

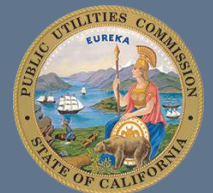


AFFILIATE TRANSACTION RULES PERFORMANCE AUDIT

Southern California Edison Company

January 1, 2022, through December 31, 2023

Utility Audits, Risk and Compliance Division
Utility Audits Branch
August 27, 2025



MEMBERS OF THE TEAM

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A digital copy of this report can be found at:

[Audit Reports by Industry \(ca.gov\)](#)

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PUBLIC UTILITIES COMMISSION

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Transmitted via email

August 27, 2025

Steven D. Powell
President and Chief Executive Officer
Southern California Edison Company
General Office #4
8631 Rush Street
Rosemead, CA 91770

Dear Steven D. Powell:

**Final Report Transmittal Letter—Audit of Southern California Edison Company's
Affiliate Transaction Rules for the Period of January 1, 2022, Through
December 31, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of Southern California Edison Company's (SCE) compliance with Affiliate Transaction Rules for the period of January 1, 2022, through December 31, 2023.

We issued the draft audit report on July 25, 2025. SCE's response to the draft report's findings and our evaluation of the response are incorporated into this final report. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry).

A Corrective Action Plan (CAP) addressing the findings and recommendations is required. SCE should submit a detailed CAP including specific steps and target dates to address the recommendations within 45 calendar days from the issuance of this final report to UtilityAudits@cpuc.ca.gov.

We appreciate SCE's assistance and cooperation during the engagement, and its willingness to implement corrective actions. If you have any questions regarding this report, please contact Nancy Ta, Supervisor, at (415) 914-4841.

Sincerely,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

Cc: See next page

Steven D. Powell
President and Chief Executive Officer
Southern California Edison Company
August 27, 2025
Page 2

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
AUDIT REPORT	3
Background	3
Audit Authority.....	4
Objective and Scope	4
Methodology	4
Conclusion.....	10
Follow-up on Prior Audit Findings	10
Views of Responsible Officials.....	10
FINDINGS AND RECOMMENDATIONS	11
SUMMARY SCHEDULE OF AUDIT RESULTS.....	18
APPENDICES	
APPENDIX A—UTILITY’S RESPONSE TO DRAFT AUDIT REPORT	19
APPENDIX B—UAB’S EVALUATION OF UTILITY’S RESPONSE	28

EXECUTIVE SUMMARY

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of Southern California Edison Company's (SCE) compliance with Affiliate Transaction Rules (ATR) for the audit period of January 1, 2022, through December 31, 2023.

Our audit objective was to determine whether SCE complied with ATRs for the period of January 1, 2022, through December 31, 2023.

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found instances of inadequate controls and noncompliance with ATRs. These instances are summarized in the Summary Schedule of Audit Results and described in the Findings and Recommendations section of this audit report. The audit findings are as follows:

- **Finding 1: Inadequate Oversight Over Customer Information Service Requests (CISR) Processing**
SCE did not issue a Notice of Intent to Release Customer Information to an affiliate on its website prior to releasing customer information to a Class A Affiliate. In addition, SCE did not retain written customer consent for 3 out of 107 sampled CISR forms.
- **Finding 2: Inadequate Control Over Physical Separation from Affiliates**
SCE did not properly implement its visitor management system to track the movement of employees from affiliates entering and exiting SCE's facilities, the frequency, and purpose of such visits.
- **Finding 3: Untimely Notification of Change in Shared Officers' List**
SCE failed to notify CPUC of a change in its shared officers list within 30 days of the effective date of the change.
- **Finding 4: Unreported Transfer Fees Totaling \$211,362**
SCE failed to report and disclose the amount of transfer fee collected for each employee transferred to an affiliate in its 2023 Annual Affiliate Transaction Report.
- **Finding 5: Under Collection of One-Time Employee Transfer Fees, Totaling \$56,823**
SCE under collected one-time employee transfer fees for four transferred employees totaling \$56,823 due to SCE's newly adopted methodology of computing its one-time employee transfer fees that did not utilize the fee percent as outlined in ATR V.G.2.c.
- **Finding 6: Incomplete Affiliates Information Reported in the 2023 Compliance Plan**
SCE provided incomplete information in its 2023 Affiliate Compliance Plan filed with the CPUC by not including a new Class A Affiliates and the change in the purpose and activities of five Class A Affiliates in its 2023 Compliance Plan.

ATR VIII.D.2.b.ii.3 – The Utility's Actions to Disclose and Rectify a Violation, requires the public utility to report to CPUC any instances when a utility is aware that a violation of the ATR has occurred. During the audit period, SCE had one self-reported instance, included in this report as Finding 1.

We issued a draft report on July 25, 2025. SCE responded by letter dated August 7, 2025, agreeing to implement all of UAB's recommendations, but disagreeing with Finding 2, and partially disagreeing with Findings 5 and 6. SCE's response is included in this final report as an attachment in Appendix A—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix B—UAB's Evaluation of Utility's Response.

AUDIT REPORT

Background

Affiliate Transaction Rules

In the late 1980s and early 1990s, energy utilities sought approval from CPUC to reorganize under a holding company structure. While CPUC approved applications for several energy utilities, CPUC was concerned with price manipulation and higher charges to consumers through transactions with their unregulated affiliates. To address this, CPUC established the ATRs to ensure utilities (1) meet their public service obligations at the lowest reasonable cost; and (2) do not engage in preferential treatment of their affiliates. As part of Rulemaking 05-10-030, CPUC issued Decision (D.) 06-12-029 which adopted the latest revision to the ATRs.

The ATRs have been designed to:

- ensure that key utility and holding company officers understand the ATRs and their obligations under them;
- provide greater security against the sharing within the corporate family, through improper conduits, of competitively significant, confidential information; and
- ensure a utility's financial integrity is protected from the riskier market ventures of its unregulated affiliates and holding company parent.

The ATRs apply to California's major energy utilities and their holding companies, such as, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), and SCE.

CPUC's D.06-12-029, Appendix A-3 categorizes the ATRs into nine rules (I through IX) with various sub-rules within each rule. CPUC publishes ATR related information at [Affiliate Rules and Holding Company Issues](#).

Affiliates

D.06-12-029, Appendix A-3, ATR I.A defines an affiliate as any person, corporation, utility, partnership, or other entity, 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. The utility must ensure that the utility is not utilizing the holding company or any of its affiliates not covered by ATRs as a conduit to circumvent any of the rules.

SCE's 2022 and 2023 Compliance Plans further classify affiliates as follows:

- Class A Affiliate is an affiliate that engages in the provision of a product that uses electricity or the provision of services that relate to the use of electricity.

- Class B Affiliate is an affiliate that does not provide products or services that use or relate to the use of electricity.

The ATRs cover Class A Affiliates while Class B Affiliates are considered non-covered affiliates.

Annual Compliance Plan

D.06-12-029, Appendix A-3, ATR VI.A requires each utility to file a compliance plan by submitting an advice letter (AL) to CPUC. The compliance plan is required to include:

- A list of all affiliates of the utility, and for each affiliate, its purpose or activities; and
- A demonstration of the procedures in place to assure compliance with ATRs.

