

State of California

Memorandum



Date: October 5, 2012

To: Edward Randolph
Director of Energy Division

From: Public Utilities Commission —
San Francisco

Kayode Kajopaiye, Branch Chief
Division of Water and Audits

A handwritten signature in black ink, appearing to be "Kajopaiye", is written over the typed name of the Branch Chief.

Subject: Southern California Edison Advice Letter 2722-E
Quarterly Procurement Plan Compliance Report for the First Quarter of 2012

Based on the results of its audit, the Division of Water and Audits' Utility Audit, Finance and Compliance Branch (UAFCB) did not find any material reasons for Energy Division (ED) to deny the approval of Southern California Edison's (SCE) Advice Letter No. (AL) 2722-E. SCE's procurement transactions during the first quarter of 2012 (Q1) were, in all material respects, in compliance with SCE's Procurement Plan, as approved in Decision (D.) 07-12-052, Assembly Bill (AB) 57 procurement rules, and several procurement-related Commission directives.

A. Audit Findings:

UAFCB does not have any negative audit findings with respect to SCE's Q1 filing.

B. Background:

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

The objective of these quarterly audits is to determine if the utilities were in compliance with their California Public Utilities Commission's (Commission) approved procurement plans, while complying with AB 57 procurement rules and several procurement-related regulatory rulings and decisions, including, but not limited to, D.02-10-062, D.03-06-076, D.03-12-062, D.04-12-048, D.07-12-052, and D.08-11-008.

C. Conclusion:

SCE's AL 2722-E and its Q1 procurement transactions for electricity and natural gas were in compliance, in material respects, with SCE's Commission-approved procurement plan and all relevant Commission decisions. SCE's Q1 transactions, in material respects, appear to be complete, accurate and properly authorized by management.

The audit is limited in scope and does not provide full assurance to the reasonableness of SCE's Q1 QCR filing or its Q1 transactions.

If you have any questions, please contact Tracy Fok at (415) 703-3122.

cc: Rami Kahlon, Director, Division of Water and Audits
Judith Ikle, Energy Division
Ed Charkowicz, Energy Division
Lily Chow, Energy Division
Donna Wagoner, Division of Water and Audits
Tracy Fok, Division of Water and Audits