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Erik Caldwell
Director of Economic Development & Sustainability
City of San Diego
202 C Street
San Diego, CA 92101

Dear Mr. Caldwell,

On behalf of San Diego Gas & Electric, I want to thank you for the opportunity to engage with your team to achieve the City of San Diego's 100% renewable energy goal and greenhouse gas reduction (GHG) targets. The conversations our teams have had about energy procurement and policies, program goals and design have been educational and mutually beneficial. We appreciate the City's thoughtfulness and transparency throughout the entire process.

It's evident that in the San Diego region, we have a collective understanding of the important role that clean energy and cleantech play in economic prosperity and environmental sustainability. To preserve the quality of life for the people and businesses that we are privileged to serve, there is a shared commitment to drive change and create a more sustainable future.

Ambitious GHG reduction goals and 100% renewable energy targets were decided when the City of San Diego adopted its Climate Action Plan in December 2015. In response to the City's Request for Information, Request for Statement of Qualifications, and ultimately its Request for Proposal, SDG&E assembled a team of skilled experts in procurement, regulatory affairs and finance to develop a 100% renewable energy proposal, where we envisioned partnering with the City to contract for increasing amounts of renewable energy for residents and businesses.

As our conversations continued, the City asked for an option whereby it would not take on any financial obligations or enter into long-term contracts. SDG&E convened its team to explore solutions to address the city's concerns around financial risk and long-term contracts.

After many months of conversations and meetings, there is no clear scenario that will meet the City's desire to not be financially or legally liable for any procurement contracts resulting from an SDG&E program. Nor do we believe such a framework would win regulatory approval due to potential exposure to remaining SDG&E customers not covered in this program.

There also continues to be significant and evolving legislative and regulatory actions related to energy procurement. Senate Bill 237 was recently signed into law materially expanding direct access. It requires the California Public Utilities Commission (CPUC) to recommend further expansion of the program in 2020. The CPUC's "Choice Paper" published in August sets the stage for a new procurement model. The CPUC has scheduled a California Customer Choice En Banc for Oct. 29 to discuss its recommended actions. These actions are just a couple of recent changes that will impact our ability to provide an alternative in the near term, even if the City's financial risk priorities were relaxed.

SDG&E shares your ambition to make the City of San Diego not just America's Finest City, but also America's Greenest City. Going forward, there is no question that we will continue our collaboration on programs that will make impactful reductions in carbon emissions. As stated before, we believe transportation electrification will bring the most value in helping to meet the City's GHG reduction targets.

Today transportation represents the single largest source of GHG emissions in California (41%) and in San Diego it is more than 50%. SDG&E has half a dozen projects underway to expand the electric vehicle charging network in the City and our region to support the transition to zero-emissions vehicle and equipment. As part of our Power Your Drive program, we will install about 100 electric vehicle chargers at City facilities. Chargers are coming to the Port, the Airport, and other high-traffic sites.

Beyond clean transportation, many opportunities remain for us to work together to help fulfill the City's Climate Action Plan. The fast of pace of technological innovations is opening exciting opportunities that we have never before imagined, in areas like battery storage, smart cities, smart grid, smart home, Internet of Things, and more. Who would have thought that even a few years ago, technology would be emerging to allow electric vehicle batteries to act as a grid resource – absorbing electrons when solar and wind energy are abundant and discharging them when there is high demand on the grid?

In closing, I want to underscore our support for customer choice. Should the City choose to form a Community Choice Aggregation (CCA) program, we will be your partner to empower that. We are also working hard to explore additional ways for SDG&E to support the City on issues such as renewable energy integration, battery storage and electricity demand forecasting. These areas of potential collaboration are critical to ensuring grid reliability and increased renewable energy use.

Our long history of partnership with the City will continue, regardless of which path the City chooses to reach its 100% renewable goal. The City's residents and businesses are our customers, and they deserve to have sustainable, reliable, and affordable energy options.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Kendall Helm". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kendall Helm
Vice President - Energy Supply
San Diego Gas & Electric