APPLICATION 22-05-016
MOBILE HOME PARK PROGRAM
PERFORMANCE AUDIT

San Diego Gas and Electric Company

January 1, 2017, through December 31, 2021

Utility Audits, Risk and Compliance Division
Utility Audits Branch
July 27, 2026

MEMBERS OF THE TEAM

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

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STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
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Transmitted via e-mail

July 27, 2026

Tashonda Taylor
Vice President, Gas Operations & Construction Division
San Diego Gas and Electric Company
8326 Century Park Court, CP33B
San Diego, CA 92123

Dear Tashonda Taylor:

Final Report Transmittal Letter—Audit of San Diego Gas and Electric Company's Mobile Home Park Utility Upgrade Program for the Period of January 1, 2017, Through December 31, 2021

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of San Diego Gas and Electric Company's (SDG&E) Mobile Home Park Utility Upgrade Program for the period of January 1, 2017, through December 31, 2021. The final audit report is enclosed.

We issued the draft audit report on June 23, 2026. SDG&E's response to the draft audit report findings and our evaluation of the response are incorporated into this final report.

In addition, as outlined in General Order 66-D and the California Public Records Act (Government Code sections 6250-6276.48.), SDG&E requested confidential treatment of the Housing and Community Development Permit Numbers (HCD ID). As a result, the confidential HCD ID information contained in the final public report is redacted. We will post the final redacted audit report on our website at Audit Reports by Industry (ca.gov).

A Corrective Action Plan (CAP) addressing the findings and recommendations is required. SDG&E's response to the draft audit report included information on corrective actions planned. SDG&E should submit 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,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

cc: See next page

cc: Dan Skopec, Senior Vice President and Chief Regulatory Officer, SDG&E
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EXECUTIVE SUMMARY

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the Mobile Home Park (MHP) Utility Upgrade program expenditures, requested by San Diego Gas and Electric Company (SDG&E) in Application (A.) 22-05-016, for MHPs that are considered financially compete[1] during January 1, 2017, through December 31, 2021.

Our audit objectives for the SDG&E MHP program costs included in A.22-05-016 were:

1. To document how SDG&E determined MHP labor rates and costs.

2. To document the variance which SDG&E MHP labor wages differ from prevailing wages.

3. To determine whether MHP costs were properly reported, sufficiently supported, directly attributable to allowable activities, and in compliance with applicable PU Code sections, CPUC Decision (D.) 14-03-021, CPUC Resolutions E-4878 and E-4958, SDG&E policies and procedures, and other relevant criteria.

For audit objective 1, based on the procedures performed and evidence gathered, we documented how SDG&E determined MHP labor rates and costs as described in the Summary of Labor Rates and Costs section of this audit report.

For audit objective 2, based on the procedures performed and evidence gathered, we documented the variance in which SDG&E MHP labor wages differ from prevailing wages, as described in the Labor Rates: Variances with Prevailing Wages section of this audit report.

For audit objective 3, based on the procedures performed, samples tested, and evidence gathered, we determined that SDG&E's request for cost recovery for the audit period January 1, 2017, through December 31, 2021, included instances of misallocated and/or misclassified costs. These instances are quantified in the Summary Schedules of Audit Results and described in the Findings and Recommendations section of this audit report.

The audit findings are summarized as follows:

- **Finding 1: Overallocated Program Management Costs Totaling $1,210,291**
  SDG&E overallocated Program Management Costs totaling $1,210,291 to the MHP program resulting in overstated program management costs during the audit period.

- **Finding 2: Misclassified To-the-Meter (TTM) and Beyond-the-Meter (BTM) Contractor Costs Totaling $580,761**
  SDG&E incorrectly recorded and misclassified TTM and BTM contractor costs for four MHPs resulting in misstatements of energy type costs and cost categories as follows:

  - SDG&E recorded TTM costs to the incorrect energy type, resulting in an overstatement in the gas category by $16,257 and understatement in the electric category by the same amount for one MHP.

[1] MHPs are considered financially complete when project costs are recorded and any remaining costs not recorded are estimated to fall within five percent of total project costs.

    - SDG&E recorded BTM costs to the incorrect cost categories, resulting in misclassified cost totaling $564,504 for three MHPs.

- **Finding 3: Misallocated Program Management Cost to Gas Instead of Electric Totaling $240,367**
  SDG&E incorrectly allocated Program Management Cost totaling $240,367 to gas conversion for one MHP project where it only converted the electric portion.

We issued a draft report on June 23, 2026. SDG&E responded by letter dated July 8, 2026, agreeing with the findings, correcting a typographical error, and requesting revisions to the Cause element of the findings. SDG&E's response is included in this final report as an attachment in Appendix A—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix B—UAB's Evaluation of Utility's Response.

AUDIT REPORT

Background

General Rate Case (GRC)
GRCs are proceedings used to address the costs of operating and maintaining the utility system and the allocation of those costs in customer rates among different customer classes. The utility companies file applications to seek authorization or relief (e.g., authorization to increase rates or budgets, interim rate relief, etc.). The utility companies periodically submit applications to CPUC requesting to collect a certain amount of revenue from its customers. CPUC approves the utility companies' revenue requirements, which is the amount that each utility company can collect from its customers. The revenue requirement is based on the cost of operating, maintaining, and financing the infrastructure used to run the utility company, and the cost of its procured fuel and power.

On May 16, 2022, SDG&E filed its 2024 test year GRC for rates to become effective January 1, 2024 (A.22-05-016). SDG&E presented its operations and maintenance and capital expenditures incurred in executing the ongoing MHP program in this application. CPUC's D.24-12-074, issued on December 23, 2024, granted recovery of half the requested capital expenditure amounting to $83.4 million (after a $25.3 million reduction) and total operations and maintenance expenditures amounting to $3.5 million. The decision stated that SDG&E may seek recovery of its other half of capital expenditure by filing an application for cost recovery after the completion of this audit.

Mobile Home Park Utility Upgrade Program
CPUC initiated the MHP program to address public safety and service reliability concerns by upgrading aging gas and electric distribution systems in MHPs and manufactured housing communities. In D.14-03-021, CPUC launched a three-year pilot program that allowed California's investor-owned utilities to convert 10 percent of master-metered MHP spaces within their territories to direct utility service. As a result of the program's success, it has been extended multiple times and in 2020, CPUC adopted a permanent MHP program. The MHP program has two components for conversion from master-meters to direct utility service, as follows:

- TTM utility facilities include all infrastructure and substructures necessary to complete the distribution and service line extensions up to and including the individual meter and will be owned and operated by the certificated utility.

