

Performance Audit of San Diego Gas & Electric (SDG&E) Franchise – Phase 2

City of San Diego

October 31, 2025



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Independent Auditor's Report

Crowe LLP (Crowe) conducted a performance audit of San Diego Gas & Electric (SDG&E) compliance with the Electric and Gas Franchises, Administrative MOU, Utility Undergrounding Program MOU, and Energy Cooperation Agreement associated with the Franchises with the City of San Diego (City) (hereafter referred to as "Franchise") for the period of the July 8, 2023 through July 7, 2025. The objectives of the audit are described in the Objectives, Scope, and Methodology section of the report.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed in the Objectives, Scope, and Methodology section of the report.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of SDG&E to determine the audit procedures that were appropriate for the purpose of providing a conclusion on the audit objectives, as specified, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that SDG&E met the four (4) Audit Objectives in all significant respects for the period of July 8, 2023 through July 7, 2025. We included two (2) findings, both were deemed not to be significant to the Audit Objectives but warranted inclusion in the report.

SDG&E's written response to the Findings identified in our audit was not subject to the auditing procedures applied in the audit and, accordingly, we express no opinion on it.



Crowe LLP

San Francisco, CA
October 31, 2025

Executive Summary

Crowe LLP (Crowe) conducted a performance audit of San Diego Gas & Electric (SDG&E) compliance with the Electric and Gas Franchises, Administrative MOU, Utility Undergrounding Program MOU, and Energy Cooperation Agreement associated with the Franchises with the City of San Diego (City) (hereafter referred to as “Franchise”) for the period of the July 8, 2023 through July 7, 2025 in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The goal of the audit was to determine whether SDG&E’s financial, operational, documentary, and cooperative requirements are in conformance and compliance with the requirements of the Franchise.

The audit objectives, shown in the Objectives, Scope, and Methodology section of this report, were developed based on the requirements set forth in the Franchise between the City and SDG&E.

Crowe identified two (2) findings, which are presented in **Exhibit 1**. Further details of the findings, which were deemed not to be significant to the audit objectives, are presented in the Findings and Recommendations section of this report.

In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis.

Exhibit 1 Finding and Control Evaluation

Finding Number	Finding Description	Classification	Audit Objective Impacted
1	SDG&E Did Not Comply with Sections 6.11.2, 6.11.3, 7.4.3 and 8.3.4 of the Undergrounding MOU	<i>Noncompliance and Deficiency</i>	3
2	SDG&E Did Not Comply with Section 10.b of the Administrative MOU	<i>Noncompliance and Deficiency</i>	2

As part of addressing the audit objectives, we performed procedures to determine if the four (4) previously reported findings were remediated. Of the 4 findings from the prior audit, we observed that Findings 2, 3 and 4 were remediated and Finding 1 is to be determined based on future construction costs estimates. **Exhibit 2** provides the status of remediation on each prior audit finding.

Exhibit 2
Status of Phase 1 Audit Findings

Finding	Status	Comments
1. Inconsistent Undergrounding Project Cost Estimates	To be determined based on future construction cost estimates	Cost estimates have stabilized since the Phase 1 audit but estimates continue to be at the highest end of the range relative to comparable IOU estimates.
2. Limited Collaboration with the City on SDG&E Undergrounding Construction Project Master Services Agreement (MSA) Evaluation Criteria	Not Remediated	Finding is not relevant to the Phase 2 audit. The same MSA is still active but the recommendation in the Phase 1 audit remains relevant.
3. SDG&E Did Not Comply with Section 6 a) of the Administrative MOU	Remediated	Finding is not relevant to the Phase 2 audit due to an updated Administrative MOU.
4. The City and SDG&E Did Not Comply with Section 2 of the Energy Cooperation Agreement	Remediated	Finding was not relevant to the Phase 2 Audit.

Project Background

SDG&E Franchise with the City

The City has franchises with San Diego Gas & Electric (SDG&E or Grantee) for electric service and for gas service (Franchises). The City and SDG&E entered into these Franchises on June 8, 2021, passing ordinance O-21327 regarding transmitting and distribution of gas, and ordinance O-21328 regarding transmitting and distributing electricity. SDG&E commenced operations under these Franchises on July 8, 2021 (Effective Date) and they are effective for a primary term of ten (10) years.

1. Franchise Consideration

As consideration for the use of City streets, for the gas franchise, SDG&E is required to pay a bid amount of \$10,000,000 and a sum of three (3) percent of its gross gas revenues.¹ For the electric franchise, SDG&E is required to pay a bid amount of \$70,000,000 and a sum of sum of three (3) percent of its gross electric revenues. The bid amount is not recoverable through rates charged to customers (i.e., approved by the CPUC).

SDG&E is required to submit reports to the City on February 15th of each year that include gross receipts for the prior calendar year. Payments are made to the City on a quarterly basis based on the prior year gross receipts and are trued up at the end of the year based on actual results for the year. Late payments are subject to a delinquency fee of 2 percent of the amount owed and 1 percent of the amount due per month of delay.

2. Compliance Assessment

Section 6 of the Franchise specifies that the City hire an independent auditor to conduct an audit of SDG&E's compliance with the franchise every two years after the Effective Date. The audit must address the Grantee's fulfillment of financial, operational, documentary, and cooperative agreements under the Franchises.

To oversee the audit and receive the report, the City established a Franchise Compliance Review Committee (Review Committee) made up of:

- 3 appointees from the City Council
- 2 appointees selected by the Mayor.

The Review Committee is required to provide the auditor's report and its own report with recommendations to the City Council within 180 days of the end of each two-year period of the Franchise term.

The compliance assessment covers SDG&E's compliance with the following:

- Franchises
- Administrative MOU
- Utility Undergrounding MOU
- Energy Cooperation Agreement associated with Franchises.

The compliance assessment covers two periods of time:

- Phase 1 – start dates of each of the agreements to July 7, 2023²
- Phase 2 - July 8, 2023 to July 7, 2025.

The subject of this audit report is Phase 2. The Phase 1 audit report was issued on May 20, 2024.

¹ With credits for City-imposed fees for right-of-way usage. SDG&E also is required to pay applicable statutory surcharges (e.g., municipal lands use surcharge).

² The start dates were as follows: Gas and Electric Franchises on June 11, 2021; Administrative MOU on November 1, 2021; Undergrounding MOU on April 6, 2022; and Energy Cooperative Agreement on May 25, 2021.

Objectives, Scope, and Methodology

Crowe developed our audit plan and procedures to meet specific objectives identified by the City. In developing this audit plan, among other factors, we primarily considered the specific SDG&E compliance requirements included in the Franchise.

Purpose, Objectives, and Procedures

Crowe submitted several data requests to SDG&E which were progressively more focused throughout the engagement as we obtained more detailed data and information on the company's operations. We reviewed policies and procedures that were provided by SDG&E to understand SDG&E's use of supporting information systems. We conducted an internal controls assessment to obtain an understanding of SDG&E's internal controls as they related to the Franchise. Finally, we developed workpapers to document the results of the performance audit.

The audit included four (4) objectives, which we list below. The objectives of the audit were developed based on the City's request for Crowe to determine whether SDG&E complied with terms and conditions included within the Franchises and MOUs.

Objective 1

Objective 1: Determine whether SDG&E complied with the requirements outlined in the Electric and Gas Franchise Agreements with the City of San Diego for the period of July 8, 2023 through July 7, 2025.

