

California Public Utilities Commission

Energy Division

Audit Report

San Diego Gas & Electric Company

Interruptible Load & Rotating Outage Programs
Memorandum Account
For Years 2001, 2002, and 2003

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I. Executive Summary

A. The California Public Utilities Commission's (Commission) Energy Division conducted an audit of San Diego Gas & Electric Company's Interruptible Load and Rotating Outage Programs Memorandum Account as ordered by Decision D.03-08-028 dated August 21, 2003.

The Commission ordered the Energy Division per D.03-08-028, to perform an audit of San Diego Gas & Electric Company's (SDG&E) Interruptible Load and Rotating Outage Programs Memorandum Account (ILROPMA) for calendar years 2001, 2002, and 2003. Energy Division extended the scope of the audit to include years 2002 and 2003 as approved by the Commission's Executive Director to allow SDG&E's recovery of incremental costs for Years 2001 through 2003. The objective of the audit is to assure reasonableness and accuracy of Interruptible Load Management Program (ILMP) incremental costs and revenues recorded in the ILPMA for the years 2001, 2002, and 2003, above the current rates authorized by the Commission, and reduced by any revenues from penalties or other funds received.

B. SDG&E properly maintained an Interruptible Load and Rotating Outage Programs Memorandum Account as ordered by Commission Decision D.01-04-006 on April 3, 2001 and affirmed by D.07-01-029 on July 12, 2001.

SDG&E's incremental costs in the memorandum account, except for minor adjustments were determined to be reasonable and properly accounted for, with satisfactory support and documentation.¹ SDG&E maintained separate accounting for each ILMP identifying costs and any revenues associated with each program.

Judgmental sampling was applied in testing SDG&E's incremental costs for calendar years 2001, 2002, and 2003. Energy Division's auditor sampled 84% of SDG&E's submitted incremental costs of \$1,734,900, and the sampled incremental costs were determined to be properly recorded and supported. The review of SDG&E's records showed minor audit adjustments.

The Energy Division auditor sampled selected months for each ILMP for years 2001-2003 using the detailed reports submitted by SDG&E. For each month sampled, documents supporting all entries were requested and SDG&E provided the documents for review. All documents examined were found reasonable² and accurate. Appendix C contains the schedules developed during the audit to show which months were reviewed and examined.

¹ See Page 14, Section B

² *Id.*

SDG&E maintained adequate accounting internal control for ILMP incremental costs. SDG&E uses the SAP accounting system to account for their ILMP incremental costs. Total ILMP incremental costs are determined via SAP generated reports. ILROPMA expenditures are identified by Cost Element codes and Order/Group numbers. SDG&E's SAP accounting system allows all expenditures to be allocated between Projects and Programs, Capital and Overhead and Maintenance, Electric and Gas activities, Electric Distribution & Transmission activities, etc. via its Internal Order Settlement Process.

Before ILMP costs are processed to the SAP system, several levels of review are done by a Staff Accountant, supervisor and project manager to assure reasonableness and accuracy of information being recorded. Any discrepancies identified are immediately corrected by the staff accountant.

SDG&E maintained proper records of customers who participated in SDG&E's ILMP. Contracts signed between SDG&E and ILMP participants were sampled, reviewed and determined to be properly kept and in accordance with the Commission's order. SDG&E did not have "incentive payments" to customers since there were no curtailment events called for by SDG&E during the demand response program years 2001, 2002, and 2003.

SDG&E's computation of interest on ILROPMA balances were verified and proved, and were determined to be in accordance with SDG&E's Preliminary Statements. SDG&E claimed total interest of \$32,822 for years 2001, 2002, and 2003. The total interest computed through the audit was \$29,236. The \$3,586 difference was due to audit items and reclassifications that SDG&E made during the course of the audit. (See Exhibit I-1 below)

Exhibit I-1: There is a \$3,586 difference between total interest costs as claimed by SDG&E from 2001-2003, compared to what was calculated through the audit. (In Dollars)

	2001	2002	2003	Total
Per SDG&E	\$2,475	\$13,324	\$17,023	\$32,822
Per Audit	2,359	10,640	16,237	29,236
Difference	\$116	\$2,684	\$786	\$3,586

Note 1 – SDG&E's interest amounts were from their AEAP filings for 2002, 2003, and 2004.

C. The Commission should allow SDG&E recovery of its ILMP incremental costs totaling \$1,565,226 for years 2001, 2002, and 2003, as recorded in SDG&E's ILROPMA, but reduced by audit adjustments.

Based on our review of SDG&E's ILROPMA for calendar years 2001, 2002, and 2003, SDG&E's requests for recovery of those incremental costs as filed in SDG&E's Annual

Earnings Assessment Proceeding (AEAP) in years 2002, 2003, and 2004 were appropriate and reasonable³. Incremental program costs from Years 2001 to 2003 were sampled and no material misstatements were identified. However, adjustments in incentive compensation plan (ICP) overhead costs (\$126,986), interest (\$3,586), and various audit adjustments (\$39,204) totaling to \$169,674 were determined during the course of the audit. These adjustments reduced SDG&E's total claim to \$1,565,226. (See Exhibit I-2 below)

**Exhibit I-2: SDG&E should be allowed to recover \$1,565,226
ILMP incremental costs incurred in 2001, 2002, and 2003
(In Dollars)**

	2001	2002	2003	Total
Per SDG&E (Note 1)	\$467,138	\$781,847	\$485,915	\$1,734,900
Audit Adjustments (Note 2)	15,200	(155,982)	(28,892)	(169,674)
Recovery Allowed	\$482,338	\$625,865	\$457,023	\$1,565,226

Note 1: SDG&E recovery requests were filed in their AEAP for 2002, 2003, and 2004.

Note 2: Audit Adjustments are in Appendix D.

SDG&E ILMP incremental costs included ICP cost as overhead cost totaling to \$126,986 (\$18,581 for 2001; \$80,253 for 2002; and, \$28,152 for 2003) was determined to be invalid cost in the ILROPMA. SDG&E already included the ICP in their Test Year 2004 - Cost of Service Proceeding (i.e. 2001, 2002, and 2003 cost of service), and the Commission has already decided in D.04-12-015 dated December 2, 2004, how much ICP costs SDG&E should receive via rates. We recommend that the ICP incremental costs included in ILROPMA, and requested by SDG&E be disallowed. See Appendix - E.

SDG&E's ILMP incremental costs included interest on ILROPMA balances at the end of 2001, 2002, and 2003 amounting to \$2,359; \$10,640, and \$16,237, respectively, or a total of \$29,236. Audit findings showed adjustments of \$3,586, thus, reducing SDG&E's claim to \$29,236 of interest. (See Exhibit I-1 above)

³ *Id.*

II. Background

A. Interruptible Load Management Programs (ILMP) are incentives given to customers to reduce their electric consumption during times when energy demand is high.

Customers who are participating to “interrupt” their energy usage will be compensated through fixed payments (i.e. certain amount per month), a discount off their electric rate, or on a pay-per-event basis.

On April 3, 2001, the Commission issued Decision 01-04-006 allowing Pacific Gas & Electric Co. (PG&E), Southern California Edison Co. (SCE) and San Diego Gas & Electric Co. (SDG&E) - (Utilities) to establish a memorandum account relating to interruptible load management programs. The memorandum account tracks all costs and revenues above funds authorized in current tariff rates (i.e., incremental costs and revenues) to implement any program, activity, study, or report. D.01-04-006 improved the interruptible tariffs and rotating outage programs of PG&E, SCE and SDG&E. This decision provided short term and mid-term tools to aid California for challenges it faced beginning in 2001 due to the energy crisis.

B. The Commission instructed the utilities to track certain costs and revenues in a memorandum account.

On July 12, 2001, D.01-07-029 affirmed D.01-04-006, instructing the Utilities to track in a memorandum account all costs and revenues above funds authorized in current rates. Utilities may include interest on the balance in each memorandum account.⁴

Utilities were authorized to recover the balances in the memorandum account. However, a reasonableness review of each utility's memorandum account must first transpire. The Decision stated that “the burden to demonstrate reasonableness for cost recovery will be on each utility. The bar to demonstrate reasonableness will be low and full recovery will be authorized of all incremental costs incurred by the utilities for this program, except for expenditures resulting from incompetence, malfeasance, or some other unreasonable behavior.”⁵

Finally, on August 21, 2003, the Commission adopted D.03-08-028, ordering Energy Division to conduct an audit of administrative costs associated with interruptible tariffs and rotating outage programs recorded by Utilities in their memorandum account for Interruptible Load Programs.

⁴ D.01-07-029, page 3

⁵ *Id.*

III. Overview and Program Descriptions

A. SDG&E maintained eight (8) Interruptible Load Management Programs in the ILROPMA for the Years 2001 to 2003.

SDG&E's programs are as follows:

- 1) Base Interruptible Program (BIP)
- 2) Air Conditioning Cycling Program (ACCP)
- 3) Optional Binding Mandatory Curtailment (OBMC)
- 4) Scheduled Load Reduction Program (SLRP)
- 5) Voluntary Demand Reduction Program (VDRP)
- 6) Demand Bidding Program (DBP)
- 7) Rolling Blackout Reduction Program (RBRP)
- 8) Temperature Sensitive Program (TSP)

1) Base Interruptible Program (BIP)

This is a reliability program called upon by the ISO that is available to business customers on a large power rate who can commit to curtail at least 15% of their electric load, with minimum usage of not less than 100 kW. Customers are limited to one 4-hour event per day, 10 events per month, and 120 hours per year. There is an incentive to customers of \$7 per kW-month credit on their bill to curtail energy usage. The bill credit is based on the difference between each month's average peak period demand and a customer selected firm service level (FSL). However, a \$6 per kWh penalty is applied for customers who failed to reduce when asked by the utility company and whose energy consumption is in excess of their FSL.

