

# Memorandum



**Date:** June 30, 2016

**To:** Timothy J. Sullivan  
Executive Director, Public Utilities Commission

**From:** Public Utilities Commission—  
San Francisco Kayode Kajopaiye, Branch Chief  
Division of Water and Audits

**Subject:** Financial, Management, Regulatory, and Compliance Examination Report on Southern California Gas Company's (SCG's) Energy Efficiency (EE) Program For the Period January 1, 2014 through December 31, 2014

**The Utility Audit, Finance and Compliance Branch (UAFCB) examined Southern California Gas Company's (SCG) financial, management, regulatory, and compliance areas of the Energy Efficiency (EE) program for program year (PY) 2014. Except for the matters discussed in Observations (Obs.) 7, 8, 11, 16 and 19 below, SCG demonstrated compliance with Commission directives respecting the areas of its 2014 EE program examined. However, UAFCB found that SCG overstated the EE expenditures used for calculating its 2014 Resource Program Savings Incentive by \$123,346 as specified in Obs. 16 and 19. The Energy Division should not include these amounts in the calculations of the incentive awards. The details of these and other observations are provided in the memo and Appendix A.**

UAFCB conducted this examination pursuant to Ordering Paragraph (OP) 17 of Decision (D.) 13-09-023.<sup>1</sup> This examination was limited to: (1) Reconciliation of Total EE Portfolio Costs to Reported Amounts; (2) Codes and Standards Program; (3) Non-Resource Program; (4) EE Program Administrative Costs of SCG and Non-SCG; (5) EE Balancing Accounts; (6) Statewide Commercial Calculated Incentive Program; (7) Statewide Industrial Calculated Incentive Program; (8) Fund Shifting; and (9) Follow-up on Prior UAFCB's Examination Observations and Recommendations and SCG's Internal Audit Recommendations.

SCG's management is responsible for ensuring accurate reporting of energy efficiency program data and information to the Commission in compliance with applicable laws and administrative requirements.

### **A. Summary of Examination Observations and Recommendations**

The following is a brief summary of UAFCB's observations and recommendations resulting from its examination. A detailed description of UAFCB's analysis and observations is included in Appendix A.

<sup>1</sup> In D.13-09-023, on pages 78 and 82, the Commission discussed that it anticipates relying on public versions of UAFCB's examination reports when determining the amount of each utility's incentives. In Ordering Paragraph (OP) 17, the Commission ordered that "In order to verify Codes and Standards and Non-Resource program expenditures for the purposes of awarding these management fees, we will rely upon public versions of the Commission's Utility, Audit, Finance and Compliance Branch reports. Upon completion, the Commission's Utility, Audit, Finance and Compliance Branch shall serve on the service list in this proceeding (or its successor) a notice of availability of the public copy of its audit report detailing its review of annual expenditures for the 2013 and 2014 Energy Efficiency programmatic activity."

### **Reconciliation of Total EE Portfolio Costs to Reported Amounts**

**Observation 1: SCE demonstrated compliance with Public Utility (PU) code §§ 581, 582 and 584 respecting the total EE portfolio program costs.<sup>2</sup>** The total EE portfolio program expenditures recorded and reported in PY 2014, excluding Evaluation, Measurement and Verification (EM&V) costs, amounted to \$66,070,226. A reconciliation of the total EE portfolio program expenditures reported in EEStats,<sup>3</sup> including the Annual Report (Table 3), Quarterly reports and Monthly reports, to SCG's accounting records disclosed no exceptions.

Of the total portfolio amount indicated above, SCG reported total resource program costs of \$55,108,981 for PY 2014, of which \$4,846,321 was for administrative costs.

**Recommendation:** None.

**Observation 2: SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the required report filings.** SCG filed its Monthly, Quarterly, and Annual reports timely as required by the Commission. However, the Energy Division (ED) reporting templates in EEStats do not provide for annual figures of EE expenditures.

**Recommendation:** ED should modify the Monthly, Quarterly, and Annual report templates to facilitate annual reconciliation of EE program costs. UAFCB has made the same recommendation in its prior examination reports on EE Program.

### **Codes and Standards (C&S) Program**

**Observation 3: SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported C&S program costs.** The \$680,457 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records.

**Recommendation:** None.

**Observation 4: SCG demonstrated compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures.** UAFCB previously indicated that SCG incorrectly included \$9,910 in PY 2014 with the recorded Codes and Standards (C&S) program expenditures incurred in PY 2013. The amount was charged to the Direct Implementation cost category of the program.

UAFCB agrees with SCG that the \$9,910 is below its accrual policy threshold. However, UAFCB will exercise its judgment if the aggregate amount not accrued timely is in excess of the accrual threshold.

**Recommendation:** None

**Observation 5: SCG's internal policy and procedures for implementing the C&S Program were adequately designed to meet Commission directives in PY 2014.** SCG was in compliance with the internal C&S Program Procedures Manual V2.0.

**Recommendation:** None.

<sup>2</sup> All statutory references are to the Public Utility Code unless stated otherwise.

<sup>3</sup> The California Energy Efficiency Statistics (EEStats) – a repository of utility-submitted reports to the CPUC.

**Non-Resource (NR) Program**

**Observation 6: Except for Observations 7 and 8 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported NR program costs.** The \$6,005,691 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records.

**Recommendation:** None.

**Observation 7: SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including its established accrual policy and procedures.** SCG incorrectly included \$35,238 in PY 2014 the NR program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category (\$23,500) and Administrative cost category (\$11,738), respectively.

**Recommendation:** SCG has since filed AL 4826-G to claim the NR Programs Management Fee incentive award for PY 2014. The management fee associated with this incorrect amount is insignificant in UAFCB's judgment but the occurrence is an internal control weakness. Therefore, UAFCB proposes no audit adjustment. However, to minimize the occurrence of these errors in the future, SCG should adhere to the accrual basis of accounting in recording and reporting EE expenditures while also continuing to strengthen its oversight over its internal controls.

**Observation 8: SCG failed to demonstrate compliance with General Order (GO) 28 and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) respecting the NR programs.** The documentation provided by SCG to substantiate recorded transactions with one of its vendors did not reconcile with the amounts contained in the signed Purchase Order (PO) agreement. The overstatement is insignificant but the occurrence is an indication of lack of sufficient oversight.

**Recommendation:** SCG should ensure that the provisions in signed agreements are accurately recorded in order to reduce the risk of any types of errors. SCG should strengthen its oversight over the existing contracting process.

**Observation 9: The criteria used by SCG for designating EE programs as Resource and Non-Resource were in conformance with Commission directives.** SCG applied the definition contained in the Energy Efficiency Policy Manual, Version 5, dated July 2013, when determining whether an EE program is classified as Resource or NR.

**Recommendation:** None.

**EE Administrative Program Costs of SCG and Non-SCG**

**Observation 10: Except for Observation 11 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting its own reported EE Administrative costs for PYs 2013 and 2014.** The \$6,615,214 for PY 2013 and \$6,221,390 for PY 2014 included in the Quarterly and Annual Reports for PYs 2013 and 2014, respectively, reconciled to SCG's accounting records.

**Recommendation:** None.

**Observation 11: SCG failed to demonstrate compliance PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures.** SCG incorrectly recorded \$26,461 in PY 2014 that should have been recorded in PY 2013.

**Recommendation:** SCG should adhere to its own accrual basis of accounting by recording and reporting its EE expenditures in the appropriate PY.

**Observation 12: SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported Non-SCG EE Administrative costs for PY's 2013 and 2014.** The \$1,298,767 for PY 2013 and \$752,966 for PY 2014 included in the Quarterly and Annual Reports for PY's 2013 and 2014, respectively, reconciled to SCG's accounting records.

**Recommendation:** None.

### EE Balancing Accounts

**Observation 13: SCG demonstrated compliance with PU code §§ 381, and 399.8 (b) 1 and other applicable Commission directives respecting the authorized EE balancing accounts.** A review of SCG's approved Preliminary Statement for the Demand-Side Management Balancing Account (DSMBA) and the internal controls in place for recording entries in the balancing account for PY 2014 disclosed no exceptions.

**Recommendation:** None.

**Observation 14: SCG's internal policy and procedures for the billing and collection of Public Purpose Program (PPP) revenues were adequately designed to meet the Commission's approved tariff requirements.** SCG's policies and procedures in place to control and monitor its accounting practices for the recording and reporting of PPP revenues to the applicable EE balancing account in accordance with Commission approved tariff requirements seemed adequate.

**Recommendation:** None.

### Statewide Commercial Calculated Incentive (CCI) Program

**Observation 15: Except for Observation 16 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported CCI Program costs.** The \$4,093,436 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records.

**Recommendation:** None.

**Observation 16: SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures.** SCG incorrectly included \$110,226 in PY 2014 the CCI program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program.

**Recommendation:** Energy Division should exclude \$110,226 from the reported 2014 CCI Program total expenditures before calculating SCG's PY 2014 Resource Program Savings Incentive award.

