



QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

San Diego Gas and Electric Company
Second Quarter of 2025 - Advice Letter 4698-E

Utility Audits, Risk and Compliance Division
Utility Audits Branch
November 24, 2025



PUBLIC UTILITIES COMMISSION

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Transmitted via e-mail

November 24, 2025

Adam Pierce
Vice President – Energy Procurement and Rates
San Diego Gas and Electric Company
8330 Century Park Court, CP33B
San Diego, CA 92123

Dear Adam Pierce:

Final Report Transmittal Letter – Agreed-Upon Procedures Engagement of San Diego Gas and Electric Company’s Quarterly Energy Procurement Compliance Report for the Period of April 1, 2025, Through June 30, 2025

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its agreed-upon procedures (AUP) engagement of San Diego Gas and Electric Company’s (SDG&E) Quarterly Energy Procurement Compliance Report (QCR) filed for its Second Quarter of 2025 in Advice Letter (AL) 4698-E. The final AUP report is enclosed.

SDG&E’s response to the AUP report findings are incorporated into this report. As required by Public Utilities Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. We will post the final redacted audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

A corrective action plan (CAP) addressing the findings is required. SDG&E has already provided the information regarding its corrective actions planned for Findings 1, 2, and 4, and those responses have been included in the report. However, SDG&E is still required to provide its CAP for Finding 3 and file a supplemental AL 4698-E with amended Attachments D and H of its QCR by December 8, 2025. Once SDG&E submits its CAP and the supplemental AL, no further action will be required.

We appreciate SDG&E’s assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Tracy Fok, Program and Project Supervisor, at (415) 703-3122 tracy.fok@cpuc.ca.gov.

Sincerely,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division
cc: See next page

Adam Pierce
Vice President – Energy Procurement and Rates
San Diego Gas and Electric Company
November 24, 2025
Page 2

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A digital copy of this report can be found at:
[Audit Reports by Industry \(ca.gov\)](#)

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TABLE OF CONTENTS

I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES.....	1
II. PROCEDURES AND FINDINGS.....	3
A. TRANSACTION RECONCILIATION/ANALYSIS	3
B. REQUEST FOR OFFERS (RFO) CONTRACT	4
C. QUARTERLY COMPLIANCE REPORT (QCR).....	6
D. STRONG SHOWING JUSTIFICATION.....	8
E. BILATERAL CONTRACTS.....	9
F. CODE OF CONDUCT (COC)	9

I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) performed the agreed-upon procedures (AUP) enumerated in Procedures and Findings section of this report for San Diego Gas and Electric Company (SDG&E or the utility) energy procurement compliance reporting period of April 1, 2025, through June 30, 2025, (Q2 2025). These procedures were agreed to between CPUC's Energy Division (ED) and UAB solely to assist ED in determining whether the three large investor-owned electric utilities are in compliance with certain energy procurement-related state laws and CPUC energy procurement directives. SDG&E is one of these utilities¹ and is responsible for complying with the energy procurement requirements.

ED engaged UAB to perform this AUP engagement. UAB is required to be independent and to meet other ethical responsibilities in accordance with the relevant ethical requirements related to the AUP engagement. We conducted this engagement in accordance with attestation standards established by the generally accepted government auditing standards (GAGAS). The sufficiency of the AUP procedures is solely the responsibility of ED. ED has agreed to and acknowledged that the procedures performed are appropriate for the intended purpose of the AUP engagement. Consequently, we make no representation regarding the sufficiency of the procedures described herein either for the purpose for which this report has been requested or for any other purpose. The results of the engagement are detailed in the Procedures and Findings section of this report.

We were not engaged to, and did not, perform an examination or review of the subject matter, the objective of which would be the expression of an opinion on SDG&E's compliance with the energy procurement-related state laws and the CPUC's energy procurement directives. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to ED.

The purpose of this report is to communicate to ED the utility's compliance and the results of the AUP performed. The report may not be suitable for any other purposes. The procedures performed may not address all the items of interest to users other than ED and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

¹ Pacific Gas & Electric Company and Southern California Edison Company are the other two electric utilities subject to the agreed-upon procedures engagements.

In accordance with CPUC Decision (D.) 12-04-046, Ordering Paragraph (OP) 13, this report shall be made public. As required by Public Utilities (PU) Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. The redacted report can be found on the CPUC public website through the following link: [Audit Reports by Industry \(ca.gov\)](#).

