



**California Public Utilities Commission**  
**Division of Water and Audits**

**Report on the Financial, Management and  
Regulatory Compliance Audit  
of the  
California Alternate Rates for Energy  
Program Administrative Costs and the Low  
Income Energy Efficiency Program  
of  
SOUTHERN CALIFORNIA EDISON COMPANY  
(U-0338-E)**

**For the Years Ended  
December 31, 2007 and December 31, 2008**

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**Financial, Management and Regulatory Compliance Audit  
of the  
Low Income Energy Efficiency Programs of  
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For the Years Ended December 31, 2007 and December 31, 2008**

**I EXECUTIVE SUMMARY<sup>1</sup>**

This report presents the results of the Utility Audit, Finance and Compliance Branch's (UAFCB) compliance audit of Southern California Edison Company's (SCE) Low Income Energy Efficiency program (LIEE) and the California Alternate Rates for Energy Program (CARE) administrative costs for calendar years 2007 - 2008.<sup>2</sup> The Commission granted authority to conduct this audit in Public Utilities Code Section 900.

The main purpose of the UAFCB's audit is to confirm:

- (1) The reliability and authenticity of the low income energy efficiency expenditures reported to the Commission and those recovered in rates;
- (2) The integrity of the controls for safeguarding ratepayer funded low income energy efficiency measures;
- (3) The assurance level of SCE's compliance with Commission directives and SCE's own policies and procedures, including program oversight;
- (4) The quality of actions taken by SCE to strengthen the delivery of low income energy efficiency measures since UAFCB's last audit.

SCE's Customer Service Business Unit (CSBU) is responsible for the operation of the energy efficiency programs, among other things. Under the CSBU, the Customer Programs & Services Division's (CP&S) primary function is to assure that SCE's energy efficiency programs are properly managed and in compliance with the Commission's directives. Within CP&S is the Energy Management Assistance (EMA)/CARE Group, which manages the implementation and the day to day operation of SCE's LIEE program. As of December 31, 2008, SCE's EMA/CARE employed 24 people, not including consultants and contract workers.

SCE's total authorized budget for LIEE was \$32.70 million in 2007 and \$38.15 million in 2008 per Decision (D.) 06-12-038 and D.07-06-004.<sup>3</sup> The authorized budgets include carry over from 2006 and a carry back of \$4.5 million from the "Electric Appliances" 2009 budget subcategory into the 2008 program to allow the program to continue seamless operation and to meet demand. The following table summarizes amounts funded by Ratepayers and expended by SCE for the LIEE during the 2007 and 2008 audit period.

<sup>1</sup> Appendix A describes the abbreviations and acronyms used in this report.

<sup>2</sup> The energy utilities also offer an energy efficiency program to all of their customers through a program referred to as the Energy Efficiency Program (EE). The UAFCB uses the term energy efficiency programs throughout this report to refer exclusively to LIEE energy efficiency services.

<sup>3</sup> In D.07-06-004 modifying D.06-12-038, the Commission authorized a budget for SCE's 2007-2008 low income energy efficiency programs of \$32.043 million for each program year. In D.06-12-038, the Commission authorized SCE to use an additional \$2.083 million from existing unspent, uncommitted low income energy efficiency monies for years prior to 2006, of which \$649,000 was applied to 2007 and \$1,434,000 to 2008.



**Table 1**  
**SCE**  
**Summary of 2007 - 2008 Ratepayer-Funded LIEE Program**  
**(000)**

SCE LIEE Budget	2007	2008
Amounts Brought Forward 2006	\$ 649	\$ 1,434
Carry over from 2007		\$ 166
Budgets per D.07-06-004	\$ 32,043	\$ 32,043
Carry back per D.08-11-031	\$ 0	\$ 4,500
Available Spending Amounts	\$ 32,692	\$ 38,143
Actual Program Costs	\$ 32,526	\$ 38,137
Amounts Carried Forward	\$ 166	\$ 6

In addition to the above LIEE, SCE was authorized a budget for CARE administrative expenses of \$4.2 million for each of the program year 2007 and 2008, pursuant to D.06-12-038

UAFCB noted some concerns in the Recommendations Section below that SCE needs to pay attention to: the three measures requirement that it may be in violation of, the lack of weatherization services information provided by Southern California Gas Company in SCE's service territory for inclusion in the annual reports, and the corrective actions required by its Audit Department Services for CARE program in the internal audit reports.

UAFCB affirmed that SCE accepted and applied in 2007 and 2008 the majority of the accounting policy and procedure changes recommended by the UAFCB in its 2006 LIEE audit report, issued on March 3, 2008. These changes included, but were not limited to, implementing UAFCB's recommendations on the CARE cool centers and reporting of CARE automatic enrollment expenses.

## II AUDIT RECOMMENDATIONS

UAFCB has five specific audit recommendations as summarized below and detailed in the remainder of this report. These recommendations are:

1. SCE should follow up on those homes where SCE only provided CFLs and EE education in 2007 and 2008 to ensure that those ratepayers had the opportunity to receive all feasible LIEE measures, consistent with the current SPPM and in compliance with PUC § 2790(b) (2). (Section V.B., Audit Goal 1.).
2. SCE should disclose information about weatherization services provided by Southern California Gas Company (SCG) in its LIEE annual report to facilitate any subsequent review for compliance with PUC § 2790(b) (2) (Section V.B., Audit Goal 1.).
3. SCE should no longer provide Central AC Replacement in climate zone 13 going forward. (Section V.B., Audit Goal 1.).
4. SCE should substantiate to UAFCB in its next audit of LIEE program that it has implemented the three recommendations mentioned above, as well as enrollment and

eligibility determination. To the extent SCE does not implement any of the recommendations; it should provide an explanation for not doing so.

5. SCE should provide all subsequent recommended remedies/improvements as part of its comments to the draft report and substantiate to UAFCB in its next audit of CARE whether the suggested corrective actions required by SCE Audit Services Department have been effectively implemented in the customer enrollment area. (Section V.D, Audit Goal 2.).

### III INTRODUCTION

Commission decisions have established specific directives for the four energy utilities to implement and operate its LIEE. Effective with D.05-10-044, the income-eligibility requirements for all utilities LIEE were set to match those of the California Alternative Rates for Energy (CARE) program at 200% of federal poverty guidelines.