Approach

Franchise Compliance Area	Franchise Reference ³	Procedures
Payment of Bid Amount and Franchise Fees	Franchise, Section 4	- Obtained City documentation listed in item 1 of Appendix B confirming payment of applicable bid amount and quarterly franchise fees - Obtained documentation listed in item 1 of Appendix B from SDG&E supporting gross receipts, including adjustments for non-franchised activities - Obtained documentation listed in item 1 of Appendix B and assessed accuracy of SDG&E calculation of amounts due to City - Obtained documentation listed in item 1 of Appendix B and assessed payment accuracy, timeliness, and late fees, if applicable
Compliance with Laws	Franchise, Section 7	- Obtained/reviewed applicable policies, laws, and regulations - Interviewed City personnel (e.g., management and public works personnel) - Obtained City documentation of violations, if applicable - Assessed whether SDG&E complied with applicable policies, laws, and regulations

³ Includes both Electric and Gas franchises which are organized similarly.

Franchise Compliance Area	Franchise Reference ³	Procedures
City Reserved Powers; Relocation Efforts	Franchise, Section 8	See procedures completed in Objective #2
Administrative MOU	Franchise, Section 9	See procedures completed in Objective #2
Providing Location Data	Franchise, Section 9	See procedures completed in Objective #2
Undergrounding of Facilities	Franchise, Section 10 (Electric)	See procedures completed in Objective #3
Coordination with Community Choice Aggregation (CCA)	Franchise, Section 11 (Electric)	See procedures completed in Objective #4
Climate Action, Local Energy, Energy Justice, and Purchasing of Local Materials	Franchise, Section 10 (Gas), 12 (Electric)	See procedures completed in Objective #4
Indemnity, Defense, Insurance	Franchise, Section 11 (Gas), 13 (Electric)	Interviewed City staff to determine if SDG&E has complied with requirements

Conclusion: SDG&E complied in all significant respects.

Objective

Objective 2: Determine whether SDG&E complied with the requirements outlined in the Administrative Memorandum of Understanding with the City of San Diego for the period of July 8, 2023 through July 7, 2025.

Approach

Compliance Area	Admin MOU Reference	Procedures
General Work Requirements	Section 4	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E work conformed with Municipal Code Chapter 6, Article 2, Division 11; and complied with City requirements and applicable laws - Assessed compliance with general work requirements

Compliance Area	Admin MOU Reference	Procedures
MOU Permit	Sections 5 and 6	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with permitting requirements for each type of work category (Category 1, 2, 3, 4 and Master Plan Approvals). This included obtaining permit documentation for a sample of projects within each applicable work category. Additionally, we assessed the extent to which SDG&E submitted projects via the City's online permitting system. - Assessed compliance with MOU permit requirements
Traffic Control Permits	Section 7	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E applied for a Street/Sidewalk Blockage Form (SSWBF) and Traffic Control Plan (TCP), if applicable, for projects that impeded vehicular, bicycle, or pedestrian traffic; and developed Working Drawings for various scenarios in developing TCPs - Assessed compliance with traffic control permit requirements
Work Hours	Section 8	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with work hour requirements - Assessed compliance with work hour requirements
Notification and Inspection Requirements, Commencement of Emergency Work and Preconstruction Activities	Section 10	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what SDG&E complied with Notification and Inspection Requirements and Commencement of Emergency Work and Preconstruction Activities - Assessed compliance with Notification and Inspection Requirements and Commencement of Emergency Work and Preconstruction Activities
Construction Requirements	Section 11	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with street repair requirements (e.g., restored in compliance with applicable laws); developed a process for approving third-party labs to perform soil/compaction tests; and restored landscaping and the site - Assessed compliance with construction requirements
Cooperation & Coordination with City Projects and City Work	Section 12	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with collaboration requirements - Assessed compliance with coordination requirements
ArcGIS	Section 13	Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with development of an online website displaying GIS data, including making available GIS information describing facilities in the ROW, determining appropriate attributes, and making monthly updates

Compliance Area	Admin MOU Reference	Procedures
		Assess compliance with ArcGIS requirements
Two-Year Plan	Section 14	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with development of the Two-Year Plan cataloging planned projects into appropriate classifications (e.g., regular maintenance, minor repairs, major repairs); and made updates based on City input - Assessed compliance with Two-Year Plan requirements
Permanent Survey Markers	Section 15	- Obtained documentation listed in item 3 of Appendix B and interview City personnel to determine to what degree SDG&E complied with survey requirements for cases where markers are disturbed during construction - Assessed compliance with survey requirements
Dispute Resolution	Section 16	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine if there were instances of dispute resolution - Assessed compliance with dispute resolution procedures
Indemnification	Section 17	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine if SDG&E complied with indemnification requirements - Assessed compliance with indemnification requirements
Request for Records	Section 19	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with requests for records (i.e., within 10 days of sufficient detail) - Assessed compliance with request for records requirements
Security and Safety of Work Area	Section 20	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with requirements to maintain, cleanup and secure work areas - Assessed compliance with security and safety requirements
Hazardous Substance	Sections 21-26	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with hazardous substance requirements (e.g., obtain approvals, containerization, bear cost of remediation, removal, notice of release) - Assessed compliance with hazardous substance requirements
Subcontractors	Section 27	- Obtained documentation listed in item 3 of Appendix B and requested licenses for subcontractors completing work on behalf of SDG&E. - Assessed compliance with subcontractor licensing requirements.

Compliance Area	Admin MOU Reference	Procedures
NPDES, Storm Water Management	Sections 28-29	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E complied with NPDES permit and storm water management requirements (e.g., best management practices) - Assessed compliance with NPDES and storm water management requirements
Joint Utilities Coordinating Committee (JUCC)	Section 30	- Obtained documentation listed in item 3 of Appendix B and interviewed City personnel to determine to what degree SDG&E participated in the JUCC. - Assess compliance with JUCC participation requirements
Administrative MOU Training	Section 31	- Obtained documentation listed in item 3 of Appendix B and determined if SDG&E and the City held collaborative training to provide overview of the MOU. - Assessed compliance with training requirement.

Conclusion: SDG&E complied in all significant respects. Crowe included Finding 2 which was not deemed significant to the audit objective but warranted inclusion in the report.

Objective

Objective 3: Determine whether SDG&E complied with the requirements outlined in the Undergrounding Memorandum of Understanding with the City of San Diego for the period of July 8, 2023 through July 7, 2025.