SDG&E's incremental costs for BIP for the years 2001-2003 is \$64,372, consisting of labor and overhead costs. Total labor costs were 44.12% of the total BIP incremental costs for years 2001-2003. Total labor and overhead costs were 70.63% of total BIP incremental costs. There were no participants in SDG&E's BIP program in 2001-2003. Energy Division sampled 57% of the total incremental costs, and found that SDG&E's expenditures were reasonable, properly recorded and documented.⁶

2) Air Conditioning Cycling Program (ACCP)

This is a reliability program called upon by the ISO during system-wide energy shortages. SDG&E maintained this program in 2001 and 2002 only. D.02-04-060 cancelled SDG&E's Air Conditioning Cycling Program in 2002 since it competed with SDG&E's Smart Pilot Program.

⁶ See Page 14, Section B

SDG&E's total incremental costs for ACCP for the years 2001-2002 was \$90,599. Half of this cost was for the ACCP project study and design reports spent mostly in 2001. Total ACCP labor and overhead costs were 47.95% of the total ACCP incremental costs for years 2001-2002. Energy Division sampled 77.48% of the total ACCP incremental costs and determined they were reasonable, and properly recorded and supported.⁷

3) Optional Binding Mandatory Curtailment (OBMC)

As stated in Appendix - A of D.01-04-006, "OBMC program exempts participants (large commercial and industrial customers) from rotating outages if they can reduce the load on their entire circuit by the required amount for the entire duration of every rotating outage. Participants must be able to reduce their circuit load by up to 15%, in increments of 5%. Failure to reduce their load will result in penalties equal to \$6/kWh for all excess energy. Program participants shall pay the cost of any equipment (e.g., communication and metering) required to participate in the program."

SDG&E's total incremental costs for OBMC for the years 2001-2003 was \$65,596. SDG&E signed two participants in the OBMC program in 2001 but none in 2002 and 2003. No incentive payments were paid during 2001-2003. Total OBMC labor and overhead costs was 76.57% of the total OBMC incremental costs for years 2001-2003. Energy Division sampled 61.78% of the total OBMC incremental costs. SDG&E's OBMC incremental costs were determined to be reasonable, and were properly recorded and supported.⁸

4) Scheduled Load Reduction Program (SLRP)

This program is offered to SDG&E's qualifying bundled service customers with an average monthly demand of 100 kW or greater, and willingness to reduce power usage by at least 15%, but not less than 100 kW. The incentive to customers in curtailing their energy usage is \$0.10/kWh of measured reduction. However, customers' power reductions are effective only during pre-scheduled days and times from June 1 to September 30. Qualified customers are required to remain in the program upon the installation of interval meter for a minimum of one year and comply with at least 5 SLRP events. Failure to follow the requirement is tantamount to removal from the SLRP program, and the customers will be responsible for reimbursing the utility for the cost of the meter installed.

SDG&E's total incremental costs for SLRP for the years 2001-2003 was \$66,794. SDG&E signed only one SLRP customer in 2001, and none in 2002 and 2003. No incentive payments were paid in 2001-2003. Total SLRP labor and overhead costs were 65.93% of the total SLRP incremental costs for years 2001-2003. Energy

⁷ *Id.*

⁸ *Id.*

Division sampled 56.81% of the total SLRP incremental costs. SDG&E's SLRP incremental costs were determined to be reasonable, and were properly recorded and supported.⁹

5) Voluntary Demand Reduction Program (VDRP)

This program was replaced by the Demand Bidding Program in July 2001. VDRP Incremental costs incurred by SDG&E in 2001 were mostly labor and overhead costs amounted to \$54,379. Total VDRP labor and overhead costs was 99.30% of the total VDRP incremental costs for 2001. SDG&E's VDRP incremental costs were determined to be reasonable, and were properly recorded and supported.¹⁰

6) Demand Bidding Program (DBP)

DBP replaced VDRP per D.01-07-025 dated July 12, 2001. D.02-07-035 approved on July 17, 2002 authorized changes to DBP.

DBP offers businesses an opportunity to reduce their energy usage on a "Day-Ahead" or "Day-Of" basis and receive price incentives for reducing energy consumption during periods when ISO determines that load relief may be needed. Customers must reduce their load by 10% or a minimum of 100kW, whichever is greater. Incentives are paid at \$0.35 per kWh. No financial penalties were imposed for customers who fail to comply.

A "Day-Ahead" event may occur any weekday (excluding holidays) between 12:00 pm and 8:00 pm. A "Day-Of" event may occur between 3:00 pm to 8:00 pm. The bidding program offers customers with demands greater than 200 kWh an opportunity to receive incentive payments by voluntarily reducing power without incurring any financial penalty.

SDG&E's total incremental costs for DBP for the years 2001-2003 were \$490,888. Total DBP labor cost and overhead was 51.93% of the total DBP incremental costs for years 2001-2003. Labor cost was 31.37% of incremental costs. Non labor costs were 52.26% of incremental costs relating to software maintenance costs.

SDG&E signed 4 contracts with DBP participants in 2001; 12 contracts in 2002, and 13 in 2003. However, no incentive payments were made in 2001-2003, since no curtailment was called for by SDG&E.

⁹ *Id.*

¹⁰ *Id.*

Energy Division sampled 86.90% of the total DBP incremental costs. SDG&E's DBP incremental costs were determined to be reasonable, and were properly recorded and supported.¹¹

7) Rolling Blackout Reduction Program (RBRP)

SDG&E's RBRP are intended for customers with back-up generators (BUG) greater than 500 kW in capacity and who are willing to shift electric load to their BUGs within 15 minutes notice from SDG&E. Business participants will benefit with \$0.20 per kWh of reduced usage in exchange for using their BUGs. Incentive payments are shown as credits in the participants' bills. SDG&E installs upgraded metering equipment at no cost to the participants to monitor their electric usage.

SDG&E's total incremental costs for RBRP for the years 2001-2003 were \$573,867. Total RBRP labor costs were 32.15% of the total RBRP incremental costs for years 2001-2003. Labor and overhead costs were 59.36% of RBRP incremental costs. Non-labor costs were 40.46% of RBRP incremental costs expended on software maintenance and contractors services. SDG&E signed 56 contracts with RBRP participants in 2001; 57 contracts in 2002; and 55 contracts in 2003. However, no incentive payments were made in years 2001 to 2003.

Energy Division sampled 89.74% of the total RBRP incremental costs. SDG&E's RBRP incremental costs were determined to be reasonable, and were properly recorded and supported.¹²

8) Temperature Sensitive Program (TSP)

In D.02-04-060, the Commission ordered the Utilities to employ a system of advance notice [during rotating outages] by individualized, automated telephone message... to each residential customer or person in the customer's household whose health is identified to be at risk when exposed to extreme temperature.¹³

SDG&E established and implemented this program in May 2002. SDG&E's total TSP incremental cost was \$63,131 for years 2002-2003. Total labor cost was 38.15% of total incremental costs, and total labor and overhead costs was 65.96% of total incremental costs for years 2002-2003.

Energy Division sampled 66.15% of the total TSP incremental costs. SDG&E's TSP incremental costs were determined to be reasonable, and were properly recorded and supported.¹⁴

¹¹ *Id.*

¹² *Id.*

¹³ D.02-04-060, Interim order #14, p.134

¹⁴ See Page 14, Section B

B. The Commission allowed the utilities to include ILROPMA interest costs

Decision 01-04-006 stated that each respondent utility may include interest on the balance of ILROPMA. SDG&E computed interest related to each ILMP as recorded in the ILROPMA for 2001, 2002, and 2003. SDG&E conformed to the method of computing interest as stated in their ILROPMA Preliminary Statement III-T- 4c. Total interest computed is shown on Exhibit IV-1. A complete schedule is included in Appendix B.

C. The utilities are allowed to receive revenues from penalties

SDG&E did not receive any revenues from penalties in 2001 to 2003. In addition, SDG&E did not incur any incentive payments to customers since there were no curtailment events were called for by SDG&E.

D. SDG&E's overhead costs are calculated by using overhead rates to allocate indirect costs that cannot be directly assigned to a specific job

SDG&E performs studies to determine proper overhead rates from a pool of indirect expenses. Set overhead rates are approved by SDG&E's Affiliate Billing & Costing Department manager and entered in SDG&E's SAP system. Overhead rates are filed with SDG&E's GRC or Cost of Service applications. The Commission will either adopt or reject filed overhead rates.

SDG&E's overhead costs included, among other things, vacation and sick leave costs, payroll tax, pension and benefits, worker's compensation, incentive compensation plan, warehouse costs, and exempt material costs.

IV. Summary of Audit Results

A. SDG&E's ILROPMA interest for years 2001, 2002, and 2003 amounted to \$32,822. Audit adjustments reduced SDG&E's claimed interest by \$3,586. The adjusted interest that SDG&E should recover is \$29,236.

SDG&E included interest in their ILROPMA incremental costs recovery requests filed in its AEAPs. Interest on ILROPMA balances for calendar years 2001, 2002, and 2003 were \$2,359; \$10,640, and \$16,237, respectively. See Exhibit IV-1 below. The difference of \$3,586 was the result of audit adjustments relating to 2002 improper incremental cost entries.

**Exhibit IV-1: SDG&E's 2001-2003 interest on ILROPMA totaled \$32,822. Audit adjustments were \$3,586. The Commission should allow SDG&E to recover interest amounting to \$29,236.
(In Dollars)**

	2001	2002	2003	Total
SDG&E Interest (Note 1) per:				
2002 AEAP filing	\$2,475			\$2,475
2003 AEAP filing		\$13,324		13,324
2004 AEAP filing			\$17,023	17,023
Total per SDG&E	2,475	13,324	17,023	32,822
Per Audit – Associated with:				
2001 Program Costs	2,359	8,714	5,814	16,887
2002 Program Costs		1,926	7,957	9,883
2003 Program Costs			2,466	2,466
Total per Audit	2,359	10,640	16,237	29,236
Audit Adjustments	\$(116)	\$(2,684)	\$ (786)	\$(3,586)

Note 1: Derived from SDG&E's AEAP filings for 2002, 2003, and 2004.

Complete schedules showing the computation of ILROPMA interest for 2001, 2002, and 2003 are shown in Appendix B.

