

The Partnership Pilot is designed to defer planned distribution infrastructure. The deferral will take place subject to the terms of contracts between SDG&E and aggregators who are providing the deferral services. In accordance with the terms of the contracts, aggregators will be compensated for the deferral services they provide.

In the Partnership Pilot, the aggregator will decide how it will arrange the services necessary to defer some or all of the planned distribution project; keeping in mind that pursuant to CPUC order, only resources and demand-side technologies that are on the customer's side of the meter may be used to provide the deferral services. Aggregators who pass the pre-screening process will seek to enroll (contract with) SDG&E customers who have, or are willing to add, DERs. The enrollment process is the aggregator's responsibility; SDG&E will only provide its customers with the aggregator's contact information.

### Cycle 1 of the Partnership Pilot

SDG&E's Tier 2 Advice Letter for the first cycle of the Partnership Pilot was filed on November 15, 2021 and approved on December 15, 2021. The Commission approved opening the subscription period on January 15, 2022. During the subscription period, Aggregators may submit reservations to SDG&E. Once SDG&E receives a reservation, an Offer Reservation Period of 15 business days for that reservation commences. Reservations may be submitted up until the contingency date of May 31, 2024, beyond which offer reservations will not be accepted. During the subscription period, aggregators will provide SDG&E with offer reservations that indicate the amount of distribution deferral capacity that the aggregator is willing to provide. SDG&E prefers that each aggregator provide enough offer reservations to meet 100% of the deferral need.

The Offer Reservation Period is 15 business days and is the time an aggregator has from the day it submits an offer reservation to provide SDG&E with customer affidavits of interest that (i) demonstrate the amount of distribution deferral capacity the aggregator is able to provide, and (ii) indicate the portion of the distribution deferral capacity that the aggregator will provide from DERs that exist on the date the affidavit is submitted. The Offer Reservation Period is triggered when the aggregator submits an offer reservation and is specific to each offer submitted.

If SDG&E determines the submitted affidavits prove the aggregator's full offer reservation quantity can be provided, SDG&E will accept the offer and close the reservation period for that specific offer. If SDG&E determines that the submitted affidavits prove that only a portion of the offer reservation quantity can be provided, SDG&E will accept only that portion of the offer and close the offer reservation period for that portion of the specific offer. If the aggregator does not provide any affidavits, SDG&E will reject the offer in its entirety and close the reservation period for that specific offer.

When aggregators have provided verified affidavits totaling at least 90% of the capacity needed to defer the planned distribution infrastructure, SDG&E will tender contracts to those

aggregators. Aggregators will have two weeks from the date of tendering to sign and return the contract to SDG&E along with the information required by the contract.

SDG&E will continue to accept offer reservations during the subscription period, and tender contracts to aggregators with verified affidavits, until offer reservations total 120% of the capacity needed to defer the planned distribution infrastructure. The subscription period ends on Updated: 01.20.23 the earlier of when (i) verified affidavits total 120% of the capacity needed to defer the planned distribution infrastructure, or (ii) the contingency date is reached. To the extent verified affidavits exceed 120% of the capacity needed SDG&E will reduce the offer reservation amount for the aggregator(s) whose affidavits were received last.

The contracts between SDG&E and the aggregators will provide for up to three different payments: a deployment payment, reservation payments and performance payments. The total budget is allocated among these three different payments as shown in the table below.

<i>Total Budget</i>		Payments	Share of <i>Total Budget</i>
85% of One-Year Deferral Value		Deployment Payment	20%
		Reservation Payment	30%
		Performance Payment	50%

Deployment payments will be made after (i) aggregators provide offer reservations with verified affidavits totaling at least 90% of the capacity needed to defer the planned distribution infrastructure, (ii) aggregators return signed contracts, and (iii) proof is provided to SDG&E that the aggregator’s behind-the-meter resources are operational. The total amount of funds available for the deployment payments are 20% of the total budget available for compensation. The CPUC has specified that the total budget available for compensation is 85% of the cost cap (the cost cap being the one-year deferral value of the planned distribution project). Deployment payments will not be made for existing resources that an aggregator may be using to provide deferral services.

