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Caroline Thomas Jacobs, Director

December 23, 2021

Caroline Winn
San Diego Gas & Electric Company
8330 Century Park Court
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Ms. Winn,

On June 29, 2020, the California Public Utilities Commission's (CPUC) Wildfire Safety Division (WSD) engaged Crowe LLP (Crowe) to conduct an independent audit of wildfire mitigation expenditures by the six investor-owned utilities (IOUs), who submitted 2019 and 2020 Wildfire Mitigation Plans (WMPs). WSD, along with all its functions, transitioned to the Office of Energy Infrastructure Safety (Energy Safety), a new department under the California Natural Resources Agency on July 1, 2021. Crowe recently completed its audit and Energy Safety is publicly releasing Crowe's final audit reports.

The purpose of Crowe's audit was to examine IOUs' spending in the execution of its WMP programs and initiatives relative to its prior General Rate Cases (GRCs). Crowe assessed the relationship between expenses and/or investments identified in the 2019 and 2020 WMPs and operating and capital expenditures approved in previous GRCs.

Enclosed is Crowe's Performance Audit of San Diego Gas & Electric Company Wildfire Mitigation Plan Expenditures Final Report. The report identifies two findings and offers Crowe's recommendations on potential considerations for further action. Energy Safety may consider the final audit report in completing its annual report on compliance for the 2020 WMP. Energy Safety also provides this report to the CPUC for their review and consideration as the CPUC deems appropriate.

Sincerely,

Caroline Thomas Jacobs
Director
Office of Energy Infrastructure Safety

Performance Audit of San Diego Gas & Electric
Wildfire Mitigation Plan Expenditures
Final Report

December 15, 2021



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Independent Auditor's Report

Crowe has conducted a performance audit of San Diego Gas & Electric (SDG&E) for the period from January 1, 2019, through December 31, 2020, to determine whether SDG&E complied with General Rate Case (GRC) rules and regulations and to determine whether any expenses and/or investments identified in the 2019 and 2020 Wildfire Mitigation Plans (WMP) are duplicative of operating and capital expenditures approved in previous GRCs.

We have conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the following three objectives:

1. Determine whether actual expenditures to date, and documented future planned expenditures, comply with approved General Rate Case (GRC) funding, related to wildfire mitigation activities, in accordance with GRC rules and regulations.
2. Determine whether operating or capital expenditures identified in SDG&E's 2019 and 2020 Wildfire Mitigation Plans (WMPs) are duplicative of operating or capital expenditures approved in the 2019 GRC.
3. Determine whether SDG&E's actual expenditures to date, and documented future planned expenditures, comply with the 2019 and 2020 WMPs for activities that SDG&E received approval and funding from GRCs or similar applications submitted to California Public Utilities Commission (CPUC) between 2017 and 2020.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of SDG&E to determine the audit procedures that are appropriate for the purpose of providing a conclusion on SDG&E adherence to GRC rules and regulations and wildfire related accounting practices, as specified, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, SDG&E did not meet objective 2 or 3 but met objective 1 for the period of January 1, 2019, through December 31, 2020, in all significant respects.

SDG&E's written responses included to the Findings and Recommendations Section of this report were not subjected to the performance auditing procedures, accordingly, we express no conclusion on them.



Crowe LLP

Executive Summary

Crowe LLP (Crowe) conducted a performance audit of San Diego Gas & Electric (SDG&E) in accordance with Generally Accepted Government Auditing Standards (GAGAS). In this section we provide background on the performance audit, an overview of the project background and scope, and a summary of Crowe's findings and recommendations related to this examination.

- A. *Project Background and Scope*
- B. *Crowe Findings and Recommendations*
- C. *Report Organization.*

A. Project Background and Scope

The California Public Utilities Commission (CPUC) and its Wildfire Safety Division (WSD) (which is now the Office of Energy Infrastructure Safety (Energy Safety) within the California Natural Resources Agency¹) engaged Crowe to conduct an independent performance audit, in accordance with Generally Accepted Government Auditing Standards (GAGAS), of SDG&E, and submitted 2019 and 2020 Wildfire Mitigation Plans (WMPs). The CPUC and the WSD wanted to determine whether actual SDG&E expenditures to date, and documented future planned expenditures, comply with approved General Rate Case (GRC) funding, related to wildfire mitigation activities, in accordance with GRC rules and regulations. They were also interested to determine whether any expenses and/or investments identified in the 2019 and 2020 WMPs are duplicative of operating and capital expenditures approved in previous GRCs.

The audit period covers electric line of business expenditures from January 1, 2019 through December 31, 2020 and includes SDG&E's final and approved 2019 and 2020 WMPs and the most recent GRC application filed by SDG&E that is final and approved, any applications or advice letter requests that the IOU has filed with the CPUC as necessary to meet the scope of work.

Wildfire Mitigation Plan	Cost Data Presented in WMP		Applicable GRCs Used in Crowe Analysis
	2019	2020	
2019 Plan	Estimated	N/A	2019 GRC
2020 Plan	Actual	Projected	2019 GRC

B. Crowe Findings and Recommendations

This performance audit resulted in two (2) finding which we summarize in **Exhibit ES-1**. Neither of these findings were associated with questioned costs. We also provide our recommendation to address the findings.

¹ During the course of this engagement, the CPUC's Wildfire Safety Division transitioned into the Office of Energy Infrastructure Safety, a new department under the California Natural Resources Agency.

Exhibit ES-1**Performance Audit Findings and Recommendations Summary**

Description of Finding	Questioned Costs	Recommendation(s)
1. SDG&E Underspent a Total of \$240 million of GRC Adopted Electric Capital Costs for 2019 and 2020, and Instead Used these Funds for Wildfire Activities which are Recorded in Incremental Accounts.	N/A	<ul style="list-style-type: none"> SDG&E should provide the CPUC evidence that the deferred projects were completed prior to approval of Application for Recovery of Undercollection Recorded in the Tree Trimming Balancing Account (TTBA), submitted July 1, 2020, and the Application for Interim Rate Relief for WMP costs, submitted July 30, 2021. In the case where these projects were not completed, SDG&E should not be allowed future recovery of incremental wildfire expenditures from 2019 to 2020 that were funded as a result of SDG&E deferring and never completing GRC adopted projects or activities.
2. Wildfire Mitigation Cost Categories Provided in WMPs Do Not Align with How Wildfire Mitigation Costs are Categorized and Adopted as Part of GRCs, Making it Difficult to Monitor Incremental Wildfire Mitigation Costs.	N/A	<ul style="list-style-type: none"> As part of the WMP process, SDG&E should provide wildfire mitigation costs separately for capital and for operating expenditures at the core work activity account code level for easier reconciliation to capital and operating costs adopted as part of the GRC process which are presented at the core work activity code level.

C. Report Organization

The main body of this report includes the following components.

- Section 1**
 In this section, immediately following the Executive Summary, we provide general information on the scope and objectives of this performance audit and contextual information about San Diego Gas & Electric.
- Section 2**
 In this section, we outline our approach, including procedures and sampling methods applied.
- Section 3**
 In this section, we provide our performance audit results, including our findings and recommendations.

Introduction

In this introduction section, we provide background on the performance audit of San Diego Gas & Electric (SDG&E). We describe the SDG&E wildfire mitigation program, recently applicable general rate case proceedings, and memorandum accounts. This introductory section also provides the scope of the audit and sampling methodology employed. The remainder of this section is organized as follows:

- Project Background*
- San Diego Gas & Electric Wildfire Mitigation Program Profile*
- San Diego Gas & Electric General Rate Cases*
- San Diego Gas & Electric Memorandum Accounts*
- Performance Audit Scope.*

A. Project Background

The CPUC and its WSD (now Energy Safety) engaged Crowe to conduct an independent performance audit, in accordance with Generally Accepted Government Auditing Standards (GAGAS), of SDG&E, who is regulated by the CPUC and submitted 2019 and 2020 Wildfire Mitigation Plans (WMPs). The CPUC and WSD wanted to determine whether actual SDG&E expenditures to date, and documented future planned expenditures, comply with approved General Rate Case (GRC) funding, related to wildfire mitigation activities, in accordance with GRC rules and regulations. They also were interested to determine whether any expenses and/or investments identified in the 2019 and 2020 WMPs are duplicative of operating and capital expenditures approved in previous GRCs.

The audit period covers electric line of business expenditures from January 1, 2019, through December 31, 2020, and includes SDG&E's final and approved 2019 and 2020 WMPs and the most recent GRC application filed by SDG&E that is final and approved, and any applications or advice letter requests that the IOU has filed with the CPUC as necessary to meet the scope of work.

B. San Diego Gas & Electric Wildfire Program Profile

Senate Bill (SB) 901 required all California electric utilities to prepare plans on constructing, maintaining, and operating their electrical lines and equipment to minimize the risk of catastrophic wildfire. In its *Order Instituting Rulemaking to Implement Electric Utility Wildfire Mitigation Plans Pursuant to Senate Bill 901 (2018)*, Rulemaking (R.) 18-10-007 (Wildfire OIR), the CPUC WSD, now Energy Safety, outlined wildfire mitigation plan requirements.

In accordance with Assembly Bill 1054, Energy Safety's Wildfire Safety Division (WSD) reviews and approves or denies WMPs prepared by each electrical corporation. Public Utilities Code Section 8386(b) requires each electrical corporation to annually prepare and submit a Wildfire Mitigation Plan (WMP) to the WSD for review and approval and for the WSD to establish a schedule for annual WMP submissions.

1. 2019 SDG&E Wildfire Mitigation Plan

On February 6, 2019, SDG&E submitted its 2019 Amended Wildfire Mitigation Plan (referred to as the 2019 WMP). The 2019 WMP provides details on SDG&E's comprehensive plan to prevent catastrophic wildfires. Programs included in SDG&E's 2019 WMP included:

- *Vegetation management*, including tracking and maintaining a database of trees and poles that are located close to electric infrastructure; regular patrolling, pruning, and identifying and removing hazardous trees; pole maintenance with pole brushing and clearing; training first responders in electrical and fire awareness; and red flag operations.
- *Inspections* including formalized inspection plans for each of its three electrical infrastructure categories: distribution systems, substation systems, and transmission systems.
- *System hardening*, including preventative operations, and construction and maintenance plans.
- *Situational awareness*, including increasing knowledge of local weather and environmental conditions using weather stations and cameras, and developing weather forecasts to predict wildfire potential daily.
- *Public Safety Power Shutoff (PSPS) support*, including initiating the program, expanding the program, and evaluating criteria to reduce judgment, working with customers to alert them of impending PSPS events, and providing additional services and programs to support customers during the events.

The 2019 Wildfire Mitigation Plan (WMP) was filed in Q1 of 2019 with SDG&E's financial forecast for each identified mitigation at the time of filing. The 2019 WMP also included SDG&E's estimated 2019 capital and operating expenses required to support WMP efforts, with details as to the following:

- Whether the costs were currently reflected in the GRC revenue requirement (with Decision reference)
- Any aspects of the plan/strategy and associated funding that would be addressed in another case
- Any memorandum accounts where the costs of the program/strategy were being tracked and explanations for how double tracking is prevented.

Exhibit 1 provides SDG&E's estimates of 2019 WMP capital and operating costs provided in the 2019 WMP. Total estimated 2019 capital costs ranged from \$153M to \$203M and total estimated 2019 operating costs ranged from approximately \$18M to \$30M.

Exhibit 1

San Diego Gas & Electric

Estimated 2019 Capital and Operating Costs Required to Support Wildfire Mitigation Programs (Source: Amended 2019 Wildfire Mitigation Plan)²

Program	2019 Capital Costs (Low)	2019 Capital Costs (High)	2019 Operating Costs (Low)	2019 Operating Costs (High)
Operational Practices	\$ -	\$ -	\$7,100,000	\$10,700,000
Plans for Inspection	-	-	-	-
System Hardening	151,400,000	200,500,000	4,370,000	9,130,000
Vegetation Management	-	-	2,724,000	4,536,000
Situational Awareness	1,280,000	1,920,000	1,600,000	2,400,000
Climate Change Adaptation				
Public Safety Power Shutoff (PSPS) Program	500,000	700,000	2,000,000	3,000,000
Alternative Technologies	-	-	-	-
Post Incident Recovery, Restoration and Remediation Support	-	-	-	-
Total	\$153,180,000	\$203,120,000	\$17,794,000	\$29,766,000

2. 2020 Wildfire Mitigation Plan

On February 7, 2020, SDG&E submitted its 2020 WMP. The 2020 WMP provided details on SDG&E's comprehensive Community Wildlife Safety Program (CWSP), incorporated lessons learned from the 2019 wildfire season and outlined the additional programs planned from 2020 to 2022 to prevent catastrophic wildfires.

