State of California

Memorandum

Date: June 30, 2016

To: Timothy Sullivan
Executive Director, Public Utilities Commission

From: **Public Utilities Commission— San Francisco** — Kayode Kajopaiye, Branch Chief, Division of Water and Audits

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Subject: **Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's (SCE's) Energy Efficiency (EE) Program For the Period January 1, 2014 through December 31, 2014**

The Utility Audit, Finance and Compliance Branch (UAFCB) examined Southern California Edison Company's (SCE) financial, management, regulatory, and compliance areas of the Energy Efficiency (EE) Program for program year (PY) 2014. Except for the matters discussed in Observations (Obs.) 4, 7, 8, 12 and 16 below, SCE demonstrated compliance with Commission directives respecting the areas of its 2014 EE program examined. However, UAFCB found that SCE overstated its 2014 recorded expenditures used for calculating the Management Fee Incentive awards for Codes and Standards (C&S) and Non-Resource (NR) Programs by a total of $14,460,554 ($201,368 and $14,259,186, respectively) as indicated in Obs. 4, 7, and 8. In addition, SCE also overstated the EE expenditures used for calculating its 2014 Resource Program Savings Incentives by $148,410 as specified in Obs. 16. The Energy Division should not include these amounts in the calculations of the incentive awards for these programs. The details of these and other observations are provided in the memo and Appendix A.

UAFCB conducted this examination pursuant to Ordering Paragraph (OP) 17 of Decision (D.) 13-09-023.[1] This examination was limited to: (1) Reconciliation of Total EE Portfolio Costs to Reported Amounts; (2) Codes and Standards Program; (3) Non-Resource Program; (4) EE Administrative Program Costs of SCE and Non-SCE (5) EE Balancing Accounts; (6) Statewide Commercial Calculated Program; (7) Statewide Industrial Calculated Energy Efficiency Program; (8) Fund Shifting; and (9) Follow-up on Prior UAFCB's Examination Observations and Recommendations and SCE's Internal Audit Recommendations.

SCE's management is responsible for ensuring accurate reporting of energy efficiency program data and information to the Commission in compliance with applicable laws and administrative requirements.

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[1] In D.13-09-023, on pages 78 and 82, the Commission discussed that it anticipates relying on public versions of UAFCB's examination reports when determining the amount of each utility's incentives. In Ordering Paragraph (OP) 17, the Commission ordered that "In order to verify Codes and Standards and Non-Resource program expenditures for the purposes of awarding these management fees, we will rely upon public versions of the Commission's Utility, Audit, Finance and Compliance Branch reports. Upon completion, the Commission's Utility, Audit, Finance and Compliance Branch shall serve on the service list in this proceeding (or its successor) a notice of availability of the public copy of its audit report detailing its review of annual expenditures for the 2013 and 2014 Energy Efficiency programmatic activity."

A. Summary of Examination, Observations, and Recommendation

The following is a brief summary of UAFCB's observations and recommendations resulting from its examination. A detailed description of UAFCB's analysis and observations is included in Appendix A.

<u>**Reconciliation of Total EE Portfolio Costs to Reported Amounts**</u>

Observation 1: SCE demonstrated compliance with Public Utility (PU) code §§ 581, 582 and 584 respecting the total reported EE portfolio program costs.[2] The total EE portfolio program expenditures recorded and reported in PY 2014, excluding Evaluation, Measurement and Verification (EM&V) costs, amounted to $310,373,367. A reconciliation of the total EE portfolio program expenditures reported in EEStats,[3] including the Annual Report (Table 3), Quarterly reports and Monthly reports, to SCE's accounting records disclosed no exceptions.

Of the total portfolio amount indicated above, SCE reported total resource program costs of $250,030,332 for PY 2014, of which $20,038,128 was for administrative costs.

Recommendation: None.

Observation 2: SCE demonstrated compliance with PU code §§ 581, 582, and 584 respecting the required reports. SCE filed its Monthly, Quarterly, and Annual reports timely as required by the Commission. However, the Energy Division (ED) reporting templates in EEStats do not provide for annual figures of EE expenditures.

Recommendation: ED should modify the Monthly, Quarterly, and Annual report templates to facilitate annual reconciliation of EE program costs. UAFCB has made the same recommendation in its prior examination reports on EE Program.

<u>**Codes and Standards (C&S) Program**</u>

Observation 3: Except for Observation 4 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported C&S program costs. The $3,576,490 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records.

Recommendation: None.

Observation 4: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $201,368 in PY 2014 the Codes and Standards (C&S) program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program. This amount represents 5.6% of the total C&S Program expenses in PY 2014.

Recommendation: SCE has since filed Advice Letter (AL) 3240-E to claim its Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the C&S Management Fee incentive award by $24,164 ($201,368*12%) when SCE's true-up AL is processed.

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[2] All statutory references are to the Public Utility Code unless stated otherwise.
[3] The California Energy Efficiency Statistics (EEStats) – a repository of utility-submitted reports to the CPUC.

Observation 5: SCE's internal policy and procedures for implementing the C&S Program were adequately designed to meet Commission directives in PY 2014. SCE was in compliance with its internal C&S Program Procedures Manual CPS-PM-ECS-0001, V1.0.

Recommendation: None.

__Non-Resource (NR) Program__

Observation 6: Except for Observations 7 and 8 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported NR program costs. The $22,942,691 reported in the December year-to-date Monthly EEStats report reconciled to SCE's accounting records.

Recommendation: None.

Observation 7: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $56,888 in PY 2014 the NR program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program. SCE included the $56,888 in the calculation of the incentive award for PY 2014.

Recommendation: SCE has since filed AL 3240-E to claim the NR Programs Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the incentive award by $1,707 ($56,888*3%) when SCE's true-up AL is processed.

Observation 8: SCE failed to demonstrate compliance with Commission decision D.13-09-023, Ordering Paragraph (OP) 16 respecting the NR Management Fee incentive award for PY 2014. SCE incorrectly included $14,202,298 related to the On-Bill Financing (OBF) revolving loan pool activities for PY 2014. By including this amount in the calculation of the incentive award for the NR Management Fee in PY 2014, SCE overstated its award amount by $426,069.

Recommendation: SCE has since filed AL 3240-E to claim the NR Programs Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the NR Management Fee incentive award by $426,069 ($14,202,298*3%) when SCE's true-up AL is processed.

If SCE continues to disagree with the UAFCB on this matter, it should file a "Motion for Clarification" in D.13-09-023 for consideration by the Commission. ED should correct the inadvertent error it made by granting SCE an incentive award on the OBF loan pool as indicated above.

Observation 9: The criteria used by SCE for designating EE programs as Resource and Non-Resource were in compliance with Commission directives. SCE applied the definition contained in the Energy Efficiency Policy Manual, Version 5, dated July 2013, when determining whether an EE program is classified as Resource or Non-Resource.

Recommendation: None.

<u>EE Administrative Program Costs of SCE and Non-SCE</u>

Observation 10: SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting its own reported EE Administrative costs for PYs 2013 and 2014. The $15,442,327 for PY 2013 and $15,826,099 for PY 2014 included in the Quarterly and Annual Reports for PYs 2013 and 2014, respectively, reconciled to SCE's accounting records.

Recommendation: None.

Observation 11: Except for Observation 12 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported Non-SCE EE Administrative costs for PYs 2013 and 2014. The $1,569,485 for PY 2013 and $4,893,556 for PY 2014 included in the Quarterly and Annual Reports for PYs 2013 and 2014, respectively, reconciled to SCE's accounting records.

Recommendation: None.

Observation 12: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures, respecting its reported Third Party (TP) Non-SCE EE Administrative costs. SCE incorrectly recorded $81,762 in PY 2014 that should have been recorded in PY 2013.

Recommendation: SCE should adhere to its own accrual basis of accounting by timely recording and reporting EE expenditures and ensuring that EE administrative costs are properly booked to allow for an accurate cost cap determination at the end of the budget cycle or 2015.

<u>EE Balancing Accounts</u>

Observation 13: SCE demonstrated compliance with PU code §§ 381, 399.8 (b) 1 and other applicable Commission directives respecting the authorized EE balancing accounts. A review of SCE's approved Preliminary Statements for the Public Purpose Programs Adjustment Mechanism (PPPAM) and Procurement Energy Efficiency Balancing Account (PEEBA) and the internal controls in place for recording entries in the balancing accounts for PY 2014 disclosed no exceptions.

Recommendation: None.

Observation 14: SCE's internal policy and procedures for the billing and collecting of the Public Purpose Program (PPP) revenues were adequately designed to meet the Commission's approved tariff requirements. SCE's policies and procedures in place to control and monitor its accounting practices for recording and reporting of PPP revenues to the applicable EE balancing accounts in accordance with the Commission's approved tariff requirements seemed adequate.

Recommendation: None.

<u>Statewide Commercial Calculated (CC) Program</u>

Observation 15: Except for Observation 16 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported CC Program costs. The $19,621,232 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records.

Recommendation: None.

Observation 16: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $148,410 in PY 2014 the CC program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program.

Recommendation: Energy Division should exclude $148,410 from the reported total 2014 CC Program expenditures before calculating SCE's PY 2014 Resource Program Savings Incentive award.

Observation 17: SCE's internal policy and procedures to implement the CC Program and subprogram Savings By Design were adequately designed to meet Commission directives. SCE was in compliance with the internal Customized Solutions Offering Manual, Version 2.0, and other related internal policy and procedure manuals for implementing the CC Program and subprogram Savings By Design.

Recommendation: None.

<u>Statewide Industrial Calculated Energy Efficiency (ICEE) Program</u>

Observation 18: SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported ICEE Program costs. The $3,493,384 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records.

Recommendation: None.

Observation 19: SCE demonstrated compliance with General Order (GO) 28 and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) respecting the ICEE program costs. Of the $969,347 ICEE program costs verified by the UAFCB, it found that SCE adequately preserved the records, memoranda, and documentation to support the expenses.

Recommendation: None.

Observation 20: SCE's internal policy and procedures to implement the ICEE Program were adequately designed to meet Commission directives. SCE was in compliance with its internal Customized Solutions Offering Manual, Version 2.0, and other related internal policy and procedure manuals for implementing the ICEE Program.

Recommendation: None.

<u>Fund Shifting</u>

Observation 21: SCE demonstrated compliance with PU code §§ 581, 582, and 584, and the EE Policy Manual, and its internal policy and procedures respecting the fund shifting activities in PY 2014. SCE's EE program fund shifting activities in PY 2014 did not exceed the annual thresholds specified in Appendix C of the Energy Efficiency Policy Manual (Version 5), dated July 2013. Therefore, SCE was not required to file ALs with the Commission about fund shifting. SCE was in compliance with the Commission's fund shifting requirements in PY 2014.

Recommendation: None.

Follow-up on Prior UAFCB's Examination Observations and Recommendations and SCE's Internal Audit Recommendations

Observation 22: SCE addressed and implemented UAFCB's audit recommendations specified in UAFCB's Audit Memo Reports for the 2011-2012 and 2013 EE Program examinations.

Recommendation: None.

Observation 23: SCE's Audit Services Department (ASD) performed four audits in 2015 based on UAFCB's prior examination recommendations. SCE's ASD performed a review of the EE SAP labor accounting process, EE fund shifting process, EE balancing account expenditure process, and On-Bill Financing (OBF) program procedures in 2015.

Recommendation: There are no outstanding issues raised by ASD that SCE has not addressed and corrected.

UAFCB appreciates SCE's efforts in strengthening its internal controls based on prior UAFCB's examination recommendations and recommends that SCE continue to monitor and improve its internal controls in order to prevent any future deficiencies.

B. Examination Process

UAFCB focused its examination on the areas mentioned above, based on consultation with the Energy Division, UAFCB's prior experience in examining SCE's EE programs, and the results of UAFCB's risk assessment. Pertinent information about SCE's EE program is found in Appendix B.

