

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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**COMMENTS OF THE UTILITY REFORM NETWORK
RESPONDING TO SOUTHERN CALIFORNIA EDISON COMPANY'S
UPSTREAM LIGHTING PROGRAM INVESTIGATION AND ADDRESSING
APPROPRIATE REMEDIES FOR THE UTILITY'S CONDUCT**

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I. INTRODUCTION

On January 9, 2020, the Commission issued *Administrative Law Judge's Ruling Seeking Comments on Upstream Lighting Program Impact Evaluation for Program Year 2017* (January 9 Ruling), which summarized the alarming findings in the “Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector – Program Year 2017” (2017 Impact Evaluation), conducted by DNV GL Energy Insights USA, Inc. (DNV GL), and published on April 1, 2019. DNV GL’s findings, as discussed in the Ruling, include the following:

- Combined, SCE and SDG&E shipped more than 10,000 discounted light bulbs each to more than 170 different stores, with a few stores receiving more than 150,000 light bulbs at an individual store.¹
- The market could not have supported the volume of sales that the 2017 program data reported as shipped. SCE’s and SDG&E’s reported shipments of lamps combined were about three times the number of statewide sales of lamps in 2017.²
- In the discount and grocery store channels, approximately 80 percent of SCE’s program bulbs and 95 percent of SDG&E’s program bulbs may not have been sold to customers and were likely overstocked or missing entirely. These discrepancies made up roughly 60 percent of SCE’s and 80 percent of SDG&E’s total upstream lighting program bulbs.³
- In all, approximately 15 million lamps, including CFLs and LEDs, could not be tracked by the DNV GL evaluators. DNV GL accordingly adjusted the savings claims by SCE and SDG&E to reflect the unaccounted-for lamp shipments.⁴

¹ January 9 Ruling, p. 3.

² January 9 Ruling, pp. 3, 5.

³ January 9 Ruling, p. 4.

⁴ January 9 Ruling, p. 6. *See also* January 9 Ruling, p. 5, Table 2 (showing the evaluator’s adjustments per utility for bulbs shipped to discount stores, grocery stores, and remaining channels). As the January 9 Ruling explains at p. 3, “DNV GL committed to continue to investigate in the 2018 program year

- Assuming a \$1 discount for CFLs and \$3-4 for LEDs, the incentive amounts associated with the 2017 lamps that could not be tracked would be approximately \$55 million for SCE and SDG&E combined. But because DNV GL found a lack of transparency about incentive amounts paid to manufacturers, the incentive amounts could have been higher.⁵
- Although SCE's and SDG&E's savings claims were heavily discounted in the impact evaluation due to the number of lamps unaccounted for, "utility ratepayers still ultimately paid for the costs of the program."⁶

The January 9 Ruling solicited comments from SCE, SDG&E, and other interested parties concerning how the Commission should address the findings in the impact evaluation.⁷

On April 3, 2020, ALJ Fitch issued *Email Ruling Requesting Further Comment on 2017 and 2018 Upstream Lighting Programs*. This ruling amended the January 9 Ruling to also encompass the "Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector – Program Year 2018" (2018 Impact Evaluation), conducted by DNV GL, and published on April 1, 2020. It also adopted a schedule including additional comments following each utility's completion of an investigation of its Upstream Lighting Program. Following subsequent schedule changes, SCE submitted the results of its investigation and recommendations for remedies on November 30, 2020.

Pursuant to ALJ Fitch's October 19, 2020, *Email Ruling Granting Request for Extension of Time for Upstream Lighting Filing Schedule*, which set due dates of January 20, 2021, for comments and February 19, 2021, for reply comments in response to SCE's submission, The Utility Reform Network (TURN) respectfully submits these comments. As explained below,

evaluation what has been happening to unsold lamp stock in discount and grocery stores in SCE and SDG&E service territories.").

⁵ January 9 Ruling, p. 6.

⁶ January 9 Ruling, p. 7.

⁷ January 9 Ruling, pp. 7-8.

TURN recommends that the Commission:

- (1) Conclude that SCE imprudently managed the Upstream Lighting Program in 2017, 2018, and at least part of 2019;
- (2) Order remedies for SCE's conduct, including a refund of Program expenditures, a refund of Energy Savings Performance Incentive (ESPI) awards, and a fine for misleading the Commission by reporting energy savings from the Program in amounts that SCE knew, or should have known, were unreliable because of overstocking of Program bulbs at hard-to-reach retail channels;
- (3) Order SCE to provide, at shareholder expense, whistleblower training and adopt other measures to encourage its employees to be effective stewards of ratepayer funds and timely and effectively report utility conduct that violates the Commission's rules, regulations, requirements, and orders, including but not limited to activities that employees suspect are unsafe, unlawful, or dishonest; and
- (4) Expand and promote its own Whistleblower program, and explore the possibility of using any fine paid by SCE in this case to establish a Whistleblower reward pilot program.

II. SCE IMPRUDENTLY MANAGED THE UPSTREAM LIGHTING PROGRAM IN 2017, 2018, AND AT LEAST PART OF 2019.

TURN has reviewed the report prepared by Deloitte & Touche LLP (D&T) following its investigation of SCE's Upstream Lighting Program (Program), also called the Primary Lighting Program, during program years 2017, 2018, and 2019, including all supporting exhibits appended to the D&T Report. These documents provide ample evidence that SCE imprudently managed the Program in at least three regards. First, SCE implemented changes to Program practices that directly undermined the effectiveness of Program quality control procedures.

Second, SCE failed to fulfill the program requirement to prevent, detect, and remedy overstocking of Program lightbulbs at hard-to-reach retailers. Third, SCE failed to ensure that participating retailers were aware of and complying with requirements to sell Program bulbs, a program requirement intended to increase the likelihood that Program bulbs would end up in sockets in SCE's service territory and function as an EE resource.

TURN has attached two of the exhibits relied on by D&T to these comments to ensure that the Commission and parties can access the documents relied on by TURN in preparing these comments. Those exhibits are Exhibit A.004 (Attachment 1) and Exhibit A.035 PUBLIC REDACTED (Attachment 2).

A. SCE Implemented Program Changes that Directly Undermined the Effectiveness of Program Quality Control/Quality Assurance Procedures.

The D&T Report discusses three changes to Program quality control practices impacting Program integrity in the 2017-2019 period. Two of those changes related to on-site inspections of retail stores that received shipments of bulbs from manufacturers, while the third related to SCE's review of invoice packets from manufacturers. All three increased the likelihood that reported Program energy savings would be unreliable.

1. SCE Reduced Program Accountability for On-Site Inspection Results in 2013 and Completely Suspended Inspections in 2018.

Quality control for the Primary Lighting Program depended on on-site visits to retailers to enforce Program requirements, referred to as "inspections." SCE explained its "Enhanced Inspection Plan to improve quality control and quality of energy savings" under the section for "Quality Assurance Provisions" in SCE's Program Implementation Plan (PIP) on file with the Commission. As described by SCE in its PIP (originally submitted in support of its 2013-2014

EE Program Plans):

- The upstream quality control will be based on participating program manufacturers' invoice for buy-down incentive. The sampling frame will be based on volume of invoices submitted to the program team for processing. The actual quantity of inspection and review will depend on program activity volume. In all cases, the program team will strive to maintain a 90/10 Confidence/Precision level. As a minimum, the program inspection will include the following: review program qualification implementation, review validity of the product SKUs submitted to invoice, and addition on-site visits to enforce signage and stocking implementation as necessary.
- The details of this implementation will be resolved by early 2013. The goal here is to strive for 90/10 quality control confidence and precision, while not having duplication of inspection efforts.⁸

SCE's Program Policies and Procedures Manual indicates that the Program "requires inspections of retail sites to observe the level of compliance with Program rules and requirements."⁹ The Program relied on on-site inspections to verify manufacturer shipping and delivery reports, collect data about the number of products on the floor and in inventory, assess "whether retailers might have more product than they could reasonably sell in the coming two to three months" (overstocking), collect data on retailer compliance with display requirements, and otherwise remind retailers of program rules.¹⁰ According to SCE's Primary Lighting Inspection Procedure, inspectors were expected to ask retailers about "suspect quantities" of bulbs, which could include overstock conditions; discrepancies between manufacturer shipping/delivery reports and product quantities at the store; products given away to customers, donated to organizations, sold to resellers, transferred to stores outside of SCE's service territory, priced

⁸ SCE-13-SW-005C Program Implementation Plan, Version 2 (start date July 31, 2017), pp. 28-29; Version 1 (start date June 29, 2016), pp. 89-90, available at <https://cedars.sound-data.com/documents/history/279/>. SCE originally submitted this PIP in support of its 2013-2014 EE Program Plans.

⁹ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 3-4, 11 of 21.

¹⁰ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 3-4 of 21.

without the full incentive being applied; or displays without required SCE-authorized signage.¹¹

Inspectors were then required to communicate suspect quantities on SCE's Inspection Worksheets and in any databases used.¹² Certain inspection results, including overstock findings, were flagged in these reports for follow-up and resolution by the inspector and/or SCE's Program Manager.¹³ Where "products at the retailer site exceed three times the monthly sales rate, the problem is considered urgent and deserving of Program Management intervention."¹⁴

Inspections were particularly important during Program years 2017-2019 for quality assurance, specifically regarding foundational Program assumptions linking shipments from manufacturers to retail sales, without which energy savings will not occur. Following the "Impact Evaluation of 2015 Upstream and Residential Downstream Lighting Programs," conducted by DNV-GL and published on 4/1/17 (2015 Impact Evaluation), SCE (like SDG&E and PG&E) shifted more of their Upstream Lighting Program incentives towards the non-big box channels, including discount, drug, grocery, and hardware retail stores, to minimize program freeridership and maximize unit energy savings.¹⁵ Recognizing that these "hard-to-reach" retailers were unlikely to have adequate point-of-sale or inventory systems to accurately track sales, SCE permitted manufacturers to submit invoices for payment of incentives based on

¹¹ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 10-11 of 21.

¹² D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, p. 10 of 21.

¹³ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 18-19 of 21.

¹⁴ D&T Report, Exhibit A.004, SCE Primary Lighting Handling Inspection Problems Procedure, p. 2 of 9.

¹⁵ Impact Evaluation of 2015 Upstream and Residential Downstream Lighting Programs, DNV-GL, 4/1/17 ("2015 Impact Evaluation"), p. 9 (Recommendation 3); 2017 Impact Evaluation, p. 180 (SCE comments on draft 2017 Impact Evaluation, "With the recommendation to ship lighting to these channels [recommended by the 2015 Impact Evaluation] in mind, SCE's focus has been to drive the lighting allocations towards smaller stores and away from big box retailers.").

shipping data, rather than retail sales data.¹⁶ With this change in invoicing requirements, SCE needed to know whether in-store conditions suggested that the quantity of bulbs SCE's ratepayers were paying for was likely to end up in sockets in SCE's service territory.

