

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID# 24204
RESOLUTION E-5467
June 11, 2026

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

Resolution E-5467. San Diego Gas & Electric Company ("SDG&E") request for approval of one local capacity Utility Owned Energy Storage Contract and related costs pursuant to Decision ("D.") 25-06-048.

PROPOSED OUTCOME:

- This Resolution approves SDG&E's Membership Interest Purchase Agreement and associated 10-year Long-Term Services Agreement Contract for 119 megawatts of local capacity Utility-Owned Energy Storage.

SAFETY CONSIDERATIONS:

- The Utility Owned Energy Storage contract contains detailed safety provisions provided in Exhibit N (Site and Safety Security Requirements) and provided throughout the contract technical specifications in Exhibit A-2.

ESTIMATED COST:

- The estimated total cost of this contract is \$267.9 million

By Advice Letter 4736-E, 4736-E-A Filed on October 20, 2025 and March 11, 2026.

SUMMARY

This Resolution approves SDG&E's request for approval of a utility-owned energy storage contract procured to address 2026 and 2027 summer reliability. The contract is a Membership Interest Purchase Agreement ("MIPA") agreement with RWE AG subsidiary, RWE Clean Energy Asset Holdings, Inc. ("RWE") for the purchase of

Westside Canal 2A, LLC (“Westside Canal Phase 2a”), a 119 megawatt (“MW”) project and an associated 10-year Long-Term Services Agreement (“LTSA”). This Resolution approves the requested relief in Advice Letter (“AL”) 4736-E.

BACKGROUND

R.20-11-003 was opened in 2020 to establish policies, processes, and rules to ensure reliable electric service in California in the event of extreme weather in 2021. Several decisions were issued in this rulemaking related to summer reliability procurement. In Decision (“D.”) 21-02-028, the Commission authorized the investor-owned utilities (“IOUs”) to contract for capacity available to serve peak and net peak demand in the summer of 2021 on behalf of all benefitting customers, including incremental energy storage capacity.¹ The Commission also determined that potential eligible resources may include utility-owned generation, and authorized the IOUs to submit utility-owned generation for summer 2021 through a Tier 2 AL.²

In March 2021, the Commission issued D.21-03-056, which authorized the IOUs to continue their procurement efforts on behalf of all benefitting customers by targeting an effective increase in the planning reserve margin (“PRM”) from 15 to 17.5 percent for the summers of 2021 and 2022, and encouraged the IOUs to exceed their respective targets by as much as an additional 50 percent for incremental supply-side generation and in-front-of-the-meter storage resources for a desired 19 percent PRM.³ The Commission expressed a continuing preference for energy storage contracts.⁴

On December 6, 2021, the Commission issued a Phase 2 decision, D.21-12-015, adopting several supply and demand-side requirements intended to ensure there would be adequate electric power in the event of extreme weather conditions during the summers of 2022 and 2023.⁵ Specifically, the Commission determined a need for contingency resources in the range of 2,000 to 3,000 MW to meet an effective PRM of 20 to 22.5%.⁶ The Commission allocated the procurement responsibility for the additional

¹ D. 21-02-028 at 11, 14, OP 1.

² *Id.* at 11.

³ D.21-03-056 at OP 1, 13-14; Attachment 1 at 20-22.

⁴ *Id.* at OP 1, Attachment 1 at 22.

⁵ D.21-12-015 at 2.

⁶ *Id.* at 12.

contingency resources to the three large IOUs on a proportional load share basis; SDG&E's share of the procurement range was 200 to 300 MW.⁷

The Commission also established specific requirements for the procurement of additional supply-resources in D.21-12-015, including:

- Resources must be available during both the peak and net peak demand periods.
- Commercial Online Dates ("COD") by June 1, 2022, are preferred but resources with CODs by August 1, 2023, will be considered.
- New resources that have not yet reached full capacity deliverability status but are capable of providing energy/grid reliability benefits during the peak and net-peak periods will also be considered.
- Potential resources may include utility-owned storage, with Commission consideration of such projects through a Tier 2 AL.⁸

On July 5, 2023, the Commission issued D.23-06-029 in R.21-10-002, the Resource Adequacy rulemaking, adopting local capacity obligations for 2024 through 2026, flexible capacity obligations for 2024, and program refinements. D.23-06-029 established a 17 percent PRM for Load-Serving Entities ("LSEs") and an effective PRM procurement target of 170 to 320 MW for SDG&E for 2024 and 2025.⁹ The decision continued the requirements adopted in D.21-12-015 where "resources eligible to count towards the effective PRM will remain unchanged from D.21-12-015 and all resources that are currently eligible to be contingency resources will remain eligible to be contingency resources in 2024 and 2025."¹⁰

On June 27, 2025, the Commission issued D.25-06-048 in R.23-10-011, adopting local capacity obligations for 2026 through 2028, flexible capacity obligations for 2026, and program refinements. D.25-06-048 established an 18 percent PRM for LSEs and an effective PRM procurement target of 120-220 MW for SDG&E for 2026 and 2027.¹¹ The requirements adopted in D.23-06-029 pertaining to the effective planning reserve margin are applicable to the effective PRM adopted in D.25-06-048, with the exception

⁷ Id. OP 3.

⁸ Id. at 100, OP 76.

⁹ D.23-06-029, OP 7

¹⁰ Id. OP 8.