The Commission made several revisions to the LIEE and CARE programs in D.06-12-038 as amended by D.07-06-004, ordered an annual budget of \$32.1 million for SCE and allowed carry-over as well as carry-back of funds in 2007 - 2008. Some of the more important changes were as follows:

- Utilities were directed to meet on a quarterly basis with interested parties to confer on LIEE program protocols, procedures and operations between LIEE budget cycles;
- Utilities were encouraged to increase enrollment by continuing to partner with community-based organizations and increased the capitation fee from \$12 to \$15 for every new enrollee;
- Adopted Social Security Disability Income as "fixed income" for the purpose of extended recertification process; design websites to permit visually disabled to access the information on them; use TDD (telecommunication device for the deaf) equipment for those with hearing disabilities for enrollment and certification to improve participation by disabled customers;
- Approved CARE categorical eligibility for the 2007-2008 program years;
- Utilities were required to provide CARE discounts to common areas of non profit group living facilities without regard to metering arrangements as long as the facility meets the criteria set forth by PUC Code 739.1
- Set the CARE administrative budget at \$4.2 million for the 2007 and 2008 program years; and
- Required compliance and financial audits of CARE administrative and LIEE activities to ensure compliance with Commission Orders and Resolutions consistent with PU Code Section 900.

UAFCB's 2006 LIEE audit report was issued on March 3, 2008.



## IV COMPLIANCE AUDIT

### A. Audit Scope, Purpose and Objectives

The overall scope and purpose of this UAFCB's compliance audit is to ascertain the following:

(1) Process compliance: the compliance of SCE with established program guidelines and Commission directives;

(2) Existence of safeguards - the existence of proper accounting and administrative controls to safeguard program's assets;

(3) Integrity of Reporting - the completeness and accuracy of SCE's reporting to the Commission;

(4) Oversight Adequacy - internal monitoring of program implementation to provide adequate oversight and support for the program.

The UAFCB developed three audit objectives that are designed to meet its overall audit scope. These audit objectives are designed to determine whether:

- (1) SCE's accounting system for capturing LIEE measure expenditures adequately produce reliable information to the Commission and avoid any duplication of cost recovery;
- (2) Administrative and accounting controls are in place to protect ratepayer funded LIEE measures and CARE and monitor program performance;
- (3) SCE followed its specific program policies, procedures, processes, and Commission directives.
- (4) Ascertain and evaluate whether SCE's management exercised sufficient oversight to meet the program goals and objectives.

The UAFCB started its audit of SCE's 2007 and 2008 low income energy efficiency expenditures on January 25, 2010 and completed its fieldwork on July 31, 2010. The audit focused on SCE's LIEE expenditures and CARE administrative costs for the period January 1, 2007 through December 31, 2008.

### B. Audit Task Areas and Goals

The UAFCB delineated the audit objectives into the following specific goals indentified below by audit task areas.

#### Program Accounting and Reporting:

- 1) Review SCE's LIEE accounting system and procedures re to determine if the expenditures recorded in its records and regulatory accounts were correctly reported to the Commission; and
- 2) Ascertain whether the LIEE expenditures were excluded from the utility's general rate increase (GRC) request.

#### Program Implementation, Processes and Controls:

- 1) Determine whether the program implementation and controls are in compliance with CPUC guidelines, the Statewide LIEE Program Policy and Procedures Manual (SPPM), and with D.06-12-038; and

- 2) To review and determine if SCE's Central Air Conditioner and Refrigerator Replacement processes and procedures are in compliance with the applicable program requirements or Section 7 of the SPPM and the vendor contractual terms.

Program Expenditure Analysis and Testing:

- 1) Determine and test on a sample basis whether all reported charges including general administration expenses and LIEE measure expenditures are relevant to the program and are sufficiently supported with appropriate documentation.

Program Oversight:

- 1) Ascertain that SCE internal reporting system and management oversight for the LIEE measures were properly in place, executed, and working; and
- 2) Identify internal reports provided to SCE senior management and review their appropriateness in monitoring the LIEE program and review SCE internal audit reports.

California Alternate Rates for Energy (CARE) Program:

- 1) Test administrative expenses for propriety and reasonableness.

### **C. Auditing Standards Applied**

UAFCB conducted this audit in accordance with attestation 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 Commission directives and performing such other procedures as considered necessary in the circumstances.

### **D. Auditing Procedures Applied**

The UAFCB performed the following procedures in its audit:

Pre-audit Procedures:

- Become familiar with SCE's LIEE programs, e.g. program processes and operations.
- Review pertinent Commission decisions, resolutions and applicable rules and regulations.
- Review prior audit reports and working papers for current audit planning purposes; discuss prior audit adjustments and issues with the previous UAFCB audit team members.
- Contact SCE regulatory personnel to set up current audit logistics and protocols.

Low Income Energy Efficiency Program Processes Review:

- Interview SCE program personnel to gain information and an understanding of SCE's LIEE operations and processes, in connection with customer enrollment, program administration, and management oversight.
- Review SCE's program policy and process manuals for compliance with regulatory directives and decisions.
- Compare actual expenditures to budget program data for variances and analyze such variances for reasonableness and allowances.



Other Procedures:

- Review utility accounting manual and procedures concerning the proper recording of program expenditures.
- Evaluate SCE internal control procedures concerning expenditures for effectiveness and deficiencies; implement additional audit procedures to assess and resolve any deficiencies.
- Verify program expenditures, on a sample basis, to supporting documentation and sources to determine accuracy and the degree of irresponsibility.
- Reconcile program databases to general ledger systems and authorized balancing accounts.
- Formulate audit findings, conclusions and recommendations.
- Provide appropriate audit opinion upon completion of the engagement.

**E. Preliminary Audit Findings**

UAFCB discussed its preliminary audit findings with SCE on September 27, 2010. SCE didn't object to any of the findings. It indicated that it is looking forward for the opportunity to comment on the draft report.

**V AUDIT FINDINGS**

**A. Low Income Energy Efficiency Program**

**1. Program Accounting and Reporting**

**Audit Goal #1:** To review SCE's LIEE accounting system and procedures and determine if the expenditures recorded in its records and regulatory accounts were correctly reported to the Commission.

**Findings:**

SCE's LIEE accounting system and procedures are generally consistent with the accrual system of accounting. SCE in general recorded and appropriately reported its 2007 and 2008 LIEE expenditures in compliance with the guidelines set forth in D.01-03-028 except as noted below about the annual expenditures reported to the Commission. .

**Discussion:**

Since September 2007, SCE used Energy Management Assistance Partnership System (EMAPS) for the processing, tracking and reporting of customer activity. EMAPS provides enhanced inventory tracking and a connected system allowing timely collection of all program activities. This work flow-based system allows users including SCE personnel and contractors to track customers at any point in the process from enrollment, assessment, installation and real time inspection. Numbers reported on the annual reports submitted to the Commission are generated from the EMAPS. Since the EMAPS does not interface directly with the Systems



Applications Accounting Systems (SAP), there is a manual process in place to reconcile information such as invoice and payment data. Check amount, number and check date are subsequently imported into the EMAPS manually.

