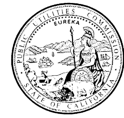
STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 21, 2024

Linda McCallum
Sjoberg Evashenk Consulting, Inc
455 Capitol Mall, Suite 700
Sacramento, CA 95814

Dear Linda McCallum:

Thank you for your report. We have taken your findings and recommendations into consideration. Energy Division shared the Final Audit Report with the CPUC's Consumer Protection and Enforcement Division, and certain elements of the Community Choice Aggregator (CCA) complaints against Southern California Edison (SCE) regarding customer billing and transitions were formally referred for investigation to determine whether a rule violation occurred.

Energy Division resources to support the implementation of an ongoing task force are very limited. To accomplish the objectives of the audit report findings, CCAs can provide recommendations for how to make improvements to the process, and Energy Division is available to mediate disputes between the Investor-Owned Utilities and CCAs regarding issues arising from load departure and customer engagement. However, Energy Division does not have the authority to determine whether a rule has been violated or set penalties for a potential violation to the Code of Conduct Rules, so Energy Division's ability to address disputes is limited to reaching agreement on next steps.

Sincerely,

Leuwam Tesfai
Deputy Executive Director for Energy and Climate Policy /
Director, Energy Division
California Public Utilities Commission

December 26, 2023

Mary Taylor, Regulatory Analyst
Energy Division
California Public Utilities Commission
400 R Street
Sacramento, CA 95811

Dear Mary:

Enclosed is the audit report, *Southern California Edison Generally Complied with the Code of Conduct Rules with a Few Exceptions, but Opportunities Exist to Improve Joint Operational Activities and Dispute Resolution Processes.* The report was prepared on behalf of the California Public Utilities Commission (CPUC) by Sjoberg Evashenk Consulting and includes our analysis and recommendations. The draft report was discussed with Southern California Edison (SCE) management prior to completion of our audit fieldwork. Management comments received throughout the audit process were considered in drafting the report.

Sjoberg Evashenk Consulting appreciates SCE's cooperation throughout the audit process.

Respectfully submitted,

Lynda McCallum

Lynda McCallum
Partner
Sjoberg Evashenk Consulting, Inc.

455 CAPITOL MALL, SUITE 700 · SACRAMENTO, CALIFORNIA 95814 · (916) 443-1300 · FAX (916) 443-1350 ·
WWW.SECTEAM.COM

California Public Utilities Commission

Community Choice Aggregation Code of Conduct Rules Compliance Audit

Southern California Edison Generally Complied with the Code of Conduct Rules, with a Few Exceptions, but Opportunities Exist to Improve Joint Operational Activities and Dispute Resolution Processes

December 2023

455 Capitol Mall • Suite 700 • Sacramento, California • 95814 • Tel 916.443.1300 • www.secteam.com

Table of Contents

Report Highlights 1

Key Terms 2

Introduction and Background 3

Scope and Methodology 6

Finding 1. SCE Generally Complied with the Code of Conduct Rules With a Few Exceptions 8

Finding 2. SCE Had Problems Transitioning Customers to CCA Service and Some Ongoing Operational Activities Remain Problematic 15

Finding 3. CCAs Perceive the Dispute Resolution Processes Administered by the CPUC to be Ineffective in Addressing CCR Compliance and Operational Issues 26

Appendix A. Summary of Code of Conduct Rules 30

Appendix B. Audit Response Letter 32

- Sjoberg Evashenk Consulting's Comments on the Response From Southern California Edison Company 50

REPORT HIGHLIGHTS

SJOBERG EVASHENK CONSULTING, INC

RESULTS

Sjoberg Evashenk Consulting, Inc. was hired by the California Public Utilities Commission to audit IOU compliance with Community Choice Aggregation (CCA) Code of Conduct Rules (CCR). The audit found that Southern California Edison (SCE) generally complied with the Code of Conduct Rules, with a few exceptions. Also, opportunities exist to improve joint operational activities and dispute resolution processes.

BACKGROUND AND PURPOSE

Assembly Bill 117 authorized the creation of CCA programs, and Senate Bill 790 directed the Commission to develop rules and procedures that facilitate the development of CCA programs and to help foster fair competition. In December 2012, the Commission approved the CCRs addressing electrical corporations' conduct related to CCAs, such as prohibiting IOUs from speaking on behalf of a CCA, making misleading statements about a CCA's service, or providing mechanisms for customers to opt-out of CCA service.

The audit focused on SCE's compliance with the CCRs, including topics such as accuracy and fairness of service and program information distributed to customers, restrictions on utilities speaking on behalf of CCA rates and services, and mechanisms provided to customers opting-out of CCA service. The audit also assessed whether IOUs undermined the development or operation of a CCA and evaluated the effectiveness of mechanisms to resolve disputes between IOUs and the CCAs.

KEY FINDINGS

SCE generally complied with CCR requirements and restrictions with a few exceptions. Specifically, SCE erroneously sent an inaccurate notice to potential CCA customers and a SCE call center representative inappropriately spoke on behalf of CCA rates and service. Additionally, we identified one instance where SCE included misleading information on a 2022 Joint Rate Mailer that was distributed to customers. While SCE largely complied with the CCRs and the number of compliance issues found are few, the issues noted can negatively impact the public's perception of CCAs and the CCAs ability to provide programs and services to their customers.

Tariffs and service agreements guide IOU and CCA joint operational activities, including enrollments, metering, billing, and payment processing. The audit identified issues that occurred related to the key transition activities when SCE facilitated the launch of seven new CCAs, including adhering to agreed-upon implementation schedules, enrolling all eligible customers into CCA service, and providing accurate historical usage data. The audit also found issues with some services and activities provided to the CCAs by SCE, including billing and payment processes. The service agreements in place between SCE and the CCAs lack adequate performance standards and expectations and as a result, the CCAs report ongoing service issues and share a perception that SCE lacks a sense of urgency to fix problems and issues as they arise.

CCAs have a shared view that available informal and formal dispute resolution processes fail to ensure California's three major IOUs respond and address compliance or operational problems in a timely manner. As a result, CCAs feel they are left to work out joint operational issues with IOUs themselves, placing them at the mercy of the IOUs. While at times SCE has executed settlement agreements to compensate the CCAs and resolve certain issues, relying on such formal processes puts the CCAs at a disadvantage in terms of timeliness of resolution and costs associated with executing legal agreements, especially when time is of the essence and in consideration of CCA's much smaller financial position as compared to the IOUs.

KEY RECOMMENDATIONS

The report provides the Commission with 11 recommendations, including the following key recommendations:

- Direct SCE to continue efforts to monitor, review, and coach written and verbal communications to customers. Ensure notices to customers are accurate, not misleading, and SCE personnel do not discuss CCA rates and service with customers.
- Establish a uniform and consistent approach for handling late billings credits across all IOUs that details and clarifies how late billing credits should be applied to both bundled and unbundled customer bills and that assigns the responsibility for bearing the costs associated with issued credits.
- Establish a task force that includes CCA, SCE, and Commission representatives to discuss and identify practical dispute resolution processes that will ensure timely solutions issues, including implementing an independent and impartial Ombuds.

Key Terms

- **Bundled Customers:** Customers that receive both their electricity generation and distribution services from an IOU.
- **Community Choice Aggregation (CCA):** Governmental entities formed by cities and/or counties to procure electricity for their residents, businesses, and municipal facilities.
- **California Public Utilities Commission (CPUC):** The CPUC, or the Commission, regulates privately-owned utilities in the state of California, including electric power, telecommunications, natural gas, and water companies, but has limited jurisdiction over CCAs.
- **Investor-Owned Utility (IOU):** An electric utility provider that is a private company and/or owned by shareholders; by contrast, it is not a public (government-owned) utility. The three largest IOUs in California are Pacific Gas and Electric (PG&E), Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E).
- **Load Serving Entity (LSE):** Any company, including IOUs and CCAs, that either sells or provides electricity to end users located in California, or generates electricity at one site and consumes electricity at another site that is in California and that is owned or controlled by the company.
- **Opt-out:** The process of a customer electing to return to IOU service from CCA service, or electing to not be automatically enrolled into CCA service at the onset of a new CCA in the customer's area. The customer must initiate this process directly with the CCA.
- **Resource Adequacy:** The Commission requires that all LSEs must procure a certain quantity of electricity resources that will ensure the safe and reliable operation of the grid in real time, and to submit annual and monthly filings demonstrating they have met this requirement.
- **Unbundled Customers:** Customers that receive electricity services from separate providers—their electricity generation services from CCAs and their distribution and transmission services from IOUs.

Introduction and Background

In 2002, Assembly Bill (AB) 117 authorized the creation of Community Choice Aggregators (CCAs).[1] The intent of this legislation was to require all electrical corporations to fully cooperate with CCAs investigating, pursuing, or implementing CCA programs; provide guidance on how communities may create a CCA program; and require that cities or counties pass an ordinance to implement a CCA program within their respective jurisdictions. Additionally, AB 117 granted the California Public Utilities Commission (CPUC or Commission) general jurisdiction over the CCA program to take actions to protect utility bundled customers and assure reasonable service to CCAs.

CCAs are governmental entities formed by cities and/or counties to procure electricity for their residents, businesses, and municipal facilities. When a CCA launches, residents and businesses in the designated service area are automatically opted-into CCA service and must opt out to continue being served by the Investor-Owned Utility (IOU). Once established, a CCA purchases electricity for its customers. Unlike rates set by IOUs, the CCA electricity generation rates are not regulated by the CPUC and instead are regulated by the CCA following its own public process. While CCAs provide electricity generation services for its customers, the IOU serving the area is mandated to provide CCA customers electricity transmission and distribution services and provide CCAs with metering, billing, and payment collection services. The nature of these divided but related responsibilities requires some form of partnership relationship between the CCA and the IOU on many operational issues.

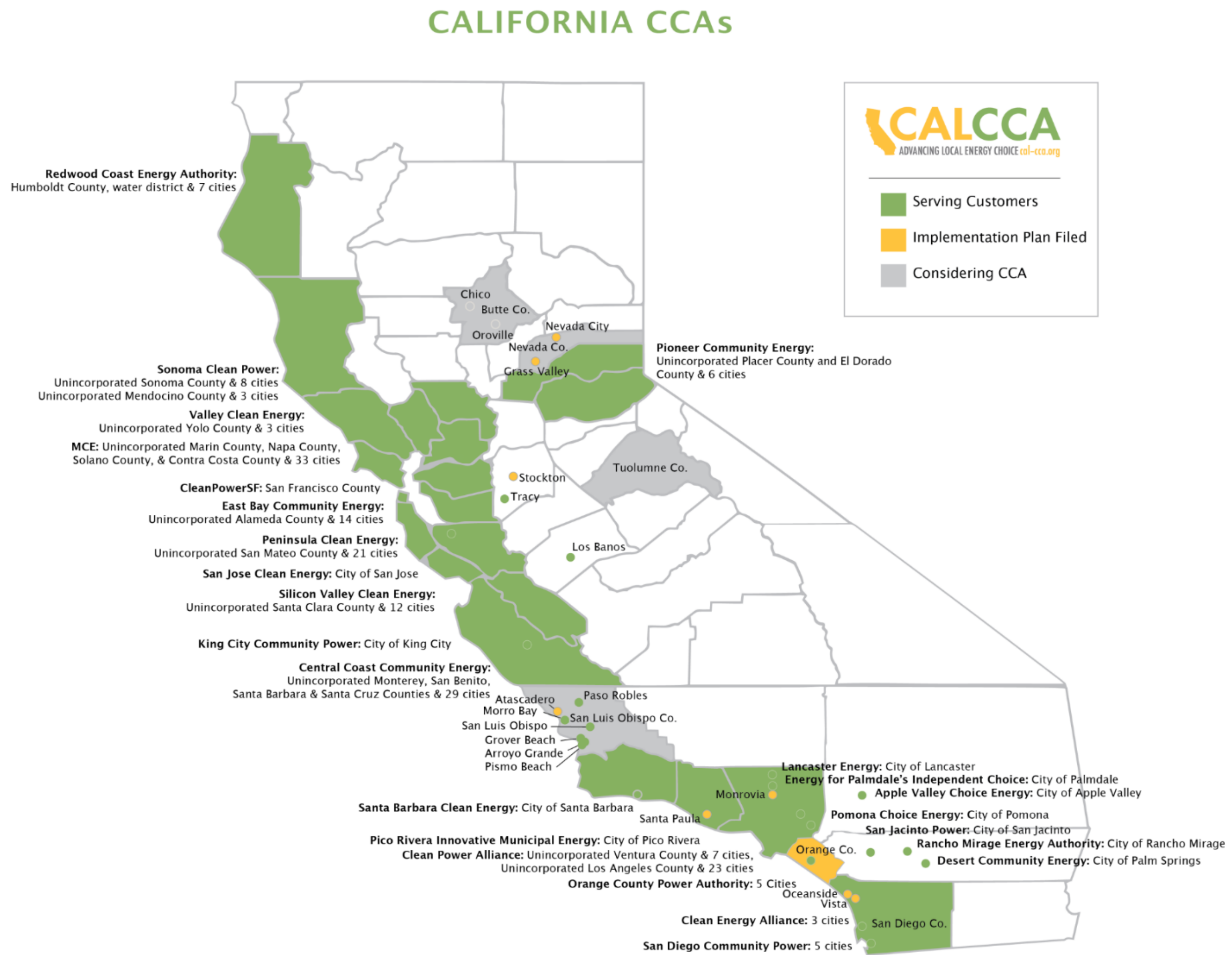
In 2011, the Legislature declared that the IOUs had inherent market power based on longstanding relationships and service, and that such market power had been used by IOUs to oppose the consideration, development, and implementation of CCA programs. As a result, the Legislature passed Senate Bill (SB) 790, directing the Commission to develop rules and procedures that facilitate the development of CCA programs and to help foster fair competition. In response on December 20, 2012, the Commission, through Decision D.12-12-036, approved the Code of Conduct Rules (CCR) addressing electrical corporations' conduct related to CCAs. Refer to Appendix A for listing of the CCRs. Briefly, the CCRs include:

- ✓ Requiring separation between an IOU's marketing division and its other divisions that work directly with CCAs, such as billing and customer service;
- ✓ Requiring IOUs and CCAs prepare and distribute neutral comparisons of tariffs;
- ✓ Prohibiting IOUs from speaking on behalf of a CCA, or making any untrue or misleading statements about a CCA's service and from providing alternative mechanisms for customers to opt-out of CCA service;
- ✓ Prohibiting IOUs from discriminating between bundled and unbundled customers;
- ✓ Requiring periodic audits to assess IOU compliance with CCRs; and
- ✓ Establishing a complaint procedure for use by CCAs.

[1] Codified as Public Utilities Code Section 366.2

In 2010, the first CCA launched with an additional 14 CCAs launching by 2017. As a result of such rapid growth in the number of CCAs, the Commission recognized that additional guidance was needed to formally establish the process for local jurisdictions to register and implement a CCA. On February 8, 2018, the Commission approved Resolution E-4907 that outlines regulatory requirements related to the development of CCAs, including implementation plans, resource adequacy requirements, bond payments, and customer notifications. By 2023, there were 25 active CCAs in the state of California, as shown in Exhibit 1.

EXHIBIT 1: LIST OF ACTIVE COMMUNITY CHOICE AGGREGATORS IN CALIFORNIA



Source: CALCCA

Collectively, California's three largest IOUs—Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E)—serve 6.3 million CCA customers, as illustrated in Exhibit 2.

EXHIBIT 2. CCA METRICS BY IOU (2022)

IOUs	CCAs Currently in IOU Service Areas[A]	IOU Total Customer Base	CCA Customers within IOU Total Customer Base	% CCA Customers
PG&E	12	5.0 million	3.5 million	70%
SCE	12	4.9 million	1.7 million	35%
SDG&E	2	1.4 million	1.1 million	80%

Source: CPUC Community Choice Aggregation and Energy Service Provider Formation Reports and interviews with IOUs.
Notes:
[A] There are 25 unique CCAs; however, Central Coast Community Energy is counted within two IOU service areas (PG&E and SCE).
[B] Baldwin Park (BPROUD) and Western Community Energy CCAs deregistered in 2021 and transferred all accounts back to SCE.

Scope and Methodology

Sjoberg Evashenk Consulting, Inc. was hired by the California Public Utilities Commission to audit IOU compliance with Community Choice Aggregation (CCA) Code of Conduct Rules (CCR) over a four-year period from January 1, 2019 through December 31, 2022. We were asked specifically to:

1. Assess whether an IOU used its position or market power to undermine the development or operation of a CCA;
2. Evaluate IOU compliance with the Code of Conduct Rules and identify potential violations;
3. Assess effectiveness of mechanisms to resolve disputes between IOUs and the CCAs in its service territory; and
4. Evaluate the effectiveness of the Code of Conduct Rules as the CCA Program has matured.