UAFCB conducted its examination in accordance with attestations standards established by the American Institute of Certified Public Accountants (AICPA), and, accordingly, included examining on a test basis, evidence concerning SCE's compliance with the requirements of the energy efficiency programs, directives of the Commission pertaining to the programs, SCE's internal policies and procedures, and generally accepted accounting principles and practices.

On May 27, 2016, UAFCB provided a draft of its analysis, observations and recommendations to SCE for comment. On June 9, 2016, SCE provided its comments. UAFCB summarized those comments, including UAFCB's rebuttal to those comments, in Appendix A. Where appropriate, UAFCB has modified its observations and recommendations. SCE's response in its entirety is provided in Appendix C.

C. Conclusion

Except for the items the UAFCB took exceptions to above, SCE demonstrated compliance with Commission directives respecting its EE Program.

If you have any questions on UAFCB's examination, please contact Kayode Kajopaiye.

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Appendix A
Analysis and Findings

A.1 Introduction

The Utility Audit, Finance and Compliance Branch (UAFCB) examined Southern California Edison Company's (SCE) financial, management, regulatory, and compliance areas of the Energy Efficiency (EE) program for program year (PY) 2014. Except for Observations (Obs.) 4, 7, 8, 12 and 16 below, SCE demonstrated compliance with Commission directives respecting the areas of its EE program that the UAFCB examined for PY 2014.

This examination memo report addresses the financial, management, regulatory, and compliance aspects of EE Program for PY 2014. UAFCB's examination covered the following areas:

1. Reconciliation of the Total EE portfolio cost reconciliation to reported amounts
2. Codes and Standards Program
3. Non-Resource Program
4. EE Administrative Program Costs of SCE and Non-SCE
5. EE Balancing Accounts
6. Statewide Commercial Calculated Program
7. Statewide Industrial Calculated Energy Efficiency Program
8. Fund Shifting
9. Follow-up on Prior UAFCB's observations and recommendations and SCE's Internal Audit Recommendations

On May 27, 2016, UAFCB provided a draft of its analysis, observations and recommendations to SCE for comments. On June 9, 2016, SCE provided its comments and UAFCB summarized those comments, including UAFCB's rebuttal to those comments, in Appendix A. Where appropriate, UAFCB has modified its observations and recommendations. SCE's response in its entirety is provided in Appendix C.

A.2 Reconciliation of Total EE Portfolio Costs to Reported Amounts

Observation 1: SCE demonstrated compliance with Public Utility (PU) code §§ 581, 582 and 584 respecting the total reported EE portfolio program costs. The total EE portfolio program expenditures recorded and reported in PY 2014, excluding Evaluation, Measurement and Verification (EM&V) costs, amounted to $310,373,367. A reconciliation of the total EE portfolio program expenditures reported in EEStats,[1] including the Annual Report (Table 3), Quarterly reports and Monthly reports, to SCE's accounting records disclosed no exceptions.

Of the total portfolio amount indicated above, SCE reported total resource program costs of $250,030,332 for PY 2014, of which $20,038,128 was for administrative costs.

> **Criteria:** Sections 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

[1] The California Energy Efficiency Statistics (EEStats) – a repository of utility-submitted reports to the CPUC.

Condition: The $310,373,367 total EE Program portfolio expenditures reported in EEStats for PY 2014 reconciled to SCE's accounting records.

Recommendation: None.

Observation 2: SCE demonstrated compliance with PU code §§ 581, 582, and 584 respecting the required reports. SCE filed its Monthly, Quarterly, and Annual reports timely as required by the Commission. However, the Energy Division (ED) reporting templates in EEStats do not provide for annual figures of EE expenditures.

Criteria: The EE Policy Manual (R.09-11-014), Version 5, July 2013, Appendix D (1) (b) provides, in part, that the due date for monthly reports is the first day of the month 30 days following the month.[2] Energy Division also developed reporting templates for the use of utilities filing monthly, quarterly, and annual reports.

Condition: SCE filed the required reports timely with the Commission. SCE and other utilities continued to report cumulative expenses by the budget cycle instead of annual expenses, in addition to year-to-date numbers.

Cause: ED has not changed the reporting templates to reflect the yearly numbers.

Effect: The lack of annual figures poses reconciliation problem for the UAFCB.

Recommendation: ED should modify the Monthly, Quarterly, and Annual report templates to facilitate annual reconciliation of EE Program costs. UAFCB has made the same recommendation in its prior examination reports on EE Program.

A.3 Codes and Standards (C&S) Program

Observation 3: Except for Observation 4 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported C&S program costs. The $3,576,489 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: The $3,576,489 program expenditures reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records. The $3,576,489 breakdown is as follows:

[2] On July 29, 2013, Energy Division issued a Memorandum to IOUs in regards to the "2013-2014 Energy Efficiency Program Reporting Timeline and Guidance – Version 2." In essence, the Memo sets forth the report filing requirements for program years 2013-2014.

Cost Category	Amount
Administrative	$ 438,137
Marketing	23
Direct Implementation	3,138,329
Total	**$3,576,489**

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

Recommendation: None.

Observation 4: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $201,368 in PY 2014 the C&S program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program. This amount represents 5.6% of the total C &S program expenses in PY 2014.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: UAFCB's review and testing disclosed two October 2013 and two November 2013 invoices for $201,368 for services provided in PY 2013 but incorrectly reported and charged to PY 2014.

Cause: When internal controls are not adequately enforced in combination with lack of proper training and supervision of employees, recording and reporting errors can occur.

Effect: SCE over-reported the C&S Program costs by $201,368.

SCE Comments: SCE partially agrees with UAFCB's recommendation that $172,265 of the $201,368 was incorrectly included in PY 2014 the C&S program expenditures belonging to PY 2013. SCE asserts that the remaining $29,103 charged to PY 2014 should be excluded from UAFCB's recommendation since 1) the invoice pertaining to this charge was not received by SCE until January 15, 2014, and 2) the invoice amount fell below SCE's $50,000 year-end manual accrual threshold guidelines.

Also, SCE asserts that any issues associated with the recording of PY 2013 costs in PY 2014 would not impact the combined C&S incentive award amount for the two years since the UAFCB did not find the costs to be unreasonable and to do otherwise would in turn penalize SCE based on the timing of the recording of the appropriately incurred costs.

In conclusion, SCE noted that it has improved its year-end accrual procedures based on UAFCB's recommendations from the 2011-2012 examination of SCE's EE program. However, the revised year-end accrual procedures and accrual training was not completed until just prior to the end of year 2014.

Rebuttal: UAFCB acknowledges that SCE has an established accrual policy of $50,000 which it applied to the accounting and recording of EE expenditures during the program year. However, UAFCB takes issue with the application of the accrual threshold which was applied strictly on transaction by transaction basis without any consideration of the number of transactions and the cumulative amount of such transactions relative to the total program budget and expenditures. This relationship could be significant.

Therefore, UAFCB believes that the $201,368 adjustment recommended recognizes the impact of the untimely accrued transactions, taking in aggregate, instead of strictly based on transaction by transaction.

Also, incentive awards are determined annually to prevent retroactive adjustment of prior awards and expenses to avoid a violation of the principle of "retroactive ratemaking."

Recommendation: SCE has since filed Advice Letter (AL) 3240-E to claim its Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the C&S Management Fee incentive award by $24,164 ($201,368*12%) when SCE's true-up AL is processed.

Observation 5: SCE's internal policy and procedures for implementing the C&S Programs were adequately designed to meet Commission directives in PY 2014. SCE was in compliance with its internal C&S Program Procedures Manual CPS-PM-ECS-001, V1.0.

Criteria: SCE's internal C&S Program Procedures Manual CPS-PM-ECS-001, V1.0 specifies policies and procedures for implementing SCE's C&S programs in PY 2014.

Condition: SCE's C&S Program Procedures Manual CPS-PM-ECS-001, V1.0 was reasonably adequate for implementing its C&S programs in accordance with Commission directives.

Recommendation: None.

A.4 Non-Resource Program

Observation 6: Except for Observations 7 and 8 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported NR program costs. The $22,942,691 reported in the December year-to-date Monthly EEStats report reconciled to SCE's accounting records.

Criteria: Section 581 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: The $22,942,691 reported in its December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records. The $22,942,691 breakdown is as follows:

Cost Category	Amount
Administrative	$ 2,971,503
Marketing	245,374
Direct Implementation	19,725,814
Total	**$22,942,691**

UAFCB's review and sample testing of these numbers disclosed no exceptions.

Recommendation: None.

Observation 7: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $56,888 in PY 2014 the NR program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category. SCE included the $56,888 in the calculation of the incentive award for PY2014.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: UAFCB's review and testing disclosed three invoices for $56,888 for services provided in PY 2013 but incorrectly reported and charged to PY 2014.

Cause: When internal controls are not adequately enforced in combination with lack of proper training and supervision of employees, recording and reporting errors can occur.

Effect: SCE over-reported its NR program costs by $56,888.

SCE Comments: SCE partially agrees with UAFCB's recommendation that $31,527 of the $56,888 was incorrectly included in PY 2014 the NR program expenditures belonging to PY 2013. SCE asserts that the remaining $25,361 charged to PY 2014 should be excluded from UAFCB's recommendation since 1) the invoices pertaining to such charges were not provided to SCE until March 2014 and 2) the invoice amounts ($22,702 and $2,659) fell below SCE's $50,000 year-end manual accrual threshold guidelines.

Additionally, as noted in its comments to Observation 4, SCE alleges that it has improved its year-end accrual procedures based on UAFCB's recommendations from the 2011-2012 examination of SCE's EE program. However, the revised year-end accrual procedures and accrual training was not completed until just prior to the end of year 2014.

Rebuttal: UAFCB acknowledges that SCE has an established accrual policy of $50,000 which it applied to the accounting and recording of EE expenditures during the program year. However, UAFCB takes issue with the application of the accrual threshold which was applied strictly on transaction by transaction basis without any consideration of the number of transactions and the cumulative amount of such transactions relative to the total program budget and expenditures.

Therefore, UAFCB believes that the $56,888 adjustment recommended recognizes the impact of the untimely accrued transactions, taking in aggregate, instead of strictly based on transaction by transaction.

Recommendation: SCE has since filed AL 3240-E to claim its NR Programs Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the NR Management Fee incentive award by $1,707 ($56,888*3%) when SCE's true-up Advice Letter is processed.

Observation 8: SCE failed to demonstrate compliance with Commission decision D.13-09-023, Ordering Paragraph (OP) 16 respecting the NR Management Fee award for PY 2014. SCE incorrectly included $14,202,298 related to the On-Bill Financing (OBF) revolving loan pool activities for PY 2014. By including this amount in the calculation of the incentive award for the NR Management Fee in PY 2014, SCE overstated its award amount by $426,069.

Criteria: D.13-09-023, OP 16 authorizes each IOU an incentive mechanism calculated and paid as a management fee equal to 3% of non-resource program expenditures.

Condition: In AL 3240-E, SCE included the OBF loan pool amount issued to qualified program participants and repayable to SCE. The OBF revolving loan pool does not meet the requirements approved in D.13-09-023, OP 16 for the NR Management Fee incentive award.

Effect: SCE over-stated its NR Programs Management Fee for PY 2014 by including $14,202,298 in OBF loans issued to qualified program participants.

SCE Comments: SCE disagrees with the UAFCB's recommendation that the $14,202,298 related to OBF loan pool activities be removed from the NR Management Fee for PY 2014. SCE alleges that it complied with Commission D.13-09-023 OP 16 and that UAFCB's recommendation is inconsistent with D.13-09-023.

Also, SCE made reference to the additional information previously provided to the UAFCB to support its position after this matter was first discussed during a preliminary finding meeting held with the company.