Approach

Compliance Area	MOU Reference	Procedures
Project Identification and Prioritization	Section 4.2.2	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E provided information on areas with High Fire Threat (HFT) District most beneficial to wildfire mitigation; as well as existing above ground facilities to aid with planning level project cost estimates - Obtained documentation to support where SDG&E assisted with City Council meetings related to climate risk and public safety - Assessed compliance with project information requirements

Compliance Area	MOU Reference	Procedures
Underground Utilities Districts	Sections 4.3, 4.5	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E participated in review of draft Underground Utilities District boundaries (e.g., written comments), attended field review meetings (e.g., minutes), advised on adjustments to draft boundaries (written comments) to achieve project cost efficiencies, and worked with communication infrastructure providers to identify attachments to poles within District - Obtained documentation listed in item 4 of Appendix B to support prompt notifications by SDG&E for suggested modifications of boundaries - Assessed compliance with Underground Utilities Districts assistance requirements
Safety	Section 4.7	- Obtained SDG&E safety policy - Interviewed City personnel to determine if SDG&E employees adhered to safety policy - Obtained documentation of SDG&E violations of its safety policy - Assessed compliance with safety policy
Program Level Communication	Sections 5.1, 14	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E staff are meeting on at least a monthly basis to review project related information, including project progress, risks, schedule, delays (e.g., meeting agendas, meeting attendee lists, and meeting notes) - Obtained documentation listed in item 4 of Appendix B to support SDG&E DPOA assignment - Assessed compliance with program level and enhanced communication requirements
City/Grantee Cooperation with Design and Project Management	Section 6.2	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E provided the updated Qualified Designer List (on its website); reviewed components of City design bid packages; cooperated in timely scheduling and attendance at project kickoff; provided access to SDG&E controlled software or databases needed for design - Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E reviewed design submittals, bid package review submittals and other relevant submittals for conformance with SDG&E standards; and that SDG&E cooperated in sequencing design approvals to align with construction sequencing - Assessed compliance with design and project management requirements
Grantee Acceptance of Design Performed by City	Section 6.3	Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E provided a written Notice of Design Acceptance for each Rule 20 project; provided explanations for changes after Notice of Design Acceptance; and minimized design changes after bid package preparation is complete.

Compliance Area	MOU Reference	Procedures
		Assessed compliance with design acceptance requirements
Grantee Easements for Joint Projects	Sections 6.4., 7.11	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E managed communications with property owners, prepared and processed applicable easement forms; reviewed and approved easement terms and conditions with property owners; and provided qualified personnel for execution - Assessed compliance with easement requirements
City Construction Scope and Streetlight Coordination	Section 6.7, 6.8, 7.8	- Obtained supporting documentation listed in item 4 of Appendix B to determine extent to which SDG&E provided wiring up to service points (for streetlighting); participated in resolving issues with joint construction; and met/coordinated streetlight installation - Assessed compliance with City construction scope and streetlight requirements
Field Change Orders	Section 6.10	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E reviewed and commented on design changes without delay - Assessed compliance with City field change order requirements
Inspection and Acceptance of Construction by City	Section 6.11	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E provided timely construction inspections, required line workers, written inspector schedules, field layouts, and written Final Acceptance of Work - Assessed compliance with inspection requirements
Grantee Construction for Joint Projects	Section 6.13	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E has obtained applicable permits; coordination of outages; performed cutovers, intercepts, and energized streetlights; removed overhead facilities and vacated poles from service - Assessed compliance with grantee construction for joint projects requirements
Project Schedule for Joint Projects	Section 6.14	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E worked with City to create initial project schedule, regularly updated the schedule, and provided updates to the City - Interviewed City to understand how effectively SDG&E managed project schedules for joint projects - Assessed compliance with project schedule requirements
Project Kick-Off	Section 7.2	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E kicked off projects within 30 days of the NTP and provided a draft milestone schedule 30 days after the project kickoff meeting - Assessed compliance with project kickoff requirements

Compliance Area	MOU Reference	Procedures
Grantee Responsibilities	Section 7.3	- Interviewed City personnel to determine whether SDG&E was responsible for project level design and construction and execution activities, including mapping, customer service, designs, third-party coordination, permitting, construction, cabling, outages and energizations, cutovers, removals from services, street work and communications - Obtained documentation listed in item 4 of Appendix B to determine whether Grantee complied with these responsibilities - Assessed compliance with Grantee responsibility requirements
City Oversight of Grantee Executed Projects	Section 7.4	- Interviewed City personnel, and obtain supporting documentation, to determine whether SDG&E scheduled meetings to review the 30% Design Baseline, notified the City with "Start Construction Notifications", scheduled meetings with the City to review the "Construction Baseline" appropriately notified the City 20 days in advance of the start of electric construction work, and incorporated quality management checkpoints into the schedule - Assessed compliance with City oversight of Grantee Executed projects requirements
City Permitting Requirements	Section 7.5	- Obtained documentation listed in item 4 of Appendix B to determine whether SDG&E obtained permits for project work, provided the City with a full listing of DSD permit numbers on a monthly basis, met with the City regarding process changes to City traffic control permits - Assessed compliance with City permitting requirements
Grantee Design	Section 7.6	- Obtain supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E performed all necessary designs and that SDG&E endeavored to reduce the size of aboveground equipment - Assessed compliance with Grantee design requirements
Grantee Construction	Section 7.7	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E executed all construction and coordinated all aspects of work on its facilities and customer service panel conversions - Assessed compliance with Grantee construction requirements
Grantee Pre-Construction Meeting	Section 7.9	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E arranged for the Grantee Pre-Construction Meeting - Assessed compliance with pre-construction meeting requirements

Compliance Area	MOU Reference	Procedures
Service Panel Conversions and Inspections	Section 7.10	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E arranged to convert customer's electrical service at customer direction; coordinated with property owners who performed their own service; provided grounding rods and related appurtenances; obtained building inspection permits from the City and complied with these permits, requested service panel conversion inspections provided by DSD, did not remove overhead power without written authorization from the City, and provided documentation regarding safety, reliability, or structural integrity issues and participate in information presentation to Council - Assessed compliance with service panel conversion and inspection requirements
Other Project Coordination Requested by City	Section 7.12	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E delivered facilities with potential conflict with applicable accessibility requirements and cooperate to study these conflicts to address compliance concerns; and notify the City of potential construction impacts from street tree or tree roots - Assessed compliance with other project coordination requirements
Environmental Compliance for Grantee Projects	Section 7.13	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E ensured construction complied with CEQA requirements, included compliance requirements in contracts and ROW submittals, provided environmental monitors notice prior to construction, supported City obtaining permits, performed construction under its NPDES permit, and adhered to City Whitebook requirements for C&D waste disposal - Assessed compliance with environmental compliance requirements
Grantee Project Cost Estimates	Section 8	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided updated Estimate Cost to Completion (EAC), preliminary cost estimates, initial cost estimates, 30% design estimates, 90% design estimates, IFC estimates, explanations for increases by 10 percent or more month over month - Assessed compliance with Grantee project cost estimate requirements
Design & Engineering Procurement	Section 9.1	Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E procured design and engineering work under MSAs, posted sourcing for at least 10 days, created standard evaluation matrices, reviewed from a technical perspective, issued work based on consultant's workload, lead times, geographic coverage and performance metrics on past projects, maintained documentation of standard processes for evaluating bids, and provided all design/engineering contracts to City

Compliance Area	MOU Reference	Procedures
		Assessed compliance with design and engineering procurement requirements
Construction Procurement	Section 9.2	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E held competitive sourcing for MSAs, contractors are pre-qualified for work, posted sourcing for at least 10 days, created standard evaluation matrices, provided the City with draft evaluation matrix, maintained documentation of standard processes for evaluating bids, and provided all design/engineering contracts to City - Assessed compliance with construction procurement requirements
Construction Project Bidding	Section 9.3	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E used the MSA rate structure for time and equipment-based work that do not exceed the established Bid Threshold; competitively bid projects exceeding the Bid Threshold via Construction Project Bid; informed the City of factors that could impact Construction Project Bids; provided the City with bid summaries including completed bid evaluation matrices, list of bids, bid evaluation meeting minutes; met with City to discuss disagreements regarding award; and provided all Civil and Electric construction contracts on request - Assessed compliance with construction project bidding requirements
Diverse Business Enterprises	Section 9.4	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E tracked yearly utility expenditures with DBEs and disadvantaged small businesses, made efforts to utilize DBEs, provided commitments in MSAs, and prepared DBE reports for the CPUC; and included Equal Employment Opportunity Requirements in its MSAs - Assessed compliance with diverse business requirements
Accounting for Grantee Project Expenses	Section 10	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided monthly billing back up to support invoices for surcharge program projects (e.g., direct costs, materials, overhead); subdivided costs into the categories consistent with MOU requirements; accounted for direct Surcharge Program Project costs in the Surcharge Specific Cost Pool; and provided a breakdown on overheads into labor, purchasing/warehouse, A&G and construction support, and other - Assessed compliance with Grantee accounting requirements
Invoicing	Section 11	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided monthly billing back up support documentation and provided timely (within 10 business days) supporting documentation upon City request - Assessed compliance with invoicing requirements
Reporting	Section 13	Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E provided required

