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May 2, 2022

The Honorable Rudy Salas  
Chair, Joint Legislative Audit Committee  
Legislative Office Building  
1020 N Street, Room 107  
Sacramento, CA 95811

UPDATED/RECEIVED  
06/16/2022

RE: State Audit Request of Recent SDG&E and CPUC Approved Rate Increases

Assembly Member Salas,

I respectfully request the Joint Legislative Audit Committee approve a state audit to examine the process for how San Diego Gas & Electric (SDG&E) determines, and the California Public Utility Commission (CPUC) approves, rate increases for ratepayers. SDG&E is a designated public utility provider within the State of California overseen by the California Public Utilities Commission.

Ratepayers throughout San Diego County were shocked in the first quarter of this year to see their utility rates skyrocket. Some reported increases nearly triple that of the previous year, often despite a reduction in overall energy consumption. According to the Bureau of Labor Statistics, San Diegans paid an average of 36.5 cents per kilowatt-hour last December, "higher than any other city in the country" (CBS 8 News, 2/2/2022).

This all takes place in an environment where Sempra Energy, the parent company of SDG&E, earned \$1.25 billion in profits this last year, \$604 million of which was in the last quarter of 2021 as rate hikes went into place, and they have paid their shareholders the highest dividend ever this past month. Meanwhile, a recent report by the CPUC shows that 3.6 million Californians have fallen behind on their utility bills, including 356,000 residential ratepayers in San Diego County, representing 26.7% of SDG&E's customers.

With all this in mind, I am requesting approval for the State Auditor to look at the process and data SDG&E and other private utilities use to obtain permission from CPUC to increase utility rates, specifically this most recent year and over the course of the last three years. Further, I am requesting that the audit review CPUC's role in approving or denying proposed rate

increases over the same time period. To the extent possible, I am requesting that the audit scope include, but not be limited to, the following:

- Review CPUC's most recent general rate case proceedings over the last three years for SDG&E and a selection of other similar investor-owned utilities.
  - o Determine whether the proceedings and other CPUC efforts adequately protect customers from spikes and increases in utility bills.
  - o Determine the extent to which major costs, including but not limited to fire risk mitigation and natural gas fuel prices, have contributed to rate increases at SDG&E and a selection of other similar investor-owned utilities.
  - o Determine whether CPUC considers and utilities report the cost per kilowatt-hour that they charge customers.
  - o Assess CPUC's role in overseeing rates charged by SDG&E and a selection of other similar investor-owned utilities outside of the general rate case proceedings.
- Review efforts by the Public Advocates Office to determine whether it is properly performing its mission to obtain the lowest possible rate for service consistent with reliable and safe service levels.
  - o Review the role played by the Public Advocates Office in reviewing balancing accounts, including determining whether it uses a systematic process that ensures a review of all balancing accounts that can have the most impact on customers.
  - o Determine whether its role can be expanded—outside of general rate cases—to further advocate for ratepayers.
- Determine why utility rates charged by SDG&E and a selection of other similar investor-owned utilities since December 2021 have been so extremely high. Identify the factors that contributed to these high utility rates.
  - o Identify and assess any role played or analysis performed by CPUC in approving or denying rate hikes by utilities since late 2021.
  - o To the extent possible, determine the extent to which SDG&E and a selection of other similar investor-owned utilities have financially benefited from these high utility rates.

- Determine the costs requested for rate recovery, and compare to the amount approved for recovery by CPUC. Further, compare rate increase proposals by SDG&E and other large electrical corporations over the last three years.
- To the extent possible, review SDG&E's and a selection of other similar investor-owned utilities' expenditures and applications for recovery of fire risk mitigation expenditures (see AB 1054 (2019)).
  - Identify how much and what these funds were spent on; how much was received via applications for cost recovery; and whether expenditures were appropriate.
  - To the extent possible, determine the extent to which these expenditures were reimbursed and expended without a return on equity.
- Identify any best practices or ideas that could better protect utility customers from spikes and increases in the costs in utilities.
- Review issues identified in any prior relevant audit reports to determine whether CPUC and utilities have implemented recommendations related to these issues.

Thank you for your time and consideration of this request. For more information or any questions, please contact Rob Charles in my office 916-319-2076.

Sincerely,



**TASHA BOERNER HORVATH**

California State Assemblymember  
76<sup>th</sup> Assembly District



**BRIAN MAIENSCHIEIN**

California State Assemblymember  
77<sup>th</sup> Assembly District