



QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

San Diego Gas and Electric Company
Second Quarter of 2023- Advice Letter 4267-E

Utility Audits, Risk and Compliance Division
Utility Audits Branch
December 22, 2023



PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

December 22, 2023

Adam Pierce
Vice President – Energy Procurement and Rates
San Diego Gas and Electric Company
8330 Century Park Court, CP33B
San Diego, CA 92123

Dear Adam Pierce:

Final Report Transmittal Letter – Agreed-Upon Procedures Engagement of San Diego Gas and Electric Company’s Quarterly Energy Procurement Compliance Report for the period of April 1, 2023, through June 30, 2023

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its agreed-upon procedures (AUP) engagement of San Diego Gas and Electric Company’s (SDG&E) Quarterly Energy Procurement Compliance Report (QCR) filed for its Second Quarter of 2023 in Advice Letter (AL) 4267-E. The final AUP report is enclosed.

SDG&E’s response to the AUP report findings are incorporated into this report. As required by Public Utilities Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. We will post the final redacted audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

A Corrective Action Plan addressing the findings is required. SDG&E has already provided the information regarding its corrective actions planned and those responses have been included into the report. However, SDG&E is still required to file a supplemental AL 4267-E with amended Attachments B, H, and M of its QCR by January 19, 2023. Once SDG&E submits the supplemental AL, no further actions will be required.

We appreciate SDG&E’s assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Tracy Fok, Program and Project Supervisor, at (415) 703-3122 tracy.fok@cpuc.ca.gov.

Sincerely,

Alasha Vorobyeva for Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division
cc: See next page

Adam Pierce
Vice President – Energy Procurement and Rates
San Diego Gas and Electric Company
December 22, 2023
Page 2

cc: Brandon Henzie, Energy Risk Manager, California Regulatory Affairs, SDG&E
Gregory Anderson, Regulatory Tariff Manager, California Regulatory Affairs, SDG&E
Chase Jones, Marketing Affiliate, California Regulatory Affairs, SDG&E
Chris Summers, Director, Marketing Affiliate, California Regulatory Affairs, SDG&E
Jacqueline Sanchez, Regulatory Case Manager, California Regulatory Affairs, SDG&E
Rachel Peterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC
Pete Skala, Director, Energy Division (ED), CPUC
Meredith “Molly” Sterkel, Program Manager, ED, CPUC
Jaime Gannon, Program & Project Supervisor, ED, CPUC
Eric Dupre, Public Utilities Regulatory Analyst, ED, CPUC
Theresa Buckley, Staff Attorney, CPUC
Masha Vorobyova, Assistant Director, UAB, CPUC
Tracy Fok, Program & Project Supervisor, UAB, CPUC
Tim Baumgardner, Senior Management Auditor, UAB, CPUC
Judith Mason, Public Utility Financial Examiner, UAB, CPUC
Keen Banh, Associate Management Auditor, UAB, CPUC
Paulina Zepeda Gomez, Associate Management Auditor, UAB, CPUC

MEMBERS OF THE TEAM

Angie Williams, Director

Masha Vorobyova, Assistant Director

Tracy Fok aka Tracy Yeh, CPA, Supervisor

Tim Baumgardner, Lead

Judith Mason, Lead

Keen Banh, Staff

Paulina Zepeda Gomez, Staff

A digital copy of this report can be found at:

[Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry)

You can contact our office at:

**California Public Utilities Commission
Utility Audits, Risk and Compliance Division
400 R Street, Suite 221
Sacramento, CA 95811**

TABLE OF CONTENTS

| | |
|---|----|
| I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES | 1 |
| II. PROCEDURES AND FINDINGS | 3 |
| A. TRANSACTION RECONCILIATION/ANALYSIS | 3 |
| B. QUARTERLY COMPLIANCE REPORT (QCR)..... | 4 |
| C. STRONG SHOWING JUSTIFICATION..... | 6 |
| D. BILATERAL AND OR BROKER CONTRACTS..... | 7 |
| E. REQUEST FOR OFFERS (RFO) PROCESS | 8 |
| F. REQUEST FOR OFFERS (RFO) CONTRACTS..... | 10 |
| G. CODE OF CONDUCT (COC)..... | 12 |

I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) performed the agreed-upon procedures (AUP) enumerated in Procedures and Findings section of this report for San Diego Gas and Electric Company (SDG&E or the utility) energy procurement compliance reporting period of April 1, 2023, through June 30, 2023, (Q2 2023). These procedures were agreed to between CPUC's Energy Division (ED) and UAB solely to assist ED in determining whether the three large investor-owned electric utilities are in compliance with certain energy procurement-related state laws and CPUC energy procurement directives. SDG&E is one of these utilities¹ and is responsible for complying with the energy procurement requirements.