The D&T Report indicates that SCE completely stopped conducting inspections in 2018.¹⁷ This change was a major deviation from SCE's Primary Lighting Inspection Procedure. Not only were inspections to be conducted throughout the year,¹⁸ but SCE's Program Manager was generally expected to "collect and review inspection findings" *weekly or as new data are available*, and determine, assign, or request follow-up inspections or other activities "[w]eekly or as new Initial Inspection Worksheets are received or the Follow-up database is updated."¹⁹ D&T reports that SCE halted inspections because the inspections database, which served as the source of selecting retailers for inspections, became nonfunctional in 2018 and was not operational again until early 2019.²⁰

This quality control failure might have been detected and remedied by other EE management, but for another troubling change that had occurred several years earlier in 2013. Until 2013, Program inspection reports were included in the "Inspection Results Dashboard" provided to other EE managers on a quarterly basis. The Inspection Results Dashboard was a

¹⁶ D&T Report, p. 5; p. 7 ("We did not include retailers in the "big-box" or national chain categories [in D&T's investigation], as these participating retailers were under the sales data approach rather than the shipment data approach."). See also Response of SDG&E to ALJ's Rulings Seeking Comments on Upstream Lighting Program for Program Years 2017 and 2018, 6/8/20, p. 3 (similarly explaining that manufacturers were provided the option in 2017 to invoice SDG&E using shipment data, rather than sales data, for hard-to-reach retailers).

¹⁷ D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 2 ("We discovered that we did not do any inspections in all of 2018."), p. 3 ("In 2018, there were no inspections completed.").

¹⁸ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 5-6 of 21.

¹⁹ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, p. 20 of 21 (italics added).

²⁰ D&T Report, p. 13; See also D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 3 of 7.

Quality Assurance tool created in the early 2010s to consolidate inspection results from different EE programs in the Portfolio.²¹ In 2013, the Program inspection reports were removed from the Dashboard at the request of the Program Manager, without any explanation identified by D&T, thus limiting what the D&T Report calls “upward visibility” of Program quality assurance issues like overstocking.²² After that change, inspection results were only visible to the Program Manager, not EE Portfolio management, who relied on the Program Manager to run all aspects of the Program.²³ The D&T Report does not address whether any Program staff reported the stop in inspections to other supervisory staff or SCE management during 2018 (aside from efforts by Program Manager 2 to have the inspections database rebuilt in the summer of 2018²⁴). We only know that Program inspection reports were excluded from the quarterly Portfolio Management reporting.²⁵

In February 2019, SCE decided to add the Program inspection reports back into the Inspection Results Dashboard to increase visibility into the Program’s quality assurance issues.²⁶ This decision flowed from inquiries from the Commission’s 2017 Impact Evaluation team that led to SCE’s review of inspections from 2017, discovery that 2018 savings claims might be vulnerable because of the lack of any inspections that year, and SCE EE personnel wondering how that omission went undetected by EE Portfolio management given the quarterly Inspection

²¹ D&T Report, p. 15 (based on D&T’s interview with the QA Principal Manager).

²² D&T Report, p. 4.

²³ D&T Report, p. 4.

²⁴ See D&T Report, p. 14; Exhibit A.035 PUBLIC REDACTED, p. 3 of 7.

²⁵ D&T Report, p. 15 (discussing Exhibit A.035).

²⁶ D&T Report, p. 15.

Results Dashboard reports.²⁷

2. In 2016 SCE Drastically Reduced the Time for Staff to Review Invoices Submitted by Manufacturers Before Paying Them.

Another Program quality control requirement intended to ensure Program integrity was the “Invoice Packet” review process conducted by SCE staff before paying manufacturers for bulbs shipped to participating retailers.²⁸ An Invoice Packet is a collection of documents submitted by manufacturers to SCE to demonstrate eligibility for payment of incentives for bulbs shipped to participating retailers.²⁹ Manufacturers were required to include the following documentation, among other information, in Invoice Packets: the total quantity of bulbs shipped, proof of delivery and/or bills of lading from the 3rd party shipper, and photographs of the Program lightbulb displays at the retailer and the retailer’s storefront.³⁰

According to SCE’s former Quality Assurance Principal Manager, who left SCE in 2016, careful review of bills of lading was key to ensuring that products were delivered to stores because of limitations in retailers’ inventory and sales records.³¹ Review of bills of lading could indicate any number of issues, including unrealistic shipping vendor daily delivery counts.³² Invoice Packets could also raise flags about bulb allocations and the risk of overstocking, if

²⁷ See D&T Report, Exhibit A.035 PUBLIC REDACTED (showing internal discussions among SCE personnel in January and February 2019 about discovering the lack of inspections in 2018, wondering why this was not obvious from the quarterly Dashboard reports, then learning of the 2013 decision to exclude Program inspections from the Dashboard, and finally, agreeing they should be added back).

²⁸ See D&T Report, Exhibit A.010, SCE Primary Lighting Program Analyst Invoice Review Desk Procedure, “Quality Control Review”.

²⁹ D&T Report, p. 2, fn. 11.

³⁰ D&T Report, p. 6; D&T Report, Exhibit 010, pp. 5-6 of 15.

³¹ D&T Report, pp. 12-13.

³² D&T Report, pp. 12-13.

photographs revealed small stores with limited shelf space for bulbs (or duplicate photographs, calling into question whether the store sold bulbs at all). While on-site inspections were designed to uncover these problems, they covered only a sample of participating retailers.³³ SCE had visibility into store conditions for all retailers through Invoice Packets.

D&T learned from interviews that the initial quality control review of Invoice Packets and supporting documentation took approximately 20 minutes per Invoice Packet.³⁴ However, in 2016, SCE reduced the time for staff to review each Invoice Packet by 75 percent, from 20 minutes to 5 minutes, including time for scanning the first five pages of the Invoice Packet.³⁵ D&T was informed that this dramatic reduction in quality control review time “was due to the result of SCE organization-wide Operational Excellence decisions, which led to a large layoff.”³⁶ Thus, at the same time that SCE shifted the program to emphasize hard-to-reach retailers and permitted manufacturers to submit Invoice Packets based on shipping data (instead of sales data), SCE dramatically reduced the time for staff to perform quality control review of Invoice Packets.

B. SCE Did Not Fulfill the Program Requirement to Prevent, Detect, and Remedy Overstocking.

D&T found evidence of lightbulb overstock in its interviews with retailers and review of Inspection Reports. Interviews with SCE staff and review of SCE internal emails further indicated significant overstock. Overstocking could have resulted from unreasonable bulb allocations, which were the responsibility of the Program Manager, or shipments from manufacturers to retailers that exceeded authorized allocations, among other possible causes.

³³ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, p. 4 of 21.

³⁴ D&T Report, p. 11.

³⁵ D&T Report, p. 12 (attributing this information to Analyst 1).

³⁶ D&T Report, p. 12.

SCE was responsible for detecting and remedying both of these potential causes of overstocking through its Quality Control procedures (On-Site Inspections and Invoice Packet Review). SCE has not provided evidence that it did so, at least not prior to the actions taken in 2019 in response to the 2017 Impact Evaluation process (plus a few actions taken later in 2018 following the arrival of a new Program Manager).

1. Overstock Conditions Are Well Documented.

D&T interviewed 69 out of 1,534 unique retailers that participated in the Program between 2017 and 2019.³⁷ Fifty-one out of these 69 retailers identified overstock (73.9%).³⁸ More than 33 of the 69 retailers said they gave Program lightbulbs away for free, in violation of program rules, in part to eliminate their overstock.³⁹ D&T mentions that one retailer still had overstock from the Program (in mid-2020) and asked D&T to take the bulbs away.⁴⁰

D&T reviewed 1,078 Inspection Reports provided by SCE, including 208 for Program Year 2017, 131 for Program Year 2018 (conducted in February or March 2019), 728 for Program Year 2019, and 11 that were undated.⁴¹ This population represented a portion of Inspection Reports from the 2017-2019 Program period. SCE conducted 969 initial inspections in 2017.⁴² The D&T Report does not provide the total number of inspections conducted in 2019 for Program Year 2018 or for Program Year 2019. Just over seven percent of the 1,078 Inspection

³⁷ D&T Report, pp. 8-9.

³⁸ D&T Report, p. 13.

³⁹ D&T Report, p. 13.

⁴⁰ D&T Report, p. 13.

⁴¹ D&T Report, p. 9.

⁴² D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 4 of 7.

Reports reviewed by D&T cited overstock.⁴³ The percentage was highest for the Program Year 2018 inspections, which were not conducted until February and March 2019.⁴⁴ As explained above, SCE did not conduct any inspections in 2018. D&T reviewed 131 Inspection Reports for Program Year 2018 and found overstock reported in 28 of them (21.4%).⁴⁵

During its interviews with SCE staff and review of internal SCE emails, D&T learned that SCE's inspection team frequently identified overstock issues.⁴⁶ SCE's Supervisor of Inspections (Inspector 2) estimated that overstock occurred at approximately 15% of retailers.⁴⁷ Although Inspector 2 communicated overstock issues to the Program Manager through Inspection Reports, in-person weekly team meetings, and via e-mail, Inspector 2 reported not being aware of any action being taken by SCE to resolve the overstock issues, at least not during the tenure of Program Manager 1, which ended April 30, 2018.⁴⁸

Other SCE personnel discussed overstock in the 2017 Program in an email exchange included in the D&T Report, dated January 18, 2019:

Also, SCE had an internal group performing inspections. I checked with PSO on Thursday and found that they conducted 969 inspections in 2017. And OSS (third-party inspections) had also completed 91 secondary visits. A lot of the inspections showed overstock, both from the original and secondary inspections. I have no records [of] program intervention after the inspections.⁴⁹

Attached to that email is an example of an initial inspection worksheet from August 9, 2017,

⁴³ D&T Report, p. 13.

⁴⁴ D&T Report, p. 13.

⁴⁵ D&T Report, p. 13.

⁴⁶ D&T Report, p. 13 (based on the interview of Inspector 2).

⁴⁷ D&T Report, p. 13.

⁴⁸ D&T Report, pp. 13-14, 21.

⁴⁹ D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 4 of 7.

where the inspector included the following general comments:

Customer requests no new deliveries. There are about a dozen full pallets of our lightbulbs still in storage. This is not a big box store, and they do not have the display space to move amount of product they received. Customer would like some of his product taken back. Please follow up with customer about what he can do.⁵⁰

2. SCE Was Aware That the Shift in Program Emphasis from Big Box Stores to Hard-to-Reach Channels Required a Thoughtful Approach to Allocating Incentives to Retailers to Avoid Overstock.

The 2015 Impact Evaluation recommended that the utilities “consider shifting more of their upstream lighting program incentives towards the non-big box channels to minimize freeridership and maximize UES [unit energy savings],” advice that SCE followed.⁵¹ The study authors cautioned, “However, we acknowledge that these channels are not capable of moving a large volume of program-discounted lamps as quickly as the big box channels, so some effort may be required to strike the appropriate balance between program effectiveness and volume.”⁵²

SCE’s Program Manager was responsible for allocating the Program incentive budget to manufacturers and retailers and reallocating incentives as necessary based on Program circumstances.⁵³ SCE’s procedures for determining how allocations would be distributed included considering factors like building square footage, retailer type, and historical sales data for the retailer, among other factors.⁵⁴ If allocations to retailers were inappropriately high

⁵⁰ D&T Report, Exhibit A.035 CONFIDENTIAL, p. 5 of 7. SCE authorized TURN via email on 1/20/21 to disclose this language and the date of the inspection, both of which are redacted in the PUBLIC REDACTED version of Exhibit A.035.

