



AFFILIATE TRANSACTION RULES PERFORMANCE AUDIT

San Diego Gas & Electric Company

January 1, 2022, through December 31, 2023

Utility Audits, Risk and Compliance Division
Utility Audits Branch
December 30, 2025



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Transmitted via e-mail

December 30, 2025

Scott B. Crider
President
San Diego Gas & Electric Company
8326 Century Park Court
M.L. CP33A
San Diego, CA 92123

Dear Scott B. Crider:

**Final Report Transmittal Letter— Audit of San Diego Gas & Electric Company's
Affiliate Transaction Rules for the Period of January 1, 2022, Through
December 31, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of San Diego Gas & Electric Company's (SDG&E) compliance with Affiliate Transaction Rules for the period of January 1, 2022, through December 31, 2023. The final audit report is enclosed.

We issued the draft audit report on December 5, 2025. SDG&E's response to the draft report findings is incorporated into this final report. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry).

A Corrective Action Plan (CAP) addressing the findings and recommendations are required. SDG&E's response to the draft audit report included information on corrective actions implemented and planned. If SDG&E has further detailed CAP information including specific steps and target dates to correct the findings identified, please submit the CAP within 45 calendar days from the issuance of this final audit report to: UtilityAudits@cpuc.ca.gov.

We appreciate SDG&E's assistance and cooperation during the engagement, and its willingness to implement corrective actions. If you have any questions regarding this report, please contact Nancy Ta, Supervisor, at (415) 914-4841.

Sincerely,

Masha Vorobyeva for Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

cc: See next page

Scott B. Crider
President
San Diego Gas & Electric Company
December 30, 2025
Page 2

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EXECUTIVE SUMMARY

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of San Diego Gas & Electric Company's (SDG&E) compliance with Affiliate Transaction Rules (ATR) for the audit period of January 1, 2022, through December 31, 2023.

Our audit objective was to determine whether SDG&E complied with ATRs for the period of January 1, 2022, through December 31, 2023.

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found instances of inadequate controls and noncompliance with requirements. These instances are summarized in the Summary Schedule of Audit Results and described in the Findings and Recommendations section of this report. The audit findings are as follows:

- **Finding 1: Untimely Termination of Physical and System Access**
SDG&E did not terminate five employees' physical and/or system access on or before transferring to an affiliate in 2022.
- **Finding 2: Inaccurate Reporting of Affiliates**
SDG&E omitted one affiliate and the designation for three covered affiliates from its 2022 Compliance Plan. In addition, SDG&E inaccurately reported the business description for two affiliates in its 2022 Compliance Plan and six affiliates in its 2023 Compliance Plan.
- **Finding 3: Inaccurate Reporting in 2022 Non-Tariffed Products and Services (NTP&S) Report**
SDG&E understated the gross revenue by \$145,963 in the category XII-1 Real Estate Services in its 2022 NTP&S report.

ATR VIII.D.2.b.ii.3 – The Utility's Actions to Disclose and Rectify a Violation, requires the public utility to report to CPUC any instances when a utility is aware that a violation of the ATR has occurred. We've included a summary of SDG&E's self-reported instances that occurred during the audit period, including the mitigation plan, in the Summary of Self-Reported Instances section of this audit report.

We issued a draft report on December 5, 2025. SDG&E responded by letter dated December 19, 2025, committing to implementing our recommendations. SDG&E's response is included in this final report as an attachment in Appendix A—Utility's Response to Draft Audit Report.

AUDIT REPORT

Background

Affiliate Transaction Rules

In the late 1980s and early 1990s, energy utilities sought approval from CPUC to reorganize under a holding company structure. While CPUC approved applications for several energy utilities, CPUC was concerned with price manipulation and higher charges to consumers through transactions with their unregulated affiliates. To address this, CPUC established the ATRs to ensure utilities (1) meet their public service obligations at the lowest reasonable cost; and (2) do not engage in preferential treatment of their affiliates. As part of Rulemaking 05-10-030, CPUC issued Decision (D.) 06-12-029 which adopted the latest revision to the ATRs.

The ATRs have been designed to:

- ensure that key utility and holding company officers understand the ATRs and their obligations under them;
- provide greater security against the sharing within the corporate family, through improper conduits, of competitively significant, confidential information; and
- ensure a utility's financial integrity is protected from the riskier market ventures of its unregulated affiliates and holding company parent.

The ATRs apply to California's major energy utilities and their holding companies, such as, Pacific Gas and Electric Company, Southern California Edison, Southern California Gas Company (SoCalGas), and SDG&E.¹

CPUC's D.06-12-029, Appendix A-3 categorizes the ATRs into nine rules (I through IX) with various sub-rules within each rule. CPUC publishes ATR related information at [Affiliate Rules and Holding Company Issues](#).

