

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID #23985
RESOLUTION E-5446
February 26, 2026

R E D A C T E D
R E S O L U T I O N

Resolution E-5446. San Diego Gas & Electric Tranche 3 Mid-Term Reliability Contracts.

PROPOSED OUTCOME:

- Approves two San Diego Gas & Electric mid-term reliability contracts, including related costs, for a 44 megawatts 4-hour battery energy storage system and a 48 megawatts 8-hour battery energy storage system expected to begin deliveries on June 1, 2027.

SAFETY CONSIDERATIONS:

- The owners and sellers of the projects are responsible for the safe construction and operation of their facilities in compliance with all applicable laws, including safety regulations.
- The contracts include a requirement that the seller follow Accepted Electrical Practices, which are defined as those practices, methods, applicable codes and acts engaged in or approved by a significant portion of the electric power industry during the relevant time period, or any of the practices, methods and acts which, in exercise of reasonable judgment in light of the facts known at the time a decision is made, could have been expected to accomplish a desired result at reasonable cost consistent with good business practices, reliability, safety and expedition.

ESTIMATED COST:

- Contract costs are confidential at this time.

By Advice Letter 4755-E and 4755-E-A, Filed on November 10, 2025 and December 8, 2025.

SUMMARY

This Resolution approves two San Diego Gas & Electric (SDG&E) mid-term reliability (MTR) contracts for a total of 92 MW of nameplate capacity. The contracts are for two power purchase tolling agreements for stand-alone battery storage systems (“MTR Contracts”), procured as a result of SDG&E’s Tranche 3 request for Offer (RFO). Specifically, the approved Contracts include a 44 megawatts (MW), 4-hour battery energy storage system (4-hour PPA) and a 48 MW of 8-hour battery energy storage system (8-hour PPA). SDG&E procured these resources to help meet its MTR requirements. This Resolution approves the requested relief in Advice Letter (AL) 4755-E and AL 4755-E-A.

BACKGROUND

On June 24, 2021, the Commission under its Integrated Resource Planning (IRP) authority adopted Decision (D.) 21-06-035, which requires load serving entities (LSEs) to procure at least their share of 11,500 MW of September net qualifying capacity (NQC), with at least 2,000 MW online by August 1, 2023; an additional 6,000 MW online by June 1, 2024; an additional 1,500 MW online by June 1, 2025; and an additional 2,000 MW of long lead time resources online by June 1, 2026, for MTR purposes.

In March 2022, SDG&E filed Tier 2 AL 3967-E, requesting to adjust its MTR capacity requirements to reflect mutually agreed-upon reallocations with San Diego Community Power, a community choice aggregator in SDG&E’s service territory. AL 3967-E was approved by the Commission’s Energy Division in June 2022.

On January 18, 2023, the Commission issued Resolution E-5250, approving SDG&E’s AL 4096-E, which requested approval of two standalone lithium-ion battery-energy storage systems and one hybrid solar photovoltaic with lithium-ion battery project, totaling 200 MW from its Tranche 1 MTR RFO.

On February 28, 2023, the Commission adopted D.23-02-040, which ordered supplemental MTR procurement of 2,000 MW for 2026 and 2,000 MW for 2027, and changed the online date for long lead time resources from June 1, 2026 to June 1, 2028. With the mutually agreed-upon reallocations and the additional MTR procurement ordered in D.23-02-040, SDG&E’s MTR procurement requirement is 83 MW online by August 1, 2023; 248 MW online by June 1, 2024; 62 MW online by June 1, 2025; 72 MW online by June 1, 2026; 72 MW online by June 1, 2027; and 83 MW of long lead time resources by June 1, 2028. This procurement requirement is inclusive of a minimum of

103 MW of zero-emitting capacity required to be online by 2025, to replace capacity retiring at Diablo Canyon Power Plant (Diablo Canyon).