⁵¹ 2015 Impact Evaluation, p. 9 (Recommendation 3).

⁵² 2015 Impact Evaluation, p. 9 (Recommendation 3).

⁵³ D&T Report, Exhibit A.004, SCE Primary Lighting How to Allocate Funds Procedure, pp. 1-3 of 4; Exhibit A.007, SCE Primary Lighting Roles and Responsibilities Standard, p. 2 of 5.

⁵⁴ D&T Report, Exhibit A.004, SCE Primary Lighting How to Allocate Funds Procedure, p. 2 of 4.

relative to potential sales volume at the store, on-site Inspections should reveal Program bulb overstocking (or other types of “suspect quantities”).⁵⁵ Unless, of course, SCE stopped conducting inspections.

As the 2017 and 2018 Impact Evaluations demonstrate, SCE did not strike the appropriate balance between increasing sales in the hard-to-reach channels and managing stock in these channels.⁵⁶ In comments on the Draft 2017 Impact Evaluation, issued on March 1, 2019, SCE told DNV GL that it had implemented actions to better manage stock at hard-to-reach retailers and would continue to do so in response to the draft report.⁵⁷ In response to the Draft 2018 Impact Evaluation issued a year later on March 1, 2020, SCE similarly reported:

As noted in its response to the 2017 impact evaluation, SCE has taken corrective action to implement process improvements and strengthen controls for the remainder of the Program term. This includes limiting the amount of shipments to small retailers and added controls to prevent shipments from multiple manufacturers to the same retailer. SCE also increased inspections and redistributed excess light bulbs to other retailers.⁵⁸

SCE bears responsibility for the errors in judgment regarding initial incentive allocations to hard-to-reach channels. Moreover, SCE bears responsibility for failing to correct excessive allocations where overstock occurred.

3. SCE Provides No Evidence that It Fulfilled Its Duty to Detect and Remedy Overstock in 2017 and Provides Evidence of Only Very Limited Detection and Corrective Action in 2018.

Overstock was considered an “urgent” Program quality control issue according to SCE’s

⁵⁵ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 10-11 of 21.

⁵⁶ 2017 Impact Evaluation, pp. 152-153, DNV GL Response to Comment SCE-1.

⁵⁷ 2017 Impact Evaluation, pp. 152-153, DNV GL Response to Comment SCE-1.

⁵⁸ 2018 Impact Evaluation, Response to Comments, DNV GL Response to Comment SCE-1.

Primary Lighting Inspection Procedure, requiring corrective action.⁵⁹ While overstock conditions are well documented by D&T's investigation, SCE offers no evidence that it followed its Program protocols for responding to overstock in 2017.⁶⁰

Further, SCE limited its ability to detect overstock conditions in 2018 by ceasing the inspection program entirely that year. The Program procedure for inspections indicates, "During an inspection, the Inspector always checks for overstocking."⁶¹ Ending inspections prevented SCE from detecting and remedying overstock conditions to ensure that Program funds were being prudently spent. It is difficult to comprehend the lack of any apparent adverse reaction among SCE EE personnel to this major erosion in Program quality control and departure from the PIP, at least before Program Manager 2 came on board in May 2018.

As D&T points out, the exclusion of Program inspection reports from the EE portfolio quarterly Inspection Results Dashboard since 2013 limited upward visibility of the absence of inspections.⁶² In an SCE internal email exchange in early 2019 that followed conversations with the Commission's 2017 Impact Evaluation team, SCE EE personnel expressed surprise to learn that no inspections were performed in 2018. Residential EE Portfolio Manager 1 told Quality Assurance Manager, "We have a situation in which the CPUC is looking into potential overallocation of CFLs. We discovered that we did not do any inspections in all of 2018."⁶³ Even so, there were Program personnel with this knowledge. Quality Assurance Manager later

⁵⁹ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 18-19 of 21; D&T Report, Exhibit A.004, SCE Primary Lighting Handling Inspection Problems Procedure, p. 2 of 9.

⁶⁰ D&T Report, Exhibit A.004, SCE Primary Lighting Handling Inspection Problems Procedure, pp. 3 to 4 of 9 ("Procedures for Handling Overstock").

⁶¹ D&T Report, Exhibit A.004, SCE Primary Lighting Handling Inspection Problems Procedure, p. 2 of 9.

⁶² D&T Report, p. 15.

⁶³ D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 2 of 7.

updated Residential EE Portfolio Manager 1, “I am also doing some additional research on my end with the inspection team to find out if they have any insight into inspections not being completed; I would imagine stopping that many inspections should have triggered something.”⁶⁴ Moreover, it is disconcerting that EE management did not inquire about missing Program inspections. By 2017, net savings from the Program represented 15% of total portfolio net energy savings reported by SCE to the Commission.⁶⁵ This percentage increased to 17% in 2018.⁶⁶

Program Manager 2, who started in that position on May 1, 2018, took efforts to resume inspections by requesting that the inspections database be rebuilt when she discovered it was nonoperational in the summer of 2018.⁶⁷ Even so, relief was slow to come. SCE was still in the final stages of rebuilding the database at the end of January 2019, and inspections could not resume until February 2019.⁶⁸ It is unclear why this effort – critical to Program quality control and assurance – took so long.

Moreover, it is unclear why SCE did not disclose the lack of inspections to the Commission in its Program savings reporting for Program Year 2018. Upon learning that no inspections were conducted in 2018, SCE Quality Assurance Manager observed in an email on February 8, 2019, to Residential EE Portfolio Manager 1:

As I mentioned, given that no inspections took place in 2018, we’ll have a weaker position to stand behind our savings claims. If the program had conducted inspections in 2018 and found overallocations, the amount of claimed savings

⁶⁴ D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 1 of 7.

⁶⁵ 2017 Impact Evaluation, pp. 1-2.

⁶⁶ 2018 Impact Evaluation, p. 2.

⁶⁷ D&T Report, p. 13; D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 3 of 7.

⁶⁸ D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 3 of 7; D&T Report, p. 13.

could have been different.⁶⁹

Even without inspections, SCE was aware of overstock in 2018. D&T heard about overstock in 2018 during its interview of Program Manager 2. Program Manager 2 observed overstock during a ride along with a manufacturer shortly after starting the job, in June or July 2018. Program Manager 2 reported raising concerns about potential overstock for the first time in a discussion with the immediate supervisor, Residential EE Portfolio Manager 1, after the ride along.⁷⁰ During the interview with D&T, Residential EE Portfolio Manager 1 could not recall Program Manager 2 raising overstock concerns at that time.⁷¹

Once inspections resumed in 2019, Program Manager 2 learned of additional instances of overstock at retailers identified by the inspections team and visited select retailers with an inspector in February or March of 2019.⁷² Program Manager 2 again told D&T that she verbally raised concerns about overstocking with Residential EE Portfolio Manager 1 after these visits, but once again, Residential EE Portfolio Manager 1 did not recall learning of these concerns.⁷³ Nonetheless, the D&T Report shows that EE personnel beyond Program Manager 2, including but not limited to Residential EE Portfolio Manager 1 and EE Portfolio Manager, became aware of overstock problems in the 2017 Program and the elimination of inspections in 2018 in an internal email exchange in January 2019, even if they were not previously aware.⁷⁴

⁶⁹ D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 1 of 7.

⁷⁰ D&T Report, p. 14.

⁷¹ D&T Report, p. 14.

⁷² D&T Report, p. 14.

⁷³ D&T Report, p. 14.

⁷⁴ D&T Report, Exhibit A.035 PUBLIC REDACTED, pp. 2 to 5 of 7, emails between 1/15/19 and 1/30/19.

While SCE presents no evidence that it remedied overstocking discovered in 2017 inspections, Program Manager 2 told D&T of implementing two practices to address overstocking “in the latter parts of Program Year 2018 and early Program Year 2019.”⁷⁵ First, she implemented a rule allowing only one manufacturer to ship lightbulbs to each retailer. Second, she rejected allocation requests to retailers where Inspection Reports identified overstock issues.⁷⁶ Later in 2019, after a ride along with a different manufacturer on October 15, 2019, she asked the manufacturer to remove the overstock from the five retailers they visited – one of which had 13 unopened pallets of lightbulbs stacked up to the ceiling.⁷⁷ She then worked with SCE internal counsel to put the manufacturer on notice that they were at risk of exclusion from the Program if they did not act immediately to remove overstock from the five retailers, after SCE confirmed that the manufacturer had forged documents from the five retailers saying that the overstock was resolved.⁷⁸ These actions were appropriate and consistent with the responsibilities of the Program Manager; it’s too bad they did not happen earlier, when other SCE personnel had knowledge of overstock issues.

C. SCE Did Not Fulfill the Program Requirement to Ensure that Retailers Were Aware of and Complying With Program Requirements Regarding the Sale of Bulbs.

As explained in Section II.A above, one of the purposes of inspections was to verify that retailers understood and were complying with Program rules requirements, including the

⁷⁵ D&T Report, p. 14.

⁷⁶ D&T Report, p. 14.

⁷⁷ D&T Report, p. 15.

⁷⁸ D&T Report, p. 15.

requirement to sell Program bulbs.⁷⁹ Program protocols required inspectors to educate retailers about program requirements, including leaving a one-page handout that addressed the requirement to sell not giveaway bulbs.⁸⁰ Where initial inspections flagged “suspect quantities” of bulbs, such as bulbs given to customers without charge or donated to charities or community organizations, inspectors were required to alert Program staff for follow-up and resolution.⁸¹ The Program Manager had the responsibility to forward initial inspection reports to the Program vendor for follow-up inspections.⁸²

D&T reports that 2 of the 69 retailers it interviewed after June 2020 said they did not sell Program lightbulbs but either gave them away for free or donated them to a religious organization, in clear violation of the Program rules.⁸³ Another 31 stated that they both sold some Program bulbs and gave some away for free, also violating Program rules.⁸⁴ Eleven of the 69 reported having “little to no understanding” of the Program or its rules.⁸⁵ D&T noted that many of the participating retailers were no longer in business or transferred ownership after the analysis period (January 1, 2017 through December 31, 2019), which limited their investigation.⁸⁶ The 2017 Impact Evaluation team, which interviewed retailers a year and half earlier in late January to early February 2019, were told by 11 of the 34 interviewed grocery and

⁷⁹ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 3-4, 10-11 of 21.

⁸⁰ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 9-10 of 21.

⁸¹ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 10-11 of 21.

⁸² D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, p. 7 of 21.