**Observation 17: SCG's internal policy and procedures to implement the CCI Program were adequately designed to meet Commission directives.** SCG was in compliance with its internal policy and procedure manuals for implementing the CCI Program.

**Recommendation:** None.

#### **Statewide Industrial Calculated Incentive (ICI) Program**

**Observation 18: Except for Observation 19 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported ICI Program costs.** The \$6,796,291 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records.

**Recommendation:** None.

**Observation 19: SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures.** SCG incorrectly included \$13,120 in PY 2014 the ICI program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program.

**Recommendation:** Energy Division should exclude \$13,120 from the reported 2014 ICI Program total expenditures before calculating SCG's Resource Program Savings Incentive award.

**Observation 20: SCG's internal policy and procedures to implement the ICI Program were adequately designed to meet Commission directives.** SCG was in compliance with its internal policy and procedure manuals for implementing the ICI Program.

**Recommendation:** None.

#### **Fund Shifting**

**Observation 21: SCG demonstrated compliance with PU code §§ 581, 582, and 584, and the EE Policy Manual, and its internal policy and procedures respecting the fund shifting activities in PY 2014.** SCG's EE program fund shifting in PY 2014 did not exceed the annual thresholds specified in Appendix C of the EE Policy Manual (Version 5), dated July 2013. Therefore, SCG was not required to file ALs with the Commission about fund shifting. SCG was in compliance with the Commission's fund shifting requirements in PY 2014.

**Recommendation:** None.

#### **Follow-up on Prior UAFCB's Observations and Recommendations and SCG's Internal Audit Recommendations**

**Observation 22: SCG addressed and implemented most of UAFCB's audit recommendations specified in UAFCB's Audit Memo Report for the 2013 EE Program examination, except for two (2) outstanding issues:**

- In Observation 4, UAFCB noted that SCG incorrectly recorded program costs in 2013 amounting to \$43,853 that belonged to PY 2012. UAFCB recommended that the incentive award associated with the \$43,853 amounting to \$5,262 should be reduced when SCG files its PY 2014 incentive award advice-letter. SCG complied but contested UAFCB's assertion to

remove the amount from the reported number because it believes that these are legitimate expenses. Upon additional review of the matter, UAFCB agrees.

- In Observations 7, UAFCB noted that SCG incorrectly included \$250,000 belonging to the NR program administrative costs in 2013 based on the results of its verification process. UAFCB recommended the \$250,000 should be excluded from the reported 2013 EE expenditures. SCG contested UAFB's assertion to remove the amount from the reported number because it believes that these are legitimate expenses. Upon additional review of the matter, UAFCB agrees

**Recommendation:** None.

**Observation 23: SCG identified internal audit report #15-226 - Energy Efficiency Calculated Incentive Program (EECIP) that related to EE program activities for the PY 2014 audit period.** In this internal audit report dated October 13, 2015 SCG's Audit Services conducted a review of the design and operating effectiveness of controls that support the EECIP, for the period from January 1, 2014 to June 30, 2015.

**Recommendation:** SCG management addressed and corrected the issues raised by Audit Services in internal audit report #15-226 by or before October 30, 2015.

UAFCB appreciates SCG's efforts in strengthening its internal controls for its EE program and recommends that SCG continue to monitor and improve its internal controls in order to prevent any future deficiencies.

## **B. Examination Process**

UAFCB focused its examination on the areas mentioned above, based on consultation with the Energy Division, UAFCB's prior experience in examining SCG's EE Program, and the results of UAFCB's risk assessment,. Pertinent information about SCG's EE Program is found in Appendix B.

UAFCB conducted its examination in accordance with attestations standards established by the American Institute of Certified Public Accountants (AICPA), and, accordingly, included examining on a test basis, evidence concerning SCE's compliance with the requirements of the energy efficiency programs, directives of the Commission pertaining to the programs, SCG's internal policies and procedures, and generally accepted accounting principles and practices.

On May 27, 2016, UAFCB provided a draft of its analysis, observations and recommendations to SCG for comment. On June 9, 2016, SCG provided its comments. UAFCB summarized those comments, including UAFCB's rebuttal to those comments, in Appendix A. Where appropriate, UAFCB has modified its observations and recommendations. SCG's response in its entirety is provided in Appendix C.

## **C. Conclusion**

Except for the items the UAFCB took exceptions to above, SCG demonstrated compliance with Commission directives respecting its EE Program.

If you have any questions on UAFCB's examination, please contact Kayode Kajopaiye.

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## **Appendix A Analysis and Findings**

### **A.1 Introduction**

The Utility Audit, Finance and Compliance Branch (UAFCB) examined Southern California Gas Company's (SCG) financial, management, regulatory, and compliance areas of the Energy Efficiency (EE) program for Program year (PY) 2014. Except for Observations (Obs.) 7, 8, 11, 16, and 19 below, SCG demonstrated compliance with Commission directives respecting the areas of its EE Program examined by the UAFCB.

This examination memo report addresses the financial, management, regulatory, and compliance aspects of EE Program for PY 2014. UAFCB's examination covered the following areas:

1. Total EE portfolio cost reconciliation to reported amounts
2. Codes and Standards Program
3. Non-Resource Program
4. EE Program Administrative Costs of SCG and Non-SCG
5. EE Balancing Accounts
6. Statewide Commercial Calculated Incentive Program
7. Statewide Industrial Calculated Incentive Program
8. Fund Shifting
9. Follow-up on Prior UAFCB's Examination Observations and Recommendations and SCG's Internal Audit Recommendations

On May 27, 2016, UAFCB provided a draft of its analysis, observations, and recommendations to SCG for comments. On June 9, 2016, SCG provided its comments to UAFCB and it summarized them, including its rebuttal to those comments, in Appendix A. Where appropriate, UAFCB has modified its observations and recommendations. SCG's response in its entirety is provided in Appendix C.

### **A.2 Reconciliation of Total EE Portfolio Costs to Reported Amounts**

**Observation 1: SCG demonstrated compliance with Public Utility (PU) code §§ 581, 582 and 584 respecting the total reported EE portfolio program costs.** The total EE portfolio program expenditures recorded and reported in PY 2014, excluding Evaluation, Measurement and Verification (EM&V) costs, amounted to of \$66,070,226. A reconciliation of the total EE portfolio program expenditures reported in EEStats<sup>1</sup>, including the Annual Report (Table 3), Quarterly reports and Monthly reports, to SCG's accounting records disclosed no exceptions.

Of the total portfolio amount indicated above, SCG reported total resource program costs of \$55,108,981 for PY 2014, of which \$4,846,321 was for administrative costs.

**Criteria:** Sections 581,582 and 584 require that the utility provide complete and accurate data to the Commission.

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<sup>1</sup> The California Energy Efficiency Statistics (EEStats) – a repository of utility-submitted reports to the CPUC.



**Condition:** The \$66,070,226 total EE Program portfolio expenditures reported in EEStats for PY 2014 reconciled to SCG's accounting records.

**Recommendation:** None.

**Observation 2: SCG demonstrated compliance with PU code §§ 581, 582, and 584 respecting the required report filings.** SCG filed its Monthly, Quarterly, and Annual reports as required by the Commission. However, the Energy Division (ED) reporting templates in EEStats do not provide for annual figures of EE expenditures.

**Criteria:** The EE Policy Manual (R.09-11-014), Version 5, dated July 2013, Appendix D (1) (b) provides, in part, that the due date for monthly reports is the first day of the month 30 days following the month of the report, and the due date for quarterly reports is the first day of the month 60 days following the quarter of the report.<sup>2</sup> Energy Division also developed reporting templates for the use of utilities filings Monthly, Quarterly, and Annual reports.

**Condition:** SCG filed the required reports timely with the Commission. SCG and the other utilities continued to report cumulative expenses by the budget cycle instead of annual expenses in addition to the year-to-date numbers.

**Cause:** ED has not changed the reporting templates to reflect the yearly numbers.

**Effect:** The lack of annual figures poses reconciliation problems for the UAFCB.

**Recommendation:** ED should modify the Monthly, Quarterly, and Annual report templates to facilitate annual reconciliation of EE Program costs. UAFCB has made the same recommendation in its prior examination reports on EE Program.

### A.3 Codes and Standards (C&S) Programs

**Observation 3: SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported C&S program costs.** The \$680,457 reported in the December 2014 year-to-date Monthly EEStats Report reconciled to SCG's accounting records.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** The \$680,457 program expenditures reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records. The \$680,457 breakdown is as follows:

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<sup>2</sup> On July 29, 2013, Energy Division issued a Memorandum to the IOUs in regards to the "2013-2014 Energy Efficiency Program Reporting Timeline and Guidance – Version 2." In essence, the Memo sets forth the report filing requirements for program years 2013-2014.