On August 10, 2023, the Commission issued Resolution E-5283 approving SDG&E AL 4189-E, which requested approval of several MTR Contracts resulting from SDG&E's 2023-2026 MTR IRP Tranche 2 RFO, including: (i) one contractually paired solar photovoltaic and standalone lithium-ion battery energy storage hybrid project 113.5 MW, (ii) one standalone lithium-ion battery project 60 MW, and (iii) one 65 MW solar photovoltaic paired with a 50MW lithium-ion battery storage hybrid project.

On February 20, 2024, the Commission issued D.24-02-047 adopting a Preferred System Plan (PSP) portfolio, granting in part one Petition for Modification (PFM) of D.21-06-035 and D.23-02-040, and denying another PFM. The PSP aims to meet a statewide 25 million metric ton (MMT) greenhouse gas (GHG) target for the electric sector in 2035 and to reduce emissions by 28 MMT in 2035 compared to the 2020 electric sector emissions in the California Independent System Operator (CAISO) area, translating to a 58 percent reduction. D.24-02-047 approves the IOUs' individual integrated resource plans filed in 2022 and supplemented or revised in 2023 and authorizes the IOUs to conduct procurement activities as market conditions indicate, including solicitations and bilateral negotiations, to procure the resource needs identified in their 2022 individual integrated resource plans with the portfolios designed to meet the GHG target by 2035. Resources procured under this authorization shall be submitted to the Commission as Tier 3 ALs unless the contracts are otherwise authorized pursuant to another Commission order in another proceeding.

The table below summarizes SDG&E's long duration energy storage targets. The Long Lead Time (LLT) resource requirements are equally divided among long-duration storage and firm, zero-emitting generation resources. The zero-emitting resources required to replace Diablo Canyon must be procured by 2025, but may occur in any of the years 2023-2025; therefore the columns do not add to the total.

SDG&E's Minimum Midterm Procurement Requirements in (NQC MW)

Type of Resources	2023	2024	2025	2026	2027	2028	Total
Firm zero-emitting	0	0	0	0	0	41.5	41.5
Long duration storage	0	0	0	0	0	41.5	41.5
Any other type of non-fossil fuel	83	248	62	72	72	0	537
Zero-emitting	0	0	103	0	0	0	0
Total	83	248	62	72	72	83	620

SDG&E launched its 2025-2031 Tranche 3 MTR IRP RFO on March 6, 2024. A single solicitation was conducted to procure resources for all required online delivery dates specified in D.21-06-035. Under the solicitation, SDG&E sought offers for zero-emitting or Renewable Portfolio Standard-eligible resources, including stand-alone renewable resources able to generate during net peak hours, renewable generation paired with energy storage, or stand-alone energy storage. Additionally, projects were required to be eligible for system resource adequacy (full capacity deliverability status), and were required to be incremental to the baseline resources identified by the Commission, as required in D.21-06-035.¹

SDG&E conducted outreach to potential offerors of the RFO and notified over 5,100 recipients via email notification of the launch. SDG&E accepted initial offers through April 19, 2024. SDG&E notified initial shortlisted offerors on August 15, 2024.

SDG&E states that after the initial evaluation was completed and shortlisted offerors confirmed shortlist acceptance, SDG&E reopened the Tranche 3 RFO for submission of refreshed long-duration storage offer(s) and/or updates to previously submitted offers on August 9, 2024. The process allowed participants to submit new offer(s) and/or updates to previously submitted offers. The reopened portion of the RFO closed on August 30, 2024. SDG&E notified updated shortlisted offerors on September 26, 2024.