⁸³ D&T Report, pp. 3, 16. D&T says that it began data collection and analysis in June 2020 but does not indicate when it conducted telephone and on-site interviews with retailers. *Id.* at pp. 2, 8-9.

⁸⁴ D&T Report, p. 16.

⁸⁵ D&T Report, p. 16.

⁸⁶ D&T Report, pp. 1, 10.

discount stores participating in SCE's Program that they had not sold any light bulbs in the past three years.⁸⁷ D&T also found 37 instances of retailers giving away lightbulbs for free during its review of 1,078 Inspection Reports.⁸⁸

SCE offers no evidence that it followed its Program protocols to remedy instances of retailers violating sale-of-bulb requirements discovered during inspections in 2017 and 2019. Further, its failure to conduct inspections in 2018 prevented it from even discovering these issues that year, contrary to the Quality Assurance Provisions in SCE's PIP and its Program procedures.

D. Questions Remain Regarding the Extent to Which SCE Program Employees Reported Concerns About Overstocking to Other SCE Employees and Whether SCE Encouraged Such "Whistleblowing" to Improve Program Integrity.

Problems with the integrity of the Upstream Lighting Program resulted from failures among key SCE personnel to ensure that Program procedures were followed, course corrections were timely implemented, and Program quality assurance results were transparent within SCE. The damage from SCE's mismanagement could have been avoided, at least in part, had employees reported concerns sooner and/or with more persistence, until someone was willing to listen and act.

The D&T Report provides several examples of people expressing concerns to their supervisors or colleagues, without following up to ascertain whether their concerns were garnering the appropriate attention within the EE organization. For instance:

- Program Manager 2 told D&T that she twice discussed her overstock concerns with the Residential EE Portfolio Manager 1, but these reports did not gain traction, as Residential EE Portfolio Manager 1 reported not recalling the concerns.⁸⁹ Moreover, Residential EE

⁸⁷ 2017 Impact Evaluation, pp. 21-22 (also cited in D&T Report, p. 7).

⁸⁸ D&T Report, p. 16.

⁸⁹ D&T Report, p. 14.

Portfolio Manager 1 and other EE Portfolio Management staff told D&T that they became aware of the overstock issues only upon the issuance of the 2017 Impact Evaluation and ASD Audit Report it inspired in the first half of 2019.⁹⁰ This delay in “awareness” harmed both SCE and ratepayers by delaying the critical program reforms SCE implemented in the last year of the program, 2019.⁹¹

- Inspector 2 told D&T that he communicated overstock issues to Program Manager 1 all the time, through the inspection reports, at weekly in-person meetings, and via email.⁹² Although he was not aware of SCE taking any action to solve the overstock issues after his reports, he did not notify anyone more senior than Program Manager 1.⁹³ Had he done so in 2017, one would hope that EE Portfolio Management would have responded quickly in a manner similar to their response two years later in 2019, when they restored program quality assurance protocols and procedures and restored the visibility of Program inspections through the Inspection Results Dashboard.
- The Quality Assurance team removed the Program inspection reports from the Inspection Results Dashboard at the request of Program Manager 1 in 2013.⁹⁴ If anyone expressed concern about this, such concerns did not gain traction. Had this decision been reversed earlier than 2019, overstock issues in the Program would have been directly communicated to a wider audience, beyond the inspectors and Program Manager, and hopefully would have been promptly resolved.

Why didn’t SCE staff follow-up on or escalate their concerns? Were they afraid to question the judgement of others? Were they afraid of retaliation? Were they disinterested because it was “someone else’s job to deal with the issue”? None of these answers should satisfy the Commission. When ratepayers pay for EE programs through utility rates, they do so with the reasonable expectation that the utility will prudently manage those programs. Doing less is a breach of the utility’s obligation to its customers.

The D&T Report correctly recounts that SCE invited TURN and the Public Advocates

⁹⁰ D&T Report, p. 15.

⁹¹ D&T Report, p. 15.

⁹² D&T Report, p. 14.

⁹³ D&T Report, p. 14.

⁹⁴ D&T Report, p. 15.

Office to provide feedback on the draft work plan for D&T.⁹⁵ Among the feedback offered by TURN was the recommendation that D&T investigate the following:

The extent to which SCE employees reported concerns or complaints about the Upstream Lighting Program contracting, invoicing procedures, internal controls, and other issues related to the scope of the audit; and when, how, and to whom such reports were made;

How SCE supervisors or other employees receiving such complaints or reports responded, including but not limited to how such complaints/reports and responses were tracked, whether complaints/reports were dropped or escalated to higher levels, as well as how much time passed between the report/complaint and the response; and

How SCE encouraged or discouraged energy efficiency program staff in general, and Upstream Lighting Program staff in particular, to report suspected misuse of ratepayer funds or lapses in SCE's internal controls.⁹⁶

When TURN discussed these recommendations with SCE by telephone on August 19, 2020, SCE assured TURN that all of these issues would be covered by the investigation. However, the D&T Report does not address the final issue at all, giving us no new insight. Thus, we are left with reacting to what we can observe from what D&T does address.

Given the persistence of the serious management shortcomings in the Program in 2017 and 2018, it is clear that SCE needs to change the workplace culture for the EE Portfolio staff to encourage people with concerns about program integrity to report and, where necessary, escalate their concerns. Staff should feel safe and be rewarded for promptly bringing to light quality control and assurance issues that may otherwise be ‘siloe’d’ within a program, with limited visibility by EE management. Otherwise, SCE may once again waste ratepayer dollars and deprive its customers of the economic and environmental benefits that EE funding is intended to

⁹⁵ D&T Report, p. 1, referring to the Draft Work Plan in Exhibit A.001.

⁹⁶ Email from Hayley Goodson, TURN Staff Attorney, to Paul Kubasek, SCE Regulatory Affairs Principal Manager, 8/13/20 (providing feedback and recommendations on SCE’s proposed scope of work for the independent investigation of SCE’s Upstream Lighting Program).

deliver.

III. SCE MINIMIZES ITS CULPABILITY FOR THESE SIGNIFICANT BREACHES AND OVERSTATES THE SIGNIFICANCE OF ITS VOLUNTARY REMEDIAL ACTION IN 2019.

SCE's conduct in responding to the Commission's concerns about the Upstream Lighting program is relevant to the Commission's assessment of the remedies that are appropriate under the circumstances.⁹⁷ Here, SCE minimizes its culpability by selectively summarizing the findings in the D&T Report. SCE also fails to acknowledge the full extent of its own responsibility for problems observed by D&T, even where D&T did not address it expressly.

For instance, SCE recounts its awareness of overstock as follows:

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.⁹⁸

However, Inspector 2 told D&T that he regularly reported overstock conditions to the Program Manager (Program Manager 1) in 2017, thus strongly indicating that Program Manager 1 knew or should have known about overstock.⁹⁹ Similarly, Program Manager 2 reported to D&T that she informed the Residential EE Program Manager about her concerns about overstock in June or July 2018.¹⁰⁰

⁹⁷ See D.98-12-075, pp. 35-39 (factors to consider in the penalty analysis).

⁹⁸ SCE Responses to Ruling and Results of Its Investigation into the Upstream Lighting Program, 11/30/20, p. 10.

⁹⁹ D&T Report, pp. 13-14.

¹⁰⁰ D&T Report, p. 14.

SCE also suggests that the transition between Program Manager 1 and Program Manager 2 caused inspections to stop in 2018.¹⁰¹ This is only part of what the D&T Investigation revealed. Program Manager 2 reported in an internal email that she discovered that the inspections database was not operational when she was planning inspections in the summer of 2018 and requested that it be rebuilt.¹⁰² D&T does not provide any insight into when the database stopped working or why no one bothered to repair it before Program Manager 2 came on the job. The SCE inspections staff surely realized that they were not performing any inspections in 2018, after conducting 969 inspections in 2017,¹⁰³ and Program Manager 1, who oversaw the database, was likewise aware of the problem.

Finally, SCE summarizes D&T's findings about "retailers not adhering to or understanding program rules."¹⁰⁴ SCE fails to note that its inspectors were also responsible for detecting these problems and educating retailers about program rules, including by leaving a one-page handout with the rules.¹⁰⁵ Bulb giveaways and related violations of program rules were also required to be communicated to the Program Manager through the inspection worksheets, for follow-up as necessary.¹⁰⁶

SCE also overstates the significance of the remedial action it took in 2019. In its initial comments filed in response to the January 9 Ruling, SCE stated, "In response to the Impact

¹⁰¹ SCE Responses to Ruling and Results of Its Investigation into the Upstream Lighting Program, 11/30/20, p. 11.

¹⁰² D&T Report, Exhibit A.035 PUBLIC REDACTED, p. 3 of 7.

¹⁰³ See D&T Report, Exhibit A.035 PUBLIC REDACTED, pp. 1, 4 of 7.

¹⁰⁴ SCE Responses to Ruling and Results of Its Investigation into the Upstream Lighting Program, 11/30/20, pp. 11-12.

¹⁰⁵ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, pp. 9-10 of 21.

¹⁰⁶ D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, p. 10 of 21.

Evaluation Report and SCE’s own internal audit review, SCE took prompt corrective action in 2019 to implement process improvements and strengthen controls for the remainder of the Program term.” These corrective actions included limiting the amount of program shipments to small retailers, adding controls to prevent shipments from multiple manufacturers to the same retailer, and increasing inspections and redistributing excess bulbs to other retailers.¹⁰⁷ According to SCE:

From May through October 2019, SCE inspected over 700 small, hard-to-reach stores, met with participating retail stores, and reviewed the program requirements. SCE enhanced tracking and verification of program activity and held manufacturers accountable to the terms of their manufacturer participation agreements. In many cases, SCE worked with manufacturers to move overstock inventory, at the manufacturers’ cost, to stores with lower inventory numbers.¹⁰⁸

SCE reiterated these improvements in its November 30, 2020 submission.¹⁰⁹ Yet each of these changes served to bring SCE into compliance with the *existing Program procedures*. These changes did not reflect new, higher standards for quality control.¹¹⁰

¹⁰⁷ SCE Response, pp. 4-5.

¹⁰⁸ SCE Responses on Upstream Lighting Program, 1/31/20, pp. 4-5.

¹⁰⁹ SCE Responses to the ALJ Ruling Seeking Further Comment on the Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018 and Results of Third-Party Investigation into the Upstream Lighting Program, 11/30/20, pp. 13-14.

¹¹⁰ See D&T Report, Exhibit A.004, SCE Primary Lighting Inspection Procedure, Section 3.2 (Inspection Oversight), Section 3.3.6 (Additional Inspections), Section 3.4 (Inspection Responsibilities), Section 3.6 (Summary of Inspection Procedures), Section 3.8.1 (Resolution of Flagged Results) (requiring inspections and retailer education on program requirements; tracking and reporting on inspection results; working with manufacturers and retailers to resolve conditions flagged during inspections; where major issues cannot be resolved, cancellation of future allocations or disqualification of retailers from participation); SCE Primary Lighting Handling Inspection Problems Procedure, Section 3.2 (Overstocked Products), Section 3.2.3 (After Overstock Is Found During an Inspection) (requiring the Program Manager to work with manufacturers to resolve overstocking in a way acceptable to the retailer, such as cancelling future allocations or requesting that product be redistributed to another retailer; requiring manufacturers to comply with their Agreements regarding overstock and remove overstock inventory at their own cost; requiring the Program Manager to apply inventory control to allocations that would avoid overstock in the future.).

