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August 27, 2021

Ms. Rachel Peterson, Executive Director  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102-3298

**RE: Invocation of CEMA in Response to Governor’s Emergency Proclamation**

Dear Ms. Peterson:

San Diego Gas and Electric (SDG&E) hereby provides notice regarding the invocation of its Catastrophic Event Memorandum Account (CEMA) in response to Governor Newsom’s Proclamation of a State of Emergency (Emergency Proclamation), dated July 30, 2021. This notification is being provided in accordance with the provisions of California Public Utilities Commission (CPUC or Commission) Resolution E-3238, dated July 24, 1991, and Section III.A of the Preliminary Statement of SDG&E’s electric tariffs, which require SDG&E to provide information concerning the impact of the emergency or catastrophic event and an estimate of costs that have been or will be incurred in response to the emergency or catastrophic event.

**State of Emergency Declared – July 30, 2021**

On July 30, 2021, Governor Newsom proclaimed a State of Emergency in response to the impacts of climate change to expedite clean energy projects and relieve demand on the electric grid during extreme weather events this summer as the climate crisis threatens western states.<sup>1</sup> Recognizing the dire impact that climate change “from droughts to wildfires to heatwaves to floods to rising seas to mudslides to vanishing snowpacks” has had on the State of California, the Proclamation orders various actions when an extreme heat event, a sudden and severe reduction in transmission capacity, or both, are projected to result in acute energy shortages.

SDG&E shares the State’s concerns with the wide-spread impact of climate change and is committed to taking all possible steps to comply with and implement the directives contained in the Emergency Proclamation.

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<sup>1</sup> Available at <https://www.gov.ca.gov/2021/07/30/governor-newsom-signs-emergency-proclamation-to-expedite-clean-energy-projects-and-relieve-demand-on-the-electrical-grid-during-extreme-weather-events-this-summer-as-climate-crisis-threatens-western-s/>.

**Background**

The CEMA requires that within 30 days of the event SDG&E provide the Executive Director of the Commission information concerning the catastrophic event, including the impact on its facilities and a preliminary estimate of the costs that have been or will be incurred in response to the catastrophic event. The costs eligible for entry into the CEMA account are those costs associated with 1) restoring utility services to customers, 2) repairing, replacing, or restoring damaged utility facilities, and 3) complying with government agency orders resulting from declared disasters. Costs recorded in the CEMA shall be restricted to those incremental costs incurred by SDG&E in response to the disaster declared by government authorities. The amount to be recorded to the CEMA will not include costs incurred in response to the event related to electric transmission since these operations are subject to regulation by the Federal Energy Regulatory Commission (FERC). Before recovery in CPUC-jurisdictional rates of any costs recorded in the CEMA, SDG&E will file an application with the Commission requesting such recovery.

**Potential Costs To Be Incurred In Response to Emergency**

The Emergency Proclamation directs various actions to be taken by SDG&E and other load serving entities, as well as providing direction to regulating authorities to expedite their activities, in response to the threat of acute energy shortages. As part of this direction, SDG&E and other serving utilities are to implement an electric demand reduction program. The State's Department of Finance is directed to provide payments to fund the electric demand reduction programs to be implemented by the utilities. Payment is to be made to any investor-owned utility or publicly owned utility for the eligible incentive and administrative costs, that the Department of Finance, in consultation with the CAISO, the California Energy Commission, and the California Public Utilities Commission, determines, based on documentation submitted by the utility.

SDG&E is now working in response to the Emergency Proclamation, including the development and implementation of the required electric demand reduction program. This entails designing customer participation requirements and developing agreements with eligible customers and third-party implementers necessary to properly and timely deploy the program as ordered by the Emergency Proclamation.

At this time, SDG&E anticipates that the various incremental costs it might incur in response to the Emergency Proclamation would likely be recovered through mechanisms other than CEMA or directly reimbursed by the Department of Finance. However, out of an abundance of caution, and to comply with the Commission's requirement that a utility invoke its CEMA within 30 days of an emergency declaration, SDG&E is opening its CEMA to track costs associated with its response to the Emergency Proclamation, including the implementation of the electric demand reduction program for any incremental costs not fully reimbursed by the Department of Finance.

Please feel free to contact me if you have any questions or need additional information.

/s/ Clay Faber

CLAY FABER  
Director – Regulatory Affairs

cc: CPUC President Marybel Batjer  
Commissioner Martha Guzman Aceves  
Commissioner Clifford Rechtschaffen  
Commissioner Genevieve Shiroma  
Commissioner Darcie L. Houck  
Edward Randolph, Energy Division Director