Evolving market conditions, including supply chain cost volatility primarily resulting from increased import tariffs impacted assumptions around balance of system costs. According to bidders, this supply chain volatility made it impossible for the shortlisted projects to hold the offer prices. Therefore SDG&E and each of the shortlisted projects negotiated price adjustments to address impacts from the tariff and potential tax incentives changes since the time when bids were submitted.²

SDG&E asserts that the final negotiated prices appear to accurately reflect the evolving market conditions, still resulted in high positive net market values, and remained the Least-Cost/Best-Fit solutions despite the price adjustments relative to the initial offers.³

To evaluate the Tranche 3 MTR IRP RFO offers, SDG&E used its least-cost/best fit (LCBF) methodology consisting of a qualitative conformance screen and a quantitative

¹ SDG&E AL 4755-E at 4-5.

² *Ibid.* at 8.

³ *Ibid.* at 8.

Net Market Value (NMV) calculation. The conformance screen required resources to meet D.21-06-035 requirements, in addition to assessing completeness, requiring permitting and site control for the duration of the delivery term of the proposed project at the time of offer submittal, and prohibiting projects already expecting to receive additional Commission funding. The NMV calculations were based on a cost/benefit analysis, where net present value benefits were measured in value streams from resource adequacy, energy, ancillary services, and renewable energy credits attributes, and net present value costs were measured in cost streams from resource adequacy, energy, variable operations & maintenance expenses, and transmission upgrade attributes.⁴

SDG&E discussed the RFO, shortlist, and status of contract negotiations with its Cost Allocation Mechanism Procurement Review Group (CAM PRG) on several occasions from March 2024 to March 2025. SDG&E assigned Pacific Advisors (PA) Consulting, a Commission-approved Independent Evaluator (IE), as the IE for the Tranche 3 MTR IRP RFO. SDG&E states that PA Consulting reviewed and evaluated the planning of the solicitation, participated in the pre-offer webinar, reviewed offers, assisted in shortlist development, was included in all written/verbal communication with offerors, and attended contract negotiations.⁵

The contracts for which SDG&E seeks approval in AL 4755-E and AL 4755-E-A are summarized in the table below:

Project Name (Developer)	Resource Type	Contract Type	Capacity	Term	Commercial Operation Date
Golden Fields Solar VI, LLC (Clearway)	4-hour lithium-ion energy storage	Toll	44 MW	15 years	6/1/2027
Golden Fields Solar VI, LLC (Clearway)	8-hour lithium-ion energy storage	Toll	48 MW	15 years	6/1/2027

⁴ SDG&E AL 4755-E Attachment A at 2-5.

⁵ SDG&E AL 4755-E at 8.

Both Golden Fields Solar VI projects are standalone lithium-ion battery storage, 15-year tolling agreements. One is a 4-hour energy storage and the other is an 8-hour energy storage. SDG&E submitted a supplemental AL 4755-E-A to include Least-Cost/Best-Fit Evaluation Results, which includes SDG&E's evaluation of certain subsequent price adjustments to projects inadvertently omitted resulting from negotiations discussed in AL 4755-E.

In accordance with D.20-08-046, for new energy contracts with at least 15-year terms executed after 2021, SDG&E shall include: (1) an acknowledgement in the contracts by counterparties that they have considered long-term climate risks, and (2) a facility safety plan (Plan) from counterparties that identifies risks and vulnerabilities to the project associated with climate change and plans to mitigate such risks in SDG&E's request for Commission approval of such contracts. SDG&E states that the Contracts include an acknowledgement that Golden Fields has considered long-term climate change risks to the project, and Golden Fields has agreed to provide SDG&E a copy of its Plan. SDG&E also states that Golden Fields is scheduled to provide its Plan to SDG&E is beyond the date of this AL so SDG&E will use reasonable efforts to obtain this information from Golden Fields and provide Energy Division a copy of Golden Fields' Plans when available.⁶

SDG&E proposes that the costs related to the 8-hour PPA be recovered from applicable customers, which includes bundled service customers and departing load customers, through the 2021 power charge indifference adjustment (PCIA) vintage, in accordance with D.21-06-035.⁷

SDG&E further proposes that the costs related to the 4-hour PPA be recovered from applicable customers, which includes bundled service customers and departing load customers, through the 2023 PCIA vintage, in accordance with D.23-02-040.⁸

NOTICE

Notice of SDG&E AL 4755-E and 4755-E-A were made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the AL was mailed and distributed in accordance with Section 4 of General Order 96-B.