<b>Cost Category</b>	<b>Amount</b>
Administrative	\$ 68,637
Marketing	1,911
Direct Implementation	<u>609,909</u>
<b>Total</b>	<b><u>\$680,457</u></b>

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

**Recommendation:** None.

**Observation 4: SCG demonstrated compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures.** UAFCB previously indicated that SCG incorrectly included \$9,910 in PY 2014 with the recorded Codes and Standards (C&S) program expenditures incurred in PY 2013. The amount was charged to the Direct Implementation cost category of the program.

UAFCB agrees with SCG that the \$9,910 is below its accrual policy threshold with the exception noted below.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** UAFCB's review and testing disclosed two December 2013 invoices for \$9,910 for services provided in PY 2013 but incorrectly reported and charged to PY 2014.

**Cause:** When internal controls are not adequately enforced in combination with lack of proper training and supervision of employees, recording and reporting errors can occur.

**Effect:** SCG over-reported the C&S Program costs by \$9,910.

**SCG Comments:** SCG disagrees with UAFCB's recommendation that it incorrectly included \$9,910 in PY 2014 recorded C&S program expenditures incurred in PY 2013. SCG asserts that the invoices amounting to \$9,910 did not exceed the \$10,000 threshold identified in its accrual policy. As a result, SCG contends that it complied with its accrual policy and UAFCB's recommendation should be removed.

**Rebuttal:** UAFCB will exercise its judgment if the aggregate amount not accrued timely is in excess of the accrual threshold.

**Recommendation:** None.

**Observation 5: SCG's internal policy and procedures for implementing the C&S Program were adequately designed to meet Commission directives in PY 2014.** SCG was in compliance with the internal C&S Program Procedures Manual V2.0 for its C&S Program.

**Criteria:** SCG's internal C&S Program Procedures Manual V2.0 specifies policies and procedures for implementing SCG's C&S programs in PY 2014.

**Condition:** SCG's C&S Program Procedures Manual V2.0 was reasonably adequate for implementing its C&S programs in accordance with Commission directives.

**Recommendation:** None.

#### A.4 Non-Resource (NR) Programs

**Observation 6:** Except for Observations 7 and 8 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported NR Program costs. The \$6,005,691 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** The \$6,005,691 reported in its December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records. The \$6,005,691 breakdown is as follows:

Cost Category	Amount
Administrative	\$1,708,818
Marketing	187,073
Direct Implementation	<u>4,109,800</u>
<b>Total</b>	<b><u>\$6,005,691</u></b>

UAFCB's review and sample testing of these numbers disclosed no exceptions.

**Recommendation:** None.

**Observation 7:** SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures. SCG incorrectly included \$35,238 in PY 2014 the NR program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category (\$23,500) and Administrative cost category (\$11,738), respectively.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** UAFCB's review and testing disclosed that some invoices for consulting services of \$27,738 and another invoice of \$7,500 for professional dues was provided in PY 2013 but incorrectly reported and charged to PY 2014.

**Cause:** When internal controls are not adequately enforced in combination with lack of proper training and supervision of employees, recording and reporting errors can occur.

**Effect:** SCG over-reported its NR costs by \$35,238.

**SCG Comments:** SCG partially agrees with UAFCB's recommendation that \$35,238 was incorrectly included in PY 2014 recorded NR program expenditures that it incurred in PY 2013. SCG acknowledged that \$23,500 charged to the Direct Implementation cost category was incorrectly included in PY 2014 recorded NR program expenditures incurred in PY 2013. However, SCG asserts that the \$11,738 charged to the Administrative cost category be removed from UAFCB's recommendation since the individual invoices pertaining to the charges amounting to \$6,263 and \$5,475 did not meet SCG's accrual policy minimum accrual threshold of \$10,000.

**Rebuttal:** The UAFCB acknowledges that SCG has an established accrual policy of \$10,000 which it applied to the accounting and recording of EE expenditures during the program year. However, UAFCB takes issue with the application of the accrual threshold which it applied strictly on transaction by transaction basis without its consideration of the number of transactions and the cumulative amount relative to the program budget and the total expenses of the program.

**Recommendation:** SCG has since filed AL 4826-G to claim the NR Programs Management Fee incentive award for PY 2014. The management fee associated with this incorrect amount is insignificant in UAFCB's judgment but the occurrence is an internal control weakness. Therefore, UAFCB proposes no audit adjustment. However, to minimize the occurrence of these errors in the future, SCG should adhere to the accrual basis of accounting in recording and reporting EE expenditures while also continuing to strengthen its oversight over its internal controls.

**Observation 8: SCG failed to demonstrate compliance with General Order (GO) 28 and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) respecting the NR programs.** The documentation provided by SCG to substantiate recorded transactions with one of its vendors did not reconcile with the amounts contained in the signed Purchase Order (PO) agreement. The overstatement is insignificant but the occurrence is an indication of lack of sufficient oversight.

**Criteria:** The FERC USOA and GO 28 require that the utility preserve all records, memoranda, and papers supporting each and every entry so that this Commission may readily examine the same at its convenience.

**Condition:** SCG failed to maintain updated contract provisions to a signed agreement with one of its vendors resulting in the overstatement of the total signed contract amount.

**Cause:** SCG incorrectly recorded the agreement value in Amendment No.2 of Purchase Order (PO) which caused the ensuing Amendments to the PO to be inaccurately stated.

**Effect:** The agreement value of a PO was overstated by an insignificant amount but the occurrence could have been prevented if there was sufficient oversight in place. .

**SCG Comments:** SCG acknowledged the overstatement of the contract value and stated that on May 11, 2016, it executed a change order and contract amendment with the vendor to reduce the total contract value by \$7,500. On May 26, 2016, SCG provided a copy of Amendment No.7 of the PO, reducing the total agreement value from \$2,282,218 to \$2,274,718.

In its comments, SCG also agreed to review its existing contracting process in order to reinforce the importance of and ensure the proper oversight of contract agreements.

**Rebuttal:** None.

**Recommendation:** SCG should ensure that the provisions in signed agreements are accurately recorded in order to reduce the risk of any types of errors. SCG should strengthen its oversight over the existing contracting process.

**Observation 9: The criteria used by SCG for designating EE programs as Resource and Non-Resource were in conformance with Commission directives.** SCG applied the definition contained in the Energy Efficiency Policy Manual, Version 5, dated July 2013, when determining whether an EE program is classified as Resource or NR.

**Criteria:** The Energy Efficiency Policy Manual, Version 5, dated July 2013, defines NR programs as "Energy efficiency programs that do not directly procure energy resources that can be counted, such as marketing, outreach and education, workforce education and training, and emerging technologies."

**Condition:** SCG classified its EE programs as NR per the definition in the Commission's Energy Efficiency Policy Manual.

**Recommendation:** None.

#### **A.5 EE Administrative Program Costs of SCG and Non-SCG**

**Observation 10: Except for Observation 11 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting its own reported EE Administrative costs for PYs 2013 and 2014.** The \$6,615,214 for PY 2013 and \$6,221,390 for PY 2014 included in the Quarterly and Annual Reports for PYs 2013 and 2014, respectively, reconciled to SCG's accounting records.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** The totals of \$6,615,214 for PY 2013 and \$6,221,390 for PY 2014 of SCG EE Administrative costs included in the Quarterly and Annual Reports reconciled to the recorded amounts in SCG's accounting records. The breakdown of \$6,615,214 for PY 2013 and \$6,221,390 for PY 2014 is as follows:

<b>Cost Type</b>	<b>PY 2013</b>	<b>PY 2014</b>	<b>Total</b>
IOU Administrative	\$6,107,998	\$5,237,498	\$11,345,496
IOU Admin Supporting TP	312,788	327,706	640,494
IOU Admin Supporting LGP	194,428	656,186	850,614
<b>Totals</b>	<b><u>\$6,615,214</u></b>	<b><u>\$6,221,390</u></b>	<b><u>\$12,836,604</u></b>

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

**Recommendation:** None.

**Observation 11: SCG failed to demonstrate compliance with §§ 581, 582 and 584, including SCG's established accrual policy and procedures.** SCG incorrectly recorded \$26,461 in PY 2014 that should have been recorded in PY 2013.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** UAFCB's review and testing disclosed three invoices for \$26,461 of SCG EE administrative costs for services provided in PY 2013 but incorrectly reported and charged to PY 2014.

**Cause:** When internal controls are not adequately enforced in combination with lack of proper training and supervision of employees, recording and reporting errors can occur.

**Effect:** SCE over-reported its own EE Administrative costs by \$26,461.

**SCG Comments:** SCG acknowledged UAFCB's recommendation and asserts that it will continue to strengthen its internal processes to ensure that program expenditures are appropriately recorded. In addition, SCG indicated that it provided training to staff on its enhanced internal accrual policy on November 13, 2015.

**Rebuttal:** None.

**Recommendation:** SCG should adhere to its own accrual basis of accounting by recording and reporting its EE expenditures.