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division (UARCD)

II. PROCEDURES AND FINDINGS

Below are the results of the AUP performed and associated findings. The sufficiency of these procedures is solely the responsibility of ED. Thus, UAB makes no representation regarding the sufficiency of the following procedures used for this engagement for the purposes for which this report has been requested.

A. Transaction Reconciliation/Analysis

1. Inspected whether the utility's Q2 2025 electric physical (and transmission) transaction details in Attachment A² contained any electronic solicitation or other competitive solicitation transactions, requiring performance of the audit procedures indicated under Section E – Request for Offers Contracts.

Finding: We found no electronic/competitive solicitation transactions reported in Attachment A as a result of this procedure.

2. Reconciled to determine whether the utility's Q2 2025 electric physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

3. Reconciled to determine whether the utility's Q2 2025 electric financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

4. Reconciled to determine whether the utility's Q2 2025 gas physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding #1: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported [REDACTED] transactions as [REDACTED] transactions, instead of [REDACTED] in Attachment D.

SDG&E's Response to Finding #1:

On September 19, 2025, SDG&E stated:

SDG&E acknowledges the misclassification of [REDACTED] transactions as [REDACTED] transactions at the [REDACTED] delivery location in

² All references to attachments in the list of Procedures and Findings are to the attachments filed with the utility's Quarterly Compliance Report subject to this engagement.

Attachment D. These transactions should have been reported under the [REDACTED] section of Attachment D.

The error stemmed from a misinterpretation of the transaction type associated with the [REDACTED] delivery point. While the transactions involved physical gas trades, they were incorrectly categorized under [REDACTED] due to the delivery location name including [REDACTED]. Upon further review, we agree that these transactions represent [REDACTED] and should not have been placed in the [REDACTED] bucket.

To ensure accurate reporting moving forward, SDG&E will enhance its internal review procedures for QCR filings by updating classification guidelines to clarify distinctions between commodity and non-commodity transactions, especially for products with similar naming conventions.

5. Reconciled to determine whether the utility's Q2 2025 gas financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

6. Reconciled to determine whether the utility's Q2 2025 transport, storage, park and lend transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D.

Finding: We found no exceptions as a result of this procedure.

7. Compared the utility's spot market (i.e., Day-Ahead, Hour-Ahead, and Real-Time energy) electric physical purchases to its monthly retail energy needs, or energy physical purchase requirement, to determine whether the spot market purchases exceed five percent of the monthly retail energy needs, or energy physical purchase requirement.

Finding: We found no exceptions as a result of this procedure.

B. Request for offers (RFO) Contracts

1. Inspected PRG meeting documentation to ascertain that the utility consulted with its PRG in a timely manner for contracts that exceeded one calendar quarter.

Finding: We found no exceptions as a result of this procedure.

2. Inspected the utility's Independent Evaluator (IE) report to determine whether IE evaluated any contracts executed with affiliate(s) or any contracts with terms greater than two years.

Finding: We found no exceptions as a result of this procedure.

3. Inspected counterparties' credit supporting documentation to validate that the contracts derived from the RFO selection process were executed with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding #2: SDG&E failed to demonstrate compliance with Articles 1.6 (Interest Rate) and 6.2 (Timeliness of Payment) of the Confirmation Letter Master Edison Electric Institute (EEI) Service Agreement (MSA). SDG&E did not timely enforce the aforementioned MSA provisions regarding late payment penalties for an RFO contract executed with [REDACTED] SDG&E did not enforce the late payment penalties until over two months later when UAB brought it up to SDG&E's attention.

SDG&E's Response to Finding #2:

On October 27, 2025, SDG&E stated:

Explanation for Non-Compliance:

...As previously noted, SDG&E's current [REDACTED] process, from [REDACTED] and interest calculation, is entirely manual. High-value or significantly late payments are prioritized before addressing small dollar interest amounts.

...SDG&E's Energy Procurement team must manually review invoices and payment data to determine if interest is due. When applicable, interest is calculated in Excel, manually entered into SDG&E's [REDACTED] platform and communicated to counterparties via email.