To meet the audit's objectives, we:

- Reviewed Code of Conduct Rules, utility tariffs, CCA service agreements, and laws, regulations, and Commission decisions and resolutions including AB 117, SB 790, PUC 366.2, D.12-12-036, D.05-12-041, D.04-12-046, D.08-06-016, D.02-12-074, D.10-05-050, E-4013, E-4250, E-4907, E-5051, E-5159.
- Interviewed CPUC management and staff involved with CCA program areas, including the Consumer Affairs Branch, Energy Division, Public Advisor's Office, and Utility Audits Branch.
- Interviewed utility management and staff to understand roles, responsibilities, and processes employed to ensure CCR compliance and to understand joint operational activities, and issue resolution processes.
- Reviewed utility policies, procedures, guidance, and training materials associated with complying with CCRs and working with CCA programs.
- Distributed a questionnaire to all active CCAs to gather information, insights, and concerns regarding CCR compliance, joint operational activities, and dispute resolution processes. Of the 25 CCAs sent a questionnaire, 19 either responded directions or relied on a single shared consultant. Conducted interviews with CCAs as needed for additional information and clarity.
- Evaluated IOU compliance with the CCRs, including:
    - Reviewed IOU's log of written complaints submitted by CCA customers to ensure the log contains the required information, including submission date, customer information, complaint description, and resolution. Identified the various vehicles for submitting written complaints such as CPUC's complaint portal or directly to the IOU and determined if sufficient processes were in place to ensure all submitted written complaints were tracked.
    - Selected a sample of joint rate mailers and joint rate comparisons to assess if information presented was complete, neutral, and accurate, and issued within required timelines. Also, determined if required approvals were obtained and cost-sharing requirements met.

- Selected a sample of calls between the IOU and CCA customers and listened to calls to determine if communications with CCA customers were appropriate, that IOU staff did not speak on behalf of CCAs, did not offer to process opt-out requests, remained neutral in discussions, and appropriately referred callers to CCAs.
- Selected a sample of written notices mailed to CCA customers to ensure IOU staff did not speak on behalf any CCA program, offer to process opt-out requests, or make untrue or misleading statements about CCAs' rates, terms, and conditions. The types of notices included notices to customers explaining duplicative charges, delayed billing, and automatic enrollments and confirming opt-out requests and service disconnects.
- Reviewed and assessed digital communications, such as social media posts and IOU's website information to ensure such communications were appropriate, did not mislead customers about CCAs, did not offer process opt-out requests, and did not appear to be marketing or lobbying against a CCA.
- Assessed IOU protocols and requirements related to IOUs selling excess electricity to determine whether any refused economic sales of excess electricity to CCAs because they are a CCA.

- Evaluated joint operational processes and activities between IOUs and CCAs, including CCA launches, customer enrollments, billing processes, and payment processing for efficiency and effectiveness and compliance with tariffs, rules, requirements, and agreements.
- Interviewed back-end service provider to understand their roles and responsibilities associated with CCAs, including processes associated with data validation, sharing, and management.
- Identified the formal and informal mechanisms available to IOUs and CCAs to resolve disputes and assessed the efficiency and effectiveness of those mechanisms.

Audit fieldwork was performed between July 2022 and September 2023. On October 24, 2023, a draft of this report was provided to utility management for review and discussion and an exit Conference was held on November 7, 2023. Responses and feedback provided by utility management were considered and incorporated where applicable in the final report. SCE's official response is attached at the end of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Finding 1. SCE Generally Complied with the Code of Conduct Rules With a Few Exceptions

In 2002, Assembly Bill 117 was enacted authorizing the creation of Community Choice Aggregators (CCAs). In 2011, Senate Bill 790 was passed directing the California Public Utilities Commission (CPUC or Commission) to develop rules and procedures that facilitate the development of CCA programs and to help foster fair competition. In response on December 20, 2012, the Commission, through D.12-12-036, approved 21[2] Code of Conduct Rules (CCR) addressing electrical corporations' conduct related to CCAs—most of which relate to requirements and information about independent marketing divisions. Audit results associated with SCE's compliance with the CCRs are covered in this finding (Finding 1); several findings and recommendations related to joint operational activities between SCE and CCAs and dispute resolution processes are discussed later in Findings 2 and 3.

Because SCE does not have an independent marketing division, this audit focused on SCE's compliance with five specific CCRs—3, 9, 19, 20, 21—covering topics such as accuracy and fairness of service and program information distributed to customers, restrictions on utilities speaking on behalf of CCA rates and services, and mechanisms provided to customers opting-out of CCA service[3]. We found that SCE generally complied with the CCRs' requirements and restrictions. However, we noted two instances where SCE did not comply with CCR 9. Specifically, SCE erroneously sent an inaccurate notice to potential CCA customers and a SCE call center representative spoke on behalf of CCA rates and service. Additionally, we identified one instance where SCE included misleading information on a 2022 Joint Rate Mailer that was approved by the Commission and distributed to customers.

While SCE largely complied with the CCRs and the number of compliance issues found are few, some of the issues noted can negatively impact the public's perception of CCAs—a matter of which the CCRs were intended to resolve.

SCE Complied with CCR 3 by Coordinating with CCAs to Issue Joint Rate Comparisons, However Presenting Information in a Mailer About a Closed Program Was Misleading

SCE complied with CCR 3 requiring electrical corporations and CCAs to jointly prepare and distribute two types of neutral, complete, and accurate comparison information to customers within the CCA boundaries. The two types of required comparisons are:

- **Joint Rate Mailer (JRM)** mailed to customers annually by July 1st. The JRM must provide a comparison of the IOU and CCA's average tariff, include sample, generation portfolio content, and

[2] While the CCRs include 29 rules, 8 of the rules do not involve requirements and restrictions: CCR 1 provides definitions and CCRs 23 through 29 provide audit and enforcement procedures.

[3] Because SCE filed a Tier 1 advice letter indicating it did not intend to market or lobby and because SCE did not implement an independent marketing division, related CCRs were not included in the audit. While audit tests were not performed directly on CCRs 14, 17, or 18, audit work conducted throughout the engagement did not identify any instances of noncompliance with the three CCRs.

refer customers to the IOU and CCA's website for more information. Before JRMs can be distributed, CCR 3 requires the JRM to be submitted to Commission's Public Advisor's Office (PAO) for approval to ensure the content of the mailer complies with the CCR. The IOU and CCA must share the costs associated with the design, preparation, and distribution of the JRMs equally.

- **Joint Rate Comparison (JRC)** posted on both entities websites. IOUs and CCAs must post the same comparative information on their websites annually when the JRMs are distributed and throughout the year within 60 days after any tariff change. The PAO is not required to approve website content but expects the information to be consistent with the approved JRM and will occasionally review website materials.

To determine if SCE complied with CCR 3 during the audit period, we reviewed a selection of JRMs distributed to customers and JRCs posted during the audit period to determine if the comparisons included the required elements, were presented to the public in a neutral, complete, and accurate manner, if cost-sharing requirements were met, and the PAO's approval was evident when required. The audit found the JRMs included neutral, complete, and accurate information, provided a sample bill and generation portfolio content, and referred customers to SCE's and CCAs' websites as required. The audit also found that SCE and the CCAs shared the costs associated with designing, preparing, and distributing the JRMs equally. However, the PAO was unable to demonstrate that one of the JRMs reviewed was appropriately approved because the analyst previously managing approvals was no longer working at the CPUC and the location of the approval documentation is unknown. Additionally, our review found that SCE posted JRCs on their website with content consistent with the JRMs, as required by the CCRs. Further, in reviewing prior website snapshots, it appeared that SCE complied with posting JRCs when rate changes were made however, it was difficult to determine how many rate changes were approved as the CPUC did not always post all rate changes approved.[4]

While the audit found that SCE complied with CCR 3, some information SCE included in JRMs sent to customers of at least two CCAs in 2022, while technically accurate, was misleading. Specifically, SCE had a "Green Rate" program at the time the JRMs were mailed to customers between the end of June 2022 and August 2022, but the program was not available for customers to enroll. One JRM provided by SCE is shown in Exhibit 3 as an illustrative example of SCE including its "Green Rate" in comparison to the CCA's higher Green Rate.

[4] The California State Auditor recently reported that rate advisories on the CPUC's website were helpful but needed improvement. Report #2022-115, *Electricity and Natural Gas Rates: The California Public Utilities Commission and Cal Advocates Can Better Ensure That Rate Increases Are Necessary*, August 2023.

EXHIBIT 3. SCE AND SBCE'S 2022 JOINT RATE MAILER

2022 Schedule D Residential Rate Comparison*	SCE	SCE Green Rate 50% Renewable	SCE Green Rate 100% Renewable	SBCE Green Start 35% Renewable	SBCE 100% Green 100% GHG-Free
Generation Rate ($/kWh)	$0.11259	$0.10051	$0.08843	$0.09843	$0.11043
SCE Delivery Rate ($/kWh)	$0.20546	$0.20546	$0.20546	$0.19894	$0.19894
Surcharges ($/kWh)	N/A	$0.00656	$0.01312	$0.02068	$0.02068
Total Costs ($/kWh)	$0.31805	$0.31253	$0.30701	$0.31805	$0.33005
Average Monthly Bill ($)	**$179.38**	**$176.27**	**$173.15**	**$179.38**	**$186.15**

Monthly Usage: 564 kWh

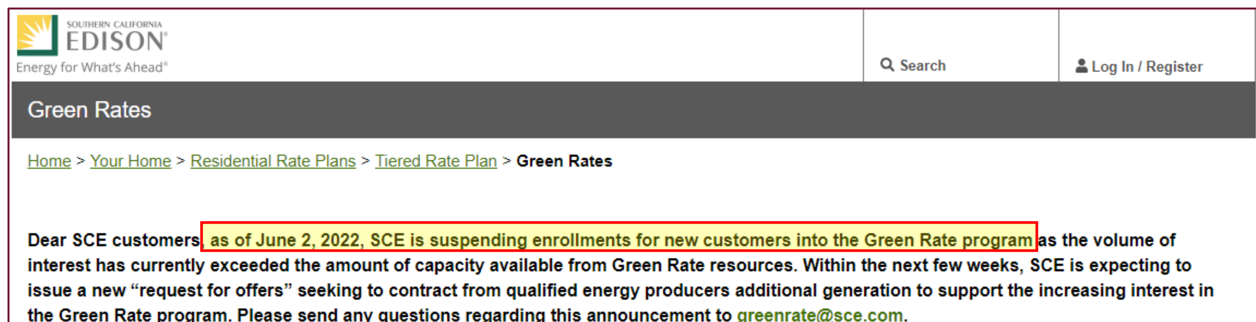
Rates are current as of April 15, 2022

This comparison illustrates the estimated electricity costs for a typical residential customer within the jurisdiction of the City of Santa Barbara with an average monthly consumption of 564 kilowatt-hours (kWh). All comparisons are calculated using SCE's 2021 static load profiles (typical customer usage profiles), SCE's published rates as of April 15, 2022 and SBCE's published rates as of March 1, 2022.

Source: SCE.

As reflected in Exhibit 4, SCE's website indicated that enrollments for new customers were suspended because the program was already at maximum capacity effective June 2, 2022, which was before the mailers were distributed. The JRM did not indicate that the program was closed to new enrollees, giving the appearance that customers could join SCE's cheaper green program if they opted out of the CCA's service.

EXHIBIT 4. SCE'S WEBPAGE FOR THE GREEN RATE PROGRAM CAPTURED ON JULY 1, 2022



Source: https://www.sce.com/residential/rates/standard-residential-rate-plan/green-rates via the Internet Archive Wayback Machine, captured on July 1, 2022.

According to SCE, one CCA submitted a dispute to the PAO about the inclusion of SCE's Green Rate on the JRM. The PAO determined that it was in the public's best interest to keep the Green Rate program in the JRM, but with a disclaimer that capacity had been reached, noting the "problem of capacity and no new enrollments." This prompted SCE to include a disclaimer on that CCA's JRMs that the program was suspended until additional capacity was made available. While this disclaimer was added to the JRM of the CCA that complained, JRMs for at least two other CCAs that we reviewed did not have the disclaimer, such as the example provided in Exhibit 3.

SCE should include disclaimers in future joint rate mailers regarding the availability of its advertised programs, particularly if a program will, or is likely to be, unavailable at the time the JRM is distributed. Additionally, CPUC should instruct the PAO to not approve JRMs that market programs that may not be

available at the time of JRM distribution without the inclusion of disclaimers and should implement a process to retain JRM approvals.

SCE Generally Complied with CCR 9 by Refraining from Speaking on Behalf of CCAs or Providing Untrue or Misleading Statements about CCA Rates and Services; However, the Audit Identified Two Instances of Noncompliance

SCE generally complied with CCR 9 prohibiting electrical corporations from speaking or appearing to speak on behalf of any CCA program or making untrue or misleading statements related to CCA rates or service, except in two instances.

To determine if SCE complied with CCR 9 during the audit period, we reviewed training material and scripts for call center representatives, manuals, 14 notices mailed to CCA customers, listened to 368 calls between SCE call center representatives and CCA customers, and examined 130 digital and social medial posts and announcements. The audit found that SCE has processes in place to ensure communications with CCA customers comply with CCRs, including policies and procedures, multiple levels of communication review, and tools to identify certain calls that require review, and employee training and coaching. Overall, the audit found nearly all written notices, calls, and posts reviewed complied with CCR 9.

However, the audit found that one written notice mailed to CCA customers and one interaction between a CCA customer and a SCE call center representative, did not comply with CCR 9:

- **One notice mailed to CCA customers did not comply with CCR 9**. In August 2021, SCE's new automated Customer Service Re-Platform system inadvertently distributed a rescheduling notification with an inaccurate start date for CCA service to an estimated 14,000 potential CCA customers during the mass enrollment period of two CCAs. Specifically, the notice inaccurately stated that the CCAs mass enrollment date of November 2, 2021 had been rescheduled earlier to October 4, 2021; however, enrollment date was not rescheduled—the October date was always the date planned for mass enrollment as reflected in pre-enrollment notifications the CCAs previously sent to the potential customers. As such, although unintentional, SCE did not comply with CCR 9 in this instance as it distributed an untrue statement regarding CCA terms and conditions of service. In a report to the Commission and the affected CCAs, SCE acknowledged that the notice was incorrect and sent in error. According to the CCAs, the timing and language of the notice resulted in widespread confusion and frustration among CCA customers.
- **One interaction between a CCA customer and SCE call center representative did not comply with CCR 9.** In July 2022, a SCE call center representative made a statement relating to a CCA's rates and conditions of service that was misleading. Specifically, SCE's representative stated to the CCA customer:

  > "They (CCA) have the option to bill as they please. But they don't want to do that because their competition is us (SCE). And if they can overcharge you, then they won't have any business. I think they're less expensive than us."

As such, SCE did not comply with CCR 9 in this instance as its call center representative provided misleading information regarding the CCA's rates and service, which is prohibited by CCR 9. According to SCE, the call did not comply with SCE policies and procedures and was flagged in the utility's call analysis software as potentially requiring corrective action. SCE indicated that its Quality Assurance team discussed the call with the employee's supervisor to improve for future training and provided additional coaching and feedback to the employee.

Lastly, SCE's inclusion of its Green Rate information in the 2022 JRMs discussed in the previous section did not violate CCR 9 because the misleading statement in the JRM involved SCE's rates and services, not CCA rates—CCR 9 only prohibits misleading statements about CCA rates.

SCE should continue to monitor, review, and coach written and verbal communications to customers, and ensure that personnel refrain from communicating and discussing CCAs' rates and terms and conditions of service with customers. Also, CPUC should consider modifying CCR 9 to specify that IOUs shall refrain from making any statements relating to both CCA *and IOUs* rates or terms and conditions of service that is untrue or misleading.

SCE Complied with CCR 19 by Not Offering Alternative Mechanisms to Opt-Out of CCA Service

SCE complied with CCR 19, which prohibits IOUs from providing their customers with any mechanism for opting out of CCA service unless requested to do so by the CCA.

To determine if SCE complied with CCR 19 during the audit period, we interviewed SCE personnel knowledgeable of the IOU's opt-out process and reviewed SCE procedures, training, and guidance related to customers requesting to opt out of CCA service. Additionally, during our review of 14 notices mailed to CCA customers, 130 digital and social medial posts and announcements, and 368 calls between SCE call center representatives and CCA customers, we did not observe any instances in which SCE representatives offered or solicited opt-out requests. Further, we gathered information from and conducted interviews with CCAs in SCE's service territory and no CCAs noted issues with opt out processes with SCE.

SCE Complied with CCR 20 by Not Refusing to Make Economic Sales of Excess Electricity

SCE complied with CCR 20, which prohibits electrical corporations from refusing to make sales of electricity to a CCA because it is a CCA.

To determine if SCE complied with CCR 20 during the audit period, we performed the following:

- **Identified the various types of energy resources SCE sells to CCAs**. We found SCE sales to CCAs primarily included physical electricity and procurement compliance attributes, such as resource adequacy and renewable energy credits.