Compliance Area	MOU Reference	Procedures
Requirements		- reporting (e.g., underground cost per mile, monthly milestone reporting, project estimate report, monthly cashflow estimate) - Assessed compliance with invoicing requirements
Outreach	Section 15	- Obtained supporting documentation listed in item 4 of Appendix B to determine to what degree SDG&E participated in meeting preparation and provided timely information for public notices and presentation materials, provided appropriate personnel, and consulted with the City on sensitivity of project visual impacts - Assessed compliance with outreach requirements

Conclusion: SDG&E complied in all significant respects. Crowe included Finding 1 which was not deemed significant to the audit objective but warranted inclusion in the report.

Objective

Objective 4: Determine whether SDG&E complied with the requirements outlined in the Energy Cooperation Agreement with the City of San Diego for the period of July 8, 2023 through July 7, 2025.

Approach

Compliance Area	MOU Reference	Procedures
Cooperative, Unified Response	Section 1	- Obtained documentation listed in item 6 of Appendix B and interview City and SDG&E personnel to determine to what degree SDG&E cooperated with the City in submitting applications, letters of support, and testimony related to achieving 100% clean energy and net zero emissions - Assessed compliance with cooperation requirements
Living Agreement	Section 3	- Obtained documentation listed in item 6 of Appendix B and interview City personnel to determine to what degree SDG&E participated in the Cooperative Agreement Summit (CAS), where applicable - Assessed compliance with living agreement requirements
Costs	Section 4	- Obtained documentation listed in item 6 of Appendix B and interviewed City and SDG&E personnel to determine to what degree SDG&E cooperated in determining appropriate funding sources and necessary approvals for projects/programs - Assessed compliance with cost requirements
Clean Energy Collaboration Opportunities	Section 5	- Obtained documentation listed in item 6 of Appendix B and interviewed City and SDG&E personnel to determine to what degree SDG&E collaborated with the City to seek mutually agreed upon opportunities to deliver clean energy to residents, - Assessed compliance with Clean Energy Collaboration requirements

Compliance Area	MOU Reference	Procedures
Safe Energy Collaboration Opportunities	Section 6	- Obtained documentation listed in item 6 of Appendix B and interviewed City and SDG&E personnel to determine to what degree SDG&E cooperated in providing hyper-localized situational awareness of potential weather threats; firefighting air resources to protect the City; investigation of weather stations and other technologies; and monitoring canyons where fires are more likely to ignite/spread; sharing intelligence and data; lending expertise to support the City's Virtual Emergency Operations Center (EOC); attending town council and other public meetings; and reviewing the resiliency of the City's existing infrastructure - Assessed compliance with Safe Energy Collaboration requirements
Reliable Energy Cooperation Opportunities	Section 7	- Obtained documentation listed in item 6 of Appendix B and interviewed City and SDG&E personnel to determine to what degree SDG&E assisted the City to develop a centralized dashboard to manage City-wide energy usage; shared expertise relating to facility and community-level microgrids; identified appropriate distributed energy resources (DER) projects; and assisted with demand response and DER efforts (e.g., by applying to the CPUC for approvals) - Assessed compliance with Reliable Energy Cooperation requirements
Equitable Energy Cooperation Opportunities	Section 8	- Obtained documentation listed in item 6 of Appendix B and interviewed City and SDG&E personnel to determine to what degree SDG&E worked with the City's Environmental Committee to define program outcomes, and timelines related to equity-focused solar program; executed the program with a non-profit organization; spent \$1M of shareholder contributions each year for the program (which will be available for incentives, refunds, equipment, labor, program management and administration); began tracking affordability housing utility design applications, created a dashboard to track utility coordination/timing, and supported operational enhancements related to more rapid affordable housing development; identified underserved populations to launch careers; cooperated on refreshing the City-driven accelerated undergrounding program (see Utility Undergrounding MOU); expanded outreach to eligible low-income and hard-to-reach customers; and researched available grants - Assessed compliance with Equitable Energy Cooperation requirements

Compliance Area	MOU Reference	Procedures
Ensuring Transparency	Section 9	• Obtained documentation listed in item 6 of Appendix B and interviewed City and SDG&E personnel to determine to what degree SDG&E offered periodic informational opportunities on SDG&E's business; annually presented rate structure, planned filings, and rate changes to the Council; annually offered to present planned projects and status to City Council Committee; annually offered to present a status update on Public Purpose Program (PPP) funds (e.g., CARE, FERA, LIHEAP) to City Council Committee; twice per year offered to present ways supporting Climate Action Plan goals to City Council Committee; four times per year met with City's COO to discuss infrastructure projects, facility coordination, municipal energy bills, account questions, and other topics of mutual concern; annually provide an update to the Compliance Review Committee on Agreement implementation • Assessed compliance with Transparency requirements

Conclusion: SDG&E complied in all significant respects.

Project Scope and Limitations

Undergrounding Project Scope and Limitations

Undergrounding projects have four (4) potential funding sources as follows:

Project Name	Within Scope of this Performance Audit	Funding Source
City surcharge projects	Yes	City surcharges beginning April 6, 2022
Legacy surcharge projects	Yes	City surcharges prior to April 6, 2022
Rule 20A projects	No	Customer rates
Wildfire mitigation – undergrounding program	No	Customer rates

City Surcharge Projects In Scope of Current Undergrounding MOU

The new undergrounding MOU projects considered within the scope of our audit are those in the following table:

Project Name	Start Date	State of Development	Number of Months in Scope of July 7, 2025 Audit Period Ending
SDG&E Projects			
Crown Point Blk 2BB Job 2	8/18/2022	Construction	33.5 months
Muirlands La Jolla Blk 1M1	Design: 3/7/2023	90% Design	28 months
Del Mar Heights Blk 1Y	Design: 4/10/2023	90% Design	27 months
Allied Gardens (Navajo) Blk 7T	2/18/2023 Design; 1/11/2024 Construction	Construction	28.5 months
S. Mission Beach Blk 2S2	6/1/2023	90% Design	25 months
Allied Gardens Blk 7R1	5/16/2023	90% Design	25.5 months
N. Clairemont Blk 6K1	5/30/2023	90% Design	25 months
Clairemont Blk 6K2	5/30/2023	60% Design	25 months
N. Encanto Blk 4R1	6/16/2023	60% Design	25 months
Joint Projects (SDG&E and City)			
Palm City (Egger Highlands) Blk 8R	2/22/2023	Construction (City performing)	28 months
Jamacha Lomita Blk 4Y1	4/16/2025	Design	2.5 months

Projects Out of Scope of Current Undergrounding MOU

None of the current and planned Rule 20A projects are subject to the compliance provisions in the new Undergrounding MOU. Finally, none of the undergrounding projects SDG&E has completed as part of its wildfire mitigation program required in accordance with its Wildfire Mitigation Plans are within the scope of this audit.

