



BALANCING ACCOUNTS PERFORMANCE AUDIT

San Diego Gas & Electric Company

January 1, 2023, through December 31, 2023

Utility Audits, Risk and Compliance Division
Utility Audits Branch
June 13, 2025



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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PUBLIC UTILITIES COMMISSION

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Transmitted via e-mail

June 13, 2025

Maritza Mekitarian
Assistant Controller
San Diego Gas & Electric Company
8680 Balboa Avenue
San Diego, CA 92123

Dear Maritza Mekitarian:

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

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

We issued the draft audit report on May 20, 2025. SDG&E's response to the draft report finding and our evaluation of the response are incorporated into this final report. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](#).

A Corrective Action Plan (CAP) addressing the finding and recommendation is required. SDG&E should submit further detailed CAP information including specific steps and target dates to address the recommendation within 45 calendar days from the issuance of this final report to: UtilityAudits@cpuc.ca.gov

We appreciate SDG&E's assistance and cooperation during the engagement, and its willingness to implement UAB's recommendation. If you have any questions regarding this report, please contact Kevin Nakamura, Supervisor, at (916) 928-4736.

Sincerely,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

cc: See next page

Maritza Mekitarian
Assistant Controller
San Diego Gas & Electric Company
June 13, 2025
Page 2

cc: Eric Dalton, Regulatory Accounting Manager, SDG&E
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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
AUDIT REPORT	2
Background.....	2
Audit Authority.....	3
Objective and Scope.....	3
Methodology	3
Conclusion.....	7
Follow-up on Prior Audit Findings.....	7
Views of Responsible Officials	8
Restricted Use	9
FINDING AND RECOMMENDATION	10
SUMMARY SCHEDULES OF AUDIT RESULTS	12
APPENDIX A–UTILITY’S RESPONSE TO DRAFT AUDIT REPORT	17
APPENDIX B–UAB’S EVALUATION OF UTILITY’S RESPONSE.....	20

EXECUTIVE SUMMARY

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the balancing accounts administered and reported by San Diego Gas & Electric Company (SDG&E) for the audit period of January 1, 2023, through December 31, 2023.

Our audit objectives were to determine whether 1) transactions recorded in SDG&E's balancing accounts from January 1, 2023, through December 31, 2023, were for allowable purposes and supported by appropriate documentation; and 2) the balancing accounts were established and maintained as required by applicable Public Utilities (PU) Code sections, CPUC directives, orders, rules, regulations, and SDG&E's policies and procedures.

Based on our audit objectives, procedures performed, samples tested, and evidence gathered, we found an instance of noncompliance with requirements. This instance is described in the Finding and Recommendation section of this audit report. The audit finding is as follows:

Finding: Inaccurate Reporting of Balancing Accounts by a Net Total \$174 Million

SDG&E reported inaccurate information in its Annual Report filed with CPUC. Specifically, the reporting discrepancies in SDG&E's Annual Report included the following:

- Omitting the reporting of its Overhead Pools Balancing Account (OPBA) which reflected a year-end under-collected balance totaling \$179,552,243 in its accounting records as of December 31, 2023. (Refer to the Summary Schedules of Audit Results, Table 2)
- Omitting the reporting of two authorized electric balancing accounts in 2023 Annual Report. The Tax Equity Investment Balancing Account (TEIBA) had zero activity recorded to the account while the Rule 20 Balance Account (R20BA) reflected a year-end over-collected balance of \$5,575,304 in its accounting records as of December 31, 2023. (Refer to the Summary Schedules of Audit Results, Table 2)
- Inadvertently including an authorized balancing account that had zero balance and was not in effect until January 12, 2024. (Refer to the Summary Schedules of Audit Results, Table 2)

We issued a draft report on May 20, 2025. SDG&E responded by letter dated June 4, 2025, objecting to the Finding and proposing revisions to the amounts presented in the draft report. 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

Balancing Accounts

CPUC has a responsibility to authorize the rates that regulated utilities may charge their customers. Considering that the rates are derived from projected costs and projected consumption of service, CPUC authorizes regulated utilities to establish balancing accounts to track the actual costs and the related revenues the utilities collect from ratepayers for specified activities. The primary purpose of a balancing account is to ensure that a utility recovers its CPUC-authorized revenue requirement from ratepayers for a given program or function.

Functionally, a balancing account tracks the difference between actual expenditures associated with the account, revenue authorized for recovery by CPUC (authorized revenue requirement), and the actual revenues collected within customer rates to cover those specific expenditures. Applicable rules for a given balancing account are presented in the utility's Preliminary Statement, which also includes description of the purpose of the account, the types of costs and/or revenues that are to be tracked in the account, and specific accounting procedures that the utility must follow to record transactions for the balancing account. Additionally, unless approved otherwise, a balancing account is required to accumulate monthly interest at a rate equal to one-twelfth of the most recent month's interest rate on three-month Commercial Paper published by the Federal Reserve.

Actual revenues collected by a utility in rates can be more or less than what CPUC had authorized to collect because rates are always forward-looking and based on forecasted sales. Thus, the balance in a balancing account can either be over- or under-collected. If a balancing account is over- or under-collected, the net balance is typically recovered from or refunded to ratepayers on an annual basis through an adjustment in rates.