SCE filed its 2022 and 2023 Affiliate Compliance Plan on June 29, 2022, and June 29, 2023, respectively, and reported the following:

Affiliate Type	2022 Compliance Plan (AL-4822)	2023 Compliance Plan (AL-5060)
Clasa A Affiliates	14	12
Clasa B Affiliates	27	23
Total Affiliates	41	35

Audit Authority

UAB conducted this audit under the general authority outlined in PU Code sections 314.5, 314.6, 581, 582, and 584. Furthermore, D.06-12-029, Appendix A-3: ATR VI.C directs the CPUC's Energy Division to coordinate biennial audits to verify the utilities' compliance with the ATRs.

Objective and Scope

Our audit objective was to determine whether SCE complied with ATRs for the period of January 1, 2022, through December 31, 2023.

Methodology

In planning our audit, we gained an understanding of the ATRs and SCE's compliance mechanisms by researching and reviewing relevant PU Code sections, rules, regulations, policies, CPUC decisions, resolutions, advice letters, SCE's compliance plan, SCE's policies and procedures, and interviewing SCE's personnel.

We conducted a risk assessment, including evaluating whether SCE's key internal controls relevant to our audit objective were properly designed, implemented, and operated effectively. Our assessment included conducting interviews, performing walkthroughs, and testing transactions. Deficiencies in internal control, if identified during our audit and determined to be significant within the context of our audit objective, are included in this report.

Additionally, we assessed the reliability of the data extracted from various SCE's systems, (visitors' management system (VMS), Systems, Applications, & Products (SAP), SuccessFactors Learning application, and excel spreadsheets). Our assessment included examining extracted reports, tracing data

between differing report formats to verify completeness, and tracing report data to source documents. Except for the VMS with missing significant information, as noted in Finding 2, we determined the data to be sufficiently reliable to address the audit objective.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objective. To achieve our audit objective, we:

- Reviewed applicable CPUC decisions, advice letters, resolutions, and proceedings, to gain understanding of the ATRs.
- Reviewed SCE's Affiliate Compliance Plans, training transcript, and internal policies and procedures related to the administration and implementation of its compliance with ATRs.
- Reviewed the State Controller's Office (SCO's) audit report on SCE's ATRs for the period of January 1, 2016, through December 31, 2017, issued on December 2, 2020. We determined that no additional follow-up was required since follow-up was previously conducted during SCO's subsequent audit of SCE's ATRs for the period of January 1, 2020, through December 31, 2021, issued on December 6, 2024.
- Reviewed the following audit reports and performed follow-up tests to verify whether corrective actions were properly implemented:
 - SCO's performance audit of SCE's ATRs for the period of January 1, 2020, through December 31, 2021, issued on December 6, 2024 (2020-2021 ATR Audit).
 - SCE's Audit Services Department engagement report of SCE's Charge Ready Program Audit (Y22-10114), for the period from program inception through June 2022, issued on October 4, 2022.
- Reviewed the following prior UAB's audit reports and determined that the engagements were not relevant to our audit objective; therefore, no further review was performed:
 - Energy Efficiency Program performance audit report issued on October 11, 2021, Energy Savings Assistance Program performance audit report issued on February 27, 2023, Cost Recovery Application 22-06-003 for Wildfire and Vegetation Management Expenditures performance audit report issued on June 22, 2023, Balancing Accounts performance audit report issued on July 23, 2024; and
 - Quarterly Energy Procurement Compliance engagement reports issued on October 7, 2022, December 12, 2022, April 12, 2023, June 26, 2023, September 15, 2023, December 22, 2023, April 17, 2024, and June 28, 2024.
- Assessed significance by performing an analysis of prior audit findings and evaluating the list of ATRs through our risk assessment process.
- Obtained an understanding of SCE's key internal controls relevant to its ATRs compliance activities, such as policies and procedures, training requirements, and monitoring and compliance oversight, and assessed the design, implementation, and operating effectiveness of selected controls that were significant to the audit objective by:

- interviewing key personnel;
 - completing an internal control questionnaire;
 - reviewing SCE's policies and procedures and assessing their implementation pertaining to compliance with selected ATRs;
 - performing walkthroughs of monitoring and compliance oversight of selected ATRs;
 - verifying completed ATR trainings for a selection of SCE's employees;
 - confirming review and approval of selected deliverables; and
 - assessing the reliability of SCE's VMS by reviewing recorded system data and observing physical access control implemented at entrances to SCE's facilities.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.

As mentioned in the Background section, CPUC's D.06-12-029, Appendix A-3 categorizes the ATRs into nine rules (I through IX) with various sub-rules within each rule. We selected a sample of ATRs and sub-rules to perform detailed testing. Below we identify the rules selected for testing and describe the detailed testing performed.

- Performed testing of ATR III.B.1 – Resource Procurement, by inquiring and obtaining confirmation from SCE to determine whether it engaged in any resource procurements with affiliates during the period. SCE did not engage in this activity; therefore, no further review was performed.
- Performed testing of ATR III.B.2 – Provision of Supply, Capacity, Services or Information, by requesting schedules of all instances wherein SCE provided access to utility information, services, and unused capacity or supply to its affiliates to determine whether SCE provided similar information to other participants on a non-discriminatory basis. SCE did not engage in this activity; therefore, no further review was performed.
- Performed testing of ATR III.E – Business Development and Customer Relations by:
 - conducting a search of SCE's website for any instances of promoting the business or affiliation with an affiliate on SCE website;
 - reviewing the active website of one Class A Affiliates for any information that may suggest business development with SCE or where affiliation with SCE was used to promote affiliates business or better services;
 - obtaining and reviewing sample of nine billing statements to verify whether references to affiliates were included in communication with customers; and
 - obtaining confirmation from SCE on whether SCE engaged in any business development activities with, or on behalf of its affiliates during the period.

- Performed testing of ATR IV.A – Customer Information by:
 - obtaining a list of instances in which SCE provided customer information to its affiliates and unaffiliated entities;
 - judgmentally selecting 107 out of 22,028 CISR transactions recorded in 2022 & 2023, as summarized in the table below:

CISR Request Type	CISRs Selected for Testing	Total Number of CISRs	Percentage Tested
Direct Access	10	2,260	0.44%
Housing and Urban Development	56	12,018	0.47%
Rule 24	7	514	1.36%
Standard	34	7,236	0.47%
Total	107	22,028	0.49%

For each selected sample, traced the instance to supporting documentation and determined whether SCE provided customer information to an affiliate, if a posting to SCE's website was required, and prior written consent was obtained, and in compliance with applicable CPUC directives, orders, rules, regulations, and SCE's policies and procedures by:

- verifying whether the third-party receiving customer information was an affiliate. If the third party was an affiliate, confirmed whether SCE posted a notice of intent to release customer information prior to the release of information;
 - confirming customer written authorizations were obtained prior to the release of information to third parties;
 - confirming the name of the third party to receive customer information was identified on each customer authorization; and
 - evaluating the processing time for completing requests.
- Performed testing of ATR IV.B – Non-Customer Specific, Non-Public Information by:
 - reviewing SCE's website to determine whether there were any notices of non-customer specific, non-public information provided to affiliates during the period;
 - inquiring from SCE whether non-customer specific non-public information was made available to affiliates during the period; and
 - reviewing the meeting minutes for all 17 of SCE's Board Meetings to determine whether SCE's controls to ensure non-customer, non-public information was not shared with affiliates or discussed in the presence of officers from affiliates during board meetings were implemented.

