BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.	Rulemaking 13-11-005

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) RESPONSES TO THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING FURTHER COMMENT ON UPSTREAM LIGHTING PROGRAM IMPACT EVALUATION FOR PROGRAM YEARS 2017 AND 2018 AND RESULTS OF THIRD-PARTY INVESTIGATION INTO THE UPSTREAM LIGHTING PROGRAM

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I. INTRODUCTION

Pursuant to Administrative Law Judge (ALJ) Fitch's April 3, 2020 Ruling Seeking Further Comment on the Upstream Lighting Program Impact Evaluation for Program Years (PYs) 2017 and 2018, and pursuant to the October 19, 2020 ALJ Ruling Granting Request for Extension of Time for Upstream Lighting Filing Schedule, SCE submits its updated comments on the Upstream Lighting Program and the results of the third-party investigation of the Upstream Lighting Program for PYs 2017-2019.

II. BACKGROUND

On January 9, 2020, ALJ Fitch issued a Ruling Seeking Comment on Upstream Lighting Program Evaluation for Program Year 2017 (Initial Ruling). The Initial Ruling sought comments on the findings and potential Commission action that might follow from the April 1, 2019 “Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector- Program Year 2017” impact evaluation report (2017 Impact Report), conducted by DNV GL Energy Insights USA, Inc.(DNV GL). The 2017 Impact Report found that, during 2017, potentially up to 80 percent of SCE’s Program lightbulbs may not have been sold to end use customers and were likely overstocked or missing entirely (Findings).[1] The Initial Ruling specifically sought input to the following five questions:

1. What remedies do you propose to address the findings of the "Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector – Program Year 2017," published April 1, 2019, by DNV GL, with respect to unaccounted-for lamps?
2. Should the Commission order refunds or other compensation to the ratepayers of SCE and SDG&E for the upstream lighting lamps that were unaccounted for in the 2017 program year? Explain your reasoning.
3. If refunds or compensation are warranted, how should the amounts be calculated? What are your proposed amounts? Provide and explain your calculations.
4. If refunds or compensation are warranted, what method or vehicle should be used to credit the appropriate amounts to ratepayers? Explain your approach.
5. Make any other comments or proposals related to the topic of the 2017 upstream lighting impact evaluation and its findings with respect to unaccounted-for shipments of lamps.

On January 31, 2020, SCE filed its response to the Ruling, requesting additional time to respond to the questions in order to conduct an internal investigation, incorporate the evaluation for PY 2018, and propose any remedies based on those additional facts.

On April 1, 2020, the Commission issued the Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector- Program Year 2018 conducted by DNV GL

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1 2017 Impact Report at 77; Initial Ruling at p. 4.

(2018 Impact Report). The 2018 Impact Report found that unusually large volumes of bulbs continued to be shipped to discount and grocery stores in SCE's service territory.[2] Specifically, the 2018 Impact Report found that nearly 90 percent of SCE's shipments went to these same two channels. Beginning in 2017, SCE focused its shipments to discount and grocery retailers in response to the 2015 Lighting Program Impact Evaluation Report[3] issued in 2016 by DNV-GL recommending that the IOU program administrators focus their efforts for the Lighting program on the hard-to-reach channels such as the discount and grocery retailers. Although SCE did not contest the 2017 or 2018 Impact Reports, SCE identified assumptions and allegations in the Reports that SCE believes have not been substantiated. SCE also willingly accepted the responsibility for program shortcomings noted in the Impact Reports and the Commission's disallowance of 60 percent of SCE's ESPI award for 2017 associated with the Program and 63 percent of the ESPI award for 2018 associated with the Program.

On April 3, 2020, the ALJ issued the Email Ruling Requesting Further Comment on 2017 and 2018 Upstream Lighting Programs (Ruling), directing SCE and SDG&E to respond to the questions in the Ruling by June 8, 2020 and adding PY 2018 to the scope of the Ruling.

On June 8, 2020, SCE filed the results of its internal investigation regarding PY 2017-2018 Upstream Lighting Program, which did not uncover evidence of widespread missing shipments, but found evidence of overstock and potential manufacturer violations of Program rules. SCE committed to continuing its investigation into any potential contract violations.

On July 17, 2020, the Public Advocates Office (Cal Advocates) and The Utility Reform Network (TURN) filed a Motion to Order a Shareholder-Funded Independent External Investigation of SCE's Upstream Lighting Program and Extend Time to File Comments to the Email Ruling.

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[2] 2018 Impact Report at p. 4.