Beginning in 2008, SCE transitioned from an old accounting system to a more sophisticated system of accounting, where the retrieval of information is fast and easily accessed. SAP provides more detailed accounting support than CARS. Due to the fact that SCE accounting system is on a combined basis in 2008, the UAFCB had to review and conduct data verification of both accounting systems.

The UAFCB reviewed 2007 and 2008 reconciliations between program balancing accounts and annual reports provided by SCE. From these reviews, UAFCB discovered the following:

- \$ 1,290,529 year end accruals in 2007 were adjusted out of that year's expenditures in the balancing accounts as Adjustment No. 2 to arrive at the 2007 annual report amount.
- \$ 502,082 of the same 2007 year end accruals described above were paid in 2008 and added to the 2008 total program expenditures as Adjustment No. 4 on the 2008 Annual Report. The difference between the 2007 and 2008 amounts is due to installation of some measures being rejected for not meeting SCE the quality standards and consequently not paid.

SCE represented that its reporting of 2007 expenditures in 2008 is based on the general guidance from the Energy Division to align expenditures with energy savings. SCE reports savings when the highest level management has approved invoices for payment<sup>4</sup>. It is unclear if this accounting treatment of matching expenditures and energy savings needs to be approved or has been specifically authorized by any previous Commission Decisions or directives. The invoices identified in Reconciling Adjustment No. 2 were 2007 year end accruals not approved for payment by SCE's highest level of management until 2008 for proper alignment with energy savings. It is not completely certain at this time whether the annual expenditure amount reported to the Commission by SCE in 2007 and 2008 is in compliance with the reporting requirement.

For a more in-depth analysis of LIEE costs, the UAFCB selected for its review the two most significant measures that made up more than 50% of 2007 and 2008 LIEE reported expenditures. These measures are Central AC and Refrigerator Replacement. UAFCB's review of SCE's accounting system did not disclose any major observations except as discussed above respecting the amount of expenditure reported to the Commission in its annual reports.

**Recommendations:** SCE should provide to the UAFCB the basis for reporting lower total program expenditures in its annual reports filed with the Commission than that amount recorded in its books and records for 2007 and 2008.

**Audit Goal #2:** Ascertain whether the LIEE expenditures were excluded from SCE's general rate case (GRC) increase request.

<sup>4</sup> Energy Management Assistance Program Manual - Section 1002

**Finding:**

UAFCB determines that SCE has processes in place to ensure that LIEE expenditures are not included in its GRC filings.

**Discussion:**

The UAFCB reviewed SCE's GRC filing for test year (TY) 2009<sup>5</sup> and concludes that the revenue requirement calculations for recovery through the GRC did not include LIEE expenditures.

**Recommendation:** None.

## 2. Program Implementation, Process and Controls

**Audit Goal #1:** To determine whether the program implementation and controls are in compliance with CPUC guidelines, SPPM and with D.06-12-038.

**Findings:**

- a) SCE's 2007 and 2008 LIEE implementation is generally and acceptably in compliance at this time with CPUC guidelines, SPPM and D.06-12-038 except for the three other measure requirement of the SPPM Section 2.9.
- b) SCE didn't provide weatherization services (possibly provided by SCG in SCE's territory) information in its 2007 and 2008 annual reports for the homes it counted treated since it provided just two measures instead of three as required, CFL and energy education to those customers.
- c) It is reasonable to say that SCE's deficiency for lack of reporting of installed feasible measures did not allow proper verification of compliance with PUC § 2790(b)(2).

**Discussion:**

The UAFCB selected and reviewed 40 customer files for compliance with approved LIEE requirements such as eligibility/income qualification, installation of approved feasible measures and inspection of customer homes to ensure that the installation contractor complied with the expected quality of work. The sample reviewed showed that:

- Income eligibility limits of 200% of the federal poverty guidelines were adhered to, by verifying proof of income and verifying compliance with Section 2.2 of the SPPM.
- Feasible measures were installed with some installations completed beyond 90 days of the application date. In the cases where it took more than 90 days after the application/assessment date, the delay was attributable to customers' failure to grant SCE timely access to the housing units.
- During 2007 and 2008, SCE replaced central air conditioners in climate zones 13, 14 and 15. Subsequently, by D.09-11-009, the Commission clarified that central air conditioner installations in climate zone 13 were not permitted. The Commission recognized in that decision that SCE and others could have in good

<sup>5</sup> Application Number A.07-11-011



faith misinterpreted D.06-12-038 therefore SCE is not penalized for replacing central AC in climate zone 13 during the 2007 and 2008 time period.

The UAFCB also found that there were seven (7) customers from the selected sample who received only CFLs and energy efficiency education (sample item no. 4, 5, 6, 13, 26, 31 and 35). In accordance to Section 2.9 of the SPPM, a home must need a minimum number of measures in order to be eligible for participation in the program. The minimum would be ceiling insulation, window/wall air conditioning, evaporative cooling, refrigerator replacement, or *three* (3) other measures. It appears from the test sample that SCE is not totally in compliance with the three other measure requirement of the SPPM Section 2.9. SCE also seems to perform only minimal weatherization services in its service territory, based on UAFCB's review of the installation information contained in Table 2 of the annual reports.

SCE is an electric company but its service territory overlaps that of Southern California Gas Company (SCG) and therefore uses SCG to perform weatherization services for its customers that have gas appliances. This information was not reported on SCE's LIEE annual reports and consequently would not have allowed for a proper assessment of the SCE's compliance with Section 2.9 of the SPPM and with PUC § 2790(b)(2). Furthermore, SCE considers a home having received CFLs plus EE education as a treated home. If SCG provides all weatherization measures related to gas use for the same unit, there is a possibility that both utilities have counted the same home as being treated twice.

The UAFCB also selected and reviewed the purchase orders and contracts of the following selected four private program contractors as well as three Community Based Organizations (CBOs) for compliance with CPUC guidelines, SPPM, and with D.06-12-038. The private contractors are:

- (1) Air Conditioning Refrigeration (purchase);
- (2) Tri State Home Improvements;
- (3) Reliable Energy Management Co; and (
- (4) 4) John Harrison Contracting.