IV. THE COMMISSION SHOULD ORDER REMEDIES BEYOND THOSE SUGGESTED BY SCE.

SCE proposes to refund the Energy Savings Performance Incentive (ESPI) awards it received for 2017 and 2018 as the remedy for its mismanagement of the Upstream Lighting Program.¹¹¹ SCE explains that it already faced a reduction in ESPI earnings in 2017 and 2018 associated with the impact evaluations, amounting to \$13.3 million. It would now refund \$6.1 million associated with lightbulb shipments to discount and grocery retailers, bringing the total value of the remedy to \$19.4 million.¹¹² This remedy is woefully inadequate in light of SCE's conduct over the 2017-2019 period and SCE's failure to take full responsibility for its actions in this proceeding.

A. Remedies Should Include Refunds to Ratepayers of Program Costs and ESPI Awards, as Well as Fines.

SCE's ratepayers paid tens of millions of dollars for discounted lightbulbs each year from 2017-2019, to be delivered through the Upstream Lighting Program, that cannot reasonably be linked to sales (and thus energy savings) in hard-to-reach channels. Ratepayers have been harmed by paying for EE services when SCE was not fulfilling its basic obligations to prudently manage the Program and ensure Program effectiveness and the integrity of reported savings, consistent with the PIP and Program procedures. Furthermore, the opportunity to shift these funds to other more fruitful EE endeavors has also passed, as the money has been spent.

The Commission has a responsibility under California Public Utilities Code § 451 to ensure that all charges demanded or received by any public utility are just and reasonable.

¹¹¹ SCE Responses to the ALJ Ruling Seeking Further Comment on the Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018 and Results of Third-Party Investigation into the Upstream Lighting Program, 11/30/20, p. 16.

¹¹² *Id.*, p. 16.

Consistent with § 451, the Commission “can grant rate recovery only if requested rates and charges are deemed ‘just and reasonable.’”¹¹³ When the Commission does not find the costs incurred by the utility to be just and reasonable, “the Commission can and must disallow those costs.”¹¹⁴ Disallowances resulting from the Commission’s implementation of § 451 are not penalties to encourage deterrence; they are grounded in the necessity of protecting ratepayers from bearing unjust and unreasonable costs.¹¹⁵

Here, the Commission should conclude that SCE’s ratepayers should be reimbursed for Program administration costs and those Program implementation costs associated with hard-to-reach channels, in addition to receiving a refund for the payment of ESPI awards. This remedy flows from the Commission’s responsibility to protect ratepayers from unjust and unreasonable rates.

The Commission should also require SCE to pay a fine for violation of Rule 1.1 in its communications with the Commission about the Program. SCE reported energy savings from the Program in amounts that SCE knew, or should have known, were unreliable because of overstocking of Program bulbs at hard-to-reach retail channels and the cessation of inspections in 2018.

TURN has coordinated with the Public Advocates Office in preparing these comments and refers the Commission to the analysis and recommendations presented by the Public Advocates Office for the appropriate amount for Program and ESPI refunds, as well as fines for violating Rule 1.1.

¹¹³ D.18-07-025, *Denying Rehearing of D.17-11-033* (A.15-09-010), p. 4.

¹¹⁴ *Id.*, p. 5 (citing D.14-06-007, p. 31).

¹¹⁵ *See, e.g.*, D.18-07-025, p. 30, Note 83.

B. The Commission Should order SCE to Adopt Practices that Encourage Employees and Contractors to Report Mismanagement of Ratepayer Funds Through Channels Internal to the Utility and to the Commission.

As explained in Section II.D., above, key SCE employees were aware of quality control issues in the Program in 2017-2019 and reported their findings and concerns to immediate supervisors or colleagues. However, based on D&T's investigation, there is scant evidence that anyone escalated these concerns when they got little traction during initial reporting. Not until the Commission contacted SCE during the 2017 Impact Evaluation process in early 2019 did SCE implement various Program reforms, which brought the Program into conformance with the PIP and Program procedures. The Commission would be remiss in responding to SCE's conduct here without addressing the cultural elements that contributed to the existence and duration of the serious quality control issues in the Upstream Lighting Program.

TURN accordingly recommends that SCE *at least* take the following actions:

1. Provide annual whistleblower training, at shareholder expense, to all SCE employees that includes the following elements:
 - a. State and federal rights of whistleblowers (and limits to those rights)
 - b. External Reporting
 - i. Opportunity to submit anonymous whistleblower complaints to the Commission
 - ii. Other state and federal whistleblower programs that may be relevant to utility employees
 - c. Internal Reporting
 - i. Opportunity to contact another member of management, whether the employee's supervisor or another manager
 - ii. Opportunity to contact the Edison International Board of Directors Audit Committee and how to do so
 - iii. Opportunity to contact SCE's ethics officer
 - iv. Opportunity to submit anonymous, confidential complaints to SCE
 - v. Information about how complaints are investigated and what happens next, including protection from retaliation

2. Provide annual training, to all EE employees, on the importance of timely reporting non-compliance issues.
3. Develop and publicize a reward system (whether financial or not) for EE employees who demonstrate leadership in promoting the integrity of EE programs, even where such efforts risk reductions to program performance metrics.

Finally, TURN encourages the Commission to expand and better publicize its own Whistleblower hotline.¹¹⁶ On the Whistleblower page of the Commission's website, the Commission instructs:

An employee, contractor, or subcontractor of a company regulated by the Commission may report his/her employer's suspected unsafe, unlawful, or dishonest activity by phoning the Commission, by sending an e-mail with the facts and/or documentation, or by reporting on-line. Use any one of the following contacts, depending on the category of what is being reported. Please be prepared to provide enough information to substantiate your claims of alleged improper or unlawful behavior. If this information is not provided to the Commission, the Commission will not be able to assist you in your case.

Moreover, TURN encourages the Commission to explore the possibility of using any fine paid by SCE in this case to establish a Whistleblower reward pilot program, rather than having SCE submit the fine to the State General Fund, as is typically the case. According to the National Whistleblower Center,

[T]he biggest barrier to whistleblowing is the long history of retaliation. For company insiders, the risk of losing one's livelihood as a result of wrongdoing ... is substantial. Encouraging them to come forward requires a financial safety net. ... Data shows that incentivizing whistleblowers is extremely effective in generating high quality tips.¹¹⁷

¹¹⁶ See <https://www.cpuc.ca.gov/Whistleblower/>.

¹¹⁷ <https://www.whistleblowers.org/the-importance-of-rewards/>.

V. CONCLUSION

For the foregoing reasons, TURN recommends that the Commission:

- (1) Conclude that SCE imprudently managed the Upstream Lighting Program in 2017, 2018, and at least part of 2019;
- (2) Order remedies for SCE's conduct, including a refund of Program expenditures, a refund of ESPI awards, and a fine for misleading the Commission by reporting energy savings from the Program in amounts that SCE knew, or should have known, were unreliable because of overstocking of Program bulbs at hard-to-reach retail channels;
- (3) Order SCE to provide whistleblower training and adopt other measures to encourage its employees to be effective stewards of ratepayer funds and promptly report utility conduct that violates the Commission's rules, regulations, requirements, and orders, including but not limited to activities that employees suspect are unsafe, unlawful, or dishonest; and
- (4) Expand and promote its own Whistleblower program, and explore the possibility of using any fine paid by SCE in this case to establish a Whistleblower reward pilot program.

Date: January 20, 2021


Respectfully submitted,

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ATTACHMENT 1

D&T Report Exhibit A.004

SCE	CS	CP&S	PR	Document No., Version No. CPS-PR-RSD-0093, V4.0	 SOUTHERN CALIFORNIA EDISON <small>An EDISON INTERNATIONAL® Company</small>
Responsible Department: Residential Incentive and New Construction Programs					
Publication Date	July 9, 2015				
Supersedes	Upstream RLIP Policies and Procedures Manual, V3.0				
Primary Lighting How to Allocate Funds Procedure					

1.0 PROCEDURE STATEMENT

After receiving a majority of the initial forms, the Program Manager (PM) begins the process of allocating the incentive budget. Usually, this occurs within three to six weeks after the allocation announcement.

2.0 APPLICABILITY

The Program document is applicable to the Upstream Lighting Program (a.k.a. **Residential Lighting**), subprogram of Primary Lighting. It specifically applies to the PM.

Note: Procedures not under requirement by regulators or contractual agreement may be waived or exempted at the discretion of, or upon written permission by the program manager.

3.0 PROCEDURE DETAIL

Procedure Detail Table of Contents

3.1	Allocate Incentive Budget	1
3.2	Determining Allocations	2
3.3	Allocation and Confirmation	2
3.4	Allocation Management	3

3.1 ALLOCATE INCENTIVE BUDGET

Allocate the incentive budget to participants by following the steps below:

Table: Allocating Incentive Budget to Participants

Step	Procedures for Allocating Incentive Budget to Participants
1	Transfer Reservation Requests details to the Allocation Request Analysis Tool and make sure formulas to calculate incentives are active. After Quality Control (QC), approve allocations.
2	Check the <i>Summary</i> tab periodically to see the As Requested amounts in Rows 1–3.
3	Be aware that when the As Allocated columns are completed, they appear in rows 5–7 of the <i>Summary</i> tab. These summary data show: <ul style="list-style-type: none"> Amount remaining in the budget Requested and allocated amount of savings and kW reduction, and Average of kWh and kW per dollar spent.

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3.2 DETERMINING ALLOCATIONS

Determine the incentive amount to allocate per measure for each participant by following the below steps:

Table: Allocating Incentive Amounts Per Measure

Step	Procedures for Allocating Incentive Amounts Per Measure
1	Determine the prospective allocations in terms of kWh and kW.
2	Allocate those measures to meet energy savings goals in the most cost-effective way.
3	Maintain a reasonably balanced measure mix to the degree deemed appropriate to meet targets and objectives.
5	<p>Use a broad set of criteria, priorities, and emphases to determine how allocations will be distributed. <i>Examples:</i></p> <ul style="list-style-type: none">• Measurements of cost-effectiveness• Competitive incentive levels• Product quality demographic saturation levels• Free ridership levels within sector• Building square footage• Retailer type• Product quality• Historical sales data for the Retailer, Manufacturer track record of responsiveness, accuracy, completeness, and promptness in issuing requests and invoices, and• Rules of thumb, such as kWh per Incentive Dollar or kW per incentive dollar.
6	<p>Track all allocations in CRM and in the Allocation Request Analysis tool. These systems will be used later to:</p> <ul style="list-style-type: none">• Allocate reassignments, and• Track incoming invoices against allocated amounts. <p>Note: <i>Be aware that the initial budget allocation can take several months because: The volume of Reservation Requests is typically heavy at the beginning of the promotion period, and Reservation Requests may arrive in lower volumes throughout the year.</i></p>
7	After most initial allocation requests come in and allocation amounts per Manufacturer are determined, issue and approve Change Orders. Change Orders alter the PO amounts to approximate the planned allocations.
10	<p>Request issuance of new Change Orders throughout the year in order to:</p> <ul style="list-style-type: none">• Hold the total Allocated amounts within the total purchase order caps, and• Prevent confirmation of allocations beyond a Manufacturers PO limit. <p><i>For Change Order procedures, see the CP&S Change Order Request Procedure document.</i></p>

3.3 ALLOCATION AND CONFIRMATION

After changing the status in CRM of an allocation or group of allocations for a manufacturer to **Approved for Shipment**, thereby officially confirming and

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notifying the manufacture, as a courtesy notify the manufacturer informing them that you have changed the status..

