

Memorandum

Date: November 25, 2014
To: Edward Randolph
Director of Energy Division
From: **Public Utilities Commission—**
San Francisco Kayode Kajopaiye, Branch Chief
Division of Water and Audits
Subject: Southern California Edison Advice Letter 3086-E
Quarterly Procurement Plan Compliance Report for the Second Quarter of 2014



A handwritten signature in black ink, appearing to be "Kajopaiye", written over a faint circular stamp.

Based on the results of its audit, the Utility Audit, Finance and Compliance Branch (UAFCB) of the Division of Water and Audits did not find any material reasons for Energy Division (ED) to deny the approval of Southern California Edison's (SCE) Advice Letter No. (AL) 3086-E. The procurement transactions that SCE executed during the second quarter of 2014 (Q2) and that the UAFCB examined demonstrated, in all material respects, compliance with certain aspects of procurement-related state law and Commission directives. The UAFCB assesses compliance in accordance with agreed-upon procedures with ED and does not assess compliance with all aspects of the procurement-related state law or those directives. In addition, SCE's transactions conducted in the Integrated Forward Market (IFM) and the Residual Unit Commitment Market (RUC) are outside the scope of UAFCB's audits.

A. Summary of Negative Audit Findings:

UAFCB does not have any negative audit findings with respect to SCE's Q2 Quarterly Compliance Report (QCR) filing.

B. Background:

As required by D.02-10-062, OP 8 and clarified in D.03-12-062, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and SCE must each submit a Quarterly Compliance Report (QCR) for all transactions of less than five years duration executed in the quarter. ED requested that the UAFCB conduct compliance audits of these utilities' QCR filings.

UAFCB conducts the quarterly procurement audits based on procedures specified by ED, and as such these examinations are by design agreed-upon procedures. ED specified which aspects of the utilities' California Public Utilities Commission's (Commission) approved procurement plans, AB 57 procurement rules and several procurement-related rulings and decisions to test for compliance. The directives of the decisions and rulings ED chose to test for compliance include, but are not limited to, D.02-10-062, D.03-06-076, D.03-12-062, D.04-12-048, D.07-12-052, D.08-11-008, and D.12-01-033. UAFCB, however, does not test all of the transactions that the utilities include in their QCR.

C. Conclusion:

SCE's Q2 procurement transactions for electricity and natural gas that the UAFCB examined were, in material respects, in compliance with the aspects of SCE's Commission-approved procurement plan and relevant Commission decisions that the UAFCB tested compliance with. SCE's Q2 transactions that the UAFCB examined, in material respects, appear to be complete, accurate and properly authorized by its management.

SCE QCR Audit
Second Quarter of 2014
November 25, 2014

If you have any questions concerning UAFCB's audit, please contact Tracy Fok at (415) 703-3122.

cc: Rami Kahlon, Director, Division of Water and Audits
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