The CBOs are:

1. CAP of San Bernardino;
2. Proteus Training; and
3. Maravilla Foundation.

Actual expenditures for the above selected contractors, reported in Table 5 of the annual reports and listed in Table III in Appendix A of this report, were well within the contractual allowable amount. The scope of work as described in the contracts reviewed by the UAFCB is consistent with Commission guidelines and SCE Program and Contractor Manuals. Except for the homes that received only CFLs and energy efficiency education and the related reporting

issue concerning weatherization services described above, SCE is generally in compliance at this time with the guidelines for implementing the LIEE program, D.06-12-038, and other Commission directives.

**Recommendations:**

- 1) SCE should be required to substantiate to UAFCB that SCE followed up with its customers that received only CFLs and EE education in 2007 and 2008 to ensure they were offered all feasible LIEE measures, in compliance with PUC § 2790(b)(2).
- 2) SCE should disclose information about weatherization services provided by SCG in its annual report to facilitate any subsequent review for compliance with PUC § 2790(b)(2).
- 3) SCE should no longer provide Central AC Replacement in climate zone 13 going forward.

**Audit Goal #2:** To Review and determine if SCE's Central Air Conditioner and Refrigerator Replacement processes and procedures are in compliance with the applicable program requirements or Section 7 of the SPPM and the vendor contractual terms.

**Findings:**

SCE's Central Air Conditioner and Refrigerator Replacement processes are generally in compliance at this time with Section 7 of the SPPM and consistent with the vendor contractual terms.

**Discussion:**

Central Air Conditioner Replacement Services:

Low income households in approved climate zones may qualify for a free replacement central air conditioner (CAC) if their existing operating unit falls below the minimum LIEE efficiency threshold of 10 SEER (Section 7.3.21 of the SPPM). In agreement with contractual terms, SCE pays HVAC installation fees to contractors as follows:

- Installation of CAC, including duct testing: \$2,065
- Duct sealing (if required): \$100 if up to 60 minutes; \$150 if between 61 and 90 minutes; \$200 if over 90 minutes.
- Installation of programmable thermostat (if required): \$110, out of which contractor procured the thermostat (through August 2007); \$65, if SCE provided the thermostat (effective September 2007)
- Permits: Reimbursed for permit fee (variable, proof required)
- Title 24 charges: \$110
- Installation costs average \$2,540 per home.

SCE represents to the UAFCB that installations are performed in compliance with Title 24 and local codes. Title 24 fees paid to the contractor cover the costs of a third party inspector to inspect and confirm proper duct testing/sealing, refrigerator charge measurement, fan wattage draw and airflow. The fees include the administrative costs for the HVAC contractor to file the inspection with the third party inspector.

Based on contractual agreement, SCE pays the HVAC vendor directly for each piece of equipment shipped to an installation contractor, e.g. package unit, or coil and condensed pair. Costs may vary depending on the many possible combinations of equipment required for a particular installation but average \$1,350 per home.



SCE also used the EMAPS, an online workflow management system, to direct and monitor the entire process, from a new lead generation to the final inspection and payment authorization. The system contains many automated data input validations and due date reminders to support accurate and timely performance of the various workflow steps required to completely service each customer.

Upon completion and entry of a Home Assessment, the EMAPS refers the CAC replacement need to an HVAC contractor, the contractor enters the assigned crew name and customer appointment date/time, prints the work order, performs the initial HVAC visit to confirm feasibility and determine equipment requirements, order and receive any additional equipment not in stock, enter results of the installation, and invoice SCE for the job. This same basic workflow is used for SCE LIEE installation jobs, including refrigerator replacements.

Refrigerator Replacement Services:

A customer's eligibility for refrigerator replacement service is determined during the same in house assessment of the Central AC replacement and all other services. This customer's eligibility determination was verified during the UAFCB's review of the 40 customer files as described above in the findings section of Audit Goal no.1. In accordance to Section 7.3.20 of the SPPM, refrigerators will not be replaced if:

- The existing refrigerator was manufactured after 1992;
- The electrical outlet used by the existing refrigerator is not properly grounded and can not be properly grounded;
- Hazardous electrical conditions exist at the outlet used by the existing refrigerator;
- The customer refuses the refrigerator.

Consistent with contractual terms, SCE pays a flat \$215 fee to contractors for each refrigerator installation, including any necessary grounding. In renter-occupied homes where the appliance is owned by the landlord, the installation fee is paid by the landlord. The average per unit cost for refrigerators is \$530.

SCE represents to the UAFCB that it allows LIHEAP agencies to leverage from the LIEE when servicing households that qualified for both LIHEAP and LIEE. SCE would provide the refrigerator at no cost to the LIHEAP contractor and in return, the refrigerator will be installed at no cost to the LIEE program or SCE.

Based on SCE's description of the features incorporated in the LIEE measure installation processes and controls, there are generally at this time sufficient checks and balances in place in their structure and design to ensure that Central Air Conditioners and Refrigerator Replacement measures are timely installed. In addition to SCE's own random inspections, there are reviews by third parties to make sure that the contractors comply with the requirements of the program measures.

**Recommendation:** None.

### 3. Program Expenditures Analysis and Testing

**Audit Goal:** To determine whether all reported charges including general administration expenses and LIEE measure expenditures are relevant to the program and are sufficiently supported with appropriate documentation.

**Findings:**

LIEE incurred expenses are generally relevant at this time to the program and adequately supported by SCE with appropriate documentation.

**Discussion:**

The UAFCB sampled 100 transactions for program year 2007 and 166 transactions for 2008, mostly comprised of general administration labor charges and invoices for LIEE measures. Out of these 266 selected items, twenty-eight were HVAC contractor's invoices for Central AC installations, eleven of which applied to 2007 and seventeen to 2008.

The UAFCB tested vendor's invoices and compared them to purchase orders or contracts to determine if invoices were properly billed to and paid by SCE. Invoices were correct and included proper descriptions of work performed, correct program charged, required authorized approvals and proper amounts and calculations.

The UAFCB also reviewed employee timesheets for approval of the time charged and compared the rates used in the calculation of labor charges against a list of rates by job classification provided by SCE. The rates used by SCE were correctly applied to the hours.

**Recommendation:** None.

### 4. Program Oversight

**Audit Goal #1:** To ascertain that SCE's internal reporting system and management oversight for the LIEE were properly in place, executed, and working; identify internal reports provided to SCE management and determine their level of effectiveness in monitoring LIEE.

**Findings:**

SCE's internal reporting system and management oversight of the program are generally adequate at this time and working as expected by senior management.

**Discussion:**

SCE maintained various reports generated by EMAPS that its program managers use to review transaction details, to measure program performance, and to determine budget compliance. UAFCB reviewed some of the reports provided by SCE and noted no exception. SCE's internal audit (IA) department also performed regular audits of SCE's LIEE expenditures to assure that SCE has adequate oversight of its LIEE program.

