ELECTRIC PROGRAM INVESTMENT CHARGE (EPIC) EXAMINATION

CALIFORNIA ENERGY COMMISSION
PROGRAM YEAR 2017

UTILITY AUDIT, FINANCE AND COMPLIANCE BRANCH
SEPTEMBER 19, 2019

A digital copy of this report can be found at:
http://www.cpuc.ca.gov/utilityaudits/

Thanks to:
Angie Williams, Frances Oh, and Nancy Ta

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Executive Summary

At the direction of California Public Utilities Commission (Commission or CPUC) management, the Utility Audit, Finance and Compliance Branch (UAFCB) conducted an examination of the California Energy Commission's (CEC's) administration of the Electric Program Investment Charge (EPIC) funds covering the period of January 1, 2017 to December 31, 2017, or Program Year (PY) 2017. UAFCB conducted the examination in accordance with Generally Accepted Government Auditing Standards (GAGAS). UAFCB's authority for the examination is pursuant to California Public Utilities Code (PUC) Section 314.6.

The objective of this examination was to:

1. Ensure that the CEC complies with EPIC program rules and regulations;
2. Assess whether the EPIC expenditures reported by the CEC were for allowable purposes and supported by appropriate documentation, such as invoices, contracts and relevant records, and were recorded appropriately; and
3. Determine whether EPIC funds that the three Investor-Owned Utilities (IOUs) - Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) - remitted to the CEC were accurate and in compliance with Commission directives.

Based on the examination, the following finding was identified:

> **Finding #1:** The CEC lacks internal controls over program administration remittances, resulting in receipts of $3.4M and $216,000 in overpayments from PG&E and SCE, respectively.

UAFCB also identified an item of concern during the examination. Although it is not considered an audit finding, we do consider it significant as it relates to our audit objectives. Therefore, we have included the information as an observation:

> **Observation #1**: CEC will likely exceed their 10 percent program administration cost cap before the lifecycle of the projects are complete.

Our examination results are limited by the small population size available during the audit period. Only four percent (4% or 11/270) of projects were completed by the end of 2017; therefore, the results may not be representative of the entire EPIC program. With 59% of projects[1] expected to be completed at the end of 2018 and 2019, UAFCB recommends conducting a follow-up examination per PUC Section 314.6 (c).

[1] CEC's response to MDR Q36.37.39_Attachment-ProjectStats12-31-17

Audit Report

BACKGROUND

In 1911, the Commission was established by Constitutional Amendment as the Railroad Commission. In 1912, the Legislature passed the Public Utilities Act, expanding the Commission's regulatory authority to include natural gas, electric, telephone, and water companies as well as railroads and marine transportation companies. In 1946, the Commission was renamed the California Public Utilities Commission (Commission).[2]

The Commission's Utility Audit, Finance and Compliance Branch (UAFCB) conducted an examination of the California Energy Commission's (CEC's) administration of the Electric Program Investment Charge (EPIC) funds for the period of January 1, 2017 to December 31, 2017, or Program Year (PY) 2017. The audit was conducted based on a request from Commission management. UAFCB's authority for the audit is pursuant to California Public Utilities Code (PUC) Sections 314.6.

Energy research, development, and deployment (RD&D) programs are an essential part of the effort to achieve California's climate and energy policy goals. As California moves toward a clean energy future, the technologies and practices that keep the state's electricity and natural gas systems safe, reliable, and affordable must be modernized. The Commission oversees three large RD&D programs and actively coordinates with a range of interagency research working groups in climate change, environment, bioenergy and related areas. EPIC is one of the three large RD&D programs. Each of the RD&D programs drives investment in new and emerging energy technologies and solutions that provide benefits to Californian ratepayers. By testing ideas and sharing results publicly, these programs help investors, innovators, and policymakers plan efficiently for California's clean energy.