¹¹ D.25-06-048 OP 6.

that load-serving entities are no longer required to submit non-binding month-ahead Resource Adequacy (“RA”) filings.¹²

In compliance with California Public Utilities Commission (“CPUC”) order, SDG&E has submitted timely updates on resources procured towards the effective PRM. Included in those resources are Clairemont, Paradise, Boulevard, and Elliot microgrid contracts approved via Resolution E-5219; Pala Gomez battery energy storage system (“BESS”) and Melrose BESS contracts approved via Resolution E-5193; Fallbrook BESS and Santee BESS contracts approved via Resolution E-5303; and Westside Canal Phase 2b approved via Resolution E-5372.

On September 29, 2023, SDG&E submitted AL 4923-E requesting approval of one Build, Own, Transfer (“BOT”) contract with RWE AG for a total of 119 MW of utility-owned energy storage (Westside Canal Energy Storage Expansion Project Phase 1, which was later renamed to Westside Canal Phase 2a). The Commission denied AL 4923-E in Resolution E-5304, citing generally three main concerns: cost, deliverability, and contribution to summer 2024 effective PRM. In January 2024, following Resolution E-5304, SDG&E’s Utility Development Team (“UDT”) and the seller RWE AG discussed the concerns raised in Resolution E-5304. As a result of those discussions, RWE AG agreed to accelerate the COD for Westside Canal Phase 2a from October 31, 2024, to August 1, 2024. In addition, RWE AG reduced the project’s costs.¹³ On March 8, 2024, SDG&E submitted its second request for the approval of the West Side Canal Expansion Project in AL 4403-E. Specifically, AL 4403-E requested approval of one of two mutually exclusive utility owned storage (“UOS”) options. Option one was a BOT UOS contract with RWE AG for a total of 119 MW (Westside Canal Phase 2a). Option two was a BOT UOS contract with RWE AG for a total of 219 MW, that would include a 119 MW project (Westside Canal Phase 2a) and a 100 MW project (Westside Canal Phase 2b). The Commission denied SDG&E’s second request in Resolution E-5320, citing the same concerns from its previous denial: cost, deliverability, and contribution to summer 2025 effective PRM. Subsequently, SDG&E and RWE AG continued negotiations and reduced the price of Westside Canal Expansion further than the prior two Advice Letters. On November 22, 2024, SDG&E submitted AL 4556-E, requesting approval of

¹² *Id.*

¹³ SDG&E AL 4403-E, at 4.

Westside Canal Expansion Project 100 MW Phase 2b, which was approved by the Commission on March 13, 2025.

On October 20, 2025, SDG&E submitted AL 4736-E, requesting approval of the 119 MW Westside Canal Phase 2a. The project was proposed to be owned by SDG&E with operation and maintenance (“O&M”) services for a period of 10 years provided under an LTSA by RWE AG subsidiary, RWE ¹⁴~~OB~~ Westside Canal Phase 2a came online in December 2024. The project is located in Imperial Valley, California.

The West Side Canal Phase 2a project is summarized in the table below:

Project / Location	Technology	Counterparty	Megawatts (MW)	Duration	Contract Type	Commercial Operation Date	O&M Contract Term
Westside Canal Expansion 119 MW / Imperial Valley, CA	Lithium-Ion Energy Storage	RWE AG subsidiary, RWE Clean Energy Asset Holdings, Inc.	119	4 hours	MIPA + LTSA	December 2024	Ownership + 10 years O&M

The estimated total cost of the project is \$267.9 million. Additional contract terms can be found in Confidential Appendix A.

In AL 4736-E, SDG&E states that SDG&E’s UDT issued a competitive solicitation seeking proposals (“RFP”) for utility-owned energy storage Engineer Procure Construct (“EPC”) and BOT projects available to come online by 2027. SDG&E notes that it compared both the capital and O&M costs of the project against other projects bid into the UDT RFP and the co-located Westside Canal Energy Storage Phase 2b project, against prior Commission-approved utility-owned projects, and against relevant market data. SDGE’s UDT retained an Independent Evaluator (“IE”), PA Consulting, to assist with the cost competitive analysis. In addition, SDG&E’s Bid Evaluation Team

¹⁴ SDG&E AL 4736-E at 8.

("BET") performed a net market value analysis and retained a separate IE in connection with its analysis.¹⁵

SDG&E notes that the Westside Canal Phase 2a project is fully constructed and operational and sited on land controlled by SDG&E. Further, they note that the project has received a full Transmission Plan Deliverability ("TPD") allocation, which means that once the approved transmission upgrades are completed, the project will have firm Full Capacity Deliverability Status ("FCDS"), which is expected in 2034. SDG&E states that in the interim, the project is eligible for interim deliverability; the project has obtained interim deliverability (full Net Qualifying Capacity value) for both 2025 and 2026.

Regarding cost recovery, SDG&E proposes that the associated cost of the Westside Canal Phase 2a project be recovered through the Cost Allocation Mechanism ("CAM") consistent with OP 11 of the Summer Reliability R.20-11-003, Phase 2 Decision, which orders that the net costs associated with the supply side procurement shall be passed through to all benefitting customers, consistent with the CAM.

