

2022-115 AUDIT SCOPE AND OBJECTIVES

San Diego Gas and Electric and the California Public Utilities Commission— Rate Increases

The audit by the California State Auditor will provide independently developed and verified information related to the process for how San Diego Gas and Electric (SDG&E) and other utilities determine rate increases for ratepayers and how the California Public Utilities Commission (CPUC) approves those increases. The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Review CPUC's general rate case proceedings over the last three years for SDG&E and a selection of similar investor-owned utilities to assess the following:
 - (a) Whether the proceedings and other efforts by CPUC adequately protect customers from excessive increases in their utility bills.
 - (b) The extent to which major costs, including but not limited to fire risk mitigation and natural gas fuel prices, have contributed to rate increases.
 - (c) Whether CPUC considers and utilities report the cost per kilowatt-hour that they charge customers.
 - (d) CPUC's role in overseeing rates the utilities charge outside of the general rate case proceedings.
3. Review efforts by the Public Advocates Office, including its role in reviewing balancing accounts that CPUC requires public utilities to use to track revenues and expenses associated with authorized rates, to determine the following:
 - (a) Whether it is performing its mission to obtain the lowest possible rate for service consistent with reliable and safe service levels.
 - (b) Whether it has created and follows a systematic process that ensures a review of all balancing accounts that can have the most impact on customers.
 - (c) Whether it has a role—outside of general rate cases—that should be expanded to further advocate for ratepayers.
4. For SDG&E and a selection of similar investor-owned utilities, review any comparatively high utility rates charged to ratepayers since winter 2021 by assessing the following:
 - (a) The factors that contributed to these high utility rates.
 - (b) Any role or analysis that CPUC performed in approving or denying rate increases since winter 2021.
 - (c) To the extent possible, whether the utilities have financially benefited from high utility rates.
 - (d) The costs the utilities requested for rate recovery compared to the amount approved for recovery by CPUC.

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- (e) How rate proposals from the past three years compare between SDG&E and other large electrical corporations.
5. For SDG&E and a selection of similar investor-owned utilities, review applications for recovery of fire risk mitigation expenditures to determine the following:
 - (a) The amount and use of these funds and how much the utilities received via applications for cost recovery.
 - (b) Whether the expenditures were appropriate.
 - (c) If possible, the extent to which the expenditures were reimbursed and spent without a return on equity for the utilities.
 6. Identify best practices that could better protect California utility customers from excessive rate increases.
 7. Review prior audit reports related to utility ratesetting and rate increases and determine whether CPUC and utilities have implemented relevant audit recommendations.
 8. Review and assess any other issues that are significant to the audit.