Corrective Actions/ SDG&E's Energy Procurement automation initiatives:

- i. SDG&E's Energy Procurement team has been working with its [REDACTED] to automate invoicing and implement reporting to flag late payments.
- ii. ...a customer payment portal is scheduled to be rolled out in mid-November 2025. This portal will enable counterparties to submit payments with automatic posting to SDG&E's [REDACTED] ...
- iii. SDG&E's Energy Procurement team is now working with its [REDACTED] provider to integrate [REDACTED] feedback, enabling automated invoice payment status updates...
- iv. SDG&E's Energy Procurement team is updating our manual tracking workbook to be reviewed bi-weekly...
- v. SDG&E's Energy Procurement team is...to explore vendors with the capability to automate the [REDACTED] payment tracking process.

4. Inquired with the utility as to whether the contracts had any impact on the overall TeVAR.

Finding: No contracts had any impact on the overall TeVAR.

5. Identified any contract related to a new fossil-fuel generation or PPA with a term of less than five years.

Finding: We did not identify any contract related to a new fossil-fuel generation or PPA with a term of less than five years.

6. Traced and agreed all RFO contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding #3: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported the execution date for the [REDACTED] contracts executed with [REDACTED] in Attachment H – Contracts Executed and Contracts Amended. SDG&E reported the execution date as May 12, 2025, instead of the correct date of May 9, 2025, when the contracts were fully executed, as indicated in the DocuSign documentation.

SDG&E's Response to Finding #3:

On October 27, 2025, SDG&E stated:

Regarding the [REDACTED], SDG&E was the first party to execute on [May 9, 2025], but the contracts were countersigned and fully executed by [REDACTED] on [May 12, 2025]. An email verification from [REDACTED] was provided to UAB.

SDG&E does not believe any corrective action is needed.

UAB Rebuttal:

We disagree with SDG&E's position. The email verification referenced in SDG&E's response serves only as a transmittal email communicating with the party in the contract. However, the referenced email does not constitute evidence of fully executed contracts. The contract execution date is evidenced with the signature date of May 9, 2025, as shown in the DocuSign documentation—when both parties signed the agreement, making it legally binding. Therefore, May 9, 2025, is the correct contract execution date.

C. Quarterly Compliance Report (QCR)

1. Inspected QCR advice letter filing, including the attachments of supporting documentation, to determine whether the filing was accurate and complete.

Finding #1: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported [REDACTED] transactions as

██████████ transactions in Attachment D. For additional information about the finding, please see Finding #1 at procedure A.4 listed above.

SDG&E's Response to Finding #1: See A.4.

Finding #3: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported the execution date for the ██████████ contracts executed ██████████ in Attachment H. For additional information about the finding, please see Finding #3 at procedure B.6 listed above.

SDG&E's Response to Finding #3: See B.6.

2. Identified any of the utility's authorized decision-makers that were not listed in QCR.

Finding: We did not find any of the utility's authorized decision-makers that were not listed in QCR.

3. Inspected QCR and associated attachments to determine whether the utility provided its descriptions of and justifications for its procurement processes used to select the transactions.

Finding: We found no exceptions as a result of this procedure.

4. Inspected QCR and associated attachments to determine whether the utility explained or justified the timing of its transactions.

Finding: We found no exceptions as a result of this procedure.

5. Inspected QCR and associated attachments to determine whether the utility discussed the system load requirements/conditions underlying the need for the quarter's transactions.

Finding: We found no exceptions as a result of this procedure.

6. Inspected QCR and associated attachments to determine whether the utility provided a copy of any data of forecasts used by the utility to analyze transactions.

Finding: We found the utility provided a copy of forecast data used to analyze transactions.

7. Inspected QCR and associated attachments to determine whether the utility provided a copy of each of the utility's procurement contracts reported in Attachment H.

Finding: We found no exceptions as a result of this procedure.

8. Inspected QCR and associated attachments to determine whether the utility provided a reasonable number of analyses, as requested by CPUC or the Procurement Review Group (PRG) and provided the resulting outputs.

Finding: We found no exceptions as a result of this procedure.

9. Inspected QCR and associated attachments to determine whether the utility's QCR included its briefing package provided to the ultimate decision maker.

Finding: We found no exceptions as a result of this procedure.

10. Inspected QCR and associated attachments to determine whether the utility provided the break-even spot prices equivalent to the contracts.

Finding: We found no exceptions as a result of this procedure.

11. Inspected QCR and associated attachments to determine whether the utility provided average price information for non-standard transactions.

Finding: We found no exceptions as a result of this procedure.