A UAFCB review of SCE procedures for updating data in EMAPS generally shows at this time that there are adequate controls in place to ensure that the integrity and accuracy of the information recorded in EMAPS is maintained. Further, SCE has been following its internal auditor's recommendations and is in the process of strengthening its processes and controls.



SCE has an adequate management reporting system in place to facilitate and support the monitoring of its low income energy efficiency program implementation.

**Recommendation:** None.

**Audit Goal #2:** To review SCE internal audit reports and identify internal control issues relevant to the LIEE program.

**Findings:**

The Audit Services Department (ASD) didn't perform the audit of LIEE program during UAFCB's audit periods (2007 and 2008) and therefore, there were no internal audit reports to review for determining the opinion of ASD on the effectiveness of management oversight.

**Recommendation:** SCE should let UAFCB know the criteria used by SCE for determining when to audit the LIEE program in its response to the draft audit report.

**B. CARE - Administrative Costs**

**1. Program Accounting and Reporting**

CARE administrative expenditures reported were \$3.687 million for 2007 and \$4.398 million for 2008. Administrative costs recorded in the General Ledger were \$3.750 million in 2007 and \$4.465 million in 2008. Adjustments made to General Ledger balances to obtain reported amounts are minimal so no further work was performed.

**Audit Goal #1:** To test administrative expenses for propriety and reasonableness.

**Findings:**

SCE's CARE accounting system and procedures have checks and balances to ensure that data are captured and recorded in a timely manner consistent with accrual method of accounting. CARE 2007 and 2008 administrative expenses are generally properly recorded and reported at this time, consistent with D.89-09-044.

**Discussion:**

The UAFCB sampled 134 transactions, 66 of which applied to the 2007 program year and 68 to 2008. These transactions mostly comprised of capitation, other outreach, processing and other administration expenses.

The UAFCB tested vendor's invoices and compared them to purchase orders or contracts to determine if invoices were properly billed to and paid by SCE. Invoices were correct, in most instances, and included proper descriptions of work performed, applicable measures being served, required authorized approvals and proper amounts and calculations.

The UAFCB reviewed employee timesheets for approval of the time charged and compared the rates used in the calculation of labor charges against a list of rates by job classification provided by SCE. The labor rates were generally correctly applied in most instances. CARE incurred expenses are generally relevant to the program and acceptably supported with appropriate documentation.

**Recommendation:** None.

## **2. Program Oversight**

**Audit Goal #2:** To review SCE internal audit reports and identify internal control issues associated with the CARE program.

**Findings:** Internal control weaknesses were identified by ASD in the customer enrollment area and documentation of program changes.

### **Discussion:**

The UAFCB reviewed SCE's two internal audit reports issued by ASD on September 18, 2007 and June 24, 2009. These recent internal audits related to the CARE program addressed the following areas:

- Documentation of changes to program requirements and review procedures of monitoring reports as well as adequate dissemination of information on program changes between all stakeholders;
- Review procedures of ineligible/returned applications and documentation of error types, definitions and thresholds.

The September 18, 2007 internal audit report included a review of the Processing Services Organization's (PSO) enrollment procedures and processing controls to ensure that only eligible income-qualified residential customers are enrolled in the CARE rate. The scope of the audit covered enrollment activities between April and July 2007. This review concluded that processing controls are adequate. However, it found that approval of changes to application requirements and the review of monitoring reports can be improved.

The June 24, 2009 internal audit report included a review of the PSO's enrollment and re-certification processes to ensure customers are enrolled in the CARE and the Family Electric Rate Assistance (FERA) programs in an accurate and timely manner between December 2008 and January 2009. This review limited to hardcopy applications, concluded that controls to ensure timely enrollment of customers are adequate. However, controls to determine accuracy of enrollments such as analysis of error rates and subsequent corrective actions needed improvements.

SCE indicated that remedies to address these control weaknesses were developed and implemented.

**Recommendation:** SCE should provide all subsequent recommended remedies/improvements in its comments to this draft report and should be required to substantiate to UAFCB in its next LIEE/CARE audits that the suggested corrective actions have been effectively implemented in the customer enrollment area.



## Appendix A

### Background by Audit Task Area<sup>6</sup>

#### A. Program Accounting and Reporting

SCE changed its accounting system from the Corporate Accounting & Reporting System (CARS) to the Systems Applications Products in Data Processing Accounting System (SAP) on July 1, 2008. SCE indicated that the change to SAP is necessary to improve the accounting, reporting and other information needs of SCE.

SCE aggregates its LIEE expenditures using five cost categories, Materials, Labor, Internal Market Mechanism (IMM), Contracts and Other and Prime/Sub locations in CARS. For each LIEE cost category SCE aggregates its LIEE expenditures using cost elements, the lowest transaction detail in SAP. Each cost element is manually identified and aggregated by cost category (e.g. Appliances, Weatherization, Outreach and Assessment, In Home Energy Education, Inspections, Marketing, Measure and Evaluation (M&E) studies, Regulatory Compliance, General Administration costs, and CPUC Energy Division) using internal orders. These cost elements are also aggregated and recorded in the General Ledger/FERC accounts which eventually flow to SCE's two Balancing Accounts: the Low Income Energy Efficiency Program Adjustment Mechanism (LIEEPAM) and the Public Purpose Program Adjustment Mechanism Balancing Account (PPPAM). These balancing accounts were thoroughly reviewed during the LIEE 2006 audit. The LIEEPAM balancing accounts track carry-forward funds, annual authorized LIEE budgets and actual expenses. The PPPAM tracks the amount of authorized funding for all energy efficiency programs including LIEE and shows the over or under-collection of surcharges. Any over or under-collection remaining at the end of the year in the PPPAM is either returned to or collected from customers in the subsequent year.

LIEE expenditures included in SCE's balancing accounts and reported on LIEE submitted annual reports were derived from the costs recorded in SCE's General Ledger and Trial Balance accounts (GL/TB).

#### B. Program Implementation, Processes and Controls

In D.06-12-038, the Commission allowed the following services/measures for the 2007-2008 program years:

- Central Air Conditioner and Window Air Conditioner Replacement and Maintenance.

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<sup>6</sup> A comprehensive summary of all aspects of the LIEE was included in UAFCB's report entitled "Regulatory Compliance and Financial Audit of the California Alternate Rates for Energy Program Administrative Costs and the LIEE of Southern California Edison Company (U-0338-E) for the Year Ended December 31, 2006, dated March 3, 2008.

