letter 3035-E, is SDG&E's third attempt to get Commission approval for its marketing division, the prior two having been found deficient. SDG&E does not have authorization from the Commission.

On February 16th, CalCCA filed a Protest to this latest attempt (copy attached). It details the deficiencies which persist, describes the lobbying activities also noted in the press, and requests the Commission:

i. Reject Advice Letter 3035-E on the grounds that the Advice Letter fails to comply with Senate Bill (SB) 790, the CCA Code of Conduct, and Resolution E-4874.

ii. Clarify that Sempra Services Corporation, regardless of whether it is structured as an internal division of SDG&E or as an affiliate, is an Independent Marketing Division under SB 790 and the CCA Code of Conduct.

iii. Order SDG&E to disclose all lobbying and marketing (as defined in the CCA Code of Conduct) that SDG&E and the Affiliate-IMD have engaged in without a Commission-approved Compliance Plan.

iv. Order SDG&E and the Affiliate-IMD to immediately cease all lobbying and marketing activities until SDG&E's Compliance Plan is approved by the Commission.

The Commission should immediately dispose of that Advice Letter, clearly and unequivocally directing SDG&E and its affiliates to cease all marketing and lobbying activities effective immediately. The OSC can then proceed at a deliberative pace.

Sincerely,

Barbara Hale
President, CalCCA

Attachment: CalCCA February 16, 2017, Protest to SDG&E Advice Letter 3035-E

c: Timothy Sullivan, CPUC Executive Director
Arocles Aguilar, CPUC General Counsel
Edward Randolph, CPUC Energy Division Director
CPUC Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov)
Megan Caulson, SDG&E (MCaulson@semprautilities.com)
Service List: R.12-02-009

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February 16, 2017

Via Regular Mail and Electronic Mail

Mr. Edward Randolph
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue 4th Floor
San Francisco, California 94102

Re: Protest to SDG&E Advice Letter 3035-E

Dear Mr. Randolph:

The California Community Choice Association ("CalCCA") hereby protests and urges the Commission to reject Advice Letter 3035-E ("Advice Letter"), submitted by San Diego Gas & Electric Company ("SDG&E") on January 27, 2017. The Advice Letter is SDG&E's third attempt to develop a compliance plan which, if approved, would allow Sempra Services Corporation ("Affiliate-IMD"), an SDG&E affiliate, to market and lobby against Community Choice Aggregation ("CCA") programs as an Independent Marketing Division ("IMD").

SDG&E had previously sought Commission approval for an IMD in its:

- Original Compliance Plan (Advice Letter 2822-E), which was rejected by the Commission in Resolution E-4874 (August 18, 2016); and

- A first revised Compliance Plan (Advice Letter 3008-E), which was rejected by the Energy Division in a letter dated December 27, 2016 ("Disposition Letter").

In its current filing, SDG&E continues to submit a Compliance Plan that significantly fails to meet the requirements of Senate Bill ("SB") 790, the CCA Code of Conduct ("COC") and Resolution E-4874. The second revised Compliance Plan also fails to remedy the flaws specifically identified by the Energy Division in the Disposition Letter. Moreover,

CalCCA remains concerned that Sempra Services Corporation appears to have engaged in, and may still be engaging in lobbying and marketing activities without a Commission-approved Compliance Plan in place, in direct violation of COC Rule 22(b)(i).[1] These flaws constitute material errors or omissions under General Order 96-B, Rule 7.6.2(3).

CalCCA respectfully requests that the Commission:

i.) Reject the Advice Letter for failing to remedy the flaws specifically identified in the Disposition Letter, as well as failing to comply with SB 790, the COC, and Resolution E-4874.

ii.) Clarify that Sempra Services Corporation, regardless of whether it is structured as an internal division of SDG&E or as an affiliate, is an Independent Marketing Division under SB 790 and the COC.

iii.) Order SDG&E to disclose all lobbying and marketing (as defined in the CCA Code of Conduct) that SDG&E and Sempra Services Corporation have engaged in without a Commission-approved Compliance Plan.

iv.) Order SDG&E and Sempra Services Corporation to immediately cease all lobbying and marketing activities until SDG&E's Compliance Plan is approved by the Commission.