SDG&E requests that the Commission's Energy Division issue a disposition letter that:

1. Finds that SDG&E's procurement of the project is reasonable and satisfies the eligibility and other requirements pertaining to effective planning reserve margin ("EPRM") resources adopted by the Commission in D.25-06-048, D.23-06-029, and D.21-12-015;
2. Authorizes SDG&E to allocate RA benefits associated with the project to benefitting customers in accordance with the requirements of D.21-12-015;
3. Authorizes SDG&E to allocate costs associated with the project to benefitting customers in accordance with the requirements of D.21-12-015, including cost recovery via the CAM; and
4. Grants such other relief as is necessary and proper.¹⁶

¹⁵ *Ibid.* at 7.

¹⁶ *Ibid.* at 24.

NOTICE

Notice of AL 4736-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of AL 4736-E was mailed and distributed in accordance with General Rule 4 of General Order ("GO") 96-B.

PROTESTS

SDG&E's AL 4736-E was timely protested by the Independent Energy Producers ("IEP"), California Community Choice Association ("CalCCA"), and the Public Advocates Office ("Cal Advocates") on November 10, 2025.

IEP protests AL 4736-E on the ground that the relief requested is unjust, unreasonable, or discriminatory, because SDG&E appears to be providing accommodations (through the form of a price reduction and revised pricing structure) to the utility-owned storage project that it does not offer to projects owned by independent power producers and storage providers.¹⁷ IEP urges that if SDG&E offers special arrangements or accommodations to developers of utility-owned projects, those same arrangements or accommodations should also be offered to developers of independent projects.¹⁸

Further, IEP argues that the IE did not directly compare the market value of the project with comparable projects of independent developers who chose to retain ownership of the facility, even though the projects developed by independent energy producers have historically provided great benefits for ratepayers.¹⁹ IEP argues that the project was selected through a process that considered only utility-owned storage projects, and the project was not exposed to competition from projects whose developers chose to retain ownership of the project. IEP argues that this approach was directly contrary to the Commission's "competitive market first" policy.²⁰ In addition, IEP states that although the Project has been allocated TPD, it cannot be awarded FCDS until construction of network upgrades is completed in at least 2034. IEP highlights the risk that could be borne by ratepayers if the network upgrades are not completed in 2034 and the project lacks deliverability after 2034, and that it is unclear how ratepayers will receive the value of a lack of deliverability once the project is owned by SDG&E. ²¹ IEP requests

¹⁷ IEP protest at 1.

¹⁸ *Ibid.* at 4.

¹⁹ *Ibid.*

²⁰ *Ibid.* At 1-2.

²¹ *Ibid.* at 2-3.

that the Commission carefully and thoroughly scrutinize AL 4736-E to ensure (1) that SDG&E did not discriminate in favor of a utility-owned project, (2) that approval of AL 4736-E is consistent with the Commission's "competitive market first" approach, and (3) that approval is in fact in the best interests of ratepayers when compared to non-utility projects. IEP urges the Commission to deny AL 4736-E if any of these conditions are not met.²² If the advice letter is approved, IEP urges the Commission to "expressly require SDG&E to provide similar accommodations to non-utility-owned projects and not to discriminate on the basis of ownership."²³

CalCCA protests AL 4736-E on the grounds that SDG&E's request misapplies and expands the Commission's EPRM Decisions, and that at a minimum, the request should be revised to allocate the majority of the resource costs to SDG&E's bundled customers.²⁴ CalCCA argues that "In moving from a single [EPRM] target floor to an express range in D.23-06-029 and D.25-06-048, the Commission did not intend those ranges to 'represent a floor,' in which, 'the IOUs are encouraged to exceed their respective targets by as much as an additional 50%.' Instead, the range, which in both decisions exceeds 50 percent of the original EPRM targets established in D.21-12-015, eliminated the need for an adder." Since SDG&E was authorized to procure 120-220 MW to meet the effective PRM for 2026, and SDG&E has already procured 208.6 MW, CalCCA argues that SDG&E should only be allowed to procure an additional 11.4 MW to meet the EPRM range as defined by D.25-06-048.²⁵ In addition, CalCCA states that if SDG&E continues with ownership of Westside Canal Storage, it must cost-allocate only 11.4 MW of the project to CAM, and the remaining 107.6 MW should be allocated to SDG&E's bundled load.²⁶ Furthermore, CalCCA highlights that under the Slice of Day ("SOD") compliance mechanism, storage only counts to the extent that there is excess RA in hours when the storage is not shown to be able to charge the battery, including efficiency losses. CalCCA notes that within the CAM, the RA value of storage only exists for the procuring LSE, depending on the other resources they have already procured. CalCCA argues that since SDG&E cannot know the ability of the procuring

²² *Ibid.* at 4.

²³ *Ibid.* at 4.

²⁴ CalCCA protest at 1.

²⁵ *Ibid.* at 4.

²⁶ *Ibid.* at 4.

LSEs to charge the resource, the RA value is unknowable and therefore granting SDG&E's request would be misguided.²⁷

Cal Advocates protests AL 4736-E on the grounds that SDG&E does not have a need for the project to meet its EPRM target, SDG&E's purchase of the project would not result in any additional system reliability benefits, the net market value of the project does not justify the costs, and SDG&E has not proven that the project is the most cost-effective option to support reliability. Cal Advocates notes that SDG&E does not have a need for the 119 MW of nameplate capacity from Westside Canal Phase 2a to meet its 2026-2027 EPRM target.²⁸ Cal Advocates also argues that Westside Canal Phase 2a has already achieved commercial operation and currently operates in the California Independent System Operator ("CAISO") market; therefore SDG&E would not contribute any incremental system capacity through its purchase of the project. Cal Advocates states that RWE Clean Energy Asset Holdings, Inc. currently offers short-term RA from Westside Canal Phase 2a on a merchant basis, and SDG&E can continue to acquire capacity from Westside Canal Phase 2a through this avenue if necessary.²⁹ Finally, Cal Advocates argues that SDG&E fails to demonstrate that Westside Canal Phase 2a is the most cost-effective option to support system reliability need.³⁰

SDG&E REPLY TO PROTESTS

On November 17, 2025, SDG&E timely responded to the protests of IEP, CalCCA, and Cal Advocates.

