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

Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.	Rulemaking 24-01-017

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
SUBSTITUTE SHEETS TO UPDATE DRAFT 2025 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN**

PUBLIC VERSION

Walter C. Waidelich
8330 Century Park Court
San Diego, CA 92123
Phone: (858) 331-0806
Fax: (619) 699-5027
E-mail: wwaideli@sdge.com

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY

August 11, 2025

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.	Rulemaking 24-01-017

SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
SUBSTITUTE SHEETS TO UPDATE DRAFT 2025 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission") and the Assigned Commissioner and Assigned Administrative Law Judge's Ruling ("ACR"), issued in the above-captioned docket on April 17, 2025, San Diego Gas & Electric Company ("SDG&E") hereby submits substitute sheets for those pages that have changed from its Draft 2025 RPS Procurement Plan and related appendices originally filed on June 30, 2025. SDG&E is including a redline version of the substitute sheets for the following pages and appendices to indicate where changes have been made, as compared to the corresponding pages in the June 30, 2025, Draft RPS Plan filing:

- SDG&E's 2025 Draft Renewables Portfolio Standard Procurement Plan, pages 67-71
- Appendix 15 – Confidential SDG&E's Framework for Assessing Potential RPS Purchases and Sales
- Appendix 18 – Upfront Achievable Standards and Criteria

Respectfully submitted this 11 day of August 2025.

/s/ *Walter C. Waidelich*
Walter C. Waidelich
8330 Century Park Court
San Diego, CA 92123
Phone: (858) 331-0806
E-mail: wwaideli@sdge.com
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY

OFFICER VERIFICATION

I am an officer of the reporting organization herein and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, I believe them to be true. The spreadsheet templates used within this filing have not been altered from the version issued or approved by Energy Division.

Executed on the 11th day of August 2025 at San Diego, CA.

/s/ Adam Pierce

Adam Pierce
Vice President – Energy Procurement & Rates
E-mail: apierce@sdge.com

San Diego Gas & Electric Company

Substitute Sheets

2025 Draft Renewables Portfolio Standard

Procurement Plan

August 11, 2025

mechanism would include an upper limit on transmission upgrade costs, above which SDG&E can terminate the contract. This mechanism is similar to the cap described immediately above except, rather than giving SDG&E the right to not move forward with the PPA, it gives the developer the choice to either proceed at a reduced price equal to the amount of transmission costs above the cap, or to not proceed with the PPA. If the developer chooses the lower price, that lower price acts as a funding mechanism for the additional upgrades, thereby adhering to the projected total customer costs.

Price Adjustment for Failure to Achieve Full Capacity Deliverability Status

If a project is not deemed fully deliverable by CAISO at the time of COD, then the PPA price is reduced until such time as the project is deemed fully deliverable.

XIII. Cost Quantification

The tables attached hereto in Appendix 2 provide an annual summary through 2035 of both actual and forecasted RPS procurement and sales related to cost quantification as required in the ACR, using SDG&E's bundled retail sales forecast from its conforming RNS scenario.

XIV. Impact of Transmission and Interconnection Delays

Pursuant to the ACR issued on April 17, 2025, and SB1174 (Hertzberg Stat. 2022, Ch.229), SDG&E is required to provide information on the development of transmission and interconnection facilities that enable renewable energy or energy storage resources which have executed agreements and are in development. SDG&E is providing the SB 1174 data reporting with the required transmission data in Appendix 19. In addition to the data requested within the 2025 SB 1174 data reporting template, SDG&E is providing a narrative summary of the information required by the ACR in Appendix 19.

XV. Other Planning Considerations and Issues

SDG&E's REQUEST FOR AN UPDATED SHORT-TERM RPS TRANSACTION APPROVAL FRAMEWORK

SDG&E is at a disadvantage when competing with the other LSEs and other REC market participants due to the current Commission approval process for short-term REC transactions, which impacts bundled customers.

To address the challenges, SDG&E is seeking the ability to transact short-term transactions through a process similar to the Quarterly Compliance Report ("QCR"), with the request currently pending a decision from the Commission. SDG&E requests the Commission update the approval process for REC transactions less than or equal to three years. SDG&E believes that this change will allow SDG&E and the other IOUs to manage RPS compliance in a highly competitive and evolving renewable energy product market, deliver or receive RPS products in a timely manner, and create a level playing field for SDG&E's bundled customers.

SDG&E, in coordination with the other California IOUs, SCE and PG&E, proposes an updated approval process consistent with each IOU's upfront, achievable standards and criteria, which would be pre-approved and reported in a quarterly compliance report submitted to the Commission's Auditors and Energy Division via Tier 1 Advice Letter within 60 days after the end of each quarter. The report will include a list of short-term contracts executed and supporting documentations demonstrating compliance with the SDG&E's upfront and achievable standards and criteria provided in Appendix 18. Long-term transactions with terms more than three years and short-term transactions not consistent with upfront, achievable standards and criteria would continue to utilize the Advice Letter approval process. If applicable, the quarterly report will contain the following:

- Copies of all executed confirmations or agreements.
- IE Report
- A summary list of transactions with key terms (e.g., product type, price, quantity, execution date, and delivery period).
- A summary of how each transaction meets the upfront achievable standards and criteria.
- Briefing materials provided to stakeholders, if applicable.
- For bilateral deals, documentation justifying product selection and pricing, including relevant market data.
- Justification for transaction timing (e.g., RPS compliance needs, portfolio status).
- Any data, forecasts, or models used in transaction analysis.
- A strong showing if necessary to demonstrate transactions are reasonable by referencing available and relevant market data.