- Performed testing of ATR IV.C – Service Provider Information by:
 - reviewing SCE’s website for any published service provider information; and
 - obtaining and reviewing Charge Ready Approved Network Providers and Green Button Third Party List to determine whether SCE included the names of its affiliates in the service provider lists.
- Performed testing of ATR IV.D – Supplier Information by:
 - obtaining and reviewing one instance where SCE provided supplier information to Edison International (EIX); and
 - verifying whether SCE obtained affirmative authorization from the supplier prior to providing information to EIX.
- Performed testing of ATR V.D – Joint Purchases by obtaining and reviewing a list of joint services to identify resource procurements or prohibited shared services.
- Performed testing of ATR V.E – Corporate Support to verify SCE has a process in place to track and bill for shared corporate support costs by:
 - participating in a walkthrough on how SCE tracks, accumulates, and bills for shared support costs;
 - obtaining and reviewing accounting information from SCE’s accounting system to verify whether SCE billed and collected shared corporate support costs; and
 - tracing four line-item transactions from SCE’s intercompany transaction detail report to amounts billed to verify that SCE has a process for tracking and accumulating shared corporate support costs.
- Performed testing of ATR V.G – Employees by:
 - obtaining and reviewing minutes for all 17 of SCE’s Board Meetings to determine whether SCE shared any officers with affiliates other than EIX;
 - obtaining and reviewing all notifications sent to the CPUC regarding nine instances of changes in the list of shared officers in 2022 (seven instances) and 2023 (two instances) to determine whether notices were made within 30 days of the change; and
 - selecting all four employees transferred to an affiliate and reported in the 2023 Annual Affiliate Transaction Report, and determining whether SCE complied with applicable CPUC directives, orders, rules, regulations, and SCE’s policies and procedures relating to employee movement by:
 - confirming exit records were maintained for each employee transferred to an affiliate;

- recomputing employee transfer fee to determine whether employee transfer fee was correctly calculated;
 - confirming accounting journal entries to ensure transfer fees were properly credited;
 - confirming transferred employees met the residency requirement; and
 - validating whether the 2023 Annual Affiliate Transactions Reports include all required information related to each transferred employee in the reports.
- Performed testing of ATR VI.A & B. – Compliance Plans and New Affiliates Compliance Plans, respectively, by:
 - obtaining the list of new affiliates reported during the audit period;
 - tracing four new affiliates to the 2023 Compliance Plan to ensure SCE included all the newly acquired affiliates in its compliance plan;
 - reconciling the list of affiliates reported in the 2021, 2022, and 2023 Compliance Plan to determine changes in the number, activities, and classification of affiliates reported; and
 - verifying an advice letter was filed within 60 days for the four new affiliates reported.
- Performed testing of ATR VII.H – Periodic Reporting of Non-Tariffed Products & Services (NTP&S) to verify SCE’s processes for tracking, recording, and reporting revenues and incremental cost in the NTP&S reports by:
 - reconciling the NTP&S categories in the 2022 and 2023 NTP&S reports to the approved product or service categories listed in Attachment B of AL 1286-E-A;
 - participating in walkthroughs to gain an understanding of how SCE tracked and recorded revenues and incremental costs; and
 - tracing 4 out of 36 or 11.11% revenue categories reported in 2022 and 2023 NTP&S reports to general ledger detail reports.

We did not audit SCE’s financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that SCE complied with the ATRs during the audit period. We considered SCE’s internal controls only to the extent necessary to plan the audit and achieve our audit objective.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Conclusion

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found instances of inadequate internal controls and noncompliance with ATRs during the audit period of January 1, 2022, through December 31, 2023. These instances are summarized in the Summary Schedule of Audit Results and described in the Findings and Recommendations section of this audit report.

Follow-up on Prior Audit Findings

We identified two prior audits relevant to our audit objective that required follow-up during this audit to verify whether corrective actions were properly implemented:

- SCO's performance audit of SCE's ATRs for the period of January 1, 2020, through December 31, 2021, issued on December 6, 2024, identified four findings related to inadequate controls and noncompliance. We confirmed during this audit that SCE's implemented corrective actions were sufficient.
- SCE's Audit Services Department (ASD) engagement report of SCE's Charge Ready Program Audit (Y22-10114), for the period from program inception through June 2022, issued on October 4, 2022, observed a lack of documentation to support the process for identifying and managing affiliates and minority-invested companies participating in the Charge Ready Program. We confirmed during this audit that SCE's implemented corrective actions were sufficient and SCE's ASD has closed the action item.

Views of Responsible Officials

We issued a draft report on July 25, 2025. SCE responded by letter dated August 7, 2025, agreeing to implement all of UAB's recommendations, but disagreeing with Finding 2, and partially disagreeing with Findings 5 and 6. SCE's response is included in this final report as an attachment in Appendix A—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix B—UAB's Evaluation of Utility's Response.

Restricted Use

This audit report is intended solely for the information and use of SCE and CPUC; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and will be available on CPUC website at [Audit Reports by Industry](#).

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

FINDINGS AND RECOMMENDATIONS

Finding 1: Inadequate Oversight Over CISR Processing

Condition:

SCE did not have adequate oversight over CISR processing, which resulted in releasing customer information to an affiliate without first issuing a notification in one self-reported instance, and not maintaining adequate documentation of three customer written authorizations. We noted the following instances related to CISRs:

- A Class A Affiliate submitted a CISR form to SCE requesting the release of customer information. As such, SCE was required to issue a Notice of Intent to Release Customer Information to an Affiliate (notice of intent) on its website prior to releasing the customer's information to the affiliate. During the planning phase of the audit, SCE reported an instance where SCE did not issue a notice of intent prior to releasing customer's information. We observed that the CISR form Edison Energy, LLC (a Class Affiliate) submitted has Edison Energy as the third-party requesting customer information. However, SCE processed the request in its system as having originated from Edison Energy Group (a Class B Affiliate). SCE issued the notice of intent on its website in June 2024.

SCE stated that it implemented a new routing process and added a management oversight check as part of the CISR intake process.

- SCE did not retain evidence of customer written authorizations for 3 out of 107 or 2.8 percent of sampled CISR forms to support that customer authorizations were obtained prior to the release of customers information to a third party. According to SCE, the written consent from customers and third party were received through a secure link provided in email, but SCE's established process to archive CISR forms received was not followed in these instances, and the secure link to the CISR forms has since expired.