- **Considered the definition of "excess electricity" as used in CCR Rule 20**. Because the Commission lacks a formal definition of excess electricity, we interpret "excess electricity" to refer only to physical electricity and to exclude other types of energy resources, such as procurement compliance attributes. We base our interpretation on information; discussions with CPUC and other utility stakeholders, and CPUC's rulemaking discussions regarding the implementation of Resolution E-4250 and the Code of Conduct Rules. We also recognize that CPUC would have written CCR 20 to prohibit IOUs from refusing to sell "excess energy ***resources***" if it intended for the prohibition to cover more than "excess ***electricity***".

- **Identified the mechanisms IOUs use to sell "excess electricity" to CCAs**. We found that SCE only sold their "excess electricity" to CCAs through the California Independent System Operator (CAISO) wholesale energy market—CAISO matches energy supply with demand via bids and schedules and identifies participants only after transactions are settled. We received independent confirmation of this process from CPUC's Utility Audits Branch, which performs energy procurement audits. Likewise, through our information gathering efforts and interviews with CCAs, no CCAs reported that SCE refused to make economic sales of excess electricity.

SCE Complied with Rule 21 by Maintaining a Log of Complaints

SCE complied with CCR 21 requiring electrical corporations to maintain a log of all complaints submitted in writing related to services provided for the CCA and CCA customers. The rule requires that the log be subject to review by CPUC and CCAs, and include key information, such as submission date, customer information, complaint description, and resolution.

To determine if SCE complied with CCR 21 during the audit period, we reviewed SCE's complaint logs and interviewed SCE and CPUC Consumer Affairs Branch staff to understand how customer complaints are submitted, logged and processed. SCE's Consumer Affairs team uses SharePoint to intake, manage, and track written customer complaints, including those submitted by CCA customers. CCA customer complaints are submitted to SCE through various channels, including CPUC's complaint portal ("CIMS"), the Better Business Bureau, SCE's call center, and letters or emails to SCE. The Consumer Affairs team flags CCA customer related complaints and works closely with SCE's Customer Choice Service department to resolve any issues. SCE reported that CCA customers submitted 11 complaints regarding services provided by SCE submitted during the audit period and the complaints were maintained in a log with all required information, including complaint submission date, customer information, complaint description, and resolution. Additionally, while CCR 21 requires that IOUs provide CCAs with access to the complaint logs, we did not find evidence of any CCA having requested access to review these logs.

Recommendations

To ensure SCE provides information customers that is fair, accurate, neutral, and not misleading, and to ensure SCE does not opt-out customers of CCA service, the Commission should:

1. Direct SCE to include disclaimers in future joint rate mailers regarding the availability of its advertised programs, particularly if a program will, or is likely to be, unavailable at the time the JRM is distributed.

2. Instruct the PAO to not approve JRMs that market programs that may not be available at the time of JRM distribution without the inclusion of disclaimers and should implement a process to retain JRM approvals.

3. Direct SCE to continue efforts to monitor, review, and coach written and verbal communications to customers. Ensure notices to customers are accurate, not misleading, and SCE personnel refrain from discussing CCAs' rates and terms and conditions of service with customers.

4. Consider modifying CCR 9 to specify that IOUs shall refrain from making any statements relating to both CCA *and IOUs* rates or terms and conditions of service that are untrue or misleading.

Finding 2. SCE Had Problems Transitioning Customers to CCA Service and Some Ongoing Operational Activities Remain Problematic

Given that the law requires IOUs to provide services to CCAs, including billing and metering, it is important that the utilities and CCAs have cooperative working relationships. SCE's Electric Rule 23 guides the ongoing joint operational activities, including enrollments, metering, billing, and payment processing, by providing process descriptions and requirements that the utility and CCAs must follow. SCE and the CCAs also have established service agreements, approved by CPUC, to govern the business relationship between the parties.

The audit identified issues that occurred related to the key transition activities when SCE launched seven new CCAs, including adhering to agreed-upon implementation schedules, enrolling all eligible customers into CCA service, and providing accurate historical usage data. The audit also found issues with some services and activities provided to the CCAs by SCE, including billing and payment processes. The service agreements in place between SCE and the CCAs lack adequate performance standards and expectations and as a result, the CCAs report ongoing service issues and share a perception that SCE lacks a sense of urgency to fix problems and issues as they arise. While at times SCE has executed settlement agreements to compensate the CCAs and resolve certain issues, relying on such formal processes puts the CCAs at a disadvantage in terms of timeliness of resolution and costs associated with executing legal agreements especially when time is of the essence and in consideration of CCA's much smaller financial position as compared to the IOUs.

Commission Resolution E-4907 Provides Implementation Processes CCAs are Required to Follow Before Providing Service to Customers

Through Resolution E-4907, the Commission provides the following directives that CCAs must follow:

- Policy Requirements—CCAs must provide customers with universal access, reliability, and equitable treatment, and the implementation of a CCA cannot result in costs shifted between CCA customers and IOU customers.
- Implementation Plan Documents and Requirements—CCAs must submit to CPUC an Implementation Plan and Statement of Intent, which describes the program's organizational structure, operations, funding, and processes to set rates and allocate costs. Such plans must be submitted by January 1st for load service of the following year. The Implementation Plan and any ensuing changes must be considered and adopted at a public hearing. Within 10 days of the filing, the Commission must notify the respective IOU of the filing. Within 90 days of the filing, the Commission must certify that the plan is satisfactory, and provide the CCA with its findings regarding any cost recovery that must be paid by CCA customers to prevent shifting of costs to IOU customers. The Commission also designates the earliest date for implementation.
- CCA Registration Requirements—Within 90 days of the filing, CCAs must submit the registration packet to the Commission that includes a signed service agreement with the incumbent IOU and a

bond[5] to cover reentry fees in the event CCA customers involuntarily return to an IOU's bundled service. Within 120 days of the registration packet being deemed as meeting all requirements, the Commission must confirm the CCA's registration.

- Resource Adequacy Requirements and Forecasts—CCAs must submit two annual load forecasts as CCAs are subject to Resource Adequacy (RA) requirements to ensure sufficient resources are available to serve electricity demand. A preliminary load forecast must be submitted by mid-April for the following year and a revised load forecast with improved accuracy must be submitted in August. The submissions result in a RA obligation that the CCA must demonstrate that it has procured sufficient resources to meet its obligation. In the event an existing or pre-operational CCA does not submit an annual load forecast, they will not be allocated a RA obligation and the incumbent IOU remains responsible for procuring energy resources for the CCAs customers. Beginning in October and thereafter, CCAs submit monthly load forecasts.
- Public Notices—State law dictates that once a city or county implements a CCA, customers within the CCA's jurisdiction are automatically enrolled in the CCA's service unless the customer has chosen to opt-out. Prior to customers being automatically enrolled in the CCA, the CCA must send two notices to the prospective customers describing the terms and conditions of services being officered and the customer's right to opt-out of CCA service and remain with the incumbent IOU. The first notice must be sent within 60 days of automatic enrollment and the second notice within 30 days of automatic enrollment. IOUs cannot assist CCA customers in opting-out of CCA service.

The primary requirement that Resolution E-4907 places on an IOU during the development and launch of a CCA is that once the CCA sends out the required public notices, the IOU must transfer all applicable accounts to the CCA within 30 days[6].

SCE's Electric Rule 23 Guides Processes Associated with Transitioning Eligible Customers to CCA Service and Ongoing Operational Activities

The Commission established the required processes that a local jurisdiction must go through to register and provide services as a CCA. In 2004 and 2005, several years before the first CCA launched, the Commission issued several decisions, including D.04-12-046 and D.05-12-041, to create a CCA program in compliance with AB 117. These decisions are intended to ensure CCA operations comport with utility tariff requirements and rules, and promote understanding and cooperative relationships between the utilities and CCAs. Given that PUC Section 366.2(C)(9) requires that the IOUs provide billing and metering services to CCAs, the Commission relies on utility tariffs to govern the relationship between CCAs and serving utilities.

As such, one of SCE's tariffs, Electric Rule 23, addresses the CCA implementation and transition processes, as well as ongoing operational activities. Key transition processes include agreeing on the CCA implementation schedule, transferring customer accounts to CCA service, and facilitating data sharing:

[5] $100,000 or as determined in R.03-10-003

[6] Within a 30-day period from the date of the close of their normally scheduled monthly metering and billing process.

- Implementation Schedule—CCA and SCE must agree to a mutually acceptable implementation schedule that complies with the CPUC-designated earliest launch date.

- CCA Customer Enrollment—Customers within the CCA jurisdiction that have not chosen to opt-out are automatically transferred and enrolled to CCA service through mass enrollment processes. The mass enrollment process starts between 30 and 45 days after the initial customer notification period ends and involves SCE transferring all CCA customer account to CCA service[7].

- Data Sharing—After the mass enrollment processes are complete, SCE provides the CCA with individual customer information through the Electronic Data Interchange EDI),[8] including historical energy usage data that CCAs use to determine energy procurement requirements.

After customers are transitioned to CCA service, the CCAs are responsible for procuring energy for their customers, but SCE must provide other services such as transmission, distribution, metering, billing, payment processing. While the CCRs do not address ongoing operational processes and requirements directly, SCE's Electric Rule 23 guides the ongoing joint operational activities by providing process descriptions and requirements that the utility and CCAs must follow. The key joint operational activities are customer metering, billing, and collecting payments described below.

CCA-Customer Metering

SCE is required to perform all metering services for CCA customers, including installing meters and providing the CCA with customer meter data. Specifically, energy consumption data obtained from CCA customer meters is electronically sent to SCE's Meter Data and Management Agent (MDMA) server and to the CCA and its service provider. The meter data is used by the CCA for its operational processes, such as the bill generation and energy demand forecasting. After a customer is enrolled into a CCA service, SCE is required to send the customer's account information to the CCA, including metering information as well as twelve months of historical usage.

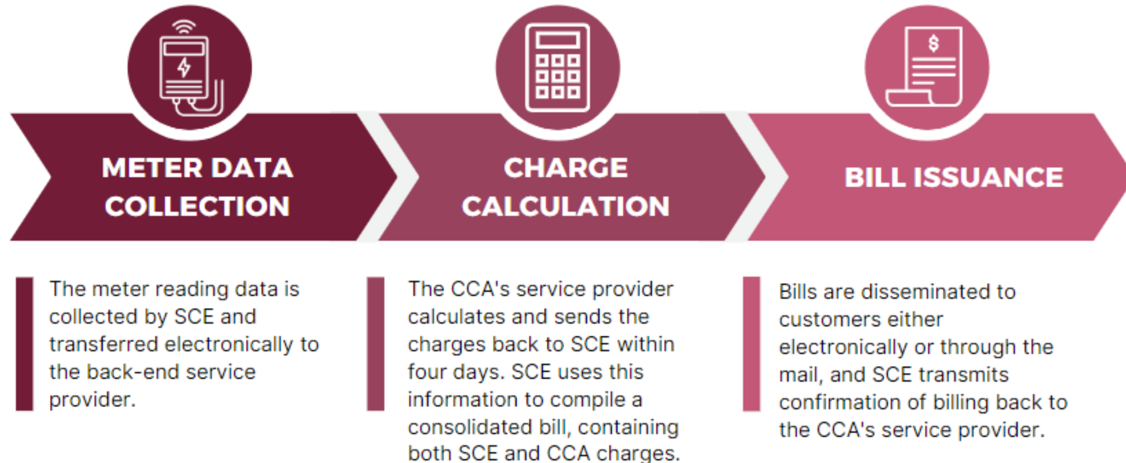
CCA-Customer Billing

A CCA service provider uses the energy consumption data sent by SCE to calculate CCA-customer energy generation charges—SCE is not responsible for the accuracy of CCA-customer charges. Charge information must be sent back to SCE the day following SCE's actual meter reading date. If billing charges have not been received by SCE from the CCA by the required date, SCE will render the bill for SCE charges only, without CCA charges. SCE uses the charge information to generate a consolidated bill for the CCA customer that contains both SCE charges (energy transmission and distribution) and CCA charges (energy generation). SCE transmits confirmation of the billing process to the CCA service provider. Customer disputes of CCA charges must be directed to the CCA. The utility bill generation process is depicted in Exhibit 5:

---

[7] The customer switch occurs on the day of each customer's scheduled meter reading.
[8] Before exchange of information, the CCA must satisfy applicable electronic data exchange requirements and complete all necessary data interfaces to communicate with SCE.

EXHIBIT 5: UTILITY BILL GENERATION PROCESS



Source: SCE Interviews and SCE Rule 23

According to a separate tariff, SCEs Electric Rule 17, if SCE has failed to deliver a bill, actual or estimated, in a timely manner—3 months for residential customers and small business customers and 3 years for all other customers—SCE cannot seek payment for those charges. In other words, if a bill is delayed by more than three months, a residential customer is only responsible for the most recent three months of SCE charges. Rule 17 only requires SCE to provide credits to bundled customers and CCA customers for charges associated with SCE provided services, but not for the charges for CCA provided electrical generation services. Thus, SCE bundled customers will receive full credit for transmission and electrical generation services and CCA customers only receive credit for transmission services even though billing or late billing is SCE's responsibility.

CCA-Customer Payment Collection

CCA-Customers pay their bills directly to SCE. SCE is required to remit payments to the CCA the next business day after SCE receives the payment from the customer. Upon receipt of SCE's payment, the CCA is responsible for posting the payment to the customer's account in the CCA's billing system. If a billing issue arises that is related to CCA charges, the customer must coordinate with the CCA, but SCE is still required to forward to the CCA amounts paid to cover CCA charges.

Additionally, service providers assist the CCAs working with SCE to ensure smooth transition and operational processes, including data validation, sharing, and management.

Several Problems Occurred When SCE Transitioned Some Customers to CCA Service

During the audit period, SCE launched seven new CCAs. As described below, the audit identified issues that occurred related to the key transition activities, including adhering to agreed-upon implementation schedules, enrolling all eligible customers into CCA service, and providing accurate historical usage data. While the following discussion does not provide an exhaustive list of all operational issues and challenges identified during the audit, the discussion focuses on issues that were ongoing and consistent across CCAs and created important impacts.

SCE Did Not Always Adhere to Implementation Schedule

SCE delayed the launch date of six of the seven CCAs launched and one CCA that expanded during the audit period; the delays ranged from five to ten months. According to SCE, the delays related to the implementation of a new Customer Service Re-Platform (CSRP) project that temporarily restricted SCE's ability to transfer customer accounts to CCA service. According to the CCAs, the delays caused significant financial impacts because customers were not enrolled to receive their electricity service for months.

According to SCE, Commission Decision D.05-12-041 only requires that the SCE facilitate the CCA program and CCA efforts to implement it to the extent reasonable and in ways that do not compromise other SCE services. Further, SCE asserts that its tariff rules require SCE and CCAs to work together to agree on implementation start dates that are reasonable for both parties and delaying the implementation dates was required due to the system freeze associated with the CSRP. Lastly, SCE executed bilateral agreements to address CCA resource adequacy obligations in recognition that the delayed launches may have caused the CCAs financial impacts, including procuring unneeded resources.

SCE Did Not Always Enroll Eligible Customers Timely

SCE did not automatically enroll all eligible customers into CCA service during the audit period because of the issues with SCE's Customer Service System (CSS), which was replaced later by CSRP. Six CCAs that launched during the audit period were impacted by missing customer enrollments ranging from a few hundred missing enrollments to 65,000; the enrollments were missing for 2 years or more. According to the CCAs, similar to impacts caused by delayed launches, missing enrollments also had a large effect on their revenues because the customers were not enrolled to receive their electricity service for extended periods. SCE executed settlement agreements to compensate the CCAs for lost revenues; the agreements ranged from a few hundred dollars to several million dollars. The affected CCA customers were finally enrolled in 2020.

SCE acknowledged that missing enrollments is an ongoing issue due to technical issues or customer data inaccuracies. To provide context, SCE estimated that between October 2021 and August 2023 there were about 24,000 missing enrollments across the CCAs in its service area, representing between 1.5 and 2 percent of total CCA enrollments. SCE has reported that missing enrollments have decreased from 2021 to 2023. Also, SCE began providing CCAs with a regular "All Customer" list on a weekly basis that the CCAs can use to identify any potential customers that were not enrolled into CCA service; however, CCAs indicated that report does not provide all the needed data to easily identify potential missing enrollments, such as which customers have opted out.

When missing enrollments are identified, according to SCE's Rule 23, the customer is enrolled into CCA Service on the next reasonably practical scheduled read date. According to information provided by SCE, the average turnaround time to get missing enrollments corrected between 2021 and 2023 was about 23 days. SCE's stated process to correct missing enrollments "on the next reasonably practical scheduled read date" is vague and should be changed to give CCAs more precise resolution expectations.

