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Independent Audit of San Diego Gas & Electric (SDG&E) Gas and Electric Franchise

Franchise Compliance Review Committee



April 11, 2024



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Introductions



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Audit Scope

- Independent Audit of San Diego Gas & Electric (SDG&E), Gas and Electric Franchise Agreements, for the two-year period of:
 - July 8, 2021 to July 7, 2023 (first phase)
 - July 8, 2023 to July 7, 2025 (second phase).
- The audit will cover SDG&E performance in complying the following:
 - Franchise Agreements
 - Administrative MOU
 - Utility Undergrounding MOU
 - Energy Cooperation Agreement associated with the Franchises.



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Audit Procedures

- Conduct interviews of SDG&E and City staff
 - SDG&E staff including finance, operational, and oversight personnel
 - City - Development Services Department
 - City - Engineering and Capital Projects
 - City - Utilities Undergrounding Program
 - City - Information Technology
 - City – Management
- Reviewed and documented requirements of each agreement.
- Submitted multiple data requests to SDG&E and the City
 - Data requests were requested for all relevant requirements for each agreement.
- Franchise Fees
 - Obtained and reviewed SDG&E annual franchise fee calculation documents, quarterly franchise fee statements, process documentation (including how accounts coded to City), controls information, A/R aging reports, bad debt expense support and collection procedures, documentation of payments made to City.

Audit Procedures *(continued)*

- Administrative MOU
 - Selected a sample of projects to audit requirements that are project specific (i.e., permitting, inspections or collaboration)
 - Reviewed supporting documentation for non-project specific requirements (i.e., information sharing protocols, communication)
- Utility Undergrounding MOU
 - Selected a sample of projects to audit requirements that are project specific (i.e., permitting, inspections or collaboration)
 - Reviewed supporting documentation for non-project specific requirements (i.e., information sharing protocols, communication)
- Energy Cooperation Agreement
 - Reviewed supporting documentation for each requirement.
 - Tested source of funding for requirements that are shareholder funded.

Initial Questions For Further Discussion

Crowe developed initial preliminary questions in various areas of the agreements based on our review of documentation furnished to date.

Our final conclusions regarding these questions are subject to the following:

- Potential additional documentation/information we may receive from the City
- Potential additional documentation/information we may receive from SDG&E
- Additional interviews of SDG&E and City personnel
- Additional internal Crowe procedures and workpaper review.

These questions/areas should not be considered as findings until we have performed this additional due diligence (in the next 2 weeks).



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Initial Questions For Further Discussion

- Franchise Fees
 - No open questions to date
- Energy Cooperation Agreement
 - What were the reasons why the City and SDG&E did not complete the Implementation Plan within 90 days as required?



Initial Draft Questions For Further Discussion

- Undergrounding MOU

Section	Section Description	Notes
6.2.7	CITY and GRANTEE Cooperation for Design and Project Management of Joint Project	Did SDG&E make a good-faith effort to offer flexibility and cooperation regarding design and construction requirements? How were such efforts documented?
6.7.6, 6.11.2, 6.11.4	CITY Construction Scope	Did SDG&E resolve issues in a timely manner, leading to additional costs and work for the City to perform? How were such resolutions of issues documented?
7.0	Projects Executed by GRANTEE	Did SDG&E provide sufficient documentation to confirm compliance with permit lists (7.5.1), property owner coordination (7.10.4), ground rod installation (7.10.5), building inspection permits (7.10.6), safety documentation (7.10.9), and environmental compliance (7.13.1, 7.13.2.1, 7.13.2.2)?
7.2.2, 12.3, 12.4	Project Kickoff, Budget Coordination	Did SDG&E provide complete cost estimates (e.g., engineering and design cost loaders) allowing the City to finalize budgets and avoid project delays?
9.2.5	Construction Procurement	Did SDG&E collaborate with the City to create MSA evaluation matrices, or scorecards (e.g., was willing to accept City input on categories or category weighting)?
11.1, 11.2, 11.3	Invoicing	Did SDG&E provide timely invoicing and sufficient supporting documentation to justify information included in invoices?

Initial Draft Questions For Further Discussion

- Administrative MOU

Section	Section Description	Notes
6.a, 6.a.i	Category 1 Project Portal	Portal was completed; however, did SDG&E provide compatible data with correct GIS coordinates?
7.b, 10c.	Emergency Work	City stated the definition of emergency does not always align. SDG&E may utilize emergency too often. Is there a need to better define emergency in the MOU?
12.e.ii	Notification of Relocation of Facilities	Did SDG&E receive a 90-day notice for any of the projects. Does the 90-day notice provide the City with sufficient time due to SDG&E internal delays?
14	Two-Year Plan	The two-year plan is utilized to assist in project coordination/planning. SDG&E has provided the plan. However, is the plan meeting the intention of the requirement? For example, does the Plan include required GIS information?

Data Request Schedule

Request To/Request Topic	Date of First Submitted Request ¹	Final Date Received All Documents ²
SDG&E		
General	February 23, 2024	March 25, 2024
Franchise Fees	February 29, 2024	April 3, 2024
Admin MOU	December 20, 2023	March 20, 2024
ECA	December 20, 2023	February 9, 2024
UUP	February 29, 2024	March 28, 2024
City		
Undergrounding	March 4, 2024	March 29, 2024
Admin MOU	March 4, 2024	March 20, 2024

¹ There may have been additional data requests submitted after this initial request.

² In several cases, documents were provided on a flow basis up to this date.

Next Steps

Description	Due Date	Notes
Additional assessment of questions presented (includes focused involvement with SDG&E and City)	Two weeks: April 15, 2024 to April 26, 2024	
CRC Meeting #3	May 9, 2024	Final report
CRC Meeting #4	May 28, 2024	Final vote



Questions?