- BTM utility facilities include all infrastructure and substructures necessary to complete the extension of facilities from the electric meter pedestal or gas riser to the point of connection on the mobile home and will be owned and maintained by the MHP owner.

A.22-05-016 2024 Test Year GRC, MHP
On May 16, 2022, SDG&E filed A.22-05-16, which included a request to recover $195,755,450 of MHP program costs incurred on financially complete projects from January 1, 2017, through December 31, 2021. During the course of the audit, SDG&E revised its total request to $189,906,607, as outlined in the table below:

MHP Program Costs During January 1, 2017, through December 31, 2021

Cost Categories	Requested Costs in A.22-05-016[2]	SDG&E Adjustments	Revised Amounts[3] Requested
To-the-Meter Contractor Costs			
Civil / Trenching	$ 86,450,142	$ (4,380,997)	$ 82,069,145
Gas System			
Labor			
Material / Structures	7,795,978	(494,016)	7,301,962
Program Management Costs			
Program Management Costs	9,321,516	500,888	9,822,404
Outreach	1,843,126	(175,423)	1,667,703
Construction Management	17,151,936	3,340,072	20,492,008
Other To-the-Meter Costs			
Labor	391,188	(3,601)	387,587
Non-Labor	20,462,820	(1,408,406)	19,054,414
Property Taxes	861,080	(30,196)	830,884
AFUDC [(a)]	2,925,263	(63,863)	2,861,400
Subtotal To-the Meter Costs	**147,203,049**	**(2,715,542)**	**144,487,507**
Beyond-the-Meter Contractor Costs			
Civil / Trenching	1,190,757	(24,760)	1,165,997
Gas/Electric System		-	
Labor	19,653,697	4,426,136	24,079,833
Material / Structures	11,762,575	2,998,516	14,761,091
Other	15,945,372	(10,533,193)	5,412,179
Subtotal Beyond-the Meter Costs	**48,552,401**	**(3,133,301)**	**45,419,100**
Total Program Costs	**$ 195,755,450**	**$ (5,848,843)**	**$ 189,906,607**

[(a)] Allowance for Funds Used During Construction

<u>SDG&E's Explanation of Adjustments</u>
Revision excludes costs already recovered in the 2019 GRC Reasonableness Review.

During the audit, we audited the revised program costs totaling $189,906,607. During the period, January 1, 2017, through December 31, 2021, SDG&E converted 51 MHPs to direct utility service.

[2] Table LPK-74 in Exhibit SDG&E-04-R in A.22-05-016
[3] SDG&E's Response to Audit Data Request dated September 25, 2025

Audit Authority

UAB conducted this audit under the general authority outlined in PU Code sections 314.5, 314.6, 581, 582, and 584. Furthermore, on December 23, 2024, CPUC issued D.24-12-074 requesting UAB to conduct an audit of the MHP program costs, outlined in SDG&E's A.22-05-016.

Objectives and Scope

Our audit objectives for the SDG&E MHP program costs included in A.22-05-016 were:

1. To document how SDG&E determined MHP labor rates and costs.

2. To document the variance which SDG&E MHP labor wages differ from prevailing wages.

3. To determine whether MHP costs were properly reported, sufficiently supported, directly attributable to allowable activities, and in compliance with applicable PU Code sections, CPUC D.14-03-021, CPUC Resolutions E-4878 and E-4958, SDG&E's policies and procedures, and other relevant criteria.

The scope of our audit covered MHPs considered financially completed during January 1, 2017, through December 31, 2021.

Methodology

In planning our audit, we gained an understanding of MHP program activities and SDG&E program operations and identified relevant criteria by reviewing applicable PU Code sections, MHP annual reports, CPUC decisions, resolutions, orders, rulemakings, directives, advice letters, and interviewing SDG&E's personnel.

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

Additionally, we assessed the reliability of the data extracted from SDG&E's accounting 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 objectives.

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

- Reviewed applicable CPUC decisions, resolutions, advice letters, proceedings, and testimonies to gain an understanding of the MHP program.

- Reviewed SDG&E's accounting system, accounting policies, processes and procedures for tracking, monitoring, and recording program costs.

- Reviewed and reconciled expenditures recorded in SDG&E's accounting system to the balances reported in SDG&E's revised LPK-74 for accuracy and completeness.

- Assessed significance by performing analysis of expenditure data and evaluating program requirements.

- Reviewed SDG&E's internal control policies and procedures related to the administration of the MHP program.

- Reviewed the following prior audit reports and determined that the audits were not relevant to our audit objectives and, therefore, no further review was performed for:

    - UAB's examination of SDG&E's Energy Efficiency Program for the period January 1, 2017, through December 31, 2017, that was issued on August 5, 2019.

    - UAB's performance audit of SDG&E's Energy Efficiency Program for the period January 1, 2018, through December 31, 2018, that was issued on August 11, 2020.

    - State Controller's Office's prior audit of SDG&E's Affiliate Transaction Rules for the period January 1, 2016, through December 31, 2017, that was issued on April 28, 2021.

    - UAB's performance audit of SDG&E's Energy Efficiency Program for the period January 1, 2020, through December 31, 2020, that was issued on October 4, 2021.

    - UAB's performance audit of SDG&E's Balancing Accounts for the period January 1, 2018, through December 31, 2018, that was issued on December 20, 2021.

    - UAB's performance audit of SDG&E's Energy Savings Assistance Program for the period January 1, 2019, through December 31, 2021, that was issued on February 16, 2023.

    - UAB's performance audit of SDG&E's Affiliate Transaction Rules for the period January 1, 2020, through December 31, 2021, that was issued on December 5, 2024.

    - UAB's performance audit of SDG&E's Balancing Accounts for the period January 1, 2023, through December 31, 2023, that issued on June 13, 2025.