San Diego Gas & Electric Company (SDG&E)

SDG&E is a regulated subsidiary of Sempra Energy (NYSE: SRE), a Fortune 500 energy services holding company based in San Diego, California. SDG&E provides natural gas and electric service to approximately 3.7 million customers in a 4,100 square mile service territory covering San Diego and portions of southern Orange County in California.

In its 2023 Annual Balancing and Memorandum Accounts Report (Annual Report) filed with CPUC, SDG&E reported a total of 106 (72 electric and 34 gas) balancing accounts with a total combined under-collected balance of \$106,791,486 in its electric and gas balancing accounts, as summarized in the table below:

Balancing Account Type	Total Number of Reported Accounts	Reported Net Under/(Over)-Collected Balance as of Dec. 31, 2023
Electric Balancing Accounts	72	\$262,677,162
Gas Balancing Accounts	34	(155,885,676)
Totals	106	\$106,791,486

A breakdown of the reported amounts over or under-collected in rates as of December 31, 2023, by each account, is provided in the Summary Schedules of Audit Results section of this report, Table 1.

Audit Authority

UAB conducted this audit under the general authority outlined in PU Code sections 314 (a), 314.5, 314.6, 451, 581, 582, and 584. Furthermore, PU Code section 792.5 requires CPUC to develop a risk-based approach for reviewing or auditing balancing accounts periodically to ensure that the transactions recorded in the balancing accounts are for allowable purposes and supported by appropriate documentation.

Objective and Scope

Our audit objectives were to determine whether 1) transactions recorded in SDG&E's balancing accounts from January 1, 2023, through December 31, 2023, were for allowable purposes and supported by appropriate documentation; and 2) the balancing accounts were established and maintained as required by applicable PU Code sections, CPUC directives, orders, rules, regulations, and the SDG&E's policies and procedures.

The scope of our audit covered the 106 balancing accounts administered and reported by SDG&E for the audit period of January 1, 2023, through December 31, 2023.

Methodology

In planning our audit, we gained an understanding of each balancing account and SDG&E's operations by researching and reviewing relevant PU Code sections, preliminary statements, rules, regulations, policies, CPUC decisions, resolutions, advice letters, SDG&E's policies and procedures, and interviewing SDG&E's personnel.

We conducted a risk assessment, including evaluating whether SDG&E's key internal controls relevant to our audit objectives were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, performing walkthroughs, and testing transactions. Deficiencies in internal control, if 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 and customer billings systems. 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, advice letters, proceedings, and preliminary statements to gain an understanding of the balancing accounts and applicable tariff rates.
- Reviewed the following audit reports and performed follow-up tests to verify whether corrective actions were properly implemented for:
 - UAB's prior audit of SDG&E's Energy Efficiency Program for the program year ending December 31, 2018, that was issued on August 11, 2020.

- UAB's prior audit of SDG&E's Energy Efficiency Examination on program year 2017, that was issued on August 5, 2019.
- Sempra Energy internal audit report titled Billing Process (No. 22-233) that was issued on February 17, 2023.
- Sempra Energy internal audit reports titled Vegetation Management Audits (No. 22-224, No. 21-203, and No. 20-203) that were issued on January 19, 2023, January 27, 2022, and February 2, 2021, respectively.
- Sempra Energy internal audit report titled Energy Resource Recovery Account Balancing Account Audit (No. 22-231) that was issued on December 7, 2022.
- Crowe LLP (Crowe) audit of SDG&E's Wildfire Mitigation Plan Expenditures conducted on behalf of the Office of Energy Infrastructure Safety (Energy Safety) for the period covering January 1, 2019, through December 31, 2020, that was issued on December 15, 2021.
- Reviewed the following audit reports and determined that the audits were relevant to our audit objectives but did not disclose findings and therefore, no further review was performed for:
 - UAB's prior audit of SDG&E's Balancing Accounts for the period January 1, 2018, through December 31, 2018, that was issued on December 20, 2021.
 - 2022 & 2021 Substantial Vegetation Management Audit Report by Office of Energy Infrastructure Safety that was issued on July 2, 2024, and December 13, 2023, respectively.
 - Sempra Energy internal audit report titled Transmission Integrity Management Program (No. 23-240) that was issued on December 19, 2023.
- Reviewed the following audit reports and determined that the audits were not relevant to our audit objectives and, therefore, no further review was performed for:
 - UAB's prior audit of SDG&E's Energy Savings Assistance Program for the period January 1, 2019, through December 31, 2021, that was issued February 16, 2023.
 - UAB's prior 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.
 - U.S. Securities and Exchange Commission (SEC) Form 10-K Annual Reports for the year covering 2023, that was issued on February 27, 2024.
 - Sempra Energy internal audit reports titled, Demand Response Program Audit (No. 22-231), Energy Efficiency Programs Audit (No. 21-230), Thirty Party Managed Energy Efficiency Program Audit (No. 19-313), Vegetation Management Program Audit (No. 19-203).