[3] Response to Recommendations, Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector—Program Year 2015, at pp. 1-2 ("The IOUs should consider shifting more of their upstream lighting program incentives toward the non-big box channels (discount, drug, grocery, and small hardware) . . . .").

On July 22, 2020, SCE filed its response to Cal Advocates and TURN's Motion, agreeing that because SCE's internal investigation had relied primarily on forensic accounting of documentation for the Program, an external investigation would be appropriate. SCE further indicated Edison International's (EIX) independent Audit Services Department (ASD) would be responsible for retaining a third-party consultant to investigate all three program years, PYs 2017-2019. SCE requested that any decision regarding funding of an investigation wait until the results were complete and also indicated it was amenable to receiving input from Cal Advocates, TURN, and Energy Division (Stakeholders) on the scope of the third-party investigation.

On July 24, 2020, ALJ Fitch issued a Ruling Suspending Filing, setting October 30 as the date for SCE to file the results of its investigation. On October 19, 2020, SCE filed an unopposed motion for an extension to file its results to November 30, 2020, which was granted.

III.
SCOPE AND FINDINGS OF THIRD-PARTY INVESTIGATION

A. Investigation Scope

EIX's ASD engaged Deloitte & Touche, LLP (D&T or Deloitte), to investigate SCE's Upstream Lighting Program for PYs 2017-2019 (Analysis Period), focusing on retailers categorized as discount and grocery businesses that participated in the Program. "Big box" stores were not included in the scope as neither the 2017 nor the 2018 Impact Reports raised concerns about this aspect of the Program. SCE also engaged Stakeholders in developing the scope of work (SOW) for the investigation. The scope included, but was not limited to, performing interviews and analyses to identify potential gaps in controls, process discrepancies, and facts that would indicate potential variances or red flags in how the Program was implemented. The scope also included specific inquiries regarding:

- whether there was overstocking of lightbulbs;
- whether manufacturers falsified shipments;

- if there was either overstocking or falsified shipments, whether SCE personnel were aware of that activity, and
- whether manufacturer invoices to SCE were split in order to circumvent SCE's payment approvals or authorizations.

B. D&T Investigation Procedures

In order to analyze the identified scope, D&T performed various investigative procedures, including, but not limited to:[4]

1. Reviewed Program documentation and related information to develop D&T's understanding of the Program's operations. This information included, but was not limited to:
    a. Program policies and procedures;
    b. Various SCE responses to CPUC requests;
    c. SCE Program personnel organization charts; and
    d. Program operation related information, such as:
        i. Manufacturer allocation data,
        ii. Program Inspection Reports,
        iii. Manufacturer Invoice Packets, and
        iv. SCE payment data
2. Interviewed people knowledgeable of the Program, including:
    a. Twenty-nine current or former SCE employees who were directly or indirectly involved with the Program in order to enhance D&T's understanding of:
        i. how the Program operated during the Analysis Period,

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[4] D&T noted the limitations in their procedures, included, for example, the length of time that passed between the Analysis Period (which began in 2017) and the investigation, retailers no longer in business, lack of retailer records, inability to contact two manufacturers, no additional documentation available from shipping vendors, and unavailable data due to data retention policies in the normal course of business.

    ii. whether they had any concerns about the administration or execution of the Program during the Analysis Period, and
    iii. whether they were aware of any other potentially inappropriate activity related to the Program

b. Seven of the nine lightbulb manufacturers (two manufacturers were unresponsive or unable to be contacted) that provided lightbulbs to retailers in order to further D&T's understanding of:
    i. how they enrolled and interacted with retailers;
    ii. how allocation amounts were determined;
    iii. processes for delivering shipments;
    iv. process for submitting invoices to SCE; and
    v. whether retailers could refuse shipments, and if so, the process for picking up and/or reallocating the lightbulbs

c. Three of 22 third-party shippers that delivered lightbulbs to retailers to better understand:
    i. the activities and processes the shippers engaged in, with both the manufacturers and retailers;
    ii. whether they were aware of any overstock issues at the retailers; and
    iii. whether any retailers refused to accept lightbulb shipments, and if so, the process for handling.