Exhibit 2 provides SDG&E's estimates of combined WMP capital and operating costs, by program and activity, as provided in the 2020 WMP. Total estimated 2019 combined actual capital and operating costs were just over \$264M and total targeted 2020 combined capital and operating costs equaled \$366M.

² Source: SDG&E 2019 Wildfire Mitigation Plan.

Exhibit 2**San Diego Gas & Electric****Estimated Actual 2019 and Targeted 2020 Capital and Operating Costs Combined
Required to Support Wildfire Mitigation Programs****(Source: 2020 Wildfire Mitigation Plan)³**

Program	2019 Actual Capital and Operating Costs (Preliminary)	2020 Target Capital and Operating Costs
Risk Assessment and Mapping	\$270,000	\$2,800,000
Situational Awareness and Forecasting	1,356,000	1,540,00
Grid Design and System Hardening	226,726,920	314,883,000
Asset Management and Inspections	-	1,862,000
Vegetation Management and Inspections	33,957,000	33,330,000
Grid Operations and Protocols	1,790,000	2,002,000
Data Governance	-	345,000
Resource Allocation Methodology		10,621,000
Total	\$264,099,920	\$365,843,000

C. San Diego Gas & Electric General Rate Cases

Our scope of work required that we review whether SDG&E expenditures to date, and documented future planned expenditures, comply with approved General Rate Case (GRC) funding, related to wildfire mitigation activities, in accordance with GRC rules and regulations. We reviewed the 2019 GRC which covered the 2019 through 2022 period. Below we provide an overview of GRC rules and regulations and background of the 2019 GRC.

1. General Rate Case Rules and Regulations

As specified on the CPUC website:

General rate cases (GRCs) are proceedings used to address the costs of operating and maintaining the utility system and the allocation of those costs among customer classes. For California's three large investor-owned utilities (IOUs), the GRCs are parsed into two phases. Phase I of a GRC determines the total amount the utility is authorized to collect, while Phase II determines the share of the cost each customer class is responsible and the rate schedules for each class. Each large electric utility files a GRC application every four years. For smaller utilities, authorized costs and allocation of costs are done in just one phase.

The CPUC reviews detailed cost data for various areas of utility operations and approves a budget for the first year – called a test year – of the GRC cycle. For years 2, 3 and 4 – called post-test years – the GRC decision prescribes how to adjust the test year budget for inflation and other factors that may affect costs, such as additional capital projects between test years. The Commission has put in place regulatory mechanisms to adjust the costs approved in GRCs for unforeseen circumstances. For example, the Catastrophic Event Memorandum Account allows utilities to record costs for state emergencies declared by the governor.

³ Source: 2020 Wildfire Mitigation Plan Tables 21-30

Primary rules related to the GRC related to SDG&E rates/spending associated with the GRC are summarized in the GRC “Utility General Rate Case – A Manual for Regulatory Analysts,” (Rate Manual) developed by the CPUC’s Policy & Planning Division on November 13, 2017:

- GRCs establish revenue from customers to provide safe and reliable service at just and reasonable rates (costs).
- PUC Codes 451-4 and 728 hold the Commission responsible for ensuring that rates are just and reasonable.
- Major investor-owned utilities operating in California are required to file a GRC application with the Commission every 36 months (3 years).
- IOUs are required to submit a Risk Spending Accountability Report, in which the utility compares its GRC projected spending for approved risk mitigation projects with the actual spending on those projects, and explains any discrepancies.
- Cost of service regulation sometimes is referred to as rate of return regulation because in cost of service ratemaking utilities have an opportunity to earn authorized rate of return on prudently incurred capital investments. However, utilities are not guaranteed to earn their authorized return. Rates are set prospectively and an element of the authorized revenues is planned to repay investors for the use of their money. However, if the utility fails to manage its business efficiently and overspends, then it will likely fail to earn its authorized rate of return. This uncertainty is symmetrical, and if the utility spends less than authorized revenues it will earn greater than its authorized return.

Other notable aspects of the GRC process are identified below:

- The year in which the rate is set is referred to the “test year”
- The years between test years are referred to as “attrition years.”
- Budgets within the GRC generally are based on a unit cost multiplied by a number of units.
- Budgets in the GRC are not reconciled later with actual results.
- At the time the GRC is approved, the unit costs in the GRC are not tied out to SDG&E’s costs of doing business (e.g., labor or overheads) as there are multiple other sources of funding (e.g., federal TO funds) which SDG&E uses to cover its full revenue requirements
- Where unit costs evolve over time for a specific cost area, these unit costs are then adjusted through the ongoing GRC process during each test year.

2. 2019 SDG&E General Rate Case

On October 6, 2017, SDG&E filed its 2019 test year GRC for rates to become effective January 1, 2019, (A.17-10-007, 2019 GRC). In the 2019 GRC, SDG&E requested the CPUC authorize a combined \$2.199 billion revenue requirement (\$433 million gas and \$1.766 billion electric) an increase of 11 percent over 2018 revenues. SDG&E also requested adjustments for the 2020 and 2021 attrition years. In Decision 199-09-051 (October 2019), the CPUC adopted a revenue requirement increase of 5.7 percent for 2019, and post-test year increases of 6.74 percent for 2020 and 4.83 percent for 2021.

In D.14-12-025, the CPUC adopted a risk-based decision-making framework for the large energy utilities’ GRCs. This risk-based decision-making framework was developed as a result of Senate Bill (SB) 705, which declared in Public Utilities Code Section 963(b)(3) that “[i]t is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority.” In 2014, the California Legislature amended the Public Utilities Code by adding Section 750, which directed the Commission to “develop formal procedures to consider safety in a rate case application by an electrical corporation or gas corporation.”

As a result of these directives, the Commission, in D.14-12-025, established two new procedures - a Safety Model Assessment Proceeding (S-MAP) and the Risk Assessment Mitigation Phase (RAMP) - which feed into the GRC applications in which the utilities request funding for such safety-related activities. The purpose of the RAMP is to provide information about the utility’s assessment of its key safety risks and its proposed programs for mitigating those risks.

In accordance with D.14-12-025 and D.16-08-018 (the interim S-MAP decision), SDG&E and SoCalGas were the first utilities in the State to file their RAMP Report, and are the first utilities in the State to

incorporate their RAMP results into their GRC applications and associated testimony.

SDG&E GRC outlines some major categories driving increased costs over the term of the GRC including:

- **Safety and Reliability:** SDG&E planned to continue to invest in its gas and electric systems to enhance safety, reliability, and security and to manage risks. For example, SDG&E has focused on hardening its system against fire threats.
- **Customer Service:** SDG&E planned to continue to invest in the needs of its approximately 3.5 million consumers by, among other things, empowering customers with information and tools to better manage their gas and electricity use.
- **Environmental Stewardship:** SDG&E planned to continue to provide its services in an ecologically responsible manner, complying with an increasing number of regulations and requirements, factoring environmental impacts in its project planning, and investing in technologies that advance clean energy for its customers and the environment.
- **Investing in Our Workforce:** SDG&E planned to continue its strong commitment to investing in efforts and programs to maintain a highly-trained, qualified, and diverse workforce.

D. San Diego Gas & Electric Memorandum Accounts

Utilities in California recover a large portion of their revenue requirement through balancing and memorandum accounts.⁴ The Rate Manual indicates:

A balancing account is an account established to record certain authorized amounts for recovery through rates and to ensure that the revenue collected matches the authorized amounts. Balancing accounts usually accrue interest – to be additionally returned to ratepayers if the utility is over-collected, or to recover additional revenue if the utility is under-collected.

Memorandum accounts are similar to balancing accounts except that they do not usually establish an authorized revenue requirement and are subject to further scrutiny by the CPUC. Upon Commission review expenses accrued in Memorandum accounts may or may not be recoverable through rates.

Below are specific characteristics of a memorandum account:

- Requires approval from CPUC
- Approval is through an advice letter (AL)
- Captures costs with specific program needs (often unforeseen) and that are in excess of costs included in rates set through the GRC process
- Costs accounted for separately from GRC costs
- Typically, memorandum account costs incurred are subsequently “trued up” or recovered in the next GRC.

SDG&E memorandum accounts applicable for this audit are shown in **Exhibit 3**.

⁴ Source: GRC Manual, page 7.

Exhibit 3
San Diego Gas & Electric
Memorandum Accounts

SDG&E Memorandum Account	Abbrev.	Date Established	Reference	Purpose
Catastrophic Event Memorandum Account	CEMA	1991	CPUC Resolution E-3238; PUC Code 454.9	Establishes three categories of costs that are eligible for inclusion in the CEMA: (1) restoring utility services to customers; (2) repairing, replacing, or restoring damaged facilities; (3) complying with governmental agency orders in connection with events declared disasters by competent state or federal authorities.
Wildfire Mitigation Plan Memorandum Account	WMPMA	6/5/2019	AL 5555-E	Record, pursuant to Senate Bill (SB) 901 (Public Utilities Code Section 8386.4 (a)) and the Wildfire Mitigation Plan (also known as the Wildfire Safety Plan) approved by Energy Safety, incremental costs incurred to implement an approved WMP that are not otherwise recovered in SDG&E's adopted revenue requirements. Established upon approval of the WMP. Such costs may include expense and capital expenditures for activities such as: operational practices, inspection programs, system hardening, enhanced vegetation management, enhanced situational awareness, public safety power shutoffs, and alternative technologies. Recovery of costs would occur through a GRC or future application at which time the CPUC would review costs for reasonableness.
Fire Risk Mitigation Memorandum Account	FRMMA	1/1/2019	AL 5419-E	Record incremental costs of fire risk mitigation work that is not otherwise recovered in the adopted revenue requirement; track costs before WMP finalized; remain open to track wildfire mitigation costs not included in an approved WMP. Such costs include expense and capital expenditures for: advanced system hardening and resiliency; expanded automation and protection; improved wildfire detection; enhanced event response capacity; and enhanced vegetation management activities.
Tree Trimming Balancing Account	TTBA	10/1/2019	D19-09-051	To record certain actual tree trimming costs and associated authorized revenues.
Fire Hazard Prevention Memorandum Account	FHPMA	5/15/2017	AL 26366-E	To record all costs associated with the implementation of regulations and requirements adopted in Rulemaking (R.) 15-05-006.

Incrementality

- The basic idea of incrementality is that in order to recover any costs recorded in a memorandum account, those costs must be incremental, and not recovered in another way, such as in a GRC. For example, if SDG&E had forecast certain wildfire-related costs in a GRC, resulting in those costs being included in rates, they would not be incremental, and SDG&E could not record those same costs in a memorandum account and subsequently seek rate recovery. As further clarification, GRC's include forecasts for expenditures which could be a) authorized for recovery in rates through the GRC decision; b) authorized in the GRC to be collected (actual recorded costs) in a memorandum account, reviewed, and subsequently authorized for recovery in rates if deemed reasonable. Expenditures to be collected in a memorandum account are typically included in the GRC forecast.

- Commission ratemaking is done on a prospective basis. The Commission's practice is not to authorize increased utility rates to account for *previously* incurred expenses, unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenses into a memorandum account or balancing account for possible future recovery in rates.

E. San Diego Gas & Electric Accounting

SDG&E uses an SAP AG accounting system. SAP is one of the world's largest suppliers of accounting software. SDG&E account coding is profiled in **Exhibit 4** below:

Exhibit 4 San Diego Gas & Electric Account Code Descriptions

Account Code	Description
Cost Center	The Cost Center number is used to track costs by organizational unit.
Internal Order	The Internal Order number is used to track costs by project or activity. Internal Orders have certain attributes that can be used to help group orders for tracking project totals. These attributes include Order Type, Budget Code, Work Order and O&M Category code.
Order Type	Primarily defines whether the costs are for Capital Assets or O&M costs.
Budget Code	Used to track Capital projects, including sub phases.
Work Orders	Used to track a component of construction activity for a project.
O&M Category	Codes are unique values for each authorized Balancing or Memorandum Account.

F. Other Reports and Applications

In conducting our performance audit procedures, we relied on additional SDG&E reports and applications which are described below.

