

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case – Track 2
Application No.: A.22-05-016
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CHAPTER 2
REVISED PREPARED DIRECT TESTIMONY OF
R. CRAIG GENTES
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
(TRACK 2 - ACCOUNTING)

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



February 9, 2024

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1 **REVISED PREPARED DIRECT TESTIMONY OF R. CRAIG GENTES**
2 **ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

3
4 **I. INTRODUCTION**

5 My testimony describes San Diego Gas and Electric Company's (SDG&E) Wildfire
6 Mitigation Plan Memorandum Account (WMPMA) costs between 2019-2022, presents the direct
7 cost balances in the accounts (gas and electric), discusses the process for adding appropriate
8 loaders to the recorded direct costs, provides how SDG&E offset the amounts previously
9 authorized in SDG&E's Test Year (TY) 2019 GRC, and presents the amount that SDG&E seeks
10 recovery for in this General Rate Case (GRC) Track 2 proceeding.¹ SDG&E's overall wildfire
11 mitigation costs from 2019 through 2022 (operations and maintenance (O&M) and capital
12 expenditures), amounts already authorized in its TY 2019 GRC, and SDG&E's incremental
13 wildfire costs after E&Y and company reductions identified below are shown in Table 1 below:

14 **Table 1: SDG&E Wildfire Full-Loaded Costs (2019-2022)**
15 **(\$ in millions)**

	Total Spend	Less: TY 2019 GRC Authorized	Incremental Spend
O&M	\$434	\$ 150	\$284
Capital	\$1,789	\$601	\$1,188
Total	\$2,223	\$ 751	\$1,472

¹ The revisions to my original Prepared Direct Testimony affect only Tables 3 and 4 and serve to reallocate costs between SDG&E's WMP categories to align with the current data in SDG&E's accounting system. In the originally filed direct testimony of Jonathan Woldemariam, and Tables 3 and 4 of my original direct testimony, SDG&E organized WMP-related budget codes into WMP activity categories based upon the categorization at the time of expenditure. As the WMP process continued to evolve under the direction of the Commission and the Office of Energy Infrastructure Safety, WMP categories changed over time and certain underlying activities were shifted between categories. While the activity itself did not change, it may have been presented in a different category of SDG&E's WMP from year to year. The revised tables now organize the costs in the category as defined at the end of 2022 for ease of organization as well as alignment with the information in SDG&E's accounting system. The amount of SDG&E's request has not changed. Additionally, Mr. Woldemariam's Original Prepared Direct Testimony presented the full year 2019 costs associated with wildfire risk mitigation activities. The amounts attributed to 1/1/2019 to 5/29/2019 were removed for purposes of my testimony to reflect SDG&E's incremental WMPMA balance. Mr. Woldemariam's testimony now includes only amounts incurred from 5/30/2019 to 12/31/2022 to reflect only costs recorded to SDG&E's WMPMA.

1 The costs described and identified in Jonathan Woldemariam’s testimony are O&M and
2 Capital Expenditure direct costs only with the appropriate Vacation & Sick (V&S) loader applied
3 for the full years 2019 to 2022. As noted, my testimony presents the costs with the appropriate
4 loaders for the recorded direct costs and SDG&E’s calculation of the ongoing capital related
5 revenue requirement (for years 2023-2027) for the assets recorded to the WMPMA. Because the
6 underlying activities had not yet been subject to a reasonableness review when SDG&E filed
7 Track 1 of its General Rate Case,² SDG&E is requesting that the Commission review both the
8 reasonableness of the underlying activities and approve the associated costs for 2019 to 2022, as
9 well as these ongoing capital related costs for 2023 to 2027. It is SDG&E’s intent to address the
10 capital-related costs for 2028 (presumably SDG&E’s next GRC test year) through the life of the
11 assets in future GRCs.

12 Ernst & Young (E&Y) performed an independent analysis of costs and provides an
13 opinion on their reasonableness and incrementality. Importantly, E&Y concluded that, of
14 SDG&E’s \$2.2 billion in wildfire mitigation capital expenditures and O&M costs incurred from
15 2019-2022, all but \$0.8 million (extrapolated to \$2.6 million) was appropriately characterized as
16 reasonable and incremental.

17 SDG&E’s undercollected revenue requirements for gas and electric, after all loading and
18 adjustments is provided at Appendix 6 (Gas) and Appendix 7 (Electric), and is summarized as
19 follows:

² See A.21-06-021, *Proposed Decision on Test Year 2023 GRC for PG&E* (Sept. 13, 2021) at 759 (finding that PG&E cannot seek the ongoing revenue requirement in its Track 1 GRC for costs in its wildfire mitigation accounts that are the subject of a separate reasonableness review); See A.21-06-021, *Alternate Proposed Decision on Test Year 2023 GRC for PG&E* (Sept. 13, 2021) at 773 (same).

**Table 2 – Summary of SDG&E Undercollection
(\$ in millions)**

	Electric Revenue Requirement	Gas Revenue Requirement	Total Request
O&M	\$ 427	\$ 7	\$ 434
Capital	995	20	1,015
Recorded Interest	6	0	6
<i>Less: 2019 Authorized</i>	<i>(298)</i>	<i>(10)</i>	<i>(308)</i>
Total	\$ 1,130	\$ 17	\$ 1,147

II. BACKGROUND

SDG&E has two active WMPMAs that the California Public Utilities Commission (Commission or CPUC) approved on January 23, 2020 effective May 30, 2019, one in its electric tariff book³ and another in its gas tariff book.⁴ The electric and gas WMPMAs were established in SDG&E Advice Letters 3454-E and 2817-G, respectively, pursuant to Commission Decision (D.) 19-05-039 and as a direct result of Public Utilities Code Section 8386.4(a), as modified by Assembly Bill (AB) 1054. As established in SDG&E’s approved tariffs, these accounts record actual costs incurred to implement SDG&E’s Commission-approved Wildfire Mitigation Plans.⁵

The accounts also record revenues authorized by the Commission in SDG&E’s 2019 General Rate Case. Like other regulatory accounts, the WMPMAs balances are calculated by subtracting the actual costs from the authorized revenues—ensuring that the balances only reflect costs that are incremental to SDG&E’s 2019 GRC authorized revenue requirements that were already approved for recovery.

³ SDG&E, Preliminary Statements – Electric, WMPMA (Appendix 1), available at https://tariff.sdge.com/tm2/pdf/tariffs/ELEC_ELEC-PRELIM_WMPMA.pdf.

⁴ SDG&E, Preliminary Statements – Gas, WMPMA (Appendix 2), available at https://tariff.sdge.com/tm2/pdf/tariffs/GAS_GAS-PRELIM_WMPMA.pdf.

⁵ See Direct Testimony of Jonathon Woldemariam, accompanying SDG&E’s Track 2 submission.

1 **III. SDG&E REQUESTS THE RECOVERY OF SDG&E’S FULLY-LOADED**
2 **INCREMENTAL COSTS FROM 2019-2022 IN ITS WMPMA**

3 In this section, I present the incremental balances from SDG&E’s WMPMA from 2019-
4 2022, translate those direct capital-related and O&M expenses into fully loaded costs, and
5 present the ongoing capital-related revenue requirements for Track 2 assets for 2023-2027.

6 **A. SDG&E’s WMPMA Recorded Incremental Balances**

7 As noted, pursuant to D.19-05-039, SDG&E is authorized to record to its WMPMA
8 incremental O&M and capital-related costs associated with implementing SDG&E’s
9 Commission-approved Wildfire Mitigation Plans. Interest on those costs is accrued on the
10 average monthly WMPMA balance at a rate equal to 1/12 of the annual interest rate on three-
11 month commercial paper, as reported in the Federal Reserve Statistical Release H.15 or its
12 successor.

13 The WMP activity direct costs described in Mr. Woldemariam’s testimony are captured
14 in the WMPMAs. The balance SDG&E recorded to the Electric WMPMA for the period May
15 30, 2019 to December 31, 2022 is a \$378.2 million under-collection, prior to the reductions
16 described in Section VI of my testimony. This represents the amount of incremental costs for
17 electric distribution WMPMA activities. This \$378.2 million under-collection includes O&M
18 costs of \$429.1 million for electric distribution, electric distribution capital-related costs
19 (depreciation, taxes and return on incremental rate base) of \$188.3 million, and interest on the
20 WMPMA balance of \$5.6 million, minus revenues previously authorized in SDG&E’s TY 2019
21 GRC of \$244.8 million, to arrive at the incremental amount. These amounts are prior to any
22 adjustments that will be described later, that will reduce SDG&E’s request for recovery. A
23 schedule reflecting the activity recorded to the WMPMA from May 30, 2019 through December
24 31, 2022 is included as Appendix 3.

1 The balance recorded to the Gas WMPMA for the period May 30, 2019 to December 31,
2 2022 is a (\$3.7) million over-collection for gas distribution. This (\$3.7) million over-collection
3 includes O&M costs of \$7.1 million for gas distribution, gas distribution capital-related costs
4 (depreciation, taxes and return on incremental rate base of \$7.1 million less software
5 development credits of (\$7.9)) of (\$0.8) million, and interest on the WMPMA balance of less
6 than \$0.1 million, minus revenues authorized by SDG&E's TY 2019 GRC of \$10 million, to
7 arrive at the incremental amount. A schedule reflecting the activity recorded to the WMPMA
8 from May 30, 2019 through December 31, 2022 is included as Appendix 4.

9 **B. The Direct Costs in SDG&E's WMPMA Must Be Fully Loaded**

10 As noted, the Track 2 costs described and identified in Mr. Woldemariam's Testimony
11 are O&M and Capital Expenditure direct costs only with the appropriate Vacation & Sick (V&S)
12 loader applied to them for the full years 2019 to 2022. Under longstanding Commission
13 authorized utility practice, the direct costs contained in SDG&E's WMPMA must then be fully
14 loaded—*i.e.*, adding appropriate overheads such as employee related, administrative, and
15 engineering costs—for ratemaking purposes. Because the direct costs recorded in the WMPMA
16 do not include these necessary overhead costs, overhead loaders must be added to O&M and
17 capital expenditures before being placed into rates. My testimony sponsors the fully loaded costs
18 associated with O&M and Capital Expenditure direct costs.

19 Certain overheads are added to both capital expenditures and O&M direct costs. These
20 overhead costs include labor-related costs (including pension and benefits, incentive compensation
21 plan (ICP), and payroll taxes), contract administration, shop order, small tools, and purchasing and
22 warehouse. Other overheads are added for capital work only. These include engineering,
23 department overheads, and administrative & general.

The table below shows the O&M discussed in Mr. Woldemariam’s testimony and the applicable overheads to arrive at the fully-loaded O&M costs included in the electric and gas WMPMAs. The steps to arrive at the fully-loaded O&M costs are as follows:

- Take the direct O&M costs plus the V&S leave loader from Jonathan Woldemariam’s testimony; and
- Then add all the other appropriate overhead costs to arrive at the fully-loaded costs that have been included the electric and gas WMPMAs.

Table 3: Fully Loaded O&M Expenditures

Category	Electric & Gas O&M (5/30/2019 to 12/31/2022) \$ In Millions		
	Direct Costs 5/30/2019-12/31/2022	Indirect Costs	Total Fully Loaded Costs
Risk Assessment and Mapping	1.8	0.6	2.4
Situational Awareness and Forecasting	11.5	2.5	14.0
Grid Design and System Hardening	73.4	3.0	76.4
Asset Management and Inspections	145.6	7.3	152.9
Vegetation Management and Inspections	47.6	2.5	50.1
Grid Operations and Protocols	35.3	0.1	35.4
Data Governance	1.3	0.5	1.8
Resource Allocation Methodology	13.2	3.4	16.6
Emergency Planning and Preparedness	42.2	7.8	50.0
Stakeholder Cooperation and Community Engagement	33.8	2.8	36.6
Total	405.7	30.5	436.2

The table below shows SDG&E’s requested fully-loaded capital expenditures. It takes the direct capital expenditure costs plus V&S loader from Jonathan Woldemariam’s testimony and adds all the other appropriate overhead costs to arrive at the fully-loaded capital expenditure costs. The capital-related costs (depreciation, return and taxes) that have been included the electric and gas WMPMAs associated with these capital expenditures are only those projects placed in service from May 30, 2019 to December 31, 2022.

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Table 4: Fully Loaded Capital Expenditures

Category	Electric & Gas Capital Expenditures (In-Service 5/30/2019 to 12/31/2022) \$ In Millions		
	Direct Costs	Indirect Costs	Total Fully Loaded Costs
Risk Assessment and Mapping	1.9	0.1	2.0
Situational Awareness and Forecasting	16.0	3.3	19.3
Grid Design and System Hardening	1,177.4	282.3	1,459.7
Asset Management and Inspections	139.3	56.9	196.2
Vegetation Management and Inspections	-	-	-
Grid Operations and Protocols	33.4	4.7	38.1
Data Governance	44.5	4.0	48.5
Resource Allocation Methodology	-	-	-
Emergency Planning and Preparedness	7.7	1.0	8.7
Stakeholder Cooperation and Community Engagement	15.8	0.8	16.6
Total	1,436.0	353.1	1,789.1

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C. Ongoing Capital-Related Costs Associated with the Recorded Capital-Related Costs in the Electric and Gas WMPMAs

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As noted, in addition to the fully loaded costs associated with SDG&E’s 2019-2022

7

wildfire mitigation activities, SDG&E is also seeking the forecasted ongoing capital-related costs

8

for 2023 to 2027 described below— consistent with how capital investment costs are incurred

9

during construction but the recovery of the capital-related revenue requirement is then collected

10

over the life of the asset. Typically, ongoing capital-related revenue requirement is addressed

11

through the General Rate Case process in the form of assessing SDG&E’s rate base.