INTRODUCTION

CalCCA is a California nonprofit organization representing the interests of California's Community Choice Aggregators. CalCCA's voting members are the following CCA programs: CleanPower SF, Lancaster Choice Energy, Marin Clean Energy ("MCE"), Peninsula Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, Apple Valley Choice Energy and Redwood Coast Energy Authority. CalCCA actively opposed SDG&E's first revised Compliance Plan by protesting Advice Letter 3008-E. MCE and the City of Lancaster participated extensively in the Commission's consideration of SDG&E's original proposed Compliance Plan in Advice Letter 2822-E.

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[1] References to the COC are to the *Code of Conduct and Expedited Compliant Procedure* adopted by the Commission in Decision ("D.") 12-12-036.

One of CalCCA's objectives is to ensure a fair playing field for existing and prospective Community Choice Aggregators. As the Legislature explicitly recognized in SB 790, one of the greatest threats to CCA programs is the Investor-Owned Utilities' ("IOUs") use of their "inherent market power," derived from their relationships with customers and access to ratepayer funds, to oppose CCA programs. CalCCA's membership is well aware of the tremendous resources at the IOUs' disposal, and the difficulty of forming a CCA program in the face of IOU lobbying and marketing efforts. SB 790 and the COC were adopted to prevent IOUs from abusing their inherent market power. SB 790 and the COC forbid the use of ratepayer funds and resources to market or lobby against CCA programs, and require that all lobbying or marketing be conducted by an IMD, either structured as an internal division of the company or as an affiliate, that is physically and functionally separate from the IOU.

As this is the first attempt by an IOU to form an IMD, the Commission's choices here will likely provide a template for the other IOUs. This makes it all the more important to ensure that SDG&E's Compliance Plan does not include loopholes and ambiguity that might allow SDG&E to subsidize its IMD with ratepayer funds or resources, or to otherwise lessen the protections provided in the COC.

PROTEST

SDG&E's Advice Letter should be rejected for the following reasons.

1. **SDG&E's Third Attempt To Develop A Compliance Plan Continues To Fail To Demonstrate The Required "Holistic Review" Of "Shared Services"**

SDG&E's second revised Compliance Plan fails to provide the "holistic review" of shared services job functions required to identify and segregate individuals who engage in marketing and lobbying activities, or who support individuals who do, as required by Resolution E-4874. Rule 13 of the COC provides that an IOU may share with its IMD certain "governance," "oversight" and "support" functions and personnel (referred to by SDG&E as "shared services"). However, Rule 13 forbids the sharing of personnel "who are themselves involved in lobbying and marketing." Rule 13 further forbids the sharing of personnel when doing so would "allow or provide a means for the transfer of competitively sensitive information from the electrical corporation to the independent

marketing division, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of the independent marketing division."

Ordering Paragraph ("OP") 7 of Resolution E-4874 (August 18, 2016) requires:

> San Diego Gas and Electric Company shall not share with its Independent Marketing Division, employees or agents (including contractors or consultants) who are themselves involved in marketing or lobbying.[2]

OP 7 further requires that:

> 'Marketing or lobbying' shall be interpreted by review of the *job functions* of the personnel in question. This review shall focus on the duties and responsibilities of the personnel, not merely the title or department.[3]

Resolution E-4874 further elaborated on this requirement, stating:

> ...we are concerned that unless the job functions [of shared services personnel] are used in complying with [COC Rule 13], it would circumvent the purpose of the COC. If job functions are not used as the determinant, the electrical corporation could use certain tiles such as communications, public affairs, or regulatory relations for personnel actually engaged in lobbying and marketing.
>
> Consequently, the prohibition against sharing of personnel that 'are themselves engaged in marketing or lobbying' shall be interpreted by *a holistic review of the job functions of the personnel in question*.[4]

In its Disposition Letter, the Energy Division rejected SDG&E's first revised Compliance Plan, in part, on the grounds that SDG&E had failed to demonstrate the required holistic review. The Disposition Letter states:

> Although [the first revised Compliance Plan] expanded the term 'personnel' to include agents as well as employees, *it did not address how SDG&E would conduct a holistic review of the job functions.* SDG&E asserts that permissible shared services should include regulatory affairs and

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2 Resolution E-4874 at 23.