Specifically, SCE asserts that page 81 of D.13-09-023 provides SCE a total authorized budget (minus administrative funds) of $90.847 for NR programs and a 2013-2014 Incentive Earnings Potential for NR programs of $2.72 million (3% of $90.847 million). SCE also contends that an August 14, 2014 email from the Commission's Energy Division confirmed that the authorized Finance Program Revolving Loan budget amount is considered a "Non-Resource" program. In addition, SCE asserts that the total "Non-Resource" budget included in Energy Division's August 14, 2014 email is the same as the "Non-Resource" program budget of $90.847 stated on page 81 of D.13-09-023. SCE also alleges that the Award Cap identified in Resolution E-4700 for SCE's 2013-2014 Non-Resource Program Management Fee is $2.7 million, which is also the same as the Incentive Earnings Potential of $2.7 million included in page 81 of D.13-09-023.

In its comments, SCE also indicated that the NR program budget presented in Table 8 of UAFCB's draft report was incorrectly stated and should amount to a total of $104,114,726, which includes $42,850,366 for the Finance Revolving Loan program.

Rebuttal: UAFCB disagrees that SCE complied with Commission D.13-09-023 OP 16 and that UAFCB's recommendation is inconsistent with D.13-09-023.

In D.13-09-023, OP 16, its states that "The non-resource program of the incentive mechanism shall be calculated and paid as a management fee equal to 3% of non-resource program expenditures, not to exceed authorized expenditures."

UAFCB acknowledges that the Commission directives on page 81 of D.13-09-023, the Awards Cap in Resolution E-4700, and ED's email dated August 14, 2014, provide SCE its NR programs budget of $90.847 million. However, identifying and accounting for OBF loans as program expenditures is inaccurate because unlike other EE program expenditures, the OBF ratepayer funded loans are repayable to SCE by the program participants. Among the four IOUs, SCE is the only utility that interprets OBF loans as meeting the criteria established in D.13-09-023 for calculating the NR Management Fee Incentive award. The same issue came up during UAFCB's examination of PG&E's EE program expenditures for the 2012 program year. Initially, PG&E included its OBF revolving loan pool in the calculation of its incentive award but subsequently agreed with UAFCB's recommendation that they should be excluded. UAFCB's recommendation in this case is consistent with its recommendation in the PG&E's case.[3]

Recommendation: SCE has since filed AL 3240-E to claim the NR Program Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the NR Management Fee incentive award by $426,069 ($14,202,298*3%) when SCE's true-up AL is processed.

If SCE continues to disagree with the UAFCB on this matter, it should file a "Motion for Clarification" in D.13-09-023 for consideration by the Commission. ED should correct the inadvertent error it made by granting SCE an incentive award on the OBF loan pool as indicated above.

Observation 9: The criteria used by SCE for designating EE programs as Resource and Non-Resource were in compliance with Commission directives. SCE applied the definition contained in the Energy Efficiency Policy Manual, Version 5, dated July 2013, when determining whether an EE program is classified as Resource or Non-Resource.

Criteria: The Energy Efficiency Policy Manual, Version 5, dated July 2013, defines Non-Resource programs as "Energy efficiency programs that do not directly procure energy resources that can be counted, such as marketing, outreach and education, workforce education and training, and emerging technologies."

[3] Refer to the *Financial, Management, and Regulatory Compliance Examination Report of Pacific Gas and Electric Company's (PG&E) Energy Efficiency (EE) Programs For the Period January 1, 2011 through December 31, 2012*, Appendix A, Observation 2, pages A-2 and A-3.

Condition: SCE classified its EE programs as Non-Resource per the definition in the Commission's Energy Efficiency Policy Manual.

Recommendation: None.

A.5 EE Administrative Program Costs of SCE and Non-SCE

Observation 10: SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting its own reported EE Administrative costs for PYs 2013 and 2014. The $15,442,327 for PY 2013 and $15,826,099 for PY 2014 included in the 4th Quarter and Annual Reports for PYs 2013 and 2014, respectively, reconciled to SCE's accounting records.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: The totals of $15,442,327 for PY 2013 and $15,826,099 for PY 2014 of IOU EE Administrative costs included in the 4th Quarter and Annual Reports reconciled to recorded amounts in SCE's accounting records. The breakdown of $15,442,327 for PY 2013 and $15,826,099 for PY 2014 is as follows:

Cost Type	PY 2013	PY 2014	Total
IOU Administrative	$ 9,909,624	$ 9,923,000	$19,832,624
IOU Admin Supporting TP	3,420,673	3,517,504	6,938,177
IOU Admin Supporting LGP	2,112,030	2,385,595	4,497,625
Totals	**$15,442,327**	**$15,826,099**	**$31,268,426**

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

Recommendation: None.

Observation 11: Except for Observation 12 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported Non-SCE EE Administrative costs for PYs 2013 and 2014. The Non-SCE EE Administrative costs of $1,569,484 for PY 2013 and $4,893,556 for PY 2014 included in the 4th Quarter and Annual Reports for 2013 and 2014, respectively, reconciled SCE's accounting records.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: The totals of $1,569,484 for PY 2013 and $4,893,556 for PY 2014 of Non-IOU EE Administrative costs included in the 4th Quarter and Annual Reports reconciled to recorded amounts in SCE's accounting records. The breakdown of $1,569,484 for PY 2013 and $4,893,556 for PY 2014 is as follows:

Cost Type	PY 2013	PY 2014	Total
Third Party Administrative	$1,242,021	$2,310,439	$3,552,460
Local Government Partnership Admin.	327,463	2,583,117	2,910,580
Totals	$1,569,484	$4,893,556	$6,463,040

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

Recommendation: None.

Observation 12: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures, respecting its reported Third Party (TP) Non-SCE EE Administrative costs. SCE incorrectly recorded $81,762 in PY 2014 that should have been recorded in PY 2013.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: UAFCB's review and testing disclosed five invoices for $81,762 of TP Non-SCE EE Administrative costs for support services provided in 2013 but incorrectly reported and charged to PY 2014.

Cause: When internal controls are not adequately enforced in combination with lack of proper training and supervision of employees, recording and reporting errors can occur.

Effect: SCE over-reported its Non-SCE EE Administrative costs by $81,762.

SCE Comments: SCE disagrees with the UAFCB recommendation that it incorrectly recorded $81,792 in PY 2014 that should have been recorded in PY 2013. SCE asserts that all five invoices amounting to $81,762 fell below SCE's $50,000 year-end manual accrual threshold guidelines, and therefore, are in compliance with its own accrual policy and procedures and were not required to be accrued.

In addition, SCE asserts that the UAFCB recommendation should not impact its Resource Programs Savings Incentive award for PY 2014 since the incentive is calculated based on the energy and demand savings achieved by the programs and not the expenditures. Also, Administrative costs are not a factor in calculating any portion of the Energy Savings and Performance Incentive (ESPI).

Lastly, as noted in its comments to Observation 4, SCE contends that it has improved its year-end accrual procedures based on UAFCB's recommendations from the 2011-2012 examination of SCE's EE program. However, the revised year-end accrual procedures and accrual training was not completed until just prior to the end of year 2014.

Rebuttal: UAFCB agrees with SCE that administrative costs are exempted from the Resource Programs Savings Incentive Award calculation. However, if this is not the case, UAFCB's recommendation would not change because the aggregate adjustment amount exceeds the transaction threshold of $50,000.

Recommendation: SCE should adhere to its own accrual basis of accounting in recording and reporting EE expenditures and ensure that EE administrative costs are properly booked to allow for an accurate cost cap analysis at the end of the budget cycle or 2015.

A.6 EE Balancing Accounts

Observation 13: SCE demonstrated compliance with PU code §§ 381, 399.8 (b) 1 and other applicable Commission directives respecting the authorized EE balancing accounts. A review of SCE's approved Preliminary Statements for the Public Purpose Programs Adjustment Mechanism (PPPAM) and Procurement Energy Efficiency Balancing Account (PEEBA) and the internal controls in place for recording entries in the balancing accounts for PY 2014 disclosed no exceptions.

Criteria: Section 381 and 399.8 (b) 1 require that the utility establish a separate rate component to collect funds that must be spent to deliver EE benefits to ratepayers in the service territory. The funds are to be collected and recorded in approved balancing accounts.

Condition: SCE collected and recorded the authorized funding amounts in the EE balancing accounts in a manner to reflect the program authorized budgets and projected revenue requirement for PY 2014 in accordance with Commission approved Preliminary Statements and other Commission directives.

Recommendation: None.

Observation 14: SCE's internal policy and procedures for the billing and collecting of the Public the Purpose Program (PPP) revenues were adequately designed to meet the Commission's approved tariff requirements. SCE's policies and procedures in place to control and monitor its accounting practices for recording and reporting of PPP revenues to the applicable EE balancing accounts in accordance with the Commission's approved tariff requirements seemed adequate.

Criteria: The Commission approved AL 2836-E, which among other things, approved the PPP surcharge rates applicable to PY 2014 and authorized budgets for 2013/14 and EE programs.

Condition: UAFCB performed a limited review and testing of PPP revenues collected and recorded in the EE balancing accounts and found no material exceptions.

Recommendation: None.

A.7 Statewide Commercial Calculated (CC) Program

Observation 15: Except for Observation 16 below, SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported CCI Program costs. The $19,621,232 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: The $19,621,232 program expenditures reported in its December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records. The $19,621,232 breakdown is as follows:

Cost Category	Amount
Administrative	$ 321,409
Marketing	102,977
Direct Implementation	19,196,846
Total	**$19,621,232**

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

Recommendation: None.

Observation 16: SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $613,318 in PY 2014 the CC program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: UAFCB's review and testing disclosed an invoice of $464,908 and three other invoices amounting to $148,410 for services that should have been charged to PY 2013 but were incorrectly reported and charged to PY 2014.

Cause: When internal controls are not adequately enforced combined with lack of proper training and supervision of employees, recording and reporting errors can occur.

Effect: SCE over-reported its Commercial Calculated Program costs by $613,318.

SCE Comments: SCE partially agrees with UAFCB's recommendation that $56,479 of the $613,318 was incorrectly included in PY 2014 the CC program expenditures belonging to PY 2013. SCE asserts that two of the invoices totaling $91,931 ($49,043 and $42,888) should be excluded from UAFCB's recommendation since 1) the invoices pertaining to such charges were not provided to SCE until January 2014 and 2) the amounts fell below SCE's $50,000 year-end manual accrual threshold guidelines.

For the invoice totaling $464,908, SCE contends that the charge was recorded in its accounting records on January 6, 2014 but reversed and properly accrued in 2013 on December 30, 2013 and charged to PY 2013.

In addition, SCE asserts that the UAFCB recommendation should not impact its Resource Programs Savings Incentive award for PY 2014 since the incentive is calculated based on the energy and demand savings achieved by the programs and not the expenditures. Furthermore, SCE asserts that while these costs do impact the Ex-Ante Review (EAR) Incentive, any issues associated with the recording of PY 2013 costs in PY 2014 would be impacted only by the difference in the multiplier for the two years. If the EAR Incentive for PY 2014 is reduced to reflect removal of PY 2013 costs, then SCE should be allowed to revise its PY 2013 incentive award to reflect the addition of the corresponding amount, since UAFCB did not find the costs unreasonable. To do otherwise, would penalize SCE solely based on the timing of the recording of the appropriately incurred costs.

Lastly, as noted in its comments to Observation 4, SCE has improved its year-end accrual procedures based on UAFCB's recommendations from the 2011-2012 examination of SCE's EE program. However, the revised year-end accrual procedures and accrual training was not completed until just prior to the end of year 2014.

Rebuttal: Upon further review of SCE's accounting records and supporting documentation provided by SCE, the UAFCB has determined that the 2013 invoice totaling $464,908 was reversed from PY 2014 expenditures and appropriately charged to PY 2013 on December 30, 2013.

However, the UAFCB disagrees with SCE that the two invoices totaling $91,931 ($49,043 and $42,888) should be excluded from UAFCB's recommendation. The UAFCB acknowledges that SCE has an established accrual policy of $50,000 which it applied to the accounting and recording of EE expenditures during the program year. However, UAFCB takes issue with the application of the accrual threshold applied strictly on transaction by transaction basis without any consideration of the number of transactions and the cumulative amount of such transactions relative to the total program budget and expenditures.