12

Because the underlying activities had not yet been subject to a reasonableness review

13

when SDG&E filed Track 1 of its General Rate Case,⁶ SDG&E is requesting that the

14

Commission review both the reasonableness of the underlying activities and approve the

15

associated costs for 2019 to 2022, as well as the ongoing capital related costs for 2023 to 2027.

16

SDG&E will have the opportunity to then include the continued ongoing capital related costs in

17

its TY 2028 GRC.

⁶ See A.21-06-021, *Proposed Decision on Test Year 2023 GRC for PG&E* (Sept. 13, 2021) at 759 (finding that PG&E cannot seek the ongoing revenue requirement in its Track 1 GRC for costs in its wildfire mitigation accounts that are the subject of a separate reasonableness review); See A.21-06-021, *Alternate Proposed Decision on Test Year 2023 GRC for PG&E* (Sept. 13, 2021) at 773 (same).

Appendix 5 shows the total recorded CPUC jurisdictional electric costs associated with incremental O&M, depreciation, return, and taxes on rate base from May 30, 2019 through 2022, as outlined in this testimony. The total electric under-collection is \$378.2 million without FF&U. Appendix 5 also shows the forecasted ongoing annual capital-related costs associated with the assets put into service from May 30, 2019 to December 31, 2022 for the years 2023 through 2027, which totals \$754.6 million without interest or FF&U. These amounts are prior to any adjustments that will be described later, that will reduce SDG&E's request for recovery.

The table below provides a summary of the costs for the projects placed in service from May 30, 2019 to December 31, 2022 and their ongoing capital-related costs for 2023 to 2027. This request does not include FERC jurisdictional costs.

Table 5: Ongoing Electric Capital-Related Costs for Capital Projects Put Into Service Between 2019-2022

WMP Electric Costs (\$ in millions)			
	Actuals 5/30/2019 to 12/31/2022	Forecasts* 2023 to 2027	Totals
Track 2 (2019-2022)			
Authorized Revenues	(244.8)	(53.1)	(297.9)
O&M	429.1	-	429.1
Capital Related Costs	188.3	807.5	995.8
Interest @ 3 mth CP rate	5.6	-	5.6
Totals	378.2	754.4	1,132.6
* Forecasts exclude interest			

Appendix 6 shows the total recorded CPUC jurisdictional gas costs associated with incremental O&M, depreciation, return, and taxes on rate base from May 30, 2019 through 2022, as outlined in this testimony. The total gas department over-collection is (\$3.7) million without FF&U. SDG&E also has ongoing capital-related gas costs from capital projects placed in service from May 30, 2019 to December 31, 2022 for the years 2023 to 2027. As with electric assets, Appendix 6 shows the forecasted ongoing annual capital-related costs associated with the assets

1 put into service from May 30, 2019 to December 31, 2022 for the years 2023 through 2027
 2 which totals \$20.6 million.

3 **Table 6: Ongoing Gas Capital-Related Costs for Capital Projects**
 4 **Put Into Service Between 2019-2022**

WMP Gas Costs				
(\$ in millions)				
	Actuals	Forecasts*	Totals	
	5/30/2019 to 12/31/2022	2023 to 2027		
Track 2 (2019-2022)				
Authorized Revenues	(10.0)	0.0	(10.0)	
O&M	7.1	0.0	7.1	
Capital Related Costs	(0.7)	20.6	19.9	
Interest @ 3 mth CP rate	(0.1)	0.0	(0.1)	
Totals	(3.7)	20.6	16.9	
* Forecasts exclude interest				

5
 6 The rate of return (ROR) used in this filing to determine the return component of the on-
 7 going capital-related costs for 2023 through 2027 is 7.18% as authorized in the prevailing
 8 SDG&E Cost of Capital Decision (D.22-12-031).

9 **IV. REMOVAL OF WMP ACTIVITIES PREVIOUSLY APPROVED IN 2019 GRC**

10 Once the loaders and ongoing revenue requirements are added to SDG&E’s direct
 11 capital-related costs and O&M expenses recorded between 2019 and 2022 in the WMPMA, the
 12 total amount of O&M and capital expenditures, associated with the costs recorded in the
 13 WMPMA, is \$2.2 billion. These costs are outlined in Appendix 5 and 6 and summarized above
 14 in Table 1. Of this amount, \$751 million was approved in SDG&E’s 2019 GRC and have already
 15 been found reasonable by the Commission in D.19-09-051. These costs thus do not need to be re-
 16 viewed in this proceeding. SDG&E was able to identify the WMP related O&M activities and
 17 capital projects that were included and approved in the 2019 GRC that later were identified as

O&M activities and capital projects that mitigated wildfire risks and were included in SDG&E's wildfire mitigation plans.

The table below shows the amount of O&M and capital expenditures that have not been reviewed by the Commission and are therefore subject to review in this proceeding and SDG&E seeks recovery of in this proceeding.

Table 7: SDG&E Costs Subject to Review in this Proceeding

	Costs Subject to Review				
	(\$ in thousands)				
	2019	2020	2021	2022	Totals
Electric O&M per Exhibit 7		167,766	112,117	147,559	427,442
Gas O&M per Exhibit 6		3,697	1,497	1,893	7,087
Less O&M per 2019 GRC		(73,383)	(38,089)	(38,846)	(150,318)
O&M Costs Subject to Review		98,080	75,525	110,606	284,211
Electric Cap Ex per Exhibit 7	275,842	459,177	452,283	536,365	1,723,667
Gas Cap Ex per Exhibit 6	2,654	16,068	22,013	23,928	64,663
Less Cap Ex per 2019 GRC	(265,599)	(108,494)	(111,902)	(114,745)	(600,740)
Cap Ex Costs Subject to Review	12,897	366,751	362,394	445,548	1,187,590

V. ACCOUNTING CONTROLS TO ENSURE INCREMENTALITY

SDG&E undertook extensive steps to ensure that the sought-after amounts were incremental. Before including the costs described above in this Track 2 request for cost recovery, SDG&E determined that these costs were: (1) Costs associated with the activities described above that would not have been incurred “but for” SDG&E’s wildfire mitigation efforts; (2) CPUC-jurisdictional; and (3) incremental and/or above relevant amounts authorized in SDG&E’s 2019 GRC.

SDG&E's finance organization and operational lines of business establish controls to ensure costs are booked to the correct cost centers, budget codes and internal orders. These controls include detailed cost accounting instructions to the appropriate lines of business and analysis of recorded costs in comparison to budget through monthly spending reports. Through regular and rigorous reconciliation processes costs may be identified that do not belong in a

1 certain program and are adjusted out of the account. The procedures and cost monitoring
2 activities are designed to ensure that costs associated with specific activities that are tracked in
3 memorandum or balancing accounts for which SDG&E seeks cost recovery in a separate
4 application are not co-mingled with the costs that are funded by the General Rate Case or other
5 regulatory proceedings. If the incremental amounts being requested are due to an overrun of a
6 two-way balancing account, then the distinct cost center, budget code or internal order would
7 include costs originally adopted in the balancing account, but the cost recovery request only
8 includes the amounts above that original adopted amount.

9 As part of the financial closing process, a monthly review of the expenditures is
10 performed by SDG&E's respective departments, including the accountable program managers
11 and the finance organization. This monthly review, as well as account reconciliations and
12 Sarbanes-Oxley controls testing, are conducted to ensure the appropriateness of the charges to
13 a given cost center, budget code or internal order.

14 Prior to the formal filing of an application for cost reasonableness, SDG&E further
15 scrutinizes and adjusts the costs recorded in the memorandum and balancing accounts. This
16 examination looks for any costs improperly booked to these accounts and also adjusts the cost
17 recovery request to take into account all applicable Commission decisions and accounting orders.

18 **A. Track 2 Costs Are Allocated Between CPUC and FERC Jurisdictions**

19 SDG&E set up the accounting infrastructure to capture WMPMA-related costs separately
20 as between the Commission and Federal Energy Regulatory Commission (FERC) jurisdictions.
21 Recorded costs have been split between the CPUC and FERC using the adopted jurisdictional
22 factors from the TY 2019 GRC Decision, D.19-09-051. Costs categorized under CPUC
23 jurisdiction are electric distribution, plus an allocation of Administrative and General (A&G)
24 supporting costs and General/Common Plant costs.

1 Costs categorized under CPUC jurisdiction for gas are only attributable from the
2 allocation of A&G costs and General/Common Plant costs. Costs categorized under FERC
3 jurisdiction are associated with electric transmission, plus an allocation of A&G supporting costs
4 and General/Common Plant costs. The reporting architecture for the WMPMA activities
5 complies with SDG&E's Electric Tariff, Preliminary Statement, Sheet 32534-E and Sheet
6 32535-E (Appendix 1) and Gas Tariff, Preliminary Statement, Sheet 24138-G and Sheet 24139-
7 G (Appendix 2). These accounting classifications are in accordance with the Uniform System of
8 Accounts as established by the FERC and utilized by the CPUC.

9 **B. Incremental Cost Criteria**

10 SDG&E differentiates and tracks the costs charged into the WMPMAs using cost centers,
11 budget codes, and internal orders. These accounting designations ensure that SDG&E reflects
12 only incremental wildfire mitigation-related costs, that is, costs that are not recorded to other
13 regulatory accounts (*e.g.*, the Tree Trimming Balancing Account) in the WMPMAs.
14 Accordingly, the WMPMAs do not capture the "normal" or other business costs authorized in
15 the GRCs.

16 The capital-related costs that have been captured within the WMPMA, however, do
17 include SDG&E's share of AB 1054 capital costs (\$215 million). These costs are subject to
18 exclusion from equity rate base. To implement AB 1054's equity rate base exclusion
19 requirement, SDG&E filed Advice Letters 3488-E, 3488-E-A, and 3488-E-B (collectively, the
20 "ALs"). In those ALs, SDG&E demonstrated that it had reached its \$215 million of fire risk
21 mitigation capital expenditures and provided the amounts of the equity exclusion-related refund
22 in rates through 2022.

23 On August 27, 2020, the Commission approved Resolution E-5071 and found that
24 SDG&E's underlying calculations and revenue requirement reductions in the ALs appropriately

1 capture the equity rate base exclusion requirements of AB 1054 for years 2020, 2021, and 2022.
2 Pursuant to Ordering Paragraph 5 of the Resolution, SDG&E outlined its exclusions from equity
3 rate base for 2023 and each year thereafter for the entire useful life of the applicable capital
4 expenditures in approved Advice Letter 4078-E and its supplement Advice Letter 4078-E-A.
5 These advice letters also determined that exclusions will be included annually in SDG&E's
6 electric consolidated advice letter filings to implement January 1, 2023 rates. SDG&E is thus
7 returning those costs to customers through the Commission-approved methodology and will
8 continue to do so.

9 **1. Departments Devoted Exclusively to WMP Activities**

10 For departments that are devoted exclusively to WMP activities, such as SDG&E's
11 Wildfire & Climate Science Division, SDG&E has recorded all labor and non-labor costs of this
12 division to the WMPMAs and then compared these CPUC jurisdictional costs to the relevant
13 amount authorized in the 2019 GRC to determine what portion of those wildfire mitigation-
14 related costs are considered incremental.

15 **2. Capital Projects Recorded in WMPMA**

16 For WMP capital projects, SDG&E has recorded capital related depreciation, return, and
17 taxes on rate base to the WMPMA and then compared these CPUC jurisdictional costs to the
18 relevant amounts authorized in the 2019 GRC to determine what portion of those wildfire
19 mitigation-related costs are considered incremental.

20 **3. Other Internal Labor and O&M Recorded in WMPMA**

21 For other internal labor and O&M included in the WMP activities, SDG&E has recorded
22 all internal labor and O&M costs to the WMPMA and then compared these CPUC jurisdictional
23 costs to the relevant amounts authorized in the 2019 GRC to determine what portion of those
24 wildfire mitigation-related costs are considered incremental.

1 **VI. ERNST & YOUNG’S INDEPENDENT COST ANALYSIS REPORT TO**
2 **FURTHER ENSURE REASONABLENESS AND INCREMENTALITY**

3 In addition to SDG&E’s internal accounting controls described above, to further ensure
4 that the costs included in the WMPMA presented here are reasonable and incremental, E&Y
5 performed an independent analysis of costs, as shown in Appendix 8, recorded to the WMPMAs
6 for May 30, 2019 through December 31, 2022. Importantly, E&Y concluded that all but \$0.8
7 million (extrapolated to \$2.6 million) was appropriately characterized as reasonable and
8 incremental.

9 **A. Description of the Cost Analysis**

10 SDG&E proactively engaged E&Y to review the wildfire mitigation costs for May 30,
11 2019 through December 31, 2022. E&Y specifically evaluated whether the costs were
12 appropriately booked to the WMPMAs and were incurred for activities incremental to those
13 contemplated by rates authorized in SDG&E’s 2019 GRC.