3 *Id. Emphasis added*.

4 *Id.* at 15. *Emphasis added.*

> legal, among other things, and provides no holistic review of their job functions. Thus, A.L. 3008-E is non-compliant.[5]

SDG&E's second revised Compliance Plan once again fails to demonstrate the required "holistic review" of shared services personnel job functions. The only relevant difference between SDG&E's first revised Compliance Plan (rejected by the Energy Division in its Disposition Letter) and SDG&E's second revised Compliance Plan is the addition of the following nearly verbatim restatement of OP 7:

> SDG&E shall not share with its Division affiliate, employees or agents (including contractors or consultants) who are themselves engaged in marketing or lobbying, as determined by an examination of job functions.[6]

Importantly, SDG&E has provided an unsupported assertion, not a meaningful plan. SDG&E's addition merely restates an applicable requirement, and provides no further substantive information regarding compliance. There is nothing regarding which shared services individuals or job functions may be engaged in lobbying or marketing, *how* SDG&E plans to conduct the required holistic review, and what policies, plans, or procedures SDG&E has in place to ensure compliance. This is contrary to the basic purpose of the COC Compliance Plan requirement: ensuring the Commission has enough concrete information to assess whether SDG&E's compliance mechanisms are adequately robust to ensure compliance.[7] SDG&E's lack of substantive information makes it impossible for the Commission to make any determination regarding its adequacy.

Tellingly, SDG&E's only attempt to address OP 7 is located in its response to COC Rule 2, the general rule requiring that the IMD be functionally and physically separate from SDG&E's ratepayer -funded divisions. The second revised Compliance Plan's response to COC Rule 13, the specific rule governing shared services, remains entirely unmodified. It still provides that "shared services" will include, among other corporate departments, "regulatory affairs," "legal," "communications," and "public affairs."[8] It does nothing to address the concern expressed by the Commission in Resolution E-4874 that personnel in these "shared services" departments may be engaged, to a greater or lesser degree, in lobbying or marketing, or in support of the lobbying and marketing activities of others.

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5 Disposition Letter at 2. *Emphasis added.*

6 Advice Letter, Attachment A, at 6.

7 COC Rule 22.

8 *See* Advice Letter, Attachment A, at 11-12.

Again, OP 7 of Resolution E-4874 provides that "'[i]nvolved in marketing or lobbying' shall be interpreted by review of the job functions of the personnel in question."[9]

As CalCCA noted in its last protest of SDG&E's first compliance plan, and which SDG&E appears to ignore in its latest filing, in order to comply with Rule 13 of the COC and Resolution E-4874 SDG&E must satisfactorily demonstrate that it has performed the required "holistic review." This process entails three principal steps, none of which has been satisfied by SDG&E's showing in the Advice Letter. First, a holistic review is required. Second, based on this holistic review, SDG&E is required to specifically identify and exclude from "shared services," any personnel who engage in advocacy, lobbying or marketing against the CCA program. Third, SDG&E must also demonstrate that it has identified and excluded individuals (and their associated costs) who provide support for persons engaged in these activities.

SDG&E's second revised Compliance Plan should not be considered until it has satisfied these steps. Moreover, following SDG&E's initial demonstration, public review and vetting is necessary.