In response to IEP's protest regarding discrimination in favor of a utility-owned project, SDG&E states that IEP does not demonstrate that any aspect of the process followed to procure the project was actually unjust, unreasonable, or discriminatory, and that policy objections to the EPRM framework are not valid grounds for denial of the advice letter.³¹ SDG&E reaffirms that they adhered to the guidelines for EPRM procurement established by the Commission in D.21-12-015 and D.25-06-048 in procuring Westside Canal Phase 2a.³² Further, SDG&E asserts that the Commission should reject

²⁷ *Ibid.* at 5-6.

²⁸ Cal Advocates protest at 6-7.

²⁹ *Ibid.* at 7-8.

³⁰ *Ibid.* at 12-13.

³¹ SDG&E Reply to Protest at 8-9.

³² *Ibid.* at 9.

IEP's suggestion that the Commission "expressly require SDG&E to provide similar accommodations to non-utility-owned projects and not to discriminate on the basis of ownership," as this change would modify the existing requirements of the EPRM framework, and it is unclear how the principle would be implemented.³³

In response to CalCCA's claim that SDG&E cannot exceed the upper range of the EPRM target, SDG&E states that at the same time that D.21-12-015 defined a MW range EPRM target, the Commission ordered the IOUs to "endeavor to meet and exceed their respective incremental procurement targets to achieve the range of additional procurement authorized."³⁴ SDG&E states that the decision expressly contemplates that the IOUs will exceed their EPRM targets, noting that "[if] emergency procurement efforts are so successful that they result in excess procurement, the resources could be used as backfill in the event some LSEs fails to meet their Integrated Resource Planning ("IRP") procurement requirements."³⁵ SDG&E also notes that in D.25-06-048, the Commission extended the EPRM framework adopted in D.21-12-015 (and previously extended in D.23-06-029) to the 2026 and 2027 RA compliance years. Therefore, SDG&E argues that by extending the EPRM framework established in D.21-12-105, the IOUs' obligation to "meet and exceed" their EPRM targets is also extended.³⁶ In response to CalCCA's claim that CAM cost recovery for EPRM energy storage resources cannot be authorized until the Commission can evaluate the RA capacity of a storage CAM resource, SDG&E argues that this is at odds with the Commission's decision in Southern California Edison Company's ("SCE's") 2025 Energy Resource Recovery Account ("ERRA") Forecast proceeding.³⁷ SDG&E states that in SCE's ERRA Forecast decision, the Commission did not suggest that reliability procurement and cost recovery for energy storage resources would be prohibited until changes were made to the methodology for valuing energy storage RA benefits, but rather the Commission approved an interim valuation methodology proposed by SCE until permanent refinements to the valuation methodology are considered at a later point.³⁸ In response to CalCCA's questioning of the "assumed value of RA" used to calculate the net present

³³ *Ibid.* at 9.

³⁴ *Ibid.* at 6.

³⁵ *Ibid.* at 6.

³⁶ *Ibid.* at 7.

³⁷ *Ibid.* at 7.

³⁸ *Ibid.* at 7.

value (“NPV”) of Westside Canal Phase 2a, SDG&E states that the assumed value of RA used in the NPV calculation is not based on the valuation of RA benefits for CAM purposes, but rather based on battery-specific forward prices, which are used to derive the net market value.³⁹ Finally, SDG&E argues that CalCCA violates General Rule 7.4.2 (which states that “a protest may not rely on policy objections to an advice letter where the relief requested in the advice letter follows rules or directions established by statute or Commission order applicable to the utility”) by arguing that the Commission must reject all energy storage EPRM resources pending refinement of the RA benefit valuation methodology.⁴⁰ SDG&E also states that CalCCA’s attempts to invalidate the Commission’s direction in D.21-12-015 and D.25-06-048 are collateral attacks, and collateral attacks on Commission decisions are prohibited by statute and Commission precedent.⁴¹

In response to Cal Advocates’ claim that SDG&E does not have a need for Westside Canal Phase 2a to meet its 2026-2027 EPRM target, SDG&E states that D.21-12-105 directs the IOUs to “meet or exceed” their respective EPRM targets, and the D.21-12-015 EPRM framework was extended in D.25-06-048 to the 2026 and 2027 RA compliance years.⁴² SDG&E also argues that general uncertainty regarding demand variability and resource availability during the 2026-2027 period and beyond makes this additional EPRM procurement reasonable and in the public interest. SDG&E notes that “the Commission has generally endorsed ‘least regrets’ procurement of resources that offer a hedge against potential future procurement deficiencies and other threats to system reliability.”⁴³ In response to Cal Advocates’ claim that SDG&E’s procurement of Westside Canal Phase 2a would not result in any additional system reliability benefits, SDG&E states that because Westside Canal Phase 2a is not part of the baseline list of generating units published by the Commission, it satisfies the incrementality requirement to be procured. SDG&E also states that the fact that Westside Canal Phase 2a is already operational presents this as an “opportunity to capture value and mitigate construction risks,” and that utility-owned resources offer customers benefits that a

³⁹ *Ibid.* at 8.

