BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) IN SUPPORT OF ITS DRAFT 2026 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN

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San Diego Gas & Electric Company ("SDG&E") respectfully submits these Reply Comments in support of its Draft 2026 Renewables Portfolio Standard ("RPS") Procurement Plan ("2026 RPS Plan"), following the Opening Comments ("Comments") filed by the Office of Public Advocates ("Cal Advocates") on July 13, 2026.

I. INTRODUCTION

Cal Advocates' Comments[1] challenge only a few lines in one appendix among the hundreds of pages in SDG&E's 2026 RPS Plan. The Comments object to removing an unnecessary Renewable Energy Credit ("REC") pricing formula for short-term transactions in Section V of Appendix 15.a, which was a small part of the prior plan. Cal Advocates does not challenge other aspects of the 2026 RPS Plan.

By reading Section V in isolation, however, the Comments do not give fair weight to the entirety of SDG&E's Framework for Assessing Potential RPS Sales in Appendix 15.a. As in the prior approved plan, pricing will be evaluated using an objective benchmark or then-current market data.[2] SDG&E will continue to "consider both quantitative and qualitative criteria when determining whether to . . . sell excess renewable generation" so that "if the results of this

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[1] Cal Advocates served its Comments on SDG&E with redactions of the last eight lines of page two and most of the last line on page three. Cal Advocates has represented that the redacted material pertains solely to PG&E. SDG&E has not had the opportunity to review the redacted material or to be heard on it. Therefore, SDG&E respectfully objects to the consideration of that redacted material as a basis to reject the 2026 RPS Plan.

[2] SDG&E Draft 2026 Renewables Portfolio Standard Procurement Plan – Confidential Redline Version (June 12, 2026), Appendix 15.a ("Draft Appendix 15.a") at A15-5.

analysis indicate that a sales scenario would provide the greatest value to customers, then a sale may be pursued."[3] And—like the prior plan—"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."[4] Thus, the 2026 RPS Plan offers the regulatory guardrails of the prior plan with a significant improvement: it removes barriers to the Commission's and SDG&E's reasonableness analysis posed by a problematic formula.

The only question, therefore, is whether the Commission and SDG&E must be bound by a fixed formula, even though Appendix 15.a envisions significant Commission oversight based on objective real-world data that accounts for the dynamic market. The answer is "No." Neither California Public Utilities Code § 399.21(a)(3) nor any of Cal Advocates' other authority is to the contrary. Cal Advocates' approach would artificially limit the Commission's evaluation of reasonableness. Data points reflecting current market conditions are important facts that the Commission and SDG&E should be allowed to consider when evaluating reasonableness.

Thus, the Commission should adopt SDG&E's 2026 RPS Plan, including its proposed changes to Section V of Appendix 15.a.

II. DISCUSSION

A. SDG&E's Proposal Promotes the Value of REC Transactions, Provides Economic Benefits, and Protects Ratepayers.

SDG&E's plan preserves ratepayer protections. It is designed to improve ratepayer outcomes. It recognizes that, due to rapid market price fluctuations between the time the price floor or ceiling is set before solicitation launch and shortlisting offers, fixed prices can quickly become outdated and fail to reflect current market conditions. SDG&E's proposal allows it to potentially capture *more* revenue for customers through REC sales when market conditions abruptly change. Rather than relying on a static threshold established before offers are received, SDG&E would evaluate REC purchase offers based on prevailing market conditions. In other

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[3] *Id.* at A15-2.

[4] *Id.* at A15-4.

words, this allows the Commission and SDG&E to ensure that transactions remain reasonably priced, rather than risk missing opportunities to create value for ratepayers.

SDG&E's current approved price methodology likewise relies on market price indicators, including current market data.[5] Current market prices are among the best measures of the fair market value of RECs and provide a reasonable basis for evaluating transactions. Accordingly, Cal Advocates is wrong to claim that SDG&E's plan disregards fair value.[6] Cal Advocates is also wrong to the extent that it suggests that a formula is somehow necessary under California Public Utilities Code § 399.21(a)(3).[7] That section says nothing—about the disputed formula or otherwise—to justify rejecting the 2026 RPS Plan's updated framework.