14 E&Y’s approach consisted of first segregating the costs within the WMPMA by cost
15 category. E&Y performed analytics across each population and developed specific testing
16 procedures tailored to each category of cost based on its unique nature and associated risks.
17 E&Y tested approximately \$405 million of the total costs incurred of \$2.2 billion. The table
18 below summarizes the cost categories:

19 **Table 8: Ernst & Young Cost Categories**

Cost Category	Amount	Amount Tested
Contracts & External Labor	\$ 1,711,114,823	\$ 174,366,879
Internal Labor	\$ 120,984,220	\$ 4,366,258
Materials	\$ 164,002,851	\$ 4,445,844
Employee Expense	\$ 1,871,372	\$ 55,225
AFUDC	\$ 90,532,673	\$ 90,532,673
Business Support Charges	\$ 91,493,299	\$ 91,493,299
A&G, Accounting Adjustments, and Other	\$ 39,329,387	\$ 39,329,387
Original WMPMA Population	\$ 2,219,328,625	\$ 404,589,566

1 The amounts selected for detailed transaction testing vary based on the costs within each
2 category. In addition to detailed transaction testing by E&Y, E&Y held multiple discussions
3 internally with SDG&E's Finance, Regulatory, and Line of Business Departments, to review and
4 validate the costs. The combination of analytical procedures, statistical sampling, and transaction
5 testing is designed to provide adequate coverage across all cost categories within the scope of the
6 account.

7 In addition to the analytical procedures and transaction testing, E&Y also considered the
8 incrementality of the costs included in the WMPMA compared to the last approved 2019 GRC
9 and other rate recovery mechanisms. E&Y obtained the last GRC filing with supporting
10 schedules to gain an understanding of the type and nature of costs included within current base
11 rates. Based on their analysis detailed in the report, E&Y concluded that the costs included in
12 this application are incremental to base rates, unless otherwise noted.

13 E&Y's analysis was conducted in accordance with the consulting professional standards
14 in the Statement on Standards for Consulting Services (SSCS) established by the American
15 Institute of Certified Public Accountants. Furthermore, E&Y's approach is designed to achieve
16 the principles of the National Association of Regulatory Utility Commissioners' (NARUC) Rate
17 Case and Audit Manual (2003) in an effective and efficient manner.

18 E&Y, based on their analysis, found no evidence of systemic errors or omissions that
19 would raise questions relating to management's conclusions that costs were: 1) incurred for the
20 activities set forth in the corresponding relevant CPUC approved Account; 2) accurately
21 recorded; and 3) recorded in only one account.

22 **B. E&Y Cost Analysis Review Results**

23 E&Y prepared findings and observations regarding the costs recorded in the WMPMA
24 based on their testing and analysis. E&Y's full report can be found as Appendix 8. E&Y found

1 no evidence of systematic errors or omissions that would raise questions relating to
 2 management’s conclusions that costs were: 1) incurred for the activities set forth in the
 3 corresponding relevant CPUC approved WMPMA; 2) accurately recorded; 3) incremental; and
 4 4) recorded in only one account.

5 As a result of the procedures described above, E&Y identified items totaling
 6 approximately \$0.8 million (extrapolated to \$2.6 million) that were not properly evidenced for
 7 inclusion in the WMPMA.

8 A summary of the Observations for potential exclusion are provided below:

9 **Table 9: Ernst & Young Potential Exclusions**

Cost Cat.	Exclusion Type	O&M	Cap Ex	Total
Contract	Non-incremental	\$ 11,490	\$ 34,029	\$ 45,519
Contract	Does Not Align to Contract	\$ 4,527	\$ 12,169	\$ 16,696
Contract	Not Reasonable/Prudent	\$ 438		\$ 438
Contract	Out of Scope		\$ 9,418	\$ 9,418
Contract	Transmission	\$ 238,654	\$ 427,200	\$ 665,854
Materials	Trip to Unrelated City	\$ 108		\$ 108
Materials	Transmission		\$ 78,645	\$ 78,645
A&G, Accounting Adjustments & Other	Events/Tickets Unrelated to PSPS Events	\$ 13,090		\$ 13,090
Total		\$ 268,308	\$ 561,461	\$ 829,769
Extrapolated Total		\$ 1,082,555	\$ 1,477,527	\$ 2,560,082

10 **C. Adjustment to O&M and Capital Related costs**

11
 12 SDG&E has reduced the electric costs included in this request for both \$0.3 million of
 13 O&M costs and \$0.3 million of Capital-Related costs associated with the capital expenditures
 14 included in the table above, before extrapolation, to incorporate the findings of E&Y’s review.
 15 SDG&E’s accounting practice is to only book known accounting adjustments not extrapolated
 16 amounts. In addition to these adjustments identified by E&Y, SDG&E also identified additional
 17 electric O&M costs of \$1.4 million that are removed from the costs being requested. All of these
 18 adjustments are converted to a fully loaded amount. These adjustments result in a revised

1 WMPMA electric undercollection revenue requirement of \$376.5 million, and a total requested
 2 electric revenue requirement of \$1.131 billion, with no changes to gas. Appendix 7 reflects the
 3 electric reductions described above, and SDG&E's total requested electric revenue requirement
 4 relating to the WMPMA.

5 **Table 10: SDG&E Electric Cost Reductions**

WMP Electric Costs with Reductions (\$ in millions)							
	Actuals 5/30/2019 to 12/31/2022	Reductions	Revised Actuals 5/30/2019 to 12/31/2022	Forecasts*	Reductions	Revised Forecasts*	Revised Totals
				2023 to 2027		2023 to 2027	
Track 2 (2019-2022)							
Authorized Revenues	(244.8)		(244.8)	(53.1)		(53.1)	(297.9)
O&M	429.1	(1.7)	427.4	-		-	427.4
Capital Related Costs	188.3	(0.1)	188.2	807.5	(0.2)	807.3	995.5
Interest @ 3 mth CP rate	5.6		5.6	-		-	5.6
Revised Totals	378.2	(1.8)	376.4	754.4	(0.2)	754.2	1,130.6
* Forecasts exclude interest							

6
7

This concludes my revised prepared direct testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is R. Craig Gentes. My business address is 8680 Balboa Avenue, San Diego,
3 California 92123. I am employed by SDG&E as the Director – Accounting Operations within the
4 Controller’s organization.

5 In 2017, I assumed my current role of Director of Accounting Operations. I am
6 responsible for the Asset & Project Accounting, the Affiliate Billing and Costing, the Financial
7 Systems Client Support and Accounts Payable functions. Previously, I have served as Director of
8 Utility Accounting, responsible for the Financial Accounting, Regulatory Reporting, and Bank
9 Reconciliation and Escheatment functions for both SDG&E and SoCalGas; Director of
10 Accounting Operations, responsible for the Cost Accounting, the Affiliate Billing and Costing
11 and Sundry Services functions for both SDG&E and SoCalGas; Director of Compliance,
12 responsible for the CPUC and FERC Affiliate Compliance activities, the Accounts Payable
13 function, and Financial Policies and Controls; Manager of Financial Policies and Controls,
14 responsible for the implementation of the compliance process to meet the requirements of the
15 Sarbanes-Oxley Act; and Financial Accounting Manager, primarily responsible for the monthly
16 closing of the financial statements, Generally Accepted Accounting Principles (GAAP)
17 accounting issues and research, and participating in Securities Exchange Commission (SEC) and
18 CPUC financial reporting issues and requirements.

19 Prior to joining SDG&E, I worked for Deloitte Haskins & Sells, now Deloitte & Touche,
20 in the auditing department. I obtained my California CPA license in 1984, and that license is
21 currently in active status.

22 I received a Bachelor of Science degree in Business Administration with a major in
23 Accounting from the University of Nebraska-Lincoln in 1982.

24 I have previously testified before the California Public Utilities Commission.

Appendix 1

SDG&E's WMPMA Electric Tariff



PRELIMINARY STATEMENTS

Sheet 1

III. MEMORANDUM ACCOUNTS
WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT (WMPMA)

1. Purpose

The Wildfire Mitigation Plan Memorandum Account (WMPMA) is established pursuant to Commission Decision (D.) 19-05-039 as a direct result of Public Utilities (P.U.) Code Section 8386.4(a), as modified by Assembly Bill (AB) 1054. This account records costs incurred to implement SDG&E's Commission-approved Wildfire Mitigation Plan; and its balance reflects those costs net of revenue requirement authorized in SDG&E's General Rate Case (GRC) or other proceeding deemed appropriate by the Commission. This account does not include costs recorded to other memorandum accounts, such as SDG&E's Catastrophic Event Memorandum Account (CEMA), Fire Hazard Prevention Memorandum Account (FHPMA), Fire Risk Mitigation Memorandum Account (FRMMA), or other cost recovery mechanisms. The WMPMA is effective May 30, 2019, which is the effective date of D.19-05-039.

2. Applicability

This account shall apply to all customers except those specifically excluded by the Commission.

3. Rates

The WMPMA does not have a separate rate component.

4. Accounting Procedures

SDG&E shall maintain the WMPMA by making entries to this account at the end of each month as follows:

- a. A debit entry to record the Operating and Maintenance (O&M) and capital-related costs (i.e. depreciation, return, and taxes) associated with work performed based on activities in SDG&E's Wildfire Mitigation Plan beginning on May 30, 2019;
- b. A credit entry to record the revenue requirement authorized in SDG&E's GRC (or other proceeding deemed appropriate by the Commission) for wildfire-related activities beginning on May 30, 2019;

(Continued)

1C11

Advice Ltr. No. 3454-E

Decision No. D.19-05-039

Issued by
Dan Skopec
Vice President
Regulatory Affairs

Submitted Oct 31, 2019

Effective May 30, 2019

Resolution No. _____

N
N



PRELIMINARY STATEMENTS

Sheet 2

III. MEMORANDUM ACCOUNTS

WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT (WMPMA)

4. Accounting Procedures (continued)

- c. A debit entry equal to costs associated with engaging an Independent Evaluator to review and assess SDG&E's compliance with its Wildfire Mitigation Plan pursuant to P.U. Code Section 8386.3(C)(2);
- d. An entry to reflect any transfers to or from other regulatory accounts (e.g., Fire Risk Mitigation Memorandum Account - FRMMA) as authorized by the Commission; and
- e. An entry equal to the interest on the average of the balance at the beginning of the month and the balance in this account after the above entries, at a rate equal to one-twelfth of the interest rate on three-month nonfinancial Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

The WMPMA shall remain open until the Commission authorizes closure of the account. The WMPMA may be addressed in SDG&E's GRC proceeding or other proceeding deemed appropriate by the Commission

N
N
N
N
N

Appendix 2

SDG&E's WMPMA Gas Tariff



San Diego Gas & Electric Company
San Diego, California

Original Cal. P.U.C. Sheet No. 24138-G

Canceling _____ Cal. P.U.C. Sheet No. _____

PRELIMINARY STATEMENT

Sheet 1

V. MEMORANDUM ACCOUNTS

WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT (WMPMA)

1. Purpose

The Wildfire Mitigation Plan Memorandum Account (WMPMA) is established pursuant to Commission Decision (D.) 19-05-039 as a direct result of Public Utilities (P.U.) Code Section 8386.4(a), as modified by Assembly Bill (AB) 1054. This account records costs incurred to implement SDG&E's Commission-approved Wildfire Mitigation Plan; and its balance reflects those costs net of revenue requirement authorized in SDG&E's General Rate Case (GRC) or other proceeding deemed appropriate by the Commission. This account does not include costs recorded to other memorandum accounts, such as SDG&E's Catastrophic Event Memorandum Account (CEMA), Fire Hazard Prevention Memorandum Account (FHPMA), Fire Risk Mitigation Memorandum Account (FRMMA), or other cost recovery mechanisms. The WMPMA is effective May 30, 2019, which is the effective date of D.19-05-039.

2. Applicability

This account shall apply to all customers except those specifically excluded by the Commission.

3. Rates

The WMPMA does not have a separate rate component.

