



# QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

Southern California Edison Company

First Quarter of 2023 - Advice Letter 5020-E

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
September 15, 2023



## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

September 15, 2023

William V. Walsh, Vice President  
Energy Procurement & Management  
Southern California Edison Company  
2244 Walnut Grove Avenue  
183-A, Quad-1d, GO1  
Rosemead, CA 91770

Dear William Walsh:

**Final Report Transmittal Letter – Agreed-Upon Procedures Engagement of Southern California Edison Company’s Quarterly Energy Procurement Compliance Report for the Period of January 1, 2023, through March 31, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its agreed-upon procedures (AUP) engagement of Southern California Edison Company’s (SCE) Quarterly Energy Procurement Compliance Report (QCR) filed for its first quarter of 2023 in Advice Letter (AL) 5020-E. The final AUP report is enclosed.

SCE’s response to the AUP report findings are incorporated into this report. We will post the final redacted audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry).

A Corrective Action Plan addressing the findings is required. SCE has already provided the information regarding its corrective actions planned and those responses have been included into the report, no further actions are required.

We appreciate SCE’s assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Tracy Fok, Program and Project Supervisor, at (415) 703-3122 [tracy.fok@cpuc.ca.gov](mailto:tracy.fok@cpuc.ca.gov).

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division  
cc: See next page

William V. Walsh, Vice President  
Energy Procurement & Management  
September 15, 2023  
Page 2

cc: Jabari Martin, Senior Manager, Power Supply Compliance, SCE  
Elizabeth Leano, Senior Manager, SCE  
Selene Willis, Regulatory Affairs & Compliance, Principal Manager, SCE  
Heidi Lopez, Regulatory Affairs & Compliance Advisor, SCE  
Christopher Porras, Power Supply Compliance, Regulatory Compliance Advisor, SCE  
Patrick Nandy, External Regulatory Advisor, SCE  
Rachel Peterson, Executive Director, CPUC  
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC  
Pete Skala, Director, Energy Division (ED), CPUC  
Meredith "Molly" Sterkel, Program Manager, ED, CPUC  
Jaime Gannon, Program & Project Supervisor, ED, CPUC  
Eric Dupre, Public Utilities Regulatory Analyst, ED, CPUC  
Theresa Buckley, Staff Attorney, CPUC  
Masha Vorobyova, Assistant Director, UAB, CPUC  
Tracy Fok, Program & Project Supervisor, UAB, CPUC  
Tim Baumgardner, Senior Management Auditor, UAB, CPUC  
Amal Kattan-Handal, Senior Management Auditor, UAB, CPUC  
Keen Banh, Associate Management Auditor, UAB, CPUC  
Paulina Zepeda Gomez, Associate Management Auditor, UAB, CPUC

## **MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

**Tracy Fok aka Tracy Yeh, CPA, Supervisor**

**Tim Baumgardner, Lead**

**Amal Kattan-Handal, Lead**

**Keen Banh, Staff**

**Paulina Zepeda Gomez, Staff**

**A digital copy of this report can be found at:**

[Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry)

**You can contact our office at:**

**California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811**

# TABLE OF CONTENTS

---

I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES.....	1
II. PROCEDURES AND FINDINGS.....	3
A. TRANSACTION RECONCILIATION/ANALYSIS .....	3
B. QUARTERLY COMPLIANCE REPORT (QCR).....	4
C. STRONG SHOWING JUSTIFICATION.....	5
D. ELECTRONIC SOLICITATION CONTRACTS.....	6
E. BILATERAL AND BROKER CONTRACTS .....	7
F. COMPETITIVE SOLICITATION - OTHER MARKET PARTICIPANTS .....	7
G. REQUEST FOR OFFERS (RFO) CONTRACTS .....	8
H. PROCUREMENT REVIEW GROUP.....	9

# I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

---

Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) performed the agreed-upon procedures (AUP) enumerated in Procedures and Findings section of this report for Southern California Edison Company's (SCE or the utility) energy procurement compliance reporting period of January 1, 2023, through March 31, 2023 (Q1 2023). These procedures were agreed to between CPUC's Energy Division (ED) and UAB solely to assist ED in determining whether the three large investor-owned electric utilities are in compliance with certain energy procurement-related state laws and CPUC energy procurement directives. SCE is one of these utilities<sup>1</sup> and is responsible for complying with the energy procurement requirements.