SCE Did Not Always Provide Accurate Historical Usage Data

Utilities provide historical usage data to CCAs so that the CCAs can procure sufficient energy to meet their resource adequacy obligations; however, SCE acknowledged that it provided some inaccurate historical data to CCAs in 2019. According to SCE, it worked with the CCAs to provide updates on the historical load data issue and once the necessary quality control procedures were completed, the correct data was resubmitted to the CCAs. According to the CCAs, inaccurate historical usage data causes CCAs to over or under procure energy to meet their resource allocation obligations—when the usage data reported is too low, CCAs must purchase additional energy through more expensive, short-term energy contracts. One CCA was particularly impacted by overstated usage data where usage associated with accounts that opted out was included and some usage associated with other customers was simply overstated. As a result, SCE executed a settlement agreement with the CCA in the amount of $3,500,000.

While the issues surrounding delayed launches and inaccurate historical use data can be significant, these issues pose little risk going forward as there are no additional CCAs launching or being proposed in SCE's service area; however, as mentioned, issues involving missing enrollments continue to be problematic.

SCE should continue to resolve the technical issues for missing enrollments and adopt a process for identifying customer inaccuracies and promptly make needed adjustments.

There are Several Problems with Ongoing Operational Activities and Services Provided by SCE

During the audit period, SCE had 14 CCAs in its service area; currently CCA customers make up about 35 percent of SCEs total customer base. As described below, the audit identified issues with some services and activities provided to the CCAs by SCE, including billing and payment processes.

SCE Did Not Always Render Bills Timely

Several CCAs reported problems with SCE not issuing bills timely to customers, including two CCAs that indicated multiple customers were impacted by billing delays that extended more than a year—one indicated that a single large commercial CCA customer was not issued a bill for 17 months and the cumulative bill totaled about $750,000 once issued. When SCE delays customer bills, the CCAs indicated that their cashflows are impacted and potentially their ability to accurately forecast energy demand as CCAs do not have the usage data associated with the delayed bills.

SCE acknowledged that there are many bundled and CCA customers that experience delays in receiving electric bills. SCE asserts the main reasons for delayed bills include metering/usage related issues, billing system exceptions, and other types of customer driven activities that may require billing actions to resolve delayed billing, such as rate plan changes, customer move in and move out date corrections, and other program participation, including CCA enrollments and de-enrollments. To provide context, SCE provided data that indicated there are currently[9] more than 6,400 CCA customer bills (out of the total population of roughly 1.7 million CCA customers) that are delayed by 90 days or more. While the SCE provided data showed more than $12 million in SCE charges are associated with the delayed CCA customer bills, SCE

[9] Data provided by SCE as of August 16, 2023.

did not provide data indicating how much in CCA charges are delayed. When SCE delays customer bills, the CCAs indicated that their cashflows are impacted.

SCE's Electric Rule 17 Does Not Require SCE to Offer the Same Delayed Billing Credits to CCA Customers that it Provides to its Bundled Customers

A key intention of the CCRs is to ensure that CCAs and their customers are treated fairly and in the same manner as bundled customers. However, we found SCE did not always treat CCA customers the same as bundled customers when applying credits when SCE delays issuing bills, as permitted by the tariff provisions in SCE's Electric Rule 17.

Specifically, Electric Rule 17 states that if SCE fails to render an estimated or actual bill, residential and small business customers are only responsible for the most recent three months of billed charges and all other customers are responsible for charges within the most recent three years[10]. The intent of this tariff provision is to protect the customer from being responsible for large, mounting bills when the utility fails to deliver a timely bill. When Rule 17 criteria is met, SCE automatically applies the required credits to its bundled customer electric bills for electricity generation, transmission, and delivery charges. Similarly, on CCA customer electric bills, SCE also applies credits for charges associated with SCE's electricity transmission and delivery services. However, SCE does not apply credits for charges associated with the CCA's electricity generation services, even though SCE is solely responsible for rendering bills timely to both bundled and CCA customers. This practice is in keeping with SCE's Electric Rule 17 that only requires credits to be applied to SCE's portion of charges regardless if it is a bundled customer or CCA customer.

As a result, when SCE fails to deliver a timely bill, SCE's bundled customers receive credits on their bill for all charges associated with generation, transmission, and delivery services while CCA customers only receive credits for electricity transmission and delivery charges. SCE asserts that CCAs are free to provide delayed bill credits on CCA customer bills for the electricity generation charges, but indicated that it is not SCE's normal practice to compensate CCAs for applying such credits even where SCE was responsible for the generation charges being billed late.

According to CCAs, their CCA customers are angry at them for not providing delayed billing credits, especially when bills reflect that SCE provided some credits. This forces CCAs to make case-by-case determinations if they will also provide delayed billing credits to customers to salvage their customer relationships. CCAs indicated that not being reimbursed by SCE for delayed billing credits they issue in response to SCE's billing mistakes and errors causes them to lose significant revenue, which is particularly impactful on small CCAs. According to SCE, although not required, it will occasionally reimburse a CCA or a CCA customer to cover delayed billing credits applied to CCA portion of charges. SCE provided two instances during the audit period where SCE reimbursed a customer and a CCA as compensation

[10] SCE's Electric Rule 17 states that billing errors include the failure to deliver a bill, actual or estimated, in a timely manner in accordance with SCE's Electric Rule 9.A.2. While Rule 9.A.2 states that SCE may render bills more or less frequently than monthly at the option of SCE, Electric Rule 17 places limitations on how long customers are responsible for charges without receiving a bill, such as three months for residential and small business customers.

associated with billing delays—the amounts ranged from several hundred dollars to several thousand dollars. In an example provided by a CCA, in December 2022, SCE agreed to reimburse the CCA just over $30,000 for lost revenue associated with delayed bills connected to an apartment community located in a disadvantaged area. These few individual examples show that the costs to apply delayed billing credits can be significant to CCAs, especially smaller CCAs.

While we were provided a few examples where SCE provided compensation associated with delayed bills, as mentioned earlier, SCE indicated that there are 6,400 CCA customer accounts where bills are currently delayed by 90 or more days. According to SCE, there is no readily available information or report that could demonstrate the reasons for billing delays and each delayed bill would have to be individually researched to identify the cause and responsibility; as such, there is no practical way to determine if SCE or the CCA was responsible for the billing delays. According to the CCAs, because SCE controls the overall billing processes, the only billing delay that a CCA could cause would be failing to provide SCE their generation charges to be added to CCA customer bill, which would rarely happen. This is consistent with information provided by SCE—SCE provided just five CCA customer accounts where a CCA delayed sending charges to SCE in 2021 and 2022.

It's important to note that, when the criteria is met, California's two other major IOUs automatically provide delayed billing credits to their bundled customers and CCA customers for generation, transmission and delivery charges and compensate the CCAs for the associated lost revenue. The two IOUs indicated that there was not a process in place to determine which entity was responsible—the IOU or the CCA—for the billing delays prior to applying credits as typical delays are due to conditions outside of CCA control.

SCE Holds Some CCA Customer Payments While Billing Errors are Resolved

According to SCE's Electric Rule 23, SCE is required to remit payments to CCAs the next business day after receiving the payment from the customer. Generally, SCE forwards payments to CCAs daily as payments are received from customers. However, the audit found that SCE regularly withholds some of these daily customer payments from CCAs.

Specifically, when there are potential billing errors on a bill that has already been issued to a CCA customer, SCE reverses all payments associated with both SCE and CCA charges on the bill in question—the reversals are reflected on the customer's account while SCE investigates the problem and re-bills the customer, if necessary. At the same time, SCE holds upcoming daily payments due to the CCA associated with other customer accounts until an amount equal to the CCA's portion of the reversed payments on the bill in question is reached—this is to set aside the reversed payments until the issue with the potentially erroneous bill is resolved. Once SCE completes required account corrections and sends an updated bill to the customer, SCE releases the payments it held from the CCA net any billing adjustments. Billing reversal and rebill processes can result in SCE holding large payment amounts significant enough to impact CCA cash flow. In one example, SCE reversed several hundred thousand dollars in payments on December 13, 2022 associated with billing errors on one CCA customer account, which resulted in SCE withholding all upcoming daily payments due to the CCA between December 15 through 19, 2022. In this example, the withheld funds were deposited into the CCA's bank account on December 29, 2022.

According to SCE, because Electric Rule 23 does not specify every operational aspect of CCA and SCE billing and payment operations, SCE must make reasonable operational decisions that consider its billing system's technical capabilities and accounting processes, all the various types of CCA customer billing correction scenarios, and compliance requirements within existing tariffs. SCE states that handling billing corrections in this manner is standard billing system logic and any deviations from may not be technically feasible, and, even if feasible, would likely require significant re-architecture of their billing system processes. Notwithstanding SCE's system technical capabilities, the current re-billing process does not comply with the tariff requirement to provide CCA customer payments to the CCA within one day of receiving the payment. It also does not seem reasonable for SCE to withhold upcoming CCA customer payments while investigating billing errors on other unrelated customer accounts. Further, the CCA does not earn interest on their customer's payments held by SCE; according to SCE, its bank accounts receive an earnings credit to offset bank fees based on account balances rather than earn interest, but no portion of the earnings credits are passed along to the CCA.

The Commission should consider requiring SCE to submit all CCA customer payments they receive within one day of receipt, as required by the tariffs, and apply credits or debits for billing error adjustments to upcoming bills and payments after the investigation is complete and the adjustment amount is determined. The Commission should also require SCE to provide CCAs earnings on any CCA customer payments that are not submitted within one day of receiving the payments.

SCE's Electric Rule 23 and Service Agreements with CCAs Lack Clear Performance Standards and Service Expectations

Providing successful services to CCA customers requires CCAs—local, not-for-profit, public agencies—and California's three major IOUs to work together on key operational processes. When two very different organizations with different systems, processes, and interests and under different regulatory authorities are required to work together on complex administrative efforts, challenges and barriers to cooperation could arise. Because of this, we find that SCE's Electric Rule 23 and service agreements with CCAs should be bolstered to set clear expectations to reduce potential conflicts and to provide a clear path for timely resolution when conflicts do arise.

SCE and the CCAs established service agreements, approved by CPUC, to govern the business relationship between the parties. The services primarily involve those provided by SCE to the CCAs as referenced in SCE's community choice aggregation tariff Electric Rule 23, and include critical services such as customer enrollments into CCA service, meter reading, customer billing, and payment processing. In return, the CCAs pay SCE for the services provided according to SCE's rate schedules.

Typically, service agreements include performance standards and service expectations to ensure clarity and accountability. Clearly defined expectations establish the level of service to be delivered and provide a basis for measuring performance, promote a shared understanding of what is required, and mitigate potential misunderstandings. A few examples of standards and expectations that are often part of service agreements include:

- **Quality Standards:** Outlines the quality levels that the service provider is expected to meet. For example, the service provider agrees to perform tasks with a certain degree of accuracy and precision, minimizing errors and inaccuracies.
- **Timeliness:** Defines the acceptable timeframes or deadlines for completing tasks and services.
- **Response Time:** Specifies the expected response time for addressing inquiries, issues, or requests.
- **Penalties and Remedies:** Provides consequences for failing to meet the agreed-upon performance standards and expectations, and incentivizes mutually satisfactory performance.

The service agreements between SCE and CCAs reference Electric Rule 23 to provide some description of service processes. However, aside from requiring SCE to submit customer payments to CCAs by the next business day after receiving the payment, neither the service agreements nor Rule 23 specify expected quality standards, such as SCE providing the services accurately and within agreed upon time-frames, response times for correcting issues or penalties.

As a result of the lack of performance standards and expectations, the CCAs report ongoing service issues, as discussed earlier, and share a perception that SCE lacks a sense of urgency to fix problems and issues as they arise. While it is not unexpected that conflicts will arise from time to time when one entity provides services to another, CCAs and IOUs are impacted when operational problems occur, particularly when the IOUs do not address the issues timely, particularly because CCAs are wholly reliant on the IOUs for the services. This could include problems such as operational inefficiencies, customer dissatisfaction, reputational damage, and financial consequences. While some delays and issues such as timing of enrollments or invoicing issues may not monetarily impact an IOU because of its size and profitability, it could monetarily impact a CCA which is much smaller and will have much less of a margin or reserves to carry it through while the issues are resolved. Although the CCAs generally acknowledge that the SCE teams the CCAs work with directly daily are generally responsive to their concerns, those SCE teams' efforts generally do not result in timely resolutions as most issues or changes require approvals throughout the organization, which can slow down resolutions. Likewise, the service agreements and Rule 23 do not provide response times for correcting issues or penalties, liquidated damages or other remedies when service expectations are not met, such as failing to enroll all eligible customers into CCA service or failing to deliver timely electricity bills to CCA customers.

Recommendations

To facilitate effective working relationships and establish clear performance standards and service expectations, the Commission should:

5. Establish a task force that includes both CCA, SCE, and Commission representatives to:
    a. Identify ongoing operational issues and causes as well as proposed practical and timely solutions with the intent of supporting a cooperative relationship.

b. Bolster SCE’s Electric Rule 23 and Service Agreements to set standards and expectations, including specific time-frames CCAs can expect to have issues resolved as well as remedies when service standards are not met.

6. Establish a uniform and consistent approach for handling late billings credits across all IOUs that details and clarifies how late billing credits should be applied to both bundled and unbundled customer bills and that assigns the responsibility for bearing the costs associated with issued credits.

7. Require SCE to submit all CCA customer payments they receive within one day of receipt, as required by the tariffs, and apply credits or debits for billing error adjustments to upcoming bills and payments after the investigation is complete and the adjustment amount is determined. The Commission should also require SCE to provide CCAs earnings on any CCA customer payments that are not submitted within one day of receiving the payments.

Finding 3. CCAs Perceive the Dispute Resolution Processes Administered by the CPUC to be Ineffective in Addressing CCR Compliance and Operational Issues

CCAs have a shared view that available dispute resolution processes fail to ensure IOUs respond and address compliance or operational problems in a timely manner, and allegations of compliance violations do not prompt investigations by the CPUC to determine if violations have occurred and penalties warranted. Based on our interviews with CCAs associated with all three of California's major IOUs, there is a perception among many that the Commission is not motivated to help resolve disputes between IOUs and CCAs and when issues are elevated to the Commission's Energy Division for informal assistance, little is done to address the concerns. The CCAs also believe formal dispute resolution procedures under Article 4 of the Commission's Rules of Practice and Procedure are too costly and time-consuming and are overly cumbersome. As a result, CCAs feel they are left to work out joint operational issues with IOUs themselves, placing them at the mercy of the IOUs and possibly incurring costs that more heavily impact a CCA because of its much smaller scale of operation as compared to that of an IOU. Because of the lack of performance standards and expectations discussed in Finding 2 and ineffective dispute resolution processes, CCAs report ongoing service issues and share a perception that IOUs lack a sense of urgency to fix problems and issues as they arise.

SCE and CCAs Attempt to Resolve Disputes

The Commission encourages the CCAs and IOUs to work together to address disputes, including allegations of noncompliance with the CCRs or operational issues, whenever possible. According to SCE, procedures are in place to both keep the lines of communication open and to address CCA concerns to preempt the need for a formal dispute resolution process, which requires CPUC input. As issues arise between SCE and CCAs, they are discussed on scheduled monthly calls or quarterly meetings held between the parties; however, SCE indicated that records of meeting agendas and minutes are not maintained as the discussions are typically addressed on a call or via follow-up emails. Also, SCE's Customer Care Team stated that they initiate telephone calls with the CCAs on a regular basis to proactively address issues or concerns. CCAs generally reported a functional working relationship with SCE that has improved in recent years, although some difficulties remain.

When regular, day-to-day efforts to resolve issues are unsuccessful, more formal approaches between the parties are used to resolve disputes, such as written complaints and responses between the parties and "meet and confer" conferences. During the audit period, several "meet and confer" conferences were held between SCE and CCAs, during which the parties attempted to resolve problems associated with customer enrollments and customer service; a few of the conferences resulted in executed settlement agreements, as described earlier. While SCE and the CCAs may be able to reach a settlement agreement to resolve certain issues, relying on such formal processes puts the CCAs at a disadvantage in terms of timeliness of resolution and costs associated with executing legal agreements especially when time is of the essence and in consideration of CCA's much smaller financial position as compared to the IOUs.

If an IOU and a CCA are unable to reach consensus after meeting, either party may request that CPUC's Energy Division to informally assist to resolve the dispute or may submit the dispute to CPUC through the Commission's formal dispute resolution processes, as discussed in the sections that follow.

CCAs Perceive the Assistance Provided by the Commission's Energy Division to Resolve Disputes with IOUs As Too Passive

If CCAs and IOUs are unable to reach a satisfactory resolution to a dispute, CCAs may request help directly from the Commission's Energy Division. However, the CCAs associated with all three of California's major IOUs have generally reported minimal traction in achieving satisfactory resolution using informal means as CPUC's participation is perceived as either passive or minimally involved, leaving CCAs to feel at the mercy of the IOUs when addressing disputes over CCR compliance issues. Even allegations of potential violations of the CCRs communicated to the Energy Division do not prompt an investigation to be opened to determine if a violation occurred or a penalty was warranted.