4. Accounting Procedures

SDG&E shall maintain the WMPMA by making entries to this account at the end of each month as follows:

- a. A debit entry to record the Operating and Maintenance (O&M) and capital-related costs (i.e. depreciation, return, and taxes) associated with work performed based on activities in SDG&E's Wildfire Mitigation Plan beginning on May 30, 2019;
- b. A credit entry to record the revenue requirement authorized in SDG&E's GRC (or other proceeding deemed appropriate by the Commission) for wildfire-related activities beginning on May 30, 2019;

(Continued)

107

Advice Ltr. No. 2817-G

Decision No. D.19-05-039

Issued by
Dan Skopec
Vice President
Regulatory Affairs

Submitted Oct 31, 2019

Effective May 30, 2019

Resolution No. _____

N
N
N
N
N



PRELIMINARY STATEMENT

Sheet 2

V. MEMORANDUM ACCOUNTS

WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT (WMPMA)

4. Accounting Procedures (continued)

- c. A debit entry equal to costs associated with engaging an Independent Evaluator to review and assess SDG&E's compliance with its Wildfire Mitigation Plan pursuant to P.U. Code Section 8386.3(C)(2);
- d. An entry to reflect any transfers to or from other regulatory accounts (e.g., Fire Risk Mitigation Memorandum Account - FRMMA) as authorized by the Commission; and
- e. An entry equal to the interest on the average of the balance at the beginning of the month and the balance in this account after the above entries, at a rate equal to one-twelfth of the interest rate on three-month nonfinancial Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

The WMPMA shall remain open until the Commission authorizes closure of the account. The WMPMA may be addressed in SDG&E's GRC proceeding or other proceeding deemed appropriate by the Commission

N
N
N
N
N

Appendix 3

WMPMA Electric Schedules

Appendix 3

San Diego Gas & Electric
Wildfire Mitigation Plan Memo Account (WMPMA) - Electric
Under / Over Collection
Account # 1150744 / (2190350)

	2022												Totals
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Beginning Balance	182,725,065	197,275,087	206,885,270	219,588,904	231,603,012	244,743,318	258,722,997	275,956,065	298,133,511	319,295,317	339,373,410	356,511,684	182,725,065
Authorized Revenue	(6,638,333)	(6,638,333)	(6,638,333)	(6,638,333)	(6,638,333)	(6,306,833)	(6,638,333)	(6,638,333)	(6,693,583)	(6,583,083)	(6,583,083)	(6,362,087)	(78,997,000)
Revenue True-Up	(6,638,333)	(6,638,333)	(6,638,333)	(6,638,333)	(6,638,333)	(9,671,435)	(6,638,333)	(6,638,333)	(6,693,583)	(6,583,083)	(6,583,083)	(6,362,087)	(3,364,602)
Total Revenues	13,118,154	7,635,445	10,798,649	8,925,100	9,374,060	13,032,768	12,401,004	16,888,505	15,779,957	13,836,786	10,728,080	17,296,878	82,361,607
CGM Expenses													148,594,335
Capital Related Costs:													
Depreciation	2,450,993	2,540,945	2,698,642	2,918,509	3,133,036	3,201,513	3,271,164	3,339,762	3,399,446	3,532,297	3,700,751	3,812,561	37,999,619
Return	4,287,097	4,524,043	4,715,424	4,985,028	5,264,775	5,360,459	5,432,518	5,523,671	5,642,304	5,826,502	6,084,940	6,284,879	63,934,040
Taxes	924,865	1,136,012	1,205,338	1,318,739	1,447,457	1,483,236	1,513,764	1,542,603	1,558,541	1,582,805	1,613,731	1,642,278	16,969,381
Property Tax	386,664	386,658	386,600	386,658	386,658	386,658	1,014,679	1,014,679	1,014,679	1,014,679	1,014,679	1,014,679	8,407,970
Software Dev Credits												(3,281,012)	(3,281,012)
Total Capital Costs	8,049,620	8,587,657	9,006,004	9,609,934	10,231,926	10,431,866	11,232,125	11,420,715	11,614,976	11,958,283	12,413,507	9,473,385	174,079,988
Total Costs	21,167,774	16,223,102	19,304,653	18,534,094	19,605,986	23,464,634	23,633,129	28,229,220	27,194,994	25,795,069	22,641,536	26,770,262	272,564,332
Net Cost / (Revenue)	14,529,441	9,584,769	12,666,320	11,895,701	12,967,653	13,793,199	16,994,796	21,590,887	20,501,351	19,211,986	16,058,453	20,408,175	190,202,730
Interest**	20,582	25,414	37,313	118,407	172,653	186,481	238,272	586,559	660,456	866,107	1,079,821	1,298,394	5,250,458
Net Activity	14,550,023	9,610,183	12,703,633	12,014,108	13,140,306	13,979,680	17,233,068	22,177,446	21,161,807	20,078,093	17,138,274	21,706,569	195,493,189
Ending Balance	197,275,087	206,885,270	219,588,904	231,603,012	244,743,318	258,722,997	275,956,065	298,133,511	319,295,317	339,373,410	356,511,684	378,218,253	378,218,253

* Capital Related Costs are on a one-month lag

** Interest applied to average monthly balance as follows: ((Beg. Bal. + (Current Month Adjustment/2)) * (Int. Rate/12))

San Diego Gas & Electric
 Wildfire Mitigation Plan Memo Account (WMPMA) - Electric
 Under / (Over) Collection
 Account # 1150744 / (2190350)

	2021												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Beginning Balance	92,017,447	96,678,856	101,773,958	106,164,127	108,196,103	115,233,799	120,996,904	125,820,528	137,164,950	152,611,586	163,195,561	178,335,944	92,017,447
Authorized Revenue	(3,893,083)	(3,893,083)	(5,893,083)	(5,893,083)	(3,893,083)	(7,382,583)	(6,141,333)	(6,141,333)	(6,141,333)	(6,141,333)	(6,141,333)	(6,141,337)	(73,696,000)
Total Revenues	(5,893,083)	(5,893,083)	(5,893,083)	(5,893,083)	(5,893,083)	(7,382,583)	(6,141,333)	(6,141,333)	(6,141,333)	(6,141,333)	(6,141,333)	(6,141,337)	(73,696,000)
O&M Expenses	6,540,217	6,366,365	9,470,684	3,436,574	8,130,647	7,554,908	8,467,868	10,678,384	11,022,544	10,296,645	13,504,183	17,113,533	112,801,553
Capital Related Costs**													
Depreciation	1,787,614	1,975,684	(940,931)	1,511,273	1,620,202	1,693,646	2,033,980	2,405,550	2,486,412	1,997,652	2,733,507	(2,415,465)	16,868,504
Return	1,828,583	2,106,237	1,420,952	2,265,464	2,404,255	2,494,242	2,686,089	2,916,390	3,081,966	3,331,188	3,670,598	4,148,514	32,354,509
Taxes	318,751	463,593	296,121	637,880	694,267	731,214	792,913	894,705	928,388	715,951	978,595	1,087,851	7,840,249
Property Tax	70,091	68,661	53,240	66,733	66,733	66,733	386,067	394,143	386,067	386,576	386,194	389,807	2,710,245
Software Dev Credits							(2,621,001)		3,675,548			(9,102,727)	(8,248,380)
Total Capital Costs	4,005,099	4,614,175	809,382	4,481,340	4,785,497	4,985,836	3,078,068	6,600,788	10,558,181	6,430,767	7,768,894	(6,592,840)	51,525,127
Total Costs	10,545,256	10,980,540	10,280,066	7,917,913	12,925,145	12,540,744	11,565,936	17,479,172	21,580,725	16,717,412	21,273,077	10,520,693	164,326,680
Net Cost / (Revenue)	4,652,178	5,087,457	4,386,983	2,024,830	7,092,062	5,158,161	5,424,609	11,337,839	15,439,392	10,576,079	15,131,744	4,379,356	90,630,680
Interest**	9,236	7,644	3,187	7,145	5,635	4,944	(979)	6,583	7,244	7,895	8,610	9,764	76,938
Net Activity	4,661,409	5,095,101	4,390,170	2,031,975	7,037,697	5,163,105	5,423,624	11,344,472	15,446,636	10,583,974	15,140,354	4,389,120	90,707,618
Ending Balance	96,678,856	101,773,958	106,164,127	108,196,103	115,233,799	120,996,904	125,820,528	137,164,950	152,611,586	163,195,561	178,335,944	182,725,065	182,725,065

*Capital Related Costs are on a one-month lag
 ** Interest applied to average monthly balance as follows: ((Beg. Bal. + (Current Month Adjustment/2)) * (Int Rate/12))

San Diego Gas & Electric
Wildfire Mitigation Plan Memo Account (WMP/MA) - Electric
Under / (Over) Collection
Account # 1150744 / (2190850)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Beginning Balance		19,316,852	29,206,936	16,582,405	12,628,317	11,373,028	41,655,301	47,128,440	54,225,655	62,336,600	71,414,613	80,141,785	-
Authorized Revenue	(28,210,008)	(5,195,000)	(5,195,000)	(6,322,667)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(88,738,008)
Total Revenues	(28,210,008)	(5,195,000)	(5,195,000)	(6,322,667)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(5,476,917)	(88,738,008)
O&M Expenses	46,046,159	14,292,672	(8,320,515)	1,419,946	3,169,337	34,472,854	9,634,840	11,085,414	11,799,312	12,325,563	11,212,351	20,653,386	167,791,463
Capital Related Costs**													
Depreciation	444,646	209,543	238,603	264,624	286,900	359,235	354,400	440,984	489,462	628,432	1,145,221	1,034,857	6,500,989
Return	945,213	439,256	485,274	553,353	597,216	668,511	690,740	765,897	977,709	1,204,325	1,360,130	1,538,128	10,218,650
Taxes	54,515	111,539	177,302	144,807	157,552	171,810	102,077	207,903	243,128	321,500	406,912	471,970	2,610,965
Property Tax						68,390	68,423	68,423	68,423	68,423	68,423	68,457	410,539
Software Dev Credits												(7,011,290)	(7,011,290)
Total Capital Costs	1,444,374	760,339	861,280	962,781	1,041,969	1,199,556	1,308,558	1,482,806	1,762,722	2,227,680	2,980,686	(3,317,878)	12,729,832
Total Costs	47,490,533	15,053,160	(7,459,275)	2,392,727	4,211,306	35,672,410	10,943,398	12,568,220	13,562,034	14,548,243	14,193,037	17,335,502	180,521,295
Net Cost / (Revenue)	19,280,525	9,858,160	(12,654,275)	(8,939,940)	(1,265,611)	30,195,493	5,466,481	7,091,303	8,105,117	9,071,326	8,716,120	11,858,588	91,783,287
Interest**	30,327	31,824	29,744	(14,148)	10,322	86,780	6,658	5,912	5,828	6,087	11,052	17,074	234,160
Net Activity	19,316,852	9,890,084	(12,624,531)	(8,954,088)	(1,255,289)	30,282,273	5,473,139	7,097,215	8,110,945	9,078,013	8,727,172	11,875,662	92,017,447
Ending Balance	19,316,852	29,206,936	16,582,405	12,628,317	11,373,028	41,655,301	47,128,440	54,225,655	62,336,600	71,414,613	80,141,785	92,017,447	92,017,447

**Capital Related Costs are on a one-month lag

** Interest applied to average monthly balance as follows: ((Beg. Bal. + (Current Month Adjustment/2)) / (Int. Rate * 12))

Appendix 4

WMPMA Gas Schedules

Appendix 4

San Diego Gas & Electric
Wildfire Mitigation Plan Memorandum Account (WMPMA) - Gas
Under / (Over) Collection
Account # 1150745 / (2190351)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sup	Oct	Nov	Dec	Total
Beginning Balance	(4,756,980)	(4,552,652)	(4,285,986)	(4,110,992)	(3,854,380)	(3,507,073)	(4,168,967)	(3,835,545)	(3,486,158)	(3,127,843)	(2,805,123)	(2,446,362)	(4,756,980)
Authorized Revenue	(226,500)	(226,500)	(226,500)	(226,500)	(226,500)	(383,000)	(226,500)	(226,500)	(200,417)	(252,583)	(252,583)	(356,917)	(3,031,000)
Revenue True-Up						(795,863)							(795,863)
Total Revenues	(226,500)	(226,500)	(226,500)	(226,500)	(226,500)	(1,178,863)	(226,500)	(226,500)	(200,417)	(252,583)	(252,583)	(356,917)	(3,826,863)
O&M Expenses	123,777	204,417	81,360	150,138	205,226	153,456	164,997	161,401	168,538	154,229	163,810	161,797	1,853,145
Capital Related Costs:													
Depreciation	166,546	147,443	160,165	177,265	200,638	201,675	210,674	218,616	216,837	234,493	253,158	257,285	2,453,794
Return	70,027	77,654	78,525	81,187	84,260	84,626	86,779	88,400	88,675	93,039	99,168	99,531	1,033,670
Taxes	63,622	57,743	66,714	70,151	79,890	79,948	84,252	88,129	84,981	83,657	86,745	87,912	933,744
Property Tax	6,461	6,461	6,465	6,461	6,461	6,461	16,787	16,787	16,787	16,787	16,787	16,787	139,492
Software Dev Credits													(1,508,189)
Total Capital Costs	307,555	289,301	320,869	335,064	371,249	372,710	398,492	411,932	407,280	428,875	455,857	(1,046,673)	3,052,511
Total Costs	431,332	493,718	402,228	485,203	576,475	526,166	563,489	573,333	575,818	583,104	619,667	(884,876)	4,945,656
Net Cost / (Revenue)	204,832	267,218	175,728	258,703	349,975	(62,697)	336,989	346,833	375,401	330,521	367,084	(1,241,793)	1,118,793
Interest**	(504)	(502)	(735)	(2,090)	(2,668)	(8,197)	(3,567)	(7,446)	(7,086)	(7,801)	(8,324)	(10,679)	(60,648)
Net Activity	204,328	266,666	174,993	256,613	347,307	(61,894)	333,422	339,387	368,315	322,720	358,761	(1,252,472)	1,058,145
Ending Balance	(4,552,652)	(4,285,986)	(4,110,992)	(3,854,380)	(3,507,073)	(4,168,967)	(3,835,545)	(3,486,158)	(3,127,843)	(2,805,123)	(2,446,362)	(2,098,835)	(3,698,835)

*Capital Related Costs are on a one-month lag

** Interest applied to average monthly balance as follows: ((Beg. Bal. + (Current Month Adjustment/2)) * (Int. Rate/12))

Totals	5/30/2019 - 12/31/2022
	(9,188,630)
	(795,863)
	(9,984,493)
	7,087,383
	3,810,747
	1,655,436
	1,505,267
	178,350
	(7,897,102)
	(747,302)
	6,340,082
	(3,644,411)
	(54,423)
	(3,698,835)

San Diego Gas & Electric
Wildfire Mitigation Plan Memorandum Account (WMPMA) - Gas
 Under / (Over) Collection
 Account # 1150745 / (2190351)