1. Risk Spending Accountability Reports

SDG&E is required to submit Risk Spending Accountability Reports (RSAR) on a quarterly basis. SDG&E submits RSARs in order to comply with the Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance Metrics for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multi-Jurisdictional Utilities (Decision (D.) 19-04-020). RSARs provide a comparison of budgeted to actual spending. SDG&E includes explanations for budget to actual cost variances when they exceed a certain threshold.⁵ **Exhibit 5** shows total imputed to actual costs for 2019 and 2020 as outlined in SDG&E's RSARs.

Exhibit 5 Comparison of Imputed to Adopted Electric Distribution Expenditures (\$000) As Reported in RSAR for 2019 and 2020

Year	Imputed	Actual	Difference
2019 O&M	\$137,728	\$138,826	\$1,098
2019 Capital	\$634,326	\$427,725	(\$206,601)
Total	\$772,054	\$566,551	(\$205,503)
2020 O&M	\$102,615	\$111,733	\$9,118
2020 Capital	\$195,204	\$160,951	(\$34,253)
Total	\$297,819	\$272,684	(\$25,135)

⁵ The threshold variance for GRC expensed items is at least \$5 million, or a percentage variance of at least 20% subject to a minimum variance of \$2.5 million and for Capital programs is at least \$10 million, or a percentage variance of at least 20% subject to minimum variance of \$5 million.

2. Application for recovery of undercollection recorded in the Tree Trimming Balancing Account (TTBA), submitted July 1, 2020

The CPUC's 2019 GRC Decision for SDG&E authorized modification of the TTBA from a one-way to a two-way balancing account effective January 1, 2019. When the undercollected balance exceeds 35 percent of the authorized revenue requirement, SDG&E is required to file an application for recovery. For 2019, based on a four-year average forecast methodology approved in the 2019 GRC, the authorized revenue requirement was approximately \$24.2 million. The 2019 undercollected balance of approximately \$10.4 million is roughly 43% of the revenue requirement, thus required an application for recovery.

3. Application for interim rate relief for WMP costs, submitted July 30, 2021

SDG&E requested establishment of an interim rate relief mechanism whereby 50 percent of wildfire mitigation expenditures incremental to those authorized for recovery in SDG&E's General Rate Case may be authorized for recovery each year. SDG&E proposed that WMPMA costs incurred between 2019 and 2021 would be amortized over 20 months, and subsequent expenditures amortized over an annual period, with all costs subject to a later reasonableness review and refund with interest. As of the end of the first quarter 2021, SDG&E has an under-collected balance of approximately \$107.2 million recorded to its WMPMAs, incremental to authorized amounts. Table 1 provides recorded amounts from when the WMPMAs were effective beginning in May 2019 through fourth quarter (December) of 2020 and forecasts for 2021 through 2023. The focus of this audit was on actual expenditures through 2020.

TABLE 1
Illustrative Incremental Forecasted Revenue Requirement Summary
(In Millions)

	2019	2020	2021	2022 ²⁶	2023 ²⁷	Total
CPUC WMP Revenue Requirement (excluding TTBA)	\$44.4	\$140.6	\$224.0	\$307.4	\$356.6	\$1,073.0
WMP GRC Revenue Requirement	(\$23.6)	(\$68.5)	(\$76.4)	(\$82.4)	(\$88.4)	(\$339.3)
Incremental WMP Revenue Requirement	\$20.8	\$72.1	\$147.6	\$225.0	\$268.2	\$733.7
Regulatory Interest²⁸	\$0.0	\$0.2	\$0.2	\$0.4	\$0.8	\$1.6
Total Incremental WMP Revenue Requirement	\$20.8	\$72.3	\$147.8	\$225.4	\$269.0	\$735.3

Performance Audit Approach

The CPUC and its WSD (now Energy Safety) engaged Crowe to conduct this independent Performance Audit, in accordance with the Generally Accepted Government Auditing Standards (GAGAS). In accordance with GAGAS, Crowe followed 2018 Government Audit Standards (GAO-18-568G) which require us to establish an overall approach to apply in planning and performing this audit to obtain sufficient, appropriate evidence that provides a reasonable basis for findings and conclusions based on audit objectives.⁶

Crowe developed our audit plan and procedures to meet specific Energy Safety objectives identified in the Request for Proposal for this project. In developing this audit plan, among other factors, we primarily considered the following:

- Understanding the CPUC GRC process and wildfire mitigation program, including other existing forms of SDG&E oversight (e.g., GRC review processes)
- Addressing audit objectives specified by Energy Safety
- Reducing audit risk to acceptable levels
- Designing a methodology to obtain sufficient audit evidence to provide a reasonable basis for findings and conclusions
- Developing suitable criteria to use to evaluate performance as it related to audit objectives
- Determining the significance or relative importance of the matter
- Communicating results to those in charge with governance or management.

A. Performance Audit Procedures Applied

Our performance audit objectives and procedures are detailed in **Appendix A**. Crowe also reviewed the documents identified in **Appendix B**. Energy Safety had three (3) objectives for this performance audit:

1. Determine whether actual expenditures to date, and documented future planned expenditures, comply with approved General Rate Case (GRC) funding, related to wildfire mitigation activities, in accordance with GRC rules and regulations.
2. Determine whether operating or capital expenditures identified in SDG&E's 2019 and 2020 Wildfire Mitigation Plans (WMPs) are duplicative of operating or capital expenditures approved in the 2019 GRC.
3. Determine whether SDG&E's actual expenditures to date, and documented future planned expenditures, comply with the 2019 and 2020 WMPs for activities that SDG&E received approval and funding from GRCs or similar applications submitted to the CPUC between 2017 and 2020.

We submitted a number of data requests to the company which were progressively more focused throughout the engagement as we obtained more detailed data and information on the company's wildfire mitigation accounting practices. We interviewed management to understand SDG&E accounting systems and use of supporting information systems. We conducted an internal controls assessment, in particular to obtain an understanding of SDG&E internal controls as it related to differentiating GRC-funded expenses from memorandum account funded expenses.⁷ Finally, we also developed workpapers to document results of the performance audit.

As a basis for conducting our procedures, for the population we obtained and relied upon a database of capital and operating expenditures by internal order number, for 2019 and 2020. To test the veracity of

⁶ Section 8.01 of GAO-18-568G.

⁷ Where internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved (GAO-18-568, Fieldwork Standards for Performance Audits, Section 8.38c, page 164).

SDG&E's cost database, we reconciled the cost data in this database to cost data used by SDG&E in several published documents in the record, including the company's GRC applications, WMPs, and RSARs.

Below, we identify several additional clarifications related to the scope of this performance audit:

1. Our scope of work did not serve to validate the process and outcomes associated with the CPUC's GRC proceedings. Our scope was targeted to determining how SDG&E spent funds approved in GRC's which provided funding for WMP programs.
2. SDG&E presents costs in its GRC organized into generation, and electric and gas distribution lines of business (LOB). Our scope is targeted to the electric distribution LOB.
3. The timeframe for our audit spanned actual SDG&E wildfire expenditures incurred between January 1, 2019, to December 31, 2020.
4. The audit did not cover SDG&E's 2021 Wildfire Mitigation Plan which was published on February 5, 2021. Wildfire mitigation plan requirements and priorities have evolved significantly over the 2019 to 2021 planning period with guidance from Energy Safety, actual program results, and lessons learned.

B. Sampling Methodology

We developed our sampling methodology for the examination using guidance from the American Institute of Certified Public Accountants (AICPA). Specifically, we relied on Chapter 11 (Audit Sampling) of the AICPA's Government Auditing Standards and Single Audits – Audit Guide (hereafter referred to as the AICPA Audit Guide).

The AICPA Audit Guide's minimum sample level threshold for obtaining a high level of assurance for a higher risk of material non-compliance was 60 sampling units. We stratified the population into the expense and capital populations.

After obtaining a database of SDG&E wildfire cost data, Crowe selected a random sample of 60 wildfire related transactions for operating expenditures totaling approximately \$15M and 60 for capital expenditures totaling approximately \$60M. Crowe requested invoices, timesheets, business cases and other relevant documentation to test whether expenditures were allowable wildfire related costs. period for purposes of conducting detailed testing to determine whether:

- Costs were supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, timesheets, overhead tables and records, and correctly charged to account, amount, and period.
- Transactions were for an allowable activity under SDG&E's wildfire mitigation plan and memorandum account.
- Services were provided in the location or event identified by SDG&E.
- Transactions were consistent with policies and procedures (internal procedures, contract agreement, etc.)

Performance Audit Results

Our performance audit resulted in two findings as presented in the remainder of this section. We have identified observations of controls and processes related to SDG&E wildfire mitigation related expenditures.

In performance audits, a deficiency⁸ in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis.

Each finding includes a recommendation to correct the issue, and is organized into the following six (6) components:

- *Condition* – includes the error observed based on facts revealed from the examination.
- *Criteria* – the basis for our evaluation; in this case a specific policy, procedure, or leading practice.
- *Cause* – the underlying reason for why the non-compliance or error occurred.
- *Effect* – the impact on the organization and/or the ratepayer from the error.
- *Recommendation* – a suggested action to correct the deficiency; or what can be done to address both the cause and condition.
- *Management Response* – an opportunity for the company to provide its response to the finding and/or recommendation.

Findings and recommendations from this performance audit are provided beginning on the next page. In **Exhibit 6** below we summarize each finding and related questioned costs.

Exhibit 6 Summary of Findings and Questioned Costs

Description of Finding	Questioned Costs	Failure to Meet Which of the 3 Audit Objectives
1. SDG&E Underspent a Total of \$240 Million of GRC Adopted Electric Distribution Capital Costs for 2019 and 2020, and Instead Used these Funds for Wildfire Activities which are Recorded in Incremental Accounts.	N/A	2,3
2. Wildfire Mitigation Cost Categories Provided in WMPs Do Not Align with How Wildfire Mitigation Costs are Categorized and Adopted as Part of GRCs, Making it Difficult to Monitor Incremental Wildfire Mitigation Costs.	N/A	2, 3

⁸ Where a "significant deficiency" is deemed significant to the audit objectives and a "deficiency" is not deemed significant to the audit objectives, but warrants the attention of those charged with governance in accordance with the 2018 version of *Government Auditing Standards* - Chapter 9: Reporting Standards for Performance Audits, paragraphs 9.29 through 9.31.

Finding 1 - SDG&E Underspent a Total of \$240 Million of GRC Adopted Electric Distribution Capital Costs for 2019 and 2020 and Used these Funds for Wildfire Activities which are Recorded in Incremental Accounts.

Significant Deficiency

Condition:

SDG&E's Risk Spending Accountability Report (RSAR) for years 2019 and 2020 presents recorded aggregate operating and capital expenditures relative to what was authorized in SDG&E's Test Year 2019 General Rate Case (2019 GRC) for applicable safety, reliability and maintenance activities.

SDG&E underspent a total of \$240 Million of GRC adopted capital costs for 2019 and 2020, and used these funds for wildfire activities which are also recorded in incremental WMPMA accounts.

SDG&E requested recovery of the wildfire related costs through 1) the Application for recovery of undercollection recorded in the Tree Trimming Balancing Account (TTBA), submitted July 1, 2020, and 2) the Application for interim rate relief for WMP costs, submitted July 30, 2021.

If the deferred 2019 GRC projects were never completed in order to fund newly required wildfire activities, then SDG&E effectively has used GRC-authorized funding, intended for other purposes, to pay for wildfire mitigation activities.

Criteria:

The purpose of the Wildfire Mitigation Plan Memorandum Account (WMPMA) is to record, pursuant to Senate Bill (SB) 901 (Public Utilities Code Section 8386.4 (a)) and the Wildfire Mitigation Plan (also known as the Wildfire Safety Plan) approved by the Commission, incremental costs incurred to implement an approved wildfire mitigation plan that are not otherwise recovered in SDG&E's adopted revenue requirements. Such costs may include expense and capital expenditures for activities including, but not limited to: operational practices, inspection programs, system hardening, enhanced vegetation management, enhanced situational awareness, public safety power shutoffs, and alternative technologies. Costs recorded to the WMPMA will not include costs approved for recovery in SDG&E General Rate Cases (GRCs) or recovered through SDG&E's Catastrophic Event Memorandum Account (CEMA), Fire Hazard Prevention Memorandum Account (FHPMA), Fire Risk Mitigation Memorandum Account (FRMMA), or other cost recovery mechanisms.