3. In an effort to identify 50 retailers for on-site interviews and 35 to 50 retailers for telephonic interviews, D&T provided SCE a listing of 249 participating retailers (out of 1,534 unique Program retailers), 99 for on-site interviews and 150 for telephonic interviews. Of the 249 Program retailers, only 69 agreed to be interviewed, and the remaining 180 retailers either were unresponsive or declined to be interviewed.

a. For each on-site interview, ASD contacted the retailers and arranged the interviews. The 99 Program retailers for potential on-site interviews were judgmentally selected based on the following criteria:
    i. retailers with the highest increase of lightbulb allocations from the previous year;
    ii. retailers with the largest quantity of bulbs allocated in Program Year 2019 (the most likely to still have overstock);
    iii. retailers with allocations from more than one manufacturer in the same quarter;
    iv. retailers that had the same address but different names within the Commission's California Energy Data and Reporting (CEDARS) data;
    v. mismatched or reused photographs of retailer storefronts and/or Program lightbulb stock within manufacturer Invoice Packets; and
    vi. retailers identified as high risk by SCE personnel.
b. For each telephonic interview, ASD contacted the retailers and arranged the interviews. The 150 Program retailers for potential telephonic interviews were judgmentally selected by D&T through an analysis of CEDARS data that reported the:
    i. store types (e.g., some types of stores would not be expected to sell lightbulbs in the ordinary course of business (e.g., meat markets, caterers, fish and seafood markets, etc.);
    ii. geographic diversity;
    iii. which lightbulb manufacturer served that retail location; and
    iv. other judgmental selections.

4. Interviewed 69 Program retailers (41 by telephone and 28 on-site at their retail location) in order to better understand whether the retailers:
    a. sold lightbulbs (currently or during the Analysis Period);

b. participated in the Program;
c. experienced overstock or unwanted shipments of lightbulbs; and
d. if they refused lightbulb shipments.

5. Analyzed manufacturer Invoice Packets to identify potential instances of invoice splitting and/or falsified shipments.
   a. D&T analyzed the 532 Invoice Packets provided by SCE to determine if they appeared to have been split to avoid the SCE Vice President's review and approval which was required for all invoices greater than or equal to $500,000.
6. Analyzed Inspection Reports
   a. D&T analyzed the 1,078 Inspection Reports provided by SCE in an effort to identify potential issues identified and reported in such Reports during the following Program Years:
      i. Program Year 2017: 208;
      ii. Program Year 2018: 131 (completed in February or March 2019);
      iii. Program Year 2019: 728; and
      iv. Undated Inspection Reports: 11.
7. Conducted email analysis to better understand potentially relevant communications between SCE personnel involved in the operation and performance of the Program. Email data was collected for seven employees with Program information.

The collected email data was processed and filtered using date and search criteria in order to reduce the total population of emails from 1,665,543 documents to 13,730 documents that were reviewed by D&T.

C. **D&T Investigation Findings**

Based on the investigative procedures performed, D&T made the following summary observations:

1. **<u>Lightbulb Shipments</u>** – Based on the review of the 532 Invoice Packets associated with grocery and discount retailers, D&T did not identify evidence that manufacturers falsified lightbulb shipments, with the potential exception of one retailer, who reported two less shipments than the manufacturer reported. Due to the lack of adequate corroborating data and documentation, D&T was not able to confirm which data was correct.

In addition, of the 69 retailers interviewed (41 by telephone and 28 in-store visits), 67 stated they sold Program lightbulbs during the Analysis Period. The other two retailers, while not selling Program lightbulbs, did receive shipments, but either gave their lightbulbs away for free to customers or donated all of the lightbulbs.

D&T did identify various discrepancies in manufacturer-provided supporting documentation within nine out of the 532 Invoice Packets. However, D&T was unable to resolve the discrepancies through the interviews they conducted with manufacturers, shipping vendors, or retailers due to the lack of available corroborating data. The identified discrepancies include:

a. Duplicate photographs used for proofs of delivery on different dates.
b. Duplicate photographs used for different retailers.
c. Duplicate delivery driver and retailer signatures from proof of delivery documentation.
d. Proof of delivery documentation for one retailer did not match between the Invoice Packet and what was provided by the retailer.
e. Quantity of lightbulbs (and the number of corresponding shipments) delivered by a manufacturer to one retailer did not match the amount reportedly received per the retailer's data.

Additionally, from D&T's review of the 532 Invoice Packets, D&T identified evidence of potentially excessive number of daily deliveries. D&T identified 14 instances out of 1,032 total daily delivery routes/schedules in which the daily delivery route/schedule included a potentially excessive number of stops (ranging from 23 to 56 by a single driver).