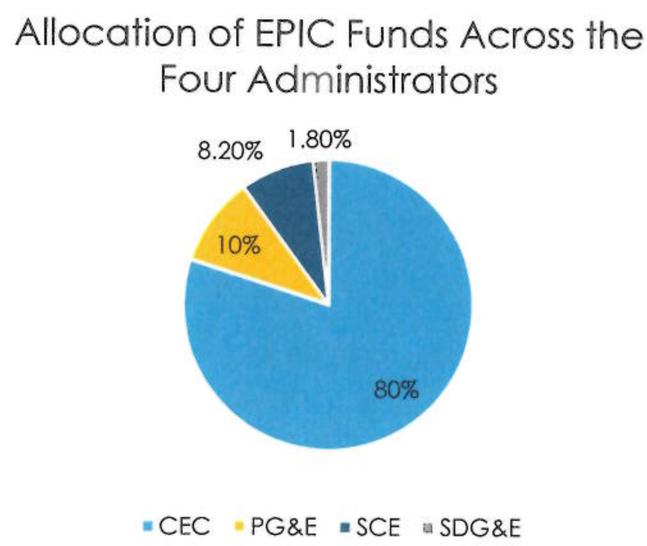
EPIC supports the development of new, emerging, and non-commercialized clean energy technologies in California and provides assistance to commercially viable projects. These projects must be designed to produce benefits for electric ratepayers. EPIC's three program areas include:

1. **Applied Research and Development:** Investments in applied energy science and technology that provides public benefit but for which there is not current business case for deployment of private capital.
2. **Technology Demonstration and Deployment:** Investments in technology demonstrations at real-world scales and in real-world conditions to showcase emerging innovations and increase technology commercialization.
3. **Market Facilitation:** Investments in market research, regulatory permitting and streamlining, and workforce development activities to address non-price barriers to clean technology adoption.

The Commission oversees and monitors the overall implementation of the ratepayer-funded EPIC program and has designated four program administrators: CEC, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company

[2] https://www.cpuc.ca.gov/history/

(SDG&E).. The CEC administers 80% of the EPIC funds while the three large IOUs administer the remaining 20%,[3] as shown in more detail below.



Each program administrator submits an EPIC investment plan for each triennial cycle. The Commission approved the plan, for the 2012-2014 Investment Plan Period (EPIC 1) in November 2013[4], and the 2015-2017 Investment Plan Period (EPIC 2) in April 2015[5].

The Commission issued Decision (D.) 15-04-020 which, in part, approved the total EPIC 2 budget amount of $509,782,700[6]. The CEC's total EPIC 2 budget for this triennial period was $407,826,200.

Table 1: Program Administrator Budget by Funding Element

Funding Element	CEC	PG&E	SCE	SDG&E	Total
Applied Research and Development	$158,166,500	N/A	N/A	N/A	$158,166,500
Technology Demonstration and Deployment	$151,271,600	$45,716,800	$37,504,200	$7,868,600	$242,361,200
Market Facilitation	$55,566,400	N/A	N/A	N/A	$55,566,400
Program Administration	$40,782,600	$5,108,000	$4,190,400	$879,300	$50,960,300
Program Oversight (to be remitted to Commission)	$2,039,100	$255,400	$209,500	$44,900	$2,548,900
Total	$407,826,200	$51,080,200	$41,904,100	$8,792,800	$509,603,30*

**As discussed in the Decision and appendix, SDG&E's final approved budget here is 98% of its allocated share of the program budget; thus, the grand total in this table does not equate to the triennial collection amount.*

[3] https://www.cpuc.ca.gov/energyrdd/

[4] Decision 13-11-025: EPIC 1 Investment Period

[5] Decision 15-04-020: EPIC 2 Investment Period

[6] D.15-04-020, Program Administrator Budget amounts are rounded to the nearest hundred.

Lastly, EPIC funds are recovered through the public purpose program (PPP) rate component of the customer bills[7]. The three IOUs are required to submit program administration payments on a quarterly basis to the CEC beginning July 1, 2012 once such programmatic funds are encumbered by the CEC and the CEC invoices the IOUs. C[8].

OBJECTIVE & SCOPE

The purpose of this examination was to ensure that: (1) the CEC was in compliance with EPIC program rules and regulations, and (2) to determine whether its reported EPIC expenditures were for allowable purposes and supported by appropriate documentation, such as invoices, contracts and relevant records, and were recorded appropriately; and (3) EPIC funds that the three IOUs remitted to CEC are in compliance with Commission directives.

The scope of this examination included examining the CEC's administration of the EPIC funds covering the period of January 1, 2017 to December 31, 2017, or PY 2017. In some instances, the scope had to be expanded in order to gather the necessary information for EPIC 1 (2012-2014) and EPIC 2 (2015-2017), to draw sound conclusions.