- Obtained an understanding of SDG&E's key internal controls relevant to the MHP program, such as contract procurement process, program and project management, expenditure review, approval, and monitoring process, classifying, recording, and reporting of program expenditure, and assessed the design, implementation, and operating effectiveness of selected controls that are significant to the audit objectives by:

    - interviewing key personnel and administering an internal control questionnaire;

    - reviewing SDG&E's policies and procedures, and assessing their implementation pertaining to contract procurement, accounting, recording, and reporting of expenditure data;

    - verifying SDG&E's methodology for recruiting and compensating employees assigned to the MHP program;

    - performing and participating in walkthroughs of selected transactions to gain an understanding of SDG&E's process in classifying and recording program costs; and
    - tracing selected transactions to source documents to verify accuracy.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.

To address audit objective 1 and document how SDG&E determined its labor rates and costs, we:

- Reviewed SDG&E's Revised Prepared Direct Testimony dated August 2022, Revised Table LPK – 74, MHP annual reports covering 2017 through 2021, and the Line-Item Detail Report, to identify the type of labor costs that are included in the MHP program costs reported in A.22-05-016.
- Obtained an understanding of how labor rates were determined by:
    - inquiring with SDG&E's personnel regarding how salaries and wages were determined;
    - analyzing TTM bids, agreements and contractor invoices for 19 out of 51 MHPs financially completed during the period;
    - examining BTM agreements and invoices for 18 out of 51 MHPs financially completed during the period; and
    - reviewing SDG&E's market-based job-levelling analysis for non-represented employees and collective bargaining agreements (CBA) for represented employees.
- Confirmed with SDG&E that our assessment of the labor rates methodology documented in this report is accurate.

To address audit objective 2 and document the variance in which SDG&E's MHP labor wages differ from prevailing wages, we:

- Reviewed applicable California Labor Code sections, resources provide by California Department of Industrial Relations (DIR) and inquired with DIR personnel to obtain an understanding of California's prevailing wage requirements.
- Evaluated whether each category of labor included in SDG&E's MHP program costs is subject to prevailing wage requirements by assessing whether the associated job functions align with comparable prevailing wage crafts and classifications.
- Analyzed SDG&E's contractor compensation methods by:
    - evaluating TTM contractor bids and agreements and contractor invoices for 19 out of 51 MHPs completed during 2017 through 2021; and
    - reviewing BTM agreements and invoices for 18 out of 51 MHPs completed during 2017 through 2021.

- Assessed whether SDG&E's contractor compensation methods are comparable to applicable prevailing wage rates issued by DIR.

- Confirmed with SDG&E that our assessment of the prevailing wage comparison as it relates to objective 2 documented in this report is accurate.

To address audit objective 3 and to determine whether MHP costs were properly reported, sufficiently supported, directly attributable to allowable activities, and in compliance with applicable criteria, we:

- Performed testing of TTM program expenditures by judgmentally selecting a non-statistical sample of significant transactions totaling $18,575,604 of $144,487,507 or 13 percent, as follows:

Cost Categories	Total Expenditures Tested	Total Expenditures Recorded in 2017-2021	Percent Tested
To-the Meter Contractor Costs			
Civil/Trenching	$ 12,076,932	$ 82,069,145	15%
Material/Structures	1,177,484	7,301,962	16%
Program Management Cost	4,304,697	31,982,115	13%
Other To-the-Meter Costs			
Labor	-	387,587	0%
Non-Labor	1,016,491	19,054,414	5%
Property Taxes	-	830,884	0%
AFUDC	-	2,861,400	0%
Subtotal To-the Meter Costs	**$ 18,575,604**	**$ 144,487,507**	13%

Note: For the selected samples, errors found, if any, were not projected to the total population.

- For the selected samples, traced expenditures recorded in SDG&E's accounting records to supporting documentation and determined whether costs were accurate, attributable to allowable activities, supported by appropriate source documents, and incurred in compliance with applicable criteria by:
    - validating selected TTM Contractor costs and Other TTM costs by:
        - tracing expenditures to invoices to ensure the expenditures were (1) coded and recorded to the correct energy type and cost categories, (2) agreed to the invoice amounts, and (3) calculated accurately;
        - confirming expenditures were attributable to allowable activities and supported by appropriate source documents, such as detailed invoices, agreements/contracts, etc., and the number of converted spaces shown on the invoice agreed with the applicable MHP agreement;

        - confirming payments were made for the expenditures, amounts agreed to supporting invoices, and the appropriate vendors were identified in the respective contracts;

        - verifying that expenditures were incurred during the audit period; and

        - corroborating that the activity was completed as claimed for one MHP project by performing a site visit to physically observe the nature of items installed and verify whether work was completed.

    - validating selected Program Management Cost by:

        - comparing employee salary and wage rates to SDG&E's salary range to confirm that expenditures were supported and in compliance with SDG&E's pay scales; and

        - verifying that selected employees were assigned to the MHP program.

- Verified Program Management Costs were properly supported and allocated to the MHP program by:

    - reviewing SDG&E's internal decision on how to implement CPUC's request to report program cost on per space basis documented in "MHPUUP Program Decision: Administrative Cost Allocation" and interviewing SDG&E's personnel regarding its methodology for allocating administrative and Program Management Costs to specific MHPs;

    - reconciling the Program Management Costs transferred out of the unallocated internal orders to SDG&E's Line-Item Detail Reports for the MHP program for completeness; and

    - assessing SDG&E's administrative cost allocation (ACA) calculations to verify whether methodology for allocating costs is supported by its calculations.

- Performed testing of BTM expenditures, by judgmentally selecting a non-statistical sample of significant transactions totaling $8,052,967 of $45,419,100, or 18 percent of the total recorded expenses for years 2017 through 2021, as follows:

Cost Categories		Total Expenditures Tested		Total Expenditures Recorded in 2017-2021	Percent Tested
Beyond-the-Meter Contractor Costs					
Civil/Trenching	$	159,013	$	1,165,997	14%
Labor		3,968,683		24,079,833	16%
Material / Structures		2,818,670		14,761,091	19%
Other		1,106,601		5,412,179	20%
Subtotal Beyond-the Meter Costs	**$**	**8,052,967**	**$**	**45,419,100**	18%

Note: For the selected samples, errors found, if any, were not projected to the total population.