ED engaged UAB to perform this AUP engagement. UAB is required to be independent and to meet other ethical responsibilities in accordance with the relevant ethical requirements related to the AUP engagement. We conducted this engagement in accordance with attestation standards established by the generally accepted government auditing standards (GAGAS). The sufficiency of the AUP procedures is solely the responsibility of ED. ED has agreed to and acknowledged that the procedures performed are appropriate for the intended purpose of the AUP engagement. Consequently, we make no representation regarding the sufficiency of the procedures described herein either for the purpose for which this report has been requested or for any other purpose. The results of the engagement are detailed in Procedures and Findings section of this report.

We were not engaged to, and did not, perform an examination or review of the subject matter, the objective of which would be the expression of an opinion on SDG&E's compliance with the energy procurement-related state laws and the CPUC's energy procurement directives. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to ED.

The purpose of this report is to communicate to ED the utility's compliance and the results of the AUP performed. The report may not be suitable for any other purposes. The procedures performed may not address all the items of interest to users other than ED and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

¹ Pacific Gas & Electric Company and Southern California Edison Company are the other two electric utilities subject to the agreed-upon procedures engagements.

In accordance with CPUC Decision (D.) 12-04-046, Ordering Paragraph (OP) 13, this report shall be made public. As required by Public Utilities (PU) Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. The redacted report can be found on the CPUC public website through the following link: [Audit Reports by Industry \(ca.gov\)](#).

Masha Verbyeva for Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

II. PROCEDURES AND FINDINGS

Below are the results of the AUP performed and associated findings. The sufficiency of these procedures is solely the responsibility of ED. Thus, UAB makes no representation regarding the sufficiency of the following procedures used for this engagement for the purposes for which this report has been requested.

A. Transaction Reconciliation/Analysis

1. Inspected whether the utility's Q2 2023 electric physical transaction details in Attachment A² contained any electronic solicitation or other competitive solicitation transactions, requiring performance of the audit procedures for Electronic Solicitation and Related Contracts.

Finding: We found no electronic/competitive solicitation transactions reported in Attachment A as a result of this procedure.

2. Reconciled to determine whether the utility's Q2 2023 electric physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

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

3. Reconciled to determine whether the utility's Q2 2023 electric financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

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

4. Reconciled to determine whether the utility's Q2 2023 gas physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

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

5. Reconciled to determine whether the utility's Q2 2023 gas financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

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

² All references to attachments in the list of Procedures and Findings are to the attachments to the utility's Quarterly Compliance Report subject to this engagement.

6. Reconciled to determine whether the utility's Q2 2023 transport, storage, park and lend transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D.

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

B. Quarterly Compliance Report (QCR)

1. Inspected QCR advice letter filing, including the attachments of supporting documentation, to determine whether the filing was accurate and complete.

Finding #1: SDG&E failed to demonstrate compliance with PU Code Section 581, D.03-06-067 OP 3d, and D.02-10-062, Appendix B and Section VI pages 30 and 34.

SDG&E did not include strong showing justification for a bilateral contract executed with [REDACTED] in Attachment M – Transactions Subject to Strong Showing.

SDG&E's Response: See C.3.

Finding #2: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E did not separately identify the bilateral amount and the broker amount of the contract executed with [REDACTED]

[REDACTED] in Attachment H – Contracts Executed/Contracts Amended.

SDG&E's Response: See D.5.

Finding #3: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported the collateral type/credit mechanism of [REDACTED] as not applicable instead of [REDACTED] in

Attachment B – Non-Investment Grade Counterparties.

SDG&E's Response: See F.6.

Finding #4: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported the execution/signed date for the RFO contract executed with [REDACTED] in Attachment H.

[REDACTED]

SDG&E's Response: See F.6.

2. Identified any of the utility's authorized decision-makers that were not listed in QCR.

Finding: We did not find any of the utility's authorized decision-makers that were not listed in QCR.