2. SDG&E's Second Revised Compliance Plan Continues To Fail To Demonstrate Adequate Accounting For "Shared Services"

SDG&E's proposed accounting for the cost of permitted "shared services" is not adequately explained in the second revised Compliance Plan. SDG&E states that "[a]ll permitted corporate support services rendered to [an IMD] will be charged to SDG&E shareholders in accordance with the Community Choice Aggregation Transactions Procedures."[10] Rather than present it's proposed "Transactions Procedures" for review and approval, however, SDG&E states: "The Procedures will be posted on the SDG&E Intranet prior to the start of marketing or lobbying."[11] Thus SDG&E fails to propose any specific accounting protocols for the transfer of shared services costs to the IMD. These accounting and transfer protocols must be included as a part of SDG&E's second revised Compliance Plan, and must be subject to the same public review and vetting as other elements of SDG&E's proposal.

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9 Resolution E-4874 at 23.

10 Advice Letter, Attachment A, at 3.

11 *Id*.

With respect to the public review and vetting process, CalCCA is concerned over Energy Division's reliance on responses to data requests in deciding whether to approve or reject an Advice Letter. While Energy Division's previous data requests regarding SDG&E's original Compliance Plan (Advice Letter 2822-E) produced important clarifications and commitments from SDG&E, CalCCA has a general concern regarding the fairness of a process in which the Commission relies upon an IOU's data request responses without allowing public review and comment on these responses. The Commission should not allow statements from SDG&E alone to be relied on in the Energy Division's review but instead should allow other parties to review and comment on these responses to ensure that the Commission can make an informed decision.

3. SDG&E's Second Revised Compliance Plan Fails To Demonstrate Any Mechanism For Complying With Logo/Disclaimer Requirements

OP 6 orders that: "The Independent Marketing Division, an affiliate, shall comply with the logo/disclaimer requirements of Affiliate Transactions Rule V.F."[12] In the Disposition Letter, the Energy Division rejected SDG&E's first revised Compliance Plan, in part, on the grounds that the plan did not comply with OP 6 stating that: "A.L. 3008-E does not address the logo/disclaimer requirements of Affiliate Transactions Rule V.F. anywhere in the compliance plan, and thus is non-compliant."[13]

SDG&E's second revised Compliance Plan *still* is not in compliance with OP 6. The second revised Compliance Plan contains only one modification addressing OP 6, the addition of a single declarative sentence: "The Division affiliate shall comply with the logo/disclaimer rules of Affiliate Transactions Rule V.F"[14] without providing any further detail. Specifically, it neither states *how* SDG&E will ensure that the IMD complies with the logo/disclaimer rules, nor does it offer *any* description of plans, procedures, or mechanisms in place to ensure compliance.

This falls far short of the standard, set by Rule 22 of the COC, which requires that the Compliance Plans *demonstrate* to the Commission that there are adequate procedures in place to ensure compliance with the COC rules. Merely restating a requirement, or

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12 Resolution E-4874 at 22.

13 Disposition Letter at 1.

14 Advice Letter at 6.

providing an otherwise unsupported assertion of compliance falls far short of the required "demonstration." In this regard, SDG&E has provided no useable, substantive information that would allow the Commission to assess the adequacy SDG&E's compliance mechanisms.

4. SDG&E's Second Revised Compliance Plan Fails To Demonstrate Required Training For The Affiliate-IMD's Employees And Agents

SDG&E's second revised Compliance Plan does not include any discussion of required COC compliance training for the *Affiliate-IMD's* employees and agents, and as such fails to comply with OP 8 of Resolution E-4874. In the Disposition Letter, the Energy Division rejected SDG&E's first revised Compliance Plan (Advice Letter 3008-E), in part, on the grounds that the plan did not comply with OP 8. The Energy Division stated:

> While A.L. 3008-E does state that CCA COC training will be provided for employees, it does not address whether CCA COC training will be provided to agents, including contractors and consultants. Thus, A.L. 3008-E is non-compliant.[15]

While SDG&E's second revised Compliance Plan has been modified to include training for SDG&E "employees or agents" [16] it includes no provision of the necessary training for employees and agents of the Affiliate IMD. OP 8 of Resolution E-4874 clearly requires that both SDG&E *and the Affiliate-IMD* conduct COC and Affiliate Transaction Rules compliance training for all employees and agents. OP 8 states, in relevant part:

> San Diego Gas and Electric Company *and its Independent Marketing Division, Sempra Services Corporation*, shall conduct training for all employees and agents, including contractors and consultants, to ensure that they are in compliance with the Community Choice Aggregation Code of Conduct and with the Affiliate Transaction Rules. [*Emphasis added*].[17]

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15 Disposition Letter at 2.