Criteria:

D.06-12-09, Appendix A-3, ATR IV.A., Customer Information, states, in part, that:

A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.

SCE's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with affiliate transaction rules, and states, in part, that:

As required by Resolution E-3539, Ordering Paragraph 11, SCE must post a notice of intent to release a customer's information to an SCE Class A Affiliate on SCE's Internet website prior to release. SCE procedures are in place specifying the form and content of the information posted on the website.

Resolution E-3539, states, in part, that:

In particular, the guidelines in the updated manual should specify a particular individual responsible for determining that 1) the customer has given written, affirmative consent to the

release of the information, to both the affiliate as well as to the affiliate's competitors, and 2) the information is made available to both affiliates and the affiliates' competitors in a nondiscriminatory fashion.

To ensure that this information is made available on a nondiscriminatory fashion, a notice that the utility intends to release customer information to an affiliate should be posted, prior to the actual transaction, on Edison's Affiliate Transactions website.

Cause:

SCE lacked adequate management oversight and supervisory review over the processing and retention of customer authorizations. SCE also lacked adequate record retention and retrieval policies and procedures to ensure customer written authorizations are retained and can be easily retrieved.

Effect:

Providing customer information to affiliated entities without first issuing the notice of intent can give the affiliates undue advantage and prevent other market participants from having the opportunity to gain knowledge of the availability and release of the information contemporaneously. Furthermore, providing customer information without prior written consent may result in a breach of privacy. Therefore, failure to maintain documentation of customer written authorization cannot ensure SCE complied with this specific ATR.

Recommendations:

SCE should enhance its oversight of the CISR form intake process to ensure accurate information is captured, and monitor both its CISR archiving and the newly implemented routing processes to ensure they are operating effectively. Furthermore, SCE should enhance its record retention and retrieval policies and procedures to ensure customer written authorizations are retained to comply with this ATR.

Finding 2: Inadequate Control Over Physical Separation from Affiliates**Condition:**

SCE did not properly implement its VMS to track the movement of employees from affiliates entering and exiting SCE's facilities, the frequency, and purpose of such visits to ensure proper monitoring of physical separation from its affiliates.

SCE utilizes its VMS to track visitors' movement (including employees from affiliates) entering and exiting SCE's facilities. The VMS collects and stores visitors' information, including the name, date and time of entry and exit, the represented company, the name of SCE host, purpose of visit, among others. During the audit, we inputted our information in the system as visitors entering SCE's facility and observed an onscreen walkthrough of the VMS report layout during our fieldwork at SCE's headquarters. Subsequently, we selected three monthly reports (April 2022, August 2022, and December 2023) from the VMS for review. We noted that visitors entering SCE's facilities are not required to input the company they represent in the VMS because the company represented field is optional. As a result, SCE does not have critical data to monitor how often employees from affiliates visited SCE's facilities, the purpose of their visits, and their host employees. In addition, upon inquiry of the frequency of review of the reports generated from the VMS, SCE indicated it does not have an established process for reviewing data captured in the VMS for accuracy.

Criteria:

D.06-12-09, Appendix A-3, ATR V.C, Sharing of Plant, Facilities, Equipment or Cost, states, in part, that:

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules. Physical separation required by this rule shall be accomplished preferably by having office space in a separate building, or, in the alternative, through the use of separate elevator banks and/or security-controlled access.

SCE's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with affiliate transaction rules, states, in part, that:

All other Class A Affiliate employees that enter SCE's general office facilities must sign in as a visitor and be escorted to the EIX offices. The Class A Affiliate officers and executives with Identification Badges may act as escorts for those Class A Affiliate employees visiting the General Office facilities.

Cause:

SCE did not implement adequate control in its VMS by making the company represented field in the VMS a required input for visitors to ensure SCE tracks and monitors affiliates' movement within SCE's facilities. Also, SCE lacked an established review mechanism to ensure the accuracy of information inputted in the VMS.

Effect:

Due to the incomplete identifying information captured in the system, and the lack of review of the information processed, SCE is unable to monitor Class A Affiliate employees' activities in its facilities. Unfettered access could result in inadvertent transfer of non-public information to affiliates.

Recommendations:

SCE should enhance its VMS by making the company field a required field that must be completed during visitors' registration process. In addition, SCE should implement a regular review process of the information generated from the VMS to track the frequency of visits from affiliates into SCE's facilities and the purpose of such visits.

Finding 3: Untimely Notification of Change in Shared Officers' List**Condition:**

SCE failed to notify CPUC of a change in its shared officers' list within 30 days of the effective date of the change in one out of nine instances that occurred during the audit period.

An officer was elected Vice President, Chief Accounting Officer, and Controller for EIX and SCE, effective August 21, 2023. SCE's Affiliate Compliance Office (ACO) completed the notification and sent it to SCE's internal working group for filing on September 20, 2023. However, the work group filed the notification with the CPUC the following day, September 21, 2023, 31 days after the effective date of the change.

SCO reported SCE's failure to timely notify CPUC of change in the shared officers' list in its 2020-2021 ATR audit report, as Finding 3. SCO recommended SCE to develop appropriate controls to ensure notification to the ACO regarding any changes in shared officers in a timely manner, among other things. In January 2025, SCE implemented a dashboard to provide weekly updates via email on all executive movement. We verified the newly implemented dashboard provides real-time updates to users. Although SCE implemented the new controls in January 2025, these were not in effect during the audit period, and as a result, we noted a deficiency during our audit period as outlined above.

Criteria:

D.06-12-09, Appendix A-3, ATR V.G.1, Employee, states, in part, that:

In its compliance plan, the utility shall list all shared directors and officers between the utility and affiliates. No later than 30 days following a change to this list, the utility shall notify the Commission's Energy Division and the parties on the service list...

SCE's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with affiliate transaction rules, states, in part, that:

SCE follows its "Notification of Shared Directors or Shared Officers" procedure when notifying the CPUC Energy Division of any change to its shared directors or officers in accordance with [ATR] V.G.1.

Cause:

SCE lacked adequate filing procedures to ensure an effective communication channel that allows timely notification of change to the shared officers' list to be made within 30 days of the effective date.

Effect:

Failure to timely notify CPUC of changes in shared officers list could hinder CPUC's ability to effectively carry out its regulatory obligation of ensuring a fair playing ground within the California energy sector, and its ability to monitor officers' movements to prevent officers from being used to circumvent the ATRs.

Recommendations:

SCE should continue to implement the newly developed notification dashboard and monitor its effectiveness in ensuring continued timely notification to CPUC.

Finding 4: Unreported Transfer Fees Totaling \$211,362**Condition:**

SCE failed to report and disclose the amount of transfer fee collected for four employees transferred to an affiliate in Schedule H of its 2023 Annual Affiliate Transaction Report totaling \$211,362.

SCE transferred four employees to a Class A Affiliate in 2023 and collected one-time transfer fees for each employee totaling \$211,362 from the Class A Affiliate that employed the transferred employees. SCE reported "Yes" instead of the specific amount collected, in the fee collected column of Schedule H of its 2023 Annual Affiliate Transaction Report, contrary to D.93-02-019 requirement.