- Reviewed SDG&E's internal control policies and procedures related to the administration and implementation of its balancing accounts.
- Reviewed SDG&E's accounting system, accounting policies, processes and procedures for tracking, monitoring, and recording transactions to its balancing accounts.
- Reconciled year-end balancing account totals recorded in SDG&E's accounting records to the balances reported in SDG&E's 2023 Annual Report for accuracy and completeness.
- Reconciled the balancing accounts reported in SDG&E's 2023 Annual Report to the Preliminary Statements for accuracy.
- Assessed significance by performing analysis of revenue and expenditure data and evaluating balancing account requirements.
- Obtained an understanding of SDG&E's key internal controls relevant to its balancing accounts, such as accounting and reporting process, customer billing procedures, rate adjustment process, invoice processing and expense recording process, and assessed the design, implementation, and operating effectiveness of selected controls that were significant to the audit objectives by:
 - interviewing key personnel;
 - completing an internal control questionnaire;
 - reviewing SDG&E's policies and procedures and assessing their implementation pertaining to accounting, recording, and reporting of balancing accounts;
 - performing walkthroughs of selected rate changes, customer billings, and balancing account activities;
 - assessing reliability of recorded and reported billing and sales data by tracing five customer billings from residential, non-residential, commercial, and agricultural customer classes to ensure billed usage amounts tied to meter readings, correct rates were applied in accordance with approved tariffs, and the revenue amounts were accurately allocated and recorded in SDG&E's accounting system and recorded to the appropriate balancing account; and
 - assessing reliability of recorded and reported expense data by tracing four transactions for two balancing accounts from general ledger to vendor invoices and payment records to ensure expenses were supported by invoices, payments were properly reviewed and approved, and the expense amounts were accurately recorded in SDG&E's accounting system and to the appropriate balancing account.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.

- Performed testing of expenses by judgmentally selecting a non-statistical sample of significant expenditure transactions for three electric and six gas balancing accounts totaling \$46,884,030 of \$211,410,490, or 22% of the total recorded expenses in year 2023 as illustrated in the table below:

Balancing Account Name	Total Expenditures Tested	Total Expenditures Recorded in 2023	Percent Tested
<u>Electric</u>			
Portfolio Allocation Balancing Account	\$7,543,152	\$45,642,811	17%
Tree Trimming Balancing Account	1,686,054	10,640,217	16%
Overhead Pools Balancing Account	6,847,515	71,919,622	10%
Subtotal – Electric	\$16,076,721	\$128,202,650	13%
<u>Gas</u>			
Core Fixed Cost Account	5,582,151	30,743,092	18%
Master Meter Balancing Account	502,331	2,340,336	21%
Residential Uncollectible Balancing Account	18,495,436	19,415,552	95%
Safety Enhancement Capital Cost Balancing Account	3,401,085	14,999,289	23%
Safety Enhancement Expense Balancing Account	855,107	3,956,717	22%
Transmission Integrity Management Program Balancing Account	1,971,199	11,752,854	17%
Subtotal – Gas	\$30,807,309	\$83,207,840	37%
Grand Total	\$46,884,030	\$211,410,490	22%

- For the selected samples, traced expenditures recorded in SDG&E's accounting records to supporting documentation and determined whether costs were accurate, attributable to its respective balancing account, supported by appropriate source documents, and incurred in compliance with applicable CPUC directives, orders, rules, regulations, and SDG&E's policies and procedures by:
 - tracing expenditures to invoices to ensure expenditure (1) was incurred within 2023, (2) agreed to invoice amount, and (3) was calculated accurately;
 - verifying expenditures were supported by appropriate source documents, such as detailed invoices, agreements/contracts, etc., to confirm the expense was for authorized activity;
 - confirming payments were made for the expenditures and the amount agreed to the invoice; and
 - corroborating that the activity was completed as claimed for a subset of samples by:
 - reviewing daily tree logs from four invoices covering a period of two months and utilizing Google maps and conducting onsite inspections to assess whether trees were trimmed and maintained pursuant to the

clearances established in General Order (GO) 95 for 44 locations covering two geographic regions.

- Determined whether SDG&E properly reported and recorded monthly interest in its balancing accounts and general ledger by recomputing the monthly interest amounts for three balancing accounts and all twelve months in 2023.

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 maintained its balancing accounts in accordance with the 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 finding and conclusion based on our audit objectives.

Conclusion

Based on our audit objectives, procedures performed, samples tested, and evidence gathered, we found an instance of noncompliance with the requirements for the audit period from January 1, 2023, through December 31, 2023. This instance is described in the Finding and Recommendation section of this audit report.

Follow-up on Prior Audit Findings

We identified the following SDG&E prior audits relevant to our audit objectives that required follow-up:

- UAB's prior audit of SDG&E's Energy Efficiency Program Performance Audit for the program year ending December 31, 2018, that was issued on August 11, 2020, identified a finding related to unallowable Codes & Standards Planning and Coordination program expenditures totaling \$15,000. During this audit, we reviewed UAB's subsequent period 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, and we determined SDG&E has satisfactorily resolved this finding.
- UAB's prior audit of SDG&E's Energy Efficiency Examination on program year 2017, issued on August 5, 2019, identified four findings which included the following:
 - Lack of compliance with accrual policy and procedures related to its energy efficiency (EE) program costs for program year 2017;
 - Overstatement of the Efficiency Savings Performance Incentive (ESPI) awards amount for program year 2017;
 - Misclassification of EE program costs in program year 2017; and
 - Failure to follow Generally Accepted Accounting Principles (GAAP) while closing its account records.