The proposal includes a process whereby, upon receipt of each quarterly report via Tier 1 Advice Letter, the Commission's audit team will review the short-term REC transactions to determine whether they comply with the pre-approved authority granted to SDG&E. Following this review, the audit team will forward its findings and recommendations to the Energy Division. The Energy Division will then issue a formal letter confirming the compliance status of the transactions. Once this letter is issued, SDG&E's short-term REC transactions will be eligible for cost recovery. SDG&E emphasizes that the approval of this process is essential to ensure the efficient execution of short-term contracts.

On July 9, 2025, the Commission issued a Proposed Decision denying SDG&E's proposal for pre-approved short-term RPS transactions, stating that insufficient evidence was provided by the utilities, including SDG&E.[1] In its 2025 RPS Plan, SDG&E is addressing the Commission's concerns, including transactions that were not completed or entertained, cost savings not realized, RPS goals not met based on its recent experience, and SDG&E's purchase price methodology. Additionally, SDG&E has made several updates to Appendix 18.

A. RPS Transactions Not Completed Due to CPUC Approval Process

1. As mentioned in Section IV. D, in 2025, SDG&E experienced a delay in obtaining CPUC approval for its Tier 1 AL-4647, which requested authorization for two REC sale transactions. The delay was due to the advice letter being suspended, as it was pending staff review. As a result of this CPUC approval delay, the buyer opted to terminate the agreement; however, after the AL was approved the counterparty agreed to proceed with the transaction in good-faith efforts. SDG&E executed the short-term transaction contract on April 9, 2025, and subsequently prepared and filed the Tier 1 AL on April 23, 2025 (10 business days). On May 16, 2025, the Energy Division notified SDG&E that AL-4647 was suspended for up to 120 days. Ultimately, it took 49 days for the Energy Division to approve this non-protested Tier 1 AL. Such CPUC approval delays present significant risks to SDG&E, potentially resulting in missed opportunities to complete transactions and recognize cost saving for both unbundled and bundled customers.

2. In the past, SDG&E has withdrawn an advice letter(s) due to counterparties terminating agreements while awaiting CPUC approval. For example, AL-3465 was originally submitted on November 13, 2019, with SDG&E submitting a withdrawal letter on January 24, 2020, due to SDG&E receiving termination notices from both counterparties. These sale transactions totaled 102,500 PCC 1 RECs, which would have yielded roughly $2 million in revenue, reducing PCIA rates for both unbundled and bundled customers. This is another situation of how the current CPUC approval process presents significant risks to SDG&E, resulting in a missed opportunity to provide cost savings for both unbundled and bundled customers.

[1] Proposed Decision Denying Request to Adopt A Framework... Conclusion of Law 1 and OP 1

3. On July 30, 2025, SDG&E filed a Tier 1 Advice Letter requesting approval for a single transaction. While initial negotiations involved four counterparties, only one transaction with a single counterparty was executed. The initial sales negotiations included a combination of PCC1 and PCC3 RECs, totaling 268,000 RECs. Three counterparties were unable to proceed due to contract timing issues associated with the CPUC approval process. As a result, SDG&E was unable to realize approximately $3 million in revenue that would have reduced the PCIA rates for both bundled and unbundled customers.

4. Sales volume and Portfolio Content Category are directly impacted by the current CPUC Tier 1 Advice Letter approval timeline. The timing of this process often reduces the volume that SDG&E could sell in a given year. For example, if PCC 1 RECs with a 2025 WREGIS vintage and flow months of August to December are transacted and submitted for CPUC approval in June 2025, two potential risks may arise: (i) If the Advice Letter is approved later than August 1, 2025, the portion of RECs from August 1st to disposition date can no longer qualify as PCC1[2] and instead be downgraded PCC3, resulting in a significant loss of value; and (ii) WREGIS vintage year designation issues can further complicate REC transactions when approval timelines does not align, especially when the counterparty only desires PCC1 RECs from the current vintage year, not allowing for RECs from future vintage year(s) to make-up any contracted volume shortfall. In this example, SDG&E may have 200,000 PCC1 2025 RECs transacted, from five months of renewable generation, which were available at the time of transaction; however, if SDG&E receives a disposition after August 1, 2025, there is no guarantee that SDG&E will have the same amount of PCC1 2025 RECs generated in order to fulfill the contracted volumes. SDG&E has experienced this type of situation in contract negotiations, finding it impossible to move forward with an agreement, as ultimately the CPUC approval process posed a significant risk. This serves as an illustration of a transaction that was not entertained, resulting in missed opportunities to complete transactions and recognize cost saving for both unbundled and bundled customers.

B. RPS Goals Not Met

---

[2] D.11-12-052 at 37: "The resale contract transfers only electricity and RECs that have not yet been generated prior to the effective date of the resale contract," which is the date that Commission approval of the resale contract is final.

Although SDG&E successfully met its RPS targets and did not experience any shortfalls, it recognizes the importance of proactively managing future compliance risks. For instance, as the Provider of Last Resort in San Diego, SDG&E may experience an unexpected increase in retail sales, which will increase its RPS obligations. SDG&E is taking steps to mitigate potential issues, especially as it begins drawing from its banked RECs, which will eventually diminish over time.

In addition, to maintain flexibility and cost-effectiveness, SDG&E may engage in bundled or unbundled short-term transactions when market conditions demonstrate such purchases are more economical than incurring any costs associated with banked RECs. This strategy is aligned with SDG&E's procurement authorization. Having the ability to transact promptly and competitively allows SDG&E to compete on the same level playing field as the other LSEs, enabling SDG&E to secure the most affordable RPS resources precisely when needed for compliance.