- For the selected BTM samples, traced expenditures recorded in SDG&E's accounting records to supporting documentation and determined whether costs were accurate, attributable to MHP allowable activities, supported by appropriate source documents, and incurred in compliance with applicable criteria by:

  - tracing expenditures to invoices to ensure the expenditures were (1) coded and recorded to the correct categories, (2) agreed to the invoice amounts, and (3) calculated accurately;

  - confirming expenditures were for allowable activities and supported by appropriate source documents, such as detailed invoices, agreements/contracts, etc. to confirm the expenditure was for an authorized activity;

  - confirming payment was made for the expenditure and the amount agreed to the invoice and number of converted spaces shown on the invoice agreed with the MHP agreement;

  - verifying that expenditures were incurred on or before December 31, 2021, for MHPs considered financially complete in 2021; and

  - corroborating that the activity was completed, for a subset of samples by reviewing inspection reports from California Department of Housing and Community Development (HCD) that showed that converted spaces passed inspection for 13 MHPs.

- Recalculated SDG&E's total MHP program cost recovery amount utilizing audited data.

We did not audit SDG&E's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that SDG&E reported, incurred, and supported its MHP costs in accordance with applicable criteria. We considered SDG&E's internal controls only to the extent necessary to plan the audit and achieve our audit objectives.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Conclusion

For audit objective 1, based on the procedures performed and evidence gathered, we documented how SDG&E determined MHP labor rates and costs as described in the Summary of Labor Rates and Costs section of this audit report.

For audit objective 2, based on the procedures performed and evidence gathered, we documented the results in determining the variance in which SDG&E MHP labor wages differ from prevailing wages, as described in the Labor Rates: Variances with Prevailing Wages section of this audit report.

For audit objective 3, based on the procedures performed, samples tested, and evidence gathered, we determined that SDG&E's request for cost recovery for the audit period January 1, 2017, through December 31, 2021, included instances of misallocated and/or misclassified costs. These instances are quantified in the Summary Schedules of Audit Results and described in the Findings and Recommendations section of this audit report.

Follow-up on Prior Audit Finding

We have not previously conducted an audit of SDG&E's MHP program. Furthermore, SDG&E did not identify any prior engagements that are significant within the context of our audit objectives that would require us to determine if appropriate corrective actions have been taken to address the findings and recommendations.

Views of Responsible Officials

We issued a draft report on June 23, 2026. SDG&E responded by letter dated July 8, 2026, agreeing with the findings, correcting a typographical error, and requesting revisions to the Cause element of the findings. SDG&E's response is included in this final report as an attachment in Appendix A—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix B—UAB's Evaluation of Utility's Response.

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 (ca.gov)].

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

SUMMARY OF LABOR RATES AND COSTS

For audit objective 1, based on the procedures performed and evidence gathered, we noted the following cost categories within the reported MHP program costs included labor costs:

- TTM Contractor Costs
- Program Management Costs
- Other TTM Costs – Labor
- BTM Contractor Costs – Labor

The table below summarizes how SDG&E determined MHP labor rates and costs for each of the four cost categories identified above:

Cost Category	Determination of Labor Rates and Cost
TTM Contractor Costs	TTM Contractor Costs include expenses for TTM construction activities such as trenching, paving, and installation of services and main performed by TTM contractors. **Fixed-Bid Contracts:** SDG&E primarily awarded its MHP TTM contractors on a fixed-bid basis to complete each project, agreed upon as a lump sum. The agreed lump sum for each MHP project covered labor, equipment, materials, contractor margin, etc., required to complete the job for the fixed-bid contracts. Contractor invoices were based on percentage of completion by specified milestones and did not separately itemize labor costs. **Field Extra Work Authorization (FEWA)**: SDG&E uses FEWA to document and approve changes or additions to the original scope of work. FEWAs that impact costs are based on time and equipment rates, which cover labor, material, and equipment needed to complete the work. SDG&E categorizes all TTM contractor costs as Civil/Trenching for gas and electric work.
Program Management Costs	Program Management Costs include costs for administrating the MHP program. These costs consist of salaries and wages for Program Management Office, Outreach, and Construction Management teams, for represented and non-represented employees. Labor costs for employees can be considered as follows: • Fully dedicated employees charged 100 percent of labor to the MHP program; • Partially dedicated employees (employees shared between SDG&E and Southern California Gas Company (SoCalGas) through August 2021) were split 50 percent between SDG&E and SoCalGas; and

	• Intermittent support employees charged actual time spent supporting the MHP program directly to specific projects supported. **Non-Represented Employees** SDG&E determined salary ranges for non-represented employee classifications based on market-based job-levelling analyses from industry surveys. **Represented Employees** SDG&E determined hourly wage rates for represented employees based on hourly wage rates included in CBA between SDG&E and the union representing the employees. **Administrative Costs Allocation** Using a per-space cost allocation method, SDG&E distributes Program Management Costs to individual MHPs based on the MHP's actual or permit-to-operate (PTO) space count. For parks that utilize only a single fuel type, only the costs associated with that specific fuel type under the unallocated ACA orders were processed and transferred.
Other TTM Cost - Labor	Other TTM costs include salaries and wages of SDG&E's non-represented or represented employees that provided project-specific support. Duties include, but not limited to, setting meters and turning on gas and electric service, purging the legacy system, master meter removals, and the procurement and warehousing of materials. **Non-Represented Employees** SDG&E determined salary ranges for non-represented employee classifications based on market-based job-levelling analyses from industry surveys. **Represented Employees** SDG&E determined hourly wage rates for represented employees based on hourly wage rates included in CBA between SDG&E and the union representing the employees.
BTM Contractor Costs – Labor	BTM contractor labor costs cover all work required to install gas and/or electric line extensions from the existing mobile home gas and/or electric connection points to the new gas and/or electric meter locations. BTM contractors charged either a per space or flat rate for labor. MHP owners sourced, awarded, and agreed on labor costs with BTM contractors for BTM work. SDG&E's role in relation to BTM contract awards was limited to reasonableness review of the bids MHP owners submitted for BTM work.

LABOR RATES: VARIANCE WITH PREVAILING WAGES

For audit objective 2, based on the procedures performed, and evidence gathered, we documented the results in determining the variance in which SDG&E MHP labor wages differ from prevailing wages.

We reviewed the prevailing wage requirement established by DIR. California's prevailing wage law requires that workers on public works projects funded in whole or in part by public funds be paid at least the locally prevailing wage rates set by DIR. DIR prevailing wages schedules specify basic hourly rates, plus fringe benefits, for workers in specific construction-related crafts and classifications, based on location.