**Observation 12: SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported Non-SCG EE Administrative costs for PYs 2013 and 2014.** The Non-SCG EE Administrative costs of \$1,298,767 for PY 2013 and \$752,966 for PY 2014 included in the 4<sup>th</sup> Quarter and Annual Reports for PYs 2013 and 2014, respectively, reconciled to SCG's accounting records.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** The totals of \$1,298,767 for PY 2013 and \$752,966 for PY 2014 of Non-SCG Administrative costs included in the 4<sup>th</sup> Quarter and Annual Reports reconciled to recorded amounts in SCG's accounting records. The breakdown of \$1,298,767 for PY 2013 and \$752,966 for PY 2014 is as follows:

<b>Cost Type</b>	<b>PY 2013</b>	<b>PY 2014</b>	<b>Total</b>
Third Party Administrative	\$853,190	\$613,865	\$1,467,055
Local Government Partnership Admin	445,577	139,101	584,678
<b>Totals</b>	<b><u>\$1,298,767</u></b>	<b><u>\$752,966</u></b>	<b><u>\$2,051,733</u></b>

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

**Recommendation:** None.

#### **A.6 EE Balancing Accounts**

**Observation 13: SCG demonstrated compliance with PU code §§ 381, and 399.8 (b) 1 and applicable Commission directives respecting the authorized EE balancing accounts.** A review of SCG's approved Preliminary Statement for the Demand-Side Management Balancing Account (DSMBA) and the internal controls in place for recording entries in the balancing account for PY 2014 disclosed no exceptions.

**Criteria:** Section 381 and 399.8 (b) 1 require that the utility establish a separate rate component to collect funds that must be spent to deliver EE benefits to ratepayers in the service territory. The funds are to be collected and recorded in approved balancing accounts.

**Condition:** SCG collected and recorded the authorized funding amounts in the EE balancing account in a manner to reflect the program authorized budgets and projected revenue requirements for PY 2014 in accordance with Commission approved Preliminary Statements and other Commission directives.

**Recommendation:** None.

**Observation 14: SCG's internal policy and procedures for the billing and collecting of Public Purpose Program (PPP) revenues were adequately designed to meet the Commission's approved tariff requirements.** SCG's policies and procedures in place to control and monitor its accounting practices for recording and reporting of PPP revenues to the applicable EE balancing account in accordance with its Commission approved tariff requirements seem adequate.

**Criteria:** The Commission approved AL 4552-G, which among other things, approved the PPP surcharge rates applicable to PY 2014 and authorized budgets for 2013/2014 and EE programs.

**Condition:** UAFCB performed a limited review and testing of PPP revenues collected and recorded in the EE balancing account and found no material exceptions.

**Recommendation:** None.

#### A.7 Statewide Commercial Calculated Incentive (CCI) Program

**Observation 15:** Except for Observation 16 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported CCI Program costs. The \$4,093,436 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** The \$4,093,436 program expenditures in its December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records. The \$4,093,436 breakdown is as follows:

Cost Category	Amount
Administrative	\$ 377,633
Marketing	174,070
Direct Implementation	<u>3,541,733</u>
<b>Total</b>	<b><u>\$4,093,436</u></b>

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

**Recommendation:** None.

**Observation 16:** SCG failed to demonstrated compliance with PU code §§ 581, 582 and 584, including SCG's established accrual policy and procedures. SCG incorrectly included \$110,226 in PY 2014 the CCI program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** UAFCB's review and testing disclosed an invoice for \$92,287 for incentives and another invoice for \$17,939 for advertising/marketing services that should have been charged to PY 2013 but were incorrectly reported and charged to PY 2014.

**Cause:** When internal controls are not adequately enforced combined with lack of proper training and supervision of employees, recording and reporting errors can occur.

**Effect:** SCE over-reported its CCI Program costs by \$110,226.

**SCG Comments:** SCG acknowledged UAFCB's recommendation and asserts that it will continue to strengthen its internal processes to ensure that program expenditures are appropriately recorded. In addition, SCG indicated that it provided training to staff on its enhanced internal accrual policy on November 13, 2015.



**Rebuttal:** None.

**Recommendation:** Energy Division should exclude \$110,226 from the reported 2014 CCI program total expenditures before calculating SCG's PY 2014 Resource Program Savings Incentive award.

**Observation 17: SCG's internal policy and procedures to implement its CCI Program were adequately designed to meet Commission directives.** SCG was in compliance with its internal policy and procedure manuals for implementing the CCI program.

**Criteria:** SCG's internal policies and procedures for implementing SCG's CCI Program for years 2013-2014.

**Condition:** SCG's internal policies and procedures were reasonably adequate for implementing its CCI Program in accordance with Commission directives.

**Recommendation:** None.

#### **A.8 Statewide Industrial Calculated Incentive (ICI) Program**

**Observation 18: Except for Observation 19 below, SCG demonstrated compliance with PU code §§ 581, 582 and 584 respecting the reported ICI Program costs.** The \$6,796,291 reported in the December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** The \$6,796,291 program expenditures in its December 2014 year-to-date Monthly EEStats report reconciled to SCG's accounting records. The \$6,796,291 breakdown is as follows:

<b>Cost Category</b>	<b>Amount</b>
Administrative	\$ 481,867
Marketing	153,166
Direct Implementation	<u>6,161,258</u>
<b>Total</b>	<b><u>\$6,796,291</u></b>

UAFCB's review and judgmental sample testing of these numbers disclosed no exceptions.

**Recommendation:** None.

**Observation 19: SCG failed to demonstrate compliance with PU code §§ 581, 582 and 584, including SCG's established accrual policy and procedures.** SCG incorrectly included \$13,120 in PY 2014 the ICI program expenditures belonging to PY 2013. The amount was charged to the Direct Implementation cost category of the program.

**Criteria:** Section 581, 582 and 584 require that the utility provide complete and accurate data to the Commission.

**Condition:** UAFCB's review and testing disclosed an invoice of \$13,120 for consulting services that should have been charged to PY 2013 was incorrectly reported and charged to PY 2014.

**Cause:** When internal controls are not adequately enforced combined with lack of proper training and supervision of employees, recording and reporting errors can occur.

**Effect:** SCE over-reported its ICI Program costs by \$13,120.

**SCG Comments:** SCG agreed with UAFCB's recommendation that \$13,120 charged to the Direct Implementation cost category was incorrectly included in PY 2014 recorded ICI program expenditures incurred in PY 2013.

In addition, SCG asserts that it will continue to strengthen its internal processes to ensure that program expenditures are appropriately recorded. SCG also indicated that it provided training to staff on its enhanced internal accrual policy on November 13, 2015.

**Rebuttal:** None.

**Recommendation:** Energy Division should exclude the \$13,120 from the reported 2014 ICI Program total expenditures before calculating SCG's PY 2014 Resource Program Savings Incentives award.

**Observation 20: SCG's internal policy and procedures to implement its ICI Program were adequately designed to meet Commission directives.** SCG was in compliance with its internal policy and procedure manuals for implementing the ICI Program.

**Criteria:** SCG's internal policies and procedures manuals for implementing SCG's ICI Program.

**Condition:** SCG's internal policies and procedural manuals for the ICI Program were reasonably adequate for implementing the program in accordance with Commission directives.

**Recommendation:** None.

## **A.9 Fund Shifting**

**Observation 21: SCG demonstrated compliance with PU code §§ 581, 582, and 584, the EE Policy Manual, and its internal policies on procedures respecting the fund shifting activities in PY 2014.** SCG's EE program fund shifting activities in PY 2014 did not exceed the annual thresholds specified in Appendix C of the EE Policy Manual. Therefore, SCG was not required to file ALs with the Commission about fund shifting. SCG was in compliance with the Commission's funding shifting requirements in PY 2014.

**Criteria:** Sections 581, 582, and 584 require that the utility provide complete and accurate data to the Commission. Appendix C of the EE Policy Manual specifies the Commission's adopted fund shifting rules.

**Condition:** SCG complied with the fund shifting rules concerning EE program categories and annual thresholds specified in the EE Policy Manual. Therefore, SCG was not required to file ALs with the Commission about its fund shifting activities.

**Recommendation:** None.

#### **A.10 Follow-up on Prior UAFCB's Examination Observations and Recommendations and SCG's Internal Audit Recommendations**

**Observation 22: SCG addressed and implemented UAFCB's audit recommendations specified in UAFCB's Audit Memo Report for the 2013 EE Program examination, except for the following:**

- In Observation 4, UAFCB noted that SCG incorrectly recorded program costs in 2013 amounting to \$43,853 that belonged to PY 2012. UAFCB recommended that the incentive award associated with the \$43,853 amounting to \$5,262 should be reduced when SCG files its PY 2014 incentive award advice-letter. SCG complied but contested UAFCB's assertion to remove the amount from the reported number because it believes that these are legitimate expenses. Upon additional review of the matter, UAFCB agrees.
- In Observations 7, UAFCB noted that SCG incorrectly included \$250,000 belonging to the NR program administrative costs in 2013 based on the results of its verification process. UAFCB recommended the \$250,000 should be excluded from the reported 2013 EE expenditures. SCG contested UAFCB's assertion to remove the amount from the reported number because it believes that these are legitimate expenses. Upon additional review of the matter, UAFCB agrees.