3.4 ALLOCATION MANAGEMENT

Throughout the year, the PM redistributes incentive allocations when:

- a. New promotions are implemented
- b. Funding is increased
- c. Allocation cancellations or forfeitures are implemented by the PM or requested by Retailers or Manufacturers

To manage allocations, see the steps below:

Managing Allocations

Step	Procedures for Managing Allocations
1	Maintain a balanced mix of measures when redistributing incentives. As with initial allocations, use a broad set of criteria, priorities, and emphases when determining how to re-allocate incentives.
2	<p>Use the same priorities, criteria, and emphases to assign new allocations during subsequent allocations. Update the Allocation Request Analysis tool periodically to make it consistent with CRM thereby maintaining the tool's accuracy.</p> <p>Note: <i>In subsequent allocations, it may not be necessary to use the mass analysis tools or methods designed to process a high volume of requests.</i></p> <p>Be aware that during the Program year, additional allocations for a particular retailer do not require a new signature.</p> <p>Note: <i>Signatures on the first Retailer Partner Acknowledgement Form are binding throughout the year for all aspects of the allocation.</i></p>
3	<p>At the PM's discretion, convey subsequent allocations as:</p> <ul style="list-style-type: none">• Allocation lists• E-mail notifications of allocation change, or• A combination of these methods. <p>Note: <i>The most official record of allocations is CRM based on Allocation Status. Approved for Shipment Status means allocations are confirmed and official.</i></p>

4.0 DEFINITIONS

Term	Topic

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5.0 REFERENCES

5.1 EXTERNAL REFERENCES

- a. None

5.2 INTERNAL REFERENCES

- a. Upstream Residential Lighting Incentive Program, V3.0
b. CP&S Change Order Request Procedure, V4.1.1, CPS-PR-DIV-0010

6.0 ATTACHMENTS

See the following pages:

- a. None


7.0 REVIEW AND REVISION HISTORY

Version	Publication Date	Description of Revision	Key Contacts
4.0	7/09/2015	First publication in this format. Converted Upstream RLIP Policies and Procedures Manual, V3.0 as follows: §102 partially converted to this document	<ul style="list-style-type: none">• Residential Incentive and New Construction Program• DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	<ul style="list-style-type: none">• Residential Incentive & New Construction• DSM QC & Compliance
2.0	12/9/2010	<ul style="list-style-type: none">• Revised for 2010 – 2012 Program Cycle• Consolidated separate manuals into a single manual	<ul style="list-style-type: none">• Residential Incentive & New Construction• DSM QC & Compliance
1.1	6/6/2008	Various revisions as various separate manuals	--
1.0	4/2/2008	Initial Publication	--

This is the end of the Primary Lighting How to Allocate Funds Procedure Document.

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SCE	CS	CP&S	PR	Document No., Version No. CPS-PR-RSD-0093, V4.0	 SOUTHERN CALIFORNIA EDISON [®] <small>An EDISON INTERNATIONAL Company</small>
Responsible Department: Residential Incentive and New Construction Programs					
Publication Date	July 9, 2015				
Supersedes	Upstream RLIP Policies and Procedures Manual, V3.0				
Primary Lighting How to Allocate Funds Procedure					

1.0 PROCEDURE STATEMENT

After receiving a majority of the initial forms, the Program Manager (**PM**) begins the process of allocating the incentive budget. Usually, this occurs within three to six weeks after the allocation announcement.

2.0 APPLICABILITY

The Program document is applicable to the Upstream Lighting Program (a.k.a. **Residential Lighting**), subprogram of Primary Lighting. It specifically applies to the PM.

Note: *Procedures not under requirement by regulators or contractual agreement may be waived or exempted at the discretion of, or upon written permission by the program manager.*

3.0 PROCEDURE DETAIL

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3.2	Determining Allocations	2
3.3	Allocation and Confirmation	3
3.4	Allocation Management	3

3.1 ALLOCATE INCENTIVE BUDGET

Allocate the incentive budget to participants by following the steps below:

Table: Allocating Incentive Budget to Participants

Step	Procedures for Allocating Incentive Budget to Participants
1	Transfer Reservation Requests details to the Allocation Request Analysis Tool and make sure formulas to calculate incentives are active. After Quality Control (QC), approve allocations.
2	Check the <i>Summary</i> tab periodically to see the As Requested amounts in Rows 1–3.
3	Be aware that when the As Allocated columns are completed, they appear in rows 5–7 of the <i>Summary</i> tab. These summary data show: <ul style="list-style-type: none"> Amount remaining in the budget Requested and allocated amount of savings and kW reduction, and Average of kWh and kW per dollar spent.

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3.2 DETERMINING ALLOCATIONS

Determine the incentive amount to allocate per measure for each participant by following the below steps:

Table: Allocating Incentive Amounts Per Measure

Step	Procedures for Allocating Incentive Amounts Per Measure
1	Determine the prospective allocations in terms of kWh and kW.
2	Allocate those measures to meet energy savings goals in the most cost-effective way.
3	Maintain a reasonably balanced measure mix as compared to the mix proposed by the Program Implementation Plan (PIP), to the degree deemed appropriate to meet targets and objectives.
4	Because of the Advanced Lighting and Basic Lighting Program split, divide allocations into two separate budgets and two separate energy reduction targets assigned by regulators or management.
5	Use a broad set of criteria, priorities, and emphases to determine how allocations will be distributed. <i>Examples:</i> <ul style="list-style-type: none">• Measurements of cost-effectiveness• Competitive incentive levels• Product quality demographic saturation levels• Free ridership levels within sector• Building square footage• Retailer type• Product quality• Historical sales data for the Retailer, Manufacturer track record of responsiveness, accuracy, completeness, and promptness in issuing requests and invoices, and• Rules of thumb, such as kWh per Incentive Dollar or kW per incentive dollar.
6	Track all allocations in CRM and in the Allocation Request Analysis tool. These systems will be used later to: <ul style="list-style-type: none">• Allocate reassignments, and• Track incoming invoices against allocated amounts. Note: <i>Be aware that the initial budget allocation can take several months because: The volume of Reservation Requests is typically heavy at the beginning of the promotion period, and Reservation Requests may arrive in lower volumes throughout the year.</i>
7	After most initial allocation requests come in and allocation amounts per Manufacturer are determined, issue and approve Change Orders. Change Orders alter the PO amounts to approximate the planned allocations.
10	Request issuance of new Change Orders throughout the year in order to: <ul style="list-style-type: none">• Hold the total Allocated amounts within the total purchase order caps, and• Prevent confirmation of allocations beyond a Manufacturers PO limit. <i>For Change Order procedures, see the CP&S Change Order Request Procedure document.</i>

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3.3 ALLOCATION AND CONFIRMATION

After changing the status in CRM of an allocation or group of allocations for a manufacturer to **Approved for Shipment**, send an E-mail to the manufacturer informing them that you have changed the status which constitutes confirming the allocation.

3.4 ALLOCATION MANAGEMENT

Throughout the year, the PM redistributes incentive allocations when:

- a. New promotions are implemented
- b. Funding is increased
- c. Allocation cancellations or forfeitures are implemented by the PM or requested by Retailers or Manufacturers

To manage allocations, see the steps below:

Managing Allocations

Step	Procedures for Managing Allocations
1	Maintain a balanced mix of measures when redistributing incentives. As with initial allocations, use a broad set of criteria, priorities, and emphases when determining how to re-allocate incentives.
2	<p>Use the same priorities, criteria, and emphases to assign new allocations during subsequent allocations, but the Allocation Request Analysis tool should be kept consistent with CRM.</p> <p>Note: <i>In subsequent allocations, it may not be necessary to use the mass analysis tools designed to process a high volume of requests.</i></p> <p>Be aware that during the Program year, additional allocations for a particular retailer do not require a new signature.</p> <p>Note: <i>Signatures on the first Retailer Partner Acknowledgement Form are binding throughout the year for all aspects of the allocation.</i></p>
3	<p>At the PM's discretion, convey and confirm subsequent allocations as:</p> <ul style="list-style-type: none">• Allocation lists• New allocation forms• E-mail notifications of allocation change, or• A combination of these methods. <p>Note: <i>The most official record of allocations is CRM based on Allocation Status. Approved for Shipment Status means allocations are confirmed and official.</i></p>

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6.0 ATTACHMENTS

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- a. None


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SCE	CS	CP&S	PR	Doc. No., Version No. CPS-PR-RSD-0098, V4.0	 SOUTHERN CALIFORNIA EDISON <small>An EDISON INTERNATIONAL Company</small>
Responsible Department: Program Operations					
Effective Date	Draft Month Day, Year				
Supersedes	Upstream RLIP Policies and Procedures Manual, V3.0				
Primary Lighting Inspection Procedure					

1.0 PROCEDURE STATEMENT

This document explains the inspection process. Primary Lighting Program inspections are actually on-site compliance verifications and do not function the way a typical inspection does. The term "inspection" is used to be consistent with other documentation that refer to Primary Lighting on-site compliance verifications as "inspections."

Note 1: *These inspections are performed by – Program Services (PS) inspectors and third-party inspectors.*

2.0 APPLICABILITY

This document is applicable to the Primary Lighting Program (a.k.a. **Residential Lighting**), subprogram of Primary Lighting. It specifically applies to the:

- a. Manufacturer
- b. Inspector
- c. Program Manager (**PM**)
- d. Program Analyst (**PA**)

Note: *Procedures not under requirement by regulators or contractual agreement may be waived or exempted at the discretion of, or upon written permission by the program manager.*

3.0 PROCEDURE DETAIL

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3.1 OVERVIEW

Retailers sometimes promote products in printed ads, but most promotion is done with in-store signs and displays. SCE Inspectors verify compliance with Program requirements by performing standard initial inspections (visits to the Retailer's site when Program products are expected to be present). These inspections are called "Initial Inspections". Subsequent inspections, called "Follow-up Inspections" are performed by a third party under contract to SCE (Program vendor) to verify and resolve issues.

The PM, PA, or Program vendor notifies participants of any negative findings. Usually, the participant, notably the manufacturer, is responsible for correcting any problems. The Program vendor may re-inspect (verify) the site after the participant informs SCE that all required corrections have been made.