UAFCB believes that the $148,410 recommended adjustment recognizes the impact of the untimely accrued transactions, taking in aggregate, instead of strictly based on transaction by transaction.

Also, incentive awards are determined annually to prevent retroactive adjustment of prior awards and expenses to avoid a violation of the principle of "retroactive ratemaking."

Recommendation: Energy Division should exclude $148,410 from the reported 2014 CC Program total expenditures before calculating SCE's PY 2014 Resource Program Savings Incentive award.

Observation 17: SCE's internal policy and procedures to implement its Commercial Calculated Program and subprogram Savings By Design were adequately designed to meet Commission directives. SCE was in compliance with the internal Customized Solutions Offering Manual, Version 2.0, and other related internal policy and procedure manuals for implementing the Commercial Calculated Incentive Program and subprogram Savings.

Criteria: SCE's internal Customized Solutions Offering Manual, Version 2.0, and the other related internal policy and procedure manuals specify policies and procedures for implementing SCE's Commercial Calculated Incentive Program and Savings By Design subprogram.

Condition: SCE's internal policies and procedural manuals for the Commercial Calculated Incentive Program and subprogram Savings By Design were reasonably designed and adequate for implementing the programs in accordance with Commission directives.

Recommendation: None.

A.8 Statewide Industrial Calculated Energy Efficiency (ICEE) Program

Observation 18: SCE demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported ICEE Program costs. The $3,493,384 reported in the December 2014 year-to-date Monthly EEStats report reconciled SCE's accounting records.

Criteria: Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: The $3,493,384 program expenditures reported in its December 2014 year-to-date Monthly EEStats report reconciled to SCE's accounting records. The breakdown of $3,493,384 is as follows:

Cost Category	Amount
Administrative	$ 94,148
Marketing	61,242
Direct Implementation	3,337,994
Total	**$3,493,384**

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

Recommendation: None.

Observation 19: SCE demonstrated compliance with GO 28 and the FERC USOA respecting the ICEE program costs. Of the $969,347 ICEE program costs verified by the UAFCB, it found that SCE adequately preserved the records, memoranda, and documents to support the expenses.

Criteria: The FERC USOA and GO 28 require that the utilities preserve all records, memoranda, and papers supporting each and every entry so that this Commission may readily examine the same at its convenience.

Condition: UAFCB did not find any material exceptions during the examination of ICEE program expenditures selected for verification. The documentation reviewed and examined adequately supported the amounts recorded and paid by SCE.

Recommendation: None.

Observation 20: SCE's internal policy and procedures to implement its Industrial ICEE Program were adequately designed to meet Commission directives. SCE was in compliance with its internal Customized Solutions Offering Manual, Version 2.0, and other related internal policy and procedure manuals for implementing the ICEE Program.

Criteria: SCE's internal Customized Solutions Offering Manual, Version 2.0, and the other related internal policy and procedure manuals specify policies and procedures for implementing SCE's ICEE Program.

Condition: SCE's internal policies and procedural manuals for the ICEE program were reasonably adequate for implementing the program in accordance with Commission directives.

Recommendation: None.

A.9 Fund Shifting

Observation 21: SCE demonstrated compliance with PU code §§ 581, 582, and 584, the EE Policy Manual, and its internal policy and procedures respecting the fund shifting activities in PY 2014. SCE's EE program fund shifting activities in PY 2014 did not exceed the annual thresholds specified in Appendix C of the EE Policy Manual. Therefore, SCE was not required to file ALs with the Commission about fund shifting. SCE was in compliance with the Commission's fund shifting requirements in 2014.

Criteria: Sections 581, 582, and 584 required that the utility provide complete and accurate data to the Commission. Appendix C of the EE Policy Manual specifies the Commission's adopted fund shifting rules.

Condition: SCE complied with the fund shifting rules concerning EE program categories and annual thresholds specified in the EE Policy Manual. Therefore, SCE was not required to file ALs with the Commission about its fund shifting activities.

Recommendation: None.

A.10 Follow-up on Prior UAFCB's Examination Observations and Recommendations and SCE's Internal Audit Recommendations

Observation 22: SCE addressed and implemented UAFCB's audit recommendations specified in UAFCB's Audit Memo Reports for the 2011-2012 and 2013 EE Program examinations.

Criteria: Pursuant to UAFCB's examination report, SCE was required, among other things, to:[4]

1) Strengthen its policies and procedures to ensure compliance with Commission directives.

2) Strengthen its internal controls for recording and reporting its EE programs to prevent future misreporting and misclassifications of its EE costs.

Condition: SCE was able to address all of UAFCB's recommendations identified in its prior examination reports on PY's 2011-2012 and 2013.

Recommendation: None.

Observation 23: SCE's Audit Services Department (ASD) performed four audits in 2015 based on UAFCB's prior examination recommendations. SCE's ASD performed a review of the EE SAP labor accounting process, EE fund shifting process, EE balancing account expenditure process, and On-Bill Financing (OBF) program procedures in 2015.

Criteria: In the *Financial, Management, Regulatory, and Compliance Report on Southern California Edison Company's (SCE's) Energy Efficiency (EE) Program For the Period January 1, 2011 through December 31, 2012*, issued on August 26, 2014, the UAFCB made a number of examination recommendations including, but not limited to, the following:

- Observation 1: SCE should improve its labor cost process for recording labor charges to EE programs or implement other accounting methods that would allow the UAFCB to effectively verify each amount listed as a labor cost.

- Observation 12: SCE should strengthen its OBF policies and procedures to eliminate billing errors.

- Observation 14: SCE should strengthen its Fund Shifting policies and procedures to ensure compliance with Commission directives.

- Observation 19: SCE should strengthen its policies and procedures to eliminate or substantially reduce the level of errors included in its reports to the Commission.

Condition: In its July 7, 2014 comments to UAFCB's draft report entitled *Financial, Management, Regulatory, and Compliance Report on Southern California Edison*

[4] *Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's (SCE's) Energy Efficiency (EE) Program For the Period January 1, 2011 through December 31, 2012*, issued August 26, 2014.

Company's (SCE's) Energy Efficiency (EE) Program For the Period January 1, 2011 through December 31, 2012, SCE indicated that it will provide the Commission with comprehensive responses to each of the recommendations and findings that are included in the final report and offer appropriate corrective actions, where appropriate.

Cause: Prior examination observations and/or findings led to the actions taken by SCE's Audit Services Department to address internal control deficiencies.

Effect: Despite the magnitude and the number of discrepancies identified in UAFCB's prior examination report on program years 2011-2012, SCE' Audit Services Department was able to complete four internal audits that addressed prior UAFCB recommendations..

Recommendation: There are no outstanding issues raised by ASD that SCE has not addressed and corrected.

UAFCB appreciates SCE's efforts in strengthening its internal controls based on prior UAFCB's examination recommendations and recommends that SCE continue to monitor and improve its internal controls in order to prevent any future deficiencies.

Appendix B
Program Compendium

B.1 Introduction

On November 8, 2012, the California Public Utilities Commission (Commission) issued Decision (D.) 12-11-015 which, among other things, authorized Southern California Edison Company (SCE) a total budget of $694.2 million in ratepayer funds to administer and implement its Energy Efficiency (EE) programs for the years 2013-2014. This represents about 37% of the total $1.9 billion EE program budget for all Investor-Owned Utilities (IOUs) for the 2013 - 2014 EE budget cycle. In addition, this decision also approved programs and budgets for two regional energy networks (RENs) and one community choice aggregator (CCA).D.12-11-015 sets energy savings goals, established cost-effectiveness requirements, and required the IOUs to allocate unspent funds from previous program cycles towards their 2013-2014 budgets.

On October 16, 2014, the Commission issued D.14-10-046 which, among other things, extended the 2013-2014 EE program cycle for an additional year to 2013-2015. The decision authorized SCE a total budget of $332.8 million, including $12.8 million in EM&V, in ratepayer funds to administer and implement the EE program for PY 2015. This represents about 35% of the approximate total $962 million in EE program budget for all four IOUs for the same period.

B.2 EE Funding Components

Of the $694.2 million authorized portfolio budget for program cycle 2013-2014, $665.5 million of the funds is to administer and implement SCE's EE programs and the remaining $28.7 million is dedicated to fund the Evaluation, Measurement and Verification (EM&V) portion of the program portfolio. Excluding the EM&V budget, SCE spent a combined $499.6 million in 2013 and 2014 program years (PY), $165.9 million, less than its total authorized budget for the same periods. A summary detailing SCE's ratepayer funded total authorized EE portfolio budget against actual expenditures for the years 2013 and 2014 by major program area is provided in Table B-1 below.

Table B-1
Summary of Ratepayer Funded EE Programs
For the Period Ending: January 1, 2013 – December 31, 2014

Program Area	Authorized Budget	Actual Expenditures			%
		2013	2014	Total	
Resource Programs	$435,607,557	$148,197,318	$212,596,979	$360,794,297	
Other Resource Programs	153,303,812	29,250,780	58,101,811	87,352,591	
Non-Resource Programs	40,885,431	11,656,926	18,351,477	30,008,403	
Regional Energy Networks	35,748,167	157,677	21,323,100	21,480,777	
Total All Programs	**$665,544,967**	**$189,262,701**	**$310,373,367**	**$499,636,068**	**75.1%**
EM&V	28,664,374	3,492,327	5,058,374	8,550,701	
Grand Total	**$694,209,341**	**$192,755,028**	**$315,431,741**	**$508,186,769**	**73.2%**

UAFCB describes the background information of the areas it examined from sections B-3 to B-10. Section B-11 contains prior examination report follow-up responses, including SCE internal audit findings related to the EE programs during the examination period.

B.3 Reconciliation of Total EE Portfolio Costs to Reported Amounts

SCE uses the System Application and Products (SAP) Enterprise Resource Planning (ERP) Solutions software to manage its database and uses a unique internal ordering system to allocate and capture energy efficiency (EE) program expenditures for specific EE programs. Costs applicable solely to a specific EE program are directly charged to that EE program. Other costs applicable to EE programs including overhead costs are allocated among EE programs using the internal ordering system.

SCE reported all EE portfolio expenses in Table 3 of the Annual Report. The Annual Report includes all EE portfolio costs by three cost categories – Administrative, Marketing/Advertising/Outreach, and Direct Implementation. A summary of EE portfolio expenditures, excluding EM&V, by cost category and the proportion to total expenses for PYs 2013 and 2014 is presented in Table B-2 below.

Table B-2
Summary of EE Portfolio Expenditures – 2013 and 2014
(Excluding EM&V)

Cost Category	2013	2014	Total	%
Administrative	$ 17,011,811	$ 20,719,654	$ 37,731,465	8%
Marketing/Advertising/Outreach	6,827,061	10,006,633	16,833,694	3%
Direct Implementation	165,423,829	279,647,080	445,070,909	89%
Total	**$189,262,701**	**$310,373,367**	**$499,636,068**	**100%**

B.4 Codes and Standards Programs

The Statewide Codes and Standards (C&S) Program saves energy by: 1) Influencing standards and code-setting bodies (such as the California Energy Commission) to strengthen energy efficiency regulations, 2) Improving compliance with existing codes and standards, 3) Assisting local governments to develop ordinances that exceed statewide minimum requirements, and 4) Coordinating with other programs and entities to support the state's ambitious policy goals.[1]

The primary mission of the C&S programs is on advocacy and compliance improvement activities that extend to virtually all buildings and potentially any appliance in California. These C&S activities mainly focus on California Title 20 and Title 24, Section 5 enhancements. The C&S program requires advocacy activities to improve building and appliance efficiency regulations. The principal audience is the California Energy Commission (CEC) which conducts periodic rulemakings, usually on a three-year cycle (for building regulations), to update building and appliance energy efficiency regulations. The C&S program also seeks to influence the United States Department of Energy (DOE) in setting national energy policy that impacts California.

