



QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

Southern California Edison Company

Third Quarter of 2021 - Advice Letter 4621-E

Utility Audits, Risk and Compliance Division
Utility Audits Branch
April 8, 2022



MEMBERS OF THE TEAM

Angie Williams, Director

Masha Vorobyova, Assistant Director

Tracy Fok aka Tracy Yeh, CPA, Supervisor

Tim Baumgardner, Lead

Amal Kattan-Handal, Lead

Keen Banh, Staff

Paulina Zepeda Gomez, Staff

A digital copy of this report can be found at:

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

You can contact our office at:
California Public Utilities Commission
Utility Audits, Risk and Compliance Division
400 R Street, Suite 221
Sacramento, CA 95811

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

April 8, 2022

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

Dear Mr. 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, 2021, through September 30, 2021

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its agreed-upon procedures (AUP) engagement of Southern California Edison Company’s (SCE) Quarterly Energy Procurement Compliance Report (QCR) filed for its Third Quarter of 2021 in Advice Letter 4621-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 addressing the findings is required. SCE has already provided the information regarding its corrective actions planned and those responses have been included into the report. However, SCE is still required to file a supplemental AL 4621-E with amended attachments of its QCR. Once SCE submits the supplemental AL, no further actions 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 or tracy.fok@cpuc.ca.gov.

Sincerely,

Angie Williams

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

Mr. William V. Walsh, Vice President
Energy Procurement and Management
Southern California Edison Company
April 8, 2022
Page 2

cc: Jabari Martin, Senior Manager, Power Supply Compliance, SCE
Elizabeth Leano, Senior Manager, SCE
Heidi Lopez, Regulatory Affairs & Compliance Advisor, SCE
Curt Roney, Senior Advisor, Power Supply Compliance, SCE
Christopher Porras, Power Supply Compliance, Regulatory Compliance Advisor, SCE
Mary Beth Quinlan, External Regulatory Advisor, SCE
Rachel Peterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC
Pete Skala, Director, Energy Division, CPUC
Michele Kito, Interim Program Manager, Energy Division, CPUC
Simon Brant, Interim Program and Project Supervisor, Energy Division, CPUC
Eric Dupre, Public Utilities Regulatory Analyst, Energy Division, CPUC
Theresa Buckley, Staff Attorney, CPUC
Masha Vorobyova, Assistant Director, UAB, CPUC
Tracy Fok, Program and Project Supervisor, UAB, CPUC
Tim Baumgardner, Senior Management Auditor, UAB, CPUC
Amal Kattan-Handal, Senior Management Auditor, UAB, CPUC
Keen Banh, Associate Management Auditor, UAB, CPUC
Paulina Zepeda Gomez, Staff Services Management Auditor, UAB, CPUC

TABLE OF CONTENTS

I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. PROCEDURES AND FINDINGS	3
A. TRANSACTION RECONCILIATION/ANALYSIS	3
B. QUARTERLY COMPLIANCE REPORT.....	4
C. ELECTRONIC SOLICITATION AND RELATED CONTRACTS.....	7
D. BILATERAL AND BROKER CONTRACTS	9
E. STRONG SHOWING JUSTIFICATION.....	10
F. REQUEST FOR OFFERS/PROPOSAL (RFO/RFP) – OTHER MARKET PARTICIPANTS	11

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

Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) performed the agreed-upon procedures (AUP) enumerated in Procedures and Findings section of this report for the Southern California Edison Company's (SCE or the utility) compliance reporting period of July 1, 2021, through September 30, 2021 (Q3 2021). 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 law and CPUC energy procurement directives. SCE is one of these utilities¹ 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 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.

¹ San Diego Gas and Electric Company and Pacific 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 \(ca.gov\)](#).

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

II. PROCEDURES AND FINDINGS

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

A. Transaction Reconciliation/Analysis

1. Inspected whether the utility's Q3 2021 electric physical transaction details in Attachment A² contained any electronic solicitation or other competitive solicitation transactions, requiring additional performance of the audit procedures for Electronic Solicitation and Related Contracts indicated in Section C of this report.