During the audit period, we learned about two examples of CCAs requesting the Energy Division's assistance to resolve compliance and operational issues. In one instance, two CCAs raised concerns about SCE's communication practices with CCA customers. Specifically, SCE's CSRP system automatically generated and sent notices to thousands of CCA customers that included incorrect and confusing information about an upcoming mass enrollment and directed customers to call SCE with any questions. SCE conducted an internal investigation and found that the notices it sent to CCA customers caused confusion and SCE call center representatives provided some information to CCA customers that was inconsistent with SCE's protocols. According to one of the CCAs, their concerns were not sufficiently addressed because SCE conducted its own internal investigation into the concern and similar problems continued to occur. The CCAs also believed the notices sent and some of the resulting telephone conversations between SCE's customer care representatives and CCA customers violated CCR 9 that prohibits an electrical corporation from making any statement about a CCA's rates or terms and conditions of services that is untrue or misleading. To seek additional help, one of the CCAs specifically requested that the Energy Division investigate SCE's actions and provide an action plan to comprehensively address the issues identified. According to the CCA, CPUC responded by directing the CCA to work with SCE to resolve the issue and did not express an interest in getting involved. As discussed in Finding 1, the audit determined the erroneous letter did violate CCR 9.

In another instance, a CCA requested the Energy Division's assistance to resolve issues it had with SCE's adherence to the Commission-approved launch date and delays and impacts associated with SCE's implementation of its CSRP. The CCA reported that CPUC was not involved in resolving the dispute; rather, SCE and the CCA ultimately executed a settlement agreement, as described in Finding 2.

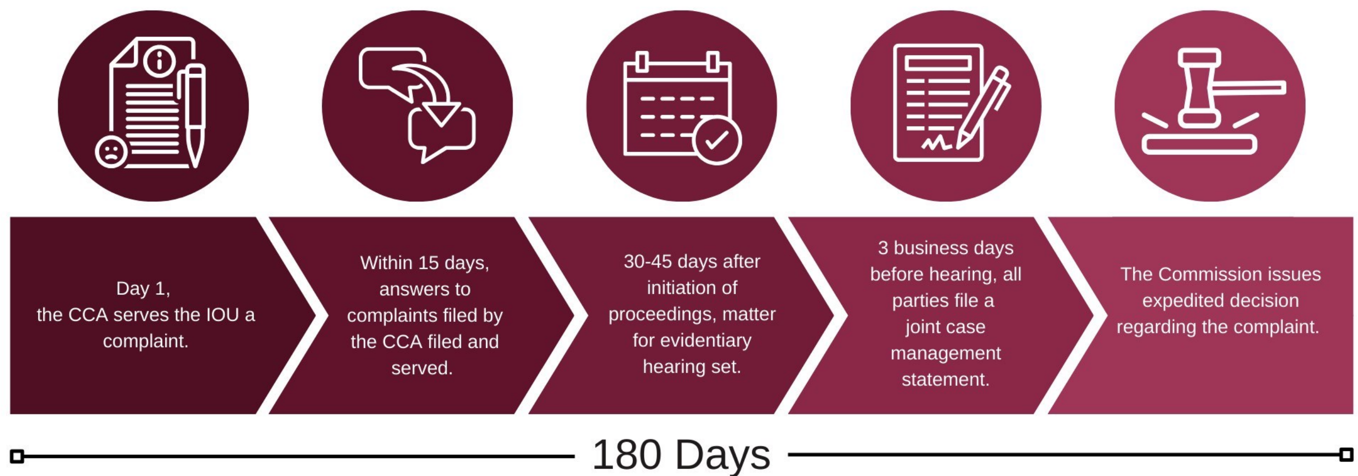
Although the audit only identified two examples where CCAs requested the Energy Division's assistance, based on our interviews with CCAs, there is a perception among many that CPUC is not motivated to help resolve disputes between IOUs and CCAs and when issues are elevated to CPUC's Energy Division, little is done to address the concerns and the CCAs and IOUs are largely left to work out CCR compliance issues themselves. Additionally, CPUC's Energy Division was unable to provide information on the status of either dispute or any actions taken by CPUC to resolve the disputes. The Energy Division acknowledged

there are no protocols or procedures in place to guide staff efforts when CCAs request the Division's informal assistance to resolve disputes with IOUs, including tracking the status of disputes that are submitted or documenting actions taken to resolve disputes.

Formal Dispute Resolution Procedures Under Article 4 of the Commission's Rules of Practice and Procedure are Perceived by CCAs as Time Consuming, Overly Cumbersome and Costly

After good faith efforts to resolve disputes informally have been attempted and failed, CCRs 24 through 29 provides a formal mechanism for disputes between CCAs and IOUs alleging CCR violations to be filed with the Commission. Specifically, the CCRs require these disputes be filed pursuant to rules outlined in Article 4 of the Commission's Rules of Practice and Procedure and be resolved within 180 days under an expedited process. The Commission may impose fines, injunctive relief, or any other appropriate remedy. Exhibit 6 summarizes the procedural steps and expedited timelines required associated with formal disputes concerning CCR compliance issues submitted to the Commission under Article 4.

Exhibit 6: Expedited Dispute Resolution Procedures and Timelines Under Article 4



Source: Code of Conduct Rules 24-49

Disputes that do not involve CCR compliance issues can also be submitted to the Commission under Article 4, but an expedited process is not specifically provided.

Additionally, at any time during a formal proceeding before the Commission, but preferably early in the process, parties may use CPUC's Alternative Dispute Resolution (ADR) program at no cost to the parties. This program involves Administrative Law Judges helping disputants resolve conflicts through facilitation, negotiation, mediation, and early neutral evaluation processes. According to CPUC, ADR sessions, in general, are typically completed in 0.5 to 2 days, although some continue over several weeks with the disputants meeting for a day or two at a time. According to CPUC, during the audit period, the ADR Program has not been used by any CCA.

During the audit period, we did not identify evidence that any formal disputes had been submitted by CCAs to the Commission under Article 4 against SCE concerning potential violations of the CCRs or operational

issues. The CCAs associated with all three of California's major IOUs routinely indicated that the Commission's formal dispute resolution procedures are not used because the process is not effective for issues that need to be resolved quickly, particularly because many issues cannot wait six months or more for resolution, and the process is perceived as being too costly, likening it to going through a lawsuit. However, given the ADR program's apparent ability to expeditiously resolve disputes, it is unclear why it has not been utilized by the CCAs to address disputes with IOUs.

Recommendations

To ensure that compliance with the CCRs is handled in a fair and independent manner and to optimize the effectiveness dispute resolution processes, the Commission should:

8. Develop a process to investigate possible CCRs violations when identified rather than relying on IOUs and CCAs to work out compliance issues among themselves and implement consequences for noncompliance. The process should include making formal compliance violation determinations.

9. Establish a task force that includes CCA, SCE, and Commission representatives to discuss and identify practical dispute resolution processes that will ensure timely solutions issues.

10. Implement an independent and impartial Ombuds to:

    - Investigate, manage, and track CCR compliance issues and take action to resolve the matters timely.
    - Assist in resolving disputes and conflicts between IOUs and CCAs.

11. Ensure CCAs are aware of the ADR program and its benefits.

Appendix A. Summary of Code of Conduct Rules

CCR	Summary of CCRs
1	Defines basic concepts relevant to electric utility actions.
2	Prohibits IOUs from marketing or lobbying against a CCA program, expect through an independent marketing division that is funded exclusively by the IOU's shareholders and that is functionally and physically separate from the IOU's ratepayer-funded divisions.
3	Requires IOUs and CCAs to annually, jointly prepare and distribute neutral, complete, and accurate comparison of their tariffs, sample bills, and generation portfolio contents; annual more detailed comparison information to be posted on the two parties' websites; and ongoing detailed tariff comparisons to be posted to websites within 60 days after any changes. Costs are to be shared.
4	Specifies how the cost of an IOU's independent marketing division's use of support services from the IOU's ratepayer-funded divisions is to be allocated and must be supported by detailed public reports filed quarterly with the Commission's Energy Division and available on the IOU's website.
5	Prohibits an IOU's independent marketing division from having access to competitively sensitive information.
6	Forbids an IOU from recovering any direct or indirect costs used by the IOU for promotional or political advertising from any person other than the shareholders or other owners of the IOU.
7	Requires IOUs to provide access to utility information, rates and services to CCAs on the same terms as it does for its independent marketing division.
8	Specifies that an IOU cannot provide access to market analysis reports or any other types of proprietary or non-publicly available reports to its independent marketing division.
9	Requires IOUs to refrain from, or give the appearance of, speaking on behalf of any CCA, or making a statement related to a CCA's rates or terms and conditions of service that are untrue or misleading.
10	Requires IOUs to keep separate books and records from its independent marketing division.
11	Requires IOUs to be physically separate from its independent marketing division including separate office space, computers and information systems except to the extent appropriate to perform shared corporate support functions.
12	Allows an IOU and its independent marketing division to make joint purchases of goods and services, other than purchases of electricity for resale. The IOU is to ensure that all joint purchases are priced, reported, and conducted in a manner that clearly identifies purchases made by the IOU or its independent marketing division.
13	Allows an IOU to share with its independent marketing division joint corporate oversight, governance, support systems and support personnel; provided that support personnel does not include any persons who are themselves involved in marketing or lobbying. Requires shared support to comply with Commission pricing and reporting requirements and specifies what is not allowed so as to not create preferential treatment, unfair competitive advantages or customer confusion.
14	Requires an IOU to apply tariff provisions in the same manner to the same or similarly situated entities if there is discretion in the application of the provision.
15	Prohibits employees of an IOU's independent marketing division from being employed by the IOU.
16	Places certain requirements on all employee movement between the independent marketing division and other divisions of the IOU requiring them to be consistent with provisions listed including tracking and reporting movement, limiting movement for a period of time, prohibiting using or providing certain information to benefit the IOU or to the detriment of CCAs, and prohibiting assignments or rotations to the division.
17	Does not allow either the IOUs or their marketing divisions to offer to provide, or provide, any goods services, or programs to a local government or to the customers within a local government's jurisdiction on the condition that the local government not participate in a CCA program, or for inducing the local government not to participate in a CCA program. The rule further specifies what the restriction applies to and when it does not apply.
18	Forbids IOUs from discriminating between its own customers and CCA customers in matters relating to products or services that are subject to a tariff on file with the Commission and does not allow an IOU to condition or tie the provision of any product, service, or rate agreement to a customers' participation or non-participation in a CCA program. This does not apply to Commission-approved items only available to bundled service customers.
19	Prohibits IOUs from making any mechanism available for their customers to opt out of a CCA programs unless requested to do so by the CCA.

CCR	Summary of CCRs
20	Prohibits IOUs from refusing to make economic sales of excess electricity to a CCA program, or from refusing in advance to deal with any CCA program in selling electricity because it is a CCA program.
21	Requires IOUs to maintain a log of all new, resolved, and pending complaints submitted in writing, related to services provided for the CCA and CCA customers with specific key information and, requires the log to be available for inspection by CPUC and CCAs.
22	Requires each IOU that intended to market or lobby against a CCA submit, by March 31, 2013, a compliance plan demonstrating to the CPUC that there are adequate procedures in place that will preclude the sharing of information with its independent marketing division that is prohibited.
23	Requires the Commission's Executive Director to arrange for biennial audits prepared by independent auditors verifying that each IOU was in compliance with the CCRs during the preceding two years and describes how costs are to be paid.
24 - 29	Provides complaint processes and enforcement procedures.

Appendix B. Audit Response Letter

On the following pages, we provide Southern California Edison Company's official response.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

December 8, 2023

Ms. Mary Taylor
Regulatory Analyst, Energy Division, Retail Choice Section
California Public Utilities Commission
400 R. Street
Sacramento, CA 95811

Transmitted via e-mail to:
Mary.Taylor@cpuc.ca.gov, CPUC, Regulatory Analyst

Dear Ms. Taylor:

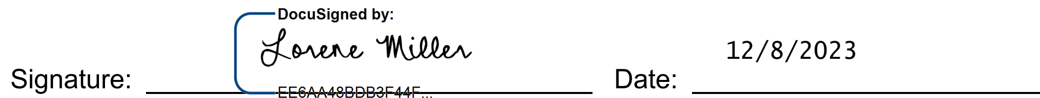
Southern California Edison Company (SCE) appreciates the opportunity to review and respond to the Final Draft *Community Choice Aggregation Code of Conduct Rules Compliance's Audit Report* (the "Final Draft Report") of Sjoberg Evashenk Consulting, Inc., a copy of which was provided to SCE on November 27, 2023.

SCE's Response is attached to this cover letter. SCE respectfully requests that changes requested in its Response be incorporated in the Final Report, and that SCE's Response be documented in or otherwise appended to the Final Report. While Sjoberg Evashenk representatives invited, received and reviewed advance versions of SCE's Response during the drafting of their report, the Final Draft Report largely fails to address or acknowledge SCE's Response.

SCE appreciates Sjoberg Evashenk Consulting's staff for their professional engagement during the audit.

If you have questions or would like to set up a meeting to discuss SCE's Response, please contact Heidi Lopez at 626-302-3904 or Heidi.Lopez@sce.com.

Thank you,



Signature: ______________________ Date: 12/8/2023

Lorene Miller
Vice President
Customer Service Operations Division

Attachments

cc: Lynda McCallum, Sjoberg Evashenk Consulting, Partner
Margarita Fernandez, Sjoberg Evashenk Consulting, Director
Mike Valdez, Sjoberg Evashenk Consulting, Inc., Managing Senior Consultant
Kelly Hansen, Sjoberg Evashenk Consulting, Inc., Managing Senior Consultant
Michele.kito@cpuc.ca.gov, Energy Division, Program Manager
Dina.Mackin@cpuc.ca.gov, Regulatory Analyst

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

Southern California Edison Company's Response to the Sjoberg Evashenk Consulting, Inc.'s Final Draft *Community Choice Aggregation Code of Conduct Rules Compliance's Audit Report*

Dated December 8, 2023

Southern California Edison Company (SCE) appreciates the opportunity to respond to the Final Draft Report of Sjoberg Evashenk Consulting, Inc., *Community Choice Aggregation Code of Conduct Rules Compliance's Audit Report*, provided to SCE on November 27, 2023. The Audit examined SCE's compliance with the Community Choice Aggregation (CCA) Code of Conduct for Years 2019 through 2022.

The Final Draft Report includes three findings. Finding 1 addresses SCE's compliance with the CCA Code of Conduct Rules (CCRs). Findings 2 and 3 do not involve SCE CCR compliance issues but rather discuss operational issues and dispute resolution for the Commission's consideration.

- Finding 1. SCE Generally Complied with the Code of Conduct Rules With a Few Exceptions
- Finding 2. SCE Had Problems Transitioning Customers to CCA Service and Some Ongoing Operational Activities Remain Problematic
- Finding 3. CCAs Perceive Dispute Resolution Processes Administered by the CPUC to be Ineffective in Addressing CCR Compliance and Operational Issues

Finding 1 concludes that SCE largely complied with the CCRs with a few exceptions, which the Final Draft Report describes as follows:

A. SCE erroneously sent an inaccurate notice to potential CCA customers; and

B. A SCE call center representative spoke on behalf of CCA rates and service.

The Final Draft Report also claims to identify "one instance where SCE included misleading information on a 2022 Joint Rate Mailer that was approved by the Commission and distributed to customers." It observes that "some of the issues noted can negatively impact the public's perception of CCAs."

For reasons discussed in **Section I** below, SCE disagrees with the alleged non-compliance exceptions in Finding 1 and requests the Final Draft Report be modified. SCE also disagrees that anything in Finding 1 would have negatively impacted the public's perception of CCAs.

The Final Draft Report acknowledges that Findings 2 and 3 are not SCE CCR compliance issues. Rather, they primarily concern the auditors' observations on operational issues and dispute resolution, which the Final Draft Report describes as follows:

- Issues related to SCE "adhering to agreed-upon" implementation schedules;
- Issues related to enrolling all eligible customers into CCA service;
- Issues providing accurate historical usage data;
- Issues with some services and activities provided to the CCAs by SCE, including billing and payment processes

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

- Service agreements in place between SCE and the CCAs purportedly lack adequate performance standards and expectations and as a result, the CCAs report ongoing service issues and share a perception that SCE lacks a sense of urgency to fix problems and issues as they arise.

SCE addresses Finding 2 in **Section II** and Finding 3 **in Section III**.