Prevailing wage as defined in the California Labor Code Section 1771, states, in part, that:

> Except for public works projects of one thousand dollars ($1,000) or less, not less than the general prevailing rate, shall be paid to all workers employed on public works.

Public works as defined in the California Labor Code Section 1720, states, in part, that:

> (a) As used in this chapter, "public works" means all of the following:
>
> (1) Construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds, except work done directly by a public utility company pursuant to order of the Public Utilities Commission or other public authority.

CPUC issued D.14-03-021 established the MHP program, authorizing utilities to convert mobile home park spaces within its operating territory to direct utility service. Subsequently, D.20-04-004 made the program permanent. SDG&E converted MHP spaces pursuant to CPUC's D.14-03-021.

Based on the above definitions, we believe that the MHP program is excluded from prevailing wage requirements during the audit period because SDG&E is a public utility company and the MHP projects are not considered public works.

Although the MHP program is not subject to prevailing wage requirements, to compare the labor wages and labor rates that SDG&E paid these contractors with prevailing wage rates established by DIR, we reviewed:

- TTM contractor agreements, work authorizations and invoices for 19 MHPs; and
- BTM agreements and invoices for 18 MHPs.

We found that SDG&E compensates TTM contractors using an all-inclusive fixed amount as detailed in the Summary of Labor Costs and Rates Section of this audit report. Similarly, we found SDG&E compensates BTM contractors using a flat labor rate or per BTM space converted. These compensation methods do not identify or itemize the actual hourly wage rates paid by the contractors to their crew for performing hands-on construction work. Therefore, we are unable to determine a variance because the contractors' compensation methods do not disclose hourly wage rates necessary to directly compare their compensation to DIR prevailing wages.

Furthermore, based on our discussions with SDG&E personnel and review of SDG&E's agreements and invoices for TTM and BTM contractors, we noted that costs vary for several reasons, including, but not limited to:

- Differences in scope of work and project complexity.
- Variations in the condition and age of asphalt or concrete surfaces and presence of structural elements.
- Limited working space beneath or around homes, along with challenging subsurface conditions (e.g., hard digging not covered under standard provisions), resulted in increased construction complexity.
- Fluctuations in service demand, availability, and material costs, etc.
- Unforeseen conditions that require additional time/compensation.

FINDINGS AND RECOMMENDATIONS

Finding 1: Overallocated Program Management Costs Totaling $1,210,291

Condition:
SDG&E overallocated Program Management Costs totaling $1,210,291 to the MHP program resulting in an overstatement of program management cost for the audit period.

During our reconciliation of expenditures, SDG&E discovered a net overallocation of program management costs totaling $1,210,291 to the MHP program during the period. The net overallocation, which resulted from various instances of over and under allocation of costs occurred during the pilot, bridge, and continuation phases of the MHP program, causing overstatement of program expenditures in the same amount. SDG&E attributed the overallocation to the use of estimates for its ACA and untimely ACA calculation and application.

During our on-site visit in February of 2026, SDG&E stated that it has recorded journal entries to correct the overallocated ACA on December 30, 2025. We obtained supporting evidence and verified that correcting journal entries have been recorded.

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

SDG&E's MHPUUP Program Decision: (Administrative Cost Allocation) policy states, in part, that:

> For both SoCalGas and SDG&E, the allocation cadence is on a monthly basis upon TTM completion; space count estimates are either actual (including common areas) or PTO only if we have not yet reconciled the final construction package.

Cause:
SDG&E lacks adequate oversight and monitoring process to ensure that it consistently complies with its internal policy requiring monthly completion of its ACA.

Effect:
Misallocated costs in SDG&E's request for cost recovery leads to inaccurate representation of the costs requested for recovery. It is imperative that the costs requested for recovery are properly reviewed to ensure the accuracy of the costs that are recoverable from ratepayers. Properly recording and reporting program expenditures is essential to ensuring transparency and supporting decision-makers in evaluating the performance of the MHP program.

Recommendations:
SDG&E should:

- reduce its request for recovery amount for the audit period by $1,210,291;
- review and strengthen its oversight and monitoring procedures over expenditures and program activities; and
- comply with its internal ACA policy to ensure allocations are completed timely and accurately.

Finding 2: Misclassified TTM and BTM Contractor Costs Totaling $580,761

Condition

SDG&E incorrectly recorded and misclassified a total of $580,761 of TTM ($16,257) and BTM ($564,504) contractor costs by recording the expenditures in incorrect cost categories and energy types.

Although the misclassifications do not impact SDG&E's total MHP expenditures eligible for recovery, it reduces the comparability of program costs by energy type and cost category, limiting decision makers' ability to effectively evaluate MHP program performance across projects and utility companies.

Specifically, our review of TTM and BTM costs selected for testing disclosed the following misclassifications:

- SDG&E misclassified TTM cost totaling $16,257 by recording the cost in the incorrect energy type. As a result, SDG&E overstated its TTM gas expenditures by $16,257 and understated its TTM electric expenditures by the same amount for 1 out of 19 sampled MHPs.

- SDG&E misclassified recorded BTM costs to the wrong cost categories for 3 out of 18 sampled MHPs as follows:

HCD ID	Total Misclassified Costs	BTM Cost Category Overstated/ (Understated)		
		Material	Labor	Other
[redacted]	$ 4,460	$ (2,110)	$ (2,350)	$ 4,460
[redacted]	376,330	(148,672)	(227,658)	376,330
[redacted]	183,714	183,714	(183,714)	-
Total	**$ 564,504**	**$ 32,932**	**$ (413,722)**	**$ 380,790**

Criteria:

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

SDG&E's Approving Rejecting Invoice Payment Request Workbook, states, in part, that:

> An approver must review and verify that all information on the invoice is accurate.

Cause:

SDG&E lacks adequate oversight and monitoring process to ensure invoice reviewers comply with internal protocols and verify that TTM and BTM contractor expenditures are accurately recorded in the appropriate cost categories and energy types.

Effect:

Inaccurate recording and reporting of costs results in inaccurate representation of the costs requested for recovery. Accurate recording and reporting of program expenditures is essential to ensuring transparency and supporting decision-makers in evaluating the performance of each MHP project.

Recommendations:

SDG&E should strengthen its oversight and monitoring process to ensure its invoice reviewers comply with internal protocols and verify that TTM and BTM expenditures are accurately recorded in the correct energy type and cost category, so that SDG&E is able to prevent, detect, and correct any potential misclassifications of costs.