ED engaged UAB to perform this AUP engagement. UAB is required to be independent and to meet other ethical responsibilities in accordance with the relevant ethical requirements related to the AUP engagement. We conducted this engagement in accordance with attestation standards established by the generally accepted government auditing standards (GAGAS), except for obtaining an external peer review. UAB was unable to obtain an external peer review timely due to delays caused by the COVID19 pandemic. However, this does not affect UAB's adherence to all other GAGAS requirements and the results of procedures performed. The sufficiency of the AUP procedures is solely the responsibility of ED. ED has agreed to and acknowledged that the procedures performed are appropriate for the intended purpose of the AUP engagement. Consequently, we make no representation regarding the sufficiency of the procedures described herein either for the purpose for which this report has been requested or for any other purpose. The results of the engagement are detailed in Procedures and Findings section of this report.

We were not engaged to, and did not, perform an examination or review of the subject matter, the objective of which would be the expression of an opinion on SCE's compliance with the energy procurement-related state laws and the CPUC's energy procurement directives. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to ED.

The purpose of this report is to communicate to ED the utility's compliance and the results of the AUP performed. The report may not be suitable for any other purposes. The procedures performed may not address all the items of interest to users other than ED and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

---

<sup>1</sup> Pacific Gas & Electric Company and San Diego Gas and Electric Company are the other two electric utilities subject to the agreed-upon procedures engagements.

In accordance with CPUC Decision (D.) 12-04-046, Ordering Paragraph (OP) 13, this report shall be made public. The report can be found on the CPUC public website through the following link: [Audit Reports by Industry \(ca.gov\)](#).

*Angie Williams*

---

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

## II. PROCEDURES AND FINDINGS

---

Below are the results of the AUP performed and associated findings. The sufficiency of these procedures is solely the responsibility of ED. Thus, UAB makes no representation regarding the sufficiency of the following procedures used for this engagement for the purposes for which this report has been requested.

### A. Transaction Reconciliation/Analysis

1. Inspected whether the utility's Q1 2023 electric physical and transmission transaction details in Attachment A<sup>2</sup> contained any electronic solicitation or other competitive solicitation transactions, requiring performance of the audit procedures for Electronic Solicitation and Related Contracts.

Finding: We found no electronic/competitive solicitation transactions reported in Attachment A as a result of this procedure.

2. Reconciled to determine whether the utility's Q1 2023 electric physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

3. Reconciled to determine whether the utility's Q1 2023 electric financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

4. Reconciled to determine whether the utility's Q1 2023 gas physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

5. Reconciled to determine whether the utility's Q1 2023 gas financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

---

<sup>2</sup> All references to attachments in the list of Procedures and Findings are to the attachments to the utility's Quarterly Compliance Report subject to this engagement.



## B. Quarterly Compliance Report (QCR)

1. Inspected QCR advice letter filing, including the attachments of supporting documentation, to determine whether the filing was accurate and complete.

Finding: QCR advice letter filing, including the attachments of supporting documents, was accurate and complete.

2. Identified any of the utility's authorized decision-makers that were not listed in QCR.

Finding: We did not find any of the utility's authorized decision-makers that were not listed in QCR.

3. Inspected QCR and associated attachments to determine whether the utility provided its descriptions of and justifications for its procurement processes used to select the transactions.

Finding: We found no exceptions as a result of this procedure.

4. Inspected QCR and associated attachments to determine whether the utility explained or justified the timing of its transactions.

Finding: We found no exceptions as a result of this procedure.

5. Inspected QCR and associated attachments to determine whether the utility discussed the system load requirements/conditions underlying the need for the quarter's transactions.

Finding: We found no exceptions as a result of this procedure.

6. Inspected QCR and associated attachments to determine whether the utility provided a copy of any data of forecasts used by the utility to analyze transactions.

Finding: We found the utility provided a copy of forecast data used to analyze transactions.

7. Inspected QCR and associated attachments to determine whether the utility provided a copy of each of the utility's procurement contracts reported in Attachment H – Contracts Executed/ Contracts Amended.

Finding: We found no exceptions as a result of this procedure.