B. SDG&E incurred \$876,000 of labor and overhead incremental costs for years 2001, 2002, and 2003.

SDG&E requested recovery of incremental costs recorded in its ILROPMA. Total incremental costs for 2001, 2002, and 2003 as filed were \$1,734,900. SDG&E's incremental costs included: (1) labor costs, (2) non-labor costs (e.g. software or applications maintenance, and consultants services), (3) revenue requirements for

circuit configurations and rotating outages, (4) interest, and (5) overhead cost. SDG&E kept their records of incremental costs by interruptible load management program. SDG&E maintained eight (8) ILMP as discussed in Section III of this report. Audit results showed that SDG&E's incremental labor costs were 35.81% of the total incremental costs for years 2001-2003. Labor and overhead costs accounted for 61.50% of the total incremental costs. Labor costs included costs related to the performance of interruptible load management related incidental costs. Overhead costs are mainly additives to labor costs which are about 72% of labor costs. The Incentive Compensation Plan (ICP) accounted for 35% of total overhead costs. SDG&E incurred \$876,000 in labor and overhead costs out of \$1,424,000 in total incremental costs from 2001-2003. The \$876,000 figure consists of \$510,000 in labor costs and \$366,000 in overhead costs. The ICP cost was \$127,000 for 2001-2003. Non-labor cost was 38.12% (\$543,000) of the total incremental costs for the same years.

Exhibit IV-2: SDG&E's total overhead cost was \$366,000, and ICP was \$127,000 for years 2001-2003 (In Dollars)

	2001	2002	2003	Total
ICP Overhead Costs	\$18,581	\$80,253	\$28,152	\$126,986
Others	31,774	136,649	70,295	238,718
Total Overhead Costs	\$50,355	\$216,902	\$98,447	\$365,704

C. SDG&E included \$127,000 incremental overhead costs relating to ICP which were already recognized in SDG&E's Cost of Service filing. This amount is disallowed and removed from SDG&E's total recovery request.

Compensation incentives are part of SDG&E's strategy to maintain a competitive position in the labor market. In 2001, SDG&E's ICP included executive, director, management and associate employee groups. The 2001 ICP plan included financial and operative measures and an individual performance component. Financial measures included earnings per share and net income goals. Operating measures focused employees on a common set of high-level safety, customer satisfaction and reliability goals. SDG&E's 2001 and 2002 ICP's are similar in design.¹⁵

SDG&E's ICP overhead costs are valid costs approved by the Commission in SDG&E's Cost of Service and GRC filings.¹⁶ However, ICP overhead costs should not be recorded as incremental costs in the ILROPMA. Per Exhibit IV-2 above, SDG&E's total overhead costs was \$365,704 for years 2001-2003. We recommend

¹⁵ Prepared Direct Testimony of Joyce Rowland on behalf of SDG&E, Application No. 02-12-028, Exhibit No. 34 (SDG&E-10) dated December 20, 2002 (Revised on May 1, 2003), pages GJR-5 and GJR-6.

¹⁶ Phase One Decision, Cost of Service TY 2004; Decision D.04-12-015 dated December 2, 2004.

that SDG&E be allowed to recover overhead costs related to vacation and sick time, payroll taxes, pension and benefits amounting to \$238,718, which were incidental to the ILMP labor costs. However, we recommend that SDG&E not be allowed to recover \$126,986 of overhead costs related to ICP as recorded in SDG&E's ILROPMA. See Appendix E.

D. No incentive payments were made to SDG&E's ILMP participants in 2001-2003 because the utility did not call for any curtailment events during those periods.

SDG&E explained that the ISO might have called for an event, such as a Stage 1, but the event did not trigger SDG&E's demand response programs. SDG&E went on to further explain that it may not have had customers on the applicable program which was called for during a Stage 2 alert, or that ISO events may have been called too late for SDG&E to initiate a program.¹⁷

SDG&E was active in signing up customers to participate in its Demand Response Program. SDG&E had 63 contracts signed with 41 ILMP customers in 2001; 69 contracts with 44 ILMP customers in 2002; and 68 contracts with 45 ILMP customers in 2003. We reviewed the contracts between SDG&E and ILMP participants and were determined to meet the requirements ordered by the Commission.

Despite SDG&E's successful effort to enroll customers to participate in the Interruptible Load Management Programs, no participants took advantage of the incentives for the years 2001, 2002, and 2003. SDG&E supported this with its response to Energy Division Data Request #5, Question #4.¹⁸ However, the ISO's reports showed that in Year 2001, there were 70 Stage-1 emergency notices; 65 Stage-2 emergency notices; and 38 Stage-3 emergency notices. There were only two Stage-1 and one Stage-2 emergency notices in Year 2002, and no Stage-3 Emergency notices for years 2002 and 2003.¹⁹

Determining why SDG&E did not have incentive payments or customers not being notified of energy shortages in spite of the ISO's emergency notices is beyond the scope of this audit.

¹⁷ SDG&E response to ED Data Request #5, Q#4

¹⁸ *Id.* p.11 of 14

¹⁹ California ISO report on emergency notices issued from 1998 to 2003

E. Other audit findings determined during the course of audit showed among other things, erroneous entries amounting to \$39,204. This amount will reduce SDG&E's total recovery request.

Capital investment on circuit reconfigurations and rotating outages amounted to \$278,492 in 2002 and 2003. SDG&E properly included these amounts as incremental costs and recorded them in its ILROPMA.

SDG&E included \$24,575 incremental costs related to performance awards payment. These costs were incurred in the DBP (\$5,288) and RBRP (\$19,288) in December 2002. SDG&E implemented a DRP Recognition Plan to reward outstanding employees who exhibited superior performance in DRP enrollment goals. Our audit identified the payments to be incidental to ILMP and were valid expenditures relating to interruptible programs. We recommend allowing SDG&E to recover these expenditures.

Energy Division sampled and examined each ILMP activity. SDG&E provided a summary and detail of each program's incremental costs which was our basis in requesting supporting documents. Our audit sampled an average of 84% of the total amount requested by SDG&E. Except for minor items, we are satisfied with our examination of SDG&E's records and determined the sampled months to be in proper order. SDG&E has maintained a proper system of internal control in assuring that all transactions are recorded appropriately and accurately. SDG&E assured that proper authorizations are present in their accounts payable system. SDG&E's accounting system required several levels of review in determining that incremental costs were properly recognized and recorded.

During the audit of RBRP, a discrepancy of \$39,153 was recorded in the ILROPMA. The amount was reflected in SDG&E's detailed report and shown as incremental costs in January 2002. The entries relate to Internal Order Settlements for Salaries, Employee Benefits, and Payroll Taxes amounting to \$34,161, \$3,209, and \$1,783, respectively. SDG&E's accounting system treats Internal Order Settlements as a reallocation of costs from one internal order to another. The entries were entered erroneously as incremental costs in the ILROPMA. SDG&E will make the necessary accounting adjustments (including interest) in January 2005 to correct the balance of ILROPMA. However, this amount of \$39,155 is included in this report as an audit adjustment. SDG&E recovery requests will be reduced by this amount.

The detailed schedule submitted by SDG&E was overstated by \$51. This amount was included as an audit adjustment. Total audit adjustment reflected was \$39,204.

Further details are provided in Appendix D.

V. Audit Methodology

A. The Audit Scope was consistent with the requirements of D.03-08-028

Our examination and review of SDG&E's ILROPMA, accounting system, and records relating to incremental costs cover the period January 1, 2001 through December 31, 2003. Energy Division was ordered by the Commission per Decision D.03-08-028 on August 21, 2003, to conduct a reasonableness review of incremental costs recorded in SDG&E's ILROPMA for 2001. However, Energy Division extended the scope of the audit to Year 2003 as approved by the Commission's Executive Director to allow SDG&E recovery of incremental costs for 2001 through 2003.

The ILROPMA Audit included: (1) reviewing Commission decisions and AEAP reports related to the Interruptible Load Management Program; (2) interviewing SDG&E's ILMP personnel; (3) reviewing SDG&E's accounting statements and records; (4) gathering information supporting recorded costs entries in ILROPMA; (5) analyzing information for reasonableness; (6) applying audit programs and procedures including application of sampling methods, and (7) reporting the audit findings.

B. The audit program and procedures were designed to assess the reasonableness of program costs and revenues in the ILROPMA

The objective of the Energy Division's examination of SDG&E's ILROPMA is to assure the reasonableness of program costs and revenues recorded in the memorandum account. Program costs are incremental costs incurred by SDG&E for years 2001 to 2003.

Audit findings showed that incremental costs were reasonable, properly recorded, and documented. Incremental costs were reasonable when the expenditures made were proper for a particular program, and when the expenditures were necessary and important in order to operate and promote the Interruptible Load Management programs.

Utilities are required to maintain adequate accounting records and support, and proper documentation of incremental costs spent to operate and promote the programs. Utilities are required to have a sound accounting system to separate the incremental costs by programs. It will be very difficult to determine the reasonableness of any incremental costs without a sound accounting system, good recordkeeping, adequate support, and proper documentation. Our audit sampled as many months possible and applied a thorough review of the incremental costs and SDG&E records.

A complete audit program and procedures list is in Appendix F. Where applicable, audit procedures were applied.

C. The Audit relied on judgmental sampling

SDG&E submitted incremental costs summaries for each month from January 2001 to December 2003. The Energy Division auditor requested detailed support for selected months by Interruptible Load Management Program. Judgmental sampling was used in choosing which months would be examined in detail. Transactions and supporting documentation in the sampled reports provided by SDG&E were thoroughly examined.

The percentage of the total amounts sampled compared to the total amounts requested for recovery in years 2001 to 2003 was 84.23%. By program, the percentage of sampled months' incremental costs compared to total incremental costs for 2001 to 2003 are as follows:

• Rolling Blackout Reduction Program	89.74%
• Air Conditioner Cycling Program	77.48%
• Demand Bidding Program	86.90%
• Scheduled Load Reduction Program	56.81%
• Base Interruptible Program	57.11%
• Optional Binding Mandatory Curtailment Program	61.78%
• Voluntary Demand Response Program	36.75%
• Temperature Sensitive	66.15%

A detailed schedule showing how the percentages were derived is in Appendix C.