16 Advice Letter, Attachment A, at 6.

17 Resolution E-4874 at 23.

Despite the fact that the OP 8 training requirement clearly applies to both SDG&E and the Affiliate-IMD, the Compliance Plan's discussion of the requirement makes no mention of the Affiliate-IMD, only stating that SDG&E will provide training "to all employees or agents" hired to lobby or market "on behalf of SDG&E."[18] Nowhere does the Compliance Plan acknowledge the Affiliate-IMD's obligation to conduct similar compliance training for its employees and agents. SDG&E's Compliance Plan thus falls fall short of providing the required "demonstration" that the Affiliate-IMD will provide the training required under OP 8.

5. The Commission Should Clarify That Sempra Services Corporation Is An IMD

CalCCA remains deeply concerned by SDG&E's claim that it "has not established an independent marketing division," and instead is filing its Compliance Plan on behalf of Sempra Services Corporation, an existing affiliate that "may engage in speech that could trigger the application of the CCA [Code of Conduct]."[19] SDG&E's attempt to distinguish Sempra Services Corporation as an affiliate and not an IMD is unavailing, and more importantly raises the very real specter of confusion and potential mischief, unless specifically addressed by the Commission.

Nothing in SB 790 indicates that the legislature intended to limit its definition of "Independent Marketing Divisions" based on the entity's location within an IOU's (or holding company's) overall corporate structure. Interpreting SB 790 otherwise would render many of the most important provisions of SB 790 meaningless, as IOUs would be able to circumvent SB 790's essential protections for CCA programs merely by structuring their IMDs as affiliates rather than internal divisions, even when there is no functional distinction between an internal division and an "on paper" affiliate.

SDG&E itself has admitted that Sempra Services Corporation is an IMD, regardless of the fact that it happens to be structured as an affiliate. In its original Compliance Plan, SDG&E stated that the Compliance Plan's purpose was to "[appraise] the CPUC of [SDG&E's] intent to establish an independent marketing division... responsible for all

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[18] Advice Letter, Attachment A, at 6.

[19] *Id.* at 1.

marketing and lobbying... concerning community choice aggregation."[20] Similarly, SDG&E's Application for Rehearing of Resolution E-4874 specifically identifies SSC as "the entity performing the IMD function"[21] and repeatedly refers to Sempra Services Corporation as "the IMD."[22] In addition, one of the Application for Rehearing's primary objections to Resolution E-4874 was that requiring that Sempra Services Corporation comply with the full set of Affiliate Transaction Rules would be unnecessary and unreasonable because Sempra Services Corporation, as an IMD, is already subject to the COC.[23]

Given the clear intent of SB 790 and SDG&E's own admission otherwise, the Commission should correct SDG&E's assertion that Sempra Services Corporation is not an IMD.

6. The Commission Should Order An Immediate Halt To All Lobbying And Marketing

Under Rule 22(b) of the COC, SDG&E and its Affiliate-IMD are prohibited from lobbying and marketing against CCA programs until SDG&E's compliance plan has been approved by the Commission. Rule 22(b)(i) states:

> If [an electrical corporation that previously filed an advice letter stating that it does not intend to lobby or market against CCA] thereafter decides that it wishes to lobby or market against any community choice aggregation program, it shall not do so until it has filed *and received approval of* a compliance plan as described above, with its compliance plan filed as a Tier 2 advice letter with the Energy Division.[24]

In its protest to AL 3008-E (SDG&E's first revised Compliance Plan), CalCCA provided evidence that Sempra Services Corporation was lobbying and marketing against CCA programs without a Commission-approved Compliance Plan.[25] Specifically, CalCCA

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20 SDG&E Advice Letter 2822-E, Attachment A, at p. 2.