- **Evaporative Cooler Installation and Maintenance:** SCE would install evaporative coolers as an alternative to air conditioning and maintain those it installs.
- **Refrigerator replacement:** SCE would replace older inefficient refrigerators with high-efficiency units.
- **Installation of compact fluorescent light bulbs (CFLs) and Porch Light Fixtures:** SCE would replace incandescent light bulbs with energy-efficient CFLs and replace traditional torchieres with energy efficient ones.
- **Weatherization:** SCE installs energy efficiency measures such as weather stripping, caulking, low-flow shower heads, electric water blankets, and minor home repair.
- **Energy Education:** SCE provides customers with a booklet about energy conservation, appliance safety and information on other low-income State and Federal programs like Low Income Home Energy Assistance Program (LIHEAP).

SCE used private vendors/contractors and Community Based Organizations (CBOs) for the purchase of energy efficient appliances, their installation in eligible homes and subsequent inspections. In 2007 and 2008, SCE entered into competitively bid purchase orders to buy energy-efficient refrigerators, CFLs, room air-conditioners, evaporative coolers and central air conditioners in bulk. These appliances were shipped directly from the vendor to SCE's contractors for installation in low-income customer homes.

For its audit of SCE's program years 2007 and 2008, UAFCB reviewed primarily the reviewed program implementation, processes, and controls for the Central Air Conditioner and Refrigerator Replacement measures. Total expenditures for these measures in 2007 and 2008 including labor and material costs are shown in the following table:

**Table I**  
**SCE**  
**Total Central AC & Refrigerator Replacements for Years 2007-2008<sup>7</sup>**  
**(\$000)**

	2007	2008	Total
Central AC Replacement	\$ 6,048	\$ 8,734	\$ 14,782
Refrigerator Replacement	\$ 10,697	\$ 12,109	\$ 22,806
<b>Total</b>	<b>\$ 16,745</b>	<b>\$ 20,843</b>	<b>\$ 37,588</b>
Percentage of Program Costs <sup>8</sup>	51.48%	54.65%	

<sup>7</sup> Source: EMAPS Reports as of December 31, 2007 & 2008.

<sup>8</sup> This program is only one of several programs included in the total costs shown at Table 1.



**Central Air Conditioner Replacement:**

Low income households in approved climate zones may qualify for a free replacement central air conditioner if their existing operating unit falls below the minimum LIEE efficiency threshold of 10 SEER<sup>9</sup>. In 2007-2008, homes in Climate Zones 13, 14 and 15 covering part of Los Angeles, San Bernardino and Riverside counties, were potentially eligible to receive this measure.

Upon completion of a home assessment and the unit is determined to be eligible to receive a Central AC, SCE refers the replacement job to a contractor who will install the heating, ventilation and air conditioning (HVAC) equipment. SCE currently contracts with three organizations to install LIEE HVAC systems: Tri State Home Improvement, John Harrison Contracting and Reliable Energy Management. Expenses incurred by SCE with these three HVAC installation contractors in 2007 and 2008 including material and labor costs are shown in the following table:

**Table II  
SCE  
Summary of 2007 - 2008 of Central AC Replacement Costs by Installation Contractor  
(S000)**

Installation Contractor	2007	2008
Tri State Home Improvements	\$ 1,854	\$ 2,561
John Harrison Contracting	\$ 1,710	\$ 2,462
Reliable Energy Management	\$ 2,484	\$ 3,711
<b>Central AC Costs</b>	<b>\$ 6,048</b>	<b>\$ 8,734</b>
Percentage of Program Costs <sup>10</sup>	18.60%	22.90%

**Refrigerator Replacement:**

A customer's eligibility for the refrigerator replacement service is determined during the same in-house assessment as the Central AC replacement and all other services. If the unit is found eligible and feasible for replacement, SCE refers the installation job to an installation contractor. That contractor confirms inventory availability, orders additional units from the vendor if not in stock, makes an appointment with the customer, installs the new unit and removes the old unit for recycling. Expenses incurred by SCE on this service in 2007 and 2008, including material and labor costs, are listed in the following table by each of its installation contractors:

<sup>9</sup> Seasonal Energy Efficiency Ratio or SEER is a measure of how efficiently a cooling system will operate when the outdoor temperature is at specific level (95F). The higher the SEER, the more efficient is the system.

<sup>10</sup> This program is only one of several programs included in the total costs shown at Table 1.

**Table III**  
**SCE**  
**Summary of 2007 - 2008 of Refrigerator Replacement Costs by Installation Contractor**  
**(\$000)**

Installation Contractor	2007	2008
Assert	\$ 489	\$ 460
CAP of Orange County	\$ 531	\$ 456
CAP of San Bernardino County	\$ 924	\$ 1,125
CAP of Ventura County	\$ 399	\$ 498
INYO/MONO Community Action	\$ 6	\$ 0
Maravilla Foundation	\$ 3,310	\$ 3,540
Proteus Training	\$ 1,520	\$ 2,201
Veterans in Community Services	\$ 954	\$ 704
Tri State Home Improvements	\$ 935	\$ 1,132
John Harrison Contracting	\$ 1,216	\$ 1,090
Reliable Energy Management	\$ 412	\$ 903
<b>Refrigerator Replacement Costs</b>	<b>\$ 10,696</b>	<b>\$ 12,109</b>
<b>Percentage of Program Costs<sup>11</sup></b>	<b>32.89%</b>	<b>31.75%</b>

In its previous examination, the UAFCB undertook an extensive review of SCE's 2006 outreach, assessment, service delivery, customer service processes and did not find any major exceptions. The UAFCB relied on its previous findings in this area and consequently only reviewed in program year 2007 and 2008, a small sample of 40 customer files for compliance with program requirements.

The UAFCB also reviewed the purchase orders for seven (7) selected contractors to verify scope of work and ensure that actual expenditures did not exceed allowable contractual amounts. The selected purchase orders make up 84% of total program expenditures for both program years 2007 and 2008.

<sup>11</sup>This program is only one of several programs included in the total costs shown at Table 1.



UAFCB also reviewed the following policies and procedures manuals to understand the various operational processes of the program: 1) EMA Program Manual; 2) Excerpts from the SPPM; and, 3) EMAPS User Reference Manual.

**C. Program Expenditure, Analysis and Testing**

SCE has an authorized budget of \$32.692 million in 2007 and of \$38.170 in 2008, including approved carry-forward and carry-back of funds. SCE incurred \$32.526 million of actual expenses in 2007 and \$38.138 in 2008. Table IV, below, shows the spending levels authorized for each program year, total actual expenditures and the total spent for measures including appliance and installation costs.