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

2. Reconciled to determine whether the utility's Q3 2021 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% 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 2021 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% 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 2021 physical gas transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100% 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 the average price, the total volume, and the notional value of physical gas commodity sales in Attachment D. The table below indicates the reported and the correct amounts of these three categories:

Commodity Sales	Reported Amount	Correct Amount	Difference
Volume	██████████	██████████	██████████
Notional Value	██████████	██████████	██████████
Average Price	██████████	██████████	██████████

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

SCE's Response: On January 20, 2022, SCE stated:

The total sold volume cell did not include all sales. SCE did not include cells C16 and C17 in the total. The correct total is [REDACTED], as UAB points out in its Data Request (DR) question. SCE also did not include (or) missed to include all cells in the same row for average price and Notional value. Notional value should be [REDACTED] instead of [REDACTED]. Average price should be [REDACTED] instead of [REDACTED]. SCE's corrective action is to have a second QC (Quality Checking) of the data.

SCE will amend Attachment D to correct the Finding #1 and submit a supplemental advice letter with this amendment.

Finding #2: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE incorrectly reported the physical gas baseload transactions in Attachment D. The physical baseload had the incorrect total deal volume in the amount of [REDACTED] MMBtu. The correct total deal volume should be [REDACTED] MMBtu.

SCE's Response: On January 20, 2022, SCE stated:

Attachment A has the correct total [REDACTED] (MMBtu). Hidden rows in Attachment D working document caused a few additional rows that should not be there to be included in the summing calculation total of [REDACTED] MMBtu. We will make sure no hidden rows in Attachment D working file in future filings.

SCE will amend Attachment D to correct the Finding #2 and submit a supplemental advice letter with this amendment

5. Reconciled to determine whether the utility's Q3 2021 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% 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 2021 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.

B. Quarterly Compliance Report

1. Inspected the 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 Q3 2021 average price, total volume,

and total notional value of physical gas transactions in Attachment D. For additional information of the finding, please see Finding #1 at procedure A.4 listed above.

SCE's Response: See A.4.

Finding #2: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE incorrectly reported Q3 2021 total deal volume of baseload physical gas transactions in Attachment D. For additional information of the finding, please see Finding #2 at procedure A.4 listed above.

SCE's Response: See A.4.

Finding #3: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE incorrectly reported delivery dates of several electronic solicitation contracts in Attachment H – Contracts Executed/Contracts Amended of the utility's QCR. For additional information of the finding, please see Finding #3 at procedure C.7 listed below.

SCE Response: See C.7.

Finding #4: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE incorrectly reported the average price and the notional value of an electronic solicitation contract in Attachment H of the utility's QCR. For additional information of the finding, please see Finding #4 at procedure C.7 listed below.

SCE's Response: See C.7.

Finding #5: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE incorrectly reported the product type of a broker contract in Attachment H of the utility's QCR. For additional information of the finding, please see Finding #5 at procedure D.6 listed below.

SCE's Response: See D.6.

Finding #6: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE did not include strong showing justification for several bilateral contracts subject to such requirements in Attachment M – Transactions Subject to Strong Showing of the utility's QCR. For additional information of the finding, please see Finding #6 at procedure E.5 listed below.

SCE's Response: See E.5.

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

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

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 the 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 electricity procurement information in the utility's QCR.

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

C. Electronic Solicitation and Related Contracts

1. Inspected the utility's Q3 2021 electric physical transactions included in Attachment A to find if there are any electronic solicitation or other competitive solicitation transactions.

Finding: We found that no electronic or other competitive solicitation transactions were reported in Attachment A.

2. Inspected PRG meeting materials to determine whether the utility consulted with its PRG in a timely manner if any contract term was over one calendar quarter.

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

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

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

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

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

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

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

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

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

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

Finding #3: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE incorrectly reported 14 electronic solicitation contract delivery dates in Attachment H as 12/1/20212 – 12/31/2022 instead of 12/1/2022 – 12/31/2022 for the following contracts:

Contract Counterparty	Execution Date
[REDACTED]	7/14/2021
[REDACTED]	7/14/2021
[REDACTED]	7/14/2021
[REDACTED]	7/15/2021
[REDACTED]	7/16/2021
[REDACTED]	7/23/2021
[REDACTED]	7/23/2021
[REDACTED]	8/2/2021
[REDACTED]	8/2/2021
[REDACTED]	8/2/2021
[REDACTED]	8/2/2021
[REDACTED]	8/2/2021
[REDACTED]	8/2/2021
[REDACTED]	8/3/2021

SCE’s Response: On January 20, 2022, SCE stated:

SCE will amend Attachment H to correct Finding #3 and submit a supplemental advice letter with this amendment. Discrepancy is due to manual data entry error. SCE will reinforce stronger quality checking methods to reduce the chance of error in the future.