Appendix A

Acronyms:

ACCP	Air Conditioner Cycling Program
AEAP	Annual Earnings Assessment Proceeding
BIP	Base Interruptible Program
CARS	Corporate Accounting and Reporting System
CEC	California Energy Commission
CPUC	California Public Utilities Commission
DBP	Demand Bidding Program
DRP	Demand Response Program
FSL	Firm Service Levels
ICP	Incentive Compensation Plan
ILMP	Interruptible Load Management Program
ILPMA	Interruptible Load Management Program Memorandum Account
ILROPMA	Interruptible Load and Rotating Outage Programs Memorandum Account (Used by SDG&E)
ISO	California Independent System Operator
OBMC	Optional Binding Mandatory Curtailment
PBIP	Pilot Base Interruptible Program
PG&E	Pacific Gas & Electric Company
POBMC	Pilot Optional Binding Mandatory Curtailment
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
TSP	Temperature Sensitive Program
VDRP	Voluntary Demand Response Program

Appendix B

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**SAN DIEGO GAS & ELECTRIC COMPANY
INTERESTS ON 2001 ILROPMA EXPENDITURES**

Line No.		Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
1	BOM Balance	0	0	0	0	0	7,771	55,530	79,787	76,903	179,411	207,655	211,959	
2	Total Costs	0	0	0	0	7,757	47,655	24,051	(3,118)	102,143	27,791	3,906	288,374	498,559
3	Cumulative Ending Balance (L1+L2)	0	0	0	0	7,757	55,426	79,581	76,669	179,046	207,202	211,561	500,333	
4	Avg. Monthly Balance ((L1+L3)/2)	0	0	0	0	3,879	31,599	67,555	78,228	127,975	193,307	209,608	356,146	
5	Interest Rate	6.34%	5.49%	5.14%	4.78%	4.44%	3.93%	3.67%	3.59%	3.42%	2.81%	2.28%	1.97%	
6	Interest Expense ((L4*L5)/12)	0	0	0	0	14	103	207	234	365	453	398	585	2,359
7	EOM Balance (L1+L2+L6)	0	0	0	0	7,771	55,530	79,787	76,903	179,411	207,655	211,959	500,918	500,918

Line No.		Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Total
1	BOM Balance	500,918	501,661	502,372	503,121	503,901	504,661	505,409	506,151	506,889	507,607	508,334	509,055	
2	Total Costs	0												
3	Cumulative Ending Balance (L1+L2)	500,918	501,661	502,372	503,121	503,901	504,661	505,409	506,151	506,889	507,607	508,334	509,055	
4	Avg. Monthly Balance ((L1+L3)+L1)/2)	500,918	501,661	502,372	503,121	503,901	504,661	505,409	506,151	506,889	507,607	508,334	509,055	
5	Interest Rate	1.78%	1.70%	1.79%	1.86%	1.81%	1.78%	1.76%	1.75%	1.70%	1.72%	1.70%	1.36%	
6	Interest Expense	743	711	749	780	760	749	741	738	718	728	720	577	8,714
7	EOM Balance	501,661	502,372	503,121	503,901	504,661	505,409	506,151	506,889	507,607	508,334	509,055	509,631	8,714

Line No.		Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total
1	BOM Balance	509,631	510,188	510,724	511,260	511,767	512,279	512,787	513,218	513,650	514,095	514,541	514,991	
2	Total Costs	0												
3	Cumulative Ending Balance (L1+L2)	509,631	510,188	510,724	511,260	511,767	512,279	512,787	513,218	513,650	514,095	514,541	514,991	
4	Avg. Monthly Balance ((L1+L3)+L1)/2)	509,631	510,188	510,724	511,260	511,767	512,279	512,787	513,218	513,650	514,095	514,541	514,991	
5	Interest Rate	1.31%	1.26%	1.26%	1.19%	1.20%	1.19%	1.01%	1.01%	1.04%	1.04%	1.05%	1.06%	
6	Interest Expense	556	536	536	507	512	508	432	432	445	446	450	455	5,814
7	EOM Balance	510,188	510,724	511,260	511,767	512,279	512,787	513,218	513,650	514,095	514,541	514,991	515,446	5,814

**SAN DIEGO GAS & ELECTRIC COMPANY
INTERESTS ON 2002 ILROPMA EXPENDITURES**

Line No.		Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Total
1	BOM Balance	0	(235,505)	(198,397)	(174,492)	(65,269)	(57,420)	(33,286)	27,785	315,611	460,218	529,123	594,305	
2	Total Costs	(235,330)	37,415	24,183	109,408	7,942	24,201	61,075	287,576	144,058	68,196	64,387	102,359	695,470
3	Cumulative Ending Balance (L1+L2)	(235,330)	(198,090)	(174,214)	(65,084)	(57,327)	(33,219)	27,789	315,361	459,669	528,414	593,510	696,664	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	(117,665)	(216,797)	(186,305)	(119,788)	(61,298)	(45,319)	(2,748)	171,573	387,640	494,316	561,316	645,485	
5	Interest Rate	1.78%	1.70%	1.79%	1.86%	1.81%	1.78%	1.76%	1.75%	1.70%	1.72%	1.70%	1.36%	
6	Interest Expense	(175)	(307)	(278)	(186)	(92)	(67)	(4)	250	549	709	795	732	1,926
7	EOM Balance	(235,505)	(198,397)	(174,492)	(65,269)	(57,420)	(33,286)	27,785	315,611	460,218	529,123	594,305	697,396	697,396

Line No.		Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total
1	BOM Balance	697,396	698,157	698,890	699,624	700,318	701,018	701,713	702,304	702,895	703,504	704,114	704,730	
2	Total Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Cumulative Ending Balance (L1+L2)	697,396	698,157	698,890	699,624	700,318	701,018	701,713	702,304	702,895	703,504	704,114	704,730	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	697,396	698,157	698,890	699,624	700,318	701,018	701,713	702,304	702,895	703,504	704,114	704,730	
5	Interest Rate	1.31%	1.26%	1.26%	1.19%	1.20%	1.19%	1.01%	1.01%	1.04%	1.04%	1.05%	1.06%	
6	Interest Expense	761	733	734	694	700	695	591	591	609	610	616	623	7,957
7	EOM Balance	698,157	698,890	699,624	700,318	701,018	701,713	702,304	702,895	703,504	704,114	704,730	705,352	7,957

**SAN DIEGO GAS & ELECTRIC COMPANY
INTERESTS ON 2003 ILROPMA EXPENDITURES**

Line No.		Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total
1	BOM Balance	0	39,618	80,907	88,497	145,191	191,753	198,871	296,980	350,833	338,954	365,335	411,379	
2	Total Costs	39,596	41,226	7,501	56,578	46,394	6,924	97,901	53,580	(12,177)	26,076	45,704	59,114	468,417
3	Cumulative Ending Balance (L1+L2)	39,596	80,844	88,408	145,075	191,585	198,677	296,772	350,560	338,656	365,030	411,039	470,493	
4	Avg. Monthly Balance ((L1+L3)+L1)/2	19,798	60,231	84,657	116,786	168,388	195,215	247,821	323,770	344,744	351,992	388,187	440,936	
5	Interest Rate	1.31%	1.26%	1.26%	1.19%	1.20%	1.19%	1.01%	1.01%	1.04%	1.04%	1.05%	1.06%	
6	Interest Expense	22	63	89	116	168	194	209	273	299	305	340	389	2,466
7	EOM Balance	39,618	80,907	88,497	145,191	191,753	198,871	296,980	350,833	338,954	365,335	411,379	470,883	470,883

APPENDIX - C

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Sampling workpapers	
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SAN DIEGO GAS & ELECTRIC COMPANY
 INTERRUPTIBLE LOAD AND ROTATING OUTAGE PROGRAMS MEMORANDUM ACCOUNT
 PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
 FOR THE YEARS 2001 - 2003

	January 2001-2003	February 2001-2003	March 2001-2003	April 2001 2003	May 2001 2003	June 2001-2003	July 2001-2003	August 2001-2003	September 2001-2003	October 2001-2003	November 2001-2003	December 2001-2003	Total Expenses	Total Sampled	Percent Sampled
Rolling Blackout Reduction Program (RBRP)															
Total Expenses	(194,605)	38,311	24,372	112,134	(10,328)	1,763	27,703	42,930	41,732	24,309	33,128	392,740	534,189		
Sampled	11,983	0	9,928	21,491	0	0	0	15,170	28,084	0	0	392,740		479,396	89.74%
Air Conditioner Cycling Program (ACCP)															
Total Expenses	7,488	3,562	2,788	4,445	2,985	43,863	16,598	(399)	(2,971)	3,951	4,323	3,967	90,600		
Sampled	7,488	3,562	0	0	7,413	47,410	0	0	0	0	4,323	0		70,196	77.48%
Demand Bidding Program (DBP)															
Total Expenses	7,819	9,251	(29,358)	12,537	34,124	21,068	71,129	238,942	101,870	13,988	24,169	10,203	515,742		
Sampled	0	0	0	0	0	0	53,223	228,681	156,095	0	0	10,203		448,202	86.90%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	4,184	5,989	5,461	5,961	5,867	(3,022)	3,834	5,883	2,970	5,646	6,750	17,268	66,791		
Sampled	0	0	3,364	3,243	0	0	0	4,826	0	6,077	3,169	17,268		37,947	56.81%
Base Interruptible Program (BIP)															
Total Expenses	3,711	6,479	5,984	6,643	6,457	(777)	4,813	8,527	14,082	7,045	3,856	(2,448)	64,372		
Sampled	0	3,636	0	3,925	3,863	0	0	7,030	12,734	5,164	2,861	(2,448)		36,765	57.11%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	3,879	4,708	5,078	5,764	5,034	(1,499)	4,187	5,335	30,713	7,862	2,968	(8,433)	65,596		
Sampled	0	4,708	0	3,317	0	2,808	0	4,239	27,845	6,040	0	(8,433)		40,524	61.78%
Voluntary Demand Response Program (VDRP)															
Total Expenses (Note 1)	(41,133)	(4,856)	0	0	344	0	10,850	282	0	15,617	2,429	0	29,522		
Sampled	0	0	0	0	0	0	10,850	0	0	0	0	0		10,850	36.75%
Temperature Sensitive															
Total Expenses	1,676	1,945	2,033	2,236	1,968	2,004	13,239	14,062	9,013	7,532	3,738	3,685	63,131		
Sampled	0	0	0	2,236	0	0	10,436	14,062	7,546	5,239	0	2,243		41,762	66.15%
TOTAL															
Total Expenses	(206,981)	65,389	16,358	149,720	46,451	63,400	152,353	315,562	197,409	85,950	81,361	416,982	1,383,954		
Sampled	19,471	11,906	13,292	34,212	11,276	50,218	74,509	274,008	232,304	22,520	10,353	411,573		1,165,642	
PERCENT SAMPLED															
	-9.41%	18.21%	81.26%	22.85%	24.28%	79.21%	48.91%	86.83%	117.68%	26.20%	12.72%	98.70%			84.23%
Capital:															
Rotating Outage	5,198	7,140	9,833	11,031	10,434	10,150	9,813	9,902	9,929	9,928	9,911	10,534	113,803		
Circuit Reconfiguration	6,049	6,112	5,493	5,235	5,208	5,230	20,861	12,574	26,686	26,185	22,725	22,331	164,689		
	(195,734)	78,641	31,684	165,986	62,093	78,780	183,027	338,038	234,024	122,063	113,997	449,847	1,662,446		
													1,662,446		