	2021												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Beginning Balance	1,089,338	1,450,661	1,988,831	1,003,821	1,212,131	1,445,932	1,393,546	1,624,242	2,153,671	380,200	494,873	959,561	1,089,338
Authorized Revenue	(230,667)	(230,667)	(230,667)	(230,667)	(230,667)	(215,667)	(228,167)	(228,167)	(228,167)	(228,167)	(228,167)	(228,163)	(2,738,000)
Revenue True-Up													
Total Revenues	(230,667)	(230,667)	(230,667)	(230,667)	(230,667)	(215,667)	(228,167)	(228,167)	(228,167)	(228,167)	(228,167)	(228,163)	(2,738,000)
O&M Expenses	15,396	168,413	141,586	153,193	180,457	(132,304)	117,404	177,727	140,496	141,306	151,883	241,441	1,496,997
Capital Related Costs:**													
Depreciation	442,209	458,787	(768,318)	197,199	194,063	201,588	313,703	426,330	417,375	157,260	404,260	(1,855,916)	588,540
Return	51,291	52,880	(54,403)	31,510	32,299	33,085	44,406	53,642	49,106	56,582	49,678	107,834	507,909
Taxes	83,123	88,606	(73,905)	56,992	57,576	60,922	74,483	93,614	88,406	(18,752)	80,605	(185,131)	406,539
Property Tax	8	8	6	8	8	8	6,192	6,190	6,192	6,423	6,249	7,520	38,812
Software Dev Credits							(97,175)		(2,246,943)			(3,803,277)	(6,147,395)
Total Capital Costs	576,630	600,281	(896,619)	285,710	283,946	295,603	341,609	579,776	(1,685,864)	201,512	540,792	(5,728,970)	(4,605,595)
Total Costs	592,026	768,694	(755,033)	438,903	464,403	163,299	459,012	757,503	(1,545,368)	342,818	697,675	(5,487,530)	(3,108,598)
Net Cost / (Revenue)	361,359	538,027	(985,700)	208,236	233,736	(52,368)	230,845	529,336	(1,773,535)	114,651	464,508	(5,715,693)	(5,846,598)
Interest**	(36)	143	690	74	66	(18)	(150)	94	63	22	180	(848)	280
Net Activity	361,323	538,170	(985,010)	208,310	233,802	(52,386)	230,695	529,430	(1,773,472)	114,673	464,688	(5,716,541)	(5,846,318)
Ending Balance	1,450,661	1,988,831	1,003,821	1,212,131	1,445,932	1,393,546	1,624,242	2,153,671	380,200	494,873	959,561	(4,756,980)	(4,756,980)

* Capital Related Costs are on a one-month lag
 ** Interest applied to average monthly balance as follows: ((Beg. Bal. + (Current Month Adjustment/2)) * (Int. Rate/12))

San Diego Gas & Electric
Wildfire Mitigation Plan Memorandum Account (WMPMA) - Gas
 Under / (Over) Collection
 Account # 1150745 / (2190351)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020 Total
Beginning Balance	-	490,241	411,785	375,434	227,513	139,017	43,354	(29,182)	(56,262)	(26,407)	11,641	260,662	-
Authorized Revenue	(836,713)	(215,083)	(215,083)	(287,418)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,164)	(3,419,630)
Revenue True-Up	(836,713)	(215,083)	(215,083)	(287,418)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,167)	(233,164)	(3,419,630)
O&M Expenses	1,323,592	135,880	178,068	139,092	144,340	137,304	114,513	184,509	237,016	210,980	158,153	733,795	3,697,241
Capital Related Costs:*													
Depreciation	455	101	101	97	97	97	30,954	11,812	14,302	33,284	241,546	435,565	768,413
Return	166	35	34	34	33	33	10,290	3,696	4,373	9,897	33,476	51,791	113,857
Taxes	35	18	18	18	50	50	4,865	6,067	7,327	17,047	48,993	80,446	164,984
Property Tax							8	8	8	8	8	6	46
Software Dev Credits												(241,519)	(241,519)
Total Capital Costs	706	154	154	149	181	180	46,117	21,583	26,010	60,236	324,023	326,290	805,782
Total Costs	1,324,298	136,034	178,221	139,241	144,521	137,484	160,630	206,092	263,026	271,216	482,176	1,060,085	4,503,023
Net Cost / (Revenue)	487,585	(79,049)	(36,862)	(148,177)	(88,646)	(95,683)	(72,537)	(27,075)	29,859	38,049	249,009	876,921	1,083,393
Interest**	2,656	593	511	256	150	21	1	(5)	(4)	(1)	17	1,752	5,945
Net Activity	490,241	(78,456)	(36,351)	(147,921)	(88,496)	(95,662)	(72,536)	(27,080)	29,855	38,048	249,021	828,676	1,089,338
Ending Balance	490,241	411,785	375,434	227,513	139,017	43,354	(29,182)	(56,262)	(26,407)	11,641	260,662	1,089,338	1,089,338

*Capital Related Costs are on a one-month lag

** Interest applied to average monthly balance as follows: ((Beg. Bal.+(Current Month Adjustment/2))*(Int.Rate/12))

Appendix 5

WMP Electric Costs Before Reductions

Appendix 5

San Diego Gas & Electric
WMP Electric Costs
(\$ in thousands)

	Actuals			Forecasts*			Total Costs			
	2019	2020	2021	2022	2023	2024		2025	2026	2027
Track 2 (2019-2022)										
Authorized Revenues		(88,738)	(73,696)	(82,361)	(53,139)	-	-	-	-	(297,934)
O&M		167,792	112,802	148,534	-	-	-	-	-	429,128
Capital Related Costs:										
Depreciation		6,501	16,868	38,000	57,763	53,612	53,147	51,373	47,505	324,769
Return		10,218	32,355	63,934	82,857	71,910	67,676	63,615	59,802	452,367
Taxes		2,611	7,840	16,969	24,666	23,433	22,496	20,974	18,645	137,634
Property Tax		410	2,710	8,408	17,311	19,062	18,298	17,221	16,187	99,607
Software Dev Credits		(7,011)	(8,248)	(3,281)	-	-	-	-	-	(18,540)
Total Capital Related Costs		12,729	51,525	124,030	182,597	168,017	161,617	153,183	142,139	995,837
Interest @ 3 mth CP rate		234	77	5,290	-	-	-	-	-	5,601
Total Cost by Year		180,765	164,404	277,654	182,597	168,017	161,617	153,183	142,139	1,430,566
Activity by Year		92,017	90,708	195,493	129,458	168,017	161,617	153,183	142,139	1,132,632
Accumulated Undercollection		92,017	182,725	378,218	507,676	675,693	837,310	990,493	1,132,632	
Rate Base		241,292	642,926	1,050,465	1,033,932	974,165	916,054	860,779	810,075	
Capital Expenditures		459,281	452,336	536,936						

* Forecasts exclude interest

Appendix 6

WMP Gas Costs

Appendix 6

San Diego Gas & Electric
WMP Gas Costs
(\$ in thousands)

	Actuals			Forecasts*				Total Costs		
	2019	2020	2021	2022	2023	2024	2025		2026	2027
Track 2 (2019-2022)										
Authorized Revenues		(3,420)	(2,738)	(3,827)	-	-	-	-	-	(9,985)
O&M		3,697	1,497	1,893	-	-	-	-	-	7,087
Capital Related Costs:										
Depreciation		768	589	2,454	3,387	3,126	2,912	2,103	1,223	16,562
Return		114	508	1,034	1,126	791	567	389	270	4,799
Taxes		165	406	934	1,132	1,031	896	526	155	5,245
Property Tax		-	39	139	270	257	199	143	98	1,145
Software Dev Credits		(241)	(6,147)	(1,508)	-	-	-	-	-	(7,896)
Total Capital Related Costs		806	(4,605)	3,053	5,915	5,205	4,574	3,161	1,746	19,855
Interest @ 3 mth CP rate		6	-	(61)	-	-	-	-	-	(55)
Total Cost by Year		4,509	(3,108)	4,885	5,915	5,205	4,574	3,161	1,746	26,887
Activity by Year		1,089	(5,846)	1,058	5,915	5,205	4,574	3,161	1,746	16,902
Accumulated Undercollection		1,089	(4,757)	(3,699)	2,216	7,421	11,995	15,156	16,902	
Rate Base		8,232	9,970	15,862	12,761	9,545	6,596	4,492	3,275	
Capital Expenditures		16,068	22,013	23,928						

* Forecasts exclude interest

Appendix 7

WMP Electric Costs with Reductions

Appendix 7

San Diego Gas & Electric
WMP Electric Costs with Reductions
(\$ in thousands)

	Actuals				Forecasts*			Total Costs		
	2019	2020	2021	2022	2023	2024	2025		2026	2027
Track 2 (2019-2022)										
Authorized Revenues		(88,738)	(73,696)	(82,361)	(53,139)	-	-	-	-	(297,934)
O&M	167,766	112,117	147,559		-	-	-	-	-	427,442
Capital Related Costs:										
Depreciation	6,498	16,865	37,987		57,746	53,596	53,131	51,357	47,489	324,669
Return	10,214	32,350	63,911		82,832	71,887	67,654	63,593	59,781	452,222
Taxes	2,610	7,839	16,963		24,659	23,426	22,489	20,967	18,638	137,591
Property Tax	410	2,710	8,405		17,306	19,057	18,292	17,215	16,181	99,576
Software Dev Credits	(7,011)	(8,248)	(3,281)		-	-	-	-	-	(18,540)
Total Capital Related Costs	12,721	51,516	123,985		182,543	167,966	161,566	153,132	142,089	995,518
Interest @ 3 mth CP rate	234	77	5,290		-	-	-	-	-	5,601
Total Cost by Year	180,721	163,710	276,834		182,543	167,966	161,566	153,132	142,089	1,428,561
Activity by Year	91,983	90,014	194,473		129,404	167,966	161,566	153,132	142,089	1,130,627
Accumulated Undercollection	91,983	181,997	376,470		505,874	673,840	835,406	988,538	1,130,627	
Rate Base	241,183	642,774	1,049,787		1,033,309	973,593	915,533	860,308	809,653	
Capital Expenditures	459,177	452,283	536,365							

* Forecasts exclude interest

Appendix 8

E&Y Wildfire Mitigation Plan Cost Analysis Report

San Diego Gas & Electric

Wildfire Mitigation Plan Cost Analysis

October 2023



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Introduction

San Diego Gas & Electric Company (the "Company" or "SDG&E") engaged Ernst & Young LLP ("EY") to conduct an analysis of electric costs recorded within the Wildfire Mitigation Plan Memorandum Account ("WMPMA") from May 30, 2019 through December 31, 2022. The costs analyzed in the WMPMA will be included as part of SDG&E's Wildfire Mitigation Plan Cost Recovery Application. This application here after will be referred to as the "WMP," "application" or "filing."¹

The purpose of the analysis was to confirm that the costs included in the Company's cost recovery proceedings for the designated account, as captured in the Company's financial systems, reflected the costs directly attributable to the electric distribution portion of the WMP and allocated to either the electric and gas distribution portion of the WMP and that any observations of possible deviations within the cost data provided were not material to the overall costs incurred. Additionally, the purpose of this analysis was to determine that the costs are incremental to other cost recovery applications and the GRC.

Our analysis was conducted in accordance with the consulting professional standards in the *Statement on Standards for Consulting Services* ("SSCS") established by the American Institute of Certified Public Accountants. Furthermore, our approach is designed to achieve the principles of the National Association of Regulatory Utility Commissioners' ("NARUC") *Rate Case and Audit Manual* (2003) in an effective and efficient manner. As noted in the manual, we relied on the commonly understood concepts of "prudence" and "reasonableness" when reviewing expenses and corresponding adjustments proposed by SDG&E. The manual states the purpose of applying these concepts is to "determine a revenue requirement and customer rates that are just, fair, reasonable, and sufficient."

Our procedures do not constitute an audit of the Company's financial statements, nor do we provide any form of assurance on the financial statements as a whole. Our procedures did not constitute an audit, review or compilation as those terms are defined by the American Institute of Certified Public Accountants.

Executive summary

Objective

Based on information provided by SDG&E, we prepared findings and observations regarding the inclusion of these costs in the WMP based on our testing and analysis. This report summarizes our approach to the analysis and testing of the balances within the WMP.

SDG&E submitted Advice Letter 3454-E in October 2019 to the Commission to open the WMPMA, effective May 30, 2019². SDG&E continues to use the WMPMA to track the incremental costs of WMP projects/activities described in SDG&E's annual WMP filings. Our objectives were to:

- 1) Analyze whether the costs in the above referenced account were sufficiently supported, reasonable, incremental and whether the costs incurred were directly attributable to the WMP.
- 2) Develop observations relating to the costs and communicate those observations to the Company.

¹ "WMP" referenced herein and throughout the report refers to only the electric distribution costs analyzed as part of the WMP filing. "WMPMA" refers to the balancing account name.

² Advice Letter 3454-E ("ELEC_3454-E.pdf")

- 3) Request additional supporting documentation from the Company, analyze the facts surrounding the charges, and verify that there were no other relevant facts that affecting and/or impacting the allocation of the charges to the WMP.
- 4) Prepare supporting work paper documentation for all analyses, observations, and conclusions.