Cause:

Due to the requirement to fund unforeseen wildfire related activities, SDG&E deferred 2019 GRC approved operating and capital costs for 2019 and 2020 and may not have completed the original projects or activities funded through the 2019 GRC.

Effect:

There is a potential for SDG&E to over-recover from customers in rates when the utility redirected GRC authorized funds to wildfire mitigation activities that are later also authorized through memorandum account recovery.

Recommendation:

SDG&E should provide the CPUC evidence that the deferred projects were completed prior to approval of Application for Recovery of Undercollection Recorded in the Tree Trimming Balancing Account (TTBA), submitted July 1, 2020, and the Application for Interim Rate Relief for WMP costs, submitted July 30, 2021. In the case where these projects were not completed, SDG&E should not be allowed future recovery of incremental wildfire expenditures from 2019 to 2020 that were funded as a result of SDG&E deferring and never completing GRC adopted projects or activities.

Management Response:

SDG&E's entire management response is provided in Appendix D. SDG&E provided the following response directly to Finding 1:

SDG&E submits that the audit report finding that SDG&E underspent a total of \$240 million of GRC adopted electric distribution capital costs for 2019 and 2020 and used these funds for wildfire activities which are recorded in incremental accounts is erroneous and should be removed. In discussing this finding with Crowe, the audit team acknowledged that while there was no audit of non-WMP activities, SDG&E's tree trimming balancing account (TTBA) encompasses both wildfire and non-wildfire projects. Crowe's review was therefore not limited to wildfire projects, which does not comport with the stated scope. In further discussing this finding with the audit team, SDG&E has no concerns with any emphasis on the need to ensure the absence of double counting, but takes exception to any reference to SDG&E's currently pending TTBA and interim recovery applications as Crowe was unable to identify any vegetation management work that was not completed by SDG&E and the interim recovery application is a temporary regulatory mechanism that is not directly related to cost recovery.

The Commission has also explicitly recognized that "new programs or projects may come up, others may be cancelled, and there may be reprioritization. This process is expected and is necessary for the utility to manage its operations in a safe and reliable manner."⁹ It is for these reasons that utilities are allowed the flexibility to reprioritize the authorized funds in order to ensure safe and reliable operations. Reprioritizing spending also allows utilities to "[r]espond to immediate or short-term crises outside of the RAMP and GRC process," in accordance with Commission directives.¹⁰ In fact, the Commission has "always acknowledged that utilities may need to reprioritize spending between GRCs" to "quickly re-direct Commission-authorized GRC funding from its originally-intended purposes to a wholly different purpose."¹¹ Hence, the utilities are required in RSARs to "describe any deviation, and the reasons for doing so, from what activities were originally requested and authorized in the GRC, to what activities were actually performed. This will allow Commission staff to more readily review and verify these safety-related activities, and to understand the reasons for the changes in priority that may have taken place."¹²

Crowe Rebuttal

Crowe continues to support Finding #1 as presented. At a minimum, and as part of any future proceeding regarding recovery of incremental costs, SDG&E should provide sufficient quantifiable and detailed analysis to substantiate that any underspend has been returned to ratepayers or is planned to be used as originally intended prior to requesting additional rate recovery. This is to avoid a situation where GRC-funded amounts were significantly underspent (e.g., by not meeting the intended activity levels or diverting funds for other purposes) and these costs were instead tracked in the incremental wildfire memorandum accounts.

Crowe notes that this finding is an outcome of differences in the timing of the GRC ratemaking process and Wildfire Mitigation Plan (WMP) implementation. Crowe agrees with SDG&E's definition of incrementality and does not dispute that costs captured in the memorandum accounts are reasonable. However, GRC approval cycles did not align with the requirements for additional work outlined in the WMPs. We acknowledge that during this transitional period between GRC cycles, we understand that management prioritized certain WMP activities that were critical or emergency in nature to defend against wildfires and adhere to WMP requirements and that these new incremental WMP costs be recorded in memorandum accounts. However, we continue to recommend that in cases where GRC funds that were previously approved for certain projects/activities and time periods were instead used to fund incremental new wildfire related projects/activities, the CPUC should carefully consider whether to provide future rate recovery of these same incremental new wildfire-related costs in a subsequent proceeding. In evaluating the potential impacts of this finding, the CPUC should consider whether GRC capital projects which were

⁹ D.11-05-018 at 27

¹⁰ D.18-04-016 at 6

¹¹ D.20-01-002 at 38

¹² D.14-12-025 at 46

planned/approved and not completed during the time period of the audit were ultimately completed at a later date without additional rate funding.

Finding 2 - Wildfire Mitigation Cost Categories Provided in WMPs Did Not Align with GRC Adopted Cost Categorizations , Making it Difficult to Monitor Incremental Wildfire Mitigation Costs

Deficiency

Condition:

In the past, SDG&E's Wildfire Mitigation Plans (WMPs) have included cost information at the following levels:

2019 Plan - Plan section and program strategy/area (estimated-actual 2019 costs). These costs were presented separately for both capital and operating expenditures.

2020 Plan - Wildlife mitigation activity (2019 actual spend, 2020 to 2022 spend target), organized into situational awareness and forecasting, grid design and system hardening, asset management and inspections, vegetation management and inspection, grid operations and protocols, data governance, resource allocation methodology, and emergency planning and preparedness.

We found that approved SDG&E WMP capital and operating costs provided at these levels alone were inadequate for purposes of reconciling these costs to those adopted as part of the GRC process. During the course of the GRC process, SDG&E provided costs at the budget code or order type level separately for capital and operating expenditures. However, as noted above for the 2019 through 2020 WMPs costs were only provided at the general program area level or activity level.

Criteria:

WMP requirements are delineated in the following documents:

- 2019 WMP – D1905036 Guidance Decision on 2019 Wildfire Mitigation Plans
- 2020 WMP – RES WSD-002 Final Guidance Resolution, and Guidance Appendices
- 2021 WMP – 2021 WMP Guidelines Template.

Cause:

The CPUC has not required capital and operating expenditures delineated to the budget code or order type level as part of WMP content requirements. Additionally, WMP content requirements are evolving as Energy Safety gains more experience and knowledge of program needs.

Effect:

Energy Safety will have difficulty reconciling future SDG&E wildfire mitigation related capital and operating expenditures approved as part of the WMPs to those funded through the GRC process.

Recommendation

As part of the WMP process, SDG&E should provide wildfire mitigation costs separately for capital and for operating expenditures at the core work activity account code level for easier reconciliation to capital and operating costs adopted as part of the GRC process which are presented at the core work activity code level.

Management Response

SDG&E's entire management response is provided in Appendix D. SDG&E provided the following response directly to Finding 2:

Finding 2 incorrectly asserts that wildfire mitigation cost categories provided in WMPs do not align with how those costs are categorized and adopted as part of GRCs. SDG&E provides wildfire mitigation costs separately for capital and operating expenditures.

SDG&E's current General Rate Case was approved in 2019, based on forecasts that did not anticipate the implementation of the WMPs. That GRC runs through 2023. The RSARs follow the structure authorized in the 2019 GRC, under the Commission's jurisdiction and approval. The presentation for adopted GRC and therefore the RSARs cannot be changed after-the-fact to be consistent with the WMP, which is under the jurisdiction of Energy Safety.

Further, authorized revenue and incurred costs are recorded to SDG&E's WMPMA. The net or balance of the account provide the incremental amounts. The WMPMA records revenue requirement - the operations and maintenance (O&M) costs and capital-related costs, which include overhead loaders, tax, depreciation, and return. All costs are accounted for and are incremental to those amounts already in rates or reflected in other regulatory accounts (e.g., TTBA).

Crowe Rebuttal

Crowe continues to support Finding 2 as presented. We agree with SDG&E that the timing of the 2019 GRC and the implementation of the WMP did not allow for complete alignment between the two documents. Crowe agrees that SDG&E complied with the reporting requirements of the GRC, RSAR and WMP and that alignment will not be possible until the requirements of the WMP are updated and / or the next GRC cycle. Crowe included this finding to emphasize the need for alignment between reporting to CPUC and to OEIS as the WMP process evolves.

Appendix A – Procedures Performed

The CPUC and its WSD (now Energy Safety) specified three (3) objectives for this performance audit of SDG&E. In **Exhibit A-1**, we list these three (3) objectives. **Exhibit A-2** provides a list of nineteen (19) tests we performed to meet the three (3) objectives.

Exhibit A-1 Performance Audit Objectives

Number	Objective
1	Determine whether actual expenditures to date, and documented future planned expenditures, comply with approved General Rate Case (GRC) funding, related to wildfire mitigation activities, in accordance with GRC rules and regulations.
2	Determine whether operating or capital expenditures identified in SDG&E's 2019 and 2020 Wildfire Mitigation Plans (WMPs) are duplicative of operating or capital expenditures approved in the 2019 GRC.
3	Determine whether SDG&E's actual expenditures to date, and documented future planned expenditures, comply with the 2019 and 2020 WMPs for activities that SDG&E received approval and funding from GRCs or similar applications submitted to Energy Safety between 2017 and 2020.

Exhibit A-2 Performance Audit Procedures

Objective	Procedures
1 - Determine whether actual expenditures to date, and documented future planned expenditures, comply with approved General Rate Case (GRC) funding, related to wildfire mitigation activities, in accordance with GRC rules and regulations.	1. Obtain and review GRC guidelines available in resolutions, decisions, and GRC proceedings (for the 2017 and 2020 rate cases) applicable to spending GRC funds for wildfire mitigation.
	2. Interview SDG&E regulatory and finance management to assess how the IOU is complying with applicable GRC resolutions, decisions, and proceedings related to wildfire mitigation spending.
	3. Compare actual SDG&E wildfire mitigation activity spending practices with GRC rules and regulations and assess compliance.
	4. Document non-compliance with GRC rules and regulations related to wildfire mitigation activity spending.
2 - Determine whether operating or capital expenditures identified in SDG&E's 2019 and 2020 Wildfire Mitigation Plans (WMPs) are duplicative of operating or capital expenditures approved in the 2019 GRC.	1. Request and obtain a database of actual SDG&E capital and operating expenditures covering the period from January 1, 2019 through the present, including expenses for electric operations (transmission and distribution).
	2. Reconcile expenditure amounts included in the database with amounts reported in SDG&E's audited financial statements.
	3. Reconcile GRC-funded expenditure amounts included in the database to amounts approved by Energy Safety in the GRCs. To perform this test, obtain and review workpapers and exhibits associated with GRC rate case proceedings.
	4. Reconcile capital and operating expenditure amounts included in the database to amounts approved in the 2019 and 2020 WMPs.

Objective	Procedures
	<ol style="list-style-type: none"> 5. Perform analytical procedures to determine whether expenditures reported as GRC funded in the database are also captured as incremental in a memorandum account. 6. Perform risk assessment of transaction types to inform risk-based sample selection in cost categories with potential duplication between GRC and memorandum accounts. Develop a sample of transactions to test to determine that wildfire mitigation activity expenditures are recorded properly as either GRC funded or incremental in a memorandum account or similar account. 7. Interview SDG&E regulatory and finance management and document procedures used by SDG&E to establish approved GRC expenditures by cost category and to track actual expenditures up to approved amounts. This includes potential imputing of approved GRC costs into subordinate cost categories. 8. Document and quantify instances of duplication between GRC-funded expenditures and incremental (memorandum account) expenditures.
<p>3 - Determine whether SDG&E's actual expenditures to date, and documented future planned expenditures, comply with the 2019 and 2020 WMPs for activities that SDG&E received approval and funding from GRCs or similar applications submitted to Energy Safety between 2017 and 2020.</p>	<ol style="list-style-type: none"> 1. Using prior GRCs or similar applications, and supporting workpapers and exhibits, create a data set of approved wildfire mitigation related expenditures by cost category. 2. Using data provided in approved 2019 and 2020 WMPs, create a data set of actual and planned capital and operating wildfire mitigation expenditures by planned funding source. 3. Link the data sets from 1 and 2 above to identify funding for 2019 and 2020 WMP activities where SDG&E has received approval for in prior GRCs or similar applications. 4. Link the database in Objective 2 to compare approved WMP capital and operating expenditures with actual WMP capital and operating expenditures. 5. Assess whether SDG&E is spending or plans to spend funds approved for in past GRCs or similar applications. 6. Perform risk assessment of transaction types to inform risk-based sample selection in cost categories with ambiguity between approved amounts and actual spend amounts. Develop a sample of transactions to test to assess whether actual recorded wildfire mitigation activity expenditures are aligned with approved expenditures. 7. Assess whether actual SDG&E wildfire mitigation spending is in accordance with the 2019 and 2020 WMPs and consistent with funding provided in past GRCs or similar applications. Document exceptions.