⁴⁰ *Ibid.* at 8.

⁴¹ *Ibid.* at 8.

⁴² *Ibid.* at 2.

⁴³ *Ibid.* at 3.

third-party owned resource may not.⁴⁴ In response to Cal Advocates' claim that the NMV of Westside Canal Phase 2a does not justify the cost, SDG&E states that the Utility Development Team "makes every effort to negotiate the best and most beneficial value proposition for customers" and that the cost of Westside Canal Phase 2a is competitive with previously approved projects.⁴⁵ Finally, in response to Cal Advocates' claim that Westside Canal Phase 2a is not the most cost-effective option to support system reliability need, SDG&E argues that changes in federal, state, and municipal policy coupled with increasing demand for new resources could increase project development costs in the future. SDG&E also notes that cost comparisons to recently approved projects were provided in the Appendices of AL 4736-E.⁴⁶

DISCUSSION

The Commission has reviewed AL 4736-E, the protests, and the reply of SDG&E. We consider issues raised by the protestants to AL 4736-E in the following discussion. However, we find that SDG&E's request in AL 4736-E is reasonable overall.

Consistency with Commission decisions, D.21-02-028, D.21-03-056, D.21-12-015, D.23-06-029, and D.25-06-048

We find that SDG&E's AL 4736-E filing is consistent with Commission decisions, D.21-02-028, D.21-03-056, D.21-12-015, D.23-06-029, and D.25-06-048 (collectively, the "Decisions"). As directed in the Decisions (specifically D.21-02-028), SDG&E has filed a Tier 2 AL seeking approval of its MIPA and associated LTSA with RWE Clean Energy Asset Holdings, Inc. The contract is for a total of 119 MW of incremental storage capacity that came online in December 2024, that can be dispatched to meet peak and net peak demand for additional reliability available for summer periods of concern. As a resource interconnecting into SDG&E's TAC, the project also provides benefits to local reliability, as encouraged by D.21-12-015. AL 4736-E includes the following elements as required by the Decisions (specifically D.21-02-028):

- Discussion of the procurement process and resources selected;
- Operational information on the resources selected;
- Pricing and net market value analysis and summary of key contract terms;

⁴⁴ Ibid. at 3-4.

⁴⁵ Ibid. at 4.

⁴⁶ Ibid. at 4-5.

- Independent evaluator report;
- Showing of cost competitiveness to the extent comparable data exist;
- A demonstration that the resource is incremental; and
- A demonstration that the resource has a path to deliver energy by its online date.⁴⁷

Procurement Methodology, Evaluation, and Cost Reasonableness

The Westside Canal Phase 2a project was selected from SDG&E's UDT competitive solicitation ("RFP") seeking proposals for utility-owned energy storage EPC and BOT projects available to come online by 2027.

In Appendix G, SDG&E provided cost comparisons of Westside Canal Phase 2a to the costs of the project in AL 4403-E, Westside Canal Phase 2b, and six other previously approved projects. The comparison shows that the project cost (\$/kw-mo) is lower than the recently approved Westside Canal Phase 2b project, and all six other recently approved projects.

SDG&E's UDT retained PA Consulting Group as the IE for its emergency reliability ownership efforts. PA Consulting monitored the RFP activity, bidder communications, meetings with bidders, bidder scoring and selection, and contract negotiations in developing the agreement. PA Consulting also participated in the CAM procurement review group meeting. PA Consulting conducted its own independent evaluation. The IE analysis is included in SDG&E's AL 4736-E Confidential Appendix H. In its analysis the IE performed cost comparisons for the project, including comparing the costs of the project against publicly available energy storage cost information. The public and confidential versions of PA Consulting's report (IE Report) are provided as Appendix A and Confidential Appendix H in AL 4736-E. In addition, SDG&E's BET separately engaged PA Consulting as an IE in connection with its net market value analysis provided in AL 4736-E Appendix D, AL 4736-E confidential Appendix K, and AL 4736-E-A. SDG&E states that separate individuals within PA Consulting acted as IEs for the UDT and the BET functions, and that PA Consulting maintains a firewall to ensure separation between the IEs working with the UDT and BET functions, respectively.

⁴⁷ D.21-02-028, at 12.

The IE compiled capital cost data for lithium-ion BESS based on data from several public sources representing four-hour lithium-ion batteries. Energy Division Staff also requested SDG&E complete a comparative analysis to show how Westside Canal Phase 2a compares to offers received through SDG&E's 2027–2032 Phase 3 IRP Reliability Request for Offers ("RFO"), which SDG&E submitted as AL 4736-E-A. These analyses support the finding that the cost of Westside Canal Phase 2a compares favorably to other battery energy storage projects that have recently been procured (full summary found in Confidential Appendix A).

SDG&E states that it compared both the capital and O&M costs of the current proposed energy storage project against other projects bid into the UDT RFP and the co-located Westside Canal Phase 2b project, against prior CPUC-approved utility-owned projects, and against relevant market data.⁴⁸ SDG&E's comparisons show cost competitiveness of Westside Canal Phase 2a. Cal Advocates states that SDG&E fails to provide a comparison of the value of Westside Canal Phase 2a with current alternative offers available to meet SDG&E's 2026-2027 EPRM procurement target.⁴⁹ We agree with SDG&E that it provided sufficient analysis to demonstrate cost competitiveness against other projects bid into the UDT RFP.