**Table IV  
SCE  
Program Budget and Expenditures by Year – Table 1 of Annual Report  
(\$000)**

Description	2007	2008
Authorized Spending Levels	\$ 32,692	\$ 38,170
Actual Program Costs	\$ 32,526	\$ 38,137
Measures Costs, including appliance & installation fees. <sup>12</sup>	\$ 28,940	\$ 34,878

Total measure costs make up 89% of actual expenditures in 2007 and 91.45% in 2008.

For program year 2007, the UAFCB used judgmental sampling method, selected 100 transactions for testing, from the five (5) cost elements used in CARS. Table V, below, shows each of the cost elements with the total program costs, sample size, dollar amount of the sample size, and the percentage of the sample size dollar amount to the total tested program costs.

<sup>12</sup> Measure costs are a part of Actual Program Costs. Also included in Actual Program Costs are Administrative costs.

**Table V**  
**SCE**  
**Summary of Samples Tested - Year 2007**  
**(\$000)**

Cost Element (CO) Selected for Testing	Expenditures by COs <sup>13</sup>	Sample Size	Sample Size (\$)	Percent of Sample to Total Population
Contract	\$ 616	10	\$ 10	1.61%
IMM	\$ 406	7	\$ 59	14.60%
Labor	\$ 1,131	25	\$ 36	3.15%
Material	\$ 14,168	20	\$ 185	1.31%
Other	\$ 18,560	38	\$ 481	2.61%
<b>Total</b>	<b>\$ 34,881</b>	<b>100</b>	<b>\$ 771</b>	<b>2.21%</b>

For program year 2008, the UAFCB, using judgmental sampling method, selected 166 transactions for testing, from the two (2) primary internal orders used in SAP to capture 89% of program costs. Table VI, below, shows each of the internal orders with the total program costs, sample size, dollar amount of the sample size, and the percentage of the sample size dollar amount to the total tested program costs.

**Table VI**  
**SCE**  
**Summary of Samples tested – Year 2008**  
**(\$000)**

Internal Orders (IO) Tested <sup>14</sup>	Expenditures by IO <sup>15</sup>	Sample Size	Sample Size (\$)	Percent of Sample to Total Population
IO 600984	\$ 15,100	146	\$ 2,192	14.52%
IO 600985 to 600989	\$ 559	20	\$ 15	2.61%
<b>Total</b>	<b>\$ 15,659</b>	<b>166</b>	<b>\$ 2,207</b>	<b>14.09%</b>

<sup>13</sup> There is a difference of \$2.35 million between general ledger/balancing account program expenditures shown above and the annual report amount shown in Table 1. The biggest portion of the variance is \$2.02 million including \$700,000 of 2006 expenses incorrectly booked in 2007 and a \$1.3 million adjustment due to timing differences in the recording of measures costs that arise from the use of payment authorization date for the Commission annual reports versus installation date used for financial reporting purposes in the general ledger.

<sup>14</sup> Internal Order 600984 includes Electric Appliances; Weatherization; Outreach and Assessment; Energy Education; Training Centers; Inspections. Internal Orders 600985 to 600989 make up "General Administration" cost category.

<sup>15</sup> The sample is selected from the SAP portion of program expenses recorded in balancing accounts. The 2008 expenses in balancing accounts that were recorded in CARS amount to \$23 million.



The UAFCB's review included, but was not limited to:

- Reviewing invoices for accuracy; matching invoices with appropriate Purchase Order (PO) and checking for proper approval; and,
- Reviewing documentation to support all reported costs including employee timesheets, contracts, etc, for propriety.

The goal of UAFCB sample selection was to choose transactions that would be representative of all various types of charges to the LIEE program and not a pre-determined percentage of the total costs.

#### **D. Program Oversight**

SCE's energy efficiency operation is handled by the Customer Service Business Unit (CSBU) headed by a Senior Vice President. Under the CSBU is SCE's Customer Energy Efficiency & Solar Division (CEE&S), which handles its Energy Management Assistance (EMA) and CARE Department planning, quality assurance, program operation and implementation, regulatory compliance and reporting. SCE's CEE&S is supported by organizations within the CSBU such as: (1) the Processing Services Organization (PSO), which oversees the processing of all paper applications for the CARE/FERA programs; (2) Customer Experience Management, which oversees Marketing; (3) EE Call Center, which responds to all calls from LIEE-specific toll free numbers, providing information and enrolling customers via SCE.com website and (4) CSBU Finance, which provides Financial Support services.

SCE has 24 people working on the operation of its LIEE, excluding consultants and contract workers.

SCE monitors its LIEE using various internal reports that are designed to assure proper program control and participation, appropriate record keeping and checks with regards to the use of program budgets including payments of invoices, and proper determination of energy savings.

SCE's management uses the following reports generated by the EMAPS to monitor the LIEE programs:

1. Weekly KPI (Key Performance Indicator) status report: This report collects energy savings data from the program. Energy savings figures are based on the date when a measure is installed, defined as the date when invoice payment is approved.
2. Monthly Energy Efficiency Director's Report: Each month, the Regulatory Group directs the financial analysts to send program managers a reporting template to complete. LIEE data is then combined with information reported by other program managers and CSBU Finance to create the monthly EE Director's Report.

Most of the information needed for this report is in EMAPS. In addition, the PSO sends regular performance reports including monthly statistics and multi-monthly trends in:

- Applications received and reviewed.
  - Number of excluded (rejected) applications.
  - Average processing time and achievement of processing targets, and
  - Number of processing errors.
3. **Balancing Account Report:** program management uses this report for monthly budget and expense information. This is an Excel spreadsheet that is generated from information in the SAP system by program and by organization. This report gives these program managers proper control of the energy efficiency programs in order for them to operate within the authorized budget.
  4. **Inventory Report** – program managers use this report that includes information regarding quantity and status data on contractor inventory orders, paid invoices, unpaid invoices and late credit invoices. It also includes topics such as inventory reporting.
  5. **Inspection Report:** The Inspection Quality Assurance (QA ) Rep is responsible for reporting weekly and monthly to the Program Manager on topics such as contractor performance and inspection-related customer issues.

#### **E. California Alternate Rates for Energy (CARE) Program**

CARE costs are recovered via a two-way balancing account. Each year, the Commission authorizes a budget for CARE administrative costs and estimates the discount that will be incurred. These budgets are used to set the surcharges each year. While the utilities are expected to maintain administrative costs within the adopted budgets, the actual discounts and other benefits are considered needs-based and are recovered in full.