⁶ *Ibid.* at 9.

⁷ *Ibid.* at 10.

⁸ *Ibid.* at 10.

PROTESTS

AL 4755-E and AL 4755-E-A were not protested.

DISCUSSION

The Commission has reviewed SDG&E AL 4755-E and 4755-E-A, and finds that SDG&E's request for approval of the two MTR contracts presented in AL 4755-E and 4755-E-A are reasonable.

Consistency with D.21-06-035 and D.23-02-040

We find that SDG&E AL 4755-E and 4755-E-A are consistent with D.21-06-035. As directed in the decision, SDG&E filed a Tier 3 AL seeking approval for cost recovery for the two MTR Contracts described herein.

The MTR Contracts include a 44 MW of 4-hour battery energy storage system and a 48 MW, 8-hour battery energy storage system, with expected online dates in June 2027.⁹ Both resources are stand-alone storage resources and are expected to help meet SDG&E's 2027 MTR requirements as ordered in D.23-02-040.

Additionally, these MTR contracts satisfy the 10-year or more delivery requirement.¹⁰

Procurement Methodology, Evaluation, and Cost Reasonableness

SDG&E launched its Tranche 3 MTR IRP RFO on March 6, 2024 to solicit offers to procure incremental resources to meet its MTR procurement requirements.

SDG&E retained PA Consulting as the IE for its MTR solicitation efforts. PA Consulting reviewed and evaluated the planning of the solicitation, participated in the pre-offer webinar, reviewed offers, assisted in shortlist development, was included in all written/verbal communication with offerors, and attended contract negotiations. In the IE Report attached to AL 4755-E, PA Consulting provides an evaluation of SDG&E's outreach efforts, LCBF methodology design, shortlist, and project negotiations; overall,

⁹ The September NQC values that will ultimately apply to SDG&E's MTR obligations will be determined at a later time.

¹⁰ D.21-06-035 at 70.

PA Consulting states that SDG&E selected the most appropriate offers for projects to count towards its long duration storage and non-fossil fueled resource procurement requirements from the bids submitted in SDG&E's Tranche 3 2025-2031 MTR IRP RFO. PA Consulting thus recommends the Commission's approval of the two MTR Contracts.¹¹

We have reviewed SDG&E's Tranche 3 IRP RFO evaluation methodology and the IE Report. We agree with PA Consulting's finding that SDG&E selected the most appropriate offers for projects coming online in 2027 from its RFO. In addition, we believe that SDG&E's LCBF methodology is reasonable and the selection of the contracts resulted in the best options to meet the identified needs.

Cost Recovery

The MTR decision authorized cost recovery of the MTR procurement via the PCIA:

To the extent that any resources procured in response to this order are subject to allocation using the [PCIA], the date of that adjustment shall be vintaged by the date of this order. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each file Tier 2 advice letters to update their balancing accounts to address the PCIA treatment as a result of this order.¹²

SDG&E submitted AL 4018-E on June 1, 2022 to modify its Portfolio Allocation Balancing Account (PABA) in compliance with OP 12 of D.21-06-035, and AL 4208-E on April 24, 2023 to modify its PABA in compliance with OP 4 of D.23-02-040. Both of these ALs have been accepted by the Commission's Energy Division. Accordingly, SDG&E requests to recover the costs of 8-hour PPA via the 2021 vintage sub-account of the PABA. For the 4-hour PPA, SDG&E requests to recover the costs via the 2023 vintage sub-account of the PABA. Through this cost recovery methodology, the costs and benefits associated with this procurement complying with D.21-06-035 and D.23-02-040 will be recovered from applicable customers, which includes bundled customers and departing load customers with 2021 and 2023 vintage cost responsibility, respectively.