Note 1 - Credit amounts excluded in the computation of ratio for VDRP.

SAN DIEGO GAS & ELECTRIC COMPANY
 INTERRUPTIBLE LOAD AND ROTATING OUTAGE PROGRAMS MEMORANDUM ACCOUNT
 PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
 FOR THE YEAR 2001

	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total Expenses	Total Sampled	Percent Sampled
Rolling Blackout Reduction Program (RBRP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	335,173	335,173	
Sampled	0	0	0	0	0	0	0	0	0	0	0	0	335,173	335,173	100.00%
Air Conditioner Cycling Program (ACCP)															
Total Expenses	0	0	0	0	7,413	47,410	12,983	(3,400)	3,645	3,951	4,323	3,967	80,292		
Sampled	0	0	0	0	7,413	47,410	0	0	0	0	4,323	0		59,146	73.66%
Demand Bidding Program (DBP) (From VDRP)															
Total Expenses	0	0	0	0	0	0	0	0	57,919	0	0	(33,063)	24,856		
Sampled	0	0	0	0	0	0	0	0	57,919	0	0	(33,063)		24,856	100.00%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	8,345	8,345		
Sampled	0	0	0	0	0	0	0	0	0	0	0	8,345		8,345	100.00%
Base Interruptible Program (BIP)															
Total Expenses	0	0	0	0	0	0	0	0	12,734	2,183	(1,207)	(10,598)	3,112		
Sampled	0	0	0	0	0	0	0	0	12,734	0	0	(10,598)		2,136	68.64%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	0	0	0	0	0	245	218	0	27,845	6,040	(1,639)	(15,450)	17,259		
Sampled	0	0	0	0	0	0	0	0	27,845	6,040	0	(15,450)		18,435	106.81%
Voluntary Demand Response Program (VDRP)															
Total Expenses	0	0	0	0	344	0	10,850	282	0	15,617	2,429	0	29,522		
Sampled	0	0	0	0	0	0	10,850	0	0	0	0	0		10,850	36.75%
Temperature Sensitive															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sampled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
TOTAL															
Total Expenses	0	0	0	0	7,757	47,655	24,051	(3,118)	102,143	27,791	3,906	288,374	498,559		
Sampled	0	0	0	0	7,413	47,410	10,850	0	98,498	6,040	4,323	284,407		458,941	
PERCENT SAMPLED	0.00%	0.00%	0.00%	0.00%	95.57%	99.49%	45.11%	0.00%	96.43%	21.73%	110.68%	98.62%			92.05%
Capital:															
Rotating Outage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Circuit Reconfiguration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	0	0	0	0	7,757	47,655	24,051	(3,118)	102,143	27,791	3,906	288,374	498,559		
													498,559		

SAN DIEGO GAS & ELECTRIC COMPANY
 INTERRUPTIBLE LOAD AND ROTATING OUTAGE PROGRAMS MEMORANDUM ACCOUNT
 PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
 FOR THE YEAR 2002

	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Total Expenses	Total Sampled	Percent Sampled
Rolling Blackout Reduction Program (RBRP)															
Total Expenses	(206,588)	26,893	9,928	90,643	(24,228)	8,584	15,294	27,760	28,084	14,888	19,644	43,840	54,742		
Sampled	0	0	9,928	0	0	0	0	0	28,084	0	0	43,840		81,852	149.52%
Air Conditioner Cycling Program (ACCP)															
Total Expenses	7,488	3,562	2,788	4,445	(4,428)	(3,547)	3,615	3,001	(6,616)	0	0	0	10,308		
Sampled	7,488	3,562	0	0	0	0	0	0	0	0	0	0		11,050	107.20%
Demand Bidding Program (DBP)															
Total Expenses	0	0	0	0	23,684	3,920	17,906	228,681	98,176	20,665	24,032	35,738	452,802		
Sampled	0	0	0	0	0	0	0	228,681	98,176	0	0	35,738		362,595	80.08%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	1,427	3,636	2,097	2,718	2,519	3,095	2,690	4,826	2,410	6,077	3,581	3,722	38,798		
Sampled		0	0	0	0	0	0	4,826	0	6,077	0	3,722		14,625	37.70%
Base Interruptible Program (BIP)															
Total Expenses	1,422	3,636	2,097	2,718	2,594	3,762	3,122	7,030	1,614	5,164	2,202	3,844	39,205		
Sampled	0	3,636	0	0	0	0	0	7,030	0	5,164	0	3,844		19,674	50.18%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	2,054	2,597	1,943	2,447	1,939	2,808	2,782	4,239	1,715	2,260	1,871	2,817	29,472		
Sampled	0	2,597	0	0	0	2,808	0	4,239	0	0	0	2,817		12,461	42.28%
Voluntary Demand Response Program (VDRP)															
Total Expenses	(41,133)	(4,856)	0	0	0	0	0	0	0	0	0	0	(45,989)		
Sampled	0	0	0	0	0	0	0	0	0	0	0	0		0	0.00%
Temperature Sensitive															
Total Expenses	0	0	0	0	0	0	10,436	6,765	1,467	5,239	1,714	1,442	27,063		
Sampled	0	0	0	0	0	0	10,436	6,765	0	5,239	0	0		22,440	82.92%
TOTAL															
Total Expenses	(235,330)	35,468	18,853	102,971	2,080	18,622	55,845	282,302	126,850	54,293	53,044	91,403	606,401		
Sampled	7,488	9,795	9,928	0	0	2,808	10,436	251,541	126,260	16,480	0	89,961		524,697	
PERCENT SAMPLED															
	-3.18%	27.62%	52.66%	0.00%	0.00%	15.08%	18.69%	89.10%	99.53%	30.35%	0.00%	98.42%			86.53%
Capital:															
Rotating Outage	0	1,947	5,330	6,437	5,862	5,579	5,230	5,274	5,317	5,317	5,328	5,197	56,818		
Circuit Reconfiguration	0	0	0	0	0	0	0	0	11,891	8,586	6,015	5,759	32,251		
	(235,330)	37,415	24,183	109,408	7,942	24,201	61,075	287,576	144,058	68,196	64,387	102,359	695,470		
													695,470		

SAN DIEGO GAS & ELECTRIC COMPANY
 INTERRUPTIBLE LOAD AND ROTATING OUTAGE PROGRAMS MEMORANDUM ACCOUNT
 PERCENTAGE OF SAMPLED DOCUMENTS VS. TOTAL EXPENSES
 FOR THE YEAR 2003

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total Expenses	Total Sampled	Percent Sampled
Rolling Blackout Reduction Program (RBRP)															
Total Expenses	11,983	11,418	14,444	21,491	13,900	(6,821)	12,409	15,170	13,648	9,421	13,484	13,727	144,274		
Sampled	11,983	0	0	21,491	0	0	0	15,170	0	0	0	13,727		62,371	43.23%
Air Conditioner Cycling Program (ACCP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
Sampled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
Demand Bidding Program (DBP)															
Total Expenses	7,819	9,251	(29,358)	12,537	10,440	17,148	53,223	10,261	(54,225)	(6,677)	137	7,528	38,084		
Sampled	0	0	0	0	0	0	53,223	0	0	0	0	7,528		60,751	159.52%
Scheduled Load Reduction Program (SLRP)															
Total Expenses	2,757	2,353	3,364	3,243	3,348	(6,117)	1,144	1,057	560	(431)	3,169	5,201	19,648		
Sampled	0	0	3,364	3,243	0	0	0	0	0	0	3,169	5,201		14,977	76.23%
Base Interruptible Program (BIP)															
Total Expenses	2,289	2,843	3,887	3,925	3,863	(4,539)	1,691	1,497	(266)	(302)	2,861	4,306	22,055		
Sampled	0	0	0	3,925	3,863	0	0	0	0	0	2,861	4,306		14,955	67.81%
Optional Binding Mandatory Curtailment Program (OBMC)															
Total Expenses	1,825	2,111	3,135	3,317	3,095	(4,552)	1,187	1,096	1,153	(438)	2,736	4,200	18,865		
Sampled	0	2,111	0	3,317	0	0	0	0	0	0	0	4,200		9,628	51.04%
Voluntary Demand Response Program (VDRP)															
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
Sampled	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
Temperature Sensitive															
Total Expenses	1,676	1,945	2,033	2,236	1,968	2,004	2,803	7,297	7,546	2,293	2,024	2,243	36,068		
Sampled	0	0	0	2,236	0	0	0	7,297	7,546	0	0	2,243		19,322	53.57%
TOTAL															
Total Expenses	28,349	29,921	(2,495)	46,749	36,614	(2,877)	72,457	36,378	(31,584)	3,866	24,411	37,205	278,994		
Sampled	11,983	2,111	3,364	34,212	3,863	0	53,223	22,467	7,546	0	6,030	37,205		182,004	
PERCENT SAMPLED															
	42.27%	7.06%	-134.83%	73.18%	10.55%	0.00%	73.45%	61.76%	-23.89%	0.00%	24.70%	100.00%			65.24%
Capital:															
Rotating Outage	5,198	5,193	4,503	4,594	4,572	4,571	4,583	4,628	4,612	4,611	4,583	5,337	56,985		
Circuit Reconfiguration	6,049	6,112	5,493	5,235	5,208	5,230	20,861	12,574	14,795	17,599	16,710	16,572	132,438		
	39,596	41,226	7,501	56,578	46,394	6,924	97,901	53,580	(12,177)	26,076	45,704	59,114	468,417		
													468,417		