C. Price Ceiling

In its Proposed Decision, the Commission stated that "SDG&E's proposal for the Commission to pre-approve short-term RPS contracts provides no REC pricing methodology or price ceiling for purchases". In response, and as part of this Motion to Update the RPS Plan, SDG&E has revised Appendix 15 to include a structured framework for REC purchases methodology.

San Diego Gas & Electric Company
Substitute Sheets
2025 Draft Renewables Portfolio
Standard Procurement Plan

REDLINE VERSION

August 11, 2025

mechanism would include an upper limit on transmission upgrade costs, above which SDG&E can terminate the contract. This mechanism is similar to the cap described immediately above except, rather than giving SDG&E the right to not move forward with the PPA, it gives the developer the choice to either proceed at a reduced price equal to the amount of transmission costs above the cap, or to not proceed with the PPA. If the developer chooses the lower price, that lower price acts as a funding mechanism for the additional upgrades, thereby adhering to the projected total customer costs.

Price Adjustment for Failure to Achieve Full Capacity Deliverability Status

If a project is not deemed fully deliverable by CAISO at the time of COD, then the PPA price is reduced until such time as the project is deemed fully deliverable.

XIII. Cost Quantification

The tables attached hereto in Appendix 2 provide an annual summary through 2035 of both actual and forecasted RPS procurement and sales related to cost quantification as required in the ACR, using SDG&E's bundled retail sales forecast from its conforming RNS scenario.

XIV. Impact of Transmission and Interconnection Delays

Pursuant to the ACR issued on April 17, 2025, and SB1174 (Hertzberg Stat. 2022, Ch.229), SDG&E is required to provide information on the development of transmission and interconnection facilities that enable renewable energy or energy storage resources which have executed agreements and are in development. SDG&E is providing the SB 1174 data reporting with the required transmission data in Appendix 19. In addition to the data requested within the 2025 SB 1174 data reporting template, SDG&E is providing a narrative summary of the information required by the ACR in Appendix 19.

XV. Other Planning Considerations and Issues

SDG&E's REQUEST FOR AN UPDATED SHORT-TERM RPS TRANSACTION APPROVAL FRAMEWORK

SDG&E is at a disadvantage when competing with the other LSEs and other REC market participants due to the current Commission approval process for short-term REC transactions, which impacts bundled customers.

To address the challenges, SDG&E is seeking the ability to transact short-term transactions through a process similar to the Quarterly Compliance Report ("QCR"), with the request currently pending a decision from the Commission. SDG&E requests the Commission update the approval process for REC transactions less than or equal to three years. SDG&E believes that this change will allow SDG&E and the other IOUs to manage RPS compliance in a highly competitive and evolving renewable energy product market, deliver or receive RPS products in a timely manner, and create a level playing field for SDG&E's bundled customers.

SDG&E, in coordination with the other California IOUs, SCE and PG&E, proposes an updated approval process consistent with each IOU's upfront, achievable standards and criteria, which would be pre-approved and reported in a quarterly compliance report submitted to the Commission's Auditors and Energy Division via Tier 1 Advice Letter within 60 days after the end of each quarter. The report will include a list of short-term contracts executed and supporting documentations demonstrating compliance with the SDG&E's upfront and achievable standards and criteria provided in Appendix 18. Long-term transactions with terms more than three years and short-term transactions not consistent with upfront, achievable standards and criteria would continue to utilize the Advice Letter approval process. If applicable, the quarterly report will contain the following:

- Copies of all executed confirmations or agreements.
- IE Report
- A summary list of transactions with key terms (e.g., product type, price, quantity, execution date, and delivery period).
- A summary of how each transaction meets the upfront achievable standards and criteria.
- Briefing materials provided to stakeholders, if applicable.
- For bilateral deals, documentation justifying product selection and pricing, including relevant market data.
- Justification for transaction timing (e.g., RPS compliance needs, portfolio status).
- Any data, forecasts, or models used in transaction analysis.
- A strong showing if necessary to demonstrate transactions are reasonable by referencing available and relevant market data.

The proposal includes a process whereby, upon receipt of each quarterly report via Tier 1 Advice Letter, the Commission's audit team will review the short-term REC transactions to determine whether they comply with the pre-approved authority granted to SDG&E. Following this review, the audit team will forward its findings and recommendations to the Energy Division. The Energy Division will then issue a formal letter confirming the compliance status of the transactions. Once this letter is issued, SDG&E's short-term REC transactions will be eligible for cost recovery. SDG&E emphasizes that the approval of this process is essential to ensure the efficient execution of short-term contracts.

On July 9, 2025, the Commission issued a Proposed Decision denying SDG&E's proposal for pre-approved short-term RPS transactions, stating that insufficient evidence was provided by the utilities, including SDG&E.[1] In its 2025 RPS Plan, SDG&E is addressing the Commission's concerns, including transactions that were not completed or entertained, cost savings not realized, RPS goals not met based on its recent experience, and SDG&E's purchase price methodology. Additionally, SDG&E has made several updates to Appendix 18.