2. Lightbulb Overstock – D&T identified 128 instances of overstocking[5] at retailers by lightbulb manufacturers.

a. Seventy-seven instances of overstock were reported in the 1,078 SCE Inspection Reports reviewed (4 instances for Program Year 2017, 28 instances for Program Year 2018, and 45 instances for Program Year 2019).

b. Fifty-one instances of overstock were identified during the 69 interviews with participating retailers.

c. The 128 instances of overstock identified correspond to124 out of 1,534 unique retailers (77 from Inspection Reports and 47 from the 69 retailer interviews).

3. SCE Awareness of Overstock – Certain SCE personnel were aware of overstock during the Analysis Period. During interviews, certain personnel told D&T they became aware that manufacturers had overstocked some retailers as early as:

a. 2017 and earlier: Inspections team

b. 2018: Management-level employee 2

c. 2019: EE Portfolio management

5 As defined in Policy and Procedures Manual 2, "overstocking" is defined as greater than three months of lightbulb stock at a retailer.

4. **Limited Upward Visibility of Inspection Reports** – There was limited upward visibility into Program inspection results for Program Year 2017.

   a. SCE's Quality Assurance (QA) team removed Program inspection results from the quarterly Portfolio management reporting in 2013, purportedly at the request of Management-level employee 1. No evidence was identified that provided an explanation for why the results were removed. According to Portfolio management, inspection results were only visible to the Management-level employee, as they relied on the Management-level employee to run all aspects of the Program. In February 2019, the Inspection Results Dashboard was reinstated, which helped to improve upward visibility of Inspection Results.

   b. Program inspections were not conducted for Program Year 2018 until February 2019. According to Management-level employee 2, this was due to the transition between Management-level employees.

5. **Retailers Not Adhering to or Understanding Program Rules** – D&T's review of the Inspection Reports for the Analysis Period and interviews with retailers identified instances where retailers did not adhere to, or understand, Program rules.

   a. Of the 1,078 Inspection Reports reviewed, D&T identified 37 instances (involving 28 unique retailers of the total 1,534 unique retailers) of retailers giving away lightbulbs for free. This was a violation of Program rules.

   b. Of the 69 retailers interviewed, 31 retailers stated they both sold some Program lightbulbs and gave away some Program lightbulbs for free, while two retailers stated they did not sell any Program lightbulbs, but rather gave them all away either to customers or to charity. Eleven retailers stated that they had "little to no understanding" of the Program or its rules.

6. **Invoice Splitting** – D&T did not identify evidence of manufacturer invoices being split in an effort to circumvent SCE's invoice approval processes (e.g. SCE Vice President's review and approval was required for all invoices greater than or equal to $500,000).

IV.
SCE'S RESPONSES TO RULING QUESTIONS

Based on the scope and findings of the Deloitte investigation, and also in consideration of the 2019 internal SCE audit[6] and SCE's internal investigation results,[7] SCE responds as follows to the Ruling questions.

1. **What remedies do you propose to address the findings of the 2017 and 2018 impact evaluations of the Upstream Residential Lighting programs with respect to unaccounted-for lamps?**

A. Unaccounted for Shipments

As discussed above, D&T's investigation concluded that, based on the review of the 532 Invoice Packets, except potentially one retailer, D&T did not identify evidence that manufacturers falsified shipments. In addition, D&T interviewed 69 retailers, both by telephone and on-site, and all 69 confirmed bulbs were delivered, with 67 stores confirming selling bulbs, and two stores indicating they had given away or donated the bulbs, but had received the shipments. While D&T's review of invoices did find limited instances of discrepancies, such as duplicate photographs and signatures, and mismatched delivery documentation and quantity of

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6 *See*, SCE's Responses on Upstream Lighting Impact Evaluation Year 2017, January 31, 2020, at. pp. 4-5.

7 *See*, SCE's Responses to the ALJ's Ruling Seeking Further Comment on Upstream Lighting Program Impact Evaluation for PYs 2017-2018, June 8, 2020.

bulbs, it is important to note that these discrepancies were found in only 9 of the 532 Invoice Packets, or approximately 1.7 percent of the total number of Invoice Packets.

Further, out of 1,032 daily delivery routes/schedules contained in the 532 invoice packages, D&T identified only 14 instances of potentially excessive deliveries, or approximately 1.4 percent.

B. Overstock

The Deloitte investigations did not identify any evidence of fraud or collusion between or among SCE employees and/or manufacturers. The D&T investigation also did not find evidence of invoices being split in an effort to circumvent SCE's invoice approval processes.