Findings and Recommendations

Our performance audit resulted in two (2) findings. Findings include a recommendation to correct the issue, and are organized into the following six (6) components:

- *Condition* – includes the error observed based on facts revealed from the examination.
- *Criteria* – the basis for our evaluation; in this case a specific policy, procedure, or leading practice.
- *Cause* – the underlying reason for why the non-compliance or error occurred.
- *Effect* – the impact on the organization and/or the ratepayer from the error.
- *Recommendation* – a suggested action to correct the deficiency; or what can be done to address both the cause and condition.
- *Management Response* – an opportunity for the company to provide its response to the finding and/or recommendation.

Findings and recommendations from this performance audit are provided beginning on the next page.

A list of findings and recommendations is summarized below:

Finding Number	Finding Description
1	SDG&E Did Not Comply with Sections 6.11.2, 6.11.3, 7.4.3 and 8.3.4 of the Undergrounding MOU
2	SDG&E Did Not Comply with Section 10.b of the Administrative MOU

Finding #1 – SDG&E Did Not Comply with Sections 6.11.2, 6.11.3, 7.4.3 and 8.3.4 of the Undergrounding MOU

Non-compliance Conclusion: *Non-compliance*

Internal Control Conclusion: *Deficiency*

Condition

SDG&E did not comply with the following sections of the Undergrounding MOU:

Section Text	Non-Compliance Description
6.11.2. GRANTEE will supply to the jobsite in a timely manner any required line workers or other specialty personnel that are required by GRANTEE and which GRANTEE does not allow CITY to supply.	For the Project titled Block 8R SDG&E did not complete internal processes on time which caused a delay in assigning an inspector for the project.
6.11.3. Three months prior to CITY's release of its advertisement for construction bids for a Project, GRANTEE shall deliver to CITY an initial written schedule of days and hours in which GRANTEE's Inspector will be available at the Project job site, and GRANTEE shall cooperate with CITY to finalize an agreed-upon schedule. When inspection is requested outside of the agreed-upon schedule, GRANTEE will supply a qualified inspector to the job site within a reasonable time frame.	SDG&E did not provide a written schedule of days and hours in which the SDG&E inspector would be available for the project titled Block 8R. SDG&E was not able to provide an inspector at the time of construction.
7.4.3. Construction Baseline. Upon GRANTEE awarding the trench and conduit Work to its contractor, GRANTEE will schedule a meeting to review the "Construction Baseline" with CITY to present a construction baseline schedule and estimate. The meeting will include any updates regarding finalizing Project scope and risks. Within five (5) Business Days of GRANTEE providing the final Construction Baseline resulting from the meeting, CITY shall provide any comments or concerns in writing.	SDG&E did not provide a Construction Baseline for trench and conduit work for the project titled 2BB Job 2.
8.3.4. 90% Design Estimate. Upon completion of the 90% Design Estimate for any Work Order design, GRANTEE will update the Monthly Invoicing Backup Material to reflect the Design Estimate for that Work Order. The 90% Design Estimate for any Work Order will be adjusted by GRANTEE as new information becomes known but will still be referred to as the 90% Design Estimate on the Monthly Invoicing Backup Material until such time as an Issue for Collection (IFC) Estimate is provided. Adjustments greater than 10% will be accompanied by an explanation.	SDG&E has not submitted detailed 90% estimates, and the supporting documentation for invoices does not clearly differentiate projects that have reached the 90% completion threshold.

Criteria

Section 6.11.2

GRANTEE will supply to the jobsite in a timely manner any required line workers or other specialty personnel that are required by GRANTEE and which GRANTEE does not allow CITY to supply.

Section 6.11.3

Three months prior to CITY's release of its advertisement for construction bids for a Project, GRANTEE shall deliver to CITY an initial written schedule of days and hours in which GRANTEE's Inspector will be available at the Project job site, and GRANTEE shall cooperate with CITY to finalize an agreed-upon schedule. When inspection is requested outside of the agreed-upon schedule, GRANTEE will supply a qualified inspector to the job site within a reasonable time frame.

Section 7.4.3

Construction Baseline. Upon GRANTEE awarding the trench and conduit Work to its contractor, GRANTEE will schedule a meeting to review the "Construction Baseline" with CITY to present a construction baseline schedule and estimate. The meeting will include any updates regarding finalizing Project scope and risks. Within five (5) Business Days of GRANTEE providing the final Construction Baseline resulting from the meeting, CITY shall provide any comments or concerns in writing.

Section 7.10.7

GRANTEE will request service panel conversion inspections according to instructions provided by DSD. As needed, CITY's Transportation Department will convene meetings with DSD and GRANTEE to verify that communications and efficiencies of the permit inspection process are consistent with the goals stated in Section 2 of this MOU.

Section 8.3.4

90% Design Estimate. Upon completion of the 90% Design Estimate for any Work Order design, GRANTEE will update the Monthly Invoicing Backup Material to reflect the Design Estimate for that Work Order. The 90% Design Estimate for any Work Order will be adjusted by GRANTEE as new information becomes known but will still be referred to as the 90% Design Estimate on the Monthly Invoicing Backup Material until such time as an Issue for Collection (IFC) Estimate is provided. Adjustments greater than 10% will be accompanied by an explanation.

Cause

SDG&E lacked adequate policies and procedures and project management controls needed to meet the requirements of the Sections of the Undergrounding MOU listed above. This resulted in delays from poor coordination among internal departments, missed deadlines for submitting construction baselines and inspector schedules due to limited planning and oversight, and inconsistent documentation and invoicing that failed to clearly identify 90% Design Estimates. Additionally, gaps in communication with the City caused incomplete or delayed responses during inspections and project reviews.

Effect

Not complying with the provisions of the MOU resulted in risks and negative impacts, such as project delays caused by untimely inspector assignments and contractor attendance during inspections, diminished transparency for the City in monitoring progress and holding SDG&E accountable, inefficiencies in construction and inspection processes that could increase project costs, weaknesses in invoicing accuracy and accountability that heightened the risk of disputes or misallocated funds, and strained collaboration between SDG&E and the City.

Recommendation

SDG&E should establish stronger project management controls by developing standardized timelines and checklists for timely submission of inspector schedules, construction baselines, and other deliverables. Assigning a dedicated compliance liaison or project coordinator may improve interdepartmental coordination and help meet requirements outlined in Sections 6, 7, and 8 of the MOU. Revising invoicing backup materials to more clearly distinguish between 90% Design Estimates will enhance documentation practices. Regular joint review meetings with City staff will promote better communication, clarify responsibilities, and facilitate prompt resolution of scheduling or documentation issues. Training personnel on MOU requirements and linking compliance to performance metrics or oversight reviews will further support accountability.

Management Response

SDG&E provided the following in response specifically for Finding 1. SDG&E's entire management response can be found in the Appendix D - Management Response.

6.11.2

The reason for the delay to the Block 8R SDG&E Inspector assignment was communicated to the City in compliance with Undergrounding MOU section 6.11.4 (“For any source of potential delays to CITY Work, GRANTEE will notify CITY about the potential delay at the earliest opportunity and will cooperate with CITY to attempt to prevent or mitigate the impact of the delay”).