A. RPS Transactions Not Completed Due to CPUC Approval Process

1. As mentioned in Section IV. D, in 2025, SDG&E experienced a delay in obtaining CPUC approval for its Tier 1 AL-4647, which requested authorization for two REC sale transactions. The delay was due to the advice letter being suspended, as it was pending staff review. As a result of this CPUC approval delay, the buyer opted to terminate the agreement; however, after the AL was approved the counterparty agreed to proceed with the transaction in good-faith efforts. SDG&E executed the short-term transaction contract on April 9, 2025, and subsequently prepared and filed the Tier 1 AL on April 23, 2025 (10 business days). On May 16, 2025, the Energy Division notified SDG&E that AL-4647 was suspended for up to 120 days. Ultimately, it took 49 days for the Energy Division to approve this non-protested Tier 1 AL. Such CPUC approval delays present significant risks to SDG&E, potentially resulting in missed opportunities to complete transactions and recognize cost saving for both unbundled and bundled customers.

2. In the past, SDG&E has withdrawn an advice letter(s) due to counterparties terminating agreements while awaiting CPUC approval. For example, AL-3465 was originally submitted on November 13, 2019, with SDG&E submitting a withdrawal letter on January 24, 2020, due to SDG&E receiving termination notices from both counterparties. These sale transactions totaled 102,500 PCC 1 RECs, which would have yielded roughly $2 million in revenue, reducing PCIA rates for both unbundled and bundled customers. This is another situation of how the current CPUC approval process presents significant risks to SDG&E, resulting in a missed opportunity to provide cost savings for both unbundled and bundled customers.

[1] Proposed Decision Denying Request to Adopt A Framework... Conclusion of Law 1 and OP 1

3. On July 30, 2025, SDG&E filed a Tier 1 Advice Letter requesting approval for a single transaction. While initial negotiations involved four counterparties, only one transaction with a single counterparty was executed. The initial sales negotiations included a combination of PCC1 and PCC3 RECs, totaling 268,000 RECs. Three counterparties were unable to proceed due to contract timing issues associated with the CPUC approval process. As a result, SDG&E was unable to realize approximately $3 million in revenue that would have reduced the PCIA rates for both bundled and unbundled customers.

4. Sales volume and Portfolio Content Category are directly impacted by the current CPUC Tier 1 Advice Letter approval timeline. The timing of this process often reduces the volume that SDG&E could sell in a given year. For example, if PCC 1 RECs with a 2025 WREGIS vintage and flow months of August to December are transacted and submitted for CPUC approval in June 2025, two potential risks may arise: (i) If the Advice Letter is approved later than August 1, 2025, the portion of RECs from August 1st to disposition date can no longer qualify as PCC1[2] and instead be downgraded PCC3, resulting in a significant loss of value; and (ii) WREGIS vintage year designation issues can further complicate REC transactions when approval timelines does not align, especially when the counterparty only desires PCC1 RECs from the current vintage year, not allowing for RECs from future vintage year(s) to make-up any contracted volume shortfall. In this example, SDG&E may have 200,000 PCC1 2025 RECs transacted, from five months of renewable generation, which were available at the time of transaction; however, if SDG&E receives a disposition after August 1, 2025, there is no guarantee that SDG&E will have the same amount of PCC1 2025 RECs generated in order to fulfill the contracted volumes. SDG&E has experienced this type of situation in contract negotiations, finding it impossible to move forward with an agreement, as ultimately the CPUC approval process posed a significant risk. This serves as an illustration of a transaction that was not entertained, resulting in missed opportunities to complete transactions and recognize cost saving for both unbundled and bundled customers.

B. RPS Goals Not Met

[2] D.11-12-052 at 37: "The resale contract transfers only electricity and RECs that have not yet been generated prior to the effective date of the resale contract," which is the date that Commission approval of the resale contract is final.

Although SDG&E successfully met its RPS targets and did not experience any shortfalls, it recognizes the importance of proactively managing future compliance risks. For instance, as the Provider of Last Resort in San Diego, SDG&E may experience an unexpected increase in retail sales, which will increase its RPS obligations. SDG&E is taking steps to mitigate potential issues, especially as it begins drawing from its banked RECs, which will eventually diminish over time.

In addition, to maintain flexibility and cost-effectiveness, SDG&E may engage in bundled or unbundled short-term transactions when market conditions demonstrate such purchases are more economical than incurring any costs associated with banked RECs. This strategy is aligned with SDG&E's procurement authorization. Having the ability to transact promptly and competitively allows SDG&E to compete on the same level playing field as the other LSEs, enabling SDG&E to secure the most affordable RPS resources precisely when needed for compliance.

C. Price Ceiling

In its Proposed Decision, the Commission stated that "SDG&E's proposal for the Commission to pre-approve short-term RPS contracts provides no REC pricing methodology or price ceiling for purchases". In response, and as part of this Motion to Update the RPS Plan, SDG&E has revised Appendix 15 to include a structured framework for REC purchases methodology.

APPENDIX 15

SDG&E's Framework for Assessing Potential RPS Purchases and Sales

SDG&E's Framework for Assessing Potential RPS Purchases and Sales

SDG&E's RPS Plan addresses the potential purchases and sales of renewable generation, stating that SDG&E will address its needs and opportunities as they arise. For purchases, SDG&E will purchase per its authorization if it finds that it is a more cost effective option than the cost associated with using its bank. For sales, SDG&E will bank, if possible, or sell, based on whether such a sale is beneficial for bundled customers.[1]

I. Products

SDG&E could purchase and/or sell bundled energy and Renewable Energy Credits (RECs) or unbundled RECs. As per the RPS program limits, SDG&E could purchase unbundled RECs up to ten percent of its RPS portfolio. SDG&E could sell bundled energy products generated from and after the effective date of the resale contract[2] and unbundled RECs from any contract within its portfolio.[3] As described in SDG&E's RPS Procurement Plan, Attachment A, SDG&E may also right-size its portfolio, in part, through sales, by assigning or novating contracts, in which case SDG&E will file a Tier 3 advice letter for Commission review and approval.[4]

