



# QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

Southern California Company (SCE)

Third Quarter of 2025 - Advice Letter 5660-E

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
March 20, 2026



## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

March 20, 2026

William V. Walsh, Vice President  
Energy Procurement and 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 July 1, 2025, Through September 30, 2025**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its agreed-upon procedures (AUP) engagement Southern California Edison Company’s (SCE) Quarterly Energy Procurement Compliance Report (QCR) filed for its Third Quarter of 2025 in Advice Letter (AL) 5660-E. The final AUP report is enclosed.

SCE’s responses to the AUP report findings are incorporated into this report. As required by Public Utilities Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. We will post the final redacted audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

A corrective action plan (CAP) addressing the findings is required. SCE has already provided the information regarding its corrective actions planned and those responses have been included in the report. However, SCE is still required to file a supplemental AL 5660-E with amended Attachments A, B, and D by April 3, 2026. Once SCE submits these documents, no further action will be 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,

*Masha Vorobyova for Angie Williams*

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

William V. Walsh, Vice President  
Energy Procurement and Management  
Southern California Edison Company  
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## **MEMBERS OF THE TEAM**

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**Masha Vorobyova, Assistant Director**

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

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**Paulina Zepeda Gomez, Staff**

**Yaelan Wong, Staff**

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

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

**You can contact our office at:**

**California Public Utilities Commission  
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# I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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The 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 (SCE or the utility) energy procurement compliance reporting period of July 1, 2025, through September 30, 2025, (Q3-2025). 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). 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 the 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.

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<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. As required by Public Utilities (PU) Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. The redacted report can be found on the CPUC public website through the following link: [Audit Reports by Industry \(ca.gov\)](#).

*Masha Vorobyova for Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division (UARCD)

## II. PROCEDURES AND FINDINGS

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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 Q3 2025 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 of Electronic Solicitation 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 Q3 2025 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 Q3 2025 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 Q3 2025 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 #1: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581.** SCE incorrectly reported deal volume, notional value, and number of deals of gas physical transactions in Attachments A and D, as outlined below.

#### a) Attachment A errors:

- i. SCE incorrectly reported positive instead of negative notional values of the three gas physical transactions executed with negative average prices. SCE executed these sale transactions at negative prices because this approach was more cost-effective than incurring the [REDACTED] noncompliance fee imposed by [REDACTED] due to a High

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

Operational Flow Order (OFO). [REDACTED] issued a High OFO because [REDACTED] expected scheduled gas flows for the day to exceed system capacity, and during such periods, SCE must keep its gas deliveries within strict limits or face significant penalties. The misstated transaction details are outlined in the table below:

Attachment A - Physical Gas Transactions			Notional Value (\$)		
Counter Party	Deal Volume (MMBtu)	Average Price (\$/MMBtu)	Reported	Audited	Audit Adjustment
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- ii. SCE incorrectly reported the number of deals, volume, and notional value of [REDACTED] gas physical transactions due to reporting errors caused by its system-related issues as shown in the table below:

Attachment A - Physical Gas Transactions				
No of transactions	Description	Reported	Audited	Audit Adjustment
[REDACTED]	Total Deal Volume (Billion Btu)	[REDACTED]	[REDACTED]	[REDACTED]
	Total Notional Value (\$)	[REDACTED]	[REDACTED]	[REDACTED]
	Total Number of Deals	[REDACTED]	[REDACTED]	[REDACTED]



SCE has revised the Q3-2025 Physical Gas Deals workpaper and Q3-2025 Attachment D. SCE will submit a supplemental advice letter with these amendments after all findings have been communicated...

5. Reconciled to determine whether the utility's Q3 2025 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.

6. Reconciled to determine whether the utility's Q3 2025 transport, storage, park and lend transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D.

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

7. Compared the utility's spot market (i.e., Day-Ahead, Hour-Ahead, and Real-Time energy) electric physical purchases to its monthly retail energy needs, or energy physical purchase requirement, to determine whether the spot market purchases exceed five percent of the monthly retail energy needs, or energy physical purchase requirement.

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

## 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 #1: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581.** SCE incorrectly reported notional value, volume, and number of deals for numerous gas physical transactions in Attachments A and D of its Q3 2025 QCR. For additional information about the finding, please see Finding #1 at procedure A.5 listed above.

**SCE's Response to Finding #1:** See A.5.

**Finding #2: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581.** SCE incorrectly reported the collateral type/credit mechanism for a broker contract in Attachment B – Non-Investment Grade Counterparties of its QCR filing. For additional information about the finding, please see Finding #2 at procedure D.5 listed below.

**SCE's Response to Finding #2:** See D.5.

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 Procurement Review Group (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 (CAISO) 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 for any transactions subject to strong showing justification and inspected Attachment M – Transactions subject to Strong Showing, 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 for any transactions subject to strong showing justification and inspected Attachment M 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 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. Bilateral 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 were 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 with the utility as to whether the contracts had any impact on the overall Time to Expiration Value at Risk (TeVAR).