During this audit, we reviewed UAB's subsequent period audit of SDG&E's Energy Efficiency Program for the program year ending December 31, 2018, that was issued on August 11, 2020, and we determined that SDG&E has satisfactorily resolved these findings.

- Sempra Energy internal audit 22-233 titled Billing Process Audit, issued on February 17, 2023, identified inadequate monitoring and management oversights of billing adjustments, inconsistent billing adjustments, and inadequate user control in the SAP financial system. Sempra Energy Audit Services closed out this audit following SDG&E's satisfactory implementing corrective actions.
- Sempra Energy internal audit 22-224 titled Vegetation Management Audit, issued on January 19, 2023, identified inaccurate pruning and trimming tree data. Sempra Energy Audit Services closed out this audit following SDG&E's satisfactory implementing corrective actions.
- Sempra Energy internal audit 21-203 titled Vegetation Management Audit, issued on January 27, 2022, identified inadequate or lack of documentation to support delayed vegetation management related activities. Sempra Energy Audit Services closed out this audit following SDG&E's satisfactory implementing corrective actions.
- Sempra Energy internal audit 20-203 titled Vegetation Management Audit, issued on February 2, 2021, identified a backlog of deferred tree trimming activities and inadequate or lack of documentation to support wood pool intrusive inspections. Sempra Energy Audit Services closed out this audit following SDG&E's satisfactory implementing corrective actions.
- Sempra Energy internal audit 22-231 titled Energy Resource Recovery Account Balancing Account Audit, issued on December 7, 2022, identified lack of procedural documentation on ERRA processes and unauthorized user access to the share drive. Sempra Energy Audit Services closed out this audit following SDG&E's satisfactory implementing corrective actions.
- Crowe's Performance Audit of SDG&E Wildfire Mitigation Plan Expenditures for the period covering January 1, 2019, through December 31, 2020, issued on December 15, 2021, examined SDG&E's operating and capital costs in the execution of its Wildfire Mitigation Plan (WMP) programs and whether costs were duplicative relative to its prior General Rate Case (GRC) applications, for the period of January 1, 2019, through December 31, 2020. The audit report identified two findings related to wildfire mitigation costs. During this audit, SDG&E indicated it addressed Crowe's concerns and recommendations regarding incremental 2019-2022 wildfire mitigation costs and had organized its Wildfire Mitigation forecasts and workpapers to align with existing WMP initiatives and Energy Safety WMP guidance in its GRC application A.22-05-016 Test Year 2024 Track 2 where the proceeding is currently in progress with CPUC.

Views of Responsible Officials

We issued a draft report on May 20, 2025. SDG&E responded by letter dated June 4, 2025, objecting to the Finding and proposing revisions to the amounts presented in the draft report. 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

FINDING AND RECOMMENDATION

Finding: Inaccurate Reporting of Balancing Accounts by a Net Total \$174 Million

Condition:

SDG&E reported inaccurate information in its Annual Report filed with CPUC due to lack of adequate internal reporting policies and procedures. During our reconciliation of its Annual Report to supporting accounting records, balancing account subledgers, and approved balancing account Preliminary Statements, we discovered discrepancies including the omission of accounts and improper inclusion of an account. Specifically, the reporting discrepancies in SDG&E's Annual Report included the following:

- Omitting the reporting of its OPBA which reflected a year-end under-collected balance totaling \$179,552,243 in its accounting records as of December 31, 2023. (Refer to the Summary Schedules of Audit Results, Table 2)
- Omitting the reporting of two authorized electric balancing accounts in 2023 Annual Report. The TEIBA had zero activity recorded to the account while the R20BA reflected a year-end over-collected balance of \$5,575,304 in its accounting records as of December 31, 2023. (Refer to the Summary Schedules of Audit Results, Table 2)
- Inadvertently including an authorized balancing account that had zero balance and was not in effect until January 12, 2024. (Refer to the Summary Schedules of Audit Results, Table 2)

As a result, SDG&E's total year-end net under-collected balance of \$106,791,486 as reported in its 2023 Annual Report was understated by \$173,976,939 and should have been reported as \$280,768,425, as summarized in the table below:

Description	Reported 2023 Annual Report Under/(Over) Balance	Audit Adjustments		Audited 2023 Annual Report Under/(Over) Balance
		OPBA	R20BA	
Electric	\$(155,885,676)	\$179,552,243	\$(5,575,304)	\$ 18,091,263
Gas	262,677,162	-		262,677,162
Total – Net Under/(Over) - Collected Amount	\$106,791,486	\$179,552,243	\$(5,575,304)	\$280,768,425

Criteria:

Public Utilities Code sections 581, 582, and 584 require the utilities to provide timely, complete, and accurate data to CPUC.

UAB's Annual Balancing and Memorandum Account Report instructions state, in part, that:

The Annual Balancing and Memorandum Report should include all authorized balancing accounts regardless of whether it had no recorded activity during the year or had a zero-year-end balance.

Cause:

SDG&E lacks adequate monitoring and oversight policies and procedures for the preparation of its Annual Report to ensure all authorized balancing accounts and applicable year-end balances are accurately reported to CPUC.

Effect:

Inaccurate information reported in SDG&E's Annual Reports, which may be used by decision-makers during GRC application review process, could potentially impact the rates for SDG&E's ratepayers. It is imperative for each utility to ensure that its Annual Reports contain complete and accurate information on all of its authorized balancing accounts to ensure decision-makers have complete and accurate information when making decisions that can affect the ratepayers.

Recommendation:

SDG&E should enhance its monitoring and oversight policies and procedures for the preparation of its Annual Report filed with CPUC to detect errors and ensure all authorized balancing accounts and applicable year-end balances are accurately reported to CPUC.

SUMMARY SCHEDULES OF AUDIT RESULTS

Table 1
Summary – SDG&E 2023 Annual Report

#	Title of Accounts	Reported Net Under/(Over)-Collected Balance as of December 31, 2023
<u>Electric</u>		
1	AB1XBA - DWR Excess Bond and Power Charge Refund Balancing Account	\$ 0
2	BNBCBA - Biomat Non-Bypassable Charge Balancing Account	0
3	CABA - Common Area Balancing Account	(609,028)
4	CARE - California Alternative Rates for Energy Balancing Account	38,832,520
5	CAPBA - Power Charge Indifference Adjustment Undercollection Balancing Account	0
6	CASBA - Concurrent Application System Balancing Account	0
7	CISBA - Customer Information System Balancing Account	2,660,185
8	CSGTBA - Community Solar Green Tariff Balancing Account	(1,627,633)
9	CSIBA - California Solar Initiative Balancing Account	(9,673,520)
10	CTBA - Clean Transportation Balancing Account	(11,423,880)
11	DACGTBA - Disadvantaged Communities Green Tariff Balancing Account	(3,020,281)
12	DACSASHBA - Disadvantaged Communities Single Family Solar Home Balancing Account	(5,051,752)
13	DERBA - High DER Consulting	73,058
14	DRGBA - Demand Response Generation Balancing Account	115,296
15	DRPDBA - Distribution Resources Plan Demonstration Balancing Account	(440)
16	EDFCA - Electric Distribution Fixed Cost Account	65,209,707
17	EDRBA - Economic Development Rate Discount Balancing Account	404,102
18	ELRBA - Emergency Load Reduction Balancing Account	(10,708,811)
19	EPEEBA - Electric Procurement Energy Efficiency Balancing Account	0
20	EPICBA - Electric Program Investment Charge Balancing Account	(33,600,686)
21	ERRA - Energy Resource Recovery Account	0
22	EUSBA - Essential Usage Study Balancing Account	42,125
23	FABA - Flex Alert Balancing Account	(1,075,208)
24	FBBA - Food Bank Balancing Account	29,813
25	FERABA - Family Electric Rate Assistance Balancing Account	221,449
26	GHGRBA - Greenhouse Gas Revenue Balancing Account	(18,481,273)
27	GTSRBA - Green Tariff Shared Renewables Balancing Account	2,870,857
28	HPRBA - High Power Rate Balancing Account	0
29	HPWBA - High Power Interim Rate Waiver Balancing Account	5,379,663
30	IPCPBA - Incentive Pilot Contract Payment Balancing Account	0
31	IPIBA - Incentive Pilot Incentive Balancing Account	0

#	Title of Accounts	Reported Net Under/(Over)-Collected Balance as of December 31, 2023
32	LCFSBA - Low Carbon Fuel Standard Balancing Account	(24,365,975)
33	LDBA - Light-Duty Electric Vehicle Balancing Account	(3,863,758)
34	LGBA - Local Generating Balancing Account	52,444,939
35	LIEEBA - Low Income Energy Efficiency Balancing Account	(21,410,654)
36	LIPBA - Liability Insurance Premiums Balancing Account	85,102,977
37	MCAMBA - Modified Cost Allocation Method Balancing Account	690,313
38	MDHDBA - Medium-Duty and Heavy-Duty Electric Vehicle Balancing Account	(33,861,240)
39	MGBA - MicroGrid Balancing Account	216,644
40	MMBA - Master Meter Balancing Account	19,298,658
41	MSSA - Microgrid Reservation Capacity Component - Standby Charge Suspension Account	7,082
42	NDAM - Nuclear Decommissioning Adjustment Mechanism	145,703
43	NEMMEBA - Net Energy Metering Measurement and Evaluation Balancing Account	365,272
44	NERBA - New Environmental Regulation Balancing Account	583,684
45	NGBA - Non-Fuel Generation Balancing Account	(52,166,721)
46	NTPBA - Near-Term Priority Transportation Electrification Balancing Account	0
47	OBFA - On Bill Financing Balancing Account	(18,069,103)
48	PABA - Portfolio Allocation Balancing Account	(218,648,391)
49	PBA - Pension Balancing Account	(3,404,591)
50	PBOPBA - Post-Retirement Benefits Other Than Pensions Balancing Account	(667,364)
51	PEEEBA - Post-1997 Electric Energy Efficiency Balancing Account	(70,754,493)
52	PEMPBA - Port Energy Management Plan Balancing Account	(411,073)
53	PIPPBA - Percentage of Income Payment Plan - Electric Balancing Account	727,843
54	PPBA - PCIA Prepayment Balancing Account	0
55	PYD2BA - Power Your Drive 2 Balancing Account	(19,234,170)
56	R21MMBA - Rule 21 Material Modifications Balancing Account	0
57	RDSCA - Rate Design Settlement Component Account	(5,857,207)
58	RPBA - Rewards & Penalties Balancing Account	16,252,165
59	RUBA - Residential Uncollectible Balancing Account	83,890,580
60	SDUPDBA - San Diego Unified Port District Balancing Account	0
61	SEESPBA - School Energy Efficiency Stimulus Program Balancing Account	2,994,595
62	SOMAHBA - Solar On Multifamily Affordable Housing Balancing Account	(93,570,726)
63	SONGSBA - SONGS O&M Balancing Account	0
64	SWEEBA - Statewide Energy Efficiency Balancing Account	(10,015,976)
65	TCBA - Transition Cost Balancing Account	2,704,695
66	TEBA - Transportation Electrification Balancing Account	0
67	TMNBCBA - Tree Mortality Non-Bypassable Charge Balancing Account	(35,016,775)

#	Title of Accounts	Reported Net Under/(Over)-Collected Balance as of December 31, 2023
68	TSOBA - Transition, Stabilization, and OCM Balancing Account	778,496
69	TTBA - Tree Trimming Balancing Account	153,595,855
70	VGIBA - Vehicle Grid Integration Balancing Account	15,473,578
71	V2GBA - Vehicle to Grid Balancing Account	(406,801)
72	WDRBA - Wildfire and Natural Disaster Resiliency Rebuild Balancing Account	0
Total – Electric Balancing Accounts		<u>\$(155,885,676)</u>
<u>Gas</u>		
1	BCIPBA - Biomethane Cost Incentive Program Balancing Account	(2,697,387)
2	BPPCBA - Biomethane Procurement and Pilot Costs Balancing Account	29,349
3	CARE - California Alternate Rates for Energy Balancing Account	6,286,363
4	CASBA - Concurrent Application System Balancing Account	0
5	CFCA - Core Fixed Cost Account	39,790,048
6	CISBA - Customer Information System Balancing Account	(3,267,112)
7	DIMPBA - Dist. Integrity Mgmt. Program Balancing Account	(4,423,134)
8	GEEBA - Gas Energy Efficiency Balancing Account	(10,312,277)
9	GHGBA - Greenhouse Gas Balancing Account	(16,499,343)
10	ITBA - Integrated Transmission Balancing Account	3,630,707
11	LCFSBA - Low Carbon Fuel Standard Gas Balancing Account	(436,164)
12	LIPBA - Liability Insurance Premiums Balancing Account	4,514,762
13	MMBA - Master Meter Balancing Account	20,238,017
14	NERBA - New Environmental Regulation Balancing Account	2,216,460
15	NFCA - Non-Core Fixed Cost Account	8,061,740
16	NGLAPBA - Natural Gas Leak Abatement Program Balancing Account	(568,413)
17	OBFBFA - On Bill Financing Balancing Account	(2,027,089)
18	PBA - Pension Balancing Account	147,605
19	PBOPBA - PBOP Balancing Account	(390,588)
20	PEMPBA - Port Energy Management Plan Balancing Account	164,282
21	PGEEBA - Post 2005 Gas Energy Efficiency Balancing Account	(7,101,460)
22	PGLIEEBA - Post 2005 Gas Low Income Energy Efficiency Balancing Account	(9,930,241)
23	PIPPBA - Percentage of Income Payment Plan Balancing Account	129,271
24	RD&D - Research Development & Demonstration	(44,891)
25	RPBA - Rewards & Penalties Balancing Account	(113,660)
26	RUBA - Residential Uncollectible Balancing Account	23,615,701
27	SECCBA - Safety Enhancement Capital Cost Balancing Account	157,724,005
28	SECCBA P2 - Safety Enhancement Capital Cost Phase 2 Balancing Account	0
29	SEEBA - Safety Enhancement Expense Balancing Account	18,636,775
30	SEEBA P2 - Safety Enhancement Expense Phase 2 Balancing Account	0
31	SEESPBA - School Energy Efficiency Stimulus Program Balancing Account	549,379

#	Title of Accounts	Reported Net Under/(Over)-Collected Balance as of December 31, 2023
32	SWEEBA - Statewide Energy Efficiency Balancing Account	(1,112,903)
33	TIMPBA - Transmission Integrity Management Program Balancing Account	35,448,170
34	TSOBA - Transition, Stabilization, and Organizational Balancing Account	419,190
Total – Gas Balancing Accounts		\$262,677,162
Grand Total – Net Under/(Over)-Collected Reported Amount		\$106,791,486

Table 2
Summary of Reporting Discrepancies

#	Balancing Account Name	Under/(Over)- Collected Balance as of December 31, 2023
Understated/Omitted Electric Balancing Accounts		
1	Overhead Pools Balancing Account	\$179,552,243
2	Tax Equity Investment Balancing Account	0
3	Rule 20 Balancing Account	(5,575,304)
Total Discrepancy Amount		\$173,976,939
Overstated/Inadvertently Reported Electric Balancing Account:		
1	Near-Term Priority Transportation Electrification Balancing Account	0
Total Discrepancy Amount		0
Grand Total		\$173,976,939

APPENDIX A—UTILITY'S RESPONSE TO DRAFT AUDIT REPORT

SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E)

CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

UTILITY AUDITS BRANCH (UAB)

AUDIT PERIOD: 1/1/2023 – 12/31/2023

Audit of 2023 Balancing Accounts of San Diego Gas & Electric Company

SDG&E Response to Draft Audit Report Findings

Submitted: June 4, 2025

Finding #1: Inaccurate Reporting of Balancing Accounts by \$843.4 Million

SDG&E reported inaccurate information in its Annual Report filed with CPUC. Specifically, the reporting discrepancies in SDG&E's Annual Report included the following:

- Omitting the reporting of its Overhead Pools Balancing Account (OPBA), which reflected a year-end under-collected balance totaling \$843,379,516 in its accounting records as of December 31, 2023. (Refer to the Summary Schedules of Audit Results, Table 2)
- A total of four authorized electric balancing accounts that had zero activity recorded to the accounts in the year 2023 were omitted from the Annual Report. (Refer to the Summary Schedules of Audit Results, Table 2)
- Inadvertently including an authorized balancing account that had zero balance and was not in effect until January 12, 2024. (Refer to the Summary Schedules of Audit Results, Table 2)

Audit Recommendation:

SDG&E should enhance its monitoring and oversight policies and procedures for the preparation of its Annual Report filed with the CPUC to detect errors and ensure all authorized balancing accounts and applicable year-end balances are accurately reported to the CPUC.

SDG&E Response to Finding 1:

SDG&E objects to Finding 1 for several reasons.

First, SDG&E notes that the under-collected balance totaling \$843,379,516, is inaccurate. Instead, the under-collected balance is \$179,552,243. The under-collected balance of \$179.552 million has been publicly provided in SDG&E's Risk Spending Accountability Report that is filed and served annually in accordance with CPUC directives.¹ Further, and as described to the Auditors on several occasions, SDG&E was previously unaware that tracking accounts, which are not recorded to SDG&E's financial statements, were meant to be included in the Annual Report. As stated in the preliminary statement, the OPBA "is a tracking account only and is not posted to the general ledger."² As such, the OPBA was not reported in the Annual Report in

¹ See A.17-10-007/008, Risk Spending Accountability Report of San Diego Gas & Electric Company and Southern California Gas Company for 2023 (April 30, 2024) at A-259, available at [SDGE SCG 2023 Joint Risk Spending Accountability Report Final.pdf](#).

² See SDG&E Preliminary Statement, Overhead Pools Balancing Account (OPBA) (November 25, 2019) at 1, available at <https://tariffsprd.sdge.com/sdge/tariffs/?utilId=SDGE&bookId=ELEC§Id=ELEC-PRELIM>.

SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E)**CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)****UTILITY AUDITS BRANCH (UAB)****AUDIT PERIOD: 1/1/2023 – 12/31/2023****Audit of 2023 Balancing Accounts of San Diego Gas & Electric Company****SDG&E Response to Draft Audit Report Findings****Submitted: June 4, 2025**

2023. However, the Audit team has since requested that tracking accounts be included in the Annual Report for 2024, which SDG&E complied with. As such, SDG&E has already corrected this alleged reporting discrepancy.

Second, regarding the four authorized electric balancing accounts that had zero activity, SDG&E notes that the Distribution Deferral Contract Cost Balancing Account (DDCBA) and Distribution Deferral Incentive Balancing Account (DDIBA) should be excluded from the summary of reporting discrepancies. On August 13, 2021, SDG&E submitted a Tier 2 Advice Letter 3826-E, to repurpose and rename the aforementioned balancing accounts. However, the advice letter was not approved until May 15, 2024. Therefore, the accounts were reported as the Incentive Pilot Contract Payment Balancing Account (IPCPBA) and Incentive Pilot Incentive Balancing Account (IPIBA), respectively, in the 2023 Annual Balancing and Memorandum Accounts Report. As such, SDG&E maintains that this was not a reporting discrepancy, and the accounts were not omitted from the Annual Report.

SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E)
CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)
UTILITY AUDITS BRANCH (UAB)
AUDIT PERIOD: 1/1/2023 – 12/31/2023
Audit of 2023 Balancing Accounts of San Diego Gas & Electric Company
SDG&E Response to Draft Audit Report Findings
Submitted: June 4, 2025

For the reasons noted above, SDG&E respectfully requests that Table 2 be revised as follows:

Table 2

Summary of Reporting Discrepancies #	Balancing Account Name	Balance as of December 31, 2023
Understated/Omitted Electric Balancing Accounts		
1	Overhead Pools Balancing Account	\$843,379,516 \$179,552,243
2	Tax Equity Investment Balancing Account	0
3	Rule 20 Balancing Account	0 (\$5,575,304)
4	Distribution Deferral Contract Cost Balancing Account	0
5	Distribution Deferral Incentive Balancing Account	0
Total Discrepancy Amount		\$843,379,516 \$173,976,939
Overstated/Inadvertently Reported Electric Balancing Account:		
1	Near-Term Priority Transportation Electrification Balancing Account	0
Total Discrepancy Amount		0
Grand Total		\$843,379,516 \$173,976,939

Lastly, SDG&E notes that the Rule 20 Balancing Account balance is incorrect in the table above and has made the appropriate redlined modification. SDG&E requests that the modifications noted above be made throughout the entirety of the Annual Report.

END OF RESPONSE

APPENDIX B—UAB'S EVALUATION OF UTILITY'S RESPONSE

We appreciate SDG&E's comments submitted on June 4, 2025. SDG&E objected to the Finding and provided responses regarding the finding amounts and separately furnished additional information and new supporting evidence not previously provided for our consideration.

To clarify, SDG&E did not object to the reporting discrepancies included in the Finding from initial discovery and disclosure of the finding during the audit fieldwork to the discussion of this finding during the audit exit conference held on April 23, 2025. However, as SDG&E provided new evidence following the issuance of the draft audit report, below is our evaluation of SDG&E's responses and assessment of additional information and supporting documentation by individual element in the Finding.

- SDG&E noted in its response that the year-end under-collected balance for its OPBA should be \$179,552,243 instead of the \$843,379,516 as originally stated in the draft report. For the duration of the audit engagement, SDG&E concurred with UAB that the year-end under-collected balance of the OPBA amounted to \$843,379,516 as was reflected in OPBA tracking statements. However, in its response to the draft report, SDG&E referenced new evidence including its Risk Spending Accountability Report dated April 30, 2024, provided additional supporting calculations for the OPBA based on its 2019 General Rate Case (GRC) adopted in D.19-09-051, and clarified the amounts reflected in its 2023 OPBA monthly tracking statements. We evaluated the newly submitted supporting evidence and determined that the \$663,827,273 total authorized amount adopted in SDG&E's 2019 GRC was not previously considered when evaluating OPBA during the audit period. Therefore, the previously reported year-end under-collected balance of \$843,379,516 should be reduced by the authorized amount of \$663,827,273 from the 2019 GRC to arrive at the updated year-end under-collected balance \$179,552,243 as of December 31, 2023. As a result, we have revised the unreported OPBA year-end under-collected amount from \$843,379,516 as stated in the draft report in the Finding and Recommendation section to \$179,552,243.
- Secondly, SDG&E noted in its response to the draft report that the Distribution Deferral Contract Cost Balancing Account (DDCBA) and Distribution Deferral Incentive Balancing Account (DDIBA) were appropriately omitted from the 2023 Annual Report since they were correctly reported as the Incentive Pilot Contract Payment Balancing Account (IPCPBA) and Incentive Pilot Balancing Account (IPIBA), respectively. According to SDG&E, the IPCPBA and IPIBA were both repurposed and renamed to DDCBA and DDIBA, respectively, pursuant to AL 3826-E that was approved by the Commission on May 15, 2024. Once again, SDG&E confirmed the discrepancy during audit fieldwork as reported in the draft report. Upon our discovery of omitted accounts during the audit, UAB followed-up with SDG&E in Data Request SDG&E-BA-2023-DR 02, Question 1(a). SDG&E responded to the inquiry on July 23, 2024, and stated in part that DDCBA and DDIBA incurred no activities and, therefore, SDG&E did not report these accounts in its 2023 Annual Report. SDG&E did not inform UAB about the submittal and subsequent approval on May 15, 2024, of SDG&E's AL 3826-E that confirmed the repurposing and renaming of aforementioned accounts. We reviewed the newly submitted supporting evidence and revised the number of omitted authorized electric balancing accounts that had zero activity recorded in 2023 in the finding from four as previously noted in the draft report to two accounts as supported by the new evidence.

- Lastly, SDG&E stated in its response to the draft report that the R20BA that was identified in the finding as one of the authorized electric balancing accounts with zero activity omitted from the 2023 Annual Report should have reflected an under-collected year-end balance of \$5,575,304 instead of zero as reported in the draft report. Again, throughout the duration of the audit engagement from the initial discovery of being omitted from SDG&E's Annual Report to the audit exit conference held on April 23, 2025, SDG&E acknowledged to UAB that this account had a zero year-end balance as of December 31, 2023, due to zero activity. SDG&E did not inform UAB about this \$5,575,304 over-collected balance until submitting its comments to the draft report on June 4, 2025, and providing the R20BA monthly tracking statement as of December 31, 2023, as additional supporting documentation. We reviewed the newly submitted supporting evidence and accepted the revised year-end over-collected balance of \$5,575,304.

As a result of our assessment of additional information and supporting documentation provided by SDG&E, UAB has revised the Finding and corresponding amounts as outlined in the table below:

Description	Under/(Over) Amount Reported in Draft Report	Under/(Over) Amount Revised in Final Report
Omitted Electric Balancing Accounts		
Overhead Pools Balancing Account	\$843,379,516	\$179,552,243
Tax Equity Investment Balancing Account	0	0
Rule 20 Balancing Account	0	(5,575,304)
Distribution Deferral Contract Balancing Account	0	
Distribution Deferral Incentive Balancing Account	0	
Inadvertently Reported Electric Balancing Account		
Near-Term Priority Transportation Electrification Balancing Account	0	
Total Under/(Over) Amount as of December 31, 2023	\$843,379,516	\$173,976,939

We revised these corresponding amounts as presented in the Executive Summary section, page 1, Finding and Recommendation section, page 10, and Table 2 of the Summary Schedules of Audit Results section, page 16. However, the recommendation for the Finding has remained unchanged.