8. Inspected QCR and associated attachments to determine whether the utility provided a reasonable number of analyses, as requested by CPUC or the PRG and provided the resulting outputs.

Finding: We found no exceptions as a result of this procedure.

9. Inspected QCR and associated attachments to determine whether the utility's QCR included its briefing package provided to the ultimate decision maker.

Finding: We found no exceptions as a result of this procedure.

10. Inspected QCR and associated attachments to determine whether the utility provided the break-even spot prices equivalent to the contracts.

Finding: We found no exceptions as a result of this procedure.

11. Inspected QCR and associated attachments to determine whether the utility provided average price information for non-standard transactions.

Finding: We found no exceptions as a result of this procedure.

12. Inspected QCR and associated attachments to determine whether the utility provided California Independent System Operator electricity procurement information in the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

### C. Strong Showing Justification

1. Inspected Attachment A of QCR for any transactions subject to strong showing justification and inspected Attachment M – Transactions Subject to Strong Showing of the QCR to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

2. Compared the price of bilateral contracts for non-standard products in Attachment A, which are waived from strong showing justification under D. 03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment A to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

3. Inspected Attachment H of QCR for any transactions subject to strong showing justification and inspected Attachment M of QCR to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

4. Compared the price of bilateral contracts for non-standard products in Attachment H, which are waived from strong showing justification under D. 03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment H to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

5. Inspected other bilateral transactions in QCR for any transactions subject to strong showing justification and inspected Attachment M of QCR to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

6. Compared the prices of other bilateral contracts for non-standard products that are waived from strong showing justification under D. 03-06-067, OP 3(d) to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price for other transactions to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

#### D. Electronic Solicitation Contracts

1. Inspected the utility's Q1 2023 electric physical transactions included in Attachment A to find if there are any electronic solicitation or other competitive solicitation transactions.

Finding: We found no electric physical transactions derived from electronic/competitive solicitation(s) as a result of this procedure.

2. Inspected PRG meeting materials to determine whether the utility consulted with its PRG before the contracts were executed if any contract terms were over one calendar quarter.

Finding: We found no exceptions as a result of this procedure.

3. Inspected the utility's Independent Evaluator (IE) report to determine whether IE evaluated any contracts executed with affiliate(s) or any contracts with terms greater than two years.

Finding: We found no exceptions as a result of this procedure.

4. Inspected counterparties' credit supporting documentation to validate that the contracts derived from the electronic solicitation selection process were executed with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

5. Inquired the utility as to whether the contracts had any impact on the overall Time to Expiration Value at Risk (TeVAR).

Finding: We found no contract had any impact on the overall TeVAR.

6. Identified any contract related to a new fossil generation or Purchase Power Agreement (PPA) that was less than five years.

Finding: We did not identify any contract related to a new fossil generation or PPA that was less than five years.

7. Traced and agreed all electronic solicitation contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

#### E. Bilateral and Broker Contracts

1. Inspected PRG meeting materials to determine whether the utility consulted with its PRG for any contracts with terms over one calendar quarter before they were executed.

Finding: We found no exceptions as a result of this procedure.

2. Inspected counterparties' credit supporting documentation to validate that the contracts executed bilaterally with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

3. Inquired the utility as to whether the contracts had any impact on the overall TeVAR.

Finding: We found no contracts had any impact on the overall TeVAR.

4. Identified any contract related to a new fossil generation or PPA that was less than five years.

Finding: We did not identify any contract related to a new fossil generation or PPA that was less than five years.

5. Traced and agreed all bilateral contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

#### F. Competitive Solicitation - Other Market Participants

1. Identified whether the utility participated in any competitive solicitation process of any market participants and whether any contracts were executed between the utility and the market participants who issued the competitive solicitation.

Finding: We found the utility participated in a competitive solicitation process of a market participant and executed one contract.

2. Inspected PRG meeting documentation to ascertain that the utility consulted with its PRG for the contracts derived from the competitive solicitation issued by other market participants with contract duration longer than one calendar quarter.

Finding: We found no exceptions as a result of this procedure.

3. Inspected counterparties' credit supporting documentation to validate that the contracts executed with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

4. Inquired of the utility as to whether the contracts had any impact on the overall TeVAR.

Finding: We found no contracts had any impact on the overall TeVAR.