Inspections occur at the retailer sales site or warehouse and not at the manufacturer facilities. Depending on the results of the **Initial** inspection, the retailer has the potential to go through several stages. During the Initial inspection, the inspector confirms when the retailer is in compliance with the Program and notes when there might be a non-compliance.

The table below describes the inspection process.

Residential Lighting Incentive Program Inspections

Inspection	Description
Initial Inspection	<ul style="list-style-type: none"> • First stage at retailer's site • Usually occurs shortly after the product shipment arrives at the retail site • Performed by PS • Serve to gather information and identify any issues for follow-up and analysis. Inspectors fill out the Inspection / Verification Data Form to track findings. <i>Go to Section 3.6.5 below to see an illustration of the RLIP Inspection / Verification Data Form used for gathering information.</i> <p>Note: <i>If all is well, no further investigation is required</i></p>

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Inspection	Description
Follow-up Inspection	<ul style="list-style-type: none"> Occur if the Initial Inspection and its data reveal an opportunity to inspect a site again for possible non-compliance issues and/or to verify issues noted in the Initial Inspection. Can occur, at the discretion of the PM, more than once if a site warrants additional inspections or persistence verifications. Persistence visits or contact (<i>for example</i>, phone calls, E-mails, etc.) take place for nearly all stores that receive a Follow-up inspection. Performed by: <ul style="list-style-type: none"> Currently the tasks associated with Follow-up inspections are performed by the vendor Organization Support Services (OSS) <p>Note: <i>When follow-up inspection vendors receive inspection assignments from the PM, they can perform additional inspections based on previously provided decision criteria.</i></p>
Persistence Inspection	<ul style="list-style-type: none"> A visit to confirm that corrections have been made or issues resolved and the retailer is likely to stay compliant.
Check the Checker	<ul style="list-style-type: none"> Verify the work of inspectors and ensure that they are performing adequately according to the applicable inspection procedures Results guide inspection managers where to provide additional inspection training and when to improve inspection activities Can be included as part of an Initial or Follow-up inspection and can be performed by the PM or PA through data analysis or other means. There is no requirement that Check the Checker activity be conducted. It is performed as appropriate.

Note: *The MPA states the manufacturers' standards and requirements. The retailer standards and requirements can be found in the Retailer Acknowledgement Form.*

3.2 PURPOSE OF RETAIL SITE INITIAL INSPECTIONS

The Residential Lighting Incentive Program (**RLIP**) requires inspections of retail sites to observe the level of compliance with Program rules and requirements. The on-site Inspectors identify areas of interest that might suggest Retailer or Manufacturer non-compliance and report these findings to Program staff for review. The Inspectors look for retailers that might deserve a closer look and provide feedback about the details. Program staff might use phone follow-up, manufacturer follow-up requests, or on-site secondary inspections to inquire about the areas of concern.

Most Residential Lighting promotions are done with in-store signs and displays. Inspectors look for compliant signs and displays in the store when the products are most likely to be found. This often occurs shortly after the product shipment arrives at the retail site.

On-site inspections also serve to:

- Collect data about the number of products on the floor and in inventory
- Collect data indicating whether the number of products reported delivered by the manufacturer were actually delivered to the specified retailer

See page 19/47 for overstock definition.

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- c. Collect other product delivery information
- d. Collect data as to whether retailers are in compliance with display requirements
- e. Collect data to whether retailers might have more product than they could reasonably sell in the coming two to three months
- f. Put up missing signs (with retailer permission) and remind retailers of program rules

The Program aims to resolve all major issues, track the resolutions, and use collected data for continuous improvement and operational excellence opportunities. It is at the PM's discretion as to which areas of possible non-compliance deserve attention and in what amount.

In secondary inspections and investigations of alleged non-compliance, all issues are to be brought to resolution to the satisfaction of SCE PM

3.2 INSPECTION OVERSIGHT

If there are any negative inspection findings, the PM, PA, or Program vendor notifies the participants. In most cases, the participant — notably the manufacturer—is responsible for correcting any problems. When compliance issues are found that are most appropriate to correct at the retailer level, the Program vendor notifies and educates the retailer. The PM, PA, or vendor may re-inspect the site after the participant informs SCE that all required corrections have been made.

Inspections are generally not performed as a condition for paying invoices, but they may at times be used for that purpose if non-compliance, fraud, or abuse has been discovered or is suspected and an investigation is in process.

3.3 INSPECTION SAMPLING PLAN

Once a year, the PM forecasts the number of shipments the manufacturers will make to the retail stores. From there, the PM determines the number of stores that will be inspected. Due to the large number of participating stores, it is not possible to inspect all of them. Because of this, SCE inspects only a **sample** that represents the retail store population. If allocation levels change significantly later in the year, the PM can reforecast to make adjustments.

SCE's Measurement and Evaluation (**M&E**) group created the methodology and equation used for determining the number stores to inspect each year. The PM programmed this methodology and equation into an Excel spreadsheet called **Inspection Target Analysis M DD 20YY w YTD.xlsx** and calculates the targeted number of yearly inspections.

Note: *The role played by the M&E Group in creating the methodology and equation is now overseen by the Quality Control (QC) and Compliance team.*

For the purpose of documentation, the methodology and equation are described below.

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The Methodology: the sample size is determined by assuming that:

- a. The population of retail stores is small in size
- b. Each retail store can be characterized and placed in one of two mutually exclusive groups:
 - Expected rate of non-compliance or,
 - Expected rate of compliance.
- c. Each retail store will be sampled without replacement¹
- d. The sample size, **n**, is determined by the equation

The Equation:

$$n = \frac{(E^2 + z^2 \times p \times q)}{[E^2 + z^2 \times p \times q \times N^{-1}]}$$

Where: "n" = the sample size resulting from an "N" population

"z" = z-score (based on desired level of confidence)

"p" = expected rate of non-compliance (50%)

"q" = expected rate of compliance (50%), and

"E" = margin of error (10%).

Note: The M&E group reviewed the use of the equation in the Excel spreadsheet and approved.

3.3.1 RETAIL SECTORS

Residential Lighting Incentive Program has categorized the participating retailers into eight sectors:

- a. Big Box
- b. Discount
- c. Electronics
- d. Grocery
- e. Large Home Improvement
- f. Small Hardware
- g. Other

The PM calculates a separate inspection sample for **each** sector.

3.3.2 DISBURSING INSPECTIONS THROUGHOUT THE PROGRAM YEAR

The PM calculates a yearly, not monthly or weekly, inspection target because the number of shipments varies month to month. Once the yearly target is in place, the PM customizes the flow (the number) of inspections per month to the flow of shipments per month. Having an annual target where inspections are spread across the sectors and months with sensitivity to availability (of stores, etc.) and seasonality of product shipments gives dimension to the data. *For example*, if no

¹ A method of sampling from a population in which the randomly selected subject will not be "returned" to the population pool for another round of random selection (also known as "hypergeometric distribution").

product is shipped to a retailer in the first couple of months of the year, there is no reason to investigate the store.

As mentioned above, once a year, the PM forecasts the number of shipments the manufacturers will make. Unforeseen variables may cause this number to fluctuate. Because of this, the number of inspections actually completed based on the forecast might turn out to be slightly higher or lower than overall targets. *For example*, store closures might make it impossible to inspect the full annual target for a sector.

3.3.3 SELECTING SITES FOR INSPECTION

To choose which retail stores will be inspected, the PM uses a formula programmed into an Excel file called **Inspection Request Prep Wkbk**. Once the PM populates the variables into the formula, it generates an automated process that randomly selects the sites for inspection. The PM selects the sites on a monthly basis. Once a site is chosen, it will be excluded from the selection process for other months.

If a retail sector has a very small number shipments in a given month, all stores receiving shipments might be inspected, not just a small sampling. This ensures that sector targets are met by year end in case other locations are unavailable for inspection.

3.3.4 SAMPLING CHANGES

A rough analysis of previous inspections indicates that the Inspectors sometimes visit sites that have no products available to inspect. To compensate, the initial stages of the current sampling plan sets conservative targets for the percentages to be inspected.

Program Management has seen that as a result of the many inspections, and Program improvements in inventory control, compliance issues significantly decrease with time. This is likely a trend that will result in fewer non-compliances verified each year, and is a sign of program improvement.

For an example of the **RLIP Onsite Inspection Sampling Plan**, see the table on the following page.

3.3.5 TARGET VARIABLES

As mentioned above, once a year, the PM forecasts the number of shipments the manufacturers will make. Unforeseen variables may cause this number to fluctuate. Because of this, the number of inspections actually completed based on the forecast might turn out to be slightly higher or lower than overall targets. *For example*, store closures might make it impossible to inspect / verify the full annual target for a sector.

3.3.6 ADDITIONAL INSPECTIONS

Sometimes additional inspections may occur outside of the sampling process described above. *For example*, if someone from Program staff walks into a participating retail store that appears to be out of compliance with the Program,

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they can notify the PM who will then initiate an inspection. This inspection information is also be tracked and reported.

*See the **Program Services Inspection Training and Reference Guide, Chapter 10, Residential Lighting Incentive Program Inspections** and the Program Desk Procedure Documents for more details about the inspections process.*

3.4 INSPECTION RESPONSIBILITIES

Inspection-related tasks are performed by both SCE employees and third-party vendors. For a brief summary of Residential Lighting inspection responsibilities, see the table below.

For more information on responsibilities, see the Residential Lighting Roles and Responsibilities Procedure document.

Inspection Responsibilities	Explanation
Program Manager (PM)	<ul style="list-style-type: none"> • Provide training for the Program Services (PS) Inspections Group and for third-party Inspectors <i>Note: PS Inspectors are trained on inspection policies and procedures twice annually, or as required.</i> • • Creates the inspection targets to be met throughout the year. • Assigns random sampled requests for initial inspections periodically to PS • Reviews completed Initial Inspection worksheets, makes notations, and forwards to the Program vendor for Follow-up Inspections • Updates the Program vendor's database with new records from the initial inspection database • Makes reporting of initial and follow-up inspection results available.
Program Analyst (PA)	<ul style="list-style-type: none"> • Review Inspectors' completed RLIP Inspection / Verification Data Forms ("Inspection Forms") <i>See the illustration on the next page.</i> • Provide administrative and reporting support to the PM • Verify that all Inspection / Verification Forms have been input into CRM, the Program's processing system / database, and • Initiate and/or investigate requests for follow-up on all suspected non-compliance reported by Inspectors.
PS Inspection Group Supervisor	<ul style="list-style-type: none"> • Manage the work of Inspectors.
-PS Inspection Desk Rep	<ul style="list-style-type: none"> • Coordinate and schedule inspection assignments • Provide inspection forms to Inspectors, and • Perform data entry in CRM of completed inspections.
Inspectors	<ul style="list-style-type: none"> • Visit retail sites and record the condition of incentivized products, their displays, and program compliance.