The table below summarizes the total costs by cost category within the WMP provided to us by SDG&E:

Table 1 – WMP population by cost category³

Cost Category	Amount	Amount Tested
Contracts & External Labor	\$ 1,711,114,823	\$ 174,366,879
Internal Labor	\$ 120,984,220	\$ 4,366,258
Materials	\$ 164,002,851	\$ 4,445,844
Employee Expense	\$ 1,871,372	\$ 55,225
AFUDC	\$ 90,532,673	\$ 90,532,673
Business Support Charges	\$ 91,493,299	\$ 91,493,299
A&G, Accounting Adjustments, and Other	\$ 39,329,387	\$ 39,329,387
WMP Population	\$ 2,219,328,625	\$ 404,589,566
Out-of-scope O&M Adjustments ⁴	(\$ 5,919,357)	
WMP Adjusted Total	\$ 2,213,409,268	\$ 404,589,566

Approach

Our approach consisted of first segregating the costs within the WMP by cost category. We performed analytics across each population and developed specific testing procedures⁵ tailored to each category of cost based on its unique nature and associated risks. We conducted testing on approximately \$405 million of the total costs incurred. Amounts selected for detailed transaction testing vary based on the costs within each category. For example, certain categories have a low volume of transactions with a high dollar value, while other categories have a high volume of transactions with a low dollar value. In addition to our detailed transaction testing, we held multiple discussions across the organization with the Finance, Regulatory, and Line of Business Departments. The combination of analytical procedures, statistical sampling, and transaction testing is designed to provide adequate coverage across all cost categories within the scope of the account.

In addition to the analytical procedures and transaction testing, we also considered the incrementality of the costs included in the WMP compared to the last approved General Rate Case ("GRC") and other rate recovery mechanisms. We obtained and analyzed the last GRC filing with supporting schedules to gain an understanding of the type and nature of costs included within current base rates. Based on our analysis detailed below, we concluded that the costs included in this application are incremental to base rates, unless otherwise noted.

³ Values within the tables throughout this report may not sum precisely due to rounding.

⁴ We performed analytics over the SAP data provided and identified \$5.9 million in O&M costs with a document date and/or posting date that was before 5/30/19. SDG&E confirmed these amounts were not included in the costs included in the WMPMA.

⁵ Our tailored testing procedures are further described within the "Procedures Performed" section of this report below.

Findings and Conclusions

Based on our analysis, we found no evidence of systemic errors or omissions that would raise questions relating to management's conclusions that costs were: 1) incurred for the activities set forth in the corresponding relevant CPUC approved Account; 2) accurately recorded; 3) incremental; and 4) recorded in only one account.

Within the population, we identified items totaling \$829,769 extrapolated to \$2,560,082 of expenditures that were not properly evidenced for inclusion in the filing. These findings are described in further detail throughout our report⁶.

⁶ See Tables 6 & 7.

Procedures performed

The following section describes the detailed procedures performed for each category of cost mentioned above as well as our overall testing of incrementality.

Incrementality

Approach

In addition to the analyses and transaction testing described below, we considered incrementality of the WMP actual costs in totality as compared to the WMP authorized revenue in the 2019 GRC. Testing on an individual transaction basis does not allow for broader understanding of the account level activity. We performed an analysis starting from the full population of transactions at the memorandum account. The purpose of analyzing the WMPMA holistically as compared to the 2019 GRC filing was to identify potential overlap or risk of double recovery.

From our discussions with management, we understand that all revenues authorized in the 2019 GRC related to WMP O&M and capital activities were included in the WMPMA. The actual associated O&M and capital-related costs were also recorded in the WMPMA. SDG&E considers the costs in excess of the authorized revenues as incremental and plans to seek recovery for those costs related to the WMP activities from May 30, 2019 through 2022.

We performed the following steps in our testing of incrementality

We reviewed documents and filings related to prior proceedings, discussed Company practices and policies with SDG&E personnel, and evaluated our ability to identify account-level costing that was incremental, incurred for, and directly attributable to the WMP.

We first performed inquiries and walkthroughs with management to understand how SDG&E identifies and segregates incremental WMP costs from costs funded through base rates or other funding sources. Incremental costs, as described by SDG&E and other peer utilities, fall into the following categories: (1) increased work volume in normal work conducted caused by wildfire activities, which can be identified as costs incurred above and beyond the relevant amounts authorized in the company's latest GRC, and (2) costs incurred for new activities or programs implemented in response to wildfire events and not previously forecasted in the company's latest GRC or other recovery mechanisms. SDG&E's process is to first record all labor and non-labor costs for wildfire mitigation activities that would not have been incurred otherwise⁷ to the WMPMA. SDG&E then compares the CPUC-jurisdictional costs to the relevant amounts authorized in the 2019 GRC to determine which portion of the wildfire mitigation costs are incremental. We also understand that SDG&E differentiates and tracks the costs charged to the WMPMA from normal business costs authorized in the 2019 GRC by cost centers and internal orders.

Next, we obtained the latest GRC filing with supporting schedules to gain an understanding of the nature and timing, as well as the activities and types of costs included within current base rates. The purpose of this analysis was to understand activities included within the 2019 GRC compared to new, evolving or the same types of activities noted within the SAP data we received for the WMPMA.

We also obtained SDG&E's 2019-2021 Risk Spending Accountability Reports ("RSAR") and analyzed them to understand actual expenses compared to imputed authorized costs. The purpose of the RSAR

⁷ Examples include labor and non-labor costs for working groups devoted exclusively to WMP activities, capital projects included in the WMP, and other labor and O&M costs included in the WMP.

is to provide a summary of actual expenses compared to imputed authorized costs derived from the Company's latest GRC decision. We considered the imputed authorized 2019 GRC costs as compared to the total actual incurred costs for 2019, 2020, and 2021 to identify large or unusual movements that may be indicative of GRC items being recorded in the WMPMA. We noted that the comparison of imputed authorized costs to actual spend demonstrates SDG&E overspent their GRC by approximately \$915 million in total and approximately \$145 million for the electric distribution business.⁸

We took this analysis one step further by analyzing SDG&E's RSARs from 2019 - 2021 at the activity level. We identified activity types within the GRC and RSAR with risk of double recovery as part of our incrementality analysis. We calculated the total imputed authorized costs and actual spend for the activities identified as potentially containing wildfire costs over the years in question. In total, our analysis demonstrated SDG&E overspent their GRC for the activities with risk of double recovery. Therefore, we did not identify activities that appear at risk for double recovery.

We made the following observations in our testing of Incrementality

Amounts recorded in the WMP appear incremental based on the incrementality analysis and procedures described in the following sections. In addition to the overall analysis of incrementality, we also designed testing procedures tailored to each category of cost to address the specific risks of each category. As detailed in each of the following sections, we considered whether costs within each category had sufficient evidence to demonstrate amounts are prudent, reasonable and incremental.

Contract Costs

Cost Category	Amount	Percent of Total Population
Contract	\$1,711,114,823	77.10%

Approach

Detailed transaction testing was performed on approximately \$174 million of contract costs or approximately 10.2% of total contract costs from a starting population of approximately \$1.7 billion. To arrive at a starting population of \$1.7 billion for contract costs, we used cost guidance provided by SDG&E to segregate data into cost categories using the "CE Name" and "Cost Group" fields in the SAP data and the following filters: remove transactions where vendor is blank and remove vendor numbers that begin with "E". We then made statistical and targeted selections for testing in more detail.

Table 2 - Contract cost subcategories

Contract Cost - Subcategories	SAP Amount	Selected for Testing
Targeted	\$21,738,600	\$21,738,600
Statistical Sample	\$1,689,376,223	\$152,628,278
Total	\$1,711,114,823	\$174,366,879

⁸ Refer to SDG&E's 2019 - 2021 RSAR variance totals for SDG&E and Electric Distribution.

- 1) Targeted: From contract cost and external labor cost balance totaling approximately \$1.7 billion, we performed the following analytics to make targeted selections: (1) analyzed vendors with cumulative spend greater than \$100,000, and (2) performed searches over Vendor Name, Cost Element Description, Cost Group and Order Description to identify unusual or potentially unrelated transactions. We judgmentally selected transactions based on these criteria and tested approximately \$22 million of targeted selections. Our testing approach included analyzing invoices, contracts, purchase orders and other potentially relevant contemporaneous information.
- 2) Statistical Sample: From the remaining contract cost and external labor cost balance totaling approximately \$1.7 billion, we applied a statistical sampling methodology to identify sample selections. The purpose of designing a stratified sample is to increase the efficiency and precision through a smaller sample compared to a simple random sample. During this process, the remaining contract population of \$1.7 billion is converted into the sampling population and then divided into groups called strata. The samples selected are weighted to reflect the sampling rates for each of the different strata. A statistical sampling report for the WMP is included as Appendix A to this report. Our testing approach followed the same procedures applied to the targeted selections, which included analyzing invoices, contracts, purchase orders and other potentially relevant contemporaneous information.

The following steps were performed in the testing of contract costs

We created a testing survey to test contract costs at the transactional level. The results of the procedures performed, relevant observations, and suggested exclusions were recorded in the case files for each transaction.

The detailed testing steps were as follows:

- 1) Reconciliation of SAP data to supporting documentation
 - a. Analyzed the underlying documentation to determine whether an invoice from a third party was provided.
 - b. Upon receipt of an invoice, compared the invoice amount, vendor name, and other relevant identifiers to the relevant fields of SAP data to test whether vendor names were consistent and dollar amounts tied.
 - c. If an invoice or the underlying support was lacking sufficient information or was illegible, it was noted that additional documents or confirmations were needed to support the transaction amount.
 - d. Analyzed the date range of services provided within the invoice and documented whether the services took place during the applicable scope period for the WMP.⁹
- 2) Reasonableness testing:
 - a. Performed analyses to determine if a transaction was reasonably and prudently incurred for the services provided by recalculating unit prices under each cost category (e.g., labor, equipment, materials, per diem, reimbursable expenses) and comparing those unit prices to prices charged by other vendors performing similar services. Where we did not have benchmarking data from other vendors performing similar services, other publicly available information including GSA Schedules, publications, and public rate filings were considered. Where outliers were identified, additional documentation was requested. Additional procedures performed and the results of those procedures were documented within the relevant case files.
 - b. Analyzed invoices, receipts, and other third-party support to determine whether vendors billed for items that are prohibited by utility policies.

⁹ According to Advice Letter 3454-E, the WMPMA was effective 5/30/19.

3) Incremental nature of the transaction:

- a. Analyzed the information provided in the invoice, contract, and other support to determine whether the services performed appear to be incremental activities related to the WMP. We relied on Company policies and other guidance from SDG&E described below to help identify the nature and timing of various incremental activities in addition to what was included in prior GRC proceedings.
 - i. WMP activities: As described in AL 3454-E, the WMPMA is to record incremental costs incurred to implement an approved wildfire mitigation plan that are not otherwise recovered in SDG&E's adopted revenue requirements. Such costs may include expense and capital expenditures for activities, including but not limited to, operational practices, inspection programs, system hardening, enhanced vegetation management, enhanced situational awareness, public safety power shutoffs, and alternative technologies.
- b. For observations requiring further consideration, additional procedures were performed. In some instances, transactions can be either partially or fully supported. On a case-by-case basis, the dollar amount that did not fully meet the testing requirements was calculated and recommended for exclusion.

The following additional steps were performed in our testing of potential out of scope costs

During our testing of contract costs, we identified a small sample of transactions where services were provided prior to the establishment of the WMPMA, which was 5/30/19. We performed additional procedures for those transactions identified and obtained the following guidance from SDG&E: the WMP will include all Operations and Maintenance ("O&M") transactions occurring on and after 5/30/19 and all capital transactions with an in-service date/completion date on and after 5/30/19. We used the SAP data to categorize the transactions into Capital vs. O&M and requested additional information. For the capital transactions, we requested support showing the capital in-service date. We identified two selections in our testing that were capital charges with service dates and capital in-service dates prior to 5/30/19, totaling \$9,418. For the O&M transactions identified, we searched the remaining population of vendor and non-vendor costs to identify any other transactions that may have been out of scope. We performed analytics over the SAP data and identified \$5.9 million in O&M costs with a document date and/or posting date that was before 5/30/19. SDG&E Management confirmed they made an adjusting entry to remove all costs with a posting date prior to 6/1/2019 and all costs with a document date before 5/30/2019.¹⁰

The following additional steps were performed in our testing of potential transmission-related costs

We performed targeted searches over the entire WMP population to identify transactions potentially related to transmission. According to SDG&E's Wildfire Mitigation Plan Cost Procedures, "Transmission costs are excluded from the WMPMA and FRMMA."¹¹ We identified \$260 million of transactions with transmission search term hits. We tested a few selections from the \$260 million of transactions identified as part of the vendor testing described above. SDG&E procedure guidance states, "Electric General FERC accounts are split between Generation, Transmission, and Distribution." SDG&E provided support explaining that certain orders are split between generation, transmission and distribution, and those orders are tracked and settled based on predetermined allocations. From the sample tested, SDG&E appeared to follow that procedure guidance. It is our understanding that these balances will settle into the respective accounts and the transmission costs will not be reflected in SDG&E's request.

¹⁰ These costs were removed from the WMP population in Table 1.

¹¹ SDG&E's "Wildfire Mitigation Plan Cost Procedures" dated 7/15/21, pg. 8

For all selections sampled, we added an additional step in our testing to identify whether invoiced amounts related wholly or partially to transmission activities, outside of the orders tracked by SDG&E mentioned above. We identified a handful of transactions with transmission costs inappropriately included. We then confirmed with SDG&E that they appeared to be related to transmission activities. Those amounts are included in the exclusion table below.