Affiliates

D.06-12-029, Appendix A-3, ATR I.A defines an affiliate as any person, corporation, utility, partnership, or other entity, 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. The utility must ensure that it is not utilizing the holding company or any of its affiliates not covered by ATRs as a conduit to circumvent any of the rules.

SDG&E 2022 and 2023 Compliance Plan further classifies affiliates as follows:

¹ San Diego Gas & Electric (SDG&E) and Southern California Gas (SoCalGas) are affiliated subsidiaries of Sempra Energy.

- SDG&E classifies covered affiliates as those affiliates that engage in the provision of a service or product to the market that relates to natural gas and/or electricity, such as:
 - trading natural gas and/or electricity;
 - offering products that use natural gas and/or electricity; or
 - offering a service that relates to the use of natural gas and/or electricity.
- SDG&E further classifies covered affiliates as Energy Marketing Affiliates (EMAs) when those affiliates are engaged in marketing functions or qualify as electric service providers.

Affiliates that do not meet the covered affiliate criteria are classified as non-covered affiliates.

- Non-covered affiliates include, but are not limited to, holding companies, companies that offer temporary employment services, employee recruitment services, financial or consulting-type services, and janitorial services regardless of whether these affiliates offer their services to companies in the natural gas or electric industry.
- Sempra Energy, the holding company for SDG&E, does not provide products or services, as defined in ATR II.B, and is therefore classified as a non-covered affiliate.

Annual Compliance Plan

D.06-12-029, Appendix A-3, ATR VI.A requires each utility to file a compliance plan by submitting an advice letter (AL) to CPUC. The compliance plan is required to include:

- A list of all affiliates of the utility, and for each affiliate, its purpose or activities; and
- A demonstration of the procedures in place to assure compliance with ATRs.

SDG&E filed its 2022 and 2023 Affiliate Compliance Plans on June 30, 2022, and June 30, 2023, respectively, and reported the following:

Affiliate Type	2022 Compliance Plan (AL 4030-E/3102-G)	2023 Compliance Plan (AL 4246-E/3207-G)
Covered Affiliates	107	115
Non-Covered Affiliates	76	77
Energy Marketing Affiliates	6	5
Total Affiliates	189	197

Audit Authority

UAB conducted this audit under the general authority outlined in PU Code sections 314.5, 314.6, 581, 582, and 584. Furthermore, D.06-12-029, Appendix A-3: ATR VI.C directs the CPUC's Energy Division to coordinate biennial audits to verify the utilities' compliance with the ATRs.

Objective and Scope

Our audit objective was to determine whether SDG&E complied with ATRs for the period of January 1, 2022, through December 31, 2023.

Methodology

In planning our audit, we gained an understanding of the ATRs and SDG&E's compliance mechanisms by researching and reviewing relevant PU Code sections, rules, regulations, policies, CPUC decisions, resolutions, advice letters, SDG&E's compliance plans, SDG&E's policies and procedures, and interviewing SDG&E's personnel.

We conducted a risk assessment, including evaluating whether SDG&E's key internal controls relevant to our audit objective were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, performing walkthroughs, and testing transactions. Deficiencies in internal controls, if identified during our audit and determined to be significant within the context of our audit objective, are included in this report.

Additionally, we assessed the reliability of the data extracted from SDG&E's various systems (accounting system, HR management system, physical access system, system access system, and governance management system). Our assessment included examining extracted reports, tracing data between differing report formats to verify completeness, and tracing report data to source documents. We determined the data to be sufficiently reliable to address the audit objective.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objective. To achieve our audit objective, we:

- Reviewed applicable CPUC decisions, advice letters, resolutions and proceedings, to gain an understanding of the ATRs.
- Reviewed SDG&E's Affiliate Compliance Plans, Affiliate Compliance Guidelines, training transcript, and internal policies and procedures related to the administration and implementation of its compliance with ATRs.
- Reviewed the State Controller's Office (SCO's) audit report on SDG&E's ATR for the period of January 1, 2016, through December 31, 2017, issued on May 28, 2021. We determined that no additional follow-up was required since follow-up was conducted during SCO's subsequent audit of SDG&E's ATRs for the period of January 1, 2020, through December 31, 2021, issued on December 5, 2024.
- Reviewed the SCO's audit report on SDG&E's ATR for the period of January 1, 2020, through December 31, 2021, issued on December 5, 2024 (2020-2021 ATR Audit). We performed follow-up tests to verify whether corrective actions were properly implemented.
- Reviewed the following prior UAB's audit reports and determined that the engagements were not relevant to our audit objective and, therefore, no further review was performed:
 - Examination of SDG&E's Energy Efficiency program for the period January 1, 2018, through December 31, 2018, issued on August 5, 2019.
 - Performance Audit of SDG&E's Energy Efficiency program for the period of January 1, 2018, through December 31, 2018, issued August 11, 2020.
 - Performance Audit of SDG&E's Energy Efficiency program for the period of January 1, 2020, through December 31, 2020, issued October 4, 2021.