We have reviewed SDG&E's price comparison analyses and the IE reports, which contain price comparisons to publicly available energy storage cost information as well as recent market data including the offers received through SDG&E's 2027–2032 Phase 3 IRP Reliability RFO. We have also compared the price of this UOS project with prior UOS projects. On balance, we agree that the cost of the contract is generally reasonable based on comparisons. We find that SDG&E has performed the net market value and cost competitiveness analysis required by D.21-12-015 and demonstrated that the proposed UOS project is cost competitive.

Cost Recovery

In D.21-02-028 and D.21-03-056, the Commission directed the IOUs to continue procurement efforts to meet or exceed the effective 17.5 percent planning reserve margin with a preference for new storage contracts, including UOS, with costs to be recovered through CAM. D.21-02-028 specified the parameters of CAM-based cost

⁴⁸ SDG&E AL 4736-E at 7.

⁴⁹ Cal Advocates Protest at 11.

recovery for conforming procurement.⁵⁰ In addition, D.21-12-015 affirmed cost recovery though CAM consistent with prior summer reliability decisions for effective PRM resources.⁵¹

In D.23-06-029, the Commission extended the use of the effective PRM to 2024 and 2025 and reaffirmed the use of CAM as the cost recovery mechanism for this procurement.⁵²

Most recently, in D.25-06-048, the Commission extended the use of CAM as the cost recovery mechanism for EPRM procurement in the 2026 and 2027 RA compliance years.⁵³

SDG&E's request to recover the cost of the proposed UOS project via CAM is reasonable because it meets the procurement requirements specified in D.21-02-028, D.23-06-029, and D. 25-06-048, namely incremental energy storage capacity for the effective PRM in 2026 and 2027.

Deliverability

Westside Canal Phase 2a has received a full TPD allocation and is eligible to achieve FCDS once the approved transmission upgrades are completed. In the interim, the project is eligible for interim deliverability and has obtained deliverability from CAISO for 2025 and 2026. IEP asserts that the project will not have FCDS until at least 2034, and there is a risk that the project will not have interim deliverability status ("IDS") for at least some years between now and 2034. IEP also⁵⁴.~~54~~ We agree with SDG&E that the deliverability risk associated with the project is mitigated by a reduction in the overall purchase price of the project and significant penalties to be paid by RWE AG if deliverability is not obtained. SDG&E also requested reviews of the potential deliverability of Q1531, and separate analyses were prepared by Utility System Efficiencies, Inc and RWE (using Qualus) (full summary found in Confidential Appendix A).

⁵⁰ D.21-02-028 at 11.

⁵¹ D.21-12-015, OP 86.

⁵² D.23-06-029 at 25 (" All costs associated with the effective PRM procurement will be assigned to all customers through the CAM, as adopted in D.21-12-015.")

⁵³ D.25-06-048 at 123 ("The requirements adopted in Decision 23-06-029 pertaining to the effective planning reserve margin are applicable to the effective PRM adopted in this decision, with the exception that load-serving entities are no longer required to submit non-binding month-ahead RA filings.")

⁵⁴ IEP Protest at 2-3.

SDG&E also notes that because Westside Canal Phase 2a has received interim deliverability for two years so far, and it “will maintain any Interim Deliverability until (1) the Interconnection Customer to which that Deliverability was originally allocated achieves its Commercial Operation Date; or (2) the CAISO completes the next scheduled Deliverability Assessment and the Generating Facility’s Delivery Network Upgrades are complete, enabling Partial Capacity or Full Capacity Deliverability Status.”⁵⁵

Further, Commission Decisions did not require deliverability status for summer reliability resources. D.21-12-015 states that:

We allow energy storage projects that are not fully deliverable as long as they provide peak and net peak grid reliability benefits in summer 2022 or 2023.⁵⁶

D.21-12-015 also states that:

New resources that have not yet reached full capacity deliverability status but are capable of providing energy/grid reliability benefits during the peak and net peak periods will also be considered.⁵⁷

We agree with SDG&E that although Westside Canal Expansion Phase 2a will not achieve FCDS prior to 2034, it is eligible to receive interim deliverability in the years prior. Even in the case SDG&E does not receive interim deliverability in future years, it will participate in the CAISO market and has the ability to charge and discharge, therefore contributing to reliability during peak and net peak periods. If the Westside Canal Phase 2a project was expected to be fully deliverable during the next ten years, then it would likely be eligible to be contracted with any load serving entity to meet IRP compliance obligations under the Mid-term Reliability order (“MTR”), from D.21-06-035. Instead, the instant project is effectively an energy-only project, for now, and thus does not directly compete with MTR compliance yet is expected to be fully interconnected to the grid as a resource that can provide reliability. Since there are 131 MW of 4-hour duration batteries from Phase 1 at the same point of interconnection that do have deliverability, the operation of Phase 2a and Phase 2b resources will likely allow grid operators to develop expertise with “synthetic” long-duration storage resources since the Phase 2 resources could dispatch to provide reliability after

⁵⁵ SDG&E AL 4736-E at 9.

⁵⁶ D.21-12-015 at 4.

⁵⁷ D.21-12-015 at 100.