Finding 3: Misallocated Program Management Cost to Gas Instead of Electric Totaling $240,367

Condition:
SDG&E incorrectly allocated Program Management Costs totaling $240,367 to gas conversion in one MHP where it converted only the electric portion for one MHP. Although the misclassifications do not impact SDG&E's total MHP expenditures eligible for recovery, it distorts the project-level cost data that decision makers rely on to assess the performance of individual projects and make well-informed decisions.

During our review of ACA calculations, we noticed that SDG&E allocated Program Management Costs totaling $240,367 to HCD-ID [redacted] as cost for gas conversion whereas the supporting records showed that SDG&E was only responsible for converting the electric portion of the MHP. As this was a jointly sponsored project with SoCalGas, SDG&E should have allocated the Program Management Costs to electric only.

Criteria:
PU Code sections 581, 582, and 584 require that the utility company provides timely, complete, and accurate data to CPUC.

Sempra's General Ledger Journal Entry Transaction Policy used by SDG&E, states, in part, that:

> All journal entries require review and approval by someone other than the preparer who is at least at the Senior Accountant or equivalent level. The review and approval of the journal entry must also be clearly documented.
>
> When documenting the review and approval of a journal entry, the reviewer and approver are acknowledging that they have reviewed and approved the entry and the applicable attached supporting documentation.

Cause:
SDG&E lacks adequate oversight and monitoring process to ensure it complies with its internal review procedures for verification and approval of journal entries and Program Management Cost allocations.

Effect:
Misallocated costs in SDG&E's request for cost recovery leads to inaccurate representation of the costs requested for recovery. Accurate recording and reporting of program expenditures is essential to ensuring transparency and supporting decision-makers in evaluating the performance of each MHP project.

Recommendation:
SDG&E should strengthen its oversight and monitoring process to ensure it complies with its internal review procedures for verification and approval of journal entries and Program Management Cost allocations, so that SDG&E is able to prevent, detect, and correct any potential misallocations of costs.

SUMMARY SCHEDULES OF AUDIT RESULTS

Table 1: Summary of Request with Audit Adjustments

Cost Categories	Revised Program Costs Reported	Audit Adjustment			Finding Reference
		Mis-statements	Mis-classifications	Total	
To-the-Meter Contractor Costs					
Civil / Trenching	$ 82,069,145	$ -	$ -	$ -	
Gas System					
Labor	-	-	-	-	
Material / Structures	7,301,962	-	-	-	
Program Management Costs					
Program Management Costs	9,822,404	(1,210,291)	-	(1,210,291)	Finding 1
Outreach	1,667,703	-	-	-	
Construction Management	20,492,008	-	-	-	
Other To-the-Meter Costs					
Labor	387,587	-	-		
Non-Labor	19,054,414	-	-		
Property Taxes	830,884	-	-		
AFUDC	2,861,400	-	-		
Subtotal To-the Meter Costs	**144,487,507**	**(1,210,291)**	**-**	**(1,210,291)**	
Beyond-the-Meter Contractor Costs					
Civil / Trenching	1,165,997	-	-		
Gas/Electric System					
Labor	24,079,833	-	413,722	413,722	Finding 2
Material / Structures	14,761,091	-	(32,932)	(32,932)	Finding 2
Other	5,412,179	-	(380,790)	(380,790)	Finding 2
Subtotal Beyond-the Meter Costs	**45,419,100**	-	-	-	
Total Costs	**$ 189,906,607**	**$ (1,210,291)**	**$ -**	**$ (1,210,291)**	

Table 2: Summary of Request with Audit Adjustments by Energy Type

Cost Categories	Revised Reported		Audit Adjustment			Finding Reference
	Gas	Electric	Gas	Electric	Total	
To-the-Meter Contractor Costs						
Civil / Trenching	$47,566,492	$34,502,653	$ (16,257)	$ 16,257	$ -	Finding 2
Gas System						
Labor	-	-	-	-	-	
Material / Structures	2,900,959	4,401,003	-	-	-	
Program Management Costs						
Program Management Costs	4,781,429	5,040,975	(240,367)	240,367	-	Finding 3
Outreach	818,809	848,894	-	-	-	
Construction Management	9,799,711	10,692,297	-	-	-	
Other To-the-Meter Costs						
Labor	223,245	164,342	-	-		
Non-Labor	7,339,977	11,714,437	-	-		
Property Taxes	374,585	456,299	-	-		
AFUDC	1,163,219	1,698,181	-	-		
Subtotal To-the Meter Costs	**74,968,426**	**69,519,081**	**(256,624)**	**256,624**	**-**	
Beyond-the-Meter Contractor Costs						
Civil / Trenching	897,206	268,791	-	-	-	
Gas/Electric System						
Labor	11,329,486	12,750,347	-	-	-	
Material / Structures	4,309,551	10,451,540	-	-	-	
Other	1,986,678	3,425,501	-	-	-	
Subtotal Beyond-the Meter Costs	**18,522,921**	**26,896,179**	-	-	-	
Total Costs	**$ 93,491,347**	**$ 96,415,260**	**$ (256,624)**	**$ 256,624**	**$ -**	

APPENDIX A—UTILITY'S RESPONSE TO DRAFT AUDIT REPORT

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July 8, 2026

Angie Williams
Director, Utility Audits Branch
California Public Utilities Commission
Utility Audits, Risk and Compliance Division
400 R Street, Suite 221
Sacramento, CA 95811

Re: SDG&E Comments to the Draft Report of the Audit of SDG&E's Mobile Home Park Utility Upgrade Program for the Billing Period of January 1, 2017 through December 31, 2021

Dear Ms. Williams:

San Diego Gas & Electric Company (SDG&E or Company) appreciates the opportunity to review and comment on the Draft Audit Report prepared by the Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC or Commission) regarding the Mobile Home Park (MHP) Program for the period of January 1, 2017, through December 31, 2021. SDG&E maintained a proactive and highly collaborative approach throughout the audit process, consistently providing timely responses, complete documentation, and open engagement with the audit team. Through ongoing self-assessment and oversight, SDG&E independently identified and addressed a number of matters during the audit, including implementing corrective actions where warranted, reflecting its strong culture of accountability and continuous improvement.