METHODOLOGY

To address the examination objectives and assist the Commission in its oversight over the EPIC program, the following procedures were performed:

1. Obtained an understanding of the EPIC program by reviewing relevant laws, rules, regulations, PUC codes, decisions, resolutions and advice letters.
2. Conducted interviews with the Commission's Energy Division staff to identify high risk areas for further review.
3. Obtained and reviewed CEC's accounting policies, processes and procedures for recording, tracking, and monitoring EPIC program expenditures in its accounting system.
4. Assessed whether CEC's policies, procedures, and practices comply with the EPIC program requirements.
5. Determined whether CEC has adequate internal controls over EPIC program expenditures by properly classifying, recording and reporting them to the Commission.
6. Performed analysis of EPIC remittances from IOUs to identify any material variances.
7. Performed analysis of expenditure data to identify any anomalies or significant variances.
8. From the CEC's accounting data, judgmentally selected expenditure transactions for review and testing. UAFCB selected its samples from the following program areas; Applied Research and Development (AR&D), Technology Demonstration and Deployment (TD&D), and Market Facilitation (MF).
9. Requested and reviewed supporting documents such as invoices, contracts, relevant records, and additional documentation as needed for the expenditure transactions selected for testing.

[7] D.11-12-035, Ordering Paragraph 3
[8] D.12-12-05-037 Ordering Paragraph 9

10. Reviewed the CEC commitments reported to the Commission and performed reconciliations of these reported amounts to CEC's records to determine whether these commitments were sufficiently justified and properly reported to the Commission.
11. Traced expenditure samples recorded in CEC's accounting records to supporting documentation to determine whether expenditures were reasonable, allowable, verifiable, and relevant to the EPIC program.

FINDING AND RECOMMENDATIONS

Finding #1: CEC lacks internal controls over program administration remittances, resulting in receipts of $3.4M in overpayment and $216,419 in overpayment from PG&E and SCE, respectively.

Condition:
Each IOU is required to submit program administration payments on a quarterly basis to the CEC based on an, allocated percentage designated for each IOU. UAFCB reviewed records maintained for the receipt of program administration payments remitted to the CEC from the IOUs during PY 2017. In its review of the quarterly program administration payments submitted by the IOUs to the CEC, UAFCB noted the following:

1. PG&E overpaid the CEC during PY 2017. Specifically, PG&E's quarterly payments for EPIC 2 should have been $1,702,673.55[9], however CEC received $2,043,208.26 for each quarter, resulting in an overpayment totaling $3,405,347 for PY 2017. During the examination, CEC received ten (10) quarterly payments from PG&E but noted that *"It is still unclear as to the reason PG&E overpaid in 2017."*

[9] 1/4 of 50.10% (PG&E's allocation of Program Administration to CEC) of $13,594,200 (D.15-04-020: 1/3 of $40,782,600)

Date Received	Amount Actually Received	Amount that should have been received	Overpayment Amount
7/1/2015	$2,043,208	$1,702,674	$340,535
10/2/2015	2,043,208	1,702,674	340,535
1/4/2016	2,043,208	1,702,674	340,535
4/1/2016	2,043,208	1,702,674	340,535
6/30/2016	2,043,208	1,702,674	340,535
9/30/2016	2,043,208	1,702,674	340,535
12/29/2016	2,043,208	1,702,674	340,535
4/3/2017	2,043,208	1,702,674	340,535
7/5/2017	2,043,208	1,702,674	340,535
10/2/2017	2,043,208	1,702,674	340,535
Total			**$3,405,347**

2. CEC received three (3) quarters of payments from SCE in aggregate on December 22, 2016 in advance. Additionally, CEC received $806,610 on April 25, 2017 and August 23, 2017. The annual allocation for 2017 is $5,587,216[10], however, CEC received $5,803,635, resulting in an overpayment totaling $216,419.

Date Received by SCE	Amount Received by SCE
12/22/2016	$4,190,415
4/25/2017	806,610
8/23/2017	806,610
TOTAL	**$5,803,635**

CEC did provide support of reconciliations for the discrepancies as a result of the examination. CEC's lack of appropriate processes and weak internal controls resulted in receipts of incorrect and/or untimely amounts of program administration payments from IOUs.

During the examination, CEC's response dated July 24, 2019 noted that CEC discussed the administrative payment reconciliation, outstanding balances, and the CEC's plan to issue quarterly invoices to true-up administrative payments, as well as issuing quarterly invoices for all future administrative payments with the IOUs.

Criteria:

Pursuant to the Commission Decision (D.) 13-11-025,Ordering Paragraph (OP) 9, PG&E, SDG&E, and SCE shall remit one one-quarter of the annual administrative budget for the CEC to the CEC on a

[10] 41.10% (SCE's allocation of Program Administration to CEC) of $13,594,200 (D.15-04-020: 1/3 of $40,782,600)

quarterly basis beginning July 1, 2012 from their Electric Program Investment Charge (EPIC) balancing accounts. Programmatic funding shall be transferred periodically to the CEC from the EPIC balancing accounts when funds are encumbered by the CEC."