We made the following observations in our testing of contract costs

As a result of the procedures described above, \$737,926 of contract costs extrapolated to \$2,468,239 were not sufficiently supported or did not appear to be reasonably incurred. The exclusions identified within the testing were grouped into the following themes:

- 1) Non-incremental: Noted three instances where the invoice and contract were provided, but the transaction purpose remains unclear, the work was unrelated to a WMP program, or the work location was outside the High Fire Threat District ("HFTD").
- 2) Does not align to contract: Noted nine instances where amounts were paid to vendors for costs that were not allowed per the terms of the contract.
- 3) Not reasonable/prudent: Noted one instance where the vendor billed subcontractor travel costs that were not supported with sufficient information. The charges lacked itemized detail and/or supporting receipts to justify how it was related to WMP activities.
- 4) Out of scope: We identified two selections in our testing that were capital charges with service dates and capital in-service dates prior to 5/30/19, totaling \$9,418.
- 5) Transmission: Noted instances where costs incurred were for work performed on transmission lines, which according to company procedures¹², should not be included in the WMPMA.

Table 3 – Contract cost exclusions

Exclusion Type	Total
Non-incremental	\$ 45,519
Does not align to contract	\$ 16,696
Not reasonable/prudent	\$ 438
Out of scope	\$ 9,418
Transmission	\$ 665,854
Subtotal	\$ 737,926
Extrapolated Total	\$ 2,468,239

¹² SDG&E's "Wildfire Mitigation Plan Cost Procedures" dated 7/15/21, pg. 8

Internal Labor

Cost Category	Amount	Percent of Total Population
Internal Labor	\$ 120,984,220	5.45%

Approach

To arrive at a starting population of \$121 million for Internal Labor charges, we used cost guidance provided by SDG&E to segregate data into cost categories using the "CE Name" and "Cost Group" fields. We performed analytics across the full internal labor population and selected transactions totaling approximately \$4.4 million, or approximately 3.6% of the population, for testing.

We performed the following analytics on internal labor

We reviewed description fields within the SAP data such as "CE Name" and "Document Header Text" to identify activities that appear unusual or unrelated to wildfire mitigation activities.

Based on the results of our analytics, we judgmentally selected internal labor transactions totaling approximately \$4.4 million for further testing, including:

- 1) Transactions that are unclear what the costs relate to or why they belong in the WMP
- 2) Transactions that do not appear related to activities that are eligible for recovery through the WMP, such as executive salaries, severance, and awards
- 3) Transactions that have the description "reclass"

We performed the following steps in our testing of internal labor

We provided SDG&E with the lines identified as a result of analytics performed and requested supporting detail regarding the nature of these transactions and their inclusion in the WMP. In response to our request, SDG&E provided supporting detail and explanations. Based on explanations provided by SDG&E, we concluded whether amounts were incremental to base rates and had sufficient justification for inclusion.

We made the following observations in our testing of internal labor

As a result of the procedures described above, we identified amounts that did not appear to be within the WMP's scope of activities totaling \$446,228.

- 1) Other Cash Awards - We were unable to determine how "Other Cash Awards" were incremental to base rates. As a result, we segregated all costs with this description within the internal labor population and recommended 262 lines totaling \$402,228 for exclusion.
- 2) Severance - We were unable to determine how the selection related to Severance was incremental to base rates. We recommend that line totaling \$35,000 for exclusion.
- 3) Spot Cash Awards - We were unable to determine how the selections related to "Spot Cash Awards" were incremental to base rates. There were four lines within the population related to Spot Cash Awards that we recommended for exclusion, totaling \$9,000.

Based on discussions with SDG&E management, SDG&E has decided to include these transactions within the filing. The associated fully loaded authorized revenues from the 2019 GRC included historical costs related to other cash awards, severance, and spot cash awards; therefore, these costs are included in the labor cost of SDG&E employees who work on WMP activities.

Materials

Cost Category	Amount	Percent of Total Population
Materials	\$ 164,002,851	7.39%

Approach

To arrive at a starting population of \$164 million for materials charges, we used cost guidance provided by SDG&E to segregate data into cost categories using the "CE Name" and "Cost Group" fields. We performed analytics across the full materials population and selected transactions totaling approximately \$4.4 million, or approximately 2.7% of the population, for testing.

We performed the following analytics on materials

We reviewed description fields within the SAP data such as "CE Name," "Name" and "Cost Group" to identify activities that appear unusual or unrelated to WMP activities.

Based on the results of our analytics, we judgmentally selected materials transactions totaling approximately \$4.4 million for further testing. Transactions identified during our analysis and selected for testing included:

- A) Lines indicating transactions may have occurred in locations outside of where SDG&E wildfire mitigation activities normally occur.
- B) Lines indicating the transaction may relate to prohibited items.
- C) Lines with descriptions that are unclear or potentially unrelated, including "MATL ISSUE-STSMF," Fields that include descriptions that may indicate transactions are potentially unrelated to the WMP such as furniture, materials related to gas pipes, etc.

We performed the following steps in our testing of materials

We provided SDG&E with the SAP fields identified as a result of analytics performed and requested supporting detail regarding the nature of these transactions and their inclusion in the WMP. In response to our request, SDG&E provided supporting detail and explanations for the transactions identified. During our analysis of materials costs we found costs, related to non-incremental travel and prohibited items. Based on explanations provided by SDG&E, we concluded whether amounts were incremental to base rates and had sufficient justification for inclusion.

We made the following observations in our testing of materials

As a result of the procedures described above, we identified amounts that did not appear to be within the WMP's scope of activities totaling approximately \$79 thousand. Amounts identified include \$108 transaction that relates to travel outside of California, and \$78,753 in transmission costs, which are not included in the WMPMA.

Table 4 - Material cost exclusions

Exclusion Type	Total Excluded Amount
Trip to Unrelated City	\$ 108
Transmission	\$ 78,645
Total	\$ 78,753

Employee Expense

Cost Category	Amount	Percent of Total Population
Employee Expense	\$ 1,871,372	0.08%

Approach

To arrive at a starting population of \$1.9 million for Employee Expense charges, we used the "CE Name" and "Cost Group" description fields, as well as Vendor numbers starting with "E" and other cost guidance provided by SDG&E to segregate data into cost categories. We performed an analysis across the full employee expense population and selected transactions totaling approximately \$55 thousand, or approximately 3% of the population, for further testing.

We performed the following analytics on employee expenses

We reviewed description fields within the SAP data such as "CE Name," "Name" and "Cost Group" to identify activities that appear unusual or unrelated to WMP activities.

Based on the results of our analytics, we judgmentally selected employee expenses transactions totaling approximately \$55 thousand for further testing. Transactions identified during our analysis and selected for testing included:

- 1) Fields indicating the transaction may have occurred in a location outside of where wildfire mitigation activities normally occur.
- 2) Fields indicating the transaction may relate to travel expenses for employee recruiting or training events.
- 3) Fields indicating the transaction may be related to non-incremental items, "employee recognition," or gift cards.
- 4) Fields indicating the transaction may be related to general employee expenses such as living expenses, retirement activities, or breakroom snacks.

We performed the following steps in our testing of employee expenses

We provided SDG&E with the SAP fields identified as a result of analytics performed and requested supporting detail regarding the nature of these transactions and their inclusion in the WMP. In response to our request, SDG&E provided supporting detail and explanations for the SAP fields identified. Based on explanations provided by SDG&E, we concluded whether amounts were incremental to base rates and had sufficient justification for inclusion.

We made the following observations in our testing of employee expenses

As a result of the procedures described above, we identified immaterial amounts that did not appear to be within the scope of activities for the WMP totaling \$25,768.

- 1) Charges potentially not incremental or unrelated to WMP activities:
 - a. We identified five transactions totaling \$398 related to employee retirement activities.
 - b. We identified four transactions totaling \$480 of travel expenses and per diem related to a training event.
- 2) Employee recognition and gift cards:
 - a. We identified fourteen transactions totaling \$5,141 for charges related to employee recognition.

- b. We identified forty-six transactions totaling \$19,748 for charges related to the purchase of gift cards.

Based on discussion with SDG&E management, SDG&E has decided to include these transactions within the filing.

- SDG&E stated costs related to employee retirement activities, travel expenses for training, employee recognition and gift cards should be included as part of "fully loaded labor costs," as the comparable associated fully loaded revenues from the 2019 GRC are also included in the WMPMA. SDG&E stated all costs associated with employees who performed work on WMP orders should be included in the filing as incremental costs as the associated fully loaded revenue requirement from the 2019 GRC was also included.

AFUDC

Cost Category	Amount	Percent of Total Population
AFUDC	\$ 90,532,673	4.08%

Approach

We performed an analysis of all charges that fell within the Cost Element category "AFUDC." To arrive at a starting population of approximately \$90.5 million we used cost guidance provided by SDG&E to segregate data into cost categories using the "CE Name" and "Cost Group" fields.

We performed the following steps in our testing of AFUDC

We analyzed the full "AFUDC" population of \$90.5 million. We identified the line items within the population related to AFUDC entries. We then obtained the order number for each line item and compared these orders to a listing of capital project orders. This procedure was designed to test whether AFUDC was only being charged to capital projects. We did not identify any instances where AFUDC was applied to work orders other than capital projects. We then compared the AFUDC amounts to the total activity on the applicable capital work orders to analyze if any AFUDC amounts may be outside SDG&E's typical range for these costs. We did not note any instances where the AFUDC amount, as compared to the total order expenditures, appeared large or unusual. The calculation of AFUDC follows a defined formula. As we did not identify any outliers within the analysis described above, we did not independently recalculate or confirm AFUDC balances.

We made the following observations in our testing of AFUDC costs

As a result of the procedures described above, we did not identify any amounts that appeared to be outside of the WMP's scope of activities.

Business Support Charges

Cost Category	Amount	Percent of Total Population
Business Support Charges	\$ 91,493,299	4.12%

Approach

We performed an analysis on all charges that fell into the general category of "Business Support Charges." To arrive at a starting population of approximately \$91.5 million, we used cost guidance provided by SDG&E to segregate data into cost categories using the "CE Name" and "Cost Group" fields. The population of "Business Support Charges" was designated by EY and includes all transactions with the following "Cost Group" descriptions: "Fleet," "Property Taxes," "Rent," and "Telephone Charges."

We performed the following steps in our testing of Business Support Charges

We analyzed the Business Support Charges population of \$91.5 million. We ran key word searches and examined SAP data fields to identify line items that are potentially unusual or not incremental in nature. We provided SDG&E with the SAP lines identified as a result of analytics performed and requested supporting detail regarding the nature of these transactions and their inclusion in the WMP. In response to our request, SDG&E provided supporting detail and explanations for the transactions identified. Based on explanations provided by SDG&E, we concluded whether amounts were incremental to base rates and had sufficient justification for inclusion.

We made the following observations in our testing of Business Support Charges costs

As a result of the procedures described above, we did not identify any amounts that appeared to be outside of the WMP's scope of activities.

A&G, Accounting Adjustments, and Other

Cost Category	Amount	Percent of Total Population
A&G, Accounting Adjustments, and Other	\$ 39,329,387	1.77%

Approach

We performed an analysis on all charges that fell into the general category of "A&G, Accounting Adjustments, and Other." To arrive at a starting population of approximately \$39.3 million, we used cost guidance provided by SDG&E to segregate data into cost categories using the "CE Name" and "Cost Group" fields.

We performed the following steps in our testing of A&G, Accounting Adjustments, and Other

We analyzed the full "A&G, Accounting Adjustments, and Other Costs" population of \$39.3 million. For A&G and Accounting Adjustment costs, we ran key word searches and examined SAP data fields to

identify line items that are potentially unusual or not incremental in nature. We provided SDG&E with the SAP lines identified as a result of analytics performed and requested supporting detail regarding the nature of these transactions and their inclusion in the WMP. In response to our request, SDG&E provided supporting detail and explanations for the transactions identified. Based on explanations provided by SDG&E, we concluded whether amounts were incremental to base rates and had sufficient justification for inclusion.

We made the following observations in our testing of A&G, Accounting Adjustments, and Other costs

As a result of the procedures described above, we identified immaterial amounts that did not appear to be within the scope of WMP activities totaling \$13,090.

Table 5 - A&G, Accounting Adjustments, and Other exclusions

Exclusion Type	Total Amount Excluded
Events/Tickets Unrelated to PSPS Event	\$ 13,090
Total	\$ 13,090

Summary of findings and recommendations

Conclusions

Based on our analysis, we found no evidence of systemic errors or omissions that would raise questions relating to management's conclusions that costs were: 1) incurred for the activities set forth in the corresponding relevant CPUC approved Account; 2) accurately recorded; 3) incremental; and 4) recorded in only one account.

As a result of the procedures described above, we identified items totaling \$829,769 (extrapolated to \$2.6 million) that were not properly evidenced for inclusion in the WMP.