Appendix B – List of Records Examined

1. 2019 Wildfire Mitigation Plan, dated February 6, 2019
2. 2020 Wildfire Mitigation Plan Report, dated February 7, 2020
3. Risk Spending Accountability Reports (RSAR)
 - a. 2019 RSAR, dated June 26, 2020
 - b. 2020 RSAR, submitted March 30, 2021
4. Initial application, testimony, and exhibits associated with 2019 General Rate Case
5. Audited Financial Statements for calendar years 2019 and 2020
6. Internal policies and procedures related to accounting and vendor management.
7. Capital and Operating expenditures for the electric line of business for calendar years 2019 and 2020
8. Application for recovery of undercollection recorded in the Tree Trimming Balancing Account, submitted July 1, 2020
9. Application for interim rate relief for WMP costs, submitted July 30, 2021

Appendix C – Comparison of 2019 GRC Adopted Costs to Actual Costs (2019-2020)

In this appendix we compare costs adopted as part of the 2019 General Rate Case for the 2019 to 2023 period with actual costs incurred by SDG&E. This appendix includes the following six (6) exhibits:

- Exhibit C-1 - Comparison of Imputed to Actual Electric Distribution O&M Expenses (2019)
- Exhibit C-2 - Comparison of Imputed to Actual Electric Distribution Capital Expenses (2019)
- Exhibit C-3 - Comparison of Imputed to Actual Electric Distribution O&M Expenses (2020)
- Exhibit C-4 - Comparison of Imputed to Actual Electric Distribution Capital Expenses (2020)
- Exhibit C-5 - Comparison of Imputed to Actual Balanced Program O&M Expenses (2020)
- Exhibit C-6 - Comparison of Imputed to Actual Balanced Program Capital Expenses (2020).

Exhibit C-1
San Diego Gas & Electric
2019 General Rate Case
Comparison of Imputed to Actual O&M Electric Distribution Expenses
(Calendar Year 2019, \$000)

Activity	Mitigation Description	2019 Actual	2019 Imputed	Difference
Reliability & Capacity	Non-RAMP	\$208	\$283	\$(75)
Reliability & Capacity	Improved modeling tools for DER's	59	80	(21)
Construction Services	Non-RAMP	768	929	(161)
Construction Services	Contractor Safety Review	663	802	(139)
Construction Services	System Hardening and Grid Modernization	2,360	2,853	(493)
Construction Services	Workforce Planning	15	18	(3)
Distops Enterprise Geographic Information System Standards	Non-RAMP	1,200	284	916
Distops Enterprise Geographic Information System Standards	Records Management	-	1,077	(1,077)
Electric Distribution Operations	Non-RAMP	18,243	18,540	(297)
Electric Distribution Operations	Workforce Planning	26	30	(4)
Electric Distribution Operations	Records Management	-	2,167	(2,167)
Kearny Operations Services	Non-RAMP	1,493	2,136	(643)
Grid Operations	Non-RAMP	619	607	12
Grid Operations	Workforce Planning	4	4	-
Project Management	Non-RAMP	2,042	1,361	681
Electric Regional Operations	Non-RAMP	13,337	10,968	2,369
Electric Regional Operations	Safety Policies & Programs	18,157	20,234	(2,077)
Electric Regional Operations	Aviation Safety	395	440	(45)
Electric Regional Operations	Distribution Switch Maintenance Program	1,001	1,115	(114)
Electric Regional Operations	Employee Records Management training course	38	42	(4)
Electric Regional Operations	Workforce Planning	1,054	1,174	(120)
Electric Regional Operations	Inspection and Preventative Maintenance	-	1,179	(1,179)
Skills & Compliance Training	Non-RAMP	1,681	2,095	(414)
Skills & Compliance Training	Ongoing maintenance programs	2,371	2,954	(583)
Service Order Team (SOT)	Non-RAMP	1,877	173	1,704
Substation C&O	Non-RAMP	3,939	4,822	(883)
Substation C&O	Conditioned Base Maintenance (CBM) – Distribution	256	313	(57)
System Protection	Non-RAMP	2,165	1,950	215
System Protection	Replace failed SCADA remote terminal units (RTU's)	64	58	6
System Protection	Workforce Planning	8	7	1

Activity	Mitigation Description	2019 Actual	2019 Imputed	Difference
Distribution and Engineering	Non-RAMP	559	412	147
Distribution and Engineering	Safety Policies & Programs	1,535	868	667
Distribution and Engineering	Workforce Planning	388	220	168
Distribution and Engineering	Records Management	-	43	(43)
Asset Management	Utility Asset Management (Non-WMP)	660	2,342	(1,682)
Asset Management	Annual records management compliance	391	901	(510)
Troubleshooting	Non-RAMP	7,096	8,465	(1,369)
Regional Public Affairs	Non-RAMP	1,252	1,825	(573)
Major Projects	Non-RAMP	376	112	264
Major Projects	Contractor Safety Program	20	6	14
Technology Utilization	Non-RAMP	1,165	1,326	(161)
Compliance Management	Non-RAMP	1,540	2,520	(980)
Compliance Management	Records Management	-	545	(545)
Tech Solutions and Reliability	Non-RAMP	2,328	2,137	191
Tech Solutions and Reliability	Records Management	-	1,379	(1,379)
Emergency Management	Non-RAMP	444	433	11
Emergency Management	Meteorology Studies and Education	325	432	(107)
Emergency Management	Emergency Prep Trainings	731	973	(242)
Wildfire Mitigation Program	Non-RAMP	21,002	-	21,002
Wildfire Mitigation Program	Utility Asset Management - (WMP)	107	1,261	(1,154)
Wildfire Mitigation Program	Wildfire Communications	2,527	264	2,263
Wildfire Mitigation Program	Fire Science & Climate Adaptation	4,903	4,202	701
Wildfire Mitigation Program	UAS Safety Program	277	174	103
Wildfire Mitigation Program	System Hardening and Helo	11,032	11,523	(491)
Wildfire Mitigation Program	Inspection and Preventative Maintenance	2,254	12,197	(9,943)
Wildfire Mitigation Program	Records Management	-	485	(485)
Vegetation Management (Pole Brushing)	Non-RAMP	271	279	(8)
Vegetation Management (Pole Brushing)	Safety Policies & Programs	3,564	3,672	(108)
Vegetation Management (Pole Brushing)	Joint Power Line Inspections with CalFire	36	37	(1)
Total		\$138,826	\$137,728	\$1,098

Exhibit C-2
San Diego Gas & Electric
2019 General Rate Case
Comparison of Imputed to Actual Capital Electric Distribution Expenses
(Calendar Year 2019, \$000)

Activity	Mitigation Description	2019 Actual	2019 Imputed	Difference
Field Shunt Capacitors	Non-RAMP	\$27	\$660	(\$633)
Rancho Carmel 3rd Bank & Cir 937 & 938	Non-RAMP	80	-	80
Mira Sorrento 138/12KV Substation	Non-RAMP	10	-	10
Ocean Ranch 69/12KV Substation	Non-RAMP	5,919	16,365	(10,446)
Substation 12kv Capacitor Upgrades	Non-RAMP	-	1,038	(1,038)
C1139 Santee - New circuit	Non-RAMP	2	-	2
Jamacha New Bank & New 12KV Circuit	Non-RAMP	4	5,821	(5,817)
Doheny Desalination 15MW Project	Non-RAMP	-	411	(411)
Wabash Canyon Sub 60/12kV Bank 32	Non-RAMP	612	-	612
Distribution System Capacity Improvement	Non-RAMP	3,288	1,948	1,340
Electric Distribution Tools/Equipment	Non-RAMP	1,436	1,166	270
RAMP Base - Corrective Maint Program (CMP)	Inspection, Repair, Maintenance & Replacement Programs	13,921	12,144	1,777
RAMP Base - DOE Switch/Manhole Replacement	Distribution Switch Maintenance Program	8,684	6,113	2,572
RAMP Base - Replacement of Live Front Equipment	Live Front Transformer and Terminator Replacement	165	770	(605)
Aerial Marking for Safety	Non-RAMP	-	134	(134)
RAMP Base — Annual Pole Reinforcement (Non-WMP)	GO165: Distribution Inspect and Repair program	7,332	8,107	(775)
Electric Meters & Regulators	Non-RAMP	3,839	5,166	(1,327)
Transformers	Non-RAMP	22,706	24,415	(1,710)
Reliability/Improvements Capital Projects	Non-RAMP	1,660	1,764	(104)
Management of Overhead Distribution Service	Non-RAMP	6,902	7,125	(223)
Management of Underground Distribution Service	Non-RAMP	3,614	3,926	(313)
Reactive Small Capital Projects	Non-RAMP	985	2,058	(1,073)
RAMP Base - Cable Replacement	Proactive cable replacement	5,404	17,495	(12,091)
RAMP Incremental Capital Restoration of Service	Capital improvements	10,815	12,929	(2,114)
Planned Cable Replacements	Non-RAMP	858	-	858
CMP-D1144756- SCADA	Non-RAMP	6	-	6
Shadow Ridge-Install 3rd Bank & Cir 937 & 938	Non-RAMP	5	-	5
SF6 DOE Work	Non-RAMP	278	-	278

Activity	Mitigation Description	2019 Actual	2019 Imputed	Difference
Rebuild Pt Loma Substation	Non-RAMP	113	-	113
Emergency Substation Equipment	Non-RAMP	1	56	(55)
RAMP Incremental - 4 kV Modernization - Distribution	Overhead distribution modernization and hardening	-	4,269	(4,269)
Clairemont Substation Rebuild	Non-RAMP	(12)	-	(12)
Ramp Base - Install SCADA on Line Capacitors	Expand and Maintain Distribution Advanced SCADA infrastructure	206	5,952	(5,746)
Sewage Pump Station Rebuilds RAMP Incremental	Rebuild and repair aging infrastructure	352	-	352
RAMP Base - Weather Station Adv Detection	Advanced Detection	-	1,111	(1,111)
RAMP Base - Condition Based Maintenance - Smart Grid	Conditioned Based Monitoring System	572	1,738	(1,166)
Rebuild Kearny 69/12kV Substation	Non-RAMP	2,607	-	2,607
New Vine 69/12KV Substation	Non-RAMP	648	-	648
Streamview 69/12KV Sub Rebuild-Pre Eng	Non-RAMP	580	56	523
Poway Substation Rebuild	Non-RAMP	1,351	-	1,351
Rancho Santa Fe Sub Fire Hardening	Non-RAMP	1,315	-	1,315
Vault Restoration	Non-RAMP	-	1,124	(1,124)
OIR Worst Circuits	Non-RAMP	-	2,812	(2,812)
Morro Hill Substation Rebuild - RAMP Post-Filing	Replaces existing and obsolete infrastructure	-	4,216	(4,216)
San Mateo Substation Rebuild (start in 2019)	Non-RAMP	1,226	-	1,226
SCADA Head-End Replacement	Non-RAMP	4,338	-	4,338
RTU Replacement Project RMS900	Non-RAMP	155	-	155
Avocado Sub 69KV Rebuild	Non-RAMP	1,029	-	1,029
Substation Mod to Support FLSR	Non-RAMP	43	-	43
Electric Distribution Grid Analytics	Non-RAMP	-	3,710	(3,710)
4kV Modernization	Non-RAMP	542	-	542
New Downtown 69/12kV Substation	Non-RAMP	91	-	91
Distribution Circuit Reliability Construction - RAMP	Expand and Maintain Distribution Advanced SCADA infrastructure	527	5,563	(5,036)
Power Quality Program	Non-RAMP	27	-	27
Replace Obsolete Substation Equipment - RAMP	Substation rebuild/replacements based on operational significance and SDG&E reliability standards	49	17,023	(16,974)
SF6 Switch Replacement	Replace with new technology	3,504	7,918	(4,414)
C589 & C753 Damaged Pole Replacements	Non-RAMP	7	-	7
Substation Security Proj under \$500K	Non-RAMP	17	-	17