The MHP Program was first established by the Commission in D.14-03-021 as a three-year pilot program to address public safety and service reliability concerns by upgrading aging gas and electric distribution systems in mobile home parks and manufactured housing communities. Following an evaluation of the pilot program, the MHP Program was extended, including in D.20-04-004, which approved a ten-year MHP Program that will run through 2030. As of December 31, 2025, SDG&E has converted 92 mobile home parks. This audit covered the period of 2017 through 2021, which includes the period covering the pilot program and part of the extended MHP Program, during which time SDG&E converted approximately 51 mobile home parks.

SDG&E appreciates the UAB's efforts in conducting the audit and preparing the Draft Audit Report. Throughout the development and implementation of the MHP Program, from the pilot phase through full program execution, SDG&E has remained committed to identifying and implementing process improvements to enhance program administration and oversight. SDG&E views the audit observations as a valuable opportunity to further strengthen existing controls and processes through its continuous improvement framework and appreciates the UAB's recommendations, particularly those related to cost allocation, cost classification, and accounting accuracy.

The Draft Audit Report provides valuable observations that SDG&E has used to evaluate opportunities for enhancing existing business processes and internal controls. In reviewing Findings 1 through 3, SDG&E recognizes that the observations generally relate to opportunities to improve the consistency, accuracy, and effectiveness of accounting, reporting, financial tracking, and program administration activities. While processes, procedures, and control mechanisms were established and operating throughout the audit period, the findings indicate areas where implementation and execution could be further strengthened. SDG&E welcomes this feedback as part of its ongoing commitment to continuous improvement and has implemented enhancements to improve oversight, strengthen controls, and support more consistent program execution, with ongoing review and refinement to promote continued effectiveness.

While SDG&E agrees with the findings and appreciates the opportunities for continued improvement identified in the Report, the Company respectfully notes that many of the underlying conditions originated during the program's pilot and early implementation phases. Since that time, SDG&E has strengthened the application and execution of established processes through enhancements to program controls, oversight, governance, and ongoing process improvements. As a result, SDG&E believes the findings reflect opportunities to further enhance the effectiveness and consistency of existing processes and controls, rather than the absence of such controls.

SDG&E intends to seek recovery of the remaining $83.4 million in Mobilehome Park Utility Upgrade Program costs currently withheld from recovery through a future filing with the Commission. In addition, SDG&E maintains its position that the approximately $25.3 million identified for disallowance remains subject to Commission review and is not foreclosed from recovery. Consistent with applicable Commission processes, SDG&E intends to present support for recovery of these costs in its future filing and respectfully reserves all rights regarding the recovery treatment of both the withheld and disallowed amounts.

<u>**Discussion**</u>

Finding 1 – Overallocated Program Management Costs Totaling $1,210,291

SDG&E identified a net overallocation of $1,210,291 in Program Management Costs to the MHP program, leading to an equivalent overstatement of program expenditures during the audit period. The issue resulted from a mix of over- and under-allocations across the pilot, bridge, and continuation phases, driven by reliance on estimated administrative cost allocation (ACA) values and delays in calculating and applying those costs. SDG&E identified and remediated the ACA overallocation through correcting journal entries recorded on December 30, 2025. Supporting documentation was provided to substantiate the corrective actions taken and to demonstrate that the necessary accounting adjustments had been properly recorded.

SDG&E Response

SDG&E agrees with the finding and recognizes the importance of maintaining effective oversight and monitoring processes to support the timely and accurate completion of Account Classification Analyses (ACAs). As noted in the Draft Audit Report, SDG&E identified the allocation issue and recorded corrective journal entries on December 30, 2025, to address the over-allocation. Supporting documentation was provided during the audit, demonstrating that the necessary accounting corrections had been implemented.

SDG&E respectfully notes that the financial impact associated with this matter has already been reflected in the Company's records and is incorporated into SDG&E's Reasonableness Review filing submitted as part of the 2028 General Rate Case, covering costs incurred during the 2022–2025 period. As a result, the identified overallocation has already been corrected and is reflected in the totality of SDG&E's presented costs.

Accordingly, while SDG&E supports the recommendations to continue strengthening oversight, monitoring, and compliance with established ACA processes, SDG&E does not agree that an additional reduction of $1,210,291 to its cost recovery request for the audit period is warranted. Applying a reduction in the audit proceeding for amounts that have already been corrected and reflected in SDG&E's subsequent reasonableness review filing would result in duplicative treatment of the same costs and could understate the Company's recoverable program expenditures. Therefore, SDG&E believes the corrective actions already taken appropriately address the identified issue while avoiding a double reduction of costs.

Finding 2 – Misclassified TTM and BTM Contractor Costs Totaling $580,761

SDG&E misclassified $580,761 in contractor costs, including $16,257 in to-the-meter (TTM) work and $564,504 in behind-the-meter (BTM) work, by assigning them to incorrect cost categories and energy types. While this did not affect the total amount eligible for recovery, the errors reduce transparency by making it more difficult to compare TTM infrastructure costs (utility-side work up to the meter) with BTM costs (customer-side work beyond the meter), limiting consistent evaluation of program performance across projects and utilities.

SDG&E Response

SDG&E agrees with the finding and acknowledges the importance of maintaining effective oversight and monitoring processes to support the accurate classification and reporting of program expenditures. Accurate recording of costs enhances transparency, facilitates program reporting, and supports effective evaluation of Mobilehome Park Conversion Program activities.

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SDG&E further notes that the instances identified by the audit relate to cost classification and coding errors between cost categories and energy types, rather than the inclusion of inappropriate or non-recoverable program expenditures. The costs in question were incurred in support of authorized program activities and remained eligible for recovery regardless of the classification discrepancies identified. As a result, the identified misclassifications did not affect total program expenditures, result in improper charges to the program, or materially impact the amount of costs eligible for recovery from ratepayers.

The observed variances were primarily associated with manual coding and subcategorization practices during earlier stages of program implementation, when processes and reporting standards were continuing to mature. Since that time, SDG&E has strengthened its review, oversight, and quality assurance processes through enhanced controls, targeted training, expanded monitoring, improved documentation and validation procedures, and the implementation of automation tools designed to support consistent expenditure coding and cost classification. These enhancements are intended to improve reporting accuracy, promote consistency across TTM and BTM classifications, and reduce the potential for future classification errors. While SDG&E believes these actions appropriately address the concerns identified in the finding, the Company notes that the audit identified categorization discrepancies rather than inappropriate or non-recoverable program expenditures.