The reservation payments and performance payments will only be made if contracts with aggregators cumulate to at least 100% of the capacity needed to defer the planned distribution infrastructure. The reservation payments and performance payments will be tied to the time periods of the year (months and hours of the day) when the deferral services are needed. The total amount of funds available for the reservation payments are 30% of the total budget. The total amount of funds available for the performance payments are 50% of the total budget.

The Partnership Pilot for a given tranche will be terminated, and no payments will be made, if signed contracts for the tranche cumulate to less than 90% of the deferral need by the contingency date. If signed contracts cumulate to at least 90%, but less than 100% of the deferral need by the contingency date, only deployment payments will be made. Note that any unused funds from the Total Budget for a given tranche, will be carried-forward into the next tranche; i.e., the Total Budget for the next tranche will be 85% of the One-Year Deferral Value for that tranche plus the amount carried-forward.

Aggregators with whom SDG&E contracts in the current Partnership Pilot cycle for a given tranche will have the option of extending their contracts for an additional 12 months (the next cycle of the Partnership Pilot) if there is no material change in the planned distribution infrastructure being deferred for that tranche.

In March 2022, SDG&E determined that the forecast need for the planned distribution project subject to deferral in the first cycle of the Partnership Pilot, no longer existed during the 2021-Updated: 01.20.23 2025 planning horizon. Accordingly, SDG&E closed the subscription period for the first cycle of the Partnership Pilot.

### Cycle 2 of the Partnership Pilot

SDG&E has concluded its 2021-2022 Distribution Planning Process (DPP). The results of the 2021-2022 DPP are reported in SDG&E's August 15, 2022 Grid Needs Assessment (GNA) report and Distribution Deferral Opportunities Report (DDOR). These reports identify one planned distribution project suitable for deferral through the second cycle of the Partnership Pilot.

SDG&E filed a Tier 2 Advice Letter to launch the second cycle of the Partnership Pilot on November 15, 2022. The Commission approved this advice letter and the subscription period for the second cycle of the Partnership Pilot opened on January 17, 2023. During the subscription period, Aggregators can submit reservations to SDG&E. Once SDG&E receives a reservation, an Offer Reservation Period of 15 business days for that reservation commences. Reservations may be submitted up until the contingency date beyond which offer reservations will not be accepted.

In March 2023, SDG&E determined that the in-service date for the deferrable distribution upgrade needed to be advanced by twelve months, from June 1, 2025 to June 1, 2024. With only one year left to address the need, SDG&E closed the subscription window for the second cycle of the Partnership Pilot in March 2023.

### Cycle 3 of the Partnership Pilot

SDG&E has concluded its 2022-2023 Distribution Planning Process (DPP). The results of the 2022-2023 DPP are reported in SDG&E's August 15, 2023 GNA report and DDOR. These reports identify one planned distribution project suitable for deferral through the third cycle of the Partnership Pilot.

On November 15, 2023 SDG&E filed a Tier 2 Advice Letter to launch the third cycle of the Partnership Pilot. The Commission approved this advice letter. Accordingly, the subscription period for the third cycle of the Partnership Pilot opened on January 16, 2024. During the subscription period, Aggregators can submit reservations to SDG&E. Once SDG&E receives a reservation, an Offer Reservation Period of 15 business days for that reservation commences. Reservations may be submitted up until the contingency date beyond which offer reservations will not be accepted.

On February 15, 2024, SDG&E determined that the in-service date for the deferrable distribution upgrade needed to be advanced by twenty-four months, from June 1, 2026 to June 1, 2024. With less than four months to address the need, SDG&E closed the subscription window for the third cycle of the Partnership Pilot on February 15, 2024.