**Recommendation:** None.

**Observation 23: SCG identified internal audit report #15-226 - Energy Efficiency Calculated Incentive Program (EECIP) that related to EE program activities for the PY 2014 audit period.** In this internal audit report dated October 13, 2015 SCG's Audit Services conducted a review of the design and operating effectiveness of controls that support the EECIP, for the period from January 1, 2014 to June 30, 2015.

**Criteria:** In internal audit report #15-226, SCG's Audit Services concluded the following:

- Management does not consistently document the monthly review of reports used to monitor budget to actual expenditures related to EE programs.

- The accrual method used for EECIP incentive payments to customers is not formalized or documented to ensure consistency and compliance with applicable Sempra Energy policies.
- Shared employee labor expenses allocated to the EECIP are not consistently reviewed. In addition, the process to manage and allocated shared employee cell phone costs to EECIP is not documented.
- IT management does not periodically recertify appropriateness of users with privileged access to the servers supporting the SAP Customer Relationship Management (CRM) system.

**Condition:** SCG provided the UAFCB with a status update and supporting documentation on management's corrective actions in implementing the findings and recommendations in internal audit report #15-226 during the 2014 audit period.

**Recommendation:** SCG management addressed and corrected the issues raised by Audit Services in internal audit report #15-226 by or before October 30, 2015.

UAFCB appreciates SCG's efforts in strengthening its internal controls for its EE program and recommends that SCG continue to monitor and improve its internal controls in order to prevent any future deficiencies.

## **Appendix B Program Compendium**

### **B.1 Introduction**

On November 8, 2012, the California Public Utilities Commission (Commission) issued Decision (D.) 12-11-015 which, among other things, authorized Southern California Gas Company (SCG) a total budget of \$178.7 million in ratepayer funds to administer and implement its Energy Efficiency (EE) programs for the years 2013-2014. This amount represents about 9% of the total \$1.9 billion EE program budget for the four major Investor-Owned Utilities (IOUs) for the 2013 - 2014 EE budget cycle. In addition, this decision also approved programs and budgets for two regional energy networks (RENs) and one community choice aggregator (CCA). D.12-11-015 also sets energy savings goals, established cost-effectiveness requirements, and required the IOUs to allocate unspent funds from previous program cycles towards their 2013-2014 budgets.

On October 16, 2014, the Commission issued D.14-10-046 which, among other things, extended the 2013-2014 EE program cycle for an additional year to 2013-2015. The decision authorized SCG a total budget of \$83.6 million, including \$3.2 million in EM&V, in ratepayer funds to administer and implement the EE program for PY 2015. This represents about 9% of the approximate total \$962 million in EE program budget for all four IOUs for the same period.

### **B.2 EE Funding Components**

Of the \$182.7 million total authorized portfolio budget for program cycle 2013-2014, \$175.4 million of the funds is to administer and implement SCG's EE programs and the remaining \$7.3 million is dedicated to fund the Evaluation, Measurement and Verification (EM&V) portion of the program portfolio. Excluding EM&V, SCG spent a combined \$118.1 million or \$64.6 million less than its authorized budget for the same period. A summary detailing SCG's ratepayer funded total authorized EE portfolio budget against actual expenditures for program years (PY) 2013 and 2014 by major program area is provided in Table B-1 below.

**Table B-1**  
**Summary of Ratepayer Funded EE Programs**  
**For the Period Ending: January 1, 2013 – December 31, 2014**

Program Area	Authorized Budget	Actual Expenditures			%
		2013	2014	Total	
Resource Programs	\$108,234,758	\$28,837,741	\$41,573,701	\$ 70,411,442	
Other Resource Programs	43,323,983	16,196,771	14,215,736	30,412,507	
Non-Resource Programs	10,819,091	5,514,127	6,005,692	11,519,819	
Regional Energy Networks	<u>9,052,166</u>	<u>1,244,787</u>	<u>2,689,196</u>	<u>3,933,983</u>	
Subtotal	\$171,429,998	\$51,793,426	\$64,484,325	\$116,277,751	
Statewide ME&O	<u>4,004,068</u>	<u>273,118</u>	<u>1,585,901</u>	<u>1,859,019</u>	
<b>Total All Programs</b>	<b>\$175,434,066</b>	<b>\$52,066,544</b>	<b>\$66,070,226</b>	<b>\$118,136,770</b>	<b>67.3%</b>
EM&V	<u>7,301,624</u>	<u>407,221</u>	<u>719,976</u>	<u>1,127,197</u>	
<b>Grand Total</b>	<b><u>\$182,735,690</u></b>	<b><u>\$52,473,765</u></b>	<b><u>\$66,790,202</u></b>	<b><u>\$119,263,967</u></b>	<b>65.3%</b>

UAFCB provides background information of the areas it examined from sections B-3 to B-10. Section B-11 contains prior examination report follow-up responses, including SCG internal audit findings related to the EE programs during the examination period.

### **B.3 Reconciliation of Total EE Portfolio Costs to Reported Amounts**

SCG uses the System Application and Products (SAP) software as its accounting system of record. All financial transactions are recorded in SAP and EE related financial data is extracted from SAP for CPUC reporting purposes. Starting in 2013, SCG enhanced its accounting procedures to track EE costs associated with the three major cost categories – Administrative, Marketing/Advertising/Outreach, and Direct Implementation. In 2013, SCG began using specific internal orders (IOs) for each EE budget category, resulting in a minimum of three IOs for each program or sub-program. Costs applicable solely to a specific EE program are directly charged to that EE program. Other costs applicable to EE programs include overhead costs allocated among EE programs using the internal ordering system.

SCG reported all portfolio expenses in Table 3 of the Annual Report filed with the Commission. The Annual Report includes EE portfolio costs by three cost categories – Administrative, Marketing/Advertising/Outreach, and Direct Implementation. A summary of EE portfolio expenditures, excluding EM&V, by major cost category and the proportion to total expenses for PYs 2013 and 2014 is provided in Table B-2 below.

**Table B-2**  
**Summary of EE Portfolio Expenditures by Cost Category – 2013 and 2014**  
**(Excluding EM&V)**

Cost Category	2013	2014	Total	%
Administrative	\$ 7,753,354	\$ 6,914,666	\$ 14,668,020	12%
Marketing/Advertising/Outreach	4,008,300	6,621,718	10,630,018	9%
Direct Implementation	<u>40,304,890</u>	<u>52,533,842</u>	<u>92,838,732</u>	<u>79%</u>
<b>Total</b>	<b><u>\$52,066,544</u></b>	<b><u>\$66,070,226</u></b>	<b><u>\$118,136,770</u></b>	<b>100%</b>

#### B.4 Codes and Standards Program

The Statewide Codes and Standards (C&S) Program saves energy by: 1) Influencing standards and code-setting bodies (such as the California Energy Commission) to strengthen energy efficiency regulations, 2) Improving compliance with existing codes and standards, 3) Assisting local governments to develop ordinances that exceed statewide minimum requirements, and 4) Coordinating with other programs and entities to support the state's ambitious policy goals.<sup>1</sup>

The primary mission of the C&S program is on advocacy and compliance improvement activities that extend to virtually all buildings and potentially any appliance in California. These C&S activities mainly focus on California Title 20 and Title 24, Section 5 enhancements. The C&S program requires advocacy activities to improve building and appliance efficiency regulations. The principal audience is the California Energy Commission (CEC) which conducts periodic rulemakings, usually on a three-year cycle (for building regulations), to update building and appliance energy efficiency regulations. The C&S program also seeks to influence the United States Department of Energy (DOE) in setting national energy policy that impacts California. At SCG, the C&S program consists of five subprograms: 1) Building Codes and Compliance Advocacy, 2) Appliance Standards Advocacy, 3) Compliance Improvement, 4) Reach Codes, and 5) Planning and Coordination.

The total C&S program budget for the 2013-2014 EE program cycle is \$1,674,228 approved by the Commission's Energy Division on June 30, 2015 in Compliance Filing Advice Letter 4826-G. A summary of the approved C&S program budget for the 2013-2014 EE program cycle by subprogram and the proportion to total budget is provided in the table that follows.

**Table B-3**  
**SCG 2013-2014 C&S Program Budget**

<b>C&amp;S Program Name</b>	<b>2013-2014 Approved Budget</b>	<b>% to Total C&amp;S Budget</b>
Building Codes and Compliance Advocacy	\$ 417,252	25%
Appliance Standards Advocacy	332,773	20%
Compliance Improvement	499,128	30%
Reach Codes	169,652	10%
Planning and Coordination	<u>255,423</u>	<u>15%</u>
<b>Total 2013-2014 C&amp;S Budget</b>	<b><u>\$1,674,228</u></b>	<b><u>100%</u></b>

In PY 2014, SCG spent \$680,457, or 41% of its approved C&S program budget for the 2013-2014 EE program cycle. A detailed summary of the C&S program charges recorded by subprogram, cost category and the proportion to total expenses for PY 2014 is provided in the table below.