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

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

Finding: We did not identify any contract related to a new fossil-fuel 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 #2: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581.** SCE incorrectly reported the collateral type/credit mechanism as [REDACTED]

[REDACTED] instead of [REDACTED] in Attachment B for a broker contract executed with [REDACTED].

#### **SCE's Response to Finding #2:**

On February 18, 2026, SCE stated:

SCE inadvertently reported the wrong collateral type/credit mechanism as [REDACTED] for one counterparty [REDACTED] listed on Attachment B. SCE's corrective action will be taken in the form of process improvements, to avoid this type of reporting error in the future. SCE has revised Attachment B. SCE will submit a supplemental advice letter with this amendment after all findings have been communicated.

#### **E. Greenhouse Gas Allowances (GHG)**

1. Identified whether the utility procured GHG allowances, allowance futures and forwards and offsets and offset forwards within separately calculated Direct Compliance Obligation Purchase Limits and Financial Exposure Purchase Limits, as set forth in the utility's Bundled Procurement Plan (BPP) as instructed in Appendix I of D.12-04-046.

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

2. Inspected all GHG transactions to ascertain that the utility only procured offsets certified by the California Air Resources Board (CARB).

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

3. Totaled the volume of all offset transactions to determine whether the utility purchased no more than 8 percent of its compliance requirement in the form of offsets.

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

4. Inspected GHG offset contracts to determine whether the utility only purchased offsets if the seller contractually assumes the risk of invalidation.

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

5. Inspected the utility's GHG procurement supporting documentation to determine whether the utility procured allowances from the CARB or other processes approved by the CPUC.

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

6. Inspected relevant supporting documentation to determine that the utility applied its standard procurement credit and collateral requirements and, if appropriate, imposed additional credit and collateral requirements to those transactions, in which the utility procured allowances via forward contracts.

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

7. Inspected relevant supporting documentation to determine that the utility utilized a competitive request for offer process, consulted with their procurement review group, applied their approved procurement credit and collateral requirement, and applied the applicable affiliate transactions rules, if the utility procured authorized compliance instruments via bilateral transactions.

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

8. Inspected the utility's one-time Tier 2 advice letter to ascertain that the utility submitted such a letter to the Commission if the utility procured GHG compliance instruments through the exchanges not approved by the Commission.

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

9. Inspected PRG meeting documentation to determine whether the utility reported GHG sales to its PRG if the utility resold GHG compliance instruments.

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

10. Inspected PRG meeting documentation and QCR attachments to determine whether the utility reported its forecast updates and corresponding revisions to the procurement limits, along with all GHG compliance instrument transactions at its quarterly PRG meetings and QCR filings.

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

11. Traced and agreed greenhouse gas compliance instrument to invoices to determine whether the utility correctly reported its greenhouse gas compliance instrument transactions.

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

## F. Congestion Revenue Rights (CRR) and Long Term CRR (LTCRR)

1. Inquired with the utility and inspected evidence to determine whether it consulted with ED and its PRG regarding its annual CRR nominations prior to submitting those nominations and participating in the CAISO's CRR nomination process.

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

2. Inquired with the utility and inspected evidence to determine whether it consulted with ED and its PRG regarding any CRRs having a term greater than one calendar quarter prior to execution of such CRR.

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

3. Inquired with the utility and inspected evidence to determine whether the utility, prior to the PRG meeting, provided a list of proposed annual CRR and LTCRR nominations for allocation and auction, showing source (generation), sink (load), Megawatt (MW) quantity, term, expected value, past performance (if applicable), bid price, and a description the underlying arrangement that the CRR will hedge.

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

4. Inquired with the utility and inspected evidence to determine whether it consulted with ED and its PRG to review its CRR position during the periodic position update discussions and provided the PRG with information regarding the CRR, including but not limited to source, sink, MW quantity, term, expected value, past performance (if applicable), price and a description of the underlying arrangement that the CRR will hedge (or in the case of a CRR sale, no longer hedge).

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

5. Inquired with the utility whether it limits candidate CRRs to those CRRs with a source at which utility reasonably expects to procure power.

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

6. Inspected QCR to determine whether utility reports CRRs, which contain, at minimum, for each CRR, source, sink, MW quantity, term, expected value, past performance (if applicable), bid price (for CRR auctions or secondary market transactions), and a description of the underlying energy supply arrangement that the CRR will hedge.

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

7. Inquired with the utility and inspected evidence to determine whether it consulted with ED and its PRG regarding its LTCRR nominations prior to submitting those nominations and participating in the CAISO's LTCRR nomination process.

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

8. Inquired with the utility and inspected evidence to determine whether it provided periodic updates at least quarterly to the PRG on how its previously obtained LTCRRs were performing. The PRG update should contain, at minimum, for each LTCRR, the term, source and sink, relation to grid use, expected value, and past performance.

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

9. Inspected QCR to determine whether the utility reported LTCRRs, which contained, at minimum, for each LTCRR, the term, source and sink, relation to grid use, expected value, and past performance.

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