Changes to the final revised City design needed to be reflected in SDG&E's GIS system prior to assigning an SDG&E Inspector to the project. The activities for these final design updates and digitization of Trench & Conduit Designs into GIS should act as predecessor activities to the Joint Project Pre-Construction meeting. The predecessor activities must first be completed in order to move forward with an Undergrounding MOU-compliant Pre-Construction meeting and to ensure that facilities are constructed to meet SDG&E standards by the time field construction begins.

The Undergrounding MOU requires the SDG&E Inspector be present at the Pre-Construction meeting. Even though the City was made aware of the delay to the digitization of the designs, and the resulting delay to the assignment of a SDG&E Trench Inspector, the City did not adjust their timing of the Pre-Construction meeting nor the start of Field Construction. As a result of not delivering the initial Mobilization Notice (6.9.1) and not adjusting for the prerequisite activities after being advised by SDG&E (6.11.4), the City failed to include an assigned SDG&E Inspector in the Pre-Construction meeting (6.9.2).

6.11.3

Regarding Project 8R, the City has not provided regular schedule milestone updates and has not consistently communicated key activities as required by Undergrounding MOU Section 6.14.2 (“City will provide GRANTEE a milestone report every month for each Joint Project for which a CITY Project Kickoff has occurred, using the scheduled and actual start and completion dates for the Work (“Monthly Milestone Report”). The Monthly Milestone Report will be developed jointly and will include major design, bid and award, and construction milestones”).

However, as a courtesy to the City, SDG&E had maintained a P6 schedule for the City 8R project and the information was included in that schedule which was provided to the City. The City has been advised that the required schedule delivery in Section 6.11.3 is not in alignment with SDG&E processes to secure SDG&E Inspector resources. SDG&E Inspector assignment was ultimately made, albeit outside of an “agreed-upon schedule” (6.11.3). The SDG&E Inspector was secured once all SDG&E requirements for Inspector resource assignment were satisfied.

7.4.3

The “refresh” Construction Baseline meeting for 2BB Job 2 was held on November 15, 2024. Although this was after construction had restarted for this project, SDG&E provided an updated baseline after the project was permitted and the project reached the construction stage. Follow-up documents were provided shortly thereafter. SDG&E has no record of formal response from the City on the submission of the 2BB Job 2 Baseline documents and as such we were not made aware of any comments or concerns.

8.3.4

Project Estimate phases (i.e., 90%, IFC) have been provided as part of the Monthly Billing Back-Up. To enhance clarity, Project Phase (i.e., Design, Construction) was added to the Monthly Billing Back-Up with the August 2025 submittal, and will be included moving forward.

Finding #2 – SDG&E Did Not Comply with Section 10.b of the Administrative MOU

Non-compliance Conclusion: *Non-compliance*

Internal Control Conclusion: *Deficiency*

Condition

SDG&E did not comply with Section 10.b of the Administrative MOU for one of eleven sampled projects. SDG&E did not schedule a pre-construction meeting with the City as required. SDG&E's field crew incorrectly assumed the project was classified as Category 1 project which would not have required the pre-construction meeting. The project was classified as a Category 2 project which requires a pre-construction meeting.

Criteria

Section 10.b of the Administrative MOU states the following:

Work Requiring Notification. All other non-Emergency Work requires notification. For all Work requiring notification, GRANTEE shall contact the CITY via email (Fit_dsd@saniego.gov) of the upcoming commencement of construction and invite assigned City staff to a pre-construction meeting, which shall occur within five (5) Business Days prior to commencement of construction. This meeting shall establish points of contact, define means and methods of the Project, and coordinate the GRANTEE's work schedule with scheduled CITY activities and CITY Transportation & Storm Station and Storm Water Department operations in and adjacent to the Work Area. At that time, GRANTEE shall submit a work schedule to the CITY via e-mail that includes a description of the Work to be performed, the specific location of such Work within the Work Area, and the dates and times of such Work. The applicable CITY Resident Engineer shall respond via e-mail within two (2) Business Days of receipt of a request from GRANTEE confirming CITY's attendance at the pre-construction meeting or requesting a scheduling change. If CITY does not respond within such time frame, GRANTEE will attempt to contact the Associate and Senior Engineer supervising the Resident Engineer as identified on the District Map, to confirm need for a pre-construction meeting (or lack of need in writing).

Cause

SDG&E lacked a formal review process and did not adequately communicate with its field team that the project was classified as a Category 2 project.

Effect

Because the pre-construction meeting was not scheduled, City staff did not have the opportunity to coordinate with SDG&E on work methods, project timing, and potential impacts to adjacent infrastructure. This increased the risk of miscommunication, scheduling conflicts, and inefficiencies during construction. The lack of coordination also reduced the City's ability to plan oversight activities in line with the project schedule.

Recommendation

SDG&E should strengthen its project classification and review process to confirm whether a pre-construction meeting is required under Section 10.b. A project checklist should be developed and reviewed by a supervisor before construction begins to confirm that notification and meeting requirements have been met. Training should also be provided to field crews and project managers to clarify differences between Category 1 and Category 2 projects.

Management Response

SDG&E provided the following in response specifically for Finding 2. SDG&E's entire management response can be found in the Appendix D - Management Response.

After formal permit approval per the Category 2 process for the project in question, the construction crew did not request a pre-construction meeting with the City Inspector (Resident Engineer – RE) prior to beginning this minor scope of work. The scope of work was for the replacement of an above ground facility which is typically processed under the Category 1 process. After internal review and prior to permit submittal to the City of San Diego, it was determined that the concrete pad of the facility also required replacement, and this additional detail elevated the project from Category 1 to a Category 2 permit.

As a mitigating factor, the crew responsible for this work routinely replaces items on a like for like basis under the Category 1 process, which does not require pre-construction meeting with the City Inspector. Due to minor nature of the scope of work in this instance, the crew believed it was a Category 1 project; therefore, a pre-construction meeting was not requested.

Training will be provided for the group responsible for the construction on the Category 1 and Category 2 classifications and the scope of work which is permitted under each. Additionally, we will review the notes on our approved Category 2 permit with the construction crew to ensure they understand the information included. One such note is the requirement to request and attend a pre-construction meeting.

In summary, SDG&E appreciates the opportunity to submit this Response. SDG&E takes pride in our work on these agreements, and on our relationship with the City over the last four years. We look forward to many more years of collaboration in reaching our shared objectives to serve our customers and the constituents of the City of San Diego.

Appendix A – Franchise and MOUs

This appendix provides direct links to the official City of San Diego sources for the San Diego Gas & Electric (SDG&E;) Franchise Agreements and related Memoranda of Understanding (MOUs). These references are included for transparency and verification in connection with the audit report.

Franchise and MOU	Effective Date
Electric Franchise Agreement	Ordinance O-21327 (adopted June 8, 2021; effective July 8, 2021)
Gas Franchise Agreement	Ordinance O-21328 (adopted June 8, 2021; effective July 8, 2021)
Administrative Memorandum of Understanding	Executed version (2023 update) for Gas & Electric Franchises
Utility Undergrounding Program MOU	Executed Version (February 2022)
Energy Cooperation Agreement (ECA)	Executed version May 25, 2021

Appendix B – List of Records Obtained

This appendix provides the list of records Crowe requested and obtained during the course of this audit.