II. Criteria

A. Sales Quantitative Criteria

SDG&E will consider both quantitative and qualitative criteria when determining whether to bank or sell excess renewable generation from its allocation of the PCIA-eligible RPS portfolio. As a threshold matter, if the results of this analysis indicate that a sales scenario would provide the greatest value to customers, then a sale may be pursued. If the banking vs. sales analysis indicates that banking provides the greatest customer value, then the excess generation will likely be banked.[5]

---

[1] See Section 4 of Attachment A.
[2] D.11-12-052, pp. 37, 52.
[3] D.11-12-052, pp. 36, 56.
[4] Consistent with D.21-05-030 (PCIA DECISION), SDG&E will issue an RFI for contract Assignment and contract modifications.
[5] Future Commission decisions within the PCIA proceeding may impact SDG&E's sales criteria.

- Banking vs. Sales Analysis: As described in more detail under Section 4 in Attachment A, SDG&E will consider the time value of revenues from the potential sale, and the potential replacement cost when evaluating potential sales opportunities.

- Impact on Rates: Another consideration is the magnitude of the impact a potential sale will have on customer bills.

B. Purchase Quantitative Criteria

SDG&E will evaluate the procurement of RPS-eligible resources in alignment with its RPS Plan authorizations. SDG&E may consider purchasing RECs if it is determined to be more cost-effective than utilizing its existing banked resources. Additionally, as illustrated in Appendix 1, a volumetric cap or target has been established to guide these procurement decisions.

- <u>Bank Utilization vs Purchase Analysis</u>: SDG&E will assess the costs of utilizing its existing banked resources versus entering into new purchase agreements. This analysis will include a comparison of REC prices to the applicable Market Price Benchmark ("MPB"). If REC prices are found to be lower than the MPB, SDG&E may opt to purchase RECs as a more cost-effective alternative.

- <u>Impact on Rates</u>: SDG&E will evaluate the potential impact of REC purchases on customer bills. The magnitude of this impact will be a key consideration in determining whether a proposed procurement aligns with ratepayer interests.

C. Purchases and Sales Qualitative Criteria

<u>RPS Position</u>: SDG&E conducts regular review of its RPS portfolio to ensure alignment with future compliance needs. The review incorporates generation forecasts and other relevant data to inform strategic decisions. Based on forecasted requirements, SDG&E may take actions such as procuring additional resources, utilizing banked RECs, banking or selling excess volumes.

- <u>Procurement Mandates</u>: Integrated Resources Plan ("IRP") Reliability procurement mandates that SDG&E solicit to procure a broad range of resources, including renewable generation, geothermal, and hybrid renewable energy plus storage, which provide additional renewable energy attributes towards SDG&E's RPS position.

- <u>Load Departure</u>: Future portfolio need and fit are regularly evaluated and encompass a review of load departure that will impact SDG&E's RPS portfolio positions.

- Provider of Last Resort ("POLR"): As outlined in Section 4 of Attachment A, SDG&E serves as the POLR within its service territory. In this role, SDG&E may experience unexpected increases in retail sales, which could necessitate the procurement of additional RECs to maintain compliance with RPS requirements.

- Market Liquidity: It is important to SDG&E that the market for renewable products remains liquid so that sales and purchases on behalf of customers can be made at competitive prices. Currently, SDG&E has one of the largest RPS portfolios in the State, and therefore it must consider possible impacts on the market of any potential sales volumes.

- Accounting Rules: SDG&E will consider the potential accounting impacts of selling renewable generation. Such impacts may include a scenario in which both the sales contract and the underlying contract(s) supplying the energy for the sales contract are marked to market value in each reporting period in accordance with generally accepted accounting principles. Due to market volatility, the mark to market adjustment associated with the sale may create volatility in SDG&E's financial statements.

- Impact on GHG Reduction Goals and IRP Targets: With the passage of SB 350 and SB 100, the State is moving toward a more holistic planning process with the goal of reducing GHG emissions through a suite of tools, one of which is the RPS program.[6] As described under Section 2 of Attachment A, SDG&E has taken a strong leadership position with respect to the State's RPS targets, and in doing so has inherently advanced the goals of the IRP. The impact of any potential sale as it relates to SDG&E's progress towards IRP goals will be incorporated into SDG&E's analysis as appropriate.

- Uncertainty: SDG&E's analysis involves assumptions regarding future market pricing and structure, regulatory framework, and legislative goals many years into the future. Further, there is some uncertainty with respect to load departure and potential impacts of load returning. While SDG&E believes its assumptions to be reasonable, it acknowledges that markets change over time and the future is not predictable; therefore, this risk must be considered when evaluating any potential sale.

Additionally, SDG&E, along with all other public utilities, is required by law to seek and receive authorization from the Commission to sell assets valued above five million dollars that are

[6] See Section 4 of Attachment A.

useful in its services to the public.[7] In other words, SDG&E's quantitative and qualitative evaluation must determine that the generation being sold through the potential resale contract is in fact not needed by customers.[8]

III. Buyers and Sellers

Potential buyers and sellers could contract with SDG&E under various scenarios. One scenario would be by responding to a RFO and/or RFP that SDG&E may issue. SDG&E may choose to issue an RFO and/or RFP, and if so, it would receive and evaluate proposals from the market. It may also participate as a bidder in solicitations. Other scenarios would be through a bilateral transaction, a broker, or an exchange. In this scenario, a counterparty may approach SDG&E with an unsolicited proposal, or may be approached by SDG&E. Section 4 of Attachment A describes the potential benefits of bilateral, broker and exchange transactions, which is a valuable tool for both purchases and sales due to its flexibility in addressing situations that involve timing constraints and/or complex terms.