Activity	Mitigation Description	2019 Actual	2019 Imputed	Difference
Meteorology - Fire Behavior Modeling	Non-RAMP	7	-	7
Elect Integrity – RAMP (Non-WMP)	Wire Correction, Switch Replacement and Underground Connector Upgrade Program	177	52,489	(52,312)
RTU Modernization - RAMP Incremental - SCADA MASTER MODERNIZATION	Modernize Equipment	-	4,159	(4,159)
NCW New Bank 32 RAMP Incremental - Undergrounding New Circuits	Undergrounding	-	4,319	(4,319)
Rancho Santa Fe C1001 Wire Down Mit	Non-RAMP	(64)	-	(64)
Mobile Command Trailers (MCT)	Non-RAMP	8	-	8
Twin Engine Helicopter	Purchase a Twin-Engine Helicopter	218	-	218
Tee Modernization Program	Non-RAMP	573	6,441	(5,868)
Proactive Dead Front Terminator Deploy	Non-RAMP	12	-	12
Aerial Mesh Network Expansion	Non-RAMP	141	-	141
Advanced Energy Storage (AES)	Non-RAMP	-	11,241	(11,241)
Borrego Microgrid 2.0	Non-RAMP	61	-	61
AB2868 Energy Storage	Non-RAMP	(58)	-	(58)
Safety Enhancements for Battery	Non-RAMP	118	-	118
Elect Transm Line Reliability Projects	Non-RAMP	2,600	1,124	1,476
Transmission Substation Reliability	Non-RAMP	-	111	(111)
Orange County Long Range Plan - SOCRE	Non-RAMP	6,021	4,884	1,137
Fiber Optic for Relay Protect & Telecom	Non-RAMP	35	440	(405)
TL676-Mission to Mesa Heights Reconductor	Non-RAMP	1,894	-	1,894
Los Coches Substation 138/69kV Rebuild	Non-RAMP	1	-	1
TL663 Mission to Kearny Reconductor	Non-RAMP	342	-	342
TL600 – Reliability Pole Replacements	Non-RAMP	2	-	2
TL674A Del Mar Reconfigure/TL666D RFS	Non-RAMP	1	-	1
TL690A Pendleton South W2S	Non-RAMP	12	-	12
Rose Canyon TL617 Tap Removal	Non-RAMP	2	-	2
Miguel Substation 230kV Rebuild	Non-RAMP	203	-	203
RAMP Base – Annual Pole Reinforcement (WMP)	GO165: Distribution Inspect and Repair program	10,413	9,404	1,009
RAMP Base - Wireless Fault Indicators	Design and Engineering Approaches	895	4,884	(3,989)

Activity	Mitigation Description	2019 Actual	2019 Imputed	Difference
TL685 Fiber Optics Warner/Santa Ysabel Subs	Non-RAMP	14	-	14
Distribution Circuit Reliability - RAMP Base - FIRM	System Hardening	90,663	64,950	25,713
Fire Threat Zone Adv Protect & SCADA Upgrade	Inspection Repair Maintenance & Replacement Programs	4,064	13,496	(9,432)
Elect Integrity – RAMP (Non-WMP)	Wire Safety Enhancement (WiSE) Program	4,624	6,421	(1,797)
Accelerated Pole Loading - RAMP Base	Inspection Repair Maintenance & Replacement Programs	31,327	45,447	(14,120)
HFTD Fuse Replacements	Non-RAMP	3,711	-	3,711
PSPS Engineering Enhancements	Non-RAMP	1,411	-	1,411
HTD Undergrounding	Non-RAMP	194	-	194
Meteorology – SDG&E Weather Network	Non-RAMP	632	-	632
Meteorology – Fire Science Enhancements	Non-RAMP	315	-	315
Backup Power for Resiliency	Non-RAMP	205	-	205
SDG&E ENS Enhancements	Non-RAMP	880	-	880
CNF – RAMP	System Hardening	24,943	45,003	(20,061)
TL649 Otay-San Ysidro-Border SW Pole Repl - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	1,362	-	1,362
TL697 San Luis Rey Wood to Steel - RAMP Incremental	Non-RAMP	1	-	1
TL6916 Sycamore Canyon to Scripps Wood to Steel	Non-RAMP	-	290	(290)
TL694 Wood To Steel	Non-RAMP	-	857	(857)
TL698 Monserate - Avocado Wood to Steel	Non-RAMP	57	857	(800)
Local Engineering Pool - Electric Distribution	Non-RAMP	91,555	102,725	(11,170)
Local Engineering Pool - ED RAMP	Works Standards and Methods	1,032	849	183
Local Engineering Pool - Substation	Non-RAMP	2,328	51,296	(48,968)
Department Overhead Pool	Non-RAMP	10,924	7,594	3,330
Contract Admin Pool - RAMP Base	Administration of Projects performed by Contractors	16,029	9,942	6,087
Total		\$427,725	\$634,326	(\$206,604)

Exhibit C-3
San Diego Gas & Electric
2019 General Rate Case
Comparison of Imputed to Actual O&M Electric Distribution Expenses
(Calendar Year 2020, \$000)

Activity	Mitigation Description	2020 Actual	2020 Imputed	Difference
Reliability & Capacity	Non-RAMP	266	290	(24)
Reliability & Capacity	"Improved modeling tools for DERs"	75	82	(7)
Construction Services	Non-RAMP	799	953	(154)
Construction Services	Contractor Safety Review	690	823	(133)
Construction Services	System Hardening and Grid Modernization	2,454	2,928	(474)
Construction Services	Workforce Planning	15	18	(3)
"District Ops Enterprise Geographic Information System Standards"	Non-RAMP	244	292	(48)
District Ops Enterprise Geographic Information System Standards	Records Management	924	1,106	(182)
Electric Distribution Operations	Non-RAMP	22,384	19,030	3,354
Electric Distribution Operations	Workforce Planning	36	31	5
Electric Distribution Operations	Records Management	2,616	2,224	392
Kearny Operations Services	Non-RAMP	1,480	2,192	(712)
Grid Operations	Non-RAMP	1,050	623	427
Grid Operations	Workforce Planning	-	4	(4)
Project Management	Non-RAMP	2,071	1,397	674
Electric Regional Operations	Non-RAMP	12,743	11,259	1,484
Electric Regional Operations	Safety Policies & Programs	23,416	20,769	2,647
Electric Regional Operations	Aviation Safety	509	452	57
Electric Regional Operations	"Distribution Switch Maintenance Program"	1,290	1,144	146
Electric Regional Operations	"Employee Records Management training course"	-	43	(43)
Electric Regional Operations	Workforce Planning	1,359	1,205	154
Electric Regional Operations	Inspection and Preventative Maintenance	1,364	1,210	154
Skills & Compliance Training	Non-RAMP	2,031	2,151	(120)
Skills & Compliance Training	Ongoing maintenance programs	2,864	3,032	(168)
Service Order Team (SOT)	Non-RAMP	2,104	178	1,926
Substation C&O	Non-RAMP	6,022	4,949	1,073
Substation C&O	"Condition Base Maintenance (CBM) - Distribution"	-	321	(321)
System Protection	Non-RAMP	2,700	2,001	699
System Protection	Replace failed SCADA remote terminal units (RTU's)	-	60	(60)
System Protection	Workforce Planning	9	7	2

Activity	Mitigation Description	2020 Actual	2020 Imputed	Difference
Distribution and Engineering	Non-RAMP	1,060	423	637
Distribution and Engineering	Safety Policies & Programs	2,232	891	1,341
Distribution and Engineering	Workforce Planning	566	226	340
Distribution and Engineering	Records Management	109	44	65
Asset Management	Utility Asset Management (Non-WMP)	1,360	2,404	(1,044)
Asset Management	Annual records management compliance	524	925	(401)
Troubleshooting	Non-RAMP	8,440	8,689	(249)
Major Projects	Non-RAMP	590	115	475
Major Projects	Contractor Safety Program	32	6	26
Technology Utilization	Non-RAMP	1,079	1,361	(282)
Compliance Management	Non-RAMP	2,357	2,587	(230)
Compliance Management	Records Management	510	560	(50)
Tech Solutions and Reliability	Non-RAMP	826	2,194	(1,368)
Tech Solutions and Reliability	Records Management	533	1,416	(883)
Total		\$111,733	\$102,615	\$9,118

Exhibit C-4
San Diego Gas & Electric
2019 General Rate Case
Comparison of Imputed to Actual Capital Electric Distribution Expenses
(Calendar Year 2020, \$000)

Activity	Mitigation Description	2020 Actual	2020 Imputed	Difference
Field Shunt Capacitors	Non-RAMP	992	705	287
Ocean Ranch 69/12KV Substation	Non-RAMP	528	3,012	(2,484)
Substation 12kV Capacitor Upgrades	Non-RAMP	35	455	(420)
C1447 MTO: Extension and offload from C958	Non-RAMP	-	76	(76)
GRID Modernization	Non-RAMP	-	79	(79)
Planned Investments	Non-RAMP	2,631	-	2,631
Reactive Small Capital Projects	Non-RAMP	3,014	2,338	676
C1023 LI New 12KV Circuit & Reconductor C354	Non-RAMP	122	495	(373)
C1450 MTO: New 12KV Circuit	Non-RAMP	5,428	237	5,191
C303 CAN: Reconductor & CAP	Non-RAMP	814	-	814
TL633 Reconductor (Bernardo - Rancho Carmel)	Non-RAMP	119	-	119
Doheny Desalination 15MW Project	Non-RAMP	-	71	(71)
Wabash Canyon Sub 60/12kV Bank 32	Non-RAMP	72	-	72
Distribution System Capacity Improvement	Non-RAMP	4,333	2,006	2,327
Electric Distribution Tools/ Equipment	Non-RAMP	1,701	2,052	(351)
Electric Transmission Tools/ Equipment	Non-RAMP	333	-	333
RAMP Base - Corrective Maint Program (CMP)	Inspection, Repair, Maintenance & Replacement Programs	16,383	13,536	2,847
RAMP Base - DOE Switch/Manhole Replacement	Distribution Switch Maintenance Program	10,530	6,817	3,713
RAMP Base - Replacement of Live Front Equipment	Live Front Transformer and Terminator Replacement	522	668	(146)
Aerial Marking for Safety	Non-RAMP	11	70	(59)
RAMP Incremental - Distributed Generation Interconnect	Power Quality Studies of DER Inter- connections	46	233	(187)
RAMP Incremental On Ramp Aerial Light - Post Filing	Install Aerial Marking and Lighting	-	244	(244)
Blue Hornet Solar	Non-RAMP	1	-	1
ECO Substation	Non-RAMP	4	-	4
Fallbrook Battery Energy Storage - PTO	Non-RAMP	19	-	19
Gateway Energy Storage	Non-RAMP	38	-	38
Kettle Solar One	Non-RAMP	13	-	13
Mount Laguna Wind	Non-RAMP	2	-	2
Rugged Solar Farm	Non-RAMP	18	-	18

Activity	Mitigation Description	2020 Actual	2020 Imputed	Difference
Silver Ridge Mount Signal	Non-RAMP	1	-	1
Top Gun PTO Interconnection	Non-RAMP	65	-	65
Valley Center Renewable	Non-RAMP	13	-	13
Elect Transm Line Reliability Projects	Non-RAMP	3,713	-	3,713
RAMP Base — Annual Pole Reinforcement (Non-WMP)	GO165: Distribution Inspect and Repair program	7,431	8,773	(1,342)
Electric Meters & Regulators	Non-RAMP	2,578	3,792	(1,214)
Transformers	Non-RAMP	21,571	23,510	(1,939)
Reliability/Improvements Capital Projects	Non-RAMP	1,218	1,915	(697)
Management of Overhead Distribution Service	Non-RAMP	6,510	7,471	(961)
Management of Underground Distribution Service	Non-RAMP	4,198	4,209	(11)
RAMP Base - Cable Replacement	Proactive cable replacement	9,678	18,150	(8,472)
RAMP Incremental Capital Restoration of Service	Capital improvements	7,567	10,245	(2,678)
Rebuild Pt Loma Substation	Non-RAMP	-	1,946	(1,946)
Emergency Substation Equipment	Non-RAMP	739	490	249
RAMP Incremental - 4 kV Modernization - Distribution	Overhead distribution modernization and hardening	2,951	1,476	1,475
Sewage Pump Station Rebuilds RAMP Incremental	Rebuild and repair aging infrastructure	-	746	(746)
RAMP Base - Condition Based Maintenance - Smart Grid	Conditioned Based Monitoring System	1	2,113	(2,112)
Rebuild Kearny 69/12kV Substation	Non-RAMP	110	2,798	(2,688)
New Vine 69/12KV Substation	Non-RAMP	4	3,260	(3,256)
Streamview 69/12KV Sub Rebuild-Pre Eng	Non-RAMP	-	32	(32)
Poway Substation Rebuild	Non-RAMP	3,568	244	3,324
Rancho Santa Fe Sub Fire Hardening	Non-RAMP	2,230	1,263	967
Vault Restoration	Non-RAMP	-	388	(388)
OIR Worst Circuits	Non-RAMP	-	1,458	(1,458)
San Mateo Substation Rebuild (start in 2019)	Non-RAMP	6	-	6
Avocado Sub 69KV Rebuild	Non-RAMP	950	-	950
Substation Mod to Support FLSR	Non-RAMP	2,513	-	2,513
Electric Distribution Grid Analytics	Non-RAMP	-	1,282	(1,282)
Distribution Circuit Reliability Construction - RAMP	Expand and Maintain Distribution Advanced SCADA infrastructure	4,337	4,049	288
Power Quality Program	Non-RAMP	889	-	889
Meteorology Outage Prediction Modeling P2	Non-RAMP	-	259	(259)