SDG&E

1. Franchise fees
 - a. Approval and commitment policy
 - b. General ledger journal entry transaction policy
 - c. Annual franchise fee calculation workbooks
 - d. Revenue reports
 - e. Reconciliation of revenue with SAP
 - f. System generated reports showing fee payments
 - g. Aging data
 - h. Write-off data
2. Gas and Electric franchise
3. Administrative MOU
 - a. Matrix providing compliance status by MOU section
 - b. List of Category 1 Projects
 - c. List of Category 2 Projects
 - d. Permits forms and approvals for thirteen (13) selected projects, if applicable
 - e. Communication between the City and SDG&E thirteen (13) selected projects, if applicable
 - f. Notification letters submitted to customers thirteen (13) selected projects, if applicable
 - g. Supporting documentation for eleven (11) Category 2 projects
 - h. Supporting documentation for two (2) Category 1 projects
4. Undergrounding MOU
 - a. Presentations to City Council (status)
 - b. Email exchanges between City and SDG&E regarding undergrounding prioritization
 - c. All invoices for the periods of February 2024 through June 2025
 - d. Crowe Point 2BB, Permitting, Job 1 kickoff meeting notes, project schedule, cost estimate, permit information, design documents, environmental compliance information
 - e. Crowe Point 2BB, Construction, Job 2 kickoff meeting notes, project schedule, multiple cost estimates, permit information, milestone report, design documents, environmental compliance information, waste disposal information
 - f. Jamacha Lomita 4Y1 kickoff meeting notes, project schedule, cost estimate
 - g. Navajo Blk 7T kickoff meeting notes, project schedule, multiple cost estimates, construction notification, design documents, cost variance report, schedule variance report, permit information, service panel conversions and inspections reports, environmental compliance information

- h. N. Clairemont 6K1 kickoff meeting notes, project schedule, multiple cost estimates, design documents, joint trench letters, email correspondence, environmental compliance information
 - i. Navajo 7T kickoff meeting notes, project schedule, multiple cost estimates, design documents, permit information, joint trench letters, email correspondence, environmental compliance information, invoices
 - j. Palm City 8R kickoff meeting notes, project schedule, approval letters, design revision communications, summary reports
 - k. Project cost estimates (for all projects covered by new MOU)
 - l. Master service agreement instructions, contract template, scorecard, scope of work, job category descriptions, pricing workbook, program vendor list, bid review process, and results
 - m. Master service agreements
 - n. Milestone reports (monthly)
 - o. Overhead costs
 - p. Overall project schedules
5. Surcharge billing information
6. Energy Cooperation Agreement
- a. 5.a – San Diego Community Power (CCA)
 - i. Mockup of My Energy Center portal
 - b. 5.b – EE / DR with SDCP
 - i. Joint Cooperation Memorandum (JCM) with SDREN
 - c. 5.c – Tree Planting
 - i. Cumulative list of 2,046 tree plantings
 - d. 5.d – Green Waste Recycling
 - i. Meeting notes/materials from Aug 2024 SDG&E + City of San Diego Environmental Services meeting (hydrogen hauling)
 - e. 5.e – Clean Transportation
 - i. Regional ZEV Strategy Report (Oct 2023)
 - ii. Draft contract with Public Utilities Dept. for fleet EV chargers
 - iii. Load analyses for ~100 City sites
 - iv. Event materials: EV Day (Snapdragon, Oct 2023), EV Fleet Day (Apr 2024), EV Day in the Community
 - f. 5.f – Energy Benchmarking
 - i. Energy Star Portfolio Manager system (access available to City)
 - g. 5.g – Municipal Energy Strategy
 - i. Draft edits to White Book
 - ii. Design Guidelines updates (solar PV, EVSE, batteries)
 - iii. Sustainable Building Policy database & checklist
 - iv. EE Measure Menu & scoring system
 - v. Recommendations for Facilities Services & Fire Dept. standards
 - vi. Load calculations for City facilities
 - h. 5.h – GHG Reduction Analysis
 - i. High-Performance Energy Reach Code materials
 - ii. Outreach materials & Energy Modeling
 - iii. Outreach Matrix & Calendar
 - iv. EV Charging Reach Code filings (Cost-effectiveness studies, ordinance language, Staff Reports)
 - v. Embodied carbon requirement info
 - vi. EE measure recommendations

- i. 6.a – Wildfire Safety
 - i. Flight paths for 2025 firefighting aviation responses
 - ii. List of meetings, events, trainings, attendees
- j. 6.b – Resiliency Planning
 - i. City prioritization materials (using High Fire Threat District tool & SDG&E meteorology data)
 - ii. 6.c – Emergency Operations
 - iii. List of meetings, trainings, events
 - iv. Wildfire Safety Tips (SDGE Today articles)
 - v. Rancho Bernardo wildfire safety fair materials
 - vi. Fire Safe Council funding materials
- k. 6.d – Hazard Mitigation
 - i. CAVA presentation (Feb 2025)
 - ii. Hazard Mitigation Grant Program MOU (2024–2027)
 - iii. ReliabilityOne® System Resiliency Award release
- l. 7.a – Central Dashboard
 - i. Screenshot of dashboard (enhanced in 2024 with filters & charts)
- m. 7.b – Microgrids
 - i. Hazard Mitigation Grant Program materials (energy resilience hub pilot)
- n. 7.c – DER Collaboration
 - i. CEC grant partnership agenda & responsive materials
 - ii. Net Billing Tariff (NBT) agenda & program materials
- o. 8.a – Solar Equity
 - i. Monthly reports (audit period)
 - ii. Annual report (Year 2)
 - iii. Progress data (completed, pending, active, waitlisted projects)
- p. 8.b – Affordable Housing
 - i. Dashboard snapshot
 - ii. Letter from SDG&E's CEO (June 2025)
- q. 8.c – Workforce Diversity
 - i. IFL Grant cycle materials
 - ii. Competitive Edge Program reports
 - iii. Utility Line Clearance Arborist Training program docs
 - iv. DonorsChoose funding materials
 - v. Lineworker Scholarship documentation
 - vi. Hiring event flyers & postings
- r. 8.d – Undergrounding
 - i. Geographic Data / GIS files
 - ii. Evaluation summaries for projects (terrain, easements, soils, etc.)
- s. 8.e – Low-Income Programs / EE Outreach
 - i. Annual CPUC EE reports (2023, 2024)
 - ii. Monthly reports (2025)
 - iii. Outreach materials (door hangers, multilingual collateral)
- t. 8.f – Grant Research
 - i. Regional Infrastructure Coordination meeting materials
 - ii. FEMA Hazard Mitigation Grant Program docs
 - iii. Charging & Fueling Infrastructure (CFI) grant application support
- u. 9.a – Rates Updates
 - i. City Council presentations (Dec 2023, Dec 2024)
- v. 9.b – Major Projects / Undergrounding
 - i. Environment Committee presentations (Nov 2023, May 2024)
- w. 9.c – Customer Equity
 - i. Presentation (Jul 2024)

- x. 9.d – Climate Equity
 - i. Environment Committee presentations (Nov 2023, May 2024)
- y. 9.e – COO/DCOO Meetings
 - i. Agendas from meetings (2023–2025)
- z. 9.f – Compliance Review Committee
 - i. CRC 2023 presentation (before audit period)
 - ii. City email excusing 2024 meeting
 - iii. CRC 2025 presentation (Aug 13, 2025)

City

1. Franchise Compliance Review Committee meeting notes and presentations
2. Franchise fees and other payments
 - a. Quarterly Franchise Fee Statements (from SDG&E)
 - b. Proof of payment receipt for franchise fees
 - c. Proof of payment of Bid Amount
3. Administrative MOU
 - a. Presentation to the FCRC related Challenges in Reviewing SDG&E Construction Plans
 - b. Processing times for permits submission and responses for City and SDG&E
 - c. Listing of projects that presented challenges for City staff in reviewing SDG&E construction plans
4. Undergrounding MOU
 - a. City compliance tracker workbooks
 - b. Status update on the Utilities Undergrounding Program
 - c. List on non-compliance issues related to the Undergrounding MOU
5. Energy Cooperative Agreement
 - a. Staff reports
 - b. Slide presentations
 - c. Supporting documentation (for presentations)

Appendix C – List of Personnel Interviewed

This appendix provides the list of personnel Crowe interviewed during the course of this audit.