[1] Fact Sheet, "Statewide Codes and Standards Program (2013-2014)," March 2013, p. 1, Codes and Standards Support at http://www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/

At SCE, the C&S program consists of five subprograms: 1) Building Codes and Compliance Advocacy, 2) Appliance Standards Advocacy, 3) Compliance Improvement, 4) Reach Codes, and 5) Planning and Coordination.

The total C&S program budget for the 2013-2014 EE program cycle is $11.76 million approved by the Commission's Energy Division on September 5, 2013 in Compliance Filing Advice Letter 2836-E. A summary of the approved C&S program budget for the 2013-2014 EE program cycle by subprogram and the proportion to total budget is provided in the table that follows.

Table B-3
SCE 2013-2014 C&S Program Budget

C&S Program Name	2013-2014 Approved Budget	% to Total C&S Budget
Building Codes and Compliance Advocacy	$ 3,421,521	29%
Appliance Standards Advocacy	3,421,521	29%
Compliance Improvement	1,603,839	14%
Reach Codes	1,069,224	9%
Planning and Coordination	2,245,373	19%
Total 2013-2014 C&S Budget	**$11,761,478**	**100%**

SCE spent a total of $6,849,951, or approximately 58% of its approved C&S program budget for the 2013-2014 EE program cycle. A detailed summary of C&S program charges by subprogram and the proportion to total expenses for PY's 2013 and 2014 is provided in the table below.

Table B-4
SCE 2013-2014 C&S Program Expenditures

Program Name	PY 2013	PY 2014	Total	%
Building Codes and Compliance Advocacy	$ 1,195,041	$ 1,456,120	$ 2,651,161	39%
Appliance Standards Advocacy	623,337	916,563	1,539,900	22%
Compliance Improvement	1,106,175	706,580	1,812,755	26%
Reach Codes	120,128	210,652	330,780	5%
Planning and Coordination	228,781	286,574	515,355	8%
Total 2013-2014 C&S Expenditures	**$3,273,462**	**$3,576,489**	**$6,849,951**	**100%**

A detailed summary of C&S program charges by subprogram, cost category and the proportion to total expenses for both PYs 2013 and 2014 is provided in the tables below.

Table B-5
SCE C&S Program Expenditures - 2013

Program Name	Admin.	Mktg.	DI	Total	%
Building Codes and Compliance Advocacy	$121,351		$1,073,690	$1,195,041	37%
Appliance Standards Advocacy	129,893		493,444	623,337	19%
Compliance Improvement	76,171		1,030,004	1,106,175	34%
Reach Codes	63,796		56,332	120,128	4%
Planning and Coordination	101,875	2,270	124,637	228,781	7%
Total	**$493,086**	**$2,270**	**$2,778,107**	**$3,273,462**	**100%**

Table B-6
SCE C&S Program Expenditures - 2014

Program Name	Admin.	Mktg.	DI	Total	%
Building Codes and Compliance Advocacy	$114,999	$ 0	$1,341,121	$1,456,120	40%
Appliance Standards Advocacy	115,353		801,210	916,563	26%
Compliance Improvement	65,792		640,788	706,580	20%
Reach Codes	52,251		158,401	210,652	6%
Planning and Coordination	89,742	23	196,809	286,574	8%
Total	**$438,137**	**$23**	**$3,138,329**	**$3,576,489**	**100%**

Pursuant to D.13-09-023, OP 4, SCE filed Advice Letter (AL) 3240-E on June 30, 2015 for requesting its C&S Management Fee incentive award for PY 2014 in the form of a management fee equal to 12% of approved C&S program expenditures, not to exceed authorized expenditures, and excluding administrative costs. SCE requested $374,178. A summary detailing SCE's calculation of the amount is provided in the table below.

Table B-7
C&S Management Fee Calculation - 2014

Description	Amount
Total C&S Program Expenditures	$3,576,489
Less: C&S Administrative Costs	438,137
Subtotal	$3,138,352
Multiplied by 12%	12%
C&S Management Fee – PY2014	$ 376,602
Adjustment – PY 2013[2]	2,424
Total C&S Management Fee – PY 2014	**$ 374,178**

B.5 Non-Resource (NR) Programs

Non-Resource (NR) programs represent energy efficiency (EE) activities that do not focus on displacement of supply-side resources at the time they are implemented, but may lead to displacement over a longer-term, or may enhance program participation overall. Non-Resource programs in themselves do not provide direct energy savings and only have costs, making them not cost-effective on their own.[3]

To date, there are no specific criteria for determining whether a particular EE program is classified as Resource or Non-Resource EE program for each IOU. SCE classified its EE programs as NR based on the definition contained in the Energy Efficiency Policy Manual, Version 5, dated July 2013. This defines Non-Resource Program as "Energy efficiency programs that do not directly procure energy resources that can be counted, such as marketing, outreach and education, workforce education and training, and emerging technologies."

[2] Per Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's (SCE) Energy Efficiency (EE) Program For the Period January 1 through December 31, 2013, Observation 4, page 2, SCE reported and paid an incorrect amount to a vendor from April through November 2013 by using incorrect labor rate. SCE has therefore reduced its earnings claim by $2,424 in accordance with the Recommendation for Observation 4.
[3] D.13-19-023, Findings of Fact 10, p. 88

SCE's total NR program budget for the 2013-2014 EE program cycle is $104.1 million. A summary of the budget by subprogram and the proportion to total budget is provided in the table below.

Table B-8
SCE 2013-2014 Non-Resource Program Budget

Non-Resource Program Name	2013-2014 Budget	% to Total Non-Resource Budget
Commercial Energy Advisor Program	$ 7,064,954	7%
Commercial Continuous Energy Improvement	2,609,300	3%
Industrial Energy Advisor	3,671003	4%
Industrial Continuous Energy Improvement	1,538,537	1%
Agriculture Continuous Energy Improvement	371,357	0%
Lighting Market Transformation	670,228	1%
Integrated Demand Side Management	1,355,000	1%
Technology Development Support	3.684,510	4%
Technology Assessments	8,284,797	8%
Technology Introduction Support	9,216,123	9%
WE&T Centergies	11,100,000	11%
WE&T Planning	190,000	0%
IDSM Pilot for Food Processing	355,000	0%
Energy Leader Partnership Strategic Support	957,085	1%
Local Government Strategic Planning Pilot	7,528,395	7%
Cool Planet	463,834	0%
Sustainable Communities	2,204,237	2%
Finance Revolving Loan	42,850,366	41%
Total 2013-2014 Non-Resource Budget	**$104,114,726**	**100%**

In PYs 2013 and 2014, SCE spent $37.58 million or 36.1% of its $104.1 million budget on 18 NR subprograms as indicated above. A detailed summary of NR charges by subprogram and the proportion to total expenses for PYs 2013 and 2014 is provided in the next table.

Table B-9
SCE 2013-2014 Non-Resource Program Expenditures

Program Name	PY 2013	PY 2014	Total	%
Commercial Energy Advisor Program	$ 1,812,133	$ 1,327,892	$ 3,140,025	8%
Commercial Continuous Energy Improv.	862,392	1,059,072	1,921,464	5%
Industrial Energy Advisor Program	595,200	(8,655)	586,545	1%
Industrial Continuous Energy Improv.	149,850	711,894	861,744	2%
Agriculture Continuous Energy Improv.	20,197	62,401	82,598	0%
Lighting Market Transformation	148,600	209,790	358,390	1%
IDSM	261,490	339,143	600,633	2%
Technology Development Support	1,626,591	2,751,116	4,377,707	12%
Technology Assessments	1,028,955	3,022,671	4,051,626	11%
Technology Introduction Support	774,290	2,503,010	3,277,300	9%
WE&T Centergies	4,836,911	6,075,288	10,912,199	29%
WE&T Planning	28,226	228,033	256,259	1%
IDSM – Pilot for Food Processing	211,236	30,315	241,551	1%
Energy Leader Strategic Support	467,021	388,202	855,223	2%
Local Gov't Strategic Planning	1,088,640	3,051,134	4,139,774	11%
Cool Planet	195,342	198,125	393,467	1%
Sustainable Communities	527,241	993,260	1,520,501	4%
Total 2013-2014 NR Expenditures	**$14,634,315**	**$22,942,691**	**$37,577,007**	**100%**

A detailed summary of NR charges by subprogram, cost category, and the proportion to total expenses for both PYs 2013 and 2014 is provided in the tables below.

Table B-10
SCE Non-Resource Program Expenditures - 2013

Program Name	Admin.	Mktg.	DI	Total
Commercial Energy Advisor Program	$ 162,154	$61,134	$ 1,588,845	$ 1,812,133
Industrial Energy Advisor Program	66,811	120	528,270	595,200
Industrial Continuous Energy Improv.	32,783	39	117,028	149,850
Agriculture Continuous Energy Improv.		355	19,841	20,197
IDSM – CEES	51,991		209,499	261,490
Technology Development Support	219,254	3	1,407,334	1,626,591
Technology Assessments	201,683		827,272	1,028,955
Technology Introduction Support	247,439	150	526,701	774,290
WE&T Centergies	445,286	109,955	4,281,669	4,836,911
WE&T Planning – CEES	7,067		21,158	28,226
IDSM – Pilot for Food Processing	91,514	117,912	1,810	211,236
Energy Leader Strategic Support	62,957	14,533	389,530	467,021
Local Gov't Strategic Planning	670,701	4,820	413,119	1,088,640
Cool Planet	74,918	47,764	72,659	195,342
Sustainable Communities	159,085	55,343	312,813	527,241
Commercial Cont. Energy Improv.	55,479	1,025	805,887	862,392
Lighting Market Transformation	37,665	-	110,935	148,600
Total Non-Resource Programs	**$2,586,787**	**$413,153**	**$11,634,370**	**$14,634,315**

Table B-11
SCE Non-Resource Program Expenditures - 2014

Program Name	Admin.	Mktg.	DI	Total
Commercial Energy Advisor Program	$ 155,294	$ 76,267	$ 1,096,331	$ 1,327,892
Industrial Energy Advisor Program	59,889	-	(68,544)	(8,655)
Industrial Continuous Energy Improv.	22,366		689,525	711,894
Agriculture Continuous Energy Improv.	-	-	62,401	62,401
IDSM – CEES	59,965	-	279,178	339,143
Technology Development Support	187,519	1,330	2,562,269	2,751,117
Technology Assessments	220,089	-	2,802,581	3,022,670
Technology Introduction Support	351,078	39	2,151,894	2,503,011
WE&T Centergies	365,178	29,665	5,680,444	6,075,287
WE&T Planning – CEES	37,112	-	190,923	228,035
IDSM – Pilot for Food Processing	26,016	-	4,300	30,316
Energy Leader Strategic Support	97,230	32,806	258,167	388,203
Local Gov't Strategic Planning	1,063,835	25,044	1,962,254	3,051,133
Cool Planet	73,845	45,943	78,337	198,125
Sustainable Communities	146,576	31,475	815,209	993,260
Commercial Cont. Energy Improv.	72,077	2,805	984,190	1,059,072
Lighting Market Transformation	33,434	-	176,355	209,789
Total Non-Resource Programs	**$2,971,503**	**$245,374**	**$19,725,814**	**$22,942,691**

Pursuant to D.13-09-023, OP 4, SCE filed Advice Letter (AL) 3240-E on June 30, 2015 requesting its NR Programs Management Fee incentive award for PY 2014 equal to 3% of approved NR program expenditures, not to exceed authorized expenditures, and excluding administrative costs. SCE requested $1,025,205. A summary detailing SCE's calculation of its Non-Resource Management Fee is provided in the table below.

Table B-12
Non-Resource Management Fee Calculation - 2014

Description	Amount
Total Non-Resource Program Expenditures[4]	$37,144,993
Less: Non-Resource Program Administrative Costs	2,971,502
Subtotal	$34,173,491
Multiplied by 3%	3%
Non-Resource Management Fee – PY2013	**$ 1,025,205**

B.6 EE Administrative Program Costs of SCE and Non-SCE

SCE classifies EE Administrative costs into three cost categories: (1) program costs that are expenses related to EE program activities internally handled by SCE, (2) vendor costs that are non-IOU EE program activities from strategic partners, and (3) allocated costs indirectly incurred by SCE's internal units that provided support services to EE programs.

