

Memorandum



Date: August 19, 2011

To: Julie Fitch
Director of Energy Division

From: Public Utilities Commission—
San Francisco
Kayode Kajopaiye, Branch Chief
Division of Water and Audits

Subject: San Diego Gas and Electric Company Advice Letter 2252-E
Quarterly Procurement Plan Compliance Report for the First Quarter of 2011

Based on the results of its audit, the Division of Water and Audits' Utility Audit, Finance and Compliance Branch (UAFCB) did not find any material reasons for Energy Division (ED) to deny the approval of San Diego Gas and Electric Company's (SDG&E) Advice Letter No. (AL) 2252-E. SDG&E's audited procurement transactions during the first quarter of 2011 (Q1) were, in all material respects, in compliance with SDG&E's procurement plan, as approved in Decision (D.) 07-12-052, Assembly Bill (AB) 57 procurement rules and several procurement-related Commission directives.

A. Summary of Audit Findings:

1. **SDG&E failed to demonstrate that it was in compliance with D.07-12-052, Ordering Paragraph (OP) 7.** SDG&E did not ensure that its Procurement Review Group (PRG) meeting information was available to the public on its web-based calendar in a timely fashion.

In response to UAFCB's finding, on May 25, 2011, SDG&E took immediate action to repost the correct web-link for its February and March 2011 PRG meeting information.

2. **SDG&E failed to demonstrate that it was in compliance with D.02-10-062, Appendix B.** SDG&E did not correctly report Attachments H and N contained in its Q1 Quarterly Compliance Report (QCR) filing.

In response to UAFCB's finding, SDG&E filed its corrected Attachments N and H on July 28, 2011 and August 16, 2011 respectively.

B. Recommendations:

1. **SDG&E should review its web-based calendar on a regular basis to ensure that its PRG meeting information is properly posted and available to the public in a timely fashion.**
2. **Before submitting its QCR, SDG&E should thoroughly review its QCR and related attachments to ensure accuracy.**

C. Background:

As required by D.02-10-062, OP 8, and clarified in D.03-12-062, Pacific Gas and Electric Company (PG&E), SDG&E, and Southern California Edison (SCE) must submit quarterly compliance reports (QCR) for all transactions of less than five years duration executed in the previous quarter. ED requested that the UAFCB conduct compliance audits of these utilities' quarterly procurement compliance filings.

The objective of these quarterly audits is to determine if the utilities were in compliance with their California Public Utilities Commission (Commission) approved procurement plans, while complying

with all AB 57 procurement rules and several procurement-related rulings and decisions, including, but not limited to, D.02-10-062, D.03-06-076, D.03-12-062, D. 04-12-048, D.07-12-052, and D.08-11-008.

D. Findings

1. Untimely Posting of PRG Meeting Summaries on Web-based PRG Calendar:

Criteria: In D.07-12-052, OP 7, the Commission requires that utilities implement the following:

- A web-based PRG calendar with expected solicitation milestones;
- A PRG meeting agenda and materials delivered to members 48 hours in advance of a meeting;
- Meeting summaries; and
- Web-based forum for public dissemination of meeting information.

Finding: SDG&E did not make its February and March 2011 PRG meeting information available to the public until two to three months after the meetings were conducted.

SDG&E's Response: SDG&E asserts that a technical security glitch with SDG&E's browser and the Google calendar caused the inaccessibility of its online PRG meeting information. On May 25, 2011, SDG&E took immediate action to repost the correct web-link for its February and March 2011 PRG meeting information. SDG&E further asserts that it will explore a long-term solution to avoid the inaccessibility in future.

UAFCB's Rebuttal: SDG&E should periodically review its online PRG meeting information and ensure that the information is accessible to the public on a timely basis.

2. Errors in the QCR:

Criteria: In Appendix B of D.02-10-062, the Commission requires that utilities file each quarter's transactions by advice letter. The advice letter must contain, among other things, information that is complete and accurate, including, but not limited to, the number and volume of transactions.

Finding: SDG&E incorrectly reported the following attachments contained its Q1 QCR filing:

- a. In Attachment H, SDG&E erroneously reported a 15-year product price, instead of 20-year product price, for its 20-year contract with Otay Landfill II.
- b. In Attachment N, SDG&E reported its power purchase information for the third quarter of 2010, which is not applicable to Q1.

SDG&E's Response: SDG&E filed its corrected Attachments N and H on July 28, 2011 and August 16, 2011 respectively.

UAFCB's Rebuttal: None.

Conclusion

Except for the items noted in Section D above, SDG&E's AL 2252 E and its Q1 procurement transactions for electricity and natural gas were, in material respects, in compliance with SDG&E's Commission-approved procurement plan and all relevant Commission decisions. SDG&E's Q1 transactions, in material respects, appear to be complete, accurate and properly authorized by its management.

The audit is limited in scope and does not provide full assurance to the reasonableness of SDG&E's Q1 QCR filing or its Q1 transactions.

If you have any questions on UAFCB's audit, please contact Tracy Fok at (415) 703-3122.

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