SDG&E

1. Katelyn Hailey, Regional Public Affairs Manager
2. Glenn Mueller, Senior Counsel
3. Shaun McMahon, Senior Municipality Advisor

City of San Diego

1. Nicholas Abboud, Assistant Deputy Director, Development Services Department
2. Chelsea Klaseus, Deputy Director, Transportation Department
3. James Nabong, Assistant Deputy Director, Transportation Department
4. Megan Ong, Program Manager, Department of General Services
5. Jennifer Reynolds, Program Manager, Transportation Department
6. Luis Schaar, Assistant Director, Engineering & Capital Projects Department
7. Manjit Singh, Deputy Director, Development Services Department
8. Heather Werner, Deputy Director, Department of General Services
9. Will Smith, Deputy Attorney
10. Ryan Gerrity, Deputy Attorney
11. Sean Robinson, Civil Litigation Attorney

Appendix D – Management Response



Katelyn Hailey
Regional Public Affairs
Manager

8330 Century Park Ct.,
CP31D
San Diego, CA 92123

tel: 619-798-0842
email: khailey@sdge.com

October 31, 2025

Aaron Coen, PMP
Crowe LLP

Via email to: Aaron.Coen@Crowe.com

Dear Mr. Coen:

SDG&E has received and reviewed a Draft of the "Performance Audit of San Diego Gas & Electric (SDG&E) Franchise – Phase 2" conducted by Crowe, LLP regarding SDG&E's compliance with the Gas and Electric Franchise Agreements, Administrative Memorandum of Understanding, Undergrounding Memorandum of Understanding, and the Energy Cooperation Agreement from the period of July 8, 2023 through July 7, 2025.

The referenced agreements represent over 350 separate commitments or obligations made by SDG&E to the City of San Diego. Over the period of four months, SDG&E submitted over 500 individual pieces of documentation proving our commitment to Franchise compliance in response to audit requests from Crowe, and the results of the audit indicate that SDG&E met the four audit objectives in all significant respects. These results show SDG&E's commitment to the agreements we made with the City of San Diego, and we acknowledge that there is room for continued improvement. Accordingly, SDG&E desires to respond to the two findings deemed not to be significant to Audit Objectives.

Finding #1 – SDG&E Did Not Comply with Sections 6.11.2, 6.11.3, 7.4.3 and 8.3.4 of the Undergrounding MOU

6.11.2

The reason for the delay to the Block 8R SDG&E Inspector assignment was communicated to the City in compliance with Undergrounding MOU section 6.11.4 ("For any source of potential delays to CITY Work, GRANTEE will notify CITY about the potential delay at the earliest opportunity and will cooperate with CITY to attempt to prevent or mitigate the impact of the delay").

Page 2

Changes to the final revised City design needed to be reflected in SDG&E's GIS system prior to assigning an SDG&E Inspector to the project. The activities for these final design updates and digitization of Trench & Conduit Designs into GIS should act as predecessor activities to the Joint Project Pre-Construction meeting. The predecessor activities must first be completed in order to move forward with an Undergrounding MOU-compliant Pre-Construction meeting and to ensure that facilities are constructed to meet SDG&E standards by the time field construction begins.

The Undergrounding MOU requires the SDG&E Inspector be present at the Pre-Construction meeting. Even though the City was made aware of the delay to the digitization of the designs, and the resulting delay to the assignment of a SDG&E Trench Inspector, the City did not adjust their timing of the Pre-Construction meeting nor the start of Field Construction. As a result of not delivering the initial Mobilization Notice (6.9.1) and not adjusting for the prerequisite activities after being advised by SDG&E (6.11.4), the City failed to include an assigned SDG&E Inspector in the Pre-Construction meeting (6.9.2).

6.11.3

Regarding Project 8R, the City has not provided regular schedule milestone updates and has not consistently communicated key activities as required by Undergrounding MOU Section 6.14.2 ("City will provide GRANTEE a milestone report every month for each Joint Project for which a CITY Project Kickoff has occurred, using the scheduled and actual start and completion dates for the Work ("Monthly Milestone Report"). The Monthly Milestone Report will be developed jointly and will include major design, bid and award, and construction milestones").

However, as a courtesy to the City, SDG&E had maintained a P6 schedule for the City 8R project and the information was included in that schedule which was provided to the City. The City has been advised that the required schedule delivery in Section 6.11.3 is not in alignment with SDG&E processes to secure SDG&E Inspector resources. SDG&E Inspector assignment was ultimately made, albeit outside of an "agreed-upon schedule" (6.11.3). The SDG&E Inspector was secured once all SDG&E requirements for Inspector resource assignment were satisfied.

7.4.3

The "refresh" Construction Baseline meeting for 2BB Job 2 was held on November 15, 2024. Although this was after construction had restarted for this project, SDG&E provided an updated baseline after the project was permitted and the project reached the construction stage. Follow-up documents were provided shortly thereafter. SDG&E has no record of formal response from the City on the submission of the 2BB Job 2 Baseline documents and as such we were not made aware of any comments or concerns.

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8.3.4

Project Estimate phases (i.e., 90%, IFC) have been provided as part of the Monthly Billing Back-Up. To enhance clarity, Project Phase (i.e., Design, Construction) was added to the Monthly Billing Back-Up with the August 2025 submittal, and will be included moving forward.

Finding #2 – SDG&E Did Not Comply with Section 10.b of the Administrative MOU

After formal permit approval per the Category 2 process for the project in question, the construction crew did not request a pre-construction meeting with the City Inspector (Resident Engineer – RE) prior to beginning this minor scope of work. The scope of work was for the replacement of an above ground facility which is typically processed under the Category 1 process. After internal review and prior to permit submittal to the City of San Diego, it was determined that the concrete pad of the facility also required replacement, and this additional detail elevated the project from Category 1 to a Category 2 permit.

As a mitigating factor, the crew responsible for this work routinely replaces items on a like for like basis under the Category 1 process, which does not require pre-construction meeting with the City Inspector. Due to minor nature of the scope of work in this instance, the crew believed it was a Category 1 project; therefore, a pre-construction meeting was not requested.

Training will be provided for the group responsible for the construction on the Category 1 and Category 2 classifications and the scope of work which is permitted under each. Additionally, we will review the notes on our approved Category 2 permit with the construction crew to ensure they understand the information included. One such note is the requirement to request and attend a pre-construction meeting.

In summary, SDG&E appreciates the opportunity to submit this Response. SDG&E takes pride in our work on these agreements, and on our relationship with the City over the last four years. We look forward to many more years of collaboration in reaching our shared objectives to serve our customers and the constituents of the City of San Diego.

Sincerely,



Katelyn Hailey
Regional Public Affairs Manager