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Inspection Responsibilities	Explanation
Retailers	<ul style="list-style-type: none"> Cooperate with Inspectors and allow them access to products both "on the floor" and in inventory, and Comply with corrective actions after an inspection result of Needs Improvement and/or Flagged.
Manufacturers	<ul style="list-style-type: none"> Provide products and display materials to Retailers, as specified in the Manufacturer Participation Agreement, and Submit Shipping Reports to the PM or PA by E-mail and/or U.S. Mail. Note: SCE uses these Shipping Reports to trigger inspections.
Vendors	<ul style="list-style-type: none"> Perform Follow-up inspections and track results.

3.5 SELECTING AND SCHEDULING ROUTINE INSPECTIONS

Frequently throughout the year, the PM determines which sites will be visited by using a random number generator to ensure the sample is representative of the population.

All reported shipments are eligible to be selected for an on-site visit until the Program has reached its annual target for the particular type of product delivery channel.

Inspections that do not count toward the annual target(s) include:

- Shipments that have already received one inspection for the year, and
- Sites that did not receive an Initial inspection, but only a Program vendor inspection

The Program databases and reports must track random and non-random inspections separately.

3.5.1 INSPECTION SCHEDULE BASED ON SHIPMENT SCHEDULE

The PM requests the PS Inspections Group to conduct routine inspections, based on product shipment reports received from the Manufacturer through CRM. The Inspection Desk Representative then schedules the site inspections as soon as possible after the Retailer receives a shipment, in order to:

- Allow one Inspector to check multiple shipments at the site during the same visit
- Coincide with the arrival or continued presence of incentivized products at the retail site, and
- Verify receipt of a full shipment of product, when possible, before sales reduce inventory and make verification difficult

3.4.2 SHIP DATES

The **Ship Date** (on the lower part of the Inspection Form) is the date that

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products should have **arrived** (been received) at the retail location, although products sent to a distribution or fulfillment facility might not arrive at the site for several more days.

3.6 SUMMARY OF INSPECTION PROCEDURES

Note: *Detailed on-site procedures for Inspectors are documented in the PS Inspections Group Training and Reference Manual maintained by the Inspections Group Supervisor.*

During an inspection, the Inspector will:


1. Review product displays and use the RLIP Inspection / Verification Form to accurately describe the condition (or absence) of the product display, the signage, and the product stickers
2. Check products in storage, if applicable
3. Note whether products are stocked at a reasonable quantity reflecting sales rates for three months or less

It is also the Inspector's responsibility to be alert for evidence of falsified shipment quantities, bulk sales, and shipping out of SCE's service territory.


For more on these topics, see below.

Inspectors may also need to educate store managers and employees about the Program, so they must be familiar with the Program requirements. The Program supplies a one-page brochure called the Program Requirements Handout, which Inspectors give to store personnel.

Program Requirements Handout

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RESIDENTIAL LIGHTING PROGRAM



Important Notice for Participating Retailers

The Residential Lighting Program is designed to help save energy by helping consumers switch from standard incandescent lightbulbs to Compact Fluorescent Lightbulbs (CFLs). To encourage consumers to make the switch, CFLs are being offered at a reduced price through participating retailers like you.

The program is funded by utility ratepayers, and participating retailers are required to adhere to guidelines to ensure that these specially-priced CFLs are used as intended by the program. Retailers failing to follow the guidelines can be removed from the program at the sole discretion of SCE. For a complete list of retail requirements, see the Retailer Section of the Notification of Allocation form.

PROGRAM REQUIREMENTS

- **No Store Giveaways** — Large or small giveaways are prohibited with or without purchase.
- **No Donating** — Residential lighting products discounted by SCE cannot be donated.
- **No Overstocking** — Do not hold any more CFLs than your store can sell in a two-month period. Do not accept any CFL deliveries above this amount.
- **No Bulk Sales to Customers** — See the Retailer Section of the Notification of Allocation form for any customer purchase limit details.
- **No Sales to Liquidators, Resellers, or Wholesalers** — And no sales over the internet.
- **No Transfers to Stores Outside SCE Territory** — Sales and inter-store transfers are limited to those stores that receive service from SCE.
- **Proper program signage provided by manufacturers must be displayed.**

If you have any questions, please see your manager.

We thank you for implementing these requirements at your store and all efforts you take to encourage your customers to use CFLs to help save energy, money and the environment.

FOR OVER 100 YEARS... LIFE. POWERED BY EDISON.

3.6.1 SUSPECT QUANTITIES

Inspectors are expected to ask Retailers about quantities of products or other items that the inspectors think might be **suspect**. When items are determined to be suspect, Inspectors do not take action with the retailer, but instead, alert Program staff (who informs the Program vendor) about possible Program policy violations or issues by communicating the issues on the worksheets and in any databases used. The **Suspect** designation applies to the following:

- Products given to customers without charge (giveaways or "lost leaders") by the Retailer
- Donations to charities or community organizations
- Sales to liquidators, resellers, or wholesalers
- Transfers to stores outside SCE's service territory
- Prices indicating that the full incentive was not applied to the reduction (that is, the in-store price is higher than the norm)

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- f. Retailers indicating reluctance to keep SCE-authorized signage at the display
- g. Quantities at the store are far less than the shipped quantities (allowing for reasonable sales quantity per week)
- h. Retailer statement that the products were not delivered on or since the Ship date printed on the Inspection / Verification Form
- i. Retailer statement that only part of the product quantities or models on the Inspection / Verification Form were delivered, and/or
- j. Overstock conditions — excess inventory —which occur when there is more than a two or three-month supply of items on hand, based on expected rate of sales.

Note: *The Program Manager may designate a different time period for a specific Retailer when overstock conditions will apply, such as 1 month or 3 months.*

Some issues **may deserve Comment, but not be classified as suspect**. Inspectors need not consider "Suspect" items that are recorded elsewhere on the worksheet, such as missing stickers, signs, or ENERGY STAR® labels. However, there is room on the worksheet for comments and details on issues considered suspect. Any pertinent details that are unusual or findings that require more explanation may be entered into those sections.

A box on each product row of the Initial Inspection Worksheet to suggest follow-up can be used when suspect issues are found or pertain to a particular model.


3.7 DISPLAY REQUIREMENTS

3.7.1 SIGNAGE AND LABELING

All Retailers, other than those exempted from using SCE-designed signs (see Signage Exemptions below), **must** display one of the following two "Main Product Display Signs" shown below.

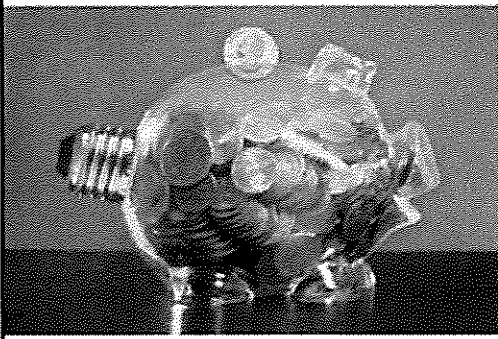
Main Product Display Sign for Retailers Not Stocking LEDs (Required)

REDUCED PRICE MADE POSSIBLE BY







**SOUTHERN CALIFORNIA
EDISON®**
An EDISON INTERNATIONAL® Company


Don't wait for your old incandescent light bulbs to burn out. Install your new CFLs today and save!



Find out more today at
www.sce.com/cfl

**DID YOU KNOW THAT COMPACT FLUORESCENT
LIGHTS NOW COME IN ALL DIFFERENT SHAPES?**

-  **REGULAR (A-LINE)**
For standard use where bulbs can be seen.
-  **REFLECTOR**
For recessed ceiling, flood and track fixtures.
-  **GLOBE**
For vanity bars and other open fixtures.
-  **SPIRAL**
For shop lighting, offices and many kinds of displays. 25 percent less energy!



Energy Star is a government-backed program that promotes energy efficiency. It is a voluntary program that encourages consumers to purchase energy-efficient products. The Energy Star logo is a symbol of energy efficiency and is used by many companies to indicate that their products are energy efficient. The Energy Star logo is a symbol of energy efficiency and is used by many companies to indicate that their products are energy efficient.

Go on to the next page

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Main Product Display Sign for Retailers Who Stock LEDs (Required)

Reduced Price Made Possible by SCE



Change and start saving now so you don't waste another energy dollar! Replace your incandescent bulbs today with new high-efficiency LEDs or CFLs.

Now You've Got More Choices Than Ever!



A-Line LED
For standard use



LED or CFL Reflector
For recessed, flood and track light fixtures



CFL Globe
For vanity and open fixtures



A wider assortment of qualifying LED and CFL choices is also available.

LED	<ul style="list-style-type: none">• Enhanced colors• Smooth dimming• Quick brightness	<ul style="list-style-type: none">• Very long life• High energy efficiency	CFL	<ul style="list-style-type: none">• Economical• High energy efficiency• Long life
------------	---	---	------------	---

Learn more today at sce.com/lighting

Energy efficient lighting reduces energy costs and helps the environment. They save energy when the bulb is off and are substantially less than those of the lighting being replaced. LED products designed and marketed by SCE can be operated by standard toggle light switches and also work well on most dimmer switches. If upon dimming you see undesirable results such as pronounced flickering, it may indicate dimmer switch incompatibility. The package insert will indicate where to find a list of compatible dimmer switches. For proper disposal and other conservation programs, visit www.sce.com. Program is funded by California utility customers and administered by Southern California Edison under the auspices of the California Public Utilities Commission. Not for sale outside California. © 2013 Southern California Edison. All rights reserved.

Note: The actual sign may not look exactly like the one illustrated here. However, it must have the same messaging and dimensions (8-1/2" by 11") unless it appears at a "Big Box" Retailer or Large Home Improvement Chain Retailer as listed below.

3.7.2 SIGNAGE EXEMPTIONS

Packaging without the stickers and/or without trays, cartons, or boxes that have Program Print Statements (see below) are waived **only** for the following Retailers:

- Costco
- Home Depot
- Lowe's
- Sam's Club
- Walmart

These Retailers may choose whether or not to use the SCE-provided Main Product Display Sign, and may also display signs of their own design. A sign with the SCE messaging is mandatory, and no exceptions are allowed without

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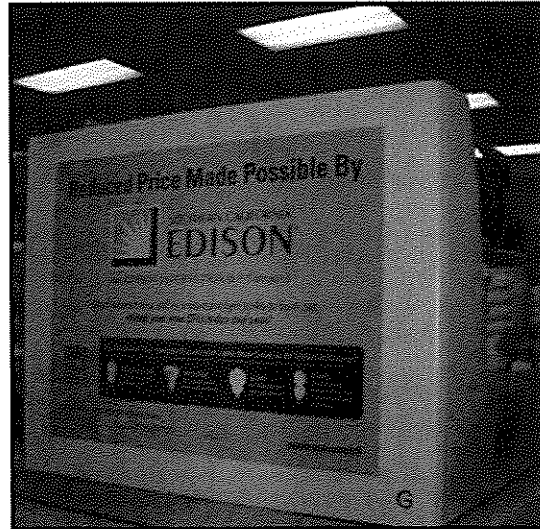