Table 6 - Observations for potential exclusion¹³

Cost Category	Exclusion Type	O&M	Capital	Total
Contract	Non-incremental	\$ 11,490	\$ 34,029	\$ 45,519
Contract	Does Not Align to Contract	\$ 4,527	\$ 12,169	\$ 16,696
Contract	Not Reasonable/Prudent	\$ 438	\$ -	\$ 438
Contract	Out of Scope	\$ -	\$ 9,418	\$ 9,418
Contract	Transmission	\$ 238,654	\$ 427,200	\$ 665,854
Materials	Trip to Unrelated City	\$ 108	\$ -	\$ 108
Materials	Transmission	\$ -	\$ 78,645	\$ 78,645
A&G, Accounting Adjustments & Other	Events/Tickets Unrelated to PSPS Events	\$ 13,090	\$ -	\$ 13,090
Total		\$ 268,308	\$ 561,461	\$ 829,769
Extrapolated Total		\$ 1,082,555	\$ 1,477,527	\$ 2,560,082

Contract Costs: We noted limited instances of costs lacking sufficient support to determine if they were related to WMP activities, including invoices for non-WMP programs and services performed outside of HFTD areas. We noticed limited instances of vendors billing amounts that did not agree to the terms of their contracts. We identified instances that were determined to be not reasonable or prudent including unsupported travel expenses. We also noted instances of capital contract costs with an in-service date prior to the establishment of the WMPMA, as well as transmission costs that should be removed from the filing.

Materials: We noted limited instances of amounts related to travel to a location outside of California totaling \$108. We also noted limited instances of transmission costs totaling \$78,645.

A&G, Accounting Adjustments & Other: We noted limited instances of event/ticket costs totaling \$13,090 that do not have sufficient information to determine if they were related to WMP activities.

¹³ Table may not foot due to rounding.

Table 7 - WMP total exclusions

Description	Amount
Proposed Transaction Exclusions	\$ 2,560,320
Total Exclusions	\$ 2,560,082

We recommend an exclusion of \$2,560,082 from the WMP filing.

Appendix A: Statistical sampling report

San Diego Gas & Electric

2022

Wildfire mitigation plan memorandum account

Sampling and estimation report

Prepared by

Huantong Wu, Siyu Qing and Ryan Petska

Ernst & Young LLP

1101 New York Avenue, NW

Washington, DC 20005

September 14, 2023

Introduction

The purpose of the San Diego Gas & Electric (SDG&E) 2022 wildfire mitigation plan memorandum account (WMPMA) study was to estimate the total error amount for the transactions by certain vendors in WMPMA. This report focuses exclusively on the statistical sampling and estimation component of the study. Decisions about the review process and the sample determinations are not part of this report.

Questions regarding the sampling and estimation methodology can be directed to Siyu Qing at (202) 327-7210 or Ryan Petska at (202) 327-7245.

Section I: Executive summary

A stratified sample of 248 transactions were selected from a sampling population of 180,387 transactions in SDG&E WMP. Based on the results of the sample, it was estimated that the total error amount was \$505,891 with margins of error of \$532,155 and \$639,467 at 90 and 95 percent confidence levels, respectively.

Table 1 summarizes the estimation results.

Table 1. Estimation summary

Estimation Category	Estimated Amount	Margin of Error at 90% Confidence Level	Margin of Error at 95% Confidence Level
Total Error Amount	\$ 505,891	\$ 532,155	\$ 639,467

Section II: Population

Population

The original population contained 182,997 transactions totaling \$1,590,536,573 in transaction costs (cost). After removing transactions with debit/credit matches based on the fields Order and the absolute value of the cost, the final population consisted of 180,505 transactions totaling \$1,590,536,573 in cost. The final population also contained -\$585,877 in negative transactions (credits) which were set aside during sample design and adjusted for during estimation via a top-side credit adjustment. Thus, the resulting sampling population contained 180,387 transactions totaling \$1,591,122,450 in cost.

A summary of the population is provided in Table 2.

Table 2. Population summary

	Total Net		Positives (Debits)		Negatives (Credits)	
	Total Cost	Number of Records	Total Cost	Number of Records	Total Cost	Number of Records
Original Data	\$ 1,590,536,573	182,997	\$ 1,608,980,718	181,633	\$(18,444,145)	1,364
- Debit/Credit Matches	\$ -	2,492	\$ 17,858,268	1,246	\$(17,858,268)	1,246
Final Population	\$ 1,590,536,573	180,505	\$ 1,591,122,450	180,387	\$ (585,877)	118
Sampling Population	\$ 1,591,122,450	180,387	\$ 1,591,122,450	180,387	\$ -	-

Sampling unit

The sampling unit was an individual transaction.

Sampling frame

The sampling frame consisted of 180,387 transactions totaling \$1,591,122,450 in cost.

Section III: Sample design

Stratification

A stratified random sample design was used for the study. Stratified sample designs are highly efficient designs that often allow confidence and precision goals to be obtained with smaller samples than would be required with simple random samples. The population data was divided into groups, or *strata*, and each stratum was sampled separately, with different sampling rates to increase the efficiency of the design. During estimation, the sampled records were appropriately weighted to reflect the sampling rates for the different strata. In this study, the individual transaction's cost amount was used as the basis for stratification.

A certainty or take-all stratum was defined for transactions with large costs relative to the rest of the data (greater than or equal to \$3,000,000). In addition, an extra certainty stratum was defined for transactions that were targeted for selection. Transactions in both strata were sampled at a rate of 100 percent in an effort to improve the stability of the estimate. The remaining non-certainty stratum boundaries were initially determined to approximately equalize the population size (Nh) multiplied by the estimated standard deviation (Sh) and were then slightly modified to improve the efficiency of the design.

The sample design is shown below in Table 3.

Table 3. Sample design summary

Stratum Number	Stratum Definition	Population Size	Population Cost	Sample Size	Sample Cost
1	\$0 to \$6,359.99	152,212	\$ 172,245,951	35	\$ 39,309
2	\$6,360 to \$28,099.99	20,512	\$ 254,815,078	35	\$ 438,781
3	\$28,100 to \$101,499.99	5,011	\$ 259,919,964	35	\$ 1,784,189
4	\$101,500 to \$260,799.99	1,662	\$ 268,075,749	35	\$ 5,557,644
5	\$260,800 to \$621,999.99	709	\$ 269,889,927	35	\$ 13,501,283
6	\$622,000 to \$2,999,999.99	243	\$ 250,405,714	35	\$ 37,275,605
7	\$3,000,000 and above	13	\$ 94,031,467	13	\$ 94,031,467
8	Targeted Selection	25	\$ 21,738,600	25	\$ 21,738,600
Total		180,387	\$ 1,591,122,450	248	\$ 174,366,879

Section IV: Sample selections and results

Source and seed of random numbers

The function RANUNI in the statistical software, SAS, was used to generate the random numbers for sample selection. The seed used to generate the random numbers was 182997000; it represented the

total number of records in the full population, prior to removing any out-of-scope transactions, multiplied by 1,000.

Serialization of frame

Prior to generating random numbers in SAS, the population was sorted by the fields, Order, Cost Element, PO Item and Ref Document Number. The purpose of this sort was to place the file in a reproducible and verifiable order, so the random number assignment was independent of an arbitrary frame sequence.

Method of selection

To select the sample, the sampling frame was sorted by stratum and the random numbers described above. Thus, the entire file was put into random order within a stratum. Then, the required number of transactions per stratum was selected according to this random order. For example, the first 35 transactions in this random order were selected for stratum one.

Sample results

The results of the sample review are available upon request. Table 4 provides a summary of the results by stratum.

Table 4. Sample results summary

Stratum Number	Stratum Definition	Population Size	Population Cost	Sample Size	Sample Cost	Sample Error Amount
1	\$0 to \$6,359.99	152,212	\$ 172,245,951	35	\$ 39,309	\$ -
2	\$6,360 to \$28,099.99	20,512	\$ 254,815,078	35	\$ 438,781	\$ -
3	\$28,100 to \$101,499.99	5,011	\$ 259,919,964	35	\$ 1,784,189	\$ -
4	\$101,500 to \$260,799.99	1,662	\$ 268,075,749	35	\$ 5,557,644	\$ 10,120
5	\$260,800 to \$621,999.99	709	\$ 269,889,927	35	\$ 13,501,283	\$ 231
6	\$622,000 to \$2,999,999.99	243	\$ 250,405,714	35	\$ 37,275,605	\$ 3,004
7	\$3,000,000 and above	13	\$ 94,031,467	13	\$ 94,031,467	\$ -
8	Targeted Selection	25	\$ 21,738,600	25	\$ 21,738,600	\$ -
Total		180,387	\$ 1,591,122,450	248	\$ 174,366,879	\$ 13,354

Section V: Estimation

Standard statistical methods were used to produce the estimates from the stratified sample. Differences in the probabilities of selection among strata were properly accounted for by statistical weighting. The mean per unit (MPU) estimator¹⁴ was used to compute the estimated total error amount.

The MPU estimator

The MPU estimator is the weighted sum of the sample means of error amount over all strata. In stratified sampling with L strata, this can be represented as

$$\bar{e}_{\text{MPU}} = \sum_{h=1}^L \bar{e}_h \bar{w}_h,$$

¹⁴ Roberts, D. M. (1978) *Statistical Auditing*, American Institute of Certified Public Accounts, Inc., New York.

where

n_h is the number of transactions in stratum h ,
 \bar{e}_h is the sample mean of error amount in stratum h and
 $h = 1$ to L , the number of strata.

The standard error of the MPU estimate is given by

$$\hat{SE}(\hat{\mu}_{MPU}) = \sqrt{\sum n_h (\bar{e}_h - \bar{e})^2 \frac{s_{eh}^2}{n_h}}$$

where

$$s_{eh}^2 = \sum \frac{(e_{ih} - \bar{e}_h)^2}{n_h - 1}$$
 is the sample variance of error amount in stratum h .

Confidence limits were calculated from the estimate plus or minus its margin of error, where the margin of error is computed as the standard error times the Student's t-value with a 90 or 95 percent two-sided confidence.

The degrees of freedom for the t-value were approximated using the Satterthwaite formula as follows:

$$df_{SE} = \left(\sum n_h \frac{s_{eh}^2}{n_h} \right)^2 / \sum \frac{n_h^2 s_{eh}^4}{n_h - 1}$$

where

$$s_{eh} = s_{eh} (\bar{e}_h - \bar{e}) / n_h$$

As a result of the Satterthwaite adjustment, the t-values used in estimation were 1.691 and 2.032 for 90 and 95 percent confidence levels, respectively.

Table 5 shows the estimated total error amount, its associated precision measures.

Table 5. Estimation results summary

Estimation Category	Estimated Amount	Standard Error	90% Two-sided Confidence Level			95% Two-sided Confidence Level		
			Margin of Error	Lower Bound	Upper Bound	Margin of Error	Lower Bound	Upper Bound
Total Error Amount	\$ 505,891	\$ 314,698	\$ 532,155	\$ (26,264)	\$ 1,038,046	\$ 639,467	\$ (133,576)	\$ 1,145,358

Credit adjustments

The estimated total error amount was adjusted to account for the -\$585,877 remaining credits. The overall estimated total error amount, determined from the sample (positive amounts only), was adjusted by applying the estimated error percentage of 0.032 percent to the unmatched credits (-\$585,877). Therefore, the adjusted estimated total error amount was calculated as follows:

$$\$506,077 + (0.032\% * (-\$585,877)) = \$505,891.$$

Appendix B: Company documentation received

We considered policies and procedures associated with the charging and/or allocation of charges related to the Balancing Account, as well as Company guidance and relevant documents related to state-wide emergency proclamations, SB 901, relevant CPUC filings (including applications, decisions, and advise letters), payment approval level or authorization, and employee expense reimbursements.

Document title	Description
1. WMPMA Audit #1.msg	Email file from SDG&E detailing WMPMA electric & gas accounts' revenue and costs from 2020 – 2022
2. SAP Data Fields.xlsx	Listing of SAP fields within the WMPMA account
3. WMP 2019-2022 Transactional Data - Vendors_4.14.23 (1).xlsx	Report of all line items within the WMPMA account during 2019, 2020, 2021, and 2022
4. 2022 RSAR Capital Master_032723.xlsx	Risk spending accountability report (RSAR) for capital charges within the WMPMA account during 2019, 2020, 2021, 2022, and 2023
5. 2022 RSAR OM Master_032723.xlsx	Risk spending accountability report (RSAR) for all O&M charges within the WMPMA account during 2019, 2020, 2021, 2022, and 2023
6. WMP Procedures_FINAL.pdf	Report defining WMP requirements and planning for execution of WMP activities.
7. AL 3454-E 2817-G --- est WMPMA.pdf	Public Utilities Commission Advice Letter 3454-E and 2817-G
8. D 19-05-039.PDF	Decision on SDG&E's 2019 Wildfire Mitigation Plan pursuant to Senate Bill 901
9. ELEC_ELEC-PRELIM_WMPMA.pdf	SDG&E preliminary statements establishing the electric WMPMA account.
10. GAS_GAS-PRELIM_WMPMA.pdf	SDG&E preliminary statements establishing the gas WMPMA account.
11. 2019 SDG&E WMP Compliance Report 04-01-2020.pdf	SDG&E 2019 Wildfire Mitigation Plan Compliance Report
12. 2023-02-01_SDGE_2022_QDR Non-Spatial Data_R0.xlsx	SDG&E 2022 Qualified Disaster Relief (QDR) data
13. SDGE_2020_ARC_Final.pdf	SDG&E 2020 Annual Report on Compliance for 2020 Wildfire Mitigation Plans
14. GRC A.17-10-007	SDG&E 2019 General Rate Case filing
15. SDG&E's 2020 - 2022 Wildfire Mitigation Plans and related updates	SDG&E 2020-2022 Wildfire Mitigation Plan Update pulled from the SDG&E website.