<sup>1</sup> Fact Sheet, "Statewide Codes and Standards Program (2013-2014)," March 2013, p. 1, Codes and Standards Support at <http://www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/>

**Table B-4**  
**Actual SCG C&S Program Expenditures - 2014**

<b>Program Name</b>	<b>Admin.</b>	<b>Mktg.</b>	<b>DI</b>	<b>Total</b>	<b>%</b>
Building Codes and Compliance Advocacy	\$22,977		\$224,119	\$247,096	36%
Appliance Standards Advocacy	8,242		40,514	48,756	7%
Compliance Improvement	23,034		307,186	330,220	49%
Reach Codes	1,254	1,911	11,400	14,565	2%
Planning and Coordination	<u>13,130</u>		<u>26,690</u>	<u>39,820</u>	<u>6%</u>
<b>Total</b>	<b><u>\$68,637</u></b>	<b><u>\$1,911</u></b>	<b><u>\$609,909</u></b>	<b><u>\$680,457</u></b>	<b><u>100%</u></b>

Pursuant to D.13-09-023, OP 4, SCG filed Advice Letter (AL) 4826-G on June 30, 2015 for requesting C&S programs incentive award for program year 2014 in the form of a management fee equal to 12% of approved C&S program expenditures, not to exceed authorized expenditures, and excluding administrative costs. SCG requested \$73,418. A summary detailing SCG's calculation of its C&S Management Fee is provided in the table below.

**Table B-5**  
**C&S Management Fee Calculation - 2014**

<b>Description</b>	<b>Amount</b>
Total C&S Program Expenditures	\$680,457
Less: C&S Administrative Costs	<u>68,637</u>
Subtotal	\$611,820
Multiplied by 12%	<u>12%</u>
<b>C&amp;S Management Fee – PY2014</b>	<b><u>\$ 73,418</u></b>

### **B.5 Non-Resource Program**

Non-Resource programs represent energy efficiency (EE) activities that do not focus on displacement of supply-side resources at the time they are implemented, but may lead to displacement over a longer-term, or may enhance program participation overall. Non-Resource programs in themselves do not provide direct energy savings and only have costs, making them not cost-effective on their own.<sup>2</sup>

To date, there are no specific criteria for determining whether a particular EE program is to be classified as Resource or NR EE program for each IOU. SCG classified its EE programs as NR based on the definition contained in the Energy Efficiency Policy Manual, Version 5, dated July 2013. This defines Non-Resource Program as “Energy efficiency programs that do not directly procure energy resources that can be counted, such as marketing, outreach and education, workforce education and training, and emerging technologies.”

In 2014, SCG identified eight (8) EE programs as Non-Resource with recorded charges totaling \$6,005,691. A detailed summary of Non-Resource EE program charges recorded by program and cost category for PY 2014 is provided in the table below.

<sup>2</sup> D.13-19-023, Findings of Fact 10, p. 88



**Table B-6**  
**Actual SCG Non-Resource Program Expenditures - 2014**

<b>Program Name</b>	<b>Admin.</b>	<b>Mktg.</b>	<b>DI</b>	<b>Total</b>
Technology Development Support	\$ 8,271	\$ 1,745	\$ 147,689	\$ 157,705
Technology Assessments	233,846		590,596	824,442
Technology Introduction Support	82,702		328,102	410,804
WE&T Centergies	196,409	168,137	2,361,855	2,726,401
WE&T Connections	19,261		377,729	396,990
WE&T Strategic Plan	3,504		55,345	58,849
IDS&M Inte. Demand-Side Mgmt.	3,047	17,191	257,986	278,224
Customer Relationship Mgmt. (CRM)	1,161,778		-9,502	1,152,276
<b>Total Non-Resource Programs</b>	<b><u>\$1,708,818</u></b>	<b><u>\$187,073</u></b>	<b><u>\$4,109,800</u></b>	<b><u>\$6,005,691</u></b>

Pursuant to D.13-09-023, OP 4, SCG filed Advice Letter (AL) 4826-G on June 30, 2015 requesting Non-Resource programs incentive award for PY 2014 equal to 3% of approved Non-Resource program expenditures, not to exceed authorized expenditures, and excluding administrative costs. SCG requested \$128,906. A summary detailing SCG's calculation of its Non-Resource Management Fee is provided in the table below.

**Table B-7**  
**Non-Resource Management Fee Calculation - 2014**

<b>Description</b>	<b>Amount</b>
Total Non-Resource Program Expenditures	\$6,005,691
Less: Non-Resource Program Administrative Costs	<u>1,708,818</u>
Subtotal	\$4,296,874
Multiplied by 3%	<u>3%</u>
<b>Non-Resource Management Fee – PY2014</b>	<b><u>\$ 128,906</u></b>

**B.6 EE Administrative Program Costs of SCG and Non-SCG**

Administrative costs incurred by SCG for the direct implementation of the EE programs are classified as investor owned utilities (IOU) and Non-IOU Administrative costs. IOU Administrative costs include labor (management, clerical/technical and agency), employee travel, consulting services and other services provided by contractors, materials, vacation and sick leaves, payroll taxes and allocated overhead. Also included in SCG's administrative costs are charges for services cross-billed by San Diego Gas & Electric (SDG&E). These include labor, payroll taxes, leaves, pension and benefits. Non-IOU administrative costs are incurred by Third Party (TP) contractors as well as government agencies participating in Local Government Partnership (LGP) programs. These entities are the major implementers of the programs beside SCG.

The Commission placed a cap of 10% on utility administrative costs. D.09-09-047, Ordering Paragraph 13.a, states that "*Administrative costs for utility energy efficiency programs (excluding third party and/or local government partnership budgets) are limited to 10% of total energy efficiency budgets...*" And according to D.09-09-047, p 63, *the Commission directs the utilities to seek to achieve a 10% administrative cost target for third party and local government partnership direct costs (i.e., separate from utility costs to administer these programs).*

At this time, the UAFCB did not determine whether SCG complied with the 10% administrative cost cap and target for PY's 2013-2014 due to D.14-10-046, dated October 16, 2014. In D.14-10-046, Finding of Fact (FOF) 29, page 152, the Commission stated that program year 2015 should be treated as a third year or 2013-2015 program cycle. Furthermore, in D.14-10-046, Ordering Paragraph (OP) 21, page 167, the Commission ordered that the existing EE program funding shall be extended annually through 2015 at the levels approved in this decision.

For PYs 2013 and 2014, SCG spent a cumulative total of \$14.9 million in EE Administrative expenses for its IOU, TP and Local Government programs. A summary detailing SCG's IOU, TP, and LGP administrative costs for PYs 2013-2014, and the proportion to total administrative costs is provided in the table below.

**Table B-8**  
**SCG EE Administrative Cost Expenditures**  
**Examination Period: January 1, 2013 - December 31, 2014**  
**(Excluding EM&V)**

<b>Admin. Cost Type</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>	<b>%</b>
SCG Admin. Exp.	\$6,615,214	\$6,221,390	\$12,836,604	86%
TP Admin. Exp.	853,190	616,865	1,470,055	10%
Local Admin. Exp.	<u>445,577</u>	<u>139,101</u>	<u>584,678</u>	<u>4%</u>
<b>Totals</b>	<b><u>\$7,913,981</u></b>	<b><u>\$6,977,356</u></b>	<b><u>\$14,891,337</u></b>	<b><u>100%</u></b>

A detailed summary of SCG's IOU Administrative costs for PYs 2013 and 2014 by cost type and their proportion to total expenses is provided in tables B-9 and B-10 below.

**Table B-9**  
**IOU Admin Expenses – Program Year 2013**

<b>Cost Category</b>	<b>Amount</b>	<b>%</b>
IOU Admin	\$6,107,998	92%
IOU Admin Supporting TP	312,788	5%
IOU Admin Supporting LGP	<u>194,428</u>	<u>3%</u>
<b>Total 2013 IOU Admin Expenditures</b>	<b><u>\$6,615,214</u></b>	<b><u>100%</u></b>

**Table B-10**  
**IOU Admin Expenses – Program Year 2014**

<b>Cost Category</b>	<b>Amount</b>	<b>%</b>
IOU Admin	\$5,237,498	84%
IOU Admin Supporting TP	327,706	5%
IOU Admin Supporting LGP	<u>656,186</u>	<u>11%</u>
<b>Total 2013 IOU Admin Expenditures</b>	<b><u>\$6,221,390</u></b>	<b><u>100%</u></b>

A detailed summary of SCG's Non-IOU Administrative costs for PYs 2013 and 2014 by cost type and their proportion to total expenses is provided in the tables B-11 and B-12 below.