Finding #4: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581.

A. SCE incorrectly reported the average price and notional value of the electronic solicitation contract executed with [REDACTED] in Attachment H of the utility’s QCR as shown in the table below.

Term	Reported Average Price	Correct Average Price
4/1/2022 – 4/30/2022	[REDACTED]	[REDACTED]
5/1/2022 – 5/31/2022	[REDACTED]	[REDACTED]
6/1/2022 – 6/30/2022	[REDACTED]	[REDACTED]

Reported Notional Value in Attachment H	Correct Notional Value	Difference
[REDACTED]	[REDACTED]	[REDACTED]

- B. SCE inadvertently transposed average prices for the two E-Solicitation contracts with [REDACTED] with an execution date of 9/10/2021 in Attachment H, as shown in the table below.

Contract number	Reported Average Price in Attachment H	Correct Average Price in Confirmation Letter
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

SCE's Response: On January 20, 2022, and February 17, 2022, SCE stated the following respectively:

- A. SCE will amend Attachment H to correct Finding #4 re [REDACTED] and submit a supplemental advice letter with this amendment. Discrepancy is due to manual data entry error. SCE will reinforce stronger quality checking methods to reduce the chance of error in the future.
- B. SCE will amend Attachment H to correct Finding #4 and submit a supplemental advice letter with this amendment. The discrepancy found was due to manual entry error, and SCE will take corrective action in the form of reinforcing quality checking processes to ensure that SCE includes correct and accurate information in future QCRs.

D. Bilateral and Broker Contracts

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

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

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

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

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

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

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

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

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

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

6. Traced and agreed 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 #5: SCE failed to demonstrate compliance with D.02-10-062, Appendix B, and PU Code Section 581. SCE incorrectly reported the product type of the broker contract with [REDACTED] as [REDACTED] in Attachment H of the utility's QCR. The correct product type is [REDACTED].

SCE Response: On February 7, 2022 SCE stated:

SCE will amend Attachment H to correct Finding #5 and submit a supplemental advice letter with this amendment. Discrepancy is due to manual entry error and corrective action will be taken in the form of reinforcing quality-check processes to ensure that SCE includes correct and accurate information in future QCRs.

E. Strong Showing Justification

1. Inspected Attachment A of the utility's QCR for any transactions subject to strong showing justification and inspected Attachment M of the QCR to determine whether the transactions were properly justified in Attachment M.

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

2. Compared the price of bilateral contracts in Attachment A for non-standard products that are waived from strong showing justification under D. 03-06-067, OP 3(d) A 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 paid or sold in Attachment A to the market high and low prices to ensure a reasonable deal was completed.

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

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

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

4. Compared the price of bilateral contracts in Attachment H 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 paid or sold 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 the utility’s QCR for any transactions subject to strong showing justification and inspected Attachment M of the QCR to determine whether the transactions were properly justified in Attachment M.

Finding #6: SCE failed to demonstrate compliance with OP 3(d) of D. 03-06-067, Appendix B of D.02-10-062, and PU Code Section 581. SCE did not include strong showing justification for six bilateral contracts in Attachment M and associated work papers of the utility’s QCR as shown in the table below.

Contract Counterparty	Contract Trade Type
[REDACTED]	Buy
[REDACTED]	Sell
[REDACTED]	Buy
[REDACTED]	Buy
[REDACTED]	Sell
[REDACTED]	Buy

SCE Response: On March 9, 2022 SCE stated:

SCE will amend Attachment M to correct Finding #6 submit a supplemental advice letter with this amendment. The error made was that SCE misread the term of the contracts in Attachment H and going forward will add a more detailed analysis to properly identify such short-term bilateral contracts that require a strong showing.

6. Compared the price 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 paid or sold 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.

F. Request for Offers/Proposal (RFO/RFP) – Other Market Participants

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

Finding: We found the utility participated in a RFO process of a market participant and executed 2 contracts.

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

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

3. Inspected counterparties' credit supporting documentation to validated that the contracts executed with investment-grade counterparties or non-investment grade counterparties that were supported with surety bonds, guarantee, collateral, etc.

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

4. Traced and agreed to supporting documentation to ascertain that the contracts executed from the RFO/RFP issued by other market participants during the quarter were correctly reported in the utility's QCR.

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