[4] In AL 3240-E, SCE included the OBF revolving loan amount $14,202,298 in its calculation of the Non-Resource Programs Management Fee calculation in PY 2014.

SCE uses two methods to allocate indirect costs to EE programs – (1) Distribution Cost Center (DCC) method and the Internal Market Mechanism (IMM) method. The DCC method allocates costs incurred by EE programs that cannot be directly assigned to each program. They are assigned by the internal orders (IOs) used for the EE cost categories – Administrative, Marketing/Outreach, and Direct Implementation to track them by program and subprogram. IMM allocates competitively procured services by internal providers and includes services such as telephone moves, telephone toll, long distance calls, device repairs, and cell phone services. They are also assigned IOs used for the EE cost categories or tracking purposes.

Pursuant to D.09-09-047, Ordering Paragraph (OP) 13, the Commission limited the utilities' administrative costs for managing the EE programs to 10% of total EE budget. Specifically, D.09-09-047, OP 13 states that *"Administrative costs for utility energy efficiency programs (excluding third party and/or local government partnership budgets) are limited to 10% of total energy efficiency budgets..."* And according to D.09-09-047, p 63, *the Commission directs the utilities to seek to achieve a 10% administrative cost target for third party and local government partnership direct costs (i.e., separate from utility costs to administer these programs).*

At this time, UAFCB did not determine whether SCE complied with the 10% administrative cost cap and target for PYs 2013-2014 due to D.14-10-046, dated October 16, 2014. In D.14-10-046, Finding of Fact (FOF) 29, page 152, the Commission stated that program year 2015 will be treated as a third year, changing program cycle 2013-14 to 2013-2015 cycle. Furthermore, in D.14-10-046, Ordering Paragraph (OP) 21, page 167, the Commission ordered that the existing EE program funding shall be extended annually through 2015 at the levels approved in this decision.

For PYs 2013 and 2014, SCE spent a cumulative total of $37.7 million in EE Administrative expenses for its IOU, TP and Local Government programs. A summary detailing SCE's IOU, TP, and LGP administrative costs for PY's 2013-2014 along with amounts and percentages spent relative to total administrative costs is provided in the table below.

Table B-13
SCE EE Administrative Cost Expenditures
Examination Period: January 1, 2013 - December 31, 2014
(Excluding EM&V)

Admin. Cost Type	2013	2014	Total	%
SCG Admin. Exp.	$15,442,327	$15,826,099	$31,268,426	83%
TP Admin. Exp.	1,242,021	2,310,438	3,552,459	9%
Local Admin. Exp.	327,463	2,583,117	2,910,580	8%
Totals	**$17,011,811**	**$20,719,654**	**$37,731,465**	**100%**

A detailed summary of IOU Administrative costs for PYs 2013 and 2014 by cost type and the proportion to their total expenses is provided in tables B-9 and B-10 below.

Table B-9
IOU Admin Expenses – Program Year 2013

Cost Category	Amount	%
IOU Admin	$ 9,909,624	64%
IOU Admin Supporting TP	3,420,673	22%
IOU Admin Supporting LGP	2,112,030	14%
Total 2013 IOU Admin Expenditures	$15,442,327	100%

Table B-10
IOU Admin Expenses – Program Year 2014

Cost Category	Amount	%
IOU Admin	$ 9,923,000	63%
IOU Admin Supporting TP	3,517,504	22%
IOU Admin Supporting LGP	2,385,595	15%
Total 2014 IOU Admin Expenditures	$15,826,099	100%

A detailed summary of Non-IOU Administrative costs for PYs 2013 and 2014 by cost type and the proportion to their total expense is provided in the tables B-11 and B-12 below.

Table B-11
Non-IOU Admin Expenses – Program Year 2013

Cost Category	Amount	%
Third Party Admin	$1,242,021	79%
Local Government Partnership Admin	327,463	21%
Total 2013 Non-IOU Admin Expenditures	$1,569,484	100%

Table B-12
Non-IOU Admin Expenses – Program Year 2014

Cost Category	Amount	%
Third Party Admin	$2,310,439	47%
Local Government Partnership Admin	2,583,117	53%
Total 2014 Non-IOU Admin Expenditures	$4,893,556	100%

B.7 EE Balancing Accounts

SCE administers various regulated Public Purpose Programs (PPP including the EE programs. As a regulated entity, SCE collects rates from customers to recover revenue requirements authorized by the Commission based on SCE's costs of service. The Commission uses regulatory accounts such as balancing accounts to monitor money collected through authorized rates from customers and the amount spent from the revenues collected is also booked in the account to measure whether there is over/under collection. In 2014, SCE uses the Procurement Energy Efficiency Balancing Account (PEEBA) and the Public Purpose Programs Adjustment Mechanism (PPPAM) to (1) track the differences between the authorized revenue requirement and actual revenues billed to customer, and (2) track the differences between actual costs incurred against revenues collected from billed customers.

SCE uses an Enterprise Resource Planning (ERP) application to identify and capture EE revenues collected through the PPP surcharge included on bills to customers. Customers are billed based on the Commission authorized Public Purpose Programs Charge (PPPC) rate applied to customer usage. At month-end, SCE prepares monthly journal entries to record the revenues received from customers through the PPPC rate to the PPPAM at an aggregate level since SCE does not have individual rate components for each PPP program. Revenues of each PPP include a total of PPP billed revenues, unbilled revenues, less a provision for Franchise Fees and Uncollectible (FF&U) expenses. Unbilled revenues are estimated and accrued monthly and then reversed in the following month. They are associated with electric customer usage that has not been billed. In addition, SCE calculates interests for each EE balancing account at a rate equal to one-twelve the interest rate on three-month Commercial Paper for the previous month. At the end of the program cycle, any over-collections in EE balancing accounts will either be refunded to customers or used to offset future program cycle PPP funding requirements.

A summary showing SCE's ending balances for its electric EE balancing accounts for program year 2014 is provided in the table below.

Table B-13
SCE's EE Balancing Accounts
For the period ending December 31, 2014

Description	Amount
Procurement Energy Efficiency Balancing Account (PEEBA)	($229,447,000)
Public Purpose Programs Adjustment Mechanism (PPPAM)	$131,634,000

B.8 Statewide Commercial Calculated Program

The Commercial Calculated Program (CCP) provides financial incentives for customized retrofit and retro-commissioning commercial EE projects based on energy savings and permanent peak demand reduction above and beyond baseline energy performance. The Commercial Calculated Program also offers comprehensive technical and design assistance on commercial EE projects.

SCE considers the Savings By Design (SBD) Program as part of the Commercial Calculated Program but is reported as a separate subprogram in accordance with instructions provided by the Commission's Energy Division. The SBD program promotes integrated design by offering owner incentives, design team incentives, and design assistance to participants who design spaces that perform at least 10% better than Title 24 requirements.

SCE incurred $19.62 million during PY 2014 on the Commercial Calculated program. Of this amount, $6.91 million or 35% was related to the implementation of SBD program. A summary of Commercial Calculated Program expenditures by sub-program, cost category and the proportion to total expenses is provided in the table below.

Table B-13
Summary of SCE Commercial Calculated Program Expenses – 2014

Cost Category	CCP	SBD	Total	%
Administrative	$ 190,461	$ 130,948	$ 321,409	2%
Marketing/Advert./Outreach	83,923	19,054	102,977	1%
Direct Implementation	12,438,488	6,758,358	19,196,846	98%
Total	**$12,712,872**	**$6,908,360**	**$19,621,232**	**100%**

B.9 Statewide Industrial Calculated Energy Efficiency Program

The Industrial Calculated Energy Efficiency Program provides financial incentives for customized retrofit and retro-commissioning industrial EE projects based on energy savings and permanent peak demand reduction above and beyond baseline energy performance. The financial incentives for the installation of high-efficiency equipment, systems or technologies are paid based on a project-by-project basis and limited to 50% of the total project cost, including labor, material, and equipment.

SCE incurred $3.49 million during PY 2014 on the Industrial Calculated Energy Efficiency program. Of this amount, $3.34 million or 95% was recorded to the Direct Implementation cost category. A detailed summary of Industrial Calculated Energy Efficiency Program expenditures by cost category and the proportion to total expenses for PY 2014 is provided in the table below.

Table B-14
Summary of SCE Industrial Calculated EE Program Expenses – 2014

Cost Category	Amount	%
Administrative	$ 94,148	3%
Marketing/Advert./Outreach	61,242	2%
Direct Implementation	3,337,994	95%
Total	**$3,493,384**	**100%**

B.10 Fund Shifting

Pursuant to Decision (D.) 12-11-015, Opinion Paragraph (OP) 10, the existing fund shifting rules[5] are to be applied to the following categories of programs for the IOUs:[6]

a. Statewide residential
b. Statewide commercial
c. Statewide agricultural
d. Statewide industrial
e. Statewide lighting
f. Statewide codes and standards
g. Statewide emerging technologies
h. Statewide workforce, education, and training
i. Statewide marketing, education, and outreach

[5] This is made in reference to fund shifting rules in D.09-09-047, OP 43(b) and Ruling (R.) 09-11-014, "Assigned Commissioner's Ruling Clarifying Fund Shifting Rules and Reporting Requirements," dated December 22, 2011.
[6] D.12-11-015, OP 20, pp. 135-136

j. Statewide integrated demand-side management
k. Statewide financing
l. Third party programs (competitively bid)
m. Local government partnerships
n. Other

Generally, fund shifts among the fourteen program categories exceeding 15% require a filing of an AL with the Commission. However, there are a few exceptions in that filing of an AL is required when fund shifts would reduce the following statewide programs by more than 1% of their respective budget levels:

1) Codes & Standards (C&S) program;
2) Emerging Technology (ET) program; and
3) Marketing Education & Outreach (ME&O) program

SCE executed a total of 78 fund shifts totaling $55,955,510 that included shifts among program categories and within the same program categories.

B.11 Follow-up on Prior UAFCB's Examination Observations and Recommendations SCE's Internal Audit Recommendations

UAFCB performed a follow-up examination on each observation and recommendation included in its prior reports entitled, *Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's (SCE's) Energy Efficiency (EE) Program for the Period January 1, 2011 through December 31, 2012*, issued on August 26, 2014, and *Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's (SCE's) Energy Efficiency (EE) Program for the Period January 1, 2013 through December 31, 2013*, issued on June 30, 2015.[7]

In response to the UAFCB's examination report for the period January 1, 2011 through December 31, 2012, SCE developed a Revised Internal Controls Plan detailing its plan for implementing the recommendations to strengthen its internal controls for recording and reporting its EE program costs and improving its overall administration and operation of the EE programs. SCE provided its initial Revised Internal Controls Plan to the UAFCB on November 24, 2014, and then subsequently provided quarterly updates on January 30, 2015, April 30, 2015 and July 30, 2015. SCE indicated that it will continue to submit quarterly updates to the UAFCB until all corrective actions are complete.

UAFCB reviewed SCE's Revised Internal Controls Plan and supporting documentation provided on November 24, 2014, January 30, 2015, April 30, 2015, and July 30, 2015 and found that SCE was able to adequately address all of the recommendations identified in the UAFCB's prior examination reports. UAFCB observations and recommendations pending corrective action from its prior examination report on PY 2013 that was resolved during this examination are the following:

[7] Refer to Southern California Edison Company's 2013 Energy Efficiency Program Report that is available in its entirety at the following link: http://www.cpuc.ca.gov/General.aspx?id=1414

- **Observation 1: SCE did not demonstrate compliance with Public Utility (PU) code §§ 314(a), 581 and 584, General Order (GO) 28, and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA).** SCE did not produce adequate source documentation to support the sampled labor costs.

  Recommendation: SCE should improve its labor cost process for recording labor charges to EE programs or implement other accounting methods that would allow the UAFCB to effectively verify each amount listed as a labor costs.