- Performance audit of SDG&E's Balancing Accounts for the period January 1, 2018, through December 31, 2018, issued on December 20, 2021.
- Performance Audit of SDG&E's Energy Savings Assistance program for the period of January 1, 2019, through December 31, 2021, issued February 16, 2023.
- Quarterly Energy Procurement Compliance engagement reports issued on September 30, 2022, December 23, 2022, April 13, 2023, June 26, 2023, September 15, 2023, December 22, 2023, April 17, 2024, and June 28, 2024.
- Assessed significance by performing an analysis of prior audit findings and evaluating the list of ATRs through our risk assessment process.
- Obtained an understanding of SDG&E's key internal controls relevant to its ATRs, such as policies and procedures, training requirements, and monitoring and compliance oversight, and assessed the design, implementation, and operating effectiveness of selected controls that were significant to the audit objective by:
 - interviewing key personnel;
 - completing an internal control questionnaire;
 - reviewing SDG&E's policies and procedures and assessing their implementation pertaining to compliance with ATRs;
 - performing walkthroughs of monitoring and compliance oversight of selected ATRs;
 - verifying completed ATR trainings for a selection of SDG&E's employees; and
 - confirming review and approval of selected deliverables.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.

As mentioned in the Background section, CPUC's D.06-12-029, Appendix A-3 categorizes the ATRs into nine rules (I through IX) with various sub-rules within each rule. We selected a sample of ATRs and sub-rules to perform detailed testing. Below we identify the rules selected for testing and describe the detailed testing performed.

- Performed testing of ATR II.C – Applicability, Violate/Circumvent Rules and ATR IV.B – Non-Customer Specific Non-Public Information by:
 - inquiring from SDG&E whether non-customer specific non-public information was made available to affiliates during the period; and
 - reviewing SDG&E's website to determine whether there were any notices of non-customer specific, non-public information provided to affiliates during the period.

- reviewing the meeting minutes for 28 of SDG&E's Board Meetings to determine whether affiliate representatives were present during potentially sensitive discussions, and to ensure that non-customer specific, non-public information was not shared with affiliate representatives who were in attendance.
- Performed testing of ATR V.E – Corporate Support to verify SDG&E has a process in place to track and bill for shared corporate support costs by:
 - obtaining and reviewing accounting information from SDG&E's accounting system to verify whether SDG&E billed and collected shared corporate support costs;
 - reconciling total amounts reported in the 2022 and 2023 Annual Affiliate Transaction Report, Schedule C to SDG&E's accounting system; and
 - selecting 4 of 24 months and tracing monthly invoices to transaction level details to verify accuracy.
- Performed testing of ATR V – Separation by:
 - inquiring whether SDG&E shared any office space with affiliates;
 - reviewing physical and system access policies and procedures; and
 - selecting 21 of 88 employee transfers reported in 2022 and 2023 Annual Reports, Schedule H, and determining whether SDG&E complied with applicable CPUC directives, orders, rules, regulations, and SDG&E's policies and procedures relating to employee movement by:
 - verifying whether the transfer fees were correctly calculated based on compensation;
 - confirming accounting journal entries to ensure transfer fees were properly credited;
 - reviewing employment history to ensure compliance with residency requirements;
 - confirming exit interview checklists were completed; and
 - validating physical and system access were updated prior to or on the transfer date to the affiliate.
- Performed testing of ATR VI.A and VI.B – Compliance Plans and New Affiliates Compliance Plans, respectively, by:
 - obtaining a list of new affiliates reported during the audit period;

- verifying an advice letter was filed within 60 days of the creation date for 3 of 12 or 25 percent of new affiliates reported; and
 - verifying that the 189 and 197 affiliates reported in the 2022 and 2023 Compliance Plans, include complete business description and designation.
- Performed testing of ATR VII.H – Period Reporting of NTP&S by:
 - reviewing SDG&E’s accounting reporting guidelines and procedures; and
 - obtaining the 2022 and 2023 NTP&S reports, tracing 2 of 10 or 20 percent of categories with gross revenue and 1 of 3 or 33.3 percent of categories with incremental costs to ensure they were (1) included in AL-1077-E/1081-G and (2) gross revenue and incremental costs were supported.
- Reviewed SDG&E’s self-reported instances submitted during the audit period to verify that SDG&E has taken corrective actions in response to the identified non-compliance with ATRs.