Beyond the Findings, the Final Draft Report makes the following material misstatements that should be corrected in the Final Report:

1. In the Introduction and Background on page 3, the Final Draft Report states that prior to the enactment of Senate Bill 790, "market power had been used by the IOUs to oppose the consideration, development, and implementation of CCA programs." This quoted statement is false as to SCE and it should be eliminated or otherwise modified to remove the implication that SCE opposed the consideration, development, and implementation of CCA programs, whether through market power or otherwise. (1)

2. On page 21, the Final Draft Report states that under its Electric Tariff Rule 17, "if SCE fails to render an estimated or actual bill, residential and small business customers are only responsible for the most recent three months of billed charges and all other customers are responsible for charges within the most recent three years [], The intent of this tariff provision is to protect the customer from being responsible for large, mounting bills when the utility fails to deliver a timely bill." This description of SCE's Rule 17 is incorrect and should be eliminated or modified. Rule 17 requires SCE to render an adjusted bill to correct Meter and Billing Errors that result in overcharges, which bill adjustment shall not exceed three years; and Rule 17 permits SCE to render an adjusted bill to correct Meter and Billing Errors that result in undercharges, which bill adjustment shall not exceed three months for residential and Small Business customers and three years for all other customers. Below is the relevant tariff provision. Rule 17 does not just protect customers (e.g., it limits adjustments for undercharges); it also protects the utility (e.g., it limits adjustments for overcharges). As explained on pages 10-11 of this Response, SCE does not limit the bill adjustments for Billing and Meter Errors to three months and three years for CCA customers absent the CCA's consent. (8)

   > *Where SCE overcharges or undercharges a customer as the result of a Billing Error, SCE may render an adjusted bill for the amount of the undercharge, and shall issue a refund or credit to the customer for the amount of the overcharge for the period of the Billing Error, but not exceeding three years in the case of an overcharge for all service accounts, and, in the case of an undercharge, not exceeding three months for residential service to a SCE-metered Single Family Dwelling or Accommodation as defined in Rule 1, Definitions, not exceeding three months for a Small Business Customer, as defined in Rule 1 Definitions (or for a customer who certifies that it meets the California Government Code Section 14837 definition of "Micro-Business"); and not exceeding three years for all other service.*[1]

[1] SCE's Rule 17, Section D (Sheet 3), available at TM2 - ELECTRIC_RULES_17.pdf - All Documents (sharepoint.com).

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

I. Finding 1 Is Based on Erroneous Facts and Assumptions and Should Be Modified

A. SCE Disagrees that Information on its Joint Rate Mailer was Misleading and this Issue Should be Eliminated or Modified and Moved to Finding 2

The first alleged exception to SCE's compliance discussed in Finding 1 is not a compliance issue at all, because the Final Draft Report states that "SCE complied with CCR 3 by coordinating with CCAs to issue Joint Rate Comparisons." However, the Final Draft Report claims that SCE presented information in a Joint Rate Mailer (JRM) about a "closed program" that was "technically accurate" but allegedly still "misleading". The Final Draft Report acknowledges that CCR 9 "prohibits misleading statements about CCA rates" which the JRM did not contain.

2

SCE's Response:

SCE agrees that this Draft Finding does not involve a compliance issue. As such, it does not belong in Finding 1, which purports to identify the "few exceptions" to SCE's non-compliance with the CCRs, and it should be eliminated from Finding 1.

SCE disagrees that including its Green Rate program on the JRM was misleading to customers. The Public Advisor's Office (PAO) directed the inclusion of SCE's program on the JRM, and the program was not closed but rather suspended for new enrollments until new capacity became available.

In the example included in Exhibit 3, the Final Draft Report claims that including SCE's Green Rate program's rates on a JRM mailed between the end of June 2022 and August 2022 was misleading because "the JRM did not indicate that the program was closed to new enrollees, giving the appearance that customers could join SCE's cheaper green program if they opted out of the CCA's service."[2] This view does not appropriately consider that:

- The JRM is not marketing material, as the Final Draft Report incorrectly states.[3] It is not intended to incent customers to switch from / to CCA service or IOU bundled service;
- The JRM is not intended to provide a complete rate comparison, but rather to provide "a comparison of the IOU and CCA's average tariff, include sample, generation portfolio content, and *refer customers to the IOU and CCA's website" for more complete information*[4] and SCE's website *did, in fact,* contain an appropriate disclaimer about the Green Rate program;
- SCE's Green Rate program was / is not "closed to new enrollees"; it allows for new enrollment to the extent additional program capacity becomes available;

---

[2] Final Draft Report, p. 10.

[3] The Final Draft Report recommends (at p. 10) that the "CPUC should instruct the PAO to not approve JRMs that **market** programs that may not be available at the time of JRM distribution without the inclusion of disclaimers . . . ."

[4] *See* D.12-12-036, pp. 19-20, explaining "We are persuaded by the parties' comments that mail or other direct distribution of a complete set of tariff and rate comparisons to individual customers would be overly costly and impose an unnecessary burden on CCAs and utilities. As a result, we have modified this provision to require that all customers in a CCA's territory directly receive a comparison of average rates for all customer classes served by the CCA and utility, along with a comparison of at least one sample residential bill for an average level of usage agreed on by the CCA and utility. Additional tariff and rate comparisons for all customer classes will be posted on the Web sites of both the utility and the CCA, and on additional Web sites, as appropriate. This adopts elements of the SCE proposal, by simplifying the information sent directly to customers while ensuring that complete information is available [on the website]."

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

- The JRM in question was factual in reflecting the rates of SCE's existing, CPUC authorized and state-mandated Green Rate program;
- The CCA with whom SCE coordinated on the JRM in Exhibit 3 – Santa Barbara Community Energy (SBCE) – did not complain about the inclusion of SCE's Green Rate program on the JRM. Clean Power Alliance (CPA) subsequently disputed inclusion of SCE's Green Rate and SCE and CPA sought guidance from the PAO;
- At the direction of the PAO, SCE included its Green Rate on the SCE – CPA JRM and an appropriate disclaimer on the JRM agreed upon by CPA in addition to the website disclaimer;
- The PAO is the appropriate arbiter of disputes regarding the JRM; its judgment on this matter was reasonable and should not be second-guessed in this audit.

The Commission in D.12-12-036 – the CCA Code of Conduct decision[5] – gave the PAO the authority to resolve any disputes related to the JRM. SCE and CPA followed the process set forth by the Commission. The PAO used its delegated authority to arrive at a reasonable decision.[6] The PAO specifically authorized SCE to include the Green Rate Program on the JRM with the appropriate disclaimer, and SCE complied. All the while, SCE had an appropriate disclaimer regarding the suspended status of the Green Rate program on its website.

Specifically, in 2022 SCE included its Green Rate on the SBCE JRMs. This state-mandated program was offered under an open tariff; however as of June 2022, it was subscribed to capacity and so SCE began waitlisting customers seeking to participate pending available capacity. Because the Green Rate program was an open tariff and state-mandated program and SCE expected capacity to become available at some point in the future, and because SBCE did not dispute its inclusion on the JRM, SCE retained the rate on the JRM and a disclaimer on its website, and the PAO reviewed and approved the JRM.[7]

Thereafter, CPA disputed the inclusion of SCE's Green Rate on the JRM, and SCE and CPA sought the PAO's direction. After considering both parties' positions, the PAO stated that the Green Rate Program ***should*** be included in the JRM, with "a well worded" disclaimer. Specifically, on July 27, 2022, the PAO sent the following email:

"Hello everyone,

After reviewing both sides of the argument, what was done in the past and consulting with Energy Division (ED), PAO has come to a decision. PAO feels it is in the publics' best interest to keep the Green Rate in the mailer but include a disclaimer stating Mega Watt (MW) capacity has been reached. PAO leaves it up to the CCA and SCE to come up with the disclaimer.

One of the reasons CPA said the rate should be taken out was precedent set with a similar incident with PGE a couple years ago. PAO and ED looked at these past incidents and determined although similar, they had significant differences. One of them being PGE had greatly over enrolled their program capacity so new enrollments really were shutout. Although SCE has

---

[5] *See* D.12-12-036, at Attachment 1, CCR 3(b), stating "The Commission's Public Advisor's office must review and approve the wording of the comparison before it is distributed to customers, and ***by this final approval shall resolve any disputes*** about the contents of the written notice or Web site contents that the CCA and utility cannot resolve informally." (emphasis added).

[6] SCE notes that it agreed to remove the Green Rate from its JRM in 2023. Although SCE does not agree that including the rate on the JRM, with a disclaimer, is misleading, SCE decided to further compromise with the CCAs to avoid further potential dispute.

[7] The JRM directed customers to SCE's website for more information.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

reached MW capacity, they have not over enrolled. The program itself still has significant room for enrollment once a new capacity is found.

Another reason is the point of the mailer is customer knowledge. The mailer is supposed to serve as information to customers, ***not for marketing or pushing of one or the other side's agenda****. PAO does not see the harm in providing customers more information, rather than less, which is what would happen if the entire rate was taken out. T****he rate is still in existence, even if at the moment, SCE cannot enroll a new customer.*** *The mailer serves not only for new customers but* ***to inform existing customers already enrolled in one of the programs*** *as well.*

PAO does recognize the problem of capacity and no new enrollments, at the moment, for SCE. PAO feels that issue can be resolved with a well worded disclaimer.

Thank you for your patience in allowing PAO time to come up with a proper solution and your cooperation with that decision."[8]

The PAO followed its mandate to resolve the dispute, and SCE followed the direction of the PAO, working with CPA to draft a mutually agreeable disclaimer for its JRM. The inclusion of SCE's Green Rate Program on the JRM did not mislead customers but rather, as stated in the PAO's decision, was in the public's interest and, with a well-worded disclaimer, was informative for customers. The PAO correctly observed that the JRM is not intended as marketing material – whereas the Final Draft Report incorrectly assumes that the JRM markets to customers. Also, the PAO correctly observed that the JRM is informative not only for new customers but for customers already enrolled on SCE's Green Rate – an aspect the Final Draft Report does not acknowledge.

3

The Final Draft Report fails to account for the fact that SBCE did not raise concerns to the PAO about including SCE's Green Rate in the JRM shown in Exhibit 3, or the reasons why SCE chose to include it and that all the while SCE had a disclaimer about the Green Rate program on its website, which is where the CPUC expects complete information to be available to customers. When the issue of including the Green Rate on the JRM was subsequently raised to the PAO by CPA, SCE and CPA complied with the PAO's direction, as required.

Accordingly, SCE requests that this Draft Finding be eliminated. If retained, it should be modified to better account for the facts and circumstances discussed above and moved to Finding 2 because it does not involve a CCR compliance matter.

B. SCE Disagrees that it Violated CCR 9 and this Draft Finding Should be Modified

The Final Draft Report concludes that "SCE generally complied with CCR 9 prohibiting electrical corporations from speaking or appearing to speak on behalf of any CCA program or making untrue or misleading statements related to CCA rates or service, except in two instances" described as an "untrue" statement regarding CCA terms and conditions of service and a "misleading" communication by an SCE call center representative.[9]

4

SCE's Response:

SCE disagrees with both draft Findings for reasons explained below.

---

[8] Email from PAO, dated July 27, 2022 (emphasis added).

[9] Final Draft Report, p. 11.

1. Draft Finding regarding One Call with CCA customer

SCE disagrees that it did not always comply with CCA Code of Conduct Rule 9 based on one employee's interaction that deviated from established company protocols.

CCR 9 prohibits an electrical corporation from speaking on, or giving the appearance of, speaking on behalf of a CCA or making untrue or misleading statements about a CCA's rates or terms and conditions of service. SCE developed and regularly trains[10] its Communications Center's Energy Advisors on protocols designed to comply with CCR 9. In particular, Energy Advisors are expected to remain neutral and factual about, and avoid offering opinions on, CCA programs and customers' choices regarding such programs. SCE expects all Energy Advisors to observe these protocols at all times when communicating with customers. SCE conducts random monitoring of Energy Advisors' calls for conformance to the protocols. SCE requires reinforcement trainings for any Energy Advisor and their supervisor whose communications deviate from established company protocols.[11]

Nevertheless, communications can be challenging for Energy Advisors when customers call in with little or no understanding of what a CCA program is and why / how they are being automatically enrolled in one. Such calls often occur when customers receive opt-out notices from a CCA program as required under SCE's Tariff Rule 23 or learn about their enrollment in a CCA program through other means. Some customers are upset about being automatically enrolled in a CCA program or suspicious about it because they have received no communication about it from their longstanding procurement provider, SCE.

The audit identified one (1) such call out of a sample of 368 calls. As is clear from the quoted segment of the call (at p. 11 of the Final Draft Report), SCE's Energy Advisor did not remain neutral in offering an opinion that the CCA program is less expensive than SCE's procurement service. Energy Advisors are not authorized to offer such opinions or to conduct rate comparisons; rather, CCA-SCE prepared joint rate comparisons are available to customers. SCE required this Energy Advisor and their supervisor to undergo additional training and coaching to reinforce SCE's CCA Code of Conduct protocols and SCE will continue to monitor and evaluate performance.

But finding human error in job performance should not be tantamount to finding that SCE violated the CCA Code of Conduct. The company has a robust compliance framework in place that includes written protocols for Energy Advisor communications with customers and appropriate, ongoing training and performance evaluations that reinforce the protocols' importance and the company's expectation of conformance thereto at all times. (4)

Thus, SCE disagrees that it violated the CCR 9 when an Energy Advisor inadvertently deviated from established company protocols in its communication with a customer and was given prompt corrective training. Moreover, the audit findings demonstrate that the deviation was an isolated incident and not a pattern or practice at SCE. The low observed error rate and SCE's robust compliance framework do not support a finding that SCE was not always in compliance with CCR 9.

SCE requests that this draft Finding be modified as follows:

---

[10] SCE trains Energy Advisors annually, requires additional trainings on an as-needed basis, and provides reminders all to reinforce the need for adherence to the CCA Code of Conduct protocols.

[11] Training, Training dates, Policies and Procedures were produced in response to Audit Data Request Set 2, Q.19 and Data Request Set 3, Q.29.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

However, the audit found that SCE identified and took corrective actions with respect to one written notice mailed to CCA customers and one interaction between a CCA customer and a SCE call center representative, did not comply with SCE's protocols for neutrality for CCR 9:[12]

One interaction between a CCA customer and SCE call center representative did not comply with SCE's protocols for neutrality ~~for CCR 9~~. In July 2022 . . . .[13]

As such, while SCE's compliance program is reasonably designed and implemented to ~~did not~~ comply with CCR 9 in this instance as its call center representative failed to remain neutral ~~provided misleading information~~ regarding the CCA's rates and service, which is ~~prohibited by CCR 9. According to SCE, the call~~ did not comply with SCE policies and procedures and was flagged in the utility's call analysis software as potentially requiring corrective action. SCE indicated that its Quality Assurance team discussed the call with the employee's supervisor to improve for future training and provided additional coaching and feedback to the employee.[14]

2. Draft Finding regarding Mass Enrollment Notices

SCE disagrees that it made an untrue statement to customers of two CCAs.

The incident involved an SCE letter to a small percentage of customer service accounts in the jurisdictional areas of two CCAs. The letter was automatically system-generated when SCE rescheduled the customers' automatic CCA enrollment date to fix an internal scheduling error. The letter informed the customers that SCE had previously confirmed their election to transfer to CCA service and notified the customer that the effective date of transfer had been rescheduled. SCE did not intend the letter to be sent and it caused customer confusion because some of these customers were unaware that they were scheduled to be automatically enrolled in a CCA program. However, the key information in the letter – that the customer's CCA transfer date was October 4, 2021 – was factually correct. SCE had, in fact, rescheduled the transfer date to fix an internal scheduling error, and so this statement was true.

In response to the resulting customer confusion and CCA complaint, SCE suppressed various automatic, system-generated CCA-related letters and worked with the CCAs to revise or decommission them. SCE also implemented an enhancement to the system to avoid this issue from occurring in the future. SCE provided the CCAs an investigation report. Contrary to the assertion of the Final Draft Report, SCE did *not* acknowledge in its report that the notice was incorrect.

Thus, SCE requests that the Draft Finding be modified as follows:

One notice mailed in error to CCA customers caused confusion ~~did not comply with CCR~~ 9. In August 2021, SCE's new automated Customer Service Re-Platform system inadvertently distributed a rescheduling notification with an inaccurate start date for CCA service to an estimated 14,000 potential CCA customers during the mass enrollment period of two CCAs. Specifically, the notice ~~inaccurately~~ stated that the CCAs mass enrollment date of November 2, 2021 had been rescheduled earlier to October 4, 2021; SCE had rescheduled the date to fix its own internal scheduling error; however, ~~enrollment date was not rescheduled —~~the October date was always the date planned for mass enrollment as reflected in pre-enrollment notifications the CCAs previously sent to the potential customers. As such, although unintentional, ~~SCE did not comply with CCR 9~~ SCE acknowledges that in this instance ~~as~~ it distributed ~~an untrue~~ in error a statement regarding CCA terms and conditions of service that caused customer confusion.

[12] Final Draft Report, p. 11.