**Table B-11**  
**Non-SCG Admin Expenses – Program Year 2013**

<b>Cost Category</b>	<b>Amount</b>	<b>%</b>
Third Party Admin	\$ 853,190	66%
Local Government Partnership Admin	<u>445,577</u>	<u>34%</u>
<b>Total 2013 Non-IOU Admin Expenditures</b>	<b><u>\$1,298,767</u></b>	<b><u>100%</u></b>

**Table B-12**  
**Non-SCG Admin Expenses – Program Year 2014**

<b>Cost Category</b>	<b>Amount</b>	<b>%</b>
Third Party Admin	\$613,865	82%
Local Government Partnership Admin	<u>139,101</u>	<u>18%</u>
<b>Total 2013 Non-IOU Admin Expenditures</b>	<b><u>\$752,966</u></b>	<b><u>100%</u></b>

### **B.7 EE Balancing Accounts**

Regulatory accounts such as balancing accounts authorized by the Commission are where authorized rate revenues are recorded against expenses. The resulting balance could be under or over collection. The balances in these accounts collect interest monthly. Balances in balancing accounts are amortized in rates.<sup>3</sup>

Assembly Bill (AB) 1002 directs the Commission to establish a gas surcharge annually to fund the following gas related public purpose programs (PPP): Energy Efficiency, low-income assistance program such as California Alternate Rates for Energy (CARE) and Energy Savings Assistance (ESA), and research and development (R&D). Revenues collected from the surcharge are remitted to the State Board of Equalization (BOE), and are ultimately appropriated back to SCG.

SCG maintains the Demand Side Management Balancing Account (DSMBA) for the Energy Efficiency program funded by the above-described PPP surcharge. The DSMBA is an interest-bearing balancing account that records actual EE and On-Bill Financing program costs and actual program revenues billed, including the quarterly remittances to and reimbursements of program revenues to the State Board of Equalization (BOE).

SCG's PPP surcharges are applicable to all gas sales and transportation services rendered under all tariff rate schedules authorized by the Commission. Customers in SCG's service territory are issued a gas PPP surcharge as a separate line item on their bills unless they are identified as exempt.

In Advice Letter (AL) 4552-G, the Commission approved SCG's PPP Surcharge rates applicable to PY 2014. A summary of SCG's Commission-approved PPP Surcharge rates applicable to PY 2014 are provided in the table below.

<sup>3</sup> Data response to DR-001, Questions 27 and 28 (Description of SCG's Balancing Accounts)

**Table B-13**  
**SCG's PPP Surcharge for all service, per meter, per month**

Customer Class	CARE Customer (cent/therm)	Non-CARE Customer (cent/therm)
Core - Residential	6.098	8.504
Core - Commercial/Industrial	3.102	5.508
Core - Air Conditioning	3.286	5.692
Core - Gas Engine	N/A	5.366
Core - Natural Gas Vehicle	N/A	2.406
Non-Core Commercial/Industrial	N/A	2.734

Generally, SCG's service is provided to two classes of customers, Core and non-core.

1. Core customers are primarily (1) residential and (2) small commercial and industrial customers, without alternate fuel capability.
2. Non-core customers are primarily (1) large commercial and industrial customers with alternate fuel capability, (2) utility electric generation, (3) cogeneration, (4) enhanced oil recovery, and (5) wholesale customers.<sup>4</sup>

Billed PPP Surcharge revenues are coded with the charge types PPP and PPC (PPPCARE) in SCG's billing system in order to track the revenues collected from CARE and non-CARE customers separately. SCG's Regulatory Accounts Department maintains a PPP Surcharge Revenue Allocation spreadsheet which categorizes billed PPP revenues, net of bad debt, by customer class and CARE versus non-CARE. The revenues are further allocated among the other PPP programs using allocation factors derived from the proportion of each program's authorized revenue requirement for each customer class.<sup>5</sup>

### **B.8 Statewide Calculated Incentive Program**

The statewide Commercial Calculated Incentive (CCI) program provides customers technical and calculation assistance, and incentives based on calculated savings, to influence the design and installation of energy efficiency equipment and systems in both retrofit and added load applications.

The CCI Program is utilized for projects where a rebate is not available through the Statewide Deemed Program and where project conditions require customized calculations to provide most accurate savings estimates, or where a project has interactive effects that are best captured through whole building or whole system modeling.<sup>6</sup>

In 2014, SCG incurred charges totaling \$4,093,436 for its CCI Program. A detailed summary of charges by cost category and the proportion to total expenses for PY 2014 is provided in the table below

<sup>4</sup> SCG's AL-4061 Preliminary Statement Part 1 General Service Information – Description of Service

<sup>5</sup> Data response to DR-001, Q32 (Description of SCG's process and procedures for distributing the monthly billed gas revenue to PPPs)

<sup>6</sup> Data response to DR-001, Q37 (Description of SCG's CCI program)

**Table B-14**  
**SCG Commercial Calculated Incentive Program Expenditures - 2014**

Cost Category	Amount	%
Administration	\$ 377,633	9%
Marketing	174,070	4%
Direct Implementation	<u>3,541,733</u>	<u>87%</u>
<b>Total CCI Program Expenditures</b>	<b><u>\$4,093,436</u></b>	<b><u>100%</u></b>

**B.9 Statewide Industrial Calculated Incentive Program**

The purpose of the Statewide Industrial Calculated Incentive (ICI) Program is to provide services to improve energy efficiency of industrial facilities in California, including financial incentives based on calculated energy savings. The energy savings are calculated for measures installed as recommended by comprehensive technical and design assistance for customized projects. Integrated projects are encouraged to combine energy efficiency and demand response. Eligible projects include new construction, retrofit, and retro-commissioning.

The ICI Program is a subprogram within the Statewide Industrial Energy Efficiency Programs. The ICI Program is utilized for projects where a rebate is not available through the Statewide Deemed program, where project conditions require customized calculations to provide most accurate savings estimates, or where a project has interactive effects that are best captured through whole building or whole system modeling.<sup>7</sup>

In PY 2014, SCG incurred charges totaling \$6,796,291 for its ICI Program. A detailed summary of charges by cost category and the proportion to total is provided in the table below.

**Table B-15**  
**SCG Industrial Calculated Incentive Program Expenditures – 2014**

Cost Category	Amount	%
Administration	\$ 481,867	7%
Marketing	153,166	2%
Direct Implementation	<u>6,161,258</u>	<u>91%</u>
<b>Total ICI Program Expenditures</b>	<b><u>\$6,796,291</u></b>	<b><u>100%</u></b>

**B.10 Fund Shifting**

Per Decision (D.) 12-11-015, Opinion Paragraph (OP) 10, the existing fund shifting rules<sup>8</sup> are to be applied to the following categories of programs for the IOUs:<sup>9</sup>

- a. Statewide residential
- b. Statewide commercial
- c. Statewide agricultural
- d. Statewide industrial

<sup>7</sup> Data response to DR-001, Q47 (Description of SCG's ICI program)

<sup>8</sup> This is made in reference to fund shifting rules in D.09-09-047, OP 43(b) and Ruling (R.) 09-11-014, "Assigned Commissioner's Ruling Clarifying Fund Shifting Rules and Reporting Requirements," dated December 22, 2011.

<sup>9</sup> D.12-11-015, OP 20, pp. 135-136

- e. Statewide lighting
- f. Statewide codes and standards
- g. Statewide emerging technologies
- h. Statewide workforce, education, and training
- i. Statewide marketing, education, and outreach
- j. Statewide integrated demand-side management
- k. Statewide financing
- l. Third party programs (competitively bid)
- m. Local government partnerships
- n. Other

Generally, fund shifts among the fourteen program categories exceeding 15% require a filing of an AL with the Commission. However, there are a few exceptions in that filing of an AL is required when fund shifts would reduce the following statewide programs by more than 1% of their respective budget levels:

- 1) Codes & Standards (C&S) program;
- 2) Emerging Technology (ET) program; and
- 3) Marketing Education & Outreach (ME&O) program

SCG executed a total of 18 fund shifts totaling \$4,483,872 in PY 2014 that included shifts among program categories and within the same program categories.

### **B.11 Follow-up on UAFCB's Prior Examination Observations and Recommendations and SCG's Internal Audit Recommendations**

UAFCB performed a follow-up examination on each observation and recommendation included in its prior report entitled, *Financial, Management, Regulatory, and Compliance Examination Report on Southern California Gas Company's (SCG's) Energy Efficiency (EE) Program for the Period January 1, 2013 through December 31, 2013*, issued on June 30, 2015.<sup>10</sup>

UAFCB reviewed prior observations and recommendations pending corrective action by SCG which included the following:

- **Observation 4: SCG failed to demonstrate compliance Public Utility (PU) code §§ 581, 582 and 584, including SCG's established accrual policy and procedures.** SCG incorrectly recorded in program year 2013 the direct implementation costs of \$43,853 or 19% of the total C&S program expenditures that belonged to program year 2012.