We did not audit SDG&E’s financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that SDG&E complied with the ATRs during the audit period. We considered SDG&E’s internal controls only to the extent necessary to plan the audit and achieve our audit objective.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Conclusion

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found instances of inadequate internal controls and noncompliance with the requirements for the audit period of January 1, 2022, through December 31, 2023. These instances are described in the Findings and Recommendations section of this audit report.

Follow-up on Prior Audit Findings

We identified a prior external audit conducted by SCO, relevant to our audit objective. SCO’s Performance Audit of SDG&E’s ATRs for the period January 1, 2020, through December 31, 2021, issued December 4, 2024, determined whether SDG&E complied with ATRs I through IX. The audit report identified eight findings related to inadequate controls and noncompliance. SDG&E submitted its corrective action plan on April 4, 2025, and we confirmed during this audit that SDG&E implemented corrective actions.

Views of Responsible Officials

We issued a draft report on December 5, 2025. SDG&E responded by letter dated December 19, 2025, committing to implementing our recommendations. SDG&E’s response is included in this final report as an attachment in Appendix A—Utility’s Response to Draft Audit Report.

Restricted Use

This audit report is intended solely for the information and use of SDG&E and CPUC; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and will be available on CPUC website at [Audit Reports by Industry](#).

Masha Vorobyeva for Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

FINDINGS AND RECOMMENDATIONS

Finding 1: Untimely Termination of Physical and System Access

Condition:

SDG&E did not terminate physical and system access for 5 out of 21 sampled employees on or before the employee transferred to an affiliate as follows:

Employee Ref #	Transfer From/To	Transfer Date	Physical Access Removed	System Access Terminated
#31	SDG&E to Affiliate	10/1/2022	10/5/2022	10/6/2022
#35	SDG&E to Affiliate	11/26/2022	N/A	11/28/2022
#37	SDG&E to Affiliate	11/26/2022	N/A	11/28/2022
#41	SDGE& to Affiliate	11/26/2022	N/A	11/28/2022
#53	Sempre Energy to SDG&E	8/20/2022	8/29/2022	N/A

SCO reported inadequate internal controls for employee physical and information system access in its 2020-2021 ATR audit report, as Finding #2. SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SDG&E updated its processes and procedures to terminate physical and information system access of SDG&E's employees transferring to a covered affiliate in a timely manner, as outlined below:

- SDG&E initiated the Affiliate Compliance Transfer Physical Access Management procedure on October 22, 2022. We found no further issues for physical access removal following the implementation of this procedure.
- SDG&E implemented various processes to address system limitations and were put into place by November 28, 2022, and further updated on November 7, 2024. We found no further issues for system access termination after November 28, 2022.

Criteria:

D.06-12-09, Appendix A-3, ATR V.C – Sharing of Plant, Facilities, Equipment or Costs, states, in part, that:

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules.

Cause:

SDG&E lacked adequate policies and procedures to ensure timely revocation of physical and system access.

Effect:

Failure to terminate physical and system access timely gives affiliates an unfair advantage by having access to confidential and non-public utility information, and creates significant risk that non-public information will be accessed by unauthorized employees.

Recommendations:

SDG&E should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

Finding 2: Inaccurate Reporting of Affiliates**Condition:**

During the audit period, SDG&E omitted reporting or inaccurately reported affiliate information as follows:

- SDG&E did not report SoCalGas in its 2023 Affiliate Compliance Plan Listing of Covered and Non-Covered affiliates.
- SDG&E did not include the correct affiliate designation for the following three covered entities 1) Gillis Connector Pipeline, LLC, 2) SI LNG Optimization Services, LLC, and 3) Oncor Receivables LLC in its Listing of Covered and Non-Covered affiliates in its 2023 Affiliate Compliance Plan.
- SDG&E inaccurately reported its Affiliates' business description, for the following affiliates:

2022 Compliance Plan	2023 Compliance Plan
Port Arthur LNG, LLC	ESJ Energy B.V
Sempra Infrastructure Services Company, LLC	Gasoducto Ingenieria, S. de. R.L. de C.V.
	ICM Ventures Holding B.V
	IEnova Infraestructura Marina Holding B.V.
	Sempra Commodities, Inc.
	Sempra Energy International, LP

SCO reported untimely reporting of new affiliates in its 2020-2021 ATR audit report, as Finding #7. SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SDG&E's Affiliate Compliance Department made updates to the Affiliate Transactions Compliance Procedure and Sempra's Corporate Governance updated their reporting procedures to improve upon the accuracy and timing of the process. Although SDG&E has implemented controls, these were not in effect during the audit period, and as a result, we noted deficiencies as outlined above.