SCE adopted budgets to be applied for the CARE discounts were in the amount of \$248 million for 2007 and \$260 million for 2008. The authorized annual recovery in rates for 2007 and 2008 CARE administrative expenses is \$4.2 million, equaling the authorized funding for CARE administrative expenses in 2006. Actual CARE administrative expenditures were \$3,687,574 for 2007 and \$4,398,020 for 2008. The following table shows participation rate and administrative costs per enrolled customer for both years:



**Table VII**  
**SCE**  
**2007 - 2008 Administrative Costs per enrolled customer**

	2007	2008
Administrative Costs <sup>16</sup>	\$ 3,687,574	\$ 4,398,020
Enrolled at December 31 <sup>17</sup>	1,024,148	1,104,556
Eligible at December 31	1,367,169	1,335,492
Administrative Costs per enrollee	<u>\$ 3.60</u>	<u>\$ 3.98</u>
Participation Rate	78%	83%

Variation of administrative costs per enrollee between 2007 and 2008 is minimal.

(END OF APPENDIX A)

<sup>16</sup> From Table 5 of CARE annual report

<sup>17</sup> From Table 2 of CARE annual report

## Appendix B

### List of Applicable Commission Directives

<b>LIEE Income Guidelines</b>	
<b>Directive</b>	<b>Directive's Highlights</b>

D.01-06-010	Set the income guidelines at 175% of Federal Poverty Guidelines (FPG) for LIEE: Handicapped and seniors qualify at 200% of FPG.
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D.05-10-044	Expanded eligibility for LIEE and CARE from 175% of FPG to 200% of FPG effective November 1, 2005.
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<b>LIEE - Funding Levels and Budgets</b>	
<b>Directive</b>	<b>Directive's Highlights</b>

PUC § 382	Established Minimum Funding Levels
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PUC § 2790	<ol style="list-style-type: none"> <li>1. Mandated direct assistance to low income customers in the form of feasible energy efficiency measures and education;</li> <li>2. Feasible energy efficiency measures include weatherization services and energy efficient appliances</li> </ol>
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D.03-11-020	<ol style="list-style-type: none"> <li>1. Refined the measures offered by LIEE</li> <li>2. Ordered unspent funding from prior years to be carried forward</li> </ol>
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D.04-08-010	Implemented PUC § 890 establishing a natural gas surcharge to fund gas related PPP.
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D.06-12-038	Established Funding Levels and Budgets for 2007-2008 Program Years and list of allowable measures.
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D.07-06-004	Minor corrections to D.06-12-038 granting one year deferral for the third party administrator competitive bidding process.
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<b>LIEE EM&amp;V</b>	
<b>Directive</b>	<b>Directive's Highlights</b>

D.07-06-004	Established the LIEE Measurement and Evaluation budget at \$260,000 for each program year 2007 – 2008.
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<b>LIEE Reporting Requirements</b>	
<b>Directive</b>	<b>Directive's Highlights</b>

D.00-09-036	Standardized LIEE by adopting the first Statewide Weatherization Installation Standards Manual (WIS). Ordered the development of a Statewide Policy and Procedures Manual (SPPM).
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D.01-03-028	<ol style="list-style-type: none"> <li>1. Adopted a Reporting Requirements Manual.</li> <li>2. Adopted a Statewide SPPM and revised the original WIS manual</li> </ol>
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D.01-12-020	Standardized LIEE reporting methodology and expanded the WIS and SPPM adopted earlier.
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<b>CARE Policies and Procedures</b>	
<b>Directive</b>	<b>Directive's Highlights</b>

D.89-09-044	<ol style="list-style-type: none"> <li>1. Implemented the Low Income Energy Rate Assistance (LIRA) Program, providing a 15% discount on energy bills to residential customers with total household income below 150% of FPG.</li> <li>2. Only incremental administrative costs are permitted to be booked to the balancing accounts. Administrative costs are to be allocated between gas and electric in the same proportions as gas and electric program discounts.</li> </ol>
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D.95-10-047	Made changes to LIRA including changing the name to CARE.
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D.99-12-001	Described the types of income used to determine eligibility.
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D.01-06-010	Set the income guidelines at 175% of Federal Poverty Guidelines (FPG) for both LIEE and CARE: Handicapped and seniors qualify at 200% of FPG.
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D.02-07-033	<ol style="list-style-type: none"> <li>1. Set participation goals of 100% and adopted automatic enrollment from certain social programs.</li> <li>2. Adopted improvements to the annual estimation of eligible customers.</li> </ol>
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D.02-09-021	Authorized the recovery of CARE administrative costs through a balancing account, subject to the Commission's determination that such costs are reasonable and in compliance with the revisions to PUC § 739.1.
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- D.05-10-044      Expanded eligibility for LIEE and CARE from 175% of FPG to 200% of FPG effective November 1, 2005.
- D.06-12-038      Established Funding Levels and Budgets for 2007-2008 Program Years and list of allowable measures.

(END OF APPENDIX B)

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## Appendix C

### Abbreviations and Acronyms

AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
ASD	Audit Services Department
CAC	Central Air Conditioner
CARE	California Alternate Rate for Energy
CARS	Corporate Accounting & Reporting System
CBOs	Community Based Organizations
CEC	California Energy Commission
CEE&S	Customer Energy Efficiency & Solar Division
CFL	Compact Fluorescent Lamps
CP&S	Customer Programs & Services Division
CPUC	California Public Utilities Commission or Commission
CSBU	SCE's Customer Service Business Unit
D.	Decision
DWA	Division of Water and Audits
EMA	Energy Management Assistance
EMAPS	Energy Management Assistance Partnership System
EM&V	Evaluation, Measurement & Verification
FERA	Family Electric Rate Assistance
FPG	Federal Poverty Guidelines
GL/TB	General Ledger / Trial Balance Accounts

GRC	General Rate Case
HVAC	Heating, Ventilating and Air Conditioning
IOU	Investor Owned Utilities
IMM	Internal Market Mechanism
LIEE	Low Income Energy Efficiency Program
LIEEPAM	Low Income Energy Efficiency Program Adjustment Mechanism
LIHEAP	Low Income Home Energy Assistance Program
OP	Ordering Paragraph
PGC	Purchased Goods Costs
PO	Purchase Order or Contract
PPPAM	Public Purpose Program Adjustment Mechanism
PSO	Program Services Organization
PU	Public Utilities
RPA	Regulatory Policy & Affairs Department
SAP	Systems and Applications Products Accounting System
SCE	Southern California Edison Company
SCG	Southern California Gas Company
SPPM	Statewide LIEE Program Policy and Procedures Manual
UAFCB	Utility Audit, Finance and Compliance Branch

(END OF APPENDIX C)



## Appendix D SCE's Comments on UAFCB's Draft Audit Report

A full copy of SCE's comments on UAFCB's draft audit report is provided in a separate document.

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