**Recommendation:** The Energy Division should reduce the C&S incentive award by \$5,262 when the true-up filing and 2014 awards are processed. Also, SCG should strengthen its oversight over the existing accrual system as indicated in its response date June 15, 2015 to the draft memo report.

<sup>10</sup> Refer to Southern California Gas Company's 2013 Energy Efficiency Program Examination Report that is available in its entirety at the following link:  
<http://www.cpuc.ca.gov/General.aspx?id=1414>

- **Observation 7: SCG failed to demonstrate compliance with PU code §§ 581, 582 and 584 and its established accrual policies and procedures.** SCG incorrectly reported in program year 2013 the administrative costs of \$250,000, or 4.3% of total NR program costs of \$5,764,129, that belonged to program year 2012.

**Recommendation:** The \$250,000 should be excluded from the reported 2013 EE expenditures. SCG should provide the evidence of the correction to the Director of DWA 30 days after the date of this memo report. Also, SCG should strengthen the oversight over the existing accrual system as indicated in its response dated June 15, 2015 to the draft report.

**UAFCB Follow-Up:** In a letter dated July 30, 2015, SCG specifically addressed this Observation 7 and provided a copy of Advice Letter (AL) 4826-G as evidence of corrective action to this observation and recommendation. In AL 4826-G, page 8, it stated the following:

*“As a result, SoCal Gas removes \$250, 00 in administrative expenditures from the Non-Resource Program Management Fee. Since the ESPI does not provide a management fee incentive on administrative costs, there is no earnings adjustment.”*

By email, on August 12, 2015, the UAFCB communicated to SCG that the steps necessary for a complete corrective action is for SCG to remove the costs associated with Observations 4 and 7 from (1) the 2013 EEStats report and (2) applicable EE balancing account.

On October 8, 2015, SCG also provided a letter to the Director of the Division of Water and Audits indicating that SCG has conducted a further review of UAFCB's findings regarding to Observations 4 & 7 and determined that the costs are appropriate EE program expenses and therefore should remain in the applicable balancing account.

For Observation 4, SCG reduced its PY 2014 C&S incentive award amount by \$5,262 in accordance with UAFCB's recommendation in AL 4826-G filed on June 30, 2015. In addition, SCG provided the UAFCB with its revised accrual policy effective October 2015 and evidence that it provided training on its revised accrual policy on November 13, 2015.

For Observation 7, the UAFCB requested that SCG explain (1) how it removed the \$250,000 in Non-Resource program administrative expenditures from PY 2013, and (2) how SCG corrected the reporting of the \$250,000 in PY's 2012 and 2013 for regulatory reporting purposes. In its response on April 20, 2016, SCG stated the following:

*“For the purposes of the Non-Resource Management Fee component for the ESPI, SoCal Gas manually removed the \$250,000 in administrative costs. Given that the administrative costs are not included in the ESPI Non-Resource Program Management Fee calculation, there was no impact to SoCal Gas' EE incentive award. “*

## **SCG's Internal Audit Recommendations**

In addition, the UAFCB requested that SCG provide a copy of any internal audit reports that were issued affecting the utilities EE program activities for the 2014 audit period and related management responses.

In response, SCG identified internal audit report 15-226 Southern California Gas Company - Energy Efficiency Calculated Incentive Program (EECIP) that affected its EE program activities for the 2014 audit period. In this internal audit report dated October 13, 2015 SCG's Audit Services Department concluded the following:

- Management does not consistently document the monthly review of reports utilized to monitor actual expenditures related to EE programs.
- The accrual method used for EECIP incentive payments to customers is not formalized or documented to ensure consistency and compliance with Sempra Energy policies.
- Shared employee labor expenses allocated to the EECIP are not consistently reviewed.
- IT management does not periodically recertify the appropriateness of users with privileged access to servers supporting the SAP Customer Resource Management (CRM) system.

SCG provided the UAFCB with updates on management's corrective actions on the findings and recommendations contained in the internal audit report identified above and all corrective actions were completed by or before October 30, 2015.



## Appendix C SCG Comments



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June 9, 2016

Mr. Kayode Kajopaiye  
CPUC Utility Audit, Finance & Compliance Branch  
505 Van Ness Avenue  
San Francisco, CA 94102

**Re: SoCalGas Comments on Financial, Management, and Regulatory  
Compliance Examination Report of Southern California Gas  
Company Energy Efficiency Programs For the Period January 1, 2014  
through December 31, 2014**

Dear Mr. Kajopaiye,

Southern California Gas Company (SoCalGas) has reviewed the Draft Financial, Management, and Regulatory Compliance Examination Report of Southern California Gas Company Energy Efficiency (EE) Programs For the Period January 1, 2014 through December 31, 2014 (Report) prepared by the Utility Audit, Finance and Compliance Branch (UAFCB). SoCalGas hereby provides the following comments.

**UAFCB Observation 4**

SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures. SCG incorrectly included in the 2014 recorded C&S program expenditures \$9,910 incurred in 2013. The amount was charged to the 2014 C&S program expenditures as part of the Direct Implementation cost category.

**SoCalGas Response to Observation 4**

The Codes & Standards (C&S) invoice in the amount of \$9,910 did not exceed \$10,000, which is the threshold identified by SoCalGas' accrual policy as the amount whereby all work performed need be accrued. As a result, SoCalGas complied with its accrual policy and the recommendation should be removed.

**UAFCB Observation 7**

SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures. SCG incorrectly

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included in the 2014 recorded NR program expenditures \$35,500 incurred in 2013. The amount was charged to the 2014 recorded NR program expenditures as part of the Direct Implementation cost category (\$23,500) and Administrative cost category (\$11,738), respectively.

#### **SoCalGas Response to Observation 7**

Of the invoices identified in the recommendation, SoCalGas acknowledges that \$23,500 related to the Direct Implementation cost category should have been accrued in 2013. However, the \$11,738 in expenditures related to the Administrative cost category (Invoice #1 - \$6,262.50 and Invoice #2 - \$5,475.00) were not required to be accrued since each invoice did not meet the established SoCalGas accrual policy's minimal accrual threshold of \$10,000 per transaction. As a result, the \$11,738 in expenditures should be removed from the recommendation.

#### **UAFCB Observation 8**

SCG failed to demonstrate compliance with General Order (GO) 28 and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) respecting the NR programs. The documentation provided by SCG to substantiate recorded transactions with one of its vendors did not reconcile with the amounts contained in the signed Purchase Order (PO) agreement #5660026643. The recorded agreement amount in PO #5660026643 was overstated by \$7,500.

#### **SoCalGas Response to Observation 8**

SoCalGas acknowledges the overstatement of the contract value for PO#5660026643 by \$7,500. On May 11, 2016, SoCalGas executed a change order and contract amendment to reduce the contract value by \$7,500. SoCalGas will review the existing contracting process and reinforce the importance of and ensure the proper oversight of contract agreements.

#### **UAFCB Observation 11**

SCG failed to demonstrate compliance PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures. SCG incorrectly included in 2014 recorded EE Administrative program expenditures \$26,461 that incurred in 2013. The amount was charged to the 2014 recorded administrative expenditures as part of the Administrative cost category.

#### **SoCalGas Response to Observation 11**

SoCalGas acknowledges the recommendation and continuously seeks to strengthen its internal processes to ensure that program expenditures are appropriately recorded. On November 13, 2015, SoCalGas provided training to staff on an enhanced internal accrual policy.

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**UAFCB Observation 16**

SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures. SCG incorrectly included in the 2014 recorded CCI program expenditures \$110,266 that incurred in 2013. The amount was charged to the 2014 recorded CCI program expenditures as part of the Direct Implementation cost category.

**SoCalGas Response to Observation 16**

SoCalGas acknowledges the recommendation and continuously seeks to strengthen its internal processes to ensure that program expenditures are appropriately recorded. On November 13, 2015, SoCalGas provided training to staff on an enhanced internal accrual policy.

**UAFCB Observation 19**

SCG failed to demonstrate compliance with PU code §§ 581, 582, and 584, including SCG's established accrual policy and procedures. SCG incorrectly included in the 2014 recorded ICI program expenditures \$13,120 that incurred in 2013. The amount was charged to the 2014 recorded ICI Program expenditures as part of the Direct Implementation cost category.

**SoCalGas Response to Observation 19**

SoCalGas acknowledges that \$13,120 ICI Program related to Direct Implementation cost category should have been accrued in 2013 as it met SoCalGas' minimal accrual threshold of \$10,000 per transaction. See comment in response to Observation 11 regarding strengthening training on accrual practices.

If you have any questions or require additional information regarding these comments, please do not hesitate to contact me.

Sincerely,

/s/ Daniel J. Rendler

Daniel J. Rendler  
Director, Customer Programs and Assistance

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