Criteria:

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

D.93-02-019, Appendix A, Section II.A.1 states, in part, that:

Each utility shall list and provide the (...) information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the annual report (...)

D.06-12-029, Appendix 3, ATR VI.A – Compliance Plans states, in part, that:

The compliance plan shall include: 1. A list of all affiliates of the utility, as defined in Rule I A of these Rules and for each affiliate, its purpose or activities, and whether the utility claims that Rule II B makes these Rules applicable to the affiliate;

SDG&E's 2022 and 2023 Affiliate Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:

This Plan represents SDG&E's compliance with [ATR IV.A]. Appendix 3 of [the] Plan provides a listing of SDG&E's covered and non-covered affiliates, as of June 15 as required by this rule.

SDG&E complies with [ATR VI.B] as new covered and non-covered affiliates are created. Once the Sempra Legal department notifies SDG&E of the creation of a new affiliate, SDG&E notifies the CPUC of: (1) the formation of any new U.S. domestic covered or non-covered affiliate; or (2) the confirmation of registration with foreign governmental authorities for covered or non-covered affiliates located outside the U.S.; and then post this information on its internet website. (...)

Affiliate Compliance Department (ACD) will conduct an annual review of all affiliate business descriptions to assess each affiliate's designation as "non-covered," "covered," and/or "energy marketing." Under this process, ACD provides each affiliate's business description to designated affiliate contact personnel to confirm whether the business description remains applicable or whether it has changed. Based upon these responses, ACD evaluates whether an affiliate should be reclassified, and then notify the CPUC in accordance with this Rule.

Cause:

SDG&E lacked adequate policies and procedures during the audit period to prevent, detect and correct errors and to ensure reported affiliates' information was accurate.

Effect:

Failure to provide complete and accurate information to CPUC could inhibit transparency to the public and the ability of the CPUC decision makers to make sound decisions and assessments based on reported information.

Recommendations:

SDG&E should amend its 2022 and 2023 Compliance Plan to correct the business description and amend its 2023 Affiliate Compliance Plan to include the omitted entity and correct the designation for the three entities noted in the condition above. In addition, SDG&E should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

Finding 3: Inaccurate Reporting in 2022 NTP&S Report

Condition:

SDG&E understated the gross revenue for Category XII-1 Real Estate Services by \$145,963 in its 2022 NTP&S report. SDG&E made the following 2022 NTP&S filings, as follows:

Report Category – XII-1	Amount
Initial Amount Reported on 6/30/2023	\$197,613
Updated Amount Reported on 6/28/2024	\$54,150
Audited Amount	200,113
Underreported Amount	(\$145,963)

During substantive testing, we verified gross revenue for Category XII-1 Real Estate Services by tracing the reported underlying amount to the general ledger and advice letters. SDG&E provided supporting documents to substantiate the amount of \$200,113 for Category XII-1 Real Estate Services in the 2022 NTP&S report.

SCO reported inadequate controls to ensure NTP&S reports were accurately reported in its 2020-2021 ATR audit report, as Finding #8. SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating targeted training, updated reporting preparation procedures, and additional levels of review. Although SDG&E has implemented controls, these were not in effect during the audit period, and as a result, we noted deficiencies as outlined above.

Criteria:

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

SDG&E's 2022 and 2023 Affiliate Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:

SDG&E has accounting procedures and standards in place that track costs and revenues of each product and service to prevent cross-subsidization between tariffed and non-tariffed services. A report of non-tariffed products and services covering the prior year is filed annually with the CPUC no later than June 30th.

Cause:

SDG&E lacked adequate oversight procedures over its reporting process to ensure accurate reporting in its NTP&S report.

Effect:

Failure to provide complete and accurate information to CPUC could inhibit transparency to the public and the ability of the CPUC decision makers to make sound decisions and assessments based on reported information.