Rather, the investigation findings describe instances of gaps in program management and lack of oversight with respect to overstocking at the discount retailers that should have been mitigated through more stringent and diligent program management practices. In that regard, SCE must assume responsibility for not taking sufficient action on the overstock issues identified in its own inspection reports in 2017 and 2018. Although in 2019 SCE implemented rules to limit multiple manufacturer shipments to retailers and other measures (described below) in an effort to mitigate the overstock issues, those actions came throughout the year and did not eliminate all 2019 overstocking.

That said, SCE did effectively manage aspects of the program. While D&T's report identified SCE's program management shortcomings with respect to discount retailers, they also noted things SCE did correctly, such as requiring supporting documentation from manufacturers to confirm light bulb shipments.

C. Program Management, Program Controls and Improvement Measures

In 2019, SCE made several improvements to the program to address the overstock issue. The D&T report found that in February 2019 improvements were made to allow upward visibility of the program's inspection results; that in the latter parts of PY 2018 and early PY 2019, SCE implemented a rule allowing only one manufacturer to ship lightbulbs to each retailer in order to mitigate the overstock issues; and that SCE continued to track and engage in ongoing dialogue with SCE's inspections team to continuously gauge inventory levels at retailers. In addition to the improvements identified by the D&T report, SCE made the following program improvements in 2019:

- For manufacturers that SCE found not fulfilling their obligation to accurately determine retailer sales rate, SCE tracked manufacturer allocations, shipments and store information to limit shipping quantities or disallow new allocations.
- In areas where there was a high concentration of retailers and market saturation, SCE sent internal inspectors to review stocking levels and store participation.
- SCE adjusted the timing of bulb allocations in 2019 and halted shipments in grocery and discount retailers in October 2019.
- SCE developed a Duplicate Detection Field which limits the shipping to one manufacturer per retailer.

SCE in no way seeks to excuse its prior gaps in program oversight in the Upstream Lighting program for grocery and discount retailers. While the Upstream Lighting Program is now closed, SCE has already taken significant steps across its Demand Side Management (DSM) portfolio[8] to improve the quality of other programs, and increase internal processes, oversight and controls. Specifically, SCE is holding all program leaders accountable for addressing any process or control gaps within their program and is increasing inspection practices across its DSM portfolio. Management is also fully engaged with SCE's Inspection Team and the inspection processes and has visibility of the routine updates on program related inspections and reviews. SCE is also conducting training for all team members working on the DSM portfolio to increase knowledge about contract management, program and process controls, and operational requirements in consultation with ASD. Simply put, what happened with the Upstream Lighting Program is not acceptable to SCE, and SCE will correct matters with all due speed.

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8 SCE's DSM portfolio includes the Energy Efficiency program, Demand Response program, and Energy Savings and Assistance program.

D. Potential Program Violations By Manufacturers

While D&T's investigation did not conclude that manufacturers falsified shipments, except potentially one retailer, the investigation did find instances of potential manufacturer violations of Program rules. For example, manufacturers used duplicate photographs of a retailer's exterior and interior lightbulb displays for two different invoice packets associated with two different shipments on different dates, and signatures from the delivery driver and the retailer found in supporting documents appeared to be identical. Also, one of the 69 retailers interviewed by D&T maintained delivery data from 2017-2019 and provided this information to D&T. The data showed, among other things, 29,720 fewer lightbulbs received than the amount the manufacturer reflected in its invoice packets submitted to SCE. The data also showed a total of eight shipments received by that retailer from the manufacturer, but the invoice packet submitted by the manufacturer to SCE reflected ten shipments.

The D&T investigation also identified potentially excessive daily deliveries. Based on D&T's findings, these deliveries in a single day do not appear to be feasible. Lastly, the D&T investigation identified 11 of the 69 retailers interviewed stated that they had "little to no understanding" of the Program or its rules. The manufacturers were responsible for educating retailers about the program rules, both at the inception of their participation and at least once every six months.

E. SCE's Proposed Remedies

Coupled with the improved program management processes described above, SCE proposes a financial remedy of $6.9 million, composed of refunding Efficiency Savings and Performance Incentive (ESPI) awards to customers and SCE shareholders bearing the costs of the D&T investigation.