SDG&E has also observed that the draft report contains a typographical error for one HCD-ID in the table it provided for BTM Cost Category misclassifications. Specifically, HCD-ID "[redacted]" should be labeled "[redacted]." Lastly, please note that HCD-IDs are confidential and should not be included in the public version of this report.

Finding 3 – Misallocated Program Management Cost to Gas Instead of Electric Totaling $240,367

SDG&E misallocated $240,367 in program management costs to gas conversion for a project where it only performed electric conversion work. While this did not affect total costs eligible for recovery, the error misaligns project-level data and may affect how individual project performance is evaluated. The issue occurred in a jointly sponsored project with SoCalGas, where the costs should have been attributed to electric work only.

SDG&E Response

SDG&E agrees with the finding and recognizes the importance of maintaining effective oversight and monitoring processes to support compliance with established procedures for the review, verification, and approval of journal entries and Program Management Cost allocations. Accurate allocation, recording, and reporting of program expenditures are important components of transparent financial reporting and effective program administration.

As reflected in SDG&E's responses to the other findings, the conditions identified by the audit primarily relate to opportunities to strengthen the consistent application and execution of existing processes and controls, rather than the absence of such controls. Several of the

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observations stem from the initial pilot phase of program implementation, when program processes, governance structures, and administrative practices were continuing to mature.

Since that time, SDG&E has implemented and continues to enhance its review, oversight, and quality assurance processes to improve the accuracy and consistency of journal entry reviews, cost allocations, and financial reporting activities. These enhancements include strengthened review controls, reinforced approval and validation procedures, expanded monitoring activities, greater process standardization, targeted training, and the increased use of system-based tools to support accurate and consistent accounting and allocation practices.

SDG&E believes these enhancements appropriately address the concerns identified in the finding and further strengthen its ability to prevent, detect, and correct potential allocation and reporting errors. The Company remains committed to continuous improvement and to maintaining effective controls that support accurate cost recovery requests, transparent reporting, and prudent administration of the Mobilehome Park Conversion Program.

SDG&E Statement Regarding the "Cause" Sections

SDG&E respectfully requests that the language in the "Cause" sections be revised to reflect more accurately the nature of the observations identified during the audit. Specifically, SDG&E believes the findings are more appropriately characterized as instances of inconsistent adherence to established oversight, monitoring, review, and approval processes, rather than an absence or inadequacy of those processes.

Throughout the audit period, SDG&E maintained policies, procedures, and control mechanisms governing ACA completion, invoice review and cost classification, journal entry approvals, and Program Management Cost allocations. Consistent with the findings discussed throughout this report, the identified issues primarily relate to opportunities to strengthen the execution, application, and consistent implementation of these existing controls. Accordingly, SDG&E recommends that the "Cause" sections reflect that the underlying conditions arose due to inconsistent application of established processes and procedures, rather than due to a lack of adequate oversight and monitoring processes.

In view of the foregoing, SDG&E suggests the following as a potential revision:

"The identified condition resulted from inconsistent execution and adherence to established oversight, monitoring, review, and approval processes and procedures, creating opportunities to strengthen the effectiveness and consistency of existing controls."

This language more accurately reflects the circumstances underlying the findings, recognizes that controls and procedures were in place during the audit period, and aligns with SDG&E's ongoing efforts to enhance process execution, oversight, and compliance.

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Conclusion

SDG&E remains committed to maintaining strong internal controls, supporting accurate cost reporting, and continuously improving program administration. SDG&E appreciates the UAB's consideration of SDG&E's comments and respectfully requests that the modifications outlined in this response be implemented in the final audit report. If you have any questions or need more information about these comments, please contact me.

Sincerely,

/s/ Jonathan J. Newlander
Jonathan J. Newlander
Attorney for San Diego Gas & Electric Company

Cc: Dan Skopec, Senior Vice President and Chief Regulatory Officer, SDG&E
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Kirstie Raagas, Director of Regulatory Affairs, SDG&E
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APPENDIX B—UAB'S EVALUATION OF UTILITY'S RESPONSE

We appreciate SDG&E's comments submitted on July 8, 2026. In its response, SDG&E agreed with the findings, corrected a typographical error, requested revisions to the Cause element of the findings, and provided general discussion for each finding. We are providing our assessment of SDG&E's responses in the same order listed in the response letter.

Finding 1:
While SDG&E agreed with the finding, SDG&E disagreed with the recommendation to reduce its cost recovery request by $1,210,291. SDG&E asserts that applying a reduction for amounts that have already been corrected and reflected in SDG&E's subsequent reasonableness review filing would result in duplicative treatment of the same costs and could understate SDG&E's recoverable program expenditures. Therefore, SDG&E believes the corrective actions already taken appropriately address the identified issue while avoiding a double reduction of costs.

We acknowledge that SDG&E adjusted its accounting records for the overstated costs, however the total amount requested for recovery in A.22-05-016 should still be reduced by $1,210,291 to reflect the overstated costs.

This finding and recommendations remain unchanged.

Finding 2:
SDG&E agreed with the finding and provided general comments. In addition, SDG&E observed a typographical error in one of the HCD IDs in the table provided in the Condition element of the finding. We confirmed the typographical error and updated the table in the Condition element of the finding to the correct HCD ID.

Apart from correcting the typographical error, the finding and recommendations remain unchanged.

Finding 3:
SDG&E agreed with the finding and provided general comments regarding the enhancements implemented to strengthen its review, oversight, and quality assurance processes.

This finding and recommendation remain unchanged.

SDG&E's Statement Regarding the "Cause" Sections:
SDG&E requested revisions to the Cause elements of the Findings as SDG&E believed that the findings should be more appropriately characterized as instances of inconsistent adherence to established oversight, monitoring, review, and approval processes, rather than an absence or inadequacy of those processes. SDG&E asserted that oversight and monitoring processes were in place, but there were instances where those processes could be improved.

We evaluated SDG&E's proposed revised language and determined that it does not contain any new factual information; therefore, the findings and recommendations remain unchanged.

We appreciate SDG&E's engagement throughout the audit process and its commitment to strengthening internal controls. We also acknowledge SDG&E's efforts to evaluate and begin implementing improvements, and we encourage continued focus on enhancing consistency in the execution of established procedures.