Additionally, D.15-04-020, OP 17, the IOUs remittances of the California Energy Commission's administrative costs shall be made in advance for the quarter on the first business day of that quarter.

Cause:
Due to CEC's lack of internal policies and procedures to ensure the receipt of the correct amount of program administration remittance from IOUs, CEC received overpayments and did not have adequate internal controls in place to address overpayments.

Effect:
Inadequate internal control processes for the remittance of EPIC program funds resulted in (1) payments not being received timely, and (2) unknowingly receiving payments for incorrect amounts. In addition, inaccurate record keeping may result in the misuse of funding for non-EPIC programs.

It is critical to ensure that EPIC program administration payments are accurate since the program is funded by ratepayers. This practice can result in an erroneous reporting of receivables received from ratepayer funds that subsidizes the EPIC program through its balancing accounts.

Recommendations:

1. CEC should develop and implement internal policy and procedures to address overpayments, advanced payments, and reconciliations for the administration of EPIC program funds.

2. CEC should ensure routine invoicing, reconciliation and true-up process of program administration payments received from IOUs are correct and timely. In addition, CEC should maintain supporting documents for further reconciliation and verification.

CONCLUSION

In conducting our examination, the auditors obtained a reasonable understanding of CEC's internal controls that were considered relevant and significant within the context of our examination objectives. Significant deficiencies in internal controls that were identified during the examination are included in this report.

During our examination, we also identified the following observation. Although it is not considered an audit finding, we do consider it significant as it relates to our audit objectives. Therefore, we included the information as follows:

> **Observation #1:** CEC will likely exceed their 10 percent program administration cap before the lifecycle of the projects are complete.

Each Administrator's administrative budget shall be no more than 10% of their individual total EPIC budgets.[11] The 10% administrative cap is calculated into a dollar amount within each approved

[11] D.15.-04-020, Ordering Paragraph 10

decision. Commission staff anticipated and reasonably believed that the program administrative budget for each EPIC plan period would be used to fund the entire lifecycle of the projects approved for each plan period. For EPIC 1 and EPIC 2, CEC was approved $77,682,600 (per Decision 12-035-037 and 15-040-020) total for their administrative budget. As of December 31, 2017, CEC has spent $56,530,156 or 73%. However, CEC has only expended 36.54% of encumbered funds for EPIC 1 projects and 6.06% of encumbered funds for EPIC 2 projects, with project completion dates ranging from 2018-2023.[12] Based on the rate of program administrative expenses being incurred annually, the remaining program funding for EPIC 1 and EPIC 2 will not last the duration of the projects' life.7io

Auditors brought this concern to the attention of CEC management. In its response to the UAFCB dated May 25, 2019, CEC stated the following :

> *"If the EPIC program sunsets at a future year, the Energy Commission would prepare a multi-year ramp-down of resources similar to the PIER program ramp-down. This plan would take into account attrition and the ramp-down in the number of projects being managed. We would seek approval from the CPUC for funding to cover project close out."*

Failure to effectively design budgeting and planning of staffing over project lifecycle can result in:

- Additional funding required to maintain staffing to complete projects without regards to program administration budget approved during each triennial investment period.
- Significant amount of program administration cost (72.77%) has been incurred but minimal projects (4%) have been concluded at the end of 2017.
- Increase in ratepayer funding to cover on-going program administration costs.

It is critical to ensure that EPIC Program administration costs are incurred prudently, and all services are completed within the budgeted amount for each approved triennial period because these programs are funded by ratepayers. This practice can result in an increase in ratepayer funds that subsidizes the EPIC program through its balancing accounts.

By the end of 2017, eight (8) projects were completed and three (3) projects were terminated belonging to the EPIC 1. Overall, expenditures were for allowable purposes and supported by appropriate documentation, such as invoices, contracts and relevant records, and were recorded appropriately. However, the results are limited by the small population size available during the audit period. Only 4% (11/270) of projects were completed by the end of 2017; therefore, the results cannot be projected to the entire EPIC program. With 59% of projects[13] expected to be completed at the end of 2018 and 2019, UAFCB recommends conducting a follow-up examination per PUC Section 314.6 (c).