¹¹ SDG&E AL 4755-E, IE Report at 28.

¹² D.21-06-035 OP 12.

We find SDG&E's proposed cost recovery of the MTR contracts to be consistent with OP 12 of D.21-06-035, OP 4 of D.23-02-040, and Energy Division's approval of AL 4018-E and AL 4208-E.

Confidential Information

The Commission, through the implementation of Pub. Util. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032 and D.21-11-029, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future solicitations. D.08-04-023, Appendix C, established a Model Protective Order for those reviewing confidential information.

The confidential appendix marked "REDACTED" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. D.21-06-035 directed LSEs to procure 11,500 MW of incremental September NQC under the Commission's Integrated Resource Planning purview over the course of four years, with 2,000 MW to be online by August 1, 2023; an additional 6,000 MW online by June 1, 2024; an additional 1,500 MW online by June 1, 2025; and an additional 2,000 MW online by June 1, 2026.

2. D.21-06-035 ordered the three large IOUs to file Tier 3 ALs to request cost recovery for any procurement conducted because of that decision, except if the procurement is associated with a pumped storage resource or a utility-owned resource, for which full applications are required.
3. D.23-02-040 directed LSEs to procure an additional combined total of 4,000 MW of September NQC from non-emitting, storage, and/or renewable resources in 2026 and 2027, with resources required to be online by June 1 of each year.
4. D.21-06-035 originally directed LSEs to procure 2,000 MW of LLT resources (which include long duration storage resources) by June 1, 2026. D.23-02-040 extended the LLT resource online deadline to June 1, 2028.
5. SDG&E's share of the MTR procurement requirement is 83 MW online by August 1, 2023; 248 MW online by June 1, 2024; 62 MW online by June 1, 2025; 72 MW online by June 1, 2026; 72 MW online by June 1, 2027; and 83 MW of long lead time resources by 2028. This procurement requirement is inclusive of a minimum of 103 MW of zero-emitting capacity required to be online by 2025, to replace capacity retiring at Diablo Canyon Power Plant.
6. By AL 4755-E, filed on November 10, 2025, and 4755-E-A, filed on December 8, 2025, SDG&E has submitted for approval two MTR Contracts that are intended to partially meet SDG&E's D.21-06-035 and D.23-02-040 requirements.
7. The two MTR Contracts are a 44 MW 4-hour battery energy storage system and a 48 MW, 8-hour battery energy storage system.
8. SDG&E's methodology used to evaluate the bids in the competitive solicitation that resulted in the contracts presented in SDG&E AL 4755-E and 4755-E-A is overall reasonable.
9. The MTR contracts presented in SDG&E AL 4755-E and 4755-E-A are reasonable based on the robust competitive solicitation and bid evaluation methodology.
10. SDG&E's request in SDG&E AL 4755-E and 4755-E-A to allocate the benefits and costs of the two MTR contracts to all applicable customers via the PABA 2021 or 2023 vintage sub-accounts is reasonable.
11. The confidential appendix marked "REDACTED" in the public copy of this Resolution, as well as the confidential portions of Advice Letter 4755-E and 4755-E-A, should remain confidential at this time.

THEREFORE IT IS ORDERED THAT:

1. The request of San Diego Gas & Electric for approval of two mid-term reliability contracts and related costs, as requested in Advice Letter 4755-E and 4755-E-A, is approved.

2. San Diego Gas & Electric's request in SDG&E AL 4755-E and 4755-E-A, to allocate the benefits and costs of the MTR Contract to all applicable customers via the 2021 vintage sub-account of SDG&E's Portfolio Allocation Balancing Account for the 8-hour PPA and 2023 vintage sub-account of SDG&E's Portfolio Allocation Balancing Account for the 4-hour PPA is approved.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on [DATE]; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated _____, at <Voting meeting location>, California

Appendix A

Solicitation and cost reasonableness review

(REDACTED)