APPENDIX - D

	Page
A. Total Incremental Costs	1-4

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

Incremental Costs per Detailed Report			
2001	2002	2003	Total

Rolling Blackout Reduction Program

Labor	0	118,657	65,851	184,508
Non-labor:				
Materials	260,866	6,251	1,002	268,119
Services	56,896	82,138	16,850	155,884
Miscellaneous	0	0	0	0
Telephone	6,515	1,933	8,246	16,694
Accounting Adjustments		(218,289)	5,741	(212,548)
Vehicle	4,048	8	0	4,056
Total Non Labor	328,325	(127,959)	31,839	232,205
Employee Benefits	0	1,026	7	1,033
Overhead	6,848	102,175	47,098	156,121
Total	335,173	93,899	144,795	573,867

Percentage of Labor to Total Incremental Costs	0.00%	126.37%	45.48%	32.15%
Percentage of Labor & Overhead to Total Incremental Costs	2.04%	235.18%	78.01%	59.36%
Percentage of Non-Labor to Total Incremental Costs	97.96%	-136.27%	21.99%	40.46%

Demand Bidding Program Account

Labor	0	119,038	34,973	154,011
Non-labor:				
Materials	0	17,087	228	17,315
Services	0	159,894	17,660	177,554
Miscellaneous	0	61,670	0	61,670
Telephone	0	0	0	0
Accounting Adjustments	0	19,808	(42,901)	(23,093)
Vehicle	0	0	0	0
Total Non Labor	0	258,459	(25,013)	233,446
Employee Benefits	0	1,690	832	2,522
Overhead	0	73,617	27,292	100,909
Total	0	452,804	38,084	490,888

Percentage of Labor to Total Incremental Costs		26.29%	91.83%	31.37%
Percentage of Labor & Overhead to Total Incremental Costs		42.55%	163.49%	51.93%
Percentage of Non-Labor to Total Incremental Costs		57.08%	-65.68%	47.56%

Air Conditioning Cycling Program

Labor	20,261	5,883	0	26,144
Non-labor:				
Materials	0	0	0	0
Services	45,907	619	0	46,526
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	4	(2)	0	2
Total Non Labor	45,911	617	0	46,528
Employee Benefits	889	(263)	0	626
Overhead	13,231	4,070	0	17,301
Total	80,292	10,307	0	90,599

Percentage of Labor to Total Incremental Costs	25.23%	57.08%		28.86%
Percentage of Labor & Overhead to Total Incremental Costs	41.71%	96.57%		47.95%
Percentage of Non-Labor to Total Incremental Costs	57.18%	5.99%		51.36%

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

Incremental Costs per Detailed Report			
2001	2002	2003	Total

Scheduled Load Reduction Program

Labor	4,586	16,542	5,480	26,608
Non-labor:				
Materials	0	960	64	1,024
Services	0	11,190	10,498	21,688
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	0	12,150	10,562	22,712
Employee Benefits	0	46	0	46
Overhead	3,760	10,062	3,606	17,428
Total	8,346	38,800	19,648	66,794

Percentage of Labor to Total Incremental Costs	54.95%	42.63%	27.89%	39.84%
Percentage of Labor & Overhead to Total Incremental Costs	100.00%	68.57%	46.24%	65.93%
Percentage of Non-Labor to Total Incremental Costs	0.00%	31.31%	53.76%	34.00%

Optional Binding Mandatory Curtailment

Labor	10,771	14,740	5,675	31,186
Non-labor:				
Materials	0	753	0	753
Services	251	4,703	9,217	14,171
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	251	5,456	9,217	14,924
Employee Benefits	245	200	0	445
Overhead	5,992	9,076	3,973	19,041
Total	17,259	29,472	18,865	65,596

Percentage of Labor to Total Incremental Costs	62.41%	50.01%	30.08%	47.54%
Percentage of Labor & Overhead to Total Incremental Costs	97.13%	80.81%	51.14%	76.57%
Percentage of Non-Labor to Total Incremental Costs	1.45%	18.51%	48.86%	22.75%

Base Interruptible Program

Labor	2,362	18,269	7,767	28,398
Non-labor:				
Materials	0	960	0	960
Services	34	8,357	9,207	17,598
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	34	9,317	9,207	18,558
Employee Benefits	0	346	0	346
Overhead	715	11,273	5,082	17,070
Total	3,111	39,205	22,056	64,372

Percentage of Labor to Total Incremental Costs	75.92%	46.60%	35.21%	44.12%
Percentage of Labor & Overhead to Total Incremental Costs	98.91%	75.35%	58.26%	70.63%
Percentage of Non-Labor to Total Incremental Costs	1.09%	23.76%	41.74%	28.83%

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

Incremental Costs per Detailed Report			
2001	2002	2003	Total

Temperature Sensitive

Labor	0	9,621	14,463	24,084
Non-labor:			0	
Materials	0	54	10,208	10,262
Services	0	11,177	0	11,177
Miscellaneous	0	9	0	9
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	0	0	0	0
Total Non Labor	0	11,240	10,208	21,448
Employee Benefits	0	39	0	39
Overhead	0	6,164	11,396	17,560
Total	0	27,064	36,067	63,131

Percentage of Labor to Total Incremental Costs	35.55%	40.10%	38.15%
Percentage of Labor & Overhead to Total Incremental Costs	58.32%	71.70%	65.96%
Percentage of Non-Labor to Total Incremental Costs	41.53%	28.30%	33.97%

Voluntary Demand Response Program

Labor	34,192	727	0	34,919
Non-labor:				
Materials	0	0	0	0
Services	0	0	0	0
Miscellaneous	0	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	(47,181)	0	(47,181)
Vehicle	0	0	0	0
Total Non Labor	0	(47,181)	0	(47,181)
Employee Benefits	378	0	0	378
Overhead	19,809	465	0	20,274
Total	54,379	(45,989)	0	8,390

Percentage of Labor to Total Incremental Costs	62.88%	-1.58%	416.20%
Percentage of Labor & Overhead to Total Incremental Costs	99.30%	-2.59%	657.84%
Percentage of Non-Labor to Total Incremental Costs	0.00%	102.59%	-562.35%

San Diego Gas & Electric Company
Incremental Costs by Program
For Years 2001 - 2003

		Incremental Costs per Detailed Report			
		2001	2002	2003	Total
Grand Total					
Labor		72,172	303,477	134,209	509,858
Non-labor:					
Materials		260,866	26,065	11,502	298,433
Services		103,088	278,078	63,432	444,598
Miscellaneous		0	61,679	0	61,679
Telephone		6,515	1,933	8,246	16,694
Accounting Adjustments		0	(245,662)	(37,160)	(282,822)
Vehicle		4,052	6	0	4,058
Total Non Labor		<u>374,521</u>	<u>122,099</u>	<u>46,020</u>	<u>542,640</u>
Employee Benefits		1,512	3,084	839	5,435
Overhead		50,355	216,902	98,447	365,704
Total		<u>498,560</u>	<u>645,562</u>	<u>279,515</u>	<u>1,423,637</u>
Percentage of Labor to Total Incremental Costs		14.48%	47.01%	48.01%	35.81%
Percentage of Labor & Overhead to Total Incremental Costs		24.58%	80.61%	83.24%	61.50%
Percentage of Non-Labor to Total Incremental Costs		75.12%	18.91%	16.46%	38.12%
Rev. Requirements - Circuit Reconfiguration		0	32,251	132,438	164,689
Rev. Requirements - Rotating Outage		0	56,818	56,985	113,803
Interest - 2001		2,475			2,475
Interest - 2002			13,324		13,324
Interest - 2003				17,023	17,023
		<u>2,475</u>	<u>102,393</u>	<u>206,446</u>	<u>311,314</u>
Total SDG&E ILROPMA Detail plus Interest & Rev. Requirements		<u>501,035</u>	<u>747,955</u>	<u>485,961</u>	<u>1,734,951</u>
Less: Audit Adjustments					
Incentive Compensation Plan overhead cost disallowed as Incremental costs in ILROPMA		(18,581)	(80,253)	(28,152)	(126,986)
RBWP - costs inadvertently included in ILROPMA. SDG&E will make necessary adjustments.			(39,153)		(39,153)
Total Adjustments before interest adjustments		<u>(18,581)</u>	<u>(119,406)</u>	<u>(28,152)</u>	<u>(166,139)</u>
Interests Adjustments:					
2001 in 2001	SDG&E	2,475	2,359		(116)
2001 in 2002	CPUC		8,714		
2002 in 2002		13,324	1,926		
Total 2002		<u>13,324</u>	<u>10,640</u>		(2,684)
2001 in 2003			5,814		
2002 in 2003			7,957		
2003 in 2003		17,023	2,466		
Total 2003		<u>17,023</u>	<u>16,237</u>		(786)
		<u>32,822</u>	<u>29,236</u>		(786)
Total Audit Adjustments		<u>(18,697)</u>	<u>(122,090)</u>	<u>(28,938)</u>	<u>(169,725)</u>
Adjusted Incremental Costs - to be Allowed		<u>482,338</u>	<u>625,865</u>	<u>457,023</u>	<u>1,565,226</u>
SDG&E AEAP Recovery Requests		<u>467,138</u>	<u>781,847</u>	<u>485,915</u>	<u>1,734,900</u>
Total Difference between AEAP and CPUC		<u>15,200</u>	<u>(155,982)</u>	<u>(28,892)</u>	<u>(169,674)</u>