Criteria:

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

D.06-12-09, Appendix A-3, ATR V.G.2a. Tracking and Reporting of Employee Movement, states, in part, that:

A utility shall track and report to the Commission all employee movement between the utility and affiliates. The utility shall report this information annually pursuant to our Affiliate Transaction Reporting Decision, D.93-02-016, 48 CPUC2d 163, 171-172 and 180 (Appendix A, Section I and Section II H.).

D.93-02-019 Appendix A, Section II H.4 states:

If a Commission decision requires the utility to collect a “fee” for any employee transferred to an affiliated entity, the utility shall report the amount of the fee collected for each employee.

Cause:

SCE lacked adequate oversight over the reporting process to prevent, detect and correct errors and to ensure required information was accurate.

Effect:

Failure to provide complete and accurate information to CPUC could inhibit transparency to the public and the ability of the CPUC decision makers to make sound decisions and assessments based on reported information.

Recommendations:

SCE should amend Schedule H of its 2023 Annual Affiliate Transaction Report to include the transfer fees collected for each employee. In addition, SCE should strengthen its review and oversight over information reporting to ensure accurate and complete reporting to CPUC.

Finding 5: Under Collection of One-Time Employee Transfer Fees Totaling \$56,823**Condition:**

SCE under collected one-time employee transfer fees for four transferred employees totaling \$56,823 due to SCE’s newly adopted methodology of computing its one-time employee transfer fees that did not utilize the fee percent as outlined in ATR V.G.2.c.

When an employee transfers to an affiliate, SCE is required to collect a one-time transfer fee equivalent to 25 percent of the employee’s base annual compensation. Beginning in April 2023, SCE started calculating the one-time employee transfer fees using tiered rates between 15 and 25 percent applied to the employee’s fully loaded cost. The transfer fee percentage applied was based solely on the employee’s job title/position as follows:

- Director – 25%
- Manager – 20%
- Advisor – 15%

Per ATR V.G.2.c requirements, the one-time transfer fee amounts are to be computed based on 25 percent of the employee's base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15 percent) is appropriate for the class of employee included. However, aside from employee's job title/position, SCE did not demonstrate or provide documentation to justify how applying a rate lower than 25 percent in the calculation of the one-time transfer fee was appropriate. As a result, using the base annual compensation, we recalculated the transfer fee amount based on the 25 percent transfer fee rate for the four employees transferred to a Class A Affiliate, and determined an under collected amount totaling \$56,823, as outlined in the table below:

Employee	Base Annual Compensation	Transfer Fees at 25%	SCE Recorded Transfer Fees	Over/(under) collected
Employee #1	\$238,922	\$59,730	\$34,861	(\$24,869)
Employee #2	401,077	100,269	96,866	(3,403)
Employee #3	334,198	83,549	64,937	(18,612)
Employee #4	98,550	24,637	14,698	(9,939)
Total		\$268,185	\$211,362	(\$56,823)

Criteria:

D.06-12-09, Appendix A-3, ATR V.G.2.c, states, in part, that:

When an employee of a utility is transferred, assigned, or otherwise employed by the affiliate, the affiliate shall make a one-time payment to the utility in an amount equivalent to 25 percent of the employee's base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15 percent) is appropriate for the class of employee included.

Cause:

SCE failed to demonstrate that using a methodology other than the 25 percent specified by the ATR is appropriate.

Effect:

The transfer fee aims to ensure that the regulated utility is not unfairly burdened by employee transfers to affiliates and revenue collected should be to the benefit of ratepayers. The use of lower rates of less than 25 percent resulted in an under collected one-time transfer fee totaling \$56,823.

Recommendations:

SCE should recover the under collection of \$56,823 from the employing affiliate and review all employee transfers made after 2023 to ensure SCE applied the appropriate rate in determination of the one-time transfer fees collected.

Finding 6: Incomplete Information Reported in the 2023 Compliance Plan**Condition:**

SCE provided incomplete information in its 2023 Affiliate Compliance Plan filed with the CPUC as follows:

- SCE omitted Energy Trading Company d.o.o, a Class A Affiliate acquired in October 2022, from its 2023 Compliance Plan filed on June 29, 2023.
- SCE did not include the change in the purpose and activities of five Class A Affiliates (Broken Bow Wind, LLC, Cedro Hill Wind II, LLC, Crofton Bluffs Wind, LLC, Mountain Wind Power, LLC, and Mountain Wind II, LLC) sold in August of 2022 in its Compliance Plan.

Since the change in the purpose and activities of these affiliates occurred after the filing of the 2022 Compliance Plan, SCE should have reported the change in the purpose and activities of these affiliates in its 2023 Compliance Plan.

Criteria:

PU Code section 581 requires that the utility provides timely, complete, and accurate data to the CPUC.

D.06-12-09, Appendix A-3, ATR VI.A.2, states, in part, that:

A utility shall file a compliance plan annually by advice letter where there is some change in the compliance plan (i.e., when there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).

SCE's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with affiliate transaction rules, states, in part, that:

SCE maintains a current list of affiliates that is attached to the compliance plan as Appendix B.

Cause:

SCE lacked adequate monitoring procedures to ensure adequate oversight and review over the reporting process to prevent, detect, and correct errors and to ensure required information was included and was accurate.

Effect:

Providing outdated and incomplete information to CPUC limits transparency to the public and inhibits CPUC's ability to effectively carry out its regulatory obligations of ensuring a level playing ground within the regulated market.

Recommendations:

SCE should amend its 2023 Compliance Plan, Appendix B, List of affiliates, to include the omitted affiliate and document the change in the purpose and activities of the five Class A Affiliates sold. In addition, SCE should develop, document, and implement monitoring procedures to ensure adequate oversight and review over its reporting process.

SUMMARY SCHEDULE OF AUDIT RESULTS

ATR	Findings Summary
IV. Disclosure and Information, A. Customer Information	Finding 1: <ul style="list-style-type: none"> SCE released customer information to an affiliate without first issuing a notice of intent to release customer information to an affiliate. SCE did not retain evidence of written customer authorization for 2.8 percent of samples tested.
V. Separation, C. Sharing of Plant, Facilities, Equipment or Costs	Finding 2: SCE did not properly implement its VMS to track and monitor physical separation from affiliates.
V. Separation, G.1. Change in Shared Officer List	Finding 3: SCE failed to notify CPUC of a change in shared officers' list within 30 days of the effective date of the change.
V. Separation, G.2.a. Reporting of Employee Transfer Fees	Finding 4: SCE failed to report employee transfer fee amounts in the 2023 annual affiliate transaction report totaling \$211,362.
V. Separation, G.2.c. Employee Transfer Fee Rate	Finding 5: SCE under-collected a one-time transfer fee for four transferred employees totaling \$56,823.
VI. Regulatory Oversight, A. Compliance Plans	Finding 6: SCE omitted the following from its 2023 Compliance plan: <ul style="list-style-type: none"> One newly acquired Class A Affiliate; and Five Class A Affiliates' change in purpose and activities.