[13] *See id.*

[14] Final Draft Report, p. 12.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

In a report to the Commission and the affected CCAs, SCE acknowledged that the notice was ~~incorrect and~~ sent in error. According to the CCAs, the timing and language of the notice resulted in widespread confusion and frustration among CCA customers.[15]

C. The Finding 1 Draft Recommendations Should be Modified

Based on the foregoing discussion, the Draft Recommendations in Finding 1 should be modified as follows:

To ensure SCE provides information [to] customers that is fair, accurate, neutral, and not misleading, ~~and to ensure SCE does not opt-out customers of CCA service,~~ the Commission should:

1. Direct SCE to include disclaimers in future joint rate mailers regarding the availability of its ~~advertised~~ programs, particularly if a program will, or is likely to be, suspended for new enrollment ~~unavailable~~ at the time the JRM is distributed. **[move to Finding 2]**

2. Instruct the PAO to not approve JRMs that ~~market~~ include programs that ~~may not be~~ are suspended for new enrollment ~~available~~ at the time of JRM distribution without the inclusion of disclaimers and should implement a process to retain JRM approvals. **[move to Finding 2]**

3. Direct SCE to continue efforts to monitor, review, and coach written and verbal communications to customers. Ensure notices to customers are accurate, not misleading, and SCE personnel refrain from discussing CCAs' rates and terms and conditions of service with customers.

4. ~~Consider modifying CCR 9 to specify that IOUs shall refrain from making any statements relating to both CCA *and IOUs* rates or terms and conditions of service that are untrue or misleading.~~

---

[15] Final Draft Report, p. 11.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

II. Finding 2 Is Based on Erroneous Facts and Assumptions and Should Be Modified

A. SCE Disagrees that It Did Not Adhere to Agreed-Upon Implementation Schedules and this Draft Finding Should be Eliminated

While not a CCR compliance issue, the Final Draft Report identifies issues that occurred related to the key transition activities, including adhering to agreed-upon implementation schedules.

SCE's Response:

SCE adhered to CCA implementation schedules once the start dates were agreed upon between SCE and the CCA. The CCA start dates that were changed were *not* agreed upon by SCE. SCE had good cause – and the Commission's approval – to change the start dates of the seven CCAs referenced in the Final Draft Report. SCE was undergoing a major billing system re-platforming with CSRP and was unable to accommodate the CCAs' unilaterally-selected start dates without risking customer service issues in the CCA's implementation start. SCE's Rule 23 provides SCE a right to negotiate CCA start dates. See for example:

6

- Rule 23, Section E.1.g, stating "The CCA and SCE shall agree to a mutually acceptable implementation schedule. ***The implementation schedule shall take into consideration and provide priority to required SCE system work***, which may include work related to mandated regulatory changes, customer service obligations, computer system integrity testing and maintenance." (emphasis added)

- Rule 23, Section F.3, stating, "The earliest possible date a CCA may implement CCA Service shall be the date the CCA has fulfilled all requirements in the applicable tariffs, including service establishment requirements set forth in this Rule, ***or the date the CCA and SCE agree is reasonable, whichever is later,*** unless stated otherwise in a Commission order or in a letter from the Commission's Executive Director." (emphasis added)

SCE exercised this right with these CCAs, negotiating in good faith with each of them, which culminated in five separate Agreements Regarding CCA Implementation and Resource Adequacy Compliance, which were reviewed and approved by the Commission in Resolution E-5051, dated February 27, 2020, approving the separate Agreements between SCE and CPA, Desert Community Energy, and Western Community Energy, and Resolution E-5159, dated October 7, 2021, approving the separate Agreements between SCE and California Coast Community Energy and Santa Barbara Community Energy. There is no evidence that the change in start dates "caused significant financial impacts" on the CCAs;[16] indeed, the Agreements were specifically negotiated and executed to address the financial impacts on the CCAs as a result of the change in their start dates and so the implication of the Final Draft Report that the CCAs did not address in the Agreements "significant financial impacts" is not credible.

In approving the five Agreements, the Resolutions found that "[t]he Agreements represent reasonable resolutions" of the issues concerning the changes in the CCA implementation start dates (Resolution E-5051 at p. 13; Resolution E-5159, p. 10)

---

[16] Final Draft Report, p. 19.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

SCE requests that this Draft Finding be eliminated because SCE did *not* fail to adhere to *agreed-upon* CCA implementation start dates.

B. The Final Draft Report Should Acknowledge SCE's Corrective Actions Regarding Customer Enrollments and Historical Usage Data

While not a CCR compliance issue, the Final Draft Report identifies issues that occurred related to the key transition activities, including enrolling all eligible customers into CCA service, and providing accurate historical usage data.

SCE's Response:

SCE acknowledges the missing enrollments, which were due primarily to data issues that have considerably improved. To account for these missing enrollments, SCE entered into settlements with impacted CCAs and implemented and continues to implement enhancements to improve data and processes. These issues primarily pre-dated the system conversion to CSRP. Since the new system has been in place, any accounts found to be potential missing enrollments are enrolled according to SCE's Advice Letter (AL)-4289-E, approved by the Commission in Resolution E-5136, dated April 15, 2021. The average monthly missing enrollment percentage has decreased significantly from 0.15% in 2021 down to 0.089% in 2023. The Final Draft Report criticizes the "All Customer" list for not providing CCAs opt out data, but the CCAs processed their opt outs, not SCE, and so CCAs should have the needed information.

7

SCE requests that this Draft Finding be modified as follows:

SCE acknowledged that missing enrollments is an ongoing issue due to technical issues or customer data inaccuracies. To provide context, SCE estimated that between October 2021 and August 2023 there were about 24,000 missing enrollments across the CCAs in its service area, representing between 1.5 and 2 percent of total CCA enrollments. Also, SCE began providing CCAs with a regular "All Customer" list on a weekly basis that the CCAs can use to identify any potential customers that were not enrolled into CCA service; <u>and according to SCE the average monthly missing enrollment percentage has decreased from 0.15% in 2021 down to 0.089% in 2023;</u> however, CCAs indicated that report does not provide all the needed data to easily identify potential missing enrollments~~, such as which customers have opted out~~.[17]

C. SCE Disagrees with Some Aspects of the Problems with Ongoing Operational Activities and Services in the Final Draft Report

While not a CCR compliance issue, the Final Draft Report identifies issues with some services and activities provided to the CCAs by SCE, including billing and payment processes.

SCE's Response:

1. Draft Finding regarding Delayed Bills

SCE acknowledges that in the normal course of operations, a small number of customers may experience billing delays due to metering and other billing system exceptions. To address this, SCE has Commission-approved Electric Tariff Rules and metering and billing procedures to detect and rectify various exceptions that may occur during the end-to-end billing process. SCE routinely coordinates its billing operations with the CCAs' back-office provider, Calpine, to support the timely issuance of invoices to customers. SCE's Electric Tariff Rule 17 governs SCE's obligations to adjust bills for Meter and Billing Errors. As the Final Draft Report notes (at p. 21,

8

[17] Final Draft Report, p. 19.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

fn. 10), Rule 17 Billing Errors are defined to include the failure to deliver a bill, actual or estimated, in a timely manner.

As explained on page 2 of this Response, Rule 17 requires SCE to render an adjusted bill to correct Meter and Billing Errors that result in overcharges, which bill adjustment shall not exceed three years; and Rule 17 permits SCE to render an adjusted bill to correct Meter and Billing Errors that result in undercharges, which bill adjustment shall not exceed three months for residential and Small Business customers and three years for all other customers. Below is the relevant tariff provision. Rule 17 does not just protect customers (e.g., it limits adjustments for undercharges); it also protects the utility (e.g., it limits adjustments for overcharges).

Importantly – given the Final Draft Report's focus on delayed / untimely bills – untimely bills will result in *undercharges*, not overcharges. And only *overcharges* can result in bill credits or refunds, as is clear from the highlighted tariff language:

> *Where SCE overcharges or undercharges a customer as the result of a Billing Error, SCE may render an adjusted bill for the amount of the undercharge, and shall issue a refund or credit to the customer for the amount of the overcharge for the period of the Billing Error, but not exceeding three years in the case of an overcharge for all service accounts, and, in the case of an undercharge, not exceeding three months for residential service to a SCE-metered Single Family Dwelling or Accommodation as defined in Rule 1, Definitions, not exceeding three months for a Small Business Customer, as defined in Rule 1 Definitions (or for a customer who certifies that it meets the California Government Code Section 14837 definition of "Micro-Business"); and not exceeding three years for all other service.*[18]

Thus, the Final Draft Report's concern that SCE does not automatically issue refunds or bill credits to CCA customers for untimely bills is unfounded. Rather, undercharges once identified have been fully corrected without limitation for CCA customers and so CCAs would not have lost billed revenues on account of untimely bills.

When SCE identifies Meter and Billing Errors, SCE adjusts bills to correct both SCE and CCA charges in accordance with Rule 17. However, as observed in the Final Draft Report (albeit described inaccurately), SCE does not limit the bill adjustments for Billing and Meter Errors to three months and three years for CCA customers absent the CCA's consent. This is because applying the bill adjustment limitations may impact the CCA's billed charges and/or billed revenues and so SCE requires the CCA to consent to application of those limitations before SCE will do so for CCA customers.

SCE notes that when it issues refunds or bill credits for overcharges under Rule 17, they are funded through the operation of SCE's balancing accounts, which recover SCE's authorized revenue requirements for its cost of service. In other words, Rule 17 does not hold SCE liable for Billing and Meter Errors corrected under Rule 17. Rather, even with the bill adjustment limitations in Rule 17, SCE continues to recover its authorized revenue requirements through its customer rates. This is why SCE disagrees that a CCA would have to lose revenue if it instructed SCE to adjust the CCA portion of the bill in accordance with Rule 17's limitations and without

---

[18] SCE's Rule 17, Section D (Sheet 3), available at TM2 - ELECTRIC_RULES_17.pdf - All Documents (sharepoint.com).

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

"reimbursement" from SCE.[19] Just as the Commission authorizes SCE to do for its procurement service, the CCAs recover the costs of their procurement service (their revenue requirement) by adjusting their rates annually or semi-annually, and these rate adjustments should, by design, address any under- or over-collections of the CCA's revenue requirement due to a variety of factors, including differences in forecast to actual retail sales, differences in forecast to actual resource production volumes and market revenues, and differences in forecast to actual billed revenues, including from billing error corrections.

2. Draft Finding regarding Holding Customer Payments

SCE acknowledges it holds CCA customer payments when a billing correction on a customer account is needed. Once the billing correction is resolved the payments are reapplied and remitted back to the CCA. To clarify, there is a debit to the CCA supplier account for the amount of customer payments that were reversed during correction, which subsequently results in other CCA customer payment credits not being remitted to the CCA's bank account for a few days until the CCA supplier account balance becomes a credit that is owed to the CCA. This will either be when the total amount of the other CCA customer payments received is above the reversed payment debit amount or if the billing correction is completed and all or a portion of the reversed payment is applied back to the CCA supplier account. The billing correction process can take up to a week to complete given the need for SCE to wait for revised CCA charges that may impact the amount of payment to reapply to the CCA supplier account, which SCE provides the CCA back office within a 4-day period after corrected usage data is sent.

(9)

Accordingly, SCE disagrees with the Final Draft Report's recommendation to require SCE to "apply credits or debits for billing error adjustments to upcoming bills and payments after the investigation is complete and the adjustment amount is determined." and to require "SCE to provide CCAs earnings on any CCA customer payments that are not submitted within one day of receiving the payments."[20] The Final Draft Report appears to recommend a process of offset, which raises concerns regarding accounting and enforcement. The Final Draft Report should stop short of these recommendations and allow its recommended task force to examine the matter.

D. SCE Disagrees that its Rule 23 and CCA Service Agreements Lack Clear Performance Standards and Service Expectations

The Final Draft Report states that "when two very different organizations with different systems, processes, and interests are required to work together on complex administrative efforts, it is not surprising that challenges and barriers to cooperation could arise."[21] Because of this, we find that SCE's Electric Rule 23 and service agreements with CCAs should be bolstered to set clear expectations to reduce potential conflicts and to provide a clear path for timely resolution when conflicts do arise."

SCE's Response:

SCE disagrees that its tariff rules and service agreements are inadequate and finds the discussion in this section one-sided. While acknowledging that requiring CCAs and IOUs to work together on "complex administrative" matters that create challenges that must be resolved, the Final Draft

(10)

---

[19] *See* Final Draft Report, p. 21, stating "CCAs indicated that not being reimbursed by SCE for delayed billing credits they issue in response to SCE's billing mistakes and errors causes them to lose significant revenue, which is particularly impactful on small CCAs."

[20] Final Draft Report, p. 23.

[21] Final Draft Report, p. 23.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

Report appears to assume that the resolution lies entirely with placing more obligations on the IOUs and none on the CCAs. SCE finds this view unreasonable.

SCE notes that its Electric Tariff Rules and tariffed, pro forma CCA Service Agreement and CCA Service Fees arose from formal, litigated proceedings culminating in one or more CPUC decisions, and have been reviewed and approved by the CPUC. To the extent SCE's performance standards and/or service expectations are modified, SCE's CCA Service Fees will likely also need to be modified. SCE notes that the Commission, by its own holdings, does not have jurisdiction to impose damages and so including liquidated damages in the tariffed CCA Service Agreement[22] would be improper.

E. The Finding 2 Draft Recommendations Should be Modified

Based on the foregoing discussion, the Draft Recommendations in Finding 2 should be modified as follows:

To facilitate effective working relationships and establish clear performance standards and service expectations, the Commission should:

5. Establish a task force that includes both SCE, CCA, and Commission representatives to:

   a. Identify ongoing operational issues and causes as well as proposed practical and timely solutions to facilitate a cooperative operational relationship.

   b. Bolster SCE's Electric Rule 23 and Service Agreements to set standards and expectations, including specific time-frames CCAs can expect to have issues resolved as well as remedies when service standards are not met. If service standards and expectations are increased, adopt necessary increases to CCA Service Fees.

6. Establish a uniform and consistent approach for handling ~~late~~ meter and billing errors ~~credits~~ across all IOUs that details and clarifies whether bill adjustment limitations ~~how late billing credits~~ should be applied to both bundled and unbundled customer bills and ~~that assigns the responsibility for bearing the costs associated with issued credits~~. if so, clarify that the CCA has the responsibility to adjust its rates to ensure it recovers its revenue requirement, as SCE does under Rule 17.

7. If a task force is formed, have it consider the feasibility of an offsetting process as recommended by the Final Draft Report, which is to require SCE to submit all CCA customer payments they receive within one day of receipt, as required by the tariffs, and apply credits or debits for billing error adjustments to upcoming bills and payments after the investigation is complete and the adjustment amount is determined and to~~. The Commission should also~~ require SCE to provide CCAs earnings on any CCA customer payments that are not submitted within one day of receiving the payments.

[22] *See* Final Draft Report, p. 24.

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

III. Finding 3 Is Based on Erroneous Facts and Assumptions and Should Be Modified

A. SCE Disagrees that Dispute Resolution Processes are Ineffective in Addressing CCR Compliance and Operational Issues

The Final Draft Report concludes that "the lack of performance standards and expectations" discussed in Finding 2 and "ineffective dispute resolution processes" have caused CCAs to report ongoing service issues and share a perception that IOUs lack a sense of urgency to fix problems and issues as they arise.

SCE's Response:

SCE strongly disputes that it does not act with a sense of urgency to fix problems and issues as they arise. SCE spends substantial time and resources addressing CCAs' daily needs. The matters are complex, as the Final Draft Report observes, and the CCAs have varying resources, capabilities and degrees of knowledge of SCE's tariffs and the electricity business, and so resolving problems is a daily, resource-intensive undertaking that must, by necessity, heavily rely on informal engagement and cooperation between the parties. It is unreasonable to assume that every potential issue can be addressed through the tariffs and service agreements, and the issues and their resolution will not be rendered less complex by adding more process.

SCE provided auditors evidence that it does promptly investigate allegations. Specifically, SCE produced a Report, dated October 26, 2021, describing in detail its investigation, findings, and improvement measures regarding CCA allegations that arose in 2021. SCE devoted significant time and effort to resolving the matters involved in the investigation and finds it unfortunate that the CCA apparently remains unsatisfied with SCE's response.

The Final Draft Report states that the "CCAs feel they are left to work out joint operational issues with IOUs themselves, placing them at the mercy of the IOUs and possibly incurring costs that more heavily impact a CCA because of its much smaller scale of operation as compared to that of an IOU."[23] SCE also, at times, feels "at the mercy" of requests by the CCAs that may not be possible based on SCE's current processes or may require significant SCE resources whose costs are not included in Service Fees, which are authorized on a forecasted basis in SCE's general rate case. Moreover, SCE perceives that the CCAs expect SCE to perform billing services perfectly; however, neither SCE's systems nor its human resources are designed to reach perfection, and SCE should not be penalized for falling short of perfection. SCE has and will continue to work with the CCAs in good faith to resolve issues as they arise, and is optimistic that as CCAs operate longer, the number of problems requiring resolution will decrease. (11)

SCE disagrees that Commission staff are passive. Rather, they reasonably expect the IOUs and CCAs to work together in good faith to resolve matters and, in SCE's view, they have provided appropriate support and guidance as necessary. It is unreasonable to assume, as the Final Draft Report appears to do, that the Energy Division can elevate to a priority every CCA informal complaint. (12)

[23] Final Draft Report, p. 26.