APPENDIX – E

A. Incentive Compensation Plan Costs

1

SAN DIEGO GAS ELECTRIC COMPANY
 INTERRUPTIBLE LOAD ROTATING OUTAGES PROGRAM MEMORANDUM ACCOUNT
 INCENTIVE COMPENSATION PLAN OVERHEAD COSTS
 YEARS 2001 - 2003

	RBRP			DBP			ACCP			DBP			Mgmt. Labor
	Mgmt. Labor	ICP/CIP	Ratio	Mgmt. Labor	ICP/CIP	Ratio	Mgmt. Labor	ICP/CIP	Ratio	Mgmt. Labor	ICP/CIP	Ratio	
2001 May	0.00	0.00	0.00%	0.00	0.00	0.00%	4,495.84	899.17	20.00%	0.00	0.00	0.00%	0.00
June	0.00	0.00	0.00%	0.00	0.00	0.00%	117.90	23.58	20.00%	0.00	0.00	0.00%	0.00
July	0.00	0.00	0.00%	0.00	0.00	0.00%	7,255.11	1,451.02	20.00%	0.00	0.00	0.00%	0.00
August	0.00	0.00	0.00%	0.00	0.00	0.00%	(306.01)	(61.20)	20.00%	0.00	0.00	0.00%	0.00
September	0.00	0.00	0.00%	0.00	0.00	0.00%	2,116.79	635.04	30.00%	0.00	0.00	0.00%	15,579.07
October	0.00	0.00	0.00%	0.00	0.00	0.00%	2,346.22	703.87	30.00%	0.00	0.00	0.00%	3,207.94
November	0.00	0.00	0.00%	0.00	0.00	0.00%	1,825.24	877.11	48.05%	0.00	0.00	0.00%	(1,276.35)
December	0.00	0.00	0.00%	0.00	0.00	0.00%	1,334.97	596.04	44.65%	3,863.18	1,604.95	41.54%	(8,085.78)
	<u>0.00</u>	<u>0.00</u>	<u>0.00%</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00%</u>	<u>19,186.06</u>	<u>5,124.63</u>	<u>26.71%</u>	<u>3,863.18</u>	<u>1,604.95</u>	<u>41.54%</u>	<u>9,424.88</u>
2002 January	457.64	305.61	66.78%	0.00	0.00	0.00%	2,095.64	1,075.72	51.33%	692.02	196.74	28.43%	1,074.03
February	7,188.76	2,228.98	31.01%	0.00	0.00	0.00%	1,951.11	601.45	30.83%	1,418.74	464.50	32.74%	981.35
March	5,048.66	1,325.89	26.26%	0.00	0.00	0.00%	1,701.31	413.42	24.30%	973.71	310.91	31.93%	981.66
April	40,326.48	13,826.96	34.29%	0.00	0.00	0.00%	2,790.06	677.98	24.30%	1,322.13	414.67	31.36%	1,221.23
May	(10,216.75)	(3,866.21)	37.84%	478.96	3,647.48	761.54%	0.00	(680.40)		1,229.40	386.86	31.47%	944.78
June	4,061.32	1,221.97	30.09%	225.49	444.07	196.94%	(2,682.75)	(670.69)	25.00%	1,072.53	391.91	36.54%	1,017.69
July	5,610.44	2,343.23	41.77%	7,719.65	3,333.36	43.18%	0.00	0.00	0.00%	1,216.83	448.57	36.86%	1,005.74
August	4,440.97	1,844.18	41.53%	53,297.91	20,501.11	38.47%	0.00	0.00	0.00%	1,581.89	509.36	32.20%	951.89
September	3,660.91	1,635.56	44.68%	2,306.90	1,362.22	59.05%	0.00	0.00	0.00%	533.91	195.55	36.63%	485.47
October	4,585.10	2,272.27	49.56%	3,908.61	2,118.63	54.20%	0.00	0.00	0.00%	1,431.00	509.26	35.59%	849.93
November	4,124.20	2,197.44	53.28%	2,768.24	1,850.93	66.86%	0.00	0.00	0.00%	847.93	360.97	42.57%	750.56
December	3,716.90	1,775.69	47.77%	2,520.05	1,336.96	53.05%	0.00	0.00	0.00%	901.01	343.61	38.14%	651.19
	<u>73,004.63</u>	<u>27,111.57</u>	<u>37.14%</u>	<u>73,225.81</u>	<u>34,594.76</u>	<u>47.24%</u>	<u>5,855.37</u>	<u>1,417.48</u>	<u>24.21%</u>	<u>13,221.10</u>	<u>4,532.91</u>	<u>34.29%</u>	<u>10,915.52</u>
2003 January	3,836.36	1,241.51	32.36%	2,505.22	939.93	37.52%	0.00	0.00	0.00%	886.18	223.96	25.27%	661.58
February	4,206.44	1,326.67	31.54%	2,944.65	1,113.15	37.80%	0.00	0.00	0.00%	1,087.56	265.40	24.40%	760.95
March	4,506.62	1,464.12	32.49%	3,184.37	1,193.07	37.47%	0.00	0.00	0.00%	1,155.50	288.22	24.94%	805.70
April	6,835.24	2,081.75	30.46%	3,824.66	1,472.86	38.51%	0.00	0.00	0.00%	1,381.13	344.30	24.93%	1,156.96
May	4,834.11	1,320.83	27.32%	3,279.71	1,080.29	32.94%	0.00	0.00	0.00%	1,187.60	255.61	21.52%	819.80
June	(4,727.57)	(974.79)	20.62%	7,642.16	1,908.02	24.97%	0.00	0.00	0.00%	(3,069.83)	(702.43)	22.88%	(1,271.00)
July	4,782.15	1,150.54	24.06%	4,946.77	1,514.28	30.61%	0.00	0.00	0.00%	629.34	125.87	20.00%	653.68
August	4,096.74	1,166.66	28.48%	3,399.06	1,219.71	35.88%	0.00	0.00	0.00%	247.26	61.82	25.00%	270.34
September	3,798.48	1,530.01	40.28%	(8,810.97)	(3,621.99)	41.11%	0.00	0.00	0.00%	7.67	21.61	281.75%	191.29
October	2,827.12	856.24	30.29%	(2,768.27)	(502.58)	18.16%	0.00	0.00	0.00%	(575.06)	(81.04)	14.09%	(478.96)
November	3,289.64	754.33	22.93%	219.97	9.06	4.12%	0.00	0.00	0.00%	0.00	24.14		0.00
December	3,111.58	1,959.37	62.97%	1,459.69	820.69	56.22%	0.00	0.00	0.00%	502.51	298.54	59.41%	154.60
	<u>41,396.91</u>	<u>13,877.24</u>	<u>33.52%</u>	<u>21,827.02</u>	<u>7,146.49</u>	<u>32.74%</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00%</u>	<u>3,439.86</u>	<u>1,126.00</u>	<u>32.73%</u>	<u>3,724.94</u>
Total	<u>114,401.54</u>	<u>40,988.81</u>	<u>35.83%</u>	<u>95,052.83</u>	<u>41,741.25</u>	<u>43.91%</u>	<u>25,041.43</u>	<u>6,542.11</u>	<u>26.13%</u>	<u>20,524.14</u>	<u>7,263.86</u>	<u>35.39%</u>	<u>24,065.34</u>

SAN DIEGO GAS ELECTRIC COMPANY
 INTERRUPTIBLE LOAD ROTATING OUTAGES PROGRAM MEMORANDUM ACCOUNT
 INCENTIVE COMPENSATION PLAN OVERHEAD COSTS
 YEARS 2001 - 2003