21 SDG&E Application for Rehearing of Resolution E-4874 at 10.

22 *Id.* at 12-13.

23 *Id.* at 9, 12-14.

24 COC Rule 22(b)(i). *Emphasis Added.*

25 CalCCA Protest to SDG&E Advice Letter 3008-E, Appendix A.

noted that Sempra Services Corporation had formed an entity called Clean Energy Advisors, which was "engaged in marketing against CCAs by encouraging local government leaders to rely on SDG&E to develop alternatives to a CCA program for their communities."[26]

CalCCA believes that Sempra Services Corporation has continued to engage in lobbying without a Commission-approved Compliance Plan, in violation of Rule 22(b). For example, Sempra Services Corporation sent a letter to Dianne Jacob, chair of the San Diego County Board of Supervisors, dated February 7, 2017 (attached hereto as Attachment A). The letter constitutes "lobbying" insofar as it appears to have as one of its purposes the intent of convincing San Diego County not to participate in a CCA program, specifically noting the less risky alternative that is available from SDG&E:

> [O]ne potential alternative to CCA would be implementation by the host utility of a default utility portfolio at the same level of renewables as would be offered by a CCA, developed on the basis of local public input. The benefits of such an option would be essentially the same as the benefits available under CCA, but a utility procurement option would impose no financial risk on the County. An ROI analysis that considered benefits and risk and also considered all available options would likely find such a utility procurement option to have a higher ROI than CCA.

Subsequent to the letter from Sempra Services Corporation, CalCCA understands that, at the February 15, 2017 regular meeting of the San Diego County Board of Supervisors ("Board"), the Board voted to postpone conducting a proposed CCA feasibility study, with alternative direction for staff to report back in twelve months on statewide growth of CCA programs.[27] Sempra Services Corporation is attributed with making the following statement in urging the Board's action: "'Today, we're told that if government is in control of procurement, we're going to have more renewables and lower emissions. But actual experience makes this conclusion highly questionable,' said Frank Urtasun, regional vice president of external relations for Sempra Energy Services."[28] The letter from Sempra

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[26] CalCCA Protest to SDG&E Advice Letter 3008-E at 2

[27] A news article on the decision may be found at the following website ("SD Union Tribune Article"): http://www.sandiegouniontribune.com/news/environment/sd-me-county-renewables-20170215-story.html

[28] *See* SD Union Tribune Article.

Services Corporation and subsequent action by Sempra Services Corporation constitute "lobbying" under the COC.

In light of this, CalCCA asks that the Commission order SDG&E to disclose all lobbying and marketing activity that SDG&E and/or the Affiliate-IMD have engaged in without a Commission-approved compliance plan. Such disclosure is necessary for the Commission and affected parties to assess the extent of the harm caused by SDG&E's violations and to determine what steps are appropriate to address the violations. In addition, CalCCA renews its request that the Commission immediately order SDG&E and the Affiliate-IMD to cease and desist from lobbying and marketing until such date that a Commission-approved Compliance Plan goes into effect.

CONCLUSION

If approved, SDG&E's revised Compliance Plan will be the first of its kind. As shown above, SDG&E continues to fail to meet the requirements of SB 790, the COC, Resolution E-4874 and the Energy Division's Disposition Letter. As such, the Advice Letter must be denied. In addition, in light of evidence that the Affiliate-IMD has continued to engage in lobbying without a Commission-approved Compliance Plan, the Commission should order SDG&E to disclose all unapproved lobbying and marketing activities by SDG&E and the Affiliate-IMD, and should order SDG&E and the Affiliate-IMD to cease all further lobbying and marketing until the Compliance Plan is approved.

CONTACT INFORMATION

CalCCA requests that it be added to the service list for the Advice Letter. Please direct all correspondence and communication regarding this matter to:

Barbara Hale
President, CalCCA
1125 Tamalpais Ave.
San Rafael, CA 94901
(415) 464-6689
info@CalCCA.org

Thank you for your consideration of this protest.