12. Inspected QCR and associated attachments to determine whether the utility provided California Independent System Operator (CAISO) electricity procurement information in the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

D. Strong Showing Justification

1. Inspected Attachment A for any transactions subject to strong showing justification and inspected Attachment M – Transactions subject to Strong Showing, to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

2. Compared the price of bilateral contracts for non-standard products in Attachment A, which are waived from strong showing justification under D.03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment A to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

3. Inspected Attachment H for any transactions subject to strong showing justification and inspected Attachment M to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

4. Compared the price of bilateral contracts for non-standard products in Attachment H, which are waived from strong showing justification under D.03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment H to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

5. Inspected other bilateral transactions in QCR for any transactions subject to strong showing justification and inspected Attachment M to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

6. Compared the prices of other bilateral contracts for non-standard products that are waived from strong showing justification under D.03-06-067, OP 3(d) to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price for other transactions to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

E. Bilateral Contracts

1. Inspected PRG meeting materials to determine whether the utility consulted with its PRG for any contracts with terms over one calendar quarter before they were executed.

Finding: We found no exceptions as a result of this procedure.

2. Inspected counterparties' credit supporting documentation to validate that the contracts were executed bilaterally with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

3. Inquired with the utility as to whether the contracts had any impact on the overall Time to Expiration Value at Risk (TeVAR).

Finding: We found no contracts had any impact on the overall TeVAR.

4. Identified any contract related to a new fossil-fuel generation or Power Purchase Agreement (PPA) that was less than five years.

Finding: We did not identify any contract related to a new fossil-fuel generation or PPA that was less than five years.

5. Traced and agreed all bilateral contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

F. Code of Conduct (COC)

1. Inspected the utility's current COC manual to determine whether the utility adopts, actively monitors and enforces compliance with a comprehensive COC for all employees engaged in the procurement process.

Finding: We found no exceptions as a result of this procedure.

2. Inspected relevant supporting documentation to determine whether all employees included in the utility's energy procurement charts as of June 2024 and June 2025 acknowledged the utility's COC or completed COC training in a timely manner.

Finding: We found no exceptions as a result of this procedure.

3. Inspected relevant supporting documentation to validate that all new employees who were hired or transferred during the past year (Q2 2024 through Q2 2025) and involved in energy procurement activities acknowledged the utility's COC agreement or completed the utility's COC training within one month after the date of hire or transfer.

Finding #4: SDG&E failed to demonstrate compliance with the ED's memorandum titled *Deadline for Employee Acknowledgement of Utility Code of Conduct*, dated April 30, 2019, which states:

Beginning with the review of Q1 2019 QCRs, and unless and until the Legislature or the Commission provide further guidance, Energy Division agrees that one calendar month is an appropriate deadline for assessing compliance with the requirement that employees acknowledge the utility code of conduct, as adopted in D.02-10-062 and modified in D.02-12-074.

SDG&E did not actively monitor COC compliance to ensure its energy procurement employees' timely acknowledgment of its Market Activity and Credit Policy (MACP). A temporary employee was hired on July 23, 2024 but did not acknowledge the MACP until September 6, 2024, which was 45 days after the hire date. This delayed acknowledgment violated the one-calendar-month timeline specified in the ED's memorandum.

SDG&E's Response to Finding #4:

On October 22, 2025, SDG&E stated:

SDG&E agrees with this finding. The team responsible for collecting signatures was not notified a new temporary employee had joined but sent the MACP for signature as soon as they were made aware on [September 6, 2024]. A new process was put in place in Q4 2024 designed to improve communication and help ensure acknowledgement occurs within the required timeframe.

4. Inquired with the utility to ascertain that the utility has an ongoing process in reviewing and updating its COC and related issues to reinforce these mandatory rules of conduct.

Finding: We found no exceptions as a result of this procedure.

5. Inquired with the utility to ascertain that the utility has additional obligations, besides its COC, that employees must adhere to prove their compliance with confidentiality requirements at different level of transactions in accordance with D.02-12-074, OP 24 b.2.2.

Finding: We found no exceptions as a result of this procedure.

6. Inquired with the utility to ascertain that the utility has a process in place where energy procurement employees become legally compelled by a deposition to disclose any confidential procurement documents.

Finding: We found no exceptions as a result of this procedure.

7. Inquired with the utility to ascertain that the utility has a control process to prevent employee's misuse of confidential procurement information during and after their employment.

Finding: We found no exceptions as a result of this procedure.