		OBMC		BIP			TS			VDRP			TOTAL		
		ICP/CIP	Ratio	Mgmt. Labor	ICP/CIP	Ratio	Mgmt. Labor	ICP/CIP	Ratio	Mgmt. Labor	ICP/CIP	Ratio	Mgmt. Labor	ICP/CIP	Ratio
2001	May	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%	4,495.84	899.17	20.00%
	June	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%	117.90	23.58	20.00%
	July	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%	6,888.97	1,377.79	20.00%	14,144.08	2,828.81	20.00%
	August	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00	0.00%	178.99	35.80	20.00%	(127.02)	(25.40)	20.00%
	September	4,987.25	32.01%	7,241.40	2,280.69	31.50%	0.00	0.00	0.00%	32,833.41	10,373.58	31.59%	57,770.67	18,276.56	31.64%
	October	1,081.80	33.72%	1,299.25	390.95	30.09%	0.00	0.00	0.00%	8,714.73	2,797.08	32.10%	15,568.14	4,973.70	31.95%
	November	(339.51)	26.60%	(770.73)	(252.00)	32.70%	0.00	0.00	0.00%	888.41	485.89	54.69%	666.57	771.49	115.74%
	December	(2,971.14)	36.75%	(6,208.97)	(2,038.10)	32.83%	0.00	0.00	0.00%	(16,786.49)	(6,358.25)	37.88%	(25,883.09)	(9,166.50)	35.42%
		2,758.40	29.27%	1,560.95	381.54	24.44%	0.00	0.00	0.00%	32,718.02	8,711.89	26.63%	66,753.09	18,581.41	27.84%
2002	January	289.57	26.96%	688.89	195.98	28.45%	0.00	0.00	0.00%	3,455.00	896.72	25.95%	8,463.22	2,960.34	34.98%
	February	310.59	31.65%	1,418.74	464.50	32.74%	0.00	0.00	0.00%	(2,772.48)	(719.98)	25.97%	10,186.22	3,350.04	32.89%
	March	288.08	29.35%	973.71	310.91	31.93%	0.00	0.00	0.00%	0.00	0.00	0.00%	9,679.05	2,649.21	27.37%
	April	373.19	30.56%	1,322.13	414.67	31.36%	0.00	0.00	0.00%	0.00	0.00	0.00%	46,982.03	15,707.47	33.43%
	May	300.73	31.83%	1,229.40	402.18	32.71%	0.00	0.00	0.00%	0.00	0.00	0.00%	(6,334.21)	190.64	-3.01%
	June	350.56	34.45%	1,072.53	447.07	41.68%	0.00	0.00	0.00%	0.00	0.00	0.00%	4,766.81	2,184.89	45.84%
	July	466.44	46.38%	1,216.83	531.62	43.69%	2,003.45	774.73	38.67%	0.00	0.00	0.00%	18,772.94	7,897.95	42.07%
	August	371.85	39.06%	1,581.89	602.19	38.07%	761.09	307.15	40.36%	0.00	0.00	0.00%	62,615.64	24,135.84	38.55%
	September	238.32	49.09%	533.91	288.38	54.01%	805.86	313.53	38.91%	0.00	0.00	0.00%	8,326.96	4,033.56	48.44%
	October	413.62	48.67%	1,431.00	628.87	43.95%	2,786.94	1,036.40	37.19%	0.00	0.00	0.00%	14,992.58	6,979.05	46.55%
	November	403.66	53.78%	847.93	474.76	55.99%	761.09	381.09	50.07%	0.00	0.00	0.00%	10,099.95	5,668.85	56.13%
	December	317.75	48.80%	901.01	398.60	44.24%	716.32	322.18	44.98%	0.00	0.00	0.00%	9,406.48	4,494.79	47.78%
		4,124.36	37.78%	13,217.97	5,159.73	39.04%	7,834.75	3,135.08	40.02%	682.52	176.74	25.90%	197,957.67	80,252.63	40.54%
2003	January	217.88	32.93%	886.18	274.49	30.97%	671.55	211.23	31.45%	0.00	0.00	0.00%	9,447.07	3,109.00	32.91%
	February	235.96	31.01%	1,087.56	330.36	30.38%	850.63	244.62	28.76%	0.00	0.00	0.00%	10,937.79	3,516.16	32.15%
	March	261.90	32.51%	1,155.50	353.72	30.61%	904.85	254.86	28.17%	0.00	0.00	0.00%	11,712.54	3,815.89	32.58%
	April	353.52	30.56%	1,381.13	429.78	31.12%	933.20	280.06	30.01%	0.00	0.00	0.00%	15,512.32	4,962.27	31.99%
	May	225.32	27.48%	1,187.60	317.28	26.72%	933.20	235.78	25.27%	0.00	0.00	0.00%	12,242.02	3,435.11	28.06%
	June	(517.28)	40.70%	(2,706.57)	(532.40)	19.67%	886.54	227.71	25.69%	0.00	0.00	0.00%	(3,246.27)	(591.17)	18.21%
	July	130.74	20.00%	480.78	174.06	36.20%	1,214.37	310.07	25.53%	0.00	0.00	0.00%	12,707.09	3,405.56	26.80%
	August	67.59	25.00%	210.12	101.22	48.17%	1,015.40	320.35	31.55%	0.00	0.00	0.00%	9,238.92	2,937.35	31.79%
	September	109.98	57.49%	66.62	(128.12)	-192.31%	1,116.94	363.24	32.52%	0.00	0.00	0.00%	(3,629.97)	(1,725.27)	47.53%
	October	(60.93)	12.72%	(479.40)	(61.01)	12.73%	1,015.40	253.48	24.96%	0.00	0.00	0.00%	(459.17)	404.16	-88.02%
	November	24.14		0.00	24.14		851.37	168.14	19.75%	0.00	0.00	0.00%	4,360.98	1,003.95	23.02%
	December	141.98	91.84%	154.60	141.98	91.84%	999.78	516.05	51.62%	0.00	0.00	0.00%	6,382.76	3,878.61	60.77%
		1,190.80	31.97%	3,424.12	1,425.50	41.63%	11,393.23	3,385.59	29.72%	0.00	0.00	0.00%	85,206.08	28,151.62	33.04%
Total		8,073.56	33.55%	18,203.04	6,966.77	38.27%	19,227.98	6,520.67	33.91%	33,400.54	8,888.63	26.61%	349,916.84	126,985.66	36.29%

Appendix – F

SDG&E – ILROPMA Audit Program and Procedures

**SAN DIEGO GAS & ELECTRIC COMPANY
INTERRUPTIBLE LOAD & ROTATING OUTAGE PROGRAMS
MEMORANDUM ACCOUNT
AUDIT PROGRAM FIELD WORK – ACCOUNTING**

Audit Objective

To assure reasonableness of program costs and revenues recorded in the Interruptible Load and Rotating Outage Programs Memorandum Account (ILROPMA). Program costs are incremental costs incurred by San Diego Gas & Electric Company (SDG&E), above the current rates authorized by the Commission, and reduced by any revenues from penalties or other funds received.

Audit Procedures

1. Obtain documents and supports in order acquire understanding of Interruptible Load Management Program (ILMP) background and processes
 - A. Obtain and review relevant decisions, documents, and reports for 2001, 2002, and 2003 in support of accounting activities.
 - Commission Decisions related to ILROPMA and its relevance to accounting of program costs and revenues
 - Annual Earnings Assessment Proceeding Report (AEAP) for 2002, 2003 & 2004 ILMP activities
 - ILMP plans, descriptions and budget information
 - Description of accounting and reporting system
 - Accounting procedures related to ILROPMA costs and revenues
 - Flowcharts of Accounting process (e.g., Accounts Payable process, General Ledger record keeping) related to ILROPMA
 - Organizational charts of the individuals involved with the ILMP including description of each responsibilities
 - Internal and external audit reports issued to SDG&E relating to Interruptible Load Management programs and operations
 - Sample of Accounting reports (e.g., SAP records, Memorandum Account reports, Accounts Payable Summary Reports, etc.)
 - ILROPMA costs and revenues for 2001, 2002, and 2003, summarized by month and year
 - Summary reports for 2001, 2002, and 2003 showing ILMP costs & revenues by program
 - Preliminary Statements & Tariff rates
 - Sample of signed agreements between SDG&E and ILMP participants
 - Report showing all contracts signed by SDG&E and participants for 2001, 2002, and 2003.

2. Test and evaluate SDG&E's system of accounting and internal controls to ensure adequacy, effective compliance and timely recording of data
 - A. Evaluate SDG&E's internal control relating to:
 - Controls over information processing
 - Segregation of duties
 - Accurate and timely recording of transactions
 - B. Determine if system of internal control was audited by SDG&E's internal and/or external auditors
 - Obtain copies of audit reports relating to examination of internal controls
 - Obtain explanations to internal control issues raised by the auditors
 - Determine any corrective actions made to resolve internal control issues
 - Determine frequency of audit of financial records related to ILROPMA & ILMP
 - C. Obtain and review copies of policies relating to accounting of incentive payments or invoices
 - D. Review flowchart of accounting systems involved in the process of payments, tracking of costs and recording of incentive payments or invoices
 - E. Interview accounting personnel responsible for recording and payment of expenditures
 - Determine if proper regulatory compliance were met and if accounting integrity of costs and revenue transactions recorded in the memorandum account were maintained
 - Evaluate separation of duties to prevent improper use of funds
 - F. Interview program managers responsible for program administration and oversight of ILMP expenditures
 - Review program controls, including incentive payment and invoice review, and approval processes, verification procedures, authorization and approval levels, and financial checks and balances
 - G. Assure that the system of internal control is followed consistently from year to year
3. Review ILROPMA entries to determine proper and complete recording of expenditures and revenues

- A. Determine memorandum accounts established
 - Determine if memorandum accounts were established for each program. If not, determine how the programs were classified in the memorandum accounts.
- B. Determine actual expenditures incurred during the year using SAP reports, and summary of invoices paid annually
- C. Verify and review recorded entries for validity and accuracy
 - Explain any major adjustments made in the memorandum account and determine validity
- D. Trace entries from sources (invoices, etc) to the memorandum account
 - Follow audit trails
 - Determine unusual and extraordinary entries
 - Determine if entries are supported and documented
4. Obtain evidence of transactions and verify all expenditure reports to determine if all payments were made properly and accurately
 - A. Obtain documents in support of operational activities
 - Test accounting systems and controls for ILMP expenditures and identify weaknesses
 - B. Obtain reports and summaries of all ILMP expenditures for years 2001, 2002 and 2003
 - Determine how expenditures were summarized
 - Obtain expenditure reports from the SDG&E
5. Inspect invoices and determine if they were paid and recorded on a timely basis, accurately and properly.
 - A. Apply sampling methods and select samples to review
 - Based on the population of paid incentives/invoices, apply sampling method to determine the size of samples to be reviewed
 - Depending on the size of the samples selected, either judgmental or unrestricted random sampling will be used as sampling technique.
 - Explain basis of sampling method used
 - Determine and support reasons for samples selected

- Test samples for completeness, accuracy, and appropriateness
 - Describe and support results of sampling test
- B. Obtain invoices based on the sampling method selected
- Determine if invoices paid are for valid programs, properly identified as ordered by the Commission
 - Determine if invoices paid and being tested showed proper approval and calculated accurately
 - Prove calculation – verify correctness of information for taxes and discounts, etc.
- C. Trace invoices to payment records
- Compare invoices with payments records and reconcile totals
- D. Trace payments to SAP accounting records
- Obtain SAP reports showing invoices paid and total amounts paid by month for 2001, 2002 and 2003
 - Determine if reports and summaries are prepared periodically
 - Determine if ILMP expenditures were reconciled with SAP accounting reports and summaries
- E. Investigate for any duplicate invoices and payments
- Verify invoice numbers, amounts paid, payee and description of work to ensure that no duplication of payments or charges was made.
6. Determine revenues received from penalties or from other funding
- Obtain documents to support reported revenues
 - Review computation for accuracy and completeness