  SCE Revised Internal Controls Plan: SCE disagrees with UAFCB's conclusion and has not implemented any changes based on UAFCB's recommendation.

  UAFCB Follow-Up Response: SCE's Audit Services Department performed a review of SCE's SAP labor process in internal audit Y15-51002 and found the SAP labor process to be operating as designed to properly record labor costs to EE programs. In addition, the UAFCB reviewed SCE's labor process during this examination and determined that the labor cost process for recording labor charges to EE programs is adequate and reasonable.

- **Observation 2: SCE did not demonstrate compliance with PU code §§ 314(a), 581 and 584, GO 28, and the USOA.** Of the Distributive Cost Center (DCC) charges of $360,242 sampled by UAFCB, $126,385 was allocated using DCC allocation factors. SCE reported the $126,385 or 35% of the total sample as actual LGP administrative expenses. However, the $126,385 reported DCC charges also include estimated labor charges.

  Recommendation: SCE should strengthen its policies and procedures that would ensure that each amount listed as cost for each specific cost center is based on actual cost and can be readily examined and verified by the Commission.

  SCE Revised Internal Controls Plan: SCE disagrees with UAFCB's conclusion and did not implement any changes based on UAFCB's recommendation.

  UAFCB Follow-Up Response: SCE's Audit Services Department performed a review of SCE's SAP labor process in internal audit Y15-51002 and found the SAP labor process to be operating as designed to properly record labor costs to EE programs. In addition, the UAFCB reviewed SCE's labor process during this examination and determined that the labor cost process for recording labor charges to EE programs is adequate and reasonable.

- **Observation 4: SCE did not demonstrate compliance with PU code §§ 581 and 584, GO 28 and the USOA.** Of the $1,260,276 TP administrative costs that the UAFCB sampled, 53% or $675,528 were either inaccurate or were not adequately substantiated by supporting documents.

  Recommendation: Since the matter of fixed price contract pre-allocation of charges is currently before the Commission, this matter should be decided by it with input from the UAFCB and SCE. A Commission hearing may be needed to resolve the issue.

SCE Revised Internal Controls Plan: SCE plans to take an appropriate corrective action once the Commission makes a decision on this matter in A.12-07-011.

UAFCB Follow-Up Response: On November 5, 2015, the Commission issued D.15-11-004 which addressed SCE motion in application A.12-07-011.

- **Observation 7: SCE did not demonstrate compliance with PU code §§ 581 and 584, GO 28 and the USOA.** Out of the $47 million of direct implementation contract costs that the UAFCB selected, 46% or $21.5 million were either inaccurate or not adequately substantiated by supporting documents and were likely misclassified.

  Recommendation: Since the matter of fixed price contract pre-allocation of charges is currently before the Commission, this matter should be decided by it with input from the UAFCB and SCE. A Commission hearing may be needed to resolve the issue.

  SCE Revised Internal Controls Plan: SCE plans to take an appropriate corrective action once the Commission makes a decision on this matter in A.12-07-011.

  UAFCB Follow-Up Response: On November 5, 2015, the Commission issued D.15-11-004 which addressed SCE motion in application A.12-07-011.

- **Observation 14: SCE failed to demonstrate compliance with OP 43(b) of D.09-09-047.** SCE shifted $4.8 million into the OBF without filing and advice letter with the Commission as required by it. In addition, SCE incorrectly reported $4.8 million shifted as funds authorized when authorization was not granted by the Commission.

  Recommendation: SCE should strengthen its policies and procedures in place to ensure compliance with Commission directives.

  SCE Revised Internal Controls Plan: SCE enhanced its EE Fund Shift and Reporting procedures and revised its Fund Shift Request Form.

  SCE's CP&S organization is developing a refresher training to reinforce fund shifting review activities before they are reported, as well as monitoring activities after they are reported. SCE plans to complete this training by the 2nd quarter 2015.

  UAFCB Follow-Up Response: SCE provided fund shifting training to impacted employees in May and June 2015.

- **Observation 15: SCE failed to demonstrate compliance with PU code §§ 581 and 584.** In its first quarter 2012 EEGA Report, SCE incorrectly reported that Resolution E-4474 authorized fund shifts totaling $29,000,000.

  Recommendation: SCE should exercise due diligence to ensure that is reports are accurate before submitting them to the Commission and posting them to EEGA.

  SCE Revised Internal Controls Plan: SCE enhanced its EE Fund Shift and Reporting procedures and revised its Fund Shift Request Form.

  SCE's CP&S organization is developing a refresher training to reinforce fund shifting review activities before they are reported, as well as monitoring activities after they are reported. SCE plans to complete this training by the 2nd quarter 2015.

  UAFCB Follow-Up Response: SCE provided fund shifting training to impacted employees in May and June 2015.

- **Observation 16: SCE failed to demonstrate compliance with Resolution E-4474 and PU code §§ 581 and 584.** In its second quarter fund shift report for 2012, SCE reported a fund shift of $14.8 million from the Commercial Deemed Incentive sub-program to the Industrial Calculated Incentive sub-program instead of reporting the $14.8 million from the Industrial Calculated Incentive sub-program to the Commercial Deemed Incentive sub-program as provide by Resolution E-4774.

  Recommendation: SCE should exercise due diligence to ensure that is reports are accurate before submitting them to the Commission and posting them to EEGA.

  SCE Revised Internal Controls Plan: SCE enhanced its EE Fund Shift and Reporting procedures and revised its Fund Shift Request Form.

  SCE's CP&S organization is developing a refresher training to reinforce fund shifting review activities before they are reported, as well as monitoring activities after they are reported. SCE plans to complete this training by the 2nd quarter 2015.

  UAFCB Follow-Up Response: SCE provided fund shifting training to impacted employees in May and June 2015.

- **Observation 17: SCE failed to demonstrate compliance with PU code §§ 581 and 584.** SCE reported a negative balance of ($2,822,212) in its Commercial Utility Building Efficiency (CUBE) program during the second and third quarter 2012 without filing an advice letter.

Recommendation: SCE should ensure that its reports filed with the Commission are not inaccurate and misleading.

SCE Revised Internal Controls Plan: SCE enhanced its EE Fund Shift and Reporting procedures and revised its Fund Shift Request Form.

SCE's CP&S organization is developing a refresher training to reinforce fund shifting review activities before they are reported, as well as monitoring activities after they are reported. SCE plans to complete this training by the 2nd quarter 2015.

UAFCB Follow-Up Response: SCE provided fund shifting training to impacted employees in May and June 2015.

- **Observation 18: SCE failed to demonstrate compliance with PU code §§ 581 and 584.** During the second and third quarter of 2012, SCE incorrectly reported a total fund shift of $6,661,492, which was previously authorized and it already shifted in 2011.

Recommendation: SCE should exercise due diligence to ensure that its reports are accurate before submitting them to the Commission and posting them to EEGA.

SCE Revised Internal Controls Plan: SCE enhanced its EE Fund Shift and Reporting procedures and revised its Fund Shift Request Form.

SCE's CP&S organization is developing a refresher training to reinforce fund shifting review activities before they are reported, as well as monitoring activities after they are reported. SCE plans to complete this training by the 2nd quarter 2015.

UAFCB Follow-Up Response: SCE provided fund shifting training to impacted employees in May and June 2015.

SCE's Internal Audit Recommendations

In addition, the UAFCB requested that SCE provide a copy of any internal audit reports that were issued affecting the utilities EE program activities for the 2014 audit period and related management responses.

In response, SCE identified four internal audit reports related to the EE programs that covered the 2014 audit period. Specifically, SCE provided the following internal audit reports to the UAFCB:

- Y15-51002 – Energy Efficiency Programs – SAP Labor Accounting Process, dated March 23, 2015
- Y15-51003 – Energy Efficiency Programs - Fund Shifting, dated July 27, 2015

- Y15-51004 – 2014 Energy Efficiency Balancing Account Expenditures Process, dated June 10, 2015
- Y15-51006 – On-Bill Financing, dated May 29, 2015

SCE also provided the UAFCB with updates on management's corrective actions on the findings and recommendations contained in each internal audit report listed above. These reports and updates were reviewed by the UAFCB and the status for each internal audit is summarized below.

<u>Y15-51002 – Energy Efficiency Programs – SAP Labor Accounting Process</u>

SCE's Audit Services Department found the SAP labor accounting process was operating as designed in order to properly record labor costs to EE programs, and monthly financial reviews are being conducted in an effective manner.

SCE indicated no management action was required.

<u>Y15-51003 – Energy Efficiency Programs – Fund Shifting</u>

In this internal audit report dated July 27, 2015; SCE's Audit Services Department recommended the following:

- Ensure budget transfers are properly made to align SAP with the tracking log.

- Revise written procedures for Energy Efficiency fund shifts to include authorizing and communicating fund shift reversals or cancellations.

- Incorporate a formal review process to ensure SAP regulatory compliance postings agree to the fund shift master tracking log.

In July 2015, SCE posted corrections in SAP in order to for budget transfers in SAP to align with the tracking log. In August 2015, SCE revised its written Energy Efficiency Fund Shifting and Reporting Procedures to address reversals and cancellations and to include a review process for ensuring SAP regulatory compliance postings agree to the fund shift master tracking log.

<u>Y15-51004 – 2014 Energy Efficiency Balancing Account Expenditures Process</u>

In this internal audit report dated June 10, 2015; SCE's Audit Services Department recommended the following:

- Customer Programs & Services (CP&S) work with Law and Finance Planning & Performance Reporting to correct expenditure amount recorded to the EE Administrative Cost Category for penalties paid to a former employee in a settlement claim for additional wages.

- CP&S develop a policy for the application of the CPUC Allowable Costs Table, including internal approval process for costs not specifically listed.

CP&S worked with Law and Finance Planning & Performance Reporting to correct the accounting entry pertaining to the penalty charges for wages by posting a journal entry correction on May 28, 2015.

CP&S also developed a new Energy Efficiency Programs Allowable Cost Policy effective July 28, 2015.

Y15-51006 – On-Bill Financing

SCE's Audit Services Department found that the On-Bill Financing (OBF) processed adhered to company policies and procedures. The review also found that the OBF team has an effective monthly financial reconciliation process to identify any inaccurate OBF billing profiles.

SCE indicated no management action was required.

Appendix C
SCE Comments

SOUTHERN CALIFORNIA
EDISON®
An EDISON INTERNATIONAL® Company

Marc L. Ulrich, Ph.D.
Vice President
Customer Programs and Serv

June 9, 2016

Kayode Kajopaiye
Utility Audit, Finance and Compliance Branch
California Public Utilities Commission
505 Van Ness Ave., 3rd Floor, Room 3105
San Francisco, CA 94102

Dear Mr. Kajopaiye:

Southern California Edison Company (SCE) appreciates the opportunity to review and provide clarifying comments on the draft *Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's (SCE's) Energy Efficiency (EE) Program For the Period January 1, 2014 through December 31, 2014* (Draft Report), issued by the California Public Utilities Commission's (Commission) Division of Water and Audits' Utility Audit, Finance and Compliance Branch (UAFCB) on May 27, 2016.

Overall, we have very few comments on the Draft Report. As shown in the attachment, the comments are intended to provide additional clarification and information related to the observations in the Draft Report. We appreciate UAFCB's proposed recommendations as we are committed to continuous improvement and take the feedback we receive from these audits seriously.

If you have any questions about SCE's comments, or would like to set up a meeting to discuss the information provided, please contact Mary Beth Quinlan at 626-302-2026.

Thank you.

Marc L. Ulrich, Ph.D.
Vice President, Customer Programs and Services

Attachments

cc: Timothy Sullivan, Executive Director
Bernard Ayanruoh, Division of Water and Audits
Maryam Ebke, Deputy Executive Director
Rami Kahlon, Director, Division of Water and Audits
Kevin Nakamura, Division of Water and Audits
Jeffrey Walter, Division of Water and Audits
KieuChinh Tran, Division of Water and Audits
Ed Randolph, Energy Division
Pete Skala, Energy Division
Barbara Owens, Executive Division

Southern California Edison's Comments to the Draft Report in UAFCB's Audit of SCE's Energy Efficiency Programs for the Year Ended December 31, 2014

The following are SCE's comments on the Draft Report prepared by the UAFCB in its audit of SCE's 2014 Energy Efficiency Programs. With the exception of the few items noted below, SCE believes that the Draft Report accurately reflects the information that SCE provided to the auditors during the audit. Thus, these comments only address those observations and recommendations where SCE disagrees with an observation and/or has updated information to provide.