Activity	Mitigation Description	2020 Actual	2020 Imputed	Difference
Substation SCADA Expansion- Distribution	Non-RAMP	227	391	(164)
Telegraph Canyon 138/12kV Bank & C1226	Non-RAMP	-	345	(345)
Margarita Substation New 12kV Circuit 1259	Non-RAMP	5	140	(135)
Transmission System Automation	Non-RAMP	293	-	293
Artesian 230kV Expansion- Prel. Eng.	Substation Reliability For Distribution Components - Proactive	370	-	370
High Risk Switch Replacement Project	Distribution Overhead Switch Replacement Program	810	-	810
Urban Substation Rebuild	Substation Reliability For Distribution Components - Proactive	916	-	916
TL698 AVOCADO SUB GATEWAY DB CBL REPLACE	Non-RAMP	92	-	92
Mission Substation 230kV Rebuild	Non-RAMP	488	-	488
New 2nd Miguel to Bay Blvd. 230 kV Line	Non-RAMP	1	-	1
SONGS Synchronous Condenser	Non-RAMP	1	-	1
TL603 Loop-in (Sweetwater, National City, and Naval Station Metering)	Transmission OH Reliability Projects	1	-	1
TL673 Direct Buried Cable Replacement (Rose Canyon - La Jolla)	Transmission OH Reliability Projects	10	-	10
TL6975- Escondido - San Marcos	Transmission OH Reliability Projects	29	-	29
12kV Substation Reliability	Non-RAMP	4,697	-	4,697
Replace Obsolete Substation Equipment - RAMP	Substation rebuild/replacements based on operational significance and SDG&E reliability standards	4,126	5,197	(1,071)
SF6 Switch Replacement	Replace with new technology	2,654	3,494	(840)
Substation Security Proj under \$500K	Non-RAMP	1,500	-	1,500
Meteorology - Fire Behavior Modeling	Non-RAMP	-	157	(157)
Elect Integrity - RAMP (Non- WMP)	Wire Correction, Switch Replacement and Underground Connector Upgrade Program	-	12,339	(12,339)
RTU Modernization - RAMP Incremental - SCADA Master Modernization	Modernize Equipment	4,472	3,621	851
NCW New Bank 32 RAMP Incremental - Undergrounding New Circuits	Undergrounding	-	746	(746)
Twin Engine Helicopter	Purchase a Twin-Engine Helicopter	1	1,929	(1,928)
Tee Modernization Program	Non-RAMP	1,750	2,039	(289)
Proactive Dead Front Terminator Deploy	Non-RAMP	442	-	442

Activity	Mitigation Description	2020 Actual	2020 Imputed	Difference
Adv Protect & SCADA Upgrade	Inspection Repair Maintenance & Replacement Programs	-	7,471	(7,471)
CAST Security Upgrades	Non-RAMP	1	-	1
Overhead Public Safety	Overhead distribution modernization and hardening	53	-	53
TL13835- Wood to Steel Project	Non-RAMP	2	-	2
Advanced Energy Storage	Non-RAMP	167	6,089	(5,922)
Borrego Microgrid 2.0	Non-RAMP	-	1,572	(1,572)
Borrego Microgrid 3.0	Non-RAMP	435	1,056	(621)
Integrated Test Facility	Non-RAMP	-	305	(305)
AB2868 Energy Storage	Non-RAMP	(1,100)	-	(1,100)
Safety Enhancements for Battery	Non-RAMP	86	-	86
Transmission Substation Reliability	Non-RAMP	1	61	(60)
Orange County Long Range Plan - SOCRE	Non-RAMP	2,970	2,507	463
Los Coches Substation 138/69kV Rebuild	Non-RAMP	-	1,357	(1,357)
TL663 Mission to Kearny Reconductor	Non-RAMP	121	34	87
TL600 - Reliability Pole Replacements	Non-RAMP	136	-	136
TL674A Del Mar Reconfigure/T L666D RFS	Non-RAMP	266	-	266
TL690A Pendleton South W2S	Non-RAMP	1	-	1
TL664_668 Miramar Wood to Steel	Non-RAMP	-	59	(59)
TL676 Mission to Mesa Heights Reconductor	Non-RAMP	14	887	(873)
TL697 San Luis Rey Wood to Steel - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	-	489	(489)
TL691 Avo- Mon Wood to Steel - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	-	45	(45)
TL6912 Wood to Steel Pole Replacement - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	-	60	(60)
TL695 Talega Wood to Steel - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	-	246	(246)
CNF - RAMP	System Hardening	-	9,359	(9,359)
TL649 Otay- San Ysidro- Border SW Pole Repl - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	-	246	(246)
Fiber Optic for Relay Protect & Telecom	Non-RAMP	4,302	-	4,302
San Luis Rey	Non-RAMP	28	-	28
Suncrest SVC Interconnection	Non-RAMP	16	-	16
SX-PQ 230 kV Line	Non-RAMP	1	-	1
Miguel Substation 230kV Rebuild	Non-RAMP	16	-	16
Total		\$160,951	\$195,204	(\$34,253)

Exhibit C-5
San Diego Gas & Electric
2020 RSAR Balanced Accounts
Comparison of Impute to Actual Balanced Program O&M Cost Expenses
(Calendar Year 2020, \$000)

WP Activity Description	RAMP Mitigation Activity	2020 Actuals (\$000)	2020 Imputed Authorized (\$000)	\$ Variance (\$000)
Wildfire Mitigation Program	Non-RAMP	\$76,204	\$444	\$75,760
Wildfire Mitigation Program	Utility Asset Management - (WMP)	175	1,294	(1,119)
Wildfire Mitigation Program	Wildfire Communications	8,754	271	8,483
Wildfire Mitigation Program	Fire Science & Climate Adaptation	6,216	4,313	1,903
Wildfire Mitigation Program	UAS Safety Program	290	179	111
Wildfire Mitigation Program	System Hardening and Helo	13,717	11,828	1,889
Wildfire Mitigation Program	Inspection and Preventative Maintenance	2,053	12,519	(10,466)
Wildfire Mitigation Program	Meteorology Studies and Education	1,095	443	652
Wildfire Mitigation Program	Emergency Prep Trainings	2,467	999	1,468
Wildfire Mitigation Program	Records Management	175	498	(323)
Vegetation Management (Pole Brushing)	Safety Policies & Programs	5,241	4,055	1,186
Vegetation Management (Pole Brushing)	Joint Power Line Inspections with CalFire	49	38	11
Vegetation Management (Tree Trimming)	Programs to inspect and maintain trees in SDG&E's service territory that have the potential to encroach within the minimum required	68,177	24,808	43,369
	Total	\$184,613	\$61,689	\$122,924

Exhibit C-6
San Diego Gas & Electric
2020 RSAR Balanced Accounts
Comparison of Impute to Actual Balanced Program Capital Expenses
(Calendar Year 2020, \$000)

WP Activity Description	RAMP Mitigation Activity	2020 Actuals (\$000)	2020 Imputed Authorized (\$000)	\$ Variance (\$000)
Customer Services	Stakeholder Cooperation & Community Engagement	5,224	-	5,224
IT WMP - Balanced	Non-RAMP	36,343	13,156	23,187
IT - Enterprise - Application	Grid Operations & Operating Protocols	789	-	789
IT - Enterprise - Application	Emergency Planning & Preparedness	1,748	-	1,748
IT - Enterprise - Application	Data Governance (BC 208750)	7,336	-	7,336
IT - Enterprise - Application	Data Governance (BC 208890)	293	-	293
IT - Enterprise - Application	Data Governance (BC 208910)	2,585	-	2,585
IT - Enterprise - Application	Situational Awareness & Forecasting	424	-	424
IT - Enterprise - Application	Inspection Repair Maintenance & Replacement Program	48	-	48
IT - Enterprise - Application	Resource Allocation Methodology	444	-	444
RAMP Base - Annual Pole Reinforcement (WMP)	GO165: Distribution Inspect and Repair program	10,053	10,783	(730)
RAMP Base - Wireless Fault Indicators	Design and Engineering Approaches	837	1,726	(888)
Overhead System Hardening	System Hardening	139,673	54,759	84,913
Fire Threat Zone Adv Protect & SCADA Upgrade	Inspection Repair Maintenance & Replacement Programs	9,164	3,097	6,067
HFTD Fuse Replacements	Non-RAMP	6,291	-	6,291
PSPS Engineering Enhancements	Non-RAMP	5,072	-	5,072
HFTD Undergrounding	Non-RAMP	38,896	-	38,896
Meteorology - Fire Science Enhancements	Non-RAMP	1,191	-	1,191
Backup Power for Resiliency	Non-RAMP	3,608	-	3,608
CNF - RAMP	System Hardening	84,044	12,384	71,660
TL649 Otay- San Ysidro- Border SW Pole Repl - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	1,279	-	1,279
TL6916 Sycamore Canyon to Scripps Wood to Steel	Non-RAMP	68	50	18
TL691 Avo- Mon Wood to Steel - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	192	-	192
TL694 Wood To Steel	Non-RAMP	-	148	(148)
TL695 Talega Wood to Steel - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	87	-	87

WP Activity Description	RAMP Mitigation Activity	2020 Actuals (\$000)	2020 Imputed Authorized (\$000)	\$ Variance (\$000)
TL6912 Wood to Steel Pole Replacement - RAMP Incremental	Inspection Repair Maintenance & Replacement Programs	2,782	-	2,782
TL698 Monserate - Avocado Wood to Steel	Non-RAMP	148	296	(148)
TL6926 Rincon to Valley Center Fire Hardening	Inspection Repair Maintenance & Replacement Programs	78	-	78
TL690E – Camp Pendleton – Wood to Steel	Inspection Repair Maintenance & Replacement Programs	164	-	164
TL692 Horno Pulgas (Camp Pend)	Inspection Repair Maintenance & Replacement Programs	69	-	69
TL639 Wood to Steel Replacement	Inspection Repair Maintenance & Replacement Programs	37	-	37
TL636 Wood to Steel Replacement	Inspection Repair Maintenance & Replacement Programs	60	-	60
TL13831 Wood to Steel Replacement (Talega - Rancho Mission Viejo)	Inspection Repair Maintenance & Replacement Programs	38	-	38
TL23001 TL23004 Wood to Steel Replacement (Mission - San Luis Rey)	Inspection Repair Maintenance & Replacement Programs	37	-	37
Lightning Arrestor Replacement Program	Inspection Repair Maintenance & Replacement Programs	20	-	20
Aerial Mesh Network Expansion	Non-RAMP	185	-	185
Drone Investigation Assessment and Repair	Inspection Repair Maintenance & Replacement Programs	15,899	-	15,899
Aviation Firefighting Program	Grid Operations & Operating Protocols	7,092	-	7,092
WMP Enhanced Comm 800MHZ Radio Systems	Emergency Planning & Preparedness	225	-	225
Elect Transmission Line Reliability Projects	Non-RAMP	838	914	(76)
Fiber Optic for Relay Protect & Telecom	Non-RAMP	4,304	317	3,987
Ramp Base - Install SCADA on Line Capacitors	Expand and Maintain Distribution Advanced SCADA infrastructure	1,032	2,881	(1,849)
RAMP Base - Weather Station Adv Detection	Advanced Detection	1,032	536	496
Local Engineering Pool - Electric Distribution	Non-RAMP	96,009	80,633	15,376
Local Engineering Pool - ED RAMP	Works Standards and Methods	969	814	155
Local Engineering Pool - Substation	Non-RAMP	3,621	22,864	(19,243)
Department Overhead Pool	Non-RAMP	10,390	5,431	4,959
Contract Admin Pool - RAMP Base	Administration of Projects performed by Contractors	18,787	4,218	14,569
Total		\$519,505	\$215,007	\$304,498

Appendix D – Management Response



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December 8, 2021

BY EMAIL

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**RE: SDG&E's Response to Crowe LLP Performance Audit of SDG&E's 2019 and 2020
Wildfire Mitigation Plan Expenditures**

Dear Mr. Tomassian:

San Diego Gas & Electric (SDG&E) is providing this letter in response to Crowe LLP's (Crowe) audit of SDG&E's 2019 and 2020 Wildfire Mitigation Plan expenditures.