CEC's management is responsible for the development of its policies and procedures to ensure that expenditures and commitments of its EPIC programs were reported accurately and timely. The Commission is responsible for ensuring ratepayers' monies funding public purpose programs in California support the EPIC goals and strategies and protect ratepayers' funds against fraud and abuse.

We conducted our examination in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the examination to obtain

[12] CEC's response to MDR Q36.37.39_Attachment-ProjectStats12-31-17
[13] CEC's response to MDR Q36.37.39_Attachment-ProjectStats12-31-17

sufficient, appropriate evidence to afford a reasonable basis for our findings and conclusions based on our examination objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our limited examination objectives.

Angie Williams, Director
Utility Audit, Finance and Compliance Branch and
Enterprise Risk and Compliance Office

cc: Alice Stebbins, Executive Director, CPUC
Bernard Azevedo, Deputy Executive Director, CPUC
Ed Randolph, Deputy Executive Director, CPUC

Appendix

APPENDIX A
Applicable Rules and Regulations

Rule/Regulation Types	Reference	Description
Public Utility Code	Section 314	Guidance providing the Commission the authority to conduct audits consistent with Generally Accepted Government Auditing Standards (GAGAS), and to follow-up on findings and recommendations.
	Section 399.8	(a) In order to ensure that the citizens of this state continue to receive safe, reliable, affordable, and environmentally sustainable electric service, it is the policy of this state and the intent of the Legislature that prudent investments in energy efficiency, renewable energy, and research, development and demonstration shall continue to be made.
Decisions & Rulemaking	R.11-10-003	Order Instituting Rulemaking on the Commission's own motion to determine the impact on public benefits associated with the expiration of ratepayer charges pursuant to Public Utilities Code Section 399.8.
	D.11-12-035	Phase I Decision establishing the interim EPIC funding levels (December 15, 2011)
	D.12-05-037	Phase II Decision establishing the EPIC Program (May 24, 2012)
	D.13-11-025	Decision addressing Applications of the California Energy Commission, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company for Approval of their Triennial Investment Plans for the Electric Program Investment Charge Program for the Years 2012 through 2014.
	D.15-04-020	Decision addressing Applications of the California Energy Commission, Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company for Approval of their Triennial Investment Plans for the Electric Program Investment Charge Program for the Years 2015 through 2017.
Senate Bill	SB96	(SEC. 22. Section 25711.5) Legislative Mandates for the EPIC Program

APPENDIX B
CEC Responses

CALIFORNIA ENERGY COMMISSION

August 8, 2019

Ms. Angie Williams, UAFCB Director
California Public Utilities Commission
400 R Street, Suite 221
Sacramento, California 95811

Dear Ms. Williams:

Thank you for the opportunity to provide a response to the California Public Utilities Commission's (CPUC) 2017 EPIC Examination Report for Program Year 2017.

Finding #1: The CEC lacks internal controls over program administration remittances, resulting in receipts of $3.4M and $216,000 in overpayments from PG&E and SCE, respectively.

The California Energy Commission (CEC) partially agrees and partially disagrees with this finding. We disagree because we did have some internal controls over program administration remittances in place. However, we agree that improvements were needed. The CEC has implemented updated procedures to ensure payments received by Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (collectively, the investor-owned utilities or IOUs) are timely and correct.

As relayed in our response to Data Request DR-010, the CPUC decision set up a process that required the IOUs to submit quarterly payments to the CEC to cover administration expenses and we erroneously assumed that the IOUs were following this process. In our response to DR-010-Follow Up, we indicated that on April 18, 2019, the CEC held conference calls with each IOU to discuss the reconciliation of EPIC administration funds. In these calls, the CEC discussed the administrative payment reconciliation, outstanding balances, and the CEC's plan to issue an invoice to true-up administrative payments, as well as the new quarterly invoice procedure that will apply to all future administrative payments. On June 7, 2019, the CEC emailed the true-up invoice and backup documentation to each IOU. The CEC followed up via email on July 31, 2019 to confirm if each IOU had completed its reconciliation and, if so, when payment for the June 7 invoice would be made.

Pursuant to the new procedures, the CEC will issue invoices in December, March, June, and September for payments to be made by the first business day in January, April, July, and October. Supporting documents, including copies of invoices, receipts of funds received, and email correspondence with the IOUs will be maintained by the CEC's Accounting Office.

energy.ca.gov
1516 9th Street, Sacramento, CA 95814

The new procedures should prevent the IOUs from over or under paying. However, should it occur, the CEC will notify the IOU in writing to address the issue. Over-payments and advance payments will be applied to the next invoice. Underpayments will require a second invoice, issued immediately, for the shorted amount. For late payments, the CEC will adhere to State Administrative Manual section 8776.6, which outlines specific collection procedures.