3. Inspected QCR and associated attachments to determine whether the utility provided its descriptions of and justifications for its procurement processes used to select the transactions.

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

4. Inspected QCR and associated attachments to determine whether the utility explained or justified the timing of its transactions.

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

5. Inspected QCR and associated attachments to determine whether the utility discussed the system load requirements/conditions underlying the need for the quarter's transactions.

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

6. Inspected QCR and associated attachments to determine whether the utility provided a copy of any data of forecasts used by the utility to analyze transactions.

Finding: We found the utility provided a copy of forecast data used to analyze transactions.

7. Inspected QCR and associated attachments to determine whether the utility provided a copy of each of the utility's procurement contracts reported in Attachment H.

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

8. Inspected QCR and associated attachments to determine whether the utility provided a reasonable number of analyses, as requested by CPUC or the Procurement Review Group (PRG) and provided the resulting outputs.

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

9. Inspected QCR and associated attachments to determine whether the utility's QCR included its briefing package provided to the ultimate decision maker.

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

10. Inspected QCR and associated attachments to determine whether the utility provided the break-even spot prices equivalent to the contracts.

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

11. Inspected QCR and associated attachments to determine whether the utility provided average price information for non-standard transactions.

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

12. Inspected QCR and associated attachments to determine whether the utility provided California Independent System Operator electricity procurement information in the utility's QCR.

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

C. Strong Showing Justification

1. Inspected Attachment A for any transactions subject to strong showing justification and inspected Attachment M to determine whether the transactions were properly justified in Attachment M.

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

2. Compared the price of bilateral contracts for non-standard products in Attachment A, which are waived from strong showing justification under D. 03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment A to the market high and low prices to ensure a reasonable deal was completed.

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

3. Inspected Attachment H for any transactions subject to strong showing justification and inspected Attachment M to determine whether the transactions were properly justified in Attachment M.

Finding #1: SDG&E failed to demonstrate compliance with PU Code Section 581, D.03-06-067 OP 3d, and D.02-10-062, Appendix B and Section VI pages 30 and 34.

SDG&E did not include strong showing justification for a bilateral contract executed with [REDACTED] in Attachment M. This contract is reported as a bilateral one in Attachment H, and thus strong showing justification is required as it is a non-standard product executed bilaterally with a term of more than 31 days and procured more than 31 days forward.

SDG&E's Response:

On October 18, 2023, SDG&E stated:

SDG&E has amended Attachment M with updated transaction information and has submitted a supplemental advice letter with those amendments. SDG&E inadvertently omitted reporting this transaction (containing both a brokered and bilateral volume) in Attachment M. Corrective actions to ensure SDG&E includes correct and accurate information in future QCR will include independent third party (internal SDG&E) verification of Attachment H to identify any transactions with a term of more than 31 days and procure more than 31 days forward.

4. Compared the price of bilateral contracts for non-standard products in Attachment H, which are waived from strong showing justification under D. 03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment H to the market high and low prices to ensure a reasonable deal was completed.

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

5. Inspected other bilateral transactions in QCR for any transactions subject to strong showing justification and inspected Attachment M to determine whether the transactions were properly justified in Attachment M.

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

6. Compared the prices of other bilateral contracts for non-standard products that are waived from strong showing justification under D. 03-06-067, OP 3(d) to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price for other transactions to the market high and low prices to ensure a reasonable deal was completed.

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

D. Bilateral and or Broker Contracts

1. Inspected PRG meeting materials to determine whether the utility consulted with its PRG for any contracts with terms over one calendar month before they were executed.

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

2. Inspected counterparties' credit supporting documentation to validate that the contracts executed bilaterally with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

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

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

Finding: We found no contracts had any impact on the overall TeVAR.

4. Identified any contract related to a new fossil generation or Power Purchase Agreement (PPA) that was less than five years.

Finding: We did not identify any contract related to a new fossil generation or PPA that was less than five years.