Phase 1 was depleted. Further, since SDG&E has operational control of Phase 1, they could potentially optimize the bidding and scheduling of the two resources to support reliability.

We direct SDG&E to provide quarterly updates to the CAM PRG on deliverability status and project operations for the first three years of operation and thereafter at the request of PRG participants.

Effective PRM Target

Cal Advocates argues that this project is not needed to meet SDG&E's non-binding EPRM target for the summers of 2026 and 2027, and that it would exceed SDG&E's maximum target in the Commission's required 120-220 MW range for the summers of 2026 and 2027.⁵⁸ Cal Advocates indicates that SDG&E may procure demand-side resources in the next few years to fulfill its EPRM target.⁵⁹ CalCCA also argues that SDG&E may not exceed the upper range of the EPRM target authorized in D.25-06-048. CalCCA states that D.23-06-029 and D.25-06-048 established a range of EPRM procurement without any percentage adder, rather than a single target with a percentage adder as prior decisions had done. CalCCA asserts that the ranges authorized in D.23-06-029 and D.25-06-048 eliminated the need for an adder in which the IOUs are encouraged to exceed their respective targets. CalCCA urges that if SDG&E procures Westside Canal Phase 2a, then only 11.4 MW of the project may be allocated to CAM, and the remaining 107.6 MW should be allocated to SDG&E's bundled load.⁶⁰

We agree with SDG&E that although the procurement of Westside Canal Phase 2a will exceed the target established in D.25-06-048, this is consistent with the direction set forth in D.21-12-015 (and incorporated by reference in D.25-06-048) that the IOUs may "meet and exceed" their individual EPRM targets.⁶¹ We also agree with SDG&E that the procurement of this project will enhance system reliability and may offer a hedge against potential future procurement deficiencies.

⁵⁸ Cal Advocates Protest at 6.

⁵⁹ *Ibid.* at 7.

⁶⁰ CalCCA Protest at 2-4.

⁶¹ D.21-12-015 at 101-102.

D.25-06-048 established that:

For the 2026 and 2027 Resource Adequacy (RA) compliance years, a 18% planning reserve margin (PRM), and an extension of the effective PRM procurement target of 1,260-2,300 megawatts (MW) for June-October, is adopted. The procurement target will be divided between the three investor-owned utilities as follows: 120-220 MW San Diego Gas & Electric Company, and 570-1,040 MW each for Pacific Gas and Electric Company and Southern California Edison Company. The requirements adopted in Decision 23-06-029 pertaining to the effective planning reserve margin are applicable to the effective PRM adopted in this decision, with the exception that load-serving entities are no longer required to submit non-binding month-ahead RA filings.⁶²

In D.23-06-029, the requirements adopted in D.21-12-015 were extended:

The requirements adopted in Decision (D.) 21-12-015 pertaining to the effective planning reserve margin (PRM) are applicable to the effective PRM adopted in Ordering Paragraph 7. Specifically, resources eligible to count towards the effective PRM will remain unchanged from D.21-12-015 and all resources that are currently eligible to be contingency resources will remain eligible to be contingency resources in 2024 and 2025.⁶³

D.21-12-015 encourages the IOUs to exceed their EPRM target. D.21-12-015 states that:

For the supply side procurement ordered in this decision, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve the range of additional procurement authorized in this decision for the months of concern. These efforts should take the form of solicitations, ongoing bilateral negotiations, Investor-Owned Utilities offering counterparties an opportunity to refresh prior Integrated Resource Plan (IRP) procurement bids, accelerated procurement of resources procured by Load Serving Entities to meet their IRP obligations for

⁶² D. 25-06-048 OP 6

⁶³ D.23-06-029 OP 8

summer months prior to their required online dates, upgrades resulting in increased efficiency of existing generation resources, and imports.⁶⁴

D.21-12-015 also notes that:

In the event that emergency procurement efforts are so successful that they result in excess procurement, the resources could be used as backfill in the event some LSEs fails to meet their IRP procurement requirements. They could also allow for downward adjustments in future procurement orders or help support faster retirement of aging generation not accounted for in previous IRP orders.⁶⁵

Because the “meet and exceed” framework established in D.21-12-015 was extended to D.23-06-029 and further extended to D.25-06-048, SDG&E may engage in procurement efforts in excess of their allocated EPRM target. We agree with SDG&E that the project satisfies the requirements for EPRM procurement and will enhance system reliability on a least-cost basis. Although the project is not needed to meet SDG&E minimum EPRM target, we agree with SDG&E that the project will provide value and protect against future procurement deficiencies.

IEP’s Protest

IEP argues that the project was selected through a process that considered only utility-owned storage projects, and the project was not exposed to competition from projects whose developers chose to retain ownership of the project. D.21-02-028 allowed UOS projects to be considered for summer reliability and for the IOUs to contract bilaterally:

Potential resources may include utility-owned generation, with Commission consideration for utility owned generation projects with a COD in 2021 through a Tier 2 advice letter.⁶⁶

The large electric IOUs should initiate new bilateral negotiations and revisit offers from recent IRP requests for offers bid stacks.⁶⁷

⁶⁴ D.21-12-015 OP 69

⁶⁵ D.21-12-015 at 21.

⁶⁶ D.21-02-028 at 11.

⁶⁷ D.21-02-028 at 11.

D.25-06-048 extended the summer reliability requirements for 2026 through 2027.