Recommendations:

SDG&E should amend its 2022 NTP&S report to correct the misreported information. In addition, SDG&E should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

SUMMARY SCHEDULE OF AUDIT RESULTS

ATR	Findings Summary
V. Separation, C. Sharing of Plant, Facilities, Equipment or Costs	Finding 1: SDG&E did not terminate physical and system access for select employees transferred to affiliates in 2022.
VI. Regulatory Oversight, A. Compliance Plans	Finding 2: <ul style="list-style-type: none"> SDG&E omitted one affiliate entity from its 2022 Compliance Plan. SDG&E reported the entities' affiliate designation incorrectly for three affiliates in the 2023 Compliance Plan. SDG&E reported the business description inaccurately for two affiliates in its 2022 compliance plan and for six affiliates in its 2023 compliance plan.
VII. Utility Products and Services, I. Offering of Nontariffed Products and Services to Affiliates	Finding 3: SDG&E understated the gross revenue by \$145,963 for Category XII-1 Real Estate Services in its 2022 NTP&S Report. The reported amount should have been \$200,113.

SUMMARY OF SELF-REPORTED INSTANCES

ATR VIII.D.2.b.ii.3 – The Utility’s Actions to Disclose and Rectify a Violation, requires the public utility to report to CPUC any instances when a utility is aware that a violation of ATR has occurred. SDG&E had the following self-reported instances occurring during the audit period:

#	Date Reported	Occurrence Date	Rule Addressing Self-Report & Description of Instance	SDG&E’s Mitigation/Follow-up
1	7/21/2022	3/4/2022	ATR VI.B: SDG&E exceeded CPUC’s 60-day requirement for filing an advice letter upon the creation of a new affiliate due to the finalization of the entity taking longer than 60-days.	SDG&E implemented new process for affiliates to notify Sempra upon application for entity formation to avoid delays. SCO’s 2020-2021 Audit Report, Finding 7.
2	2/11/2023	Various dates in 2022	ATR V.C: Employee movement to affiliates, certain employees’ system and physical access were maintained after the transfer date.	SDG&E implemented new technical solutions for timely notification to terminate access, new processes and training. See Finding 1 above.
3	8/23/2023	2018-2022	D.93-02-019: The annual Affiliate Transaction Report, Scheduled C and D for years 2018 – 2022 omitted or misstated transactions. ATR VII.H: amounts were misstated in the 2020-2022 NTP&S report.	SDG&E scheduled Affiliate Compliance training, updated procedures for reporting requirements and process for compilation of Schedule C and D reports. SDG&E updated procedures and filed a revised 2022 NTP&S report along with this Self-Reported Instance. SCO’s 2020-2021 Audit Report, Finding 8.

APPENDIX A—UTILITY'S RESPONSE TO DRAFT AUDIT REPORT



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December 19, 2025

Angie Williams
Director Utility Audits
Risk and Compliance Division
Public Utilities Commission
505 Van Ness Avenue San
Francisco, California 94102

Dear Ms. Williams:

On December 5, 2025, the California Public Utilities Commission (CPUC or Commission) issued the Draft Findings in connection with its audit of SDG&E's compliance with the Commission's Affiliate Transaction Rules for Compliance Years (CY) 2022 and 2023. As permitted by the Commission, SDG&E provides the attached response to the draft Findings and Observations.

SDG&E is committed to compliance excellence and takes compliance with laws and regulations applicable to its business seriously. These regulations include the CPUC Affiliate Transaction Rules.

Consistent with a culture of continuous improvement, SDG&E regularly reviews its compliance practices and self-reports instances of control weaknesses as well as non-compliance with applicable rules along with a description of mitigation the Company has undertaken to eliminate or reduce future issues related to its findings.

Please contact me at (858) 654-3580 if you have any questions or need additional information.

Sincerely,

Scott Pearson

Scott Pearson
Director - Risk and Compliance
San Diego Gas & Electric Company

CC:
Scott Crider, President San Diego Gas & Electric
Company
Erbin Keith, SVP & General Counsel
San Diego Gas & Electric Company
April Robinson, Chief Risk and Compliance Officer San Diego
Gas & Electric Company
Betsy Mains, Compliance and Integrity
Manager San Diego Gas & Electric
Company
Frank Shirichena, Senior Regulatory Compliance
Advisor San Diego Gas & Electric Company
Laura L. Chrestenson, Records and Compliance Analyst
San Diego Gas & Electric Company

**Affiliate Transaction Rules Audit for
Years 2022 and 2023**

Draft Findings & Observations - SDG&E Comments

Finding 1: Untimely Termination of Physical and System Access

Condition:

SDG&E did not terminate physical and system access for 5 out of 21 sampled employees on or before the employee transferred to an affiliate as follows:

<i>Employee Ref #</i>	<i>Transfer From/To</i>	<i>Transfer Date</i>	<i>Physical Access Removed</i>	<i>System Access Terminated</i>
#31	SDG&E to Affiliate	10/1/2022	10/5/2022	10/6/2022
#35	SDG&E to Affiliate	11/26/2022	N/A	11/28/2022
#37	SDG&E to Affiliate	11/26/2022	N/A	11/28/2022
#41	SDG&E to Affiliate	11/26/2022	N/A	11/28/2022
#53	Sempra Energy to SDG&E	8/20/2022	8/29/2022	N/A

SCO reported inadequate internal controls for employee physical and information system access in its 2020-2021 ATR audit report, as Finding #2. SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SDG&E updated its processes and procedures to terminate physical and information system access of SDG&E's employees transferring to a covered affiliate in a timely manner, as outlined below:

- SDG&E initiated the Affiliate Compliance Transfer Physical Access Management procedure on October 22, 2022. We found no further issues for physical access removal following the implementation of this procedure.*
- SDG&E implemented various processes to address system limitations and were put into place by November 28, 2022, and further updated on November 7, 2024. We found no further issues for system access termination after November 28, 2022.*

Criteria:

D.06-12-09, Appendix A-3, ATR V.C – Sharing of Plant, Facilities, Equipment or Costs, states, in part, that:

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules.

Cause:

SDG&E lacked adequate policies and procedures to ensure timely revocation of physical and system access.

Effect:

Failure to terminate physical and system access timely gives affiliates an unfair advantage by having access to confidential and non-public utility information, and creates significant risk that non-public information will be accessed by unauthorized employees.

Recommendations:

SDG&E should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

SDG&E's RESPONSE:

As noted in the finding, SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SDG&E updated its processes and procedures to terminate physical and information system access of SDG&E's employees transferring to a covered affiliate in a timely manner, as outlined below:

- SDG&E initiated the Affiliate Compliance Transfer Physical Access Management procedure on October 22, 2022, to address employee physical access.
- SDG&E implemented various processes to address system limitations that were put into place by November 28, 2022, and further updated on November 7, 2024.

In its efforts to improve and monitor compliance with this ATR moving forward, SDG&E will continue to implement its corrective action plan.

Finding 2: Inaccurate Reporting of Affiliates*Condition:*

During the audit period, SDG&E omitted reporting or inaccurately reported affiliate information as follows:

- *SDG&E did not report SoCalGas in its 2023 Affiliate Compliance Plan Listing of Covered and Non-Covered affiliates.*
- *SDG&E did not include the correct affiliate designation for the following three covered entities: 1) Gillis Connector Pipeline, LLC, 2) SI LNG Optimization Services, LLC, and 3) Oncor Receivables LLC in its Listing of Covered and Non-Covered affiliates in its 2023 Affiliate Compliance Plan.*

- *SDG&E inaccurately reported its Affiliates' business description, for the following affiliates:*

2022 Compliance Plan	2023 Compliance Plan
Port Arthur LNG, LLC	ESJ Energy B.V
Sempra Infrastructure Services Company, LLC	Gasoducto Ingenieria, S. de. R.L. de C.V.
	ICM Ventures Holding B.V
	IEnova Infraestructura Marina Holding B.V.
	Sempra Commodities, Inc.
	Sempra Energy International, LP

SCO reported untimely reporting of new affiliates in its 2020-2021 ATR audit report, as Finding #7. SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SDG&E's Affiliate Compliance Department made updates to the Affiliate Transactions Compliance Procedure and Sempra's Corporate Governance updated their reporting procedures to improve upon the accuracy and timing of the process. Although SDG&E has implemented controls, these were not in effect during the audit period, and as a result, we noted deficiencies as outlined above.

Criteria:

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

D.93-02-019, Appendix A, Section II.A.1 states, in part, that:

Each utility shall list and provide the (...) information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the annual report (...)

D.06-12-029, Appendix 3, ATR VI.A – Compliance Plans states, in part, that:

The compliance plan shall include: 1. A list of all affiliates of the utility, as defined in Rule I A of these Rules and for each affiliate, its purpose or activities, and whether the utility claims that Rule II B makes these Rules applicable to the affiliate.

SDG&E's 2022 and 2023 Affiliate Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:

This Plan represents SDG&E's compliance with [ATR IV.A]. Appendix 3 of [the] Plan provides a listing of SDG&E's covered and non-covered affiliates, as of June 15 as required by this rule.

SDG&E complies with [ATR VI.B] as new covered and non-covered affiliates are created. Once the Sempra Legal department notifies SDG&E of the creation of a

new affiliate, SDG&E notifies the CPUC of: (1) the formation of any new U.S. domestic covered or non-covered affiliate; or (2) the confirmation of registration with foreign governmental authorities for covered or non-covered affiliates located outside the U.S.; and then post this information on its internet website. (...)