APPENDIX A—UTILITY'S RESPONSE TO DRAFT AUDIT REPORT

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August 7, 2025

Angie Williams, Director
Utility Audits, Risk, and Compliance Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Re: *Southern California Edison Response to the California Public Utilities Commission Draft Audit Report entitled, "Southern California Edison Affiliate Transaction Rules for the Period of January 1, 2022, through December 31, 2023"*

Dear Ms. Williams:

On July 25, 2025, Southern California Edison Company (SCE) received a copy of the Draft Audit Report entitled, "Southern California Edison Audit Report, Affiliate Transaction Rules, January 1, 2022, through December 31, 2023" (Draft Report) dated July 25, 2025. SCE respectfully provides comments on each of the six findings and recommendations contained in the Draft Report. SCE reserves the right to submit additional comments to the Final Report if there are other comments or input that change or add to the findings or recommendations found in the Draft Report.

SCE appreciates the opportunity to review and provide comments on the Draft Report. We are happy to discuss our comments in more detail with the Utility Audit Branch, California Public Utilities Commission, if you feel that such a discussion would be beneficial. If you have any questions, please feel free to contact Heidi Lopez at (626) 302-3904 or Heidi.Lopez@sce.com.

Best regards,

Signed by:
Michael Backstrom
F0035CEA80E092452

Michael Backstrom
Senior Vice President
Southern California Edison

cc:

Masha Vorobyova, Assistant Director, UAB, CPUC
Nancy Ta, Program and Project Supervisor, UAB, CPUC
Moses Ofurio, Senior Management Auditor, UAB, CPUC
Alexandra Lee, Staff Services Management Auditor, UAB, CPUC
Marta Carreira-Slabe, Vice President and Chief Ethics and Compliance Officer, SCE
Mark McGregor, Sr. Manager, Affiliate Compliance Program, SCE
Elizabeth Leano, Sr. Manager, External Regulatory Audits, SCE
Patrick Nandy, Sr. Advisor

2244 Walnut Grove Ave.
Rosemead, California 91770

**Southern California Edison Company
2022-2023 Affiliate Transactions Audit
Response to Draft Audit Report Dated July 25, 2025**

I. Introduction

SCE appreciates the opportunity to work with the UAB to demonstrate and improve its compliance practices. SCE believes that the findings and recommendations contained in the 2022-2023 Affiliate Transactions Audit (2022-2023 ATA) Draft Report (Draft Report) are minor, with minimal to no impact on customers or other electric market participants. SCE will continue to look for opportunities to reinforce and strengthen our internal controls to enhance our overall compliance with the Commission's Affiliate Transaction Rules (Rules or ATRs).

We appreciate the professional manner in which the Utility Audit Branch (UAB) conducted the 2022-2023 ATR Audit.

II. Comments on Each of the 2022-2023 Audit Findings and Recommendations

The Draft Report contains 6 findings and recommendations. SCE has carefully reviewed the findings and recommendations in the Draft Report. Below are SCE's responses to each of the findings and recommendations.

Finding 1: ATR IV.A, Inadequate Oversight Over Customer Information Service Requests CISR Processing

SCE did not have adequate oversight over CISR processing, which resulted in releasing customer information to an affiliate without first issuing a notification in one self-reported instance, and not maintaining adequate documentation of three customer written authorizations. We noted the following instances related to CISRs:

A Class A affiliate submitted a CISR form to SCE requesting the release of customer information. As such, SCE was required to issue a Notice of Intent to Release Customer Information to an Affiliate (notice of intent) on its website prior to releasing the customer's information to the affiliate. During the planning phase of the audit, SCE reported an instance where SCE did not issue a notice of intent prior to releasing customer's information. We observed that the CISR form Edison Energy, LLC, (a Class Affiliate Affiliate) submitted has Edison Energy as the third-party requesting customer information. However, SCE processed the request in its system as having originated from Edison Energy Group (a Class B Affiliate). SCE issued the notice of intent on its website in June

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Page 3

2024.

SCE stated that it implemented a new routing process and added a management oversight check as part of the CISR intake process.

SCE did not retain evidence of customer written authorizations for 3 out of 107 or 2.8 percent of sampled CISR forms to support that customer authorizations were obtained prior to the release of customers information to a third party. According to SCE, the written consent from customers and third party were received through a secure link provided in email, but SCE's established process to archive CISR forms received was not followed in these instances, and the secure link to the CISR forms has since expired.

Recommendation 1:

We recommend that the Utility:

SCE should enhance its oversight of the CISR form intake process to ensure accurate information is captured and monitor both its CISR archiving and the newly implemented routing processes to ensure they are operating effectively. Furthermore, SCE should enhance its record retention and retrieval policies and procedures to ensure customer written authorizations are retained to comply with this ATR.

SCE Response to Finding 1 and Recommendation 1:

SCE agrees with Finding 1. SCE and its CISR team take seriously the privacy and protection of its customers' information, especially when sharing such information with its affiliates. Prior to this audit, SCE's CISR team, in conjunction with the Affiliate Compliance Office (ACO), detected the self-report CISR issue mentioned in this Finding as part of its regular quality assurance activities and proactively brought this to the attention of auditors at the beginning of the audit. The CISR team and ACO had already commenced discussing and implementing appropriate mitigation activities by the time the audit began. The CISR team and ACO will continue to enhance the CISR intake, approval, and customer information release procedures to ensure appropriate notifications are posted on SCE.com prior to release of customer information to affiliates. The three CISR forms mentioned in this Finding for which authorization documentation is unavailable did not come from SCE affiliates; nevertheless, the CISR team will explore enhancements to its record retention procedures so that appropriate evidence can be made available in future audits.

Finding 2: Rule V Inadequate Control Over Physical Separation from Affiliates

SCE did not properly implement its VMS to track the movement of employees from affiliates entering and exiting SCE's facilities, the frequency, and purpose of such visits to ensure proper monitoring of physical separation from its affiliates.

SCE utilizes its VMS to track visitors' movement (including employees from affiliates) entering and exiting SCE's facilities. The VMS collects and stores visitors' information, including the name, date and time of entry and exit, the represented company, the name of SCE host, purpose of visit, among others. During the audit, we input our information in the system as visitors entering SCE's facility and observed an onscreen walkthrough of the VMS report layout during our fieldwork at SCE's headquarters. Subsequently, we selected three monthly reports (April 2022, August 2022, and December 2023) from the VMS for review. We noted that visitors entering SCE's facilities are not required to input the company they represent in the VMS because the company represented field is optional. As a result, SCE does not have critical data to monitor how often employees from affiliates visit SCE's facilities, the purpose of their visits, and their host employees. In addition, upon inquiry of the frequency of review of the reports generated from the VMS, SCE indicated it does not have an established process for reviewing data captured in the VMS for accuracy.

Recommendation 2:

We recommend that the Utility:

SCE should enhance its VMS by making the company field a required field that must be completed during visitors' registration process. In addition, SCE should implement a regular review process of the information generated from the VMS to track the frequency of visits from affiliates into SCE's facilities and the purpose of such visits.