1. **Codes and Standards Programs: Draft Observation 4**

Draft Observation 4: *SCE failed to demonstrated [sic] compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $201,368 in PY 2014 recorded Codes and Standards (C&S) program expenditures incurred in PY 2013. The amount was charged to the 2014 C&S program expenditures as part of the Direct Implementation cost category. This amount represents 5.6% of the total C&S program expenses in PY 2014.*

Draft Recommendation 4: *SCE has since filed Advice Letter (AL) 3240-E to claim its Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the C&S Management Fee incentive award by $24,164 ($201,368*12%) when SCE's true-up Advice Letter is processed.*

SCE Comments to Draft Observation 4

Draft Observation 4 relates to the recording of PY 2013 costs in PY 2014 (2013 year-end accrual issue). This observation was initially presented to SCE by the UAFCB as a preliminary finding during the May 3, 2016 audit exit conference and SCE in turn provided feedback to this preliminary finding in data request response, 2014 EE Audit CPUC-SCE-Preliminary Audit Finding-01. We refer the UAFCB to the information previously submitted in response to the preliminary finding (attached hereto for reference is the Data Request response referenced above. The attachments and supporting documents for this and all the other Data Request responses, although previously provided to the auditors, can be made available upon request if needed). SCE agrees that $172,265 of the $201,368 of this draft observation amount was incorrectly charged to program year 2014; however SCE disagrees with excluding $29,103 of the identified expenditures since the invoice was not received until 2014 and fell below SCE's $50,000 manual accrual threshold.

In response to recommendations from the UAFCB's 2011-2012 Audit of SCE's Energy Efficiency (EE) Programs, SCE developed a Revised Internal Controls Plan (Plan) using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model for its EE programs. As part of the Plan, (Areas C.1.3 and D.2.1 of the Plan), SCE improved its year-end accrual procedures and accrual training just prior to year-end 2014. Thus, the accruals identified in this observation were not subject to the revised accrual procedures and training that were implemented at year-end 2014.

The C&S Management Fee for both PY 2013 and PY 2014 was calculated as 12% of the applicable recorded costs. Thus, any issues associated with recording PY 2013 costs in PY 2014 would not impact the combined incentive award for the two years. If the C&S Management Fee awarded for PY 2014 is reduced to reflect removal of the PY 2013 costs, then SCE should be allowed to revise the amount awarded for PY 2013 to reflect the addition of the corresponding amount, since UAFCB did not find the costs unreasonable. To do otherwise would penalize SCE solely based on the timing of the recording of the appropriately incurred costs.

2. Non-Resource Programs: Draft Observation 7

Draft Observation 7: *SCE failed to demonstrated [sic] compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $56,888 in PY 2014 recorded NR program expenditures incurred in PY 2013. The amount was charged to the 2014 recorded NR program expenditures as part of the Direct Implementation cost category. SCE included in the calculation of the incentive award for PY 2014 the $56,888.*

Draft Recommendation 7: *SCE has since filed AL 3240-E to claim its NR Programs Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the incentive award by $1,707 ($56,888*3%) when SCE's true-up Advice Letter is processed.*

SCE Comments to Draft Observation 7

Draft Observation 7 relates to the recording of PY 2013 costs in PY 2014 (2013 year-end accrual issue). This observation was initially presented to SCE by the UAFCB as a preliminary finding during the May 3, 2016 audit exit conference and SCE in turn provided feedback to this preliminary finding in data request response, 2014 EE Audit CPUC-SCE-Preliminary Audit Finding-03. We refer the UAFCB to the information previously submitted in response to the preliminary finding (attached hereto for reference) and reiterate the following: While all three items included in this observation fell below SCE's $50,000 manual accrual threshold, that justification would not be valid for the first item ($31,527) because the invoice was received in November of 2013 and should have been, but was not, included in the automatic accrual. The other two items, $22,702 and $2,659 fell below the $50,000 manual accrual threshold and invoices were not received until 2014.

As stated in SCE's comments to Draft Observation 4 above, SCE revised its year-end accrual procedures and accrual training just prior to year-end 2014. Thus, the accruals identified in this observation were not subject to the revised accrual procedures and training that were implemented at year-end 2014.

3. Statewide EE Administrative Program Costs: Draft Observation 12

Draft Observation 12: *SCE failed to demonstrated [sic] compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures, respecting its reported Third Party (TP) Non-IOU EE Administrative costs. SCE incorrectly recorded in PY 2014 TP Non-IOU EE Administrative costs of $81,762 that should have been recorded in PY 2013.*

Draft Recommendation 12: *SCE should adhere to its own accrual basis of accounting in recording and reporting EE expenditures and ensure that EE Administrative costs are properly booked to allow for a more accurate Administrative cost cap analysis at the end of the budget cycle. Energy Division should reduce the Resource Programs Savings Incentive award to SCE for PY 2014 by $81,762 in its calculation.*

SCE Comments to Draft Observation 12

Draft Observation 12 relates to the recording of PY 2013 costs in PY 2014 (2013 year-end accrual issue). This observation was initially presented to SCE by the UAFCB as a preliminary finding during the May 3, 2016 audit exit conference and SCE in turn provided feedback to this preliminary finding in data request response, 2014 EE Audit CPUC-SCE-Preliminary Audit Finding-08. We refer the UAFCB to the information previously submitted in response to the preliminary finding (attached hereto for reference) and reiterate the following: All of the individual invoices comprising the totals identified in the draft observation 12 fell below SCE's 2013 year-end $50,000 manual accrual threshold, and therefore, in accordance with SCE's accrual policy and procedures were not required to be accrued. This recommendation should not impact the Resource Programs Savings Incentive portion of SCE's award since the incentive is calculated based on the energy and demand savings achieved by the programs and not the expenditures. In addition, Administrative costs are not a factor in calculating any portion of the Energy Savings and Performance Incentive.

As stated in SCE's comments to Draft Observation 4 above, SCE revised its year-end accrual procedures and accrual training just prior to year-end 2014. Thus, the accruals identified in this observation were not subject to the revised accrual procedures and training that were implemented at year-end 2014.

4. **Statewide Commercial Calculated Program: Draft Observation 16**

Draft Observation 16: *SCE failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCE's established accrual policy and procedures. SCE incorrectly included $613,318 in PY 2014 Commercial Calculated Program expenditures incurred in PY 2013. The amount was charged to the program as part of the Direct Implementation cost category.*

Draft Recommendation 16: *Energy Division should exclude the $613,318 from the reported 2014 Commercial Calculated Program expenditures before calculating SCE's PY 2014 Resource Program Savings Incentives award.*

SCE Comments to Draft Observation 16

Draft Observation 16 also relates to the recording of PY 2013 costs in PY 2014 (2013 year-end accrual issue). This observation was initially presented to SCE by the UAFCB as a preliminary finding during the May 3, 2016 audit exit conference and SCE in turn provided feedback to this preliminary finding through the SCE Data Response system (reference: Data Request Set 2014 EE Audit CPUC-SCE-Preliminary Audit Finding-05). SCE believes that $56,479 of the $613,318 (the draft observation amount) was incorrectly charged to program year 2014, however SCE disagrees with excluding $556,839 of the $613,318 draft observation amount. We refer the UAFCB to the information previously submitted in response to the preliminary findings (attached hereto for reference) and reiterate the following: SCE determined that $464,908 was properly accrued at 2013 year-end and evidence of such accrual was provided to the UAFCB during the audit. Additionally, two of the remaining three individual invoices, $49,043 and $42,888, comprising the total identified in the draft observation fell below SCE's 2013 year-end $50,000 manual accrual threshold and therefore were not accrued.

As stated in SCE's comments to Draft Observation 4 above, SCE revised its year-end accrual procedures and accrual training just prior to year-end 2014. Thus, the accruals identified in this observation were not subject to the revised accrual procedures and training that were implemented at year-end 2014.

This recommendation does not affect the Resource Program Savings Incentive as the incentive is based on the Energy and Demand savings achieved by the program. While, this cost does impact the Ex Ante Review (EAR) Incentive, the EAR incentive for both PY 2013 and PY 2014, was calculated as 3% of the applicable recorded costs multiplied by an ex-ante performance score multiplier. Thus, any issues associated with recording PY 2013 costs in PY 2014 would be impacted only by the difference in the multiplier for the two years (65.5% for PY 2013 and 58% for PY 2014). If the EAR Incentive for PY 2014 is reduced to reflect removal of the PY 2013 costs, then SCE should be allowed to revise its PY 2013 incentive award to reflect the addition of the corresponding amount, since UAFCB did not find the costs unreasonable. To do otherwise, would penalize SCE solely based on the timing of the recording of the appropriately incurred costs.

5. Non-Resource Programs: Draft Observation 8

Draft Observation 8: *SCE failed to demonstrate compliance with Commission decision D.13-09- 023, Ordering Paragraph (OP) 16 respecting its NR Management Fee for PY 2014. SCE incorrectly included $14,202,298 related to the On-Bill Financing (OBF) revolving loan pool activities for PY 2014. By including this amount in the calculation of the incentive award for the NR Management Fee in PY 2014, SCE overstated its award amount by $426,069.*

Draft Recommendation 8: *SCE has since filed AL 3240-E to claim its NR Programs Management Fee incentive award for PY 2014. The Commission's Energy Division should reduce the NR Management Fee incentive award by $426,069 ($14,202,298*3%) when SCE's true-up Advice Letter is processed.*

SCE Comments to Draft Observation 8

The Draft Observation above was initially presented to SCE by the UAFCB as a preliminary finding on May 11, 2016 and SCE in turn provided feedback to the preliminary finding through the SCE Data Response system (reference: Data Request Set 2014 EE Audit CPUC-SCE-Preliminary Audit Finding-09). SCE disagrees with this draft observation. As discussed below, the Non-Resource Program Budget adopted in D.13-09-023 for purposes of calculating the NR Management Fee incentive award included the Finance Revolving Loan program. Thus, SCE believes it complied with Commission decision D.13-09-023 OP 16 and UAFCB's recommendation is inconsistent with D.13-09-023.

We refer the UAFCB to the information previously submitted in response to the preliminary findings (attached hereto for reference). Overall, SCE believes UAFCB's Draft Report includes an incorrect amount for the Non-Resource Budget. Table B-8 on page B-5 of the Draft Report shows SCE's 2013-2014 Non-Resource Program Budget as $61,264,360 (please also note a clerical error in Table B-8 misstates the 2013-2014 Budget for the Industrial Energy Advisor Program as $3,678,003, the correct amount is $3,671,003).

SCE provided a correct listing and budgets for the 2013-2014 Non-Resource programs in the previously referenced Data Request Set 2013 EE Audit CPUC-SCE-Email-001 Q.7. In such listing, the total budget (Administrative, Marketing and Direct Implementation costs) was $104,114,726. The net Marketing and Direct Implementation budget (excluding the Administrative budget of $13,267,611) was $90,847,115 which is consistent with SCE's 2013-2014 Non-Resource programs Marketing and Direct Implementation Budget of $90,847,000 provided on page 81 of D.13-09-023. This total Non-Resource Program Budget includes the $42,850,366 for the Finance Revolving Loan program.

In addition, SCE stated in response to various Data Requests (i.e., Data Request Set 2013 EE Audit CPUC-SCE-Email-001 Q.7 and Data Request Set 2014 EE Audit CPUC-SCE-001 Q.8), that the Direct Implementation Budget of $42,850,366 for the 2013-2014 Finance Revolving Loan program was considered a Non-Resource Program.