Affiliate Compliance Department (ACD) will conduct an annual review of all affiliate business descriptions to assess each affiliate's designation as "non-covered," "covered," and/or "energy marketing." Under this process, ACD provides each affiliate's business description to designated affiliate contact personnel to confirm whether the business description remains applicable or whether it has changed. Based upon these responses, ACD evaluates whether an affiliate should be reclassified, and then notify the CPUC in accordance with this Rule.

Cause:

SDG&E lacked adequate policies and procedures during the audit period to prevent, detect and correct errors and to ensure reported affiliates' information was accurate.

Effect:

Failure to provide complete and accurate information to CPUC could inhibit transparency to the public and the ability of the CPUC decision makers to make sound decisions and assessments based on reported information.

Recommendations:

SDG&E should amend its 2022 and 2023 Compliance Plan to correct the business description and amend its 2023 Affiliate Compliance Plan to include the omitted entity and correct the designation for the three entities noted in the condition above. In addition, SDG&E should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

SDG&E's RESPONSE:

SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SDG&E's Affiliate Compliance Department made updates to Affiliate Compliance procedures and Sempra's Corporate Governance updated their reporting procedures to improve upon the accuracy and timing of the process.

These controls have been implemented, and SDG&E will continue implementation of its corrective action plan and monitor compliance with this ATR moving forward.

SDG&E will amend and refile its 2022 Compliance Plan by advice letter to accurately report the business descriptions for the following Affiliates:

- I. Port Arthur LNG, LCC; and
- II. Sempra Infrastructure Services Company, LLC

SDG&E will amend and refile its 2023 Compliance Plan by Advice Letter to

- I. Include Southern California Gas Company in its listing of Covered and Non-Covered Affiliates;
- II. Include the correct affiliate designation for the following covered entities: 1) Gillis Connector Pipeline, LLC, 2) SI LNG Optimization Services, LLC, and 3) Oncor Receivables, LLC in its listing of Covered and Non-Covered Affiliates; and
- III. Accurately report the business descriptions of (1) ESJ Energy B.V, (2) Gasoductos Ingeniería, S. de R.L. de C.V, (3) IEnova Infraestructura Marina Holding B.V, (4) Sempra Commodities, Inc. and (5) Sempra Energy International, LP.

Finding 3: Inaccurate Reporting in 2022 NTP&S Report

Condition:

SDG&E understated the gross revenue for Category XII-1 Real Estate Services by \$145,963 in its 2022 NTP&S report. SDG&E made the following 2022 NTP&S filings, as follows:

Report Category – XII-1	Amount
Initial Amount Reported on 6/30/2023	\$197,613
Updated Amount Reported on 6/28/2024	\$54,150
Audited Amount	200,113
Underreported Amount	(\$145,963)

During substantive testing, we verified gross revenue for Category XII-1 Real Estate Services by tracing the reported underlying amount to the general ledger and advice letters. SDG&E provided supporting documents to substantiate the amount of \$200,113 for Category XII-1 Real Estate Services in the 2022 NTP&S report.

SCO reported inadequate controls to ensure NTP&S reports were accurately reported in its 2020-2021 ATR audit report, as Finding #8. SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating targeted training, updated reporting preparation procedures, and additional levels of review. Although SDG&E has implemented controls, these were not in effect during the audit period, and as a result, we noted deficiencies as outlined above.

Criteria:

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

SDG&E's 2022 and 2023 Affiliate Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:

SDG&E has accounting procedures and standards in place that track costs and revenues of each product and service to prevent cross-subsidization between tariffed and non-tariffed services. A report of non-tariffed products and services covering the prior year is filed annually with the CPUC no later than June 30th.

Cause:

SDG&E lacked adequate oversight procedures over its reporting process to ensure accurate reporting in its NTP&S report.

Effect:

Failure to provide complete and accurate information to CPUC could inhibit transparency to the public and the ability of the CPUC decision makers to make sound decisions and assessments based on reported information.

Recommendations:

SDG&E should amend its 2022 NTP&S report to correct the misreported information. In addition, SDG&E should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

SDG&E's RESPONSE:

SDG&E submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating it had conducted targeted training, updated reporting preparation procedures, and instituted additional levels of review for the NTP&S report. SDG&E has implemented and further strengthened these controls, which were not in effect during the audit period, and will continue to monitor compliance with this ATR moving forward.

SDG&E will amend and refile its 2022 NTP&S report by advice letter to correct the inaccurate information relating to Category XII-1 Real Estate Services.