5. Traced and agreed all bilateral and broker contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding #2: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E did not separately identify the bilateral amount and the broker amount of the contract executed with [REDACTED] in Attachment H. Instead, SDG&E reported the bilateral and broker amounts as a combined contract and did not indicate the exact volume and notional value

pertaining to the bilateral portion and the broker portion. See the table below for the audited results:

| Contract Type | Term | Reported Contract Volume Megawatt (MW) | Audited Contract Volume (MW) | Contract Volume Overstated (MW) | Reported Notional Value (\$) | Audited Notional Value (\$) | Notional Value Overstated (\$) |
|---------------|--------|--|------------------------------|---------------------------------|------------------------------|-----------------------------|--------------------------------|
| Bilateral | Aug-23 | ████ | ████ | ██ | ████████ | ████████ | ████████ |
| Bilateral | Sep-23 | ██ | ██ | ██ | ████████ | ██ | ████████ |
| Broker | Aug-23 | ████ | ██ | ████ | ████████ | ████████ | ████████ |
| Broker | Sep-23 | ██ | ██ | ██ | ████████ | ████████ | ██ |

SDG&E’s Response:

On September 28, 2023, SDG&E stated:

In the column title ‘Valuation Results/Comments’ of Attachment H, SDG&E indicated the separate volumes for the August bilateral (Resource Adequacy) RA (████) and brokered RA (████). SDG&E did not list the █████ of brokered RA for September, but the utility has amended Attachment H to reflect the entire broker and bilateral volume of the transaction depicted in the confirmation. Though SDG&E did indicate the exact amounts for MW, Volume and dollar amount attributable for each portion of the contract, SDG&E did correctly indicate total deal amount of confirmation in Attachment H which satisfies the reporting requirement. Going forward, SDG&E will indicate separate amounts for transactions having bilateral and broker components within the confirmation/combined contract(s) or endeavor to create two confirmations (one broker and one bilateral) for ease and clarity of reporting.

E. Request for offers (RFO) Process

Requested and inspected copies of RFO documents, criteria, evaluation supporting documentation, bids received, and other relevant supporting documentation:

1. Ascertained that the utility developed its RFO bid documents under oversight of its Independent Evaluator (IE), vetted through its PRG and any differences were resolved by ED staff in advance of public issuance of the RFO bid document.

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

2. Ascertained that the utility consulted with its IE, PRG and ED to outline its plans and solicited feedback prior to drafting RFO bid document so that the RFO process was improved by the identification of data gaps, confirmation of the fairness of the confidential components of the RFO, and in compliance with the letter and spirit of CPUC policies on procurement practices.

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

3. Ascertained that the RFO process was competitive and consistent with the spirit of competitive solicitation.

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

4. Validated that the RFO bid criteria included the measures recommended by CPUC and were consistent with the CPUC's requirements.

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

5. Validated that the RFO bid criteria were clearly described and defined.

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

6. Ascertained that the rationale for the RFO bid criteria was clearly explained.

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

7. Ascertained that project viability was part of the RFO bid criteria.

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

8. Ascertained that the winning contract met the utility's RFO evaluation criteria.

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

9. Ascertained that the utility's decisions to accept and reject offers are clearly provided.

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

10. Ascertained that the utility presented its RFO candidates in its PRG meetings for feedback from PRG members, ED staff, and IE.

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

11. Ascertained that the utility addressed any concerns raised by its PRG members, ED staff, and IE regarding the RFO.

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

12. Identified whether the utility created any false barriers to participation in the RFO or to attempt limiting the competitive process by manipulating the RFO products and/or process.

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

13. Identified whether the utility issued RFO seeking bids for both PPAs and utility build bids.

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

14. Ascertained that the utility considered the use of Brownfield sites first and took full advantage of their location before it considered building new generation on Greenfield site in those cases when the RFO solicited fossil-fuel generation contracts less than five years.

Finding: We found that the RFO did not solicit fossil-fuel generation contracts less than five years.

15. Ascertained that the RFO was evaluated by an IE regardless of contract duration if the RFO involved affiliates or utility bidders.

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

16. Ascertained that the utility recognized the effects of debt equivalence when comparing PPA against PPAs in their bid evaluations, but not when a utility-owned generation project was being considered, in those cases when the RFO solicited PPA with a term of less than five years.

Finding: We found that the RFO did not solicit PPA with a term of less than five years.

F. Request for offers (RFO) Contracts

1. Inspected PRG meeting documentation to ascertain that the utility consulted with its PRG in a timely manner for contracts that exceeded one calendar quarter.

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

2. Inspected the utility's IE report to determine whether IE evaluated any contracts executed with affiliate(s) or any contracts with terms greater than two years.

