

Memorandum



Date: July 25, 2016

To: Edward Randolph
Director of Energy Division

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

A handwritten signature in black ink, appearing to be "Kajopaiye", is written over the name of the sender.

Subject: Southern California Edison Advice Letter 3353-E
Quarterly Procurement Plan Compliance Report for the Fourth Quarter of 2015

Based on the results of its audit, the Utility Audit, Finance and Compliance Branch (UAFCB), of the Division of Water and Audits, did not find any material reasons for Energy Division (ED) to deny the approval of Southern California Edison's (SCE) Advice Letter No. (AL) 3353-E. The procurement transactions that SCE executed during the fourth quarter of 2015 (Q4), which UAFCB examined, demonstrated compliance, in all material respects, with certain aspects of procurement-related state law and California Public Utilities Commission (Commission or CPUC) directives. The UAFCB assesses compliance in accordance with agreed-upon procedures with ED and does not assess compliance with all aspects of the procurement-related state law or those directives. In addition, SCE's transactions conducted in the Integrated Forward Market (IFM) and the Residual Unit Commitment Market (RUC) are outside the scope of UAFCB's audits.

A. Summary of Negative Audit Findings:

UAFCB does not have any negative audit findings with respect to SCE's Q4 Quarterly Compliance Report (QCR) filing.

B. Background:

As required by D.02-10-062, OP 8 and clarified in D.03-12-062, Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), and SCE must each file a QCR report with the ED for all transactions of less than five years duration executed in the quarter. ED requested that the UAFCB conduct compliance audits of these utilities' QCR filings.

UAFCB conducts the quarterly procurement audits based on procedures specified by ED, and as such these examinations are by design agreed-upon procedures. ED specified which aspects of the utilities' Commission-approved procurement plans, AB 57 procurement rules and several procurement-related rulings and decisions to test for compliance. The directives of the decisions and rulings ED chose to test for compliance include, but are not limited to, D.02-10-062, D.03-06-076, D.03-12-062, D.04-12-048, D.07-12-052, D.08-11-008, and D.12-01-033. UAFCB, however, does not test all of the transactions that the utilities include in their QCR filings.

C. Conclusion:

SCE's Q4 procurement transactions for electricity and natural gas that the UAFCB examined were, in material respects, in compliance with the aspects of SCE's Commission-approved procurement plan and relevant Commission decisions that the UAFCB tested compliance with. SCE's Q4 transactions that the UAFCB examined, in material respects, appear to be complete, accurate and properly

SCE QCR Audit
Fourth Quarter of 2015
July 25, 2016

authorized by its management.

If you have any questions concerning UAFCB's audit, please contact Tracy Fok at (415) 703-3122.

cc: Maryam Ebke, Deputy Executive Director
Judith Ikle, Energy Division
Michele Kito, Energy Division
Simone Brant, Energy Division
Yuliya Shmidt, Office of Ratepayer advocates
Donna Wagoner, Division of Water and Audits
Tracy Fok, Division of Water and Audits