Removing a particular price floor formula is not equivalent to removing safeguards.[8] As in the approved prior plan, SDG&E will use objective data with enumerated quantitative and qualitative criteria to determine whether a sale should proceed.[9] If the results of an "analysis indicate that a sales scenario would provide the greatest value to customers, then a sale may be pursued," under the Commission's supervision.[10]

B. Cal Advocates' Comments Do Not Undermine the Justifications to Adopt Appendix 15.a in the 2026 RPS Plan

SDG&E provided ample reasons for its proposed change to Appendix 15.a.[11] SDG&E's proposal is designed to retain Commission oversight based on clear criteria, while capturing opportunities that benefit ratepayers, which might not be available under the prior sales framework.[12] SDG&E's proposal allows the Commission and SDG&E to consider *more information* in the regulatory process to sell RECs at a reasonable price to benefit ratepayers.

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5 SDG&E Final 2025 RPS Procurement Plan (January 20, 2026), Appendix 15.

6 Cal Advocates' Comments at 4.

7 *Id.* at 3.

8 *Id.* at 3-4.

9 Draft Appendix 15.a at A15-2 – A15-5.

10 *Id.* at A15-2 and A15-4.

11 2026 RPS Plan, Attachment A at 41-42.

12 *Id.*

Cal Advocates' cited authorities do not help its position. Cal Advocates' reliance on the Energy Division Disposition Letter for Pacific Gas & Electric Company's ("PG&E") Advice Letter ("AL") 7398-E is misplaced.[13] There, the "Energy Division reject[ed] Cal Advocates' protest" and granted approval.[14] Its comments about "integrity" addressed "concerns about . . . process inconsistencies PG&E demonstrated" that are unrelated to SDG&E and its proposal to remove a commercially unnecessary pricing formula from its 2026 RPS plan.[15] Resolution E-5375 is inapposite.[16] The Commission rejected PG&E's proposed transaction because it "did not follow its Commission-approved protocols," which has no bearing on whether the 2026 RPS Plan should be adopted.[17] Resolution E-5375 does not mention "price floors and ceilings" or require them in every RPS Plan.[18] To the contrary, the Resolution noted that a transaction "may not be reasonable when judged in comparison to contemporaneous market observations."[19] It is those very "contemporaneous market observations" that SDG&E seeks to include in its proposed 2026 RPS Plan without the constraint of an unneeded formula setting floors or ceilings. Decision 25-08-009 also does not support denial of SDG&E's proposal.[20] That decision denied a pre-approval framework that is not at issue.[21] The same is true of Decision 19-12-042.[22] There, another IOU proposed setting pricing using "prior determinations by the Commission" that the Commission held "do not set pricing."[23] Thus, Cal Advocates' objections fail.

Selling RECs at a reasonable price that reflects prevailing market conditions will generate an economic benefit for customers. Retaining unsold RECs that are not needed for compliance

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[13] Cal Advocates' Comments at 5 and n. 11.

[14] Energy Division Disposition Letter for PG&E AL 7398-E at 3.

[15] *Id.*

[16] Cal Advocates' Comments at 5 and n. 12.

[17] Res. E-5375 at 6.

[18] *Id.*

[19] *Id.*

[20] Cal Advocates' Comments at 4 and n. 8.

[21] D.25-08-009 at 18.

[22] Cal Advocates' Comments at 6 and n. 13 (citing D.19-12-042, Conclusion of Law 12 at 84).

[23] D.19-12-042 at 70.

produces no revenue or savings for ratepayers, while selling those RECs at reasonable market-based prices generates revenue to the advantage of ratepayers. In a time of significant affordability concerns, the Commission should give SDG&E the flexibility to respond to market conditions to support customer affordability. As such, the Commission should adopt SDG&E's proposal.

III. CONCLUSION

The Commission should reject Cal Advocates' recommendation to deny SDG&E's proposed methodology changes and approve SDG&E's 2026 RPS plan as drafted.

Respectfully submitted,

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