SCE further disagrees that the Commission does not offer reasonable due process for CCA allegations of compliance violations. In Decision 12-12-036 (the CCA Code of Conduct Decision), the Commission adopted CCR 22(c) to comply with Senate Bill (SB) 790. CCR 22(c) states,

Any CCA alleging that an electrical corporation has 1) violated the terms of its filed compliance plan or 2) has engaged in lobbying and/or marketing after filing an advice letter stating that it does not intend to conduct such activities, may file a complaint under the expedited complaint procedure authorized in § 366.2(c)(11).

The Commission explained:

"In addition to requiring the Commission to adopt a Code of Conduct, SB 790 requires the adoption of an expedited complaint procedure for disputes related to possible violations of an electrical corporation's violation of its obligations to CCAs under state law. SB 790 specifies that complaints filed by CCAs under the expedited procedure must be resolved within 180 days of the complaint's filing, with the possibility of one 60-day extension by Commission order, if necessary. . . . The complaint procedures adopted in this decision comply with the requirements of SB 790, and are designed to provide parties with due process opportunities while developing a sufficient record on which to decide the merits of a complaint. . . .

The rules do not prohibit any existing dispute resolution activities, and the Commission in general encourages parties to resolve disputes informally rather than filing a complaint, which is a resource-intensive process and imposes burdens on all parties as well as on the Commission. Not only do the rules and procedures adopted here allow such informal solutions, the requirements that parties attempt to meet and confer before a complaint is filed under this procedure and that parties prepare a joint case management statement before hearings are intended to encourage informal dispute resolution activities. We also remind parties that mediation under the Commission's Alternate Dispute Resolution Program may be available for both formal Commission proceedings and, in certain cases, to disputes expected to lead to formal Commission proceedings. The Rules contained in Attachment 1 provide appropriate flexibility to allow the Commission to process complaints efficiently and expeditiously, while ensuring that the due process rights of parties are preserved.

Similarly, we decline to include with the rules adopted here any specific penalties for breaches of the Code. The complaint procedure provides the appropriate venue in which to determine whether there was a violation of the Code of Conduct and the penalty for such a violation. Each complaint will be assessed on its own merits, and penalties, when appropriate, will be assessed based on the facts of the specific case. . . .

In addition, MEA and other CCA parties requested the elimination of the requirement that a CCA must make a good faith effort to meet and confer with a utility before filing a complaint under the expedited procedures adopted here. Given the expedited nature of the complaint process adopted in this decision, it is reasonable to ensure that all parties have an opportunity to understand and informally resolve issues before they are filed as formal complaints. As a result, we decline to make this requested change." D.12-12-036, pp. 30-32, 35.

The Commission expressly declined to adopt additional enforcement procedures. See e.g., D.12-12-036, pp. 24-25 (declining CCA's proposed modifications to Rules 7 and 22, which require electric utilities to respond to CCA requests and to provide CCAs with specific services on a non-discriminatory basis). The Commission concluded ***as a matter of law*** that the "expedited complaint procedures in Attachment 1 provide appropriate flexibility to allow the Commission to process complaints efficiently and expeditiously, while ensuring that parties' due process rights

DocuSign Envelope ID: FEEBF16A-79F2-46D8-B7D8-3028FD0D7E5E

are preserved." D.12-12-036, Conclusion of Law 5. See also Finding of Fact 14. As such, SCE is concerned with adding more process, as it may slow down resolution of operational issues that the CCAs and SCE necessarily must work out amongst themselves within the confines of the tariff and service agreement. As noted above, where issues cannot be resolved in a timely manner, the CCAs have the options to request alternative dispute resolution and/or file an expedited complaint.

Thus, SCE submits that the Commission's findings, conclusions of law and orders in D.12-12-036, which comply with California's law on the CCA Code of Conduct, outweigh the CCAs' purported perception that the adopted due process is "overly cumbersome, time consuming, and costly." It should be noted that other SCE customers avail themselves of CPUC complaint proceedings, some of which do not entail the expedited timelines afforded CCAs through the SB 790 complaint process. While D.12-12-036 encourages parties to resolve disputes informally rather than through a complaint, it also offers an alternative of mediation under the Commission's Alternate Dispute Resolution Program.

B. The Finding 3 Draft Recommendations Should be Modified

Based on the foregoing discussion, the Draft Recommendations in Finding 3 should be modified as follows:

To ensure that compliance with the CCRs is handled in a fair and independent manner and to optimize the effectiveness dispute resolution processes, the Commission should:

8. ~~Develop a process to identify and investigate possible CCRs violations rather than relying on IOUs and CCAs to work out compliance issues among themselves and implement consequences for noncompliance. The process should include making formal compliance violation determinations~~.

9. Establish a task force that includes CCA, SCE, and Commission representatives to discuss and identify any additional practical dispute resolution processes that will ensure timely solutions issues and comply with SB 790. If a task force is formed, have it consider whether implementing the Final Draft Report's recommendation of an independent and impartial Ombuds to investigate, manage, and track CCR compliance issues and take action to resolve the matters timely and/or assist in resolving disputes and conflicts between IOUs and CCAs is consistent with SB 790 and could be expected to provide incremental value in light of the associated costs.

~~10. Implement an independent and impartial Ombuds to:~~

  - ~~Investigate, manage, and track CCR compliance issues and take action to resolve the matters timely.~~
  - ~~Assist in resolving disputes and conflicts between IOUs and CCAs.~~

11. Ensure CCAs are aware of the ADR program and its benefits.

Comments

SJOBERG EVASHENK CONSULTING'S COMMENTS ON THE RESPONSE FROM SOUTHERN CALIFORNIA EDISON COMPANY

To provide clarity and perspective, we are commenting on the response to our audit report from Southern California Edison Company (SCE). The numbers below correspond with the numbers we have placed in the margin of its response.

1

In the Legislature's findings and declarations, under SB 790, Sec. 2(d), the Legislature declared that "The Public Utilities Commission has found that conduct by electrical ***corporations*** to oppose community choice aggregation programs has had the effect of causing community choice aggregation programs to be abandoned." (Emphasis added.) The inclusion of this statement in the report is not a material misstatement; rather, it is a restatement of the Legislature's SB 790 findings and declarations.

2

SCE's opinion that the discussion pertaining to SCE's inclusion of the Green Rate program on calendar year 2022 joint rate mailers is not a compliance issue, and therefore should either be eliminated or moved to Finding 2, pertaining to joint operational activities, ignores Objective 4 of the audit scope. Objective 4, as stipulated by the Commission, tasks the audit team with evaluating the effectiveness of the Code of Conduct Rules as the CCA program has matured. Further, the copy of the PAO email SCE provided notes, the joint rate mailer is "not for marketing or pushing of one or the other side's agenda". In the absence of a disclaimer Green Rate program was at capacity on at least two of the CCA joint rate mailers issued in 2022 SCE provided misleading communication by inferring that the Green Rate program, which had lower rates, was an available option to customers. The audit team acknowledges that in defining marketing under Rule 1 of the Code of Conduct, the CPUC excludes communications that are part of a specific program that is authorized or approved by the CPUC. While joint rate mailers, and the inclusion of the Green Rate, fall under this exclusion, the CPUC, in its decision adopting the Code of Conduct, noted that IOUs may violate the Code of Conduct, "...whether or not such interactions contain an explicit message discouraging participation in a CCA..." The audit report draws attention to a gap in the Rules, though not the intent of the Code of Conduct, in the following section, in that Code of Conduct Rule 9 prohibits IOUs from making misleading statements about CCA rates, though not an IOU's own rates. The audit team's identification of the issue relating to SCE's inclusion of the Green Rate program in calendar year 2022 joint rate mailers, and inclusion of this issue within Finding 1, effectively meets this objective.

3

The intent of Rule 3, per D.12-12-036, is to assist customers in making educated choices about their electrical provider. SCE's exclusion of this disclaimer in at least 2 of the 3 CCA's joint rate mailers reviewed for 2022 does not facilitate the ability of customers to make educated choices. As the copy of the PAO email SCE provided notes, the "PAO feels it is in the publics' best interest to keep the Green Rate in the mailer but include a disclaimer stating Mega Watt (MW) capacity has been reached". SCE did act in the public's interest by adding the disclaimer to one of the CCA's joint rate mailers, but did not include this disclaimer in at least 2 other CCA joint rate mailers reviewed by the audit team. We concur

with the PAO's reasoning for keeping the Green Rate in the joint rate mailer, pertaining to informing existing SCE Green Rate customers; however, existing CCA customers enrolled in equivalent/near-equivalent programs under compared CCA may falsely perceive the comparison as the Green Rate being open. To that effect, the PAO rightly acknowledges "the problem of capacity and no new enrollments." SCE fails to acknowledge that prior to the date of issuance of the joint rate mailers, as of June 2, 2022, SCE suspended enrollments for the program, and would have reasonably known, or should have known, that the program would not be available for customers, either SCE or CCA customers not already enrolled in SCE's Green Rate, at the time of joint rate mailers issuance. Whether or not a CCA filed a dispute about the inclusion is irrelevant to the conclusion that SCE should have added a disclaimer on all the CCA joint rate mailers because the Green Rate program was not available to customers.

4

While SCE believes that the call in question should not be considered a violation because it was “human error”, the fact remains that it violated the Code of Conduct and the audit team was tasked with verifying “...that each electrical corporation was in compliance with the rules set forth..." The Code of Conduct does not differentiate intent in the context of violations, only that the IOU either complied or did not. We concluded that the SCE generally complied with the exception of one case, out of 368 calls reviewed, to provide the reader with the magnitude of the issue.

5

SCE acknowledges that it sent a mass enrollment rescheduling notice to customers in the jurisdictional areas of two CCAs and that the CCAs’ transfer date had not changed. The audit does not contend that October 4, 2021 was not the correct date for the transfer; rather, SCE’s notice informed the potential CCA customers that the effective date of transfer had been rescheduled when in fact it had not changed. SCE notes that it had incorrectly changed the date within its system, and then changed the date back to the original date, that there was no untrue statement. However, in reporting the CCA’s transfer date, this is an untrue statement as the CCA had never rescheduled the date. This was, while reportedly unintentional, misleading to customers, and lead to a large degree of customer confusion and frustration. Further, SCE should not have communicated about CCA service; that is the domain of the CCA per the Code of Conduct.

Moreover, SCE’s request to revise the finding regarding the mass enrollment notice, reiterates a point made in Finding 2 of the audit report, of which SCE disputes in its written response—“The incident involved an SCE letter to a ***small*** percentage of customer services accounts in the jurisdictional areas of two CCAs.” (Emphasis added.). While 14,000 customers may represent a small percentage of potential customers in the context of SCE’s service territory (0.8 percent), these potential customers represented between 13 and 26 percent of the affected CCAs’ actual customers at that time.

6

SCE is incorrect in contending that Finding 2 is based on erroneous facts due to SCE’s Rule 23. While the audit team acknowledges that Rule 23 allows for implementation schedule changes, Rule 23 does not align with the guiding principles of the Code of Conduct, which states that the rules are intended to "facilitate the development of CCA programs", "foster fair competition", and "provide CCAs the opportunity to compete on a fair and equal basis with other load serving entities". Moreover, if SCE has such a great degree of flexibility in changing the originally agreed

upon implementation schedule, it negates the purpose of the original, agreed upon implementation schedule/plan. Moreover, 6 out of the 7 CCAs in SCE territory experienced launch delay, and the delays ranged from five to ten months.

7

SCE requests that the audit report acknowledge corrective action taken regarding mass enrollments and historical usage data. It is important to note that the audit team did not receive data such that they could verify the specific percentages related to the missing enrollment percentage decrease reported by SCE. However, the report did acknowledge that "SCE reported that missing enrollments have decreased from 2021 to 2023."

8

While SCE disagrees with some problems of ongoing operational activities and services we report, it does acknowledge problems. In reference to the finding regarding delayed bills, SCE states that "untimely bills will result in undercharges, not overcharges" and that "only overcharges can result in bill credits or refunds." However, as stated in the SCE's Electric Rule 17, "Where SCE overcharges or undercharges a customer as the result of a Billing Error, SCE may render an adjusted bill for the amount of the undercharge, and shall issue a refund or credit to the customer for the amount of the overcharge for the period of the Billing Error, but not exceeding three years in the case of an overcharge for all service accounts, and, ***in the case of an undercharge, not exceeding three months for residential service."*** Moreover, SCE contends that billing errors are "fully corrected without limitation for CCA customers and so CCAs would not have lost billed revenues on account of untimely bills", implying that all Billing Errors are corrected within the three-month time period. As noted in the audit report, Electric Rule 17 states that residential and small business customers are only responsible for the most recent three months of billed charges. However, SCE reported that there are 6,400 CCA customer accounts for which bills are currently delayed by 90 days or more. Furthermore, as the audit report describes on page 21, SCE reimbursed one CCA in December 2022 just over $30,000 for lost revenue associated with delayed bills, which acknowledges that delayed bills do, in fact, cause lost revenue to CCAs. Even in instances where CCAs do receive the full revenue due because a bill is delayed by less than 90 days, the CCA's cashflows are negatively impacted by the delay.

9

Additionally, SCE notes that CCAs can "recover the costs of their procurement service by adjusting their rates annually or semi-annually, and these rate adjustments should, by design, address any under- or over-collections of the CCA's revenue requirement…including billing error corrections." This translates to increased costs for CCA customers via increased electricity rates, meaning these customers are shouldering the financial burden of billing issues caused by SCE. Of note, California's two other major IOUs, SDG&E and PG&E, automatically provide delayed billing credits to their bundled customers for generation, transmission, and delivery charges and compensate the CCAs for the associated lost revenue. As noted in the audit report, these two IOUs indicated that there was not a process in place to determine which entity was responsible—the IOU or the CCA—for the billing delays, prior to applying credits, as typical delays are due to conditions outside of CCA control.

10

Additionally, current billing practices, specifically the withholding of customer payments, are directly in conflict with Electric Rule 23, which clearly details payment/billing procedures, including payment timelines. Specifically, SCE is required to remit payments to CCAs the next business day after receiving the payment from the customer. Note that, in the audit report, we

provided additional context for this finding and stated that "generally, SCE forwards payments to CCAs daily as payments are received from customers."

SCE disagrees that its “Rule 23 and CCA Service Agreements Lack Clear Performance Standards and Expectations” and comments that the audit report “appears to assume that the resolution lies entirely with placing more obligations on the IOUs and none on the CCAs” is incorrect. As noted in the audit report, the audit team is recommending the inclusion of basic performance standards and expectations, related to quality standards, timeliness, response time and penalties and remedies. These elements are typical of service agreements, which, as the audit report notes, are intended to “provide a basis for measuring performance, promote a shared understanding of what is required, and mitigate potential misunderstandings”. Also, it is important to note that CCAs are beholden to the IOUs in that they cannot go out for bid to seek alternative billing service providers, further highlighting the importance of including performance standards and expectations.

Regarding SCE’s comments about incorrect comments about the basis for Finding 3 of the audit report, SCE has misrepresented and misinterpreted the recommendations related to billing services. The IOU notes that “SCE perceives that the CCAs expect SCE to perform billing services perfectly; however, neither SCE’s system nor its human resources are design to reach perfection, and SCE should not be penalized for falling short of perfection”. As indicated on page 18, the audit report specifically does not reference all operational issues and challenges that were more appropriately characterized as rare, infrequent or inconsequential in the audit report and, instead, focused on significant issues (i.e. those that led to significant CCA revenue loss) for which CCAs were able to provide demonstrative evidence. As an example, the audit report cites one large commercial CCA customer that was not issued a bill for 17 months; the cumulative bill totaled about $750,000 once issued. As the billing service provider for the CCAs, SCE has an obligation to address issues as they arise; CCAs are beholden to IOUs in that they cannot go out for bid or seek alternative billing service providers, as would be the standard practice in a typical service provider-customer relationship.

11

Related to informal complaints, SCE misrepresents the recommendations provided in the audit report. As clarification, the audit team is not recommending that “the Energy Division can elevate to a priority every CCA informal complaint” as SCE states. Rather, the audit is referring to the specific situation in which informal CCA/IOU communications (i.e. “meet and confer”) do not yield satisfactory results, prompting the CCA to request CPUC assistance. During the audit period, which spanned four years between January 1, 2019 and December 31, 2022, there were two instances in which the aforementioned situation occurred.

12