SCE Response to Finding 2 and Recommendation 2:

SCE respectfully disagrees with Finding #2. Affiliate Transaction Rule V.C. requires SCE to not share office space with its affiliates. SCE provided sufficient evidence that it does not share office space with its affiliates in compliance with this rule. SCE's General Office (GO) entrance logs show every instance of an affiliate visitor to the GO complex during the audit period. Even in the instances in which an affiliate visitor's company was not listed, their listed email address identified them as representing an affiliate. In addition, all visitors to our facilities company-wide (including Class A and other types), are escorted by a badged employee in compliance with SCE's procedures. There was no evidence of any violation or control weakness. Nevertheless, in the spirit of continuous improvement, SCE will explore

options to enhance visitor identification by making the "Company Name" section a mandatory field.

Finding 3: ATR V.G.1, Untimely Notification of Change in Shared Officers' List

SCE failed to notify CPUC of a change in its shared officers' list within 30 days of the effective date of the change in one out of nine instances that occurred during the audit period.

An officer was elected Vice President, Chief Accounting Officer, and Controller for EIX and SCE, effective August 21, 2023. SCE's Affiliate Compliance Office (ACO) completed the notification and sent it to SCE's internal working group for filing on September 20, 2023. However, the work group filed the notification with the CPUC the following day, September 21, 2023, 31 days after the effective date of the change.

SCO reported SCE's failure to timely notify CPUC of change in the shared officers' list in its 2020-2021 ATR audit report, as Finding 3. SCO recommended SCE to develop appropriate controls to ensure notification to the ACO regarding any changes in shared officers in a timely manner, among other things. In January 2025, SCE implemented a dashboard to provide weekly updates via email on all executive movement. We verified the newly implemented dashboard provides real-time updates to users. Although SCE implemented the new controls in January 2025, these were not in effect during the audit period, and as a result, we noted a deficiency during our audit period as outlined above.

Recommendation 3:

We recommend that the Utility:

SCE should continue to implement the newly developed notification dashboard and monitor its effectiveness in ensuring continued timely notification to CPUC.

SCE Response to Finding 3 and Recommendation 3:

SCE agrees with Finding 3. SCE was one day late in filing notification of a change in a shared officer. SCE will modify its procedure for shared officer notification to include using online tools to compute due dates to ensure timely filing.

Finding 4: ATR.V.G. 2a, Unreported Transfer Fees Totaling \$211,362

SCE failed to report and disclose the amount of transfer fee collected for four employees transferred to an affiliate in Schedule H of its 2023 Annual Affiliate Transaction Report totaling \$211,362.

Page 6

SCE transferred four employees to a Class A Affiliate in 2023 and collected one-time transfer fees for each employee totaling \$211,362 from the Class A Affiliate that employed the transferred employees. SCE reported "Yes" instead of the specific amount collected, in the fee collected column of Schedule H of its 2023 Annual Affiliate Transaction Report, contrary to D.93-02-019 requirement.

Recommendation 4:

We recommend that the Utility:

SCE should amend Schedule H of its 2023 Annual Affiliate Transaction Report to include the transfer fees collected for each employee. In addition, SCE should strengthen its review and oversight over information reporting to ensure accurate and complete reporting to CPUC.

SCE Response to Finding 4 and Recommendation 4:

SCE agrees with this finding. SCE had included affiliate transfer fees in prior annual affiliate transaction reports but inadvertently failed to do so in 2023. To ensure affiliate transaction fees are included where appropriate in future annual reports, the Affiliate Compliance Office will enhance its annual reporting procedure to include a step to check the affiliate transfer chart for any required affiliate transfer fees. In addition, HR will open a case in the HR Case Management system, and the HR case will be closed only after HR receives confirmation from SCE Corporate Accounting and the Affiliate Compliance Office that the fee is reported. HR will document confirmation in the case prior to closing. SCE will also file an amendment to its 2023 annual report which includes affiliate transfer fees.

Finding 5: ATR V.G.2.c, Under Collection of One-Time Employee Transfer Fee

SCE under collected one-time employee transfer fees for four transferred employees totaling \$56,823 due to SCE's newly adopted methodology of computing its one-time employee transfer fees that did not utilize the fee percent as outlined in ATR V.G.2.c.

SCE under collected one-time employee transfer fees for four transferred employees totaling \$56,823 due to SCE's newly adopted methodology of computing its one-time employee transfer fees that did not utilize the fee percent as outlined in ATR V.G.2.c.

When an employee transfers to an affiliate, SCE is required to collect a one-time transfer fee equivalent to 25 percent of the employee's base annual compensation. Beginning in April 2023, SCE started calculating the one-time employee transfer fees using tiered rates between 15 and 25 percent applied to the employee's fully loaded cost. The transfer fee percentage applied was based solely on the employee's job title/position as follows:

- Director – 25%

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Page 7

- Manager – 20%
- Advisor – 15%

Per ATR V.G.2.c requirements, the one-time transfer fee amounts are to be computed based on 25 percent of the employee's base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15 percent) is appropriate for the class of employee included.

However, aside from employee's job title/position, SCE did not demonstrate or provide documentation to justify how applying a rate lower than 25 percent in the calculation of the one-time transfer fee was appropriate. As a result, using the base annual compensation, we recalculated the transfer fee amount based on the 25 percent transfer fee rate for the four employees transferred to a Class A Affiliate, and determined an under collected amount totaling \$56,823, as outlined in the table below:

Employee	Base Annual Compensation	Transfer Fees at 25%	SCE Recorded Transfer Fees	Over/(under) collected
Employee #1	\$238,922	\$59,730	\$34,861	(\$24,869)
Employee #2	401,077	100,269	96,866	(3,403)
Employee #3	334,198	83,549	64,937	(18,612)
Employee #4	98,550	24,637	14,698	(9,939)
Total		<u>\$268,185</u>	<u>\$211,362</u>	<u>(\$56,823)</u>

Recommendation 5:

We recommend that the Utility:

SCE should recover the under collection of \$56,823 from the employing affiliate and review all employee transfers made after 2023 to ensure SCE applied the appropriate rate in determination of the one-time transfer fees collected.

SCE Response to Finding 5 and Recommendation 5:

SCE agrees with the Finding to the extent that SCE incorrectly applied the transfer fee percentage to the transferring employee's salary only, rather than the entire compensation package. SCE respectfully disagrees with the Finding to the extent that it implies that SCE's tiered approach based on job title fails to qualify as demonstration that a lower than 25 percent transfer rate in the calculation of the one-time transfer fee was appropriate for employees with

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Page 8

lower job titles/classifications. Rule V.G.2.c. plainly contemplates that some lesser percentage (equal to at least 15%) may be charged based on job classification.

Notwithstanding this partial disagreement, SCE will recover the full alleged under-collection from the employing affiliate for this audit period as recommended. HR and Corporate Accounting will manage this recovery. Additionally, HR will update their policy and procedure for calculating the transfer fee to ensure that the transfer fee percentage is applied to the entire compensation package going forward. Finally, as recommended, SCE will review all employee transfers made after 2023 to ensure SCE applied the appropriate rate in determination of the one-time transfer fees collected.