IV. Pricing

The overarching goal of SDG&E's purchase and sales framework is to identify the best possible outcome for its customers. As with SDG&E's past Commission-approved transactions, and considering Section 5 below, the appropriate price thresholds of any potential sales opportunity will be dependent upon the results of SDG&E's quantitative and qualitative evaluation at the time of the transaction, and its reasonableness will be determined by the Commission as it acts on SDG&E's advice letter requesting approval of the transaction.

V. REC Purchase and Sale Volume, [redacted]

A. <u>REC Sale Volume Methodology:</u>

In general, [redacted] the following formula represents SDG&E's methodology for calculating its maximum REC sales volume for any particular portfolio content category (PCC) RECs it elects to sell for any given year. This methodology is also consistent in considering assignment or novation.

---

[7] Section 851.

[8] For example, see Commission Resolution E-4741.

[redacted]

To further optimize its portfolio, SDG&E's will leverage its authorization to sell RECs from the following: (i) the RPS portfolio including PCIA-eligible resources prior to VAMO distribution, (ii) its allocated portion of PCIA-eligible portfolio, and (iii) available RECs that were not required to be offered and not allocated in the D.21-05-030 transactions. This approach will prevent further accumulation of surplus RECs in its bank.

B. REC Purchase Volume Methodology

SDG&E will purchase RECs within its authorized volumetric and capacity caps as discussed in detail in Appendix 1.

C. REC Sales [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

---

[9] For example, volumes from mandated programs such as BioRAM are deducted in SDG&E's methodology because the green attributes are mandated to be monetized pursuant to the Tree Mortality Non-Bypassable Charge decision; therefore, the associated RECs cannot be sold pursuant to this analysis.

[redacted]

[redacted]

APPENDIX 15

SDG&E's Framework for Assessing Potential RPS Purchases and Sales

REDLINE VERSION

SDG&E's ~~2024~~ Framework for Assessing Potential RPS Purchases and Sales

SDG&E's ~~2024~~ RPS Plan addresses the potential ~~sale~~purchases and sales of renewable generation, stating that SDG&E will address its needs and opportunities as they arise~~, and~~. For purchases, SDG&E will purchase per its authorization if it finds that it is a more cost effective option than the cost associated with using its bank. For sales, SDG&E will bank, if possible, or sell, based on whether such a sale is beneficial for bundled customers.[1]

I. Products

SDG&E could purchase and/or sell bundled energy and Renewable Energy Credits (RECs) or unbundled RECs ~~from its allocated portion~~. As per the RPS program limits, SDG&E could purchase unbundled RECs up to ten percent of ~~the PCIA-eligible~~its RPS portfolio. SDG&E could sell bundled energy products generated from and after the effective date of the resale contract[2] and unbundled RECs from any contract within its portfolio.[3] As described in SDG&E's RPS Procurement Plan, Attachment A, SDG&E may also right-size its portfolio, in part, through sales, by assigning or novating contracts, in which case SDG&E will file a Tier 3 advice letter for Commission review and approval.[4]

II. Criteria

A. Sales Quantitative Criteria

SDG&E will consider both quantitative and qualitative criteria when determining whether to bank or sell excess renewable generation from its allocation of the PCIA-eligible RPS portfolio ~~including the portion of PCIA-eligible portfolio.~~. As a threshold matter, if the results of this analysis indicate that a sales scenario would provide the greatest value to customers, then a sale may be pursued. If the banking vs. sales analysis indicates that banking provides the greatest customer value, then the excess generation will likely be banked.[5]

---

[1] See Section 4 of Attachment A.

[2] D.11-12-052, pp. 37, 52.

[3] D.11-12-052, pp. 36, 56.

[4] Consistent with D.21-05-030 (PCIA DECISION), SDG&E will issue an RFI for contract Assignment and contract modifications.

[5] Future Commission decisions within the PCIA proceeding may impact SDG&E's sales criteria.

- ~~Quantitative Criteria~~

    - Banking vs. Sales Analysis: As described in more detail under Section 4 in Attachment A, SDG&E will consider the time value of revenues from the potential sale, and the potential replacement cost when evaluating potential sales opportunities.

    - Impact on Rates: Another consideration is the magnitude of the impact a potential sale will have on customer bills.

B. Purchase Quantitative Criteria

SDG&E will evaluate the procurement of RPS-eligible resources in alignment with its RPS Plan authorizations. SDG&E may consider purchasing RECs if it is determined to be more cost-effective than utilizing its existing banked resources. Additionally, as illustrated in Appendix 1, a volumetric cap or target has been established to guide these procurement decisions.

- Bank Utilization vs Purchase Analysis: SDG&E will assess the costs of utilizing its existing banked resources versus entering into new purchase agreements. This analysis will include a comparison of REC prices to the applicable Market Price Benchmark ("MPB"). If REC prices are found to be lower than the MPB, SDG&E may opt to purchase RECs as a more cost-effective alternative.

- Impact on Rates: SDG&E will evaluate the potential impact of REC purchases on customer bills. The magnitude of this impact will be a key consideration in determining whether a proposed procurement aligns with ratepayer interests.

~~A.~~C. Purchases and Sales Qualitative Criteria

RPS Position: SDG&E ~~regularly reviews~~conducts regular review of its RPS portfolio ~~positions and considers~~to ensure alignment with future compliance needs. The review incorporates generation forecasts and other relevant data to inform strategic decisions. Based on forecasted requirements, SDG&E may take actions ~~based on future need, which include but are not limited to,~~such as procuring~~,~~ additional resources, utilizing banked RECs, banking or selling ~~and banking renewable generation~~excess volumes.