5. Identified any contract related to a new fossil generation or PPA that was less than five years.

Finding: We did not identify any contract related to a new fossil generation or PPA that was less than five years.

6. Traced and agreed contracts/contract confirmations/trade confirmations and/or other supporting documents to determine whether all contracts executed from the competitive solicitation issued by other market participants during the quarter are correctly and completely reported in attachments of the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

## G. Request for offers (RFO) Contracts

1. Inspected PRG meeting documentation to ascertain that the utility consulted with its PRG in a timely manner for contracts that exceeded one calendar quarter.

Finding: We found no exceptions as a result of this procedure.

2. Inspected the utility's IE report to determine whether IE evaluated any contracts executed with affiliate(s) or any contracts with terms greater than two years.

Finding: We found no exceptions as a result of this procedure.

3. Inspected counterparties' credit supporting documentation to validated that the contracts derived from the RFO selection process were executed with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

4. Inquired the utility as to whether the contracts had any impact on the overall TeVAR.

Finding: No contracts had any impact on the overall TeVAR.

5. Identified any contract related to a new fossil generation or PPA with a term of less than five years.

Finding: We did not identify any contract related to a new fossil generation or PPA with a term of less than five years.

6. Traced and agreed all RFO contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

#### H. Procurement Review Group

1. Inspected the utility's PRG meeting calendar to ascertain that the utility held a regular PRG meeting at least once in Q1 2023.

Finding: We found no exceptions as a result of this procedure.

2. Inspected the utility's PRG supporting documentation to validate that the utility implemented the requirements indicated in D.07-12-052, OP 7.

**Finding #1: SCE failed to demonstrate compliance with D.07-12-052, OP 7.** SCE failed to disseminate its 2023 PRG meeting information on its web-based forum as of April 26, 2023. SCE did not timely post the PRG meeting dates, time, and duration on its web-based calendar publicly for the period of May 2023 through July 2023. In addition, SCE did not timely post the PRG meeting agendas, participating individuals, and organizations publicly for the period of May 2023 through July 2023.

#### **SCE's Response:**

On August 7, 2023, SCE stated:

SCE inadvertently failed to publish the PRG meeting information on its website for PRG meetings that took place from May 2023 to July 2023. SCE's PRG calendar webpage has been updated to include meeting agenda and summary information for meetings that have taken place through July 2023, consistent with D.07-12-052.

SCE's corrective action: SCE performed a lessons learned exercise including a review of relevant CPUC decisions and modified its desktop procedures to ensure timely update of SCE's PRG calendar webpage.

3. Inspected PRG meeting agendas to ascertain that the utility made a list of non-confidential discussion topics of the regular PRG meetings publicly available.

**Finding #1: SCE failed to demonstrate compliance with D.07-12-052, OP 7 (See H2 above).**

**SCE's Response: See H 2.**

4. Inspected PRG meeting summary distribution information to validate that the utility's PRG meeting summaries were distributed (or made publicly available) on the earlier of a) 14 days after the procurement review group meeting, or b) 48 hours before the next regularly scheduled PRG meeting.

**Finding #2: SCE failed to demonstrate compliance with D.12-04-046, OP 14.** SCE did not make all of its PRG meeting summaries available in a timely manner, based on the earlier

of a) 14 days after the PRG meeting or b) 48 hours before the next regular scheduled PRG meeting. SCE was unable to provide supporting documentation to demonstrate that the summary of the February 22, 2023, meeting was provided in accordance with D.12-04-046, OP 14.

**SCE's Response:**

On August 7, 2023, SCE stated:

SCE was unable to locate the e-mail summary of the February 22, 2023, meeting, and the individual who would have sent that e-mail is no longer employed by SCE. As such, we are unable to access the employee's e-mail and are instead providing the summary posted on SCE's website.

SCE's corrective action: SCE performed a lessons learned exercise including a review of relevant CPUC decisions and modified its desktop procedures to ensure timely dissemination of PRG information on a going-forward basis.

5. Inspected relevant supporting documentation to determine whether the utility's 95 percent TeVAR metric exceeded the established Customer Risk Tolerance (CRT). If yes, inspected PRG meeting material to determine whether the utility informed its PRG in a timely manner.

Finding: We found no exceptions as a result of this procedure.