Regarding the "Condition" on page 5, the text should be corrected to indicate the IOUs are required to submit "program administration payments" on a quarterly basis, rather than "programmatic funding" on a quarterly basis. The IOUs are not required to remit payments for programmatic funds on a quarterly basis, but must remit payment for programmatic funds once the funds are encumbered by the CEC and the CEC invoices the IOUs for such funds.

In conclusion, as a diligent administrator of the EPIC program, we have taken steps to ensure that the recommendations on page 7 of the draft report are already implemented to ensure appropriate ratepayer protections.

Observation #1: CEC will likely exceed their 10 percent program administration cap before the lifecycle of the projects are complete.

Although it is not considered an audit finding, we will address this observation. The CEC acknowledges that administrative expenses are expended on an earlier schedule than project funding. As relayed in our response to Data Request DR-010, the administrative spending is particularly heavy early in the investment plan cycle, while project spending is typically weighted toward the end of the projects and, therefore, at the end of the investment plan schedule. Investment plans take about a year to prepare and require significant staff time. Before a project begins, CEC staff conducts extensive research to prepare competitive solicitations and conduct the grant selection process. It is typically at least a year-long process to select and start a new project. Recipients typically expend the majority of funds in the middle to end of the agreements.

Our budget process is aligned with both the CPUC decisions and state budget process requirements for state agencies. Program administration dollars and project dollars approved in the various CPUC decisions are allocated proportionally to fiscal year budgets to align with the state budget process. Funding for EPIC program administration and projects are appropriated to the CEC on a fiscal-year basis through the state budget act.

Investment plans approved by the CPUC allocate funds for administration over the three-year period of the investment plan. The CEC converts the three-year investment plan approved by the CPUC into three fiscal year budget allocations as part of the annual state budget process, with a separate annual allocation for administrative budget and project budget.

Additionally, all EPIC annual reports prepared by the CEC report the amount of funds allocated to both program and administration costs for that annual period. Therefore, the CEC has been transparent about past expenses for administrative costs and reasonably assumed that the CPUC approved this approach when it approved the investment plans and reviewed annual reports.

The following budget table (Table E-1) was included in the CEC's First Investment Plan (2012-2014 Investment Plan). The table articulates clearly the allocation of the three-year administration funds on an annual basis. The CEC has consistently followed this model throughout the life of the program.

Funding Element	2012	2013	2014	Total
Applied Research and Development	$48.7	$55.0	$55.0	$158.7
Technology Demonstration and Deployment	$39.8	$45.0	$45.0	$129.8
Market Facilitation	$13.3	$15.0	$15.0	$43.3
Program Administration	$11.3	$12.8	$12.8	$36.9
Sub Total	**$113.1**	**$127.8**	**$127.8**	**$368.7**
New Solar Homes Partnership Up to 10% ($2.5 million per year) of these funds may be used for administration of the NSHP.	$0.0	$25.0	$25.0	$50.0
Grand Total	**$113.1**	**$152.8**	**$152.8**	**$418.7**

Source: California Energy Commission.

In response to the CEC's First Investment Plan, the CPUC stated on page 15 of Decision 13-11-025 that the CEC's budget was approved for applied research and development, technology demonstration and deployment, market facilitation, and program administration and declined to approve in the decision the CEC's funding request for new solar home partnership.

In that same decision, Ordering Paragraphs 2 and 4 approved the CEC's budget shown above absent the New Solar Homes Partnership funding. The CEC has been transparent in its approach.

Program administration expenditures are based on actual staff and operating costs and technical support contract funds encumbered during the fiscal year. The CEC's state budget authority provides that authorized expenditures are within the approved program administration budget.

Sincerely,

Drew Bohan
Executive Director

APPENDIX C
Evaluation of Responses

CEC's responses to the draft report dated August 8, 2019, have been reviewed and incorporated into our final report. In evaluating CEC's responses, we provide the following comments:

Finding #1: CEC lacks internal controls over program administration remittances, resulting in receipts of $3.4M in overpayment and $216,419 in overpayment from PG&E and SCE, respectively.

UAFCB appreciates CEC's efforts to improve its internal controls for program administration remittances by implementing updated procedures to ensure payments received from PG&E, SCE, and SDG&E are timely, accurate, and supported with appropriate documentation.

In addition, where appropriate, UAFCB made minor corrections to this report in order to provide clarity and accuracy of information.