Sincerely,

/s/ Barbara Hale

Barbara Hale
President

Attachment A: Sempra Services Corporation letter to San Diego County

Copy (via e-mail): CPUC Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov)
Megan Caulson, SDG&E (MCaulson@semprautilities.com)
Service List: R.12-02-009

Attachment A

ATTACHMENT

For Item

#1

Wednesday, February 15, 2017

PUBLIC COMMUNICATION RECEIVED BY THE CLERK OF THE BOARD

Distributed: 2/10/17

Francisco J. Urtasun
Reg. Vice President of External Affairs
Sempra Services Corporation
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San Diego, CA 92101

619-696-2233
furtasun@SempraServices.com

February 7, 2017

Honorable Dianne Jacob
Chair, San Diego County Board of Supervisors
1600 Pacific Highway
San Diego, CA 92101

Re: San Diego County Renewable Energy Plan

Dear Chair Jacob:

Sempra Services supports efforts by the County of San Diego, as well as by all cities within our region to reduce Greenhouse Gas Emissions ("GHGs" or "GHG"). We believe that a well-designed emissions reduction effort will identify strategies to reduce GHG emissions that are designed to maximize benefits and minimize costs, while helping reduce other local pollutants. As such, we applaud the County's Technical Advisory Committee (TAC) for its commitment to use of a Return on Investment (ROI) analysis in order to adopt GHG emission reduction Best Management Practices ("BMPs") for the County. It should be noted that the TAC met several times to discuss how best to proceed with the CREP and decided that the energy sector didn't merit further consideration as a prioritized BMP.

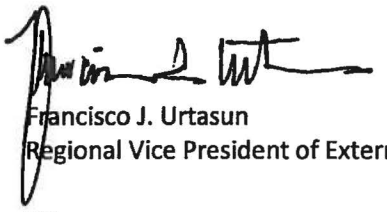
Unfortunately, the San Diego County Renewable Energy Plan ("CREP") has adopted a BMP under which it would pursue a Community Choice Aggregation ("CCA") feasibility study, without studying the feasibility of any other available alternative for achieving the same level of emission reductions (BMP #3). The CREP states that it has found this BMP to have a higher ROI than other available alternatives. Unfortunately, it is apparent that the CREP has neither considered all of the available alternatives nor conducted an actual ROI analysis of this BMP or any other option. In order to achieve the County's emission reduction goals with maximum benefits and minimum cost, Sempra Services respectfully recommends that the CREP refrain from adopting a BMP on renewable energy procurement until it has considered the ROI of all available alternatives, and done so on the basis of quantifiable metrics.

For example, one potential alternative to CCA would be implementation by the host utility of a default utility portfolio at the same level of renewables as would be offered by a CCA, developed on the basis of local public input. The benefits of such an option would be essentially the same as the benefits available under CCA, but a utility procurement option would impose no financial risk on the County. An ROI analysis that considered benefits and risk and also considered all available options would likely find such a utility procurement option to have a higher ROI than CCA. However, BMP #3 was adopted without any consideration of risk, and without consideration of all available alternatives for achieving these emission reductions.

Similarly, because it did not look across industry sectors to identify BMPs with the highest overall ROI, the CREP did not consider the ROI of achieving an equivalent level of GHG emission reductions in the transportation sector. However, it is likely that the overall environmental benefits from such actions would be far greater by achieving GHG emission reductions in the transportation sector that would result from reductions in local pollutants. A properly structured ROI would consider these benefits.

The CREP points out that, ". . . it is important for the County to focus on the BMPs that will provide the highest return on investment, or the most benefit for the money spent." Sempra Services agrees. However, in order to fulfill this mission, the CREP should not adopt a BMP in the energy sector until it has conducted an actual ROI analysis on all available alternatives for achieving the goals associated with this BMP.

Sincerely,



Francisco J. Urtasun
Regional Vice President of External Relations

cc:

Greg Cox, District 1 Supervisor
Kristin Gaspar, District 3 Supervisor
Ron Roberts, District 4 Supervisor
Bill Horn, District 5 Supervisor
Mark Wardlaw, Director, Planning & Development Services