As the Commission allows UOS projects to be considered for summer reliability, SDG&E's UDT issued the solicitation for the EPC and BOT offers. The UDT operates under a code of conduct and firewall that prohibits UDT's access to market data obtained by SDG&E's Energy Supply function or BET team. As stated above, SDG&E compared Westside Canal Phase 2a to offers received through SDG&E's 2027–2032 Phase 3 IRP RFO, which included projects with third-party ownership. In addition, the IE compared the cost of Westside Canal Phase 2a to other California battery energy storage projects and provides analysis supporting the conclusion that the project cost is reasonable. The IE also asserts that the negotiations were fair and that SDG&E's behavior was reasonable during the bid review and contract negotiation process.

IEP also asserts that the Commission has a “competitive market first” policy, citing D.07-12-052⁶⁸. However, the Commission has a long-standing practice that allows for a hybrid wholesale competitive marketplace that includes some utility-owned projects and some independent power producer (IPP) projects. D.07-12-052 also concludes that “we do not prohibit UOG in this decision.”⁶⁹

Safety

In AL 4736-E, SDG&E outlined safety considerations. RWE safely constructed the facilities in compliance with all applicable laws, standards, and safety regulations. Because the Project is operating, there is no longer any construction safety risk. SDG&E will operate each facility leveraging the Company's experience with the existing fleet of BESS and generally accepted electric power industry practices.

For utility-owned energy storage systems, SDG&E conducts a comprehensive evaluation of all components of each offer. This includes evaluation of counterparty risk, prior experience in safely constructing and operating energy storage systems, and the technical merit of the proposed system, including safety components. Moreover, integrators and developers of utility-owned energy storage systems must construct their proposed systems in compliance with SDG&E's Energy Storage technical

⁶⁸ IEP Protest at 2.

⁶⁹ D.07-12-052 at 286.

specification and meet the SDG&E quality assurance/quality control (“QA/QC”) requirements.

Furthermore, to meet and/or exceed the minimum requirements set forth for BESS under the California Fire Code (“CFC”), SDG&E included the following design requirements in its technical specifications.

The selected project will comply with all applicable provisions of the Institute of Electrical and Electronic Engineers (IEEE) 1547, UL 1741 Supplement A, UL 1973, UL 9540, the California Fire Code, including the explicit requirement to comply with CFC Section 1206, and National Fire Protection Association (NFPA) Codes (with specific emphasis on NFPA 855 and NFPA 69). Test results from UL 9540A must demonstrate compliance with the Performance requirements of Section 8.4, 9.5, or 9.8.⁷⁰

In addition to the safety considerations included above, the CPUC Electric Safety and Reliability Branch (“ESRB”) implements and enforces GO 167-C. Staff performs comprehensive audits, outage inspections, and incident investigations of electric generation and energy storage facilities in an effort to ensure they are maintained and operated in a safe and reliable manner.

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.

⁷⁰ SDG&E AL 4736-E at 22.

FINDINGS

1. D.21-02-028 and D.21-03-056 directed the IOUs to contract for incremental capacity available to serve peak and net peak demand during the summers of 2021 and 2022 on behalf of all benefiting customers and expressed a preference for storage resources. The Commission determined that potential resources may include utility-owned generation and authorized the IOUs to submit utility-owned generation projects through a Tier 2 Advice Letter.
2. Commission decision D.21-12-015 adopted several supply and demand-side requirements intended to ensure that there is adequate electric power in the event of extreme weather conditions during the summers of 2022 and 2023.
3. Commission decision D.23-06-029 extended D.21-12-015 and established a 17 percent PRM for Load Serving Entities and an effective PRM procurement target of 170 to 320 MW for SDG&E.
4. Commission decision D.25-06-048 extended D.23-06-029 and established an 18 percent PRM for Load Serving Entities and an effective PRM procurement target of 120-220 MW for SDG&E.
5. As a resource interconnecting into SDG&E's TAC, the project provides benefits to local reliability as encouraged by D.21-12-015.
6. The project will provide value and protect against future procurement deficiencies.
7. The Commission has a long-standing practice that allows for a hybrid wholesale competitive marketplace that includes both utility-owned projects and independent power producer projects.
8. SDG&E's methodology to evaluate the energy storage procurement is reasonable.
9. SDG&E's procurement of the project is consistent with the Commission's EPRM procurement decisions.
10. SDG&E has performed the net market value and cost competitiveness analysis required by D.21-12-015 and demonstrated that the proposed project is cost competitive.
11. The total cost (capital, operations, and construction) of \$267.9 million is reasonable based on comparisons.

12. SDG&E's request to recover the cost of the utility-owned energy storage project through the Cost Allocation Mechanism is reasonable.
13. It is reasonable for SDG&E to provide quarterly updates to the Cost Allocation Mechanism Procurement Review Group for the first three years of operation and thereafter at the request of PRG participants.
14. The confidential portions of Advice Letter 4736-E should remain confidential at this time.

THEREFORE IT IS ORDERED THAT:

1. The request of SDG&E to approve the utility-owned energy storage contract for Westside Canal Expansion Phase 2a for 119 MW as requested in Advice Letter 4736-E is approved.
2. SDG&E is authorized to recover the cost of the utility-owned energy storage contract via the Cost Allocation Mechanism.
3. SDG&E shall provide quarterly updates to the CAM PRG for the first few years of operations.

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 June 11, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated June 11, 2026, at Sacramento, California.

Confidential Appendix A