I. Summary of Findings

Crowe's performance audit resulted in the two findings below, neither of which specifically identify questioned costs.

1. SDG&E Underspent a Total of \$240 million of GRC Adopted Electric Capital Costs for 2019 and 2020, and Instead Used these Funds for Wildfire Activities which are Recorded in Incremental Accounts.
2. Wildfire Mitigation Cost Categories Provided in WMPs Do Not Align with How Wildfire Mitigation Costs are Categorized and Adopted as Part of GRCs, Making it Difficult to Monitor Incremental Wildfire Mitigation Costs.

SDG&E is pleased that Crowe's audit does not question any identified wildfire mitigation costs, however, SDG&E disagrees with the generalized and unspecific conclusion of Finding 1 related to the potential underspend of its GRC authorized electric capital costs.

II. SDG&E General Comments

SDG&E disagrees with the overall findings in the audit report, as discussed in this response. In general, the audit report reflects misunderstandings regarding SDG&E's General Rate Case (GRC) and how the ratemaking process works.

At the outset, Crowe identifies a potential underspend of \$240 million related to SDG&E's GRC. But, Crowe did not audit SDG&E's general electric capital expenditures, rather

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the scope of Crowe's requests related to SDG&E's Wildfire Mitigation Plan. Crowe appears to be operating outside the scope of the audit to make a generalized conclusion regarding "underspending" relative to the GRC. Crowe's audit should be limited to a review of expenditures discussed in the WMP and activities for wildfire mitigation which are under the jurisdiction of the Office of Energy Infrastructure Safety (Energy Safety), and whether those expenditures are in compliance with any previous general rate case.

Crowe's findings also reflect a lack of understanding regarding SDG&E's GRC and the impact of the timing of the implementation of the WMPs within its applicable rate case. GRCs seek to establish revenue requirement for a four-year period. To determine if the revenue requirement request is just and reasonable, the Commission requires that utilities present cost forecasts beginning with the costs recorded at the time of the GRC filing (*i.e.*, the base year) and provide forecasts for every year up to and include the test year. For SDG&E's most recent GRC, cost forecasts, including costs related to wildfire mitigation, were developed in 2017, with forecasted costs through 2019. This GRC submission was prepared prior to Senate Bill 901, which created the initial WMP requirements, and Assembly Bill 1054, which further developed the three-year WMP cycle and established the process for wildfire cost recovery in each electrical corporation's GRC.

By contrast, WMP filings are plans that the electric utilities expect to execute to minimize the risk of catastrophic wildfire. No funds are requested through the WMP process and no revenue requirement is authorized (*i.e.*, no impact to rates). Thus, with the exception of SDG&E's request for recovery of expenditures related to 2019 vegetation management recorded to its Tree Trimming Balancing Account (TTBA), SDG&E has not requested – nor has it been granted – any authorized cost recovery related to its WMP expenditures to date. As directed by statute, SDG&E intends to request a reasonableness review of WMP expenditures dating back to 2019 in its next GRC. At that time, the Commission will review the reasonableness of these expenditures prior to authorizing recovery in rates.

SDG&E's Wildfire Mitigation Memorandum Account (WMPMA) records the wildfire-related revenue requirement approved in its GRC (authorized revenue requirement) and the actual revenue requirement incurred by SDG&E to implement its WMP. The difference, or net amount, thus represents the incremental amounts above GRC authorized funds specific to wildfire activities. The TTBA functions in a similar manner, balancing the GRC authorized revenue requirement for tree trimming against actual revenue requirement for tree trimming performed work. These accounts are distinct, have separate regulatory mechanisms, and are specific to these initiatives. SDG&E cannot record other non-wildfire, GRC revenues in these wildfire-related regulatory accounts to "offset" impacts, as Crowe's findings erroneously suggest.

Furthermore, as discussed above, SDG&E will be required to go through a reasonableness review of its 2019-2023 wildfire mitigation expenditures. SDG&E has not yet requested this required reasonableness review. Yet, Crowe nevertheless appears to be prematurely drawing conclusions based on limited evidence and information from SDG&E's Risk Spending Accountability Reports (RSAR). The RSAR was not intended to address cost recovery efforts and is inappropriately used by Crowe to form a conclusion regarding SDG&E's

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2019 and 2020 capital “underspend.” Crowe’s audit prejudices the reasonableness review that will occur with substantial evidence at a later date.

First, in D.14-12-025, the Commission established accountability reporting requirements, including the Risk Spending Accountability Report. The purpose of accountability reports is to “assist in the goal of improving utility accountability for the ratepayer money spent on risk mitigation efforts.” (D.14-12-025 at 43, citing the Refined Straw Proposal at 9.) Energy Division is required to prepare a report on the utility’s Risk Spending Accountability Report. The Commission stated that the staff reports, including Energy Division’s evaluation of the RSAR, “can be used to alert the Commission and other parties about a utility’s risk mitigation activities and spending, and to use such reports in their review of the utility’s next GRC application filing.” (D.14-12-025 at 48 (emphasis added).) The Commission intended for the RSAR and other accountability reports to be tools for parties to use in the GRC process on a prospective basis – not dictating or penalizing utilities for how they spend the funding authorized in GRCs.

In addition, Crowe Exhibit 5, which relies on information from the RSAR, is incomplete and misleading. Specifically, the RSAR is not intended to replicate the same “look” as the WMP. Accordingly, Crowe’s report missed some of the WMP expenditures that are reported in other areas of the RSAR, such as IT, Tree Trimming, and facilities. Furthermore, for the 2020 RSAR, SDG&E reported WMP in the balanced section of the report. But Crowe did not reflect the numbers from the balanced section. Because Crowe’s audit did not encompass SDG&E’s entire rate case, use of the RSAR as a basis for Crowe’s Finding 1 leads to an inaccurate result.

As discussed further below, there are also circumstances and timing considerations that affected 2019 and 2020 spend compared to GRC authorized amounts. For example, the 2019 GRC Decision was approved by the Commission on September 26, 2019, approximately three quarters into the 2019 financial year. The regulatory lag in receiving a GRC decision resulted in variances during 2019 since the authorized levels from the 2019 GRC were unknown. SDG&E manages its programs over the entire 2019 GRC cycle (2019-2023)

With regard to reprioritization, SDG&E noted in its 2020 RSAR that there may be a need to re-prioritize funding to address critical matters that arise during the GRC cycle.¹ Such differences in authorized programs are shown in this report and will likewise appear in future RSARs. The Commission has explicitly recognized that “new programs or projects may come up, others may be cancelled, and there may be reprioritization. This process is expected and is necessary for the utility to manage its operations in a safe and reliable manner.”² It is for these reasons that “utilit[ies] [are] allowed the flexibility to reprioritize the authorized funds in order to ensure safe and reliable operations.”³ Reprioritizing spending also allows utilities to “[r]espond to immediate or short-term crises outside of the RAMP and GRC process,”⁴ in accordance with Commission directives. As the Commission has stated: “RAMP and GRCs...are not designed to addresses immediate needs; the utilities have responsibility for addressing safety regardless of

¹ SDG&E 2020 Risk Spending Accountability Report, filed March 30, 2021 p. 12

² 2020 RSAR p. 32

³ 2020 RSAR p. 33

⁴ 2020 RSAR p. 34

the GRC cycle.”⁵ Accordingly, SDG&E is permitted to re-prioritize spending as needed. This is captured in variances, which may be attributable to a variety of causes. In sum, the forecasted test-year and attrition year funding methodologies permit utilities to reprioritize funds throughout GRC cycles. Many variances included herein are driven, at least in part, by the pressures created by this aspect of safely and reliably managing a utility in California.

Finally, the impacts of the COVID-19 Pandemic are still being felt and require frequent adaptations from planned activities. The COVID-19 pandemic has materially impacted communities, supply chains and markets around the world, including in California. SDG&E conducted business in 2020 with substantial modifications to employee travel, employee work location, and customer-oriented work, creating additional cost pressures in some instances. The levels of work performed during 2020 were, in some cases, significantly different than what was expected in the 2019 GRC.

III. SDG&E Response to Crowe Performance Audit Findings

Finding 1:

SDG&E submits that the audit report finding that SDG&E underspent a total of \$240 million of GRC adopted electric distribution capital costs for 2019 and 2020 and used these funds for wildfire activities which are recorded in incremental accounts is erroneous and should be removed. In discussing this finding with Crowe, the audit team acknowledged that while there was no audit of non-WMP activities, SDG&E’s tree trimming balancing account (TTBA) encompasses both wildfire and non-wildfire projects. Crowe’s review was therefore not limited to wildfire projects, which does not comport with the stated scope. In further discussing this finding with the audit team, SDG&E has no concerns with any emphasis on the need to ensure the absence of double counting, but takes exception to any reference to SDG&E’s currently pending TTBA and interim recovery applications as Crowe was unable to identify any vegetation management work that was not completed by SDG&E and the interim recovery application is a temporary regulatory mechanism that is not directly related to cost recovery.

The Commission has also explicitly recognized that “new programs or projects may come up, others may be cancelled, and there may be reprioritization. This process is expected and is necessary for the utility to manage its operations in a safe and reliable manner.”⁶ It is for these reasons that utilities are allowed the flexibility to reprioritize the authorized funds in order to ensure safe and reliable operations. Reprioritizing spending also allows utilities to “[r]espond to immediate or short-term crises outside of the RAMP and GRC process,” in accordance with Commission directives.⁷ In fact, the Commission has “always acknowledged that utilities may need to reprioritize spending between GRCs” to “quickly re-direct Commission-authorized GRC funding from its originally-intended purposes to a wholly different purpose.”⁸ Hence, the utilities are required in RSARs to “describe any deviation, and the reasons for doing so, from what activities were originally requested and authorized in the GRC, to what activities were

⁵ 2020 RSAR p. 35

⁶ D.11-05-018 at 27

⁷ D.18-04-016 at 6

⁸ D.20-01-002 at 38

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actually performed. This will allow Commission staff to more readily review and verify these safety-related activities, and to understand the reasons for the changes in priority that may have taken place.”⁹

Finding 2:

Finding 2 incorrectly asserts that wildfire mitigation cost categories provided in WMPs do not align with how those costs are categorized and adopted as part of GRCs. SDG&E provides wildfire mitigation costs separately for capital and operating expenditures.

SDG&E’s current General Rate Case was approved in 2019, based on forecasts that did not anticipate the implementation of the WMPs. That GRC runs through 2023. The RSARs follow the structure authorized in the 2019 GRC, under the Commission’s jurisdiction and approval. The presentation for adopted GRC and therefore the RSARs cannot be changed after-the-fact to be consistent with the WMP, which is under the jurisdiction of Energy Safety.

Further, authorized revenue and incurred costs are recorded to SDG&E’s WMPMA. The net or balance of the account provide the incremental amounts. The WMPMA records revenue requirement - the operations and maintenance (O&M) costs and capital-related costs, which include overhead loaders, tax, depreciation, and return. All costs are accounted for and are incremental to those amounts already in rates or reflected in other regulatory accounts (e.g., TTBA).

IV. Conclusion

SDG&E requests that Crowe revise the audit report findings to reflect the issues addressed above.

Respectfully submitted,

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⁹ D.14-12-025 at 46