SCE proposes the use of the ESPI mechanism as the appropriate mechanism to address the program performance issues identified in the 2017 and 2018 Impact Reports and the D&T investigation. The ESPI mechanism is intended to be performance based and, as such, reflects performance and achievement of Commission goals. Considering the findings discussed above, SCE acknowledges that its management of the grocery and discount retailer component of the program does not merit SCE earning the associated ESPI earnings. While the program provided value to customers and to the market by successfully supporting the transformation of the lighting market from incandescent bulbs to compact fluorescents and then to light-emitting diodes,[9] returning the remaining incentive awards received for the grocery and discount retailers component of the program appropriately reflects the impact upon program quality from the program management practices and overstock issues. ESPI is essentially SCE compensation and reflects the value of SCE's performance for managing the lighting program, and SCE believes that, based on the program findings for the discount and grocery outlets, it should forego all ESPI associated with such grocery and discount retailers for the relevant years. That should not, however, diminish the fact that the program in-and-of itself supported important Commission goals and helped transform the lighting markets. SCE's management errors should not undermine the value provided by the Program.

As noted above, SCE's ESPI earnings for 2017 and 2018 have already been reduced by 60 percent and 63 percent, respectively, for discount and grocery retailers. SCE proposes that, in addition to the $13.3 million prior reductions to ESPI earnings for 2017 and 2018,[10] SCE will refund all of the ESPI earnings it received associated with lightbulb shipments to discount and grocery retailers. This amounts to an additional $6.1 million[11] and assures that SCE does not receive any incentive compensation for those years for the discount and grocery retailer portion of the program.

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[9] 2018 Impact Report, at pp. 66-67.

[10] 2020 Request of SCE for Efficiency Savings and Performance Incentive Award, September 1, 2020, at p. 7

[11] Based on an estimated percentage of grocery and discount retailers for which SCE received energy savings in the 2017 and 2018 Impact Reports, SCE estimates that the portion of the 2017 ESPI award for the lighting program that can be attributed to grocery and discount retailers is approximately $4.7 million. For 2018, SCE estimates that the portion of the 2018 ESPI award that can be contributed to grocery and discount retailers is approximately $1.4 million.

SCE did not and will not earn any ESPI for PY 2019 for the lighting program, and therefore does not have further ESPI earnings to refund for that program year. Had there been such an award, SCE likewise would have proposed to refund it consistent with the PY 2017 and 2018 awards. In addition, it is important to note that, as shown in the D&T report and discussed above, several improvements were implemented in PY 2019 to address the program management issues identified for 2017 and 2018.

In addition to the $6.1 million of ESPI incentives, SCE also proposes that the total cost of the D&T investigation, approximately $800,000, will be borne by SCE shareholders, for a total of $6.9 million. Lastly, SCE continues to investigate potential remedies for any third-party contract violations and will pursue recourse as appropriate.

2. Should the Commission order refunds or other compensation to the ratepayers of SCE and SDG&E for the upstream lighting lamps that were unaccounted for in the 2017 and 2018 program years? Explain your reasoning.

As described in response to Question 1, in addition to the $13.3 million of prior reductions to its ESPI earnings for 2017 and 2018, SCE will refund $6.1 million in ESPI awards. Additionally, SCE shareholders will bear the cost of the $800,000 associated with the D&T investigation. Because the issues identified are program management and related overstocking issues, the appropriate remedy should be directly tied to the earnings derived from the ESPI performance mechanism.

3. **<u>If refunds or compensation are warranted, how should the amounts be calculated? What are your proposed amounts? Provide and explain your calculations.</u>**

See response to Question 1. SCE's position remains that compensation should be in the form of reduction to SCE's ESPI earnings, and the calculations should be based on reducing ESPI incentive amounts to reflect the 2017 and 2018 Impact Reports for grocery and discount retailers, as well as SCE's own inquiry, and D&T's investigation.

4. **<u>If refunds or compensation are warranted, what method or vehicle should be used to credit the appropriate amounts to ratepayers? Explain your approach.</u>**

See response to Question 1. ESPI is the appropriate method or vehicle to provide for the refunds or compensation for the reasons discussed above.

5. **<u>Make any other comments or proposals related to the topic of the 2017 and 2018 upstream lighting impact evaluations and their findings with respect to unaccounted-for shipments of lamps.</u>**

SCE has no further comments or proposals.

V.
<u>CONCLUSION</u>

SCE appreciates the opportunity to respond to the questions related to the Upstream Lighting Program and the additional time the Commission allowed SCE to conduct the third-party investigation. SCE takes responsibility for the program management issues identified in the D&T investigation and requests the Commission adopt SCE's recommended refunds of the 2017 and 2018 ESPI award associated with the grocery and discount retailers, as the ESPI mechanism properly accounts for SCE's suboptimal performance.

Respectfully submitted,

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