- Procurement Mandates: Integrated Resources Plan ("IRP") Reliability procurement mandates that SDG&E solicit to procure a broad range of resources, including renewable generation, geothermal, and hybrid renewable energy plus storage, which provide additional renewable energy attributes towards SDG&E's RPS position.

- Load Departure: Future portfolio need and fit are regularly evaluated and encompass a review of load departure that will impact SDG&E's RPS portfolio positions.
- Provider of Last Resort ("POLR"): As outlined in Section 4 of Attachment A, SDG&E serves as the POLR within its service territory. In this role, SDG&E may experience unexpected increases in retail sales, which could necessitate the procurement of additional RECs to maintain compliance with RPS requirements.

- Market Liquidity: It is important to SDG&E that the market for renewable products remains liquid so that sales and purchases on behalf of customers can be made at competitive prices. Currently, SDG&E has one of the largest RPS portfolios in the State, and therefore it must consider possible impacts on the market of any potential sales volumes.

- Accounting Rules: SDG&E will consider the potential accounting impacts of selling renewable generation. Such impacts may include a scenario in which both the sales contract and the underlying contract(s) supplying the energy for the sales contract are marked to market value in each reporting period in accordance with generally accepted accounting principles. Due to market volatility, the mark to market adjustment associated with the sale may create volatility in SDG&E's financial statements.

- Impact on GHG Reduction Goals and IRP Targets: With the passage of SB 350 and SB 100, the State is moving toward a more holistic planning process with the goal of reducing GHG emissions through a suite of tools, one of which is the RPS program.[6] As described under Section 2 of Attachment A, SDG&E has taken a strong leadership position with respect to the State's RPS targets, and in doing so has inherently advanced the goals of the IRP. The impact of any potential sale as it relates to SDG&E's progress towards IRP goals will be incorporated into SDG&E's analysis as appropriate.

- Uncertainty: SDG&E's analysis involves assumptions regarding future market pricing and structure, regulatory framework, and legislative goals many years into the future. Further, there is some uncertainty with respect to load departure and potential impacts of load returning. While SDG&E believes its assumptions to be reasonable, it acknowledges that markets change over time and the future is not predictable; therefore, this risk must be considered when evaluating any potential sale.

[6] See Section 4 of Attachment A.

Additionally, SDG&E, along with all other public utilities, is required by law to seek and receive authorization from the Commission to sell assets valued above five million dollars that are useful in its services to the public.[7] In other words, SDG&E's quantitative and qualitative evaluation must determine that the generation being sold through the potential resale contract is in fact not needed by customers.[8]

III. Buyers and Sellers

Potential buyers and sellers could contract with SDG&E under various scenarios. One scenario would be by responding to a ~~Sales~~RFO and/or RFP that SDG&E may issue. ~~As mentioned above, SDG&E's 2024 Plan includes a Sales RFP that~~ SDG&E may choose to issue an RFO and/or RFP, and if so, it would receive and evaluate ~~purchase~~ proposals from the market. It may also participate as a bidder in solicitations. Other scenarios would be through a bilateral transaction, a broker, or an exchange. In this scenario, a counterparty may approach SDG&E with an unsolicited proposal, or may be approached by SDG&E. Section 4 of Attachment A describes the potential benefits of bilateral, broker and exchange transactions, which is a valuable tool for both purchases and sales due to its flexibility in addressing situations that involve timing constraints and/or complex terms.

IV. Pricing

The overarching goal of SDG&E's purchase and sales framework is to identify the best possible outcome for its customers. As with SDG&E's past Commission-approved ~~sales~~ transactions, and considering Section 5 below, the appropriate price thresholds of any potential sales opportunity will be dependent upon the results of SDG&E's quantitative and qualitative evaluation at the time of the transaction, and its reasonableness will be determined by the Commission as it acts on SDG&E's advice letter requesting approval of the transaction.

V. REC Purchase and Sale Volume, [redacted]

A. REC Sale Volume Methodology:

In general, [redacted] the following formula represents SDG&E's methodology for calculating its maximum REC sales volume for any particular portfolio content category (PCC) RECs it elects to sell for any given year. This methodology is also consistent in considering assignment or novation.

---

[7] Section 851.
[8] For example, see Commission Resolution E-4741.

[redacted]

To further optimize its portfolio, SDG&E's will leverage its authorization to sell RECs from the following: (i) the RPS portfolio including PCIA-eligible resources prior to VAMO distribution, (ii) its allocated portion of PCIA-eligible portfolio, and (iii) available RECs that were not required to be offered and not allocated in the D.21-05-030 transactions. This approach will prevent further accumulation of surplus RECs in its bank.

B. ~~REC~~REC Purchase Volume Methodology

SDG&E will purchase RECs within its authorized volumetric and capacity caps as discussed in detail in Appendix 1.

~~B.~~C. REC Sales [redacted]:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

---

[9] For example, volumes from mandated programs such as BioRAM are deducted in SDG&E's methodology because the green attributes are mandated to be monetized pursuant to the Tree Mortality Non-Bypassable Charge decision; therefore, the associated RECs cannot be sold pursuant to this analysis.

