



QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

San Diego Gas and Electric Company
Fourth Quarter of 2025 - Advice Letter 4797-E

Utility Audits, Risk and Compliance Division
Utility Audits Branch
June 25, 2026



PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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Transmitted via e-mail

June 25, 2026

Miguel Romero
Senior Vice President, Chief Commercial Officer
Energy Innovation & Commercial Development
San Diego Gas and Electric Company
8330 Century Park Court, CP33B
San Diego, CA 92123

Dear Miguel Romero:

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 October 1, 2025, Through December 31, 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 Fourth Quarter of 2025 in Advice Letter (AL) 4797-E. The final AUP report is enclosed.

SDG&E’s response to the AUP engagement 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 and those responses have been included in the report. However, SDG&E is still required to file a supplemental AL 4797-E with amended Attachments B, H, and M of its QCR by July 9, 2026. 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

Miguel Romero
Senior Vice President, Chief Commercial Officer
Energy Innovation & Commercial Development
San Diego Gas and Electric Company
June 25, 2026
Page 2

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A digital copy of this report can be found at:
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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. QUARTERLY COMPLIANCE REPORT (QCR).....	4
C. REQUEST FOR OFFERS (RFO) CONTRACTS	6
D. STRONG SHOWING JUSTIFICATION.....	8
E. BILATERAL AND BROKER CONTRACTS	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 October 1, 2025, through December 31, 2025, (Q4 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 Q4 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 C – 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 Q4 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 Q4 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 Q4 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: We found no exceptions as a result of this procedure.

5. Reconciled to determine whether the utility's Q4 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.

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.

6. Reconciled to determine whether the utility's Q4 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. 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 the collateral type/credit mechanism for [REDACTED] contracts in Attachment B – Non-Investment Grade Counterparties. For additional information about the finding, please see Finding #1 at procedure C.6 listed below.

SDG&E's Response to Finding #1: See C.6.

Finding #2: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E did not report [REDACTED] subject to strong showing in Attachment M – Transactions subject to Strong Showing. For additional information about the finding, please see Finding #2 at procedure D.3 listed below.

SDG&E's Response to Finding #2: See D.3.

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 bilateral contract executed with [REDACTED] in Attachment H – New Contracts Executed and Amended. For additional information about the finding, please see Finding #3 at procedure E.5 listed below.

SDG&E's Response to Finding #3: See E.5.

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 #4: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E did not provide a copy of the bilateral contract executed with [REDACTED] in Attachment H as required by QCR. For additional information about the finding, please see Finding #4 at procedure E.5 listed below.

SDG&E's Response to Finding #4: See E.5.

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.

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

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

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

5. Identified any contract related to a new fossil-fuel generation or Power Purchase Agreement (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 #1: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported the collateral type/credit mechanism for [REDACTED] contracts executed with the counterparties listed below:

Attachment B – Non Investment Grade Counterparties		
Counterparty	Collateral Typer / Credit Mechanism	
	Reported	Actual
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

SDG&E’s Responses to Finding #1:

For [REDACTED] SDG&E stated on May 19, 2026:

In response to the inquiry regarding the collateral classification for the [REDACTED] transaction reflected in Attachment B, SDG&E confirms that this item was previously reviewed and clarified in its response to Q4 2025 QCR.

As part of that response, SDG&E identified that the transaction had initially been recorded as a [REDACTED]. Upon review of the executed confirmation, SDG&E confirmed that the appropriate collateral requirement is a [REDACTED]. This clarification was documented in the Q4 2025 QCR (Q4 2025 DR 001) response, and the corresponding correction was incorporated into the revised Attachment B provided at that time.

This information is being reiterated here for completeness. For the Commission’s convenience, the updated Attachment B reflecting the corrected collateral classification is included in the response.

SDG&E will enhance its internal controls to further strengthen the accuracy of QCR reporting. This includes reinforcing a validation process to reconcile collateral classifications in Attachment B against executed confirmations prior to submission, supported by a secondary quality assurance review to verify key data elements and ensure consistency across regulatory filings and supporting documentation. In addition, SDG&E will conduct targeted training for Credit and regulatory reporting personnel to reinforce proper classification of collateral mechanisms and alignment with executed contractual terms.

For [REDACTED], SDG&E stated on June 2, 2026:

SDG&E acknowledges that the [REDACTED] supporting this [REDACTED] transaction was not appropriately reflected in Attachment B at the time of the data request response. An updated version of Attachment B has been provided to address this omission.

To prevent similar issues in the future, SDG&E will enhance its internal processes to ensure clear alignment between collateral requirements and invoiced payment obligations in regulatory reporting. These enhancements include implementing a formal reconciliation process to distinguish Performance Assurance requirements from transaction-level payment activity, and introducing a secondary quality assurance review to confirm consistency between contractual terms, amendments, and supporting documentation included in data request responses. In addition, SDG&E will provide targeted training to reinforce the proper classification and documentation of collateral and payment provisions in future QCR filings.

D. Strong Showing Justification

1. Inspected Attachment A 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.

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 #2: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E did not provide strong showing justification for the bilateral contract executed with [REDACTED] in Attachment M of the QCR filing.

SDG&E's Response to Finding #2:

On April 28, 2026, SDG&E stated:

Due to the [REDACTED] Contract Price for the Transaction, SDG&E inadvertently missed the need to provide a strong showing to the Commission pursuant to BPP Section II.A.4.i - Bilaterally Negotiated Contracts for Conventional Resources. SDG&E believes that because

the [REDACTED] will continue in the future, it will include its strong showing with these future transactions.

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 and Broker 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 and through broker 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 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 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 and broker 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 of the bilateral contract executed with [REDACTED] as [REDACTED], instead of [REDACTED] as [REDACTED]. This has been a repeat finding from prior AUP QCR engagements, as SDG&E has not consistently used the latest legally binding DocuSign signature date as the contract execution date.

SDG&E's Response to Finding #3:

On April 30, 2026, SDG&E stated:

SDG&E initially signed the agreement on [REDACTED], and then sent it to [REDACTED] for counter-signature. SDG&E received the signed agreement back from [REDACTED] on [REDACTED] and believed that this was the date [REDACTED] DocuSigned the agreement. To correct this inadvertent error, SDG&E will revise the effective date in its system and (has) revised the date in its Q4 2025 Attachment H and Attachment M, provided with this response to DR 006. For future reporting in the QCR SDG&E will continue to use the latest signing date in the agreement as the Effective Date.

UAB Comment:

This is a repeat finding from the prior AUP QCR engagements for the third quarter of 2025 (Q3 2025), for the second quarter of 2025 (Q2 2025), for the fourth quarter of 2024 (Q4 2024). SDG&E will need to ensure its corrective actions are implemented effectively to remediate this issue for its future QCR filings.

Finding #4: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E did not provide a copy of the bilateral contract executed with [REDACTED] in Attachment H of its QCR as required by CPUC.

SDG&E's Response to Finding #4:

On April 30, 2026, SDG&E stated:

The link to the attachment in the original Attachment H appears to have broken; SDG&E apologizes for the inadvertent error and attaches the 2026 [REDACTED].