Finding 6: ATR VI.A.2, Incomplete Information Reported in the 2023 Compliance Plan

SCE provided incomplete information in its 2023 Affiliate Compliance Plan filed with the CPUC as follows:

- SCE omitted Energy Trading Company d.o.o, a Class A affiliate acquired in October 2022 from the 2023 Compliance Plan filed on June 29, 2023.
- SCE did not include the change in the purpose and activities of five Class A affiliates (Broken Bow Wind, LLC, Cedro Hill Wind II, LLC, Crofton Bluffs Wind, LLC, Mountain Wind Power, LLC, and Mountain Wind II, LLC) sold in August of 2022 in its Compliance Plan.

Since the change in the purpose and activities of these affiliates occurred after the filing of the 2022 Compliance Plan, SCE should have reported the change in the purpose and activities of these affiliates in its 2023 Compliance Plan.

Recommendation 6:

We recommend that the Utility:

SCE should amend its 2023 Compliance Plan, Appendix B, List of affiliates, to include the omitted affiliate and document the change in the purpose and activities of the five Class A Affiliates sold. In addition, SCE should develop, document, and implement monitoring procedures to ensure adequate oversight and review over its reporting process.

SCE Response to Finding 6 and Recommendation 6:

SCE agrees with the Finding that it inadvertently omitted Energy Trading Company d.o.o from its 2023 Compliance Plan. SCE respectfully disagrees with the Finding that the Affiliate Transaction Rules require SCE to list affiliates that have been sold or dissolved in its compliance plan. SCE interprets Rule VI.A. as requiring SCE to provide a list of current affiliates at the time of filing in its annual compliance plan and any change in purpose or activity of those existing affiliates. A sale or dissolution of an entity is not a change in its purpose or activity. Therefore, SCE has never included entities that are no longer affiliates in its compliance plan. To address the inadvertent omission of Energy Trading Company d.o.o., SCE will review and revise its compliance plan procedure with measures to ensure all current affiliates are included in the compliance plan. SCE will also file an amendment to its 2023 Compliance Plan, Appendix B, List of Affiliates, to include the omitted affiliate.

APPENDIX B—UAB'S EVALUATION OF UTILITY'S RESPONSE

We appreciate SCE's comments submitted on August 7, 2025. We reviewed SCE's response to the draft audit report. In its response, SCE agreed to implement all of UAB's recommendations, but disagreed with Finding 2, and partially disagreed with Findings 5 and 6. We are providing our assessment of SCE's response in the same order listed in the response letter.

Finding 1:

SCE stated it agreed with Finding 1 and indicated it will continue to enhance the CISR intake, approval, and customer information release procedures to ensure appropriate notifications are posted on SCE website prior to release of customer information to affiliates and will explore enhancements to its record retention procedures so that appropriate evidence can be made available in future audits.

This finding and recommendations remain unchanged.

Finding 2:

SCE disagreed with Finding 2 asserting that capturing affiliate visitors' email addresses in its VMS system can identify them as representing an affiliate and, therefore, provides adequate control over physical separation from affiliates requirement. SCE also indicated that it considers it sufficient that all visitors to SCE facilities are escorted by a badged employee in compliance with SCE's procedures. Lastly, SCE maintained that there was no evidence of any violation of control weakness. Nonetheless, SCE indicated it will explore options to enhance visitor identification by making the company name section a mandatory field.

We disagree with SCE's assertions that capturing visitors' email addresses provides sufficient control. Our review found several instances where visitors inputted the SCE's host employee's email instead of their own. Therefore, relying on email addresses to identify employees from affiliates is inadequate. We maintain that accurately identifying the company a visitor represents will provide SCE with the opportunity to timely detect, review, and monitor affiliates' visits to ensure SCE maintains physical separation as required by the ATR.

This finding and recommendations remain unchanged.

Finding 3:

SCE stated it agreed with Finding 3 and indicated it will modify its procedure for shared officers' notification to ensure timely filing.

This finding and recommendations remain unchanged.

Finding 4:

SCE stated it agreed with Finding 4 and indicated it will enhance its annual reporting procedure to include a step to check affiliate transfer chart for any required affiliate transfer fees. SCE also indicated it will file an amendment to its 2023 Annual Report to include the affiliate transfer fees.

This finding and recommendations remain unchanged.

Finding 5:

SCE partially agreed with Finding 5 to the extent SCE incorrectly applied the transfer fee to transferring employees' salaries only, rather than entire compensation. SCE indicated it is planning to recover the under collection from the employing affiliate, update its policies and procedures for calculating the transfer fee using employee's entire compensation packages, and review employee transfers made after 2023 to ensure appropriate rate was applied in determination of the one-time transfer fees.

However, SCE disagreed with Finding 5 to the extent SCE's tiered approach to computing transfer fees failed to demonstrate the appropriateness of utilizing lower than 25 percent transfer rate. SCE asserted that ATR V.G.2.c allows the use of lesser percentage (equal to at least 15%). We disagree with SCE's assertion. While we agree that ATR V.G.2.c. allows the possibility of utilizing a lesser percentage for some classifications, the same ATR also requires the utility to demonstrate how the lesser percentage may be appropriate for the class included. SCE did not provide any documentation to support this justification. Using job titles alone as a justification for determination of the one-time transfer fee overlooks important factors such as the years of service, training received, and the experience an employee has gained while working at the utility.

This finding and recommendations remain unchanged.

Finding 6:

SCE stated it partially agreed with Finding 6 relating to SCE's omission of Energy Trading Company d.o.o, a Class A Affiliate acquired in October 2022, from the 2023 Compliance Plan. SCE indicated it will review and revise its compliance plan procedure with measures to ensure all current affiliates are included in the compliance plan and will file an amendment to its 2023 Compliance Plan, Appendix B, List of Affiliates, to include the omitted affiliate.

However, SCE disagreed with Finding 6 relating to its omission of the changes in the purpose and activities of five Class A Affiliates during the audit period. SCE believes that the ATR does not require SCE to list affiliates that have been sold or dissolved in its compliance plan. SCE asserted that a sale or dissolution of an entity does not constitute a change in its purpose or activity. SCE further stated it has never included entities that are no longer affiliates in its compliance plan.

We disagree with SCE's assertion. When an entity is disposed of through sale or dissolution, it, therefore, ceases to pursue its originally intended purpose. We reiterate the provision of D.06-12-09, Appendix A-3, ATR VI.A.2, which states, in part, that:

A utility shall file a compliance plan annually by advice letter where there is some change in the compliance plan (i.e., when there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).

Since the purposes for which the five Class A Affiliates were established to achieve, were no longer achievable by SCE because of the sale, SCE should report the change in purpose and activities of the affiliates in its compliance plan. Reporting accurate information in the compliance plan ensures that the CPUC has accurate information to effectively carry out its regulatory duties.

The finding and recommendations remain unchanged.