[redacted]

APPENDIX 18

Achievable, Upfront Standards & Criteria

SDG&E's Achievable, Upfront Standards and Criteria

CATEGORY	STANDARDS & CRITERIA
Volume	SDG&E will consider volume limits in sales and/or purchases –(i.e., quantities within a volumetric cap (in MWh) and identified in, and approved by the Commission in the RPS Plan)
Delivery Years	No longer than 3 years forward
Products	PCC 1 / 2 / 3
Transaction Type	Purchase/Sell
Price	Sales - Price Floor or Strong Showing applies to bilateral transactions only (if price is below the floor) Purchases - Price Ceiling or Strong Showing applies to bilateral transactions only (if price is above the ceiling)
Entities Type	Brokers, Counterparties, and Exchanges
Process/Method	IOU solicitations, 3rd party solicitations, bilateral, and broker/exchange transactions
PRG Consultation	Post execution for contracts with any delivery term.
Administrative Review	The quarterly RPS Reporting will be submitted to CPUC auditing staff and the relevant Energy Division staff, in addition to the current SDG&E RPS-PCIA Data Report submitted monthly and semi-annually.
Attachments to the Quarterly Report	See Section XV in Attachment A
Cost Recovery	• Purchases < 1 year: ERRA • Purchases > or equal 1 year and =< 3: PABA subaccount • Unit specific sales: PABA subaccount for sold resource • Non-Unit Specific resource: PABA subaccount pro rata allocation • IOU VA share: ERRA • Brokers & exchange fees: ERRA/subaccount of PABA based on whether the purchase/sales would record to ERRA or PABA • Request an order in Commission Decision for Tier 1 AL to modify tariffs as needed
Contract Method	Either via Commission-adopted pro forma, or transactions using other documentation that must include, at a minimum, the Commission-adopted RPS Standard Terms and Conditions, with the exception of the defined term "CPUC Approval"
List of Approved Brokers & Exchanges	List of Approved Brokers and Exchanges for REC Sales and Purchases (See SDG&E's list of brokers and exchanges below)

SDG&E's List of Brokers and Exchanges[1]

Brokers
BGC Environmental Brokerage Services
BGC Financial, L.P.
Choice Natural Gas, LP and Choice Power, LP
Elk Mountain Energy, LLC
Energy Trade Management GP, LLC
Equus Energy Group, LLC
Evolution Markets Inc.
Intercontinental Exchange Inc.
IVG Energy, Ltd.
SCB Brokers LLC.
TFS Brokers
TFS Energy Futures, LLC
Tullet Prebon Americas Corp
Wells Fargo Advisors, LLC

Exchanges
Intercontinental Exchange (ICE)
New York Mercantile Exchange (NYMEX)

Note: SDG&E will update its brokers and exchanges list in its Bundled Procurement Plan as needed.

[1] SDG&E's 2014 Bundled Procurement Plan, on pages 48 and 49.

APPENDIX 18

Achievable, Upfront Standards & Criteria

REDLINE VERSION

SDG&E's Achievable, Upfront Standards and Criteria

CATEGORY	STANDARDS & CRITERIA
Volume	SDG&E will consider volume limits in sales and/or purchases –(i.e., quantities within a volumetric cap (in MWh) and identified in, and approved by the Commission in the RPS Plan)
Delivery Years	No longer than 3 years forward
Products	PCC 1 / 2 / 3
Transaction Type	Purchase/Sell
Price	Sales - Price Floor or Strong Showing applies to bilateral transactions only (if price is below the floor) Purchases - Price Ceiling or Strong Showing applies to bilateral transactions only (if price is above the ceiling)
Entities Type	Brokers, Counterparties, and Exchanges
Process/Method	IOU solicitations, 3rd party solicitations, bilateral, and broker/exchange transactions
PRG Consultation	Post execution for contracts with any delivery term.
Administrative Review	The quarterly RPS Reporting will be submitted to CPUC auditing staff and the relevant Energy Division staff, in addition to the current SDG&E RPS-PCIA Data Report submitted monthly and semi-annually.
Attachments to the Quarterly Report	See Section XV in Attachment A
Cost Recovery	• Purchases < ~~or equal~~ 1 year: ERRA • Purchases > or equal 1 year and =< 3: PABA subaccount • Unit specific sales: PABA subaccount for sold resource • Non-Unit Specific resource: PABA subaccount pro rata allocation • IOU VA share: ERRA • Brokers & exchange fees: ERRA/subaccount of PABA based on whether the purchase/sales would record to ERRA or PABA • Request an order in Commission Decision for Tier 1 AL to modify tariffs as needed
Contract Method	Either via Commission-adopted pro forma, or transactions using other documentation that must include, at a minimum, the Commission-adopted RPS Standard Terms and Conditions, with the exception of the defined term "CPUC Approval"
List of Approved Brokers & Exchanges	List of Approved Brokers and Exchanges for REC Sales and Purchases (See SDG&E's list of brokers and exchanges below)

SDG&E's List of Brokers and Exchanges[1]

Brokers
BGC Environmental Brokerage Services
BGC Financial, L.P.
Choice Natural Gas, LP and Choice Power, LP
Elk Mountain Energy, LLC
Energy Trade Management GP, LLC
Equus Energy Group, LLC
Evolution Markets Inc.
Intercontinental Exchange Inc.
IVG Energy, Ltd.
SCB Brokers LLC.
TFS Brokers
TFS Energy Futures, LLC
Tullet Prebon Americas Corp
Wells Fargo Advisors, LLC

Exchanges
Intercontinental Exchange (ICE)
New York Mercantile Exchange (NYMEX)

Note: SDG&E will update its brokers and exchanges list in its Bundled Procurement Plan as needed.

[1] SDG&E's 2014 Bundled Procurement Plan, on pages 48 and 49.