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

3. Inspected counterparties' credit supporting documentation to validate that the contracts derived from the RFO selection process were executed with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

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

4. Inquired the utility as to whether the contracts had any impact on the overall TeVAR.

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

5. Identified any contract related to a new fossil generation or PPA with a term of less than five years.

Finding: We did not identify any contract related to a new fossil generation or PPA with a term of less than five years.

6. Traced and agreed all RFO contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding #3: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported the collateral type/credit mechanism as not applicable instead of [REDACTED] for [REDACTED] contract.

SDG&E's Response:

On August 29, 2023, SDG&E stated:

During the review process, Commercial and Credit Risk compared the responses to this data request to the responses submitted for Attachment B and discovered that updates were necessary. ... Going forward, Commercial and Credit Risk has requested that Attachment H be provided along with Attachment B to ensure that the information provided in both is consistent.

On September 28, 2023, SDG&E stated:

Responses to data requests undergo a review process that involves several individuals, and going forward, SDG&E will continue to cross check responses with a goal of minimizing human error to the extent possible and correcting any inconsistencies prior to submittal.

Finding #4: SDG&E failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SDG&E incorrectly reported the execution/signed date for the RFO contract executed with [REDACTED] in Attachment H. The date was incorrectly reported in Attachment H as 5/12/2023 instead of the official contract signed date of 5/11/2023.

SDG&E's Response:

On September 28, 2023, SDG&E stated:

The noted error was caught and corrected in SDG&E's response updated "Q2 2023 New Contracts Executed and Amended Attachment H - revised 09-22-23." SDG&E will submit a supplemental advice letter once the Q2 2023 final audit report is issued. In SDG&E's internal reviewing process, SDG&E will include emails to or from the counterparty of fully executed confirmations and their final signature timestamps in an internal folder to be independently verified and compared to dates listed in Attachment H.

G. Code of Conduct (COC)

1. Requested and inspected the utility's current COC manual to determine whether the utility adopts, actively monitors, and enforces compliance with a comprehensive COC for all employees engaged in the procurement process.

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

2. Inspected relevant supporting documentation to determine whether all employees included in the utility's energy procurement organizational chart as of Q2 2023 acknowledged the utility's COC or completed COC training within one month after the date of hire or transfer.

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

3. Inspected relevant supporting documentation to validate that all new employees who were hired or transferred during the past year (Q3 2022 through Q2 2023) and involved in energy procurement activities acknowledged the utility's COC agreement or completed the utility's COC training within one month after the date of hire or transfer.

Finding #5: SDG&E failed to demonstrate compliance with ED's Memo titled Deadline for Employees Acknowledgement of Utility Code of Conduct dated April 30, 2019, which states:

Beginning with the review of Q1 2019 QCRs, and unless and until the Legislature or the Commission provide further guidance, Energy Division agrees that one calendar month is an appropriate deadline for assessing compliance with the requirement that employees acknowledge the utility code of conduct, as adopted in D.02-10-062 and modified in D.02-12-074.

SDG&E did not actively monitor its energy procurement employee for timely signing its Market Activity and Credit Policy (MACP) form. ██████████ was hired as a contractor on 1/11/2023 and signed the MACP form on 3/13/2023, indicating that the MACP form was signed 61 days after hire date.

SDG&E's Response:

On November 3, 2023, SDG&E stated:

██████████ is a contractor. ██████████ is not a full-time nor a part-time employee of SD&GE. ██████████ joined SDGE as a contractor on 1/11/2023 and signed the MACP on 3/13/2023, 61 days after she was hired.

SDG&E will evaluate a process to improve the identification of new contract employees to help ensure timely acknowledgement of MACP.

4. Inquired the utility to ascertain that the utility has an ongoing process in reviewing and updating its COC and related issues to reinforce these mandatory rules of conduct.

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

5. Inquired the utility to ascertain that the utility has additional obligations, besides its COC, that employees must adhere to prove their compliance with confidentiality requirements at different level of transactions in accordance with D.02-12-074, OP 24 b.2.2.

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

6. Inquired the utility to ascertain that the utility has a process in place where energy procurement employees become legally compelled by a deposition to disclose any confidential procurement documents.

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

7. Inquired the utility to ascertain that the utility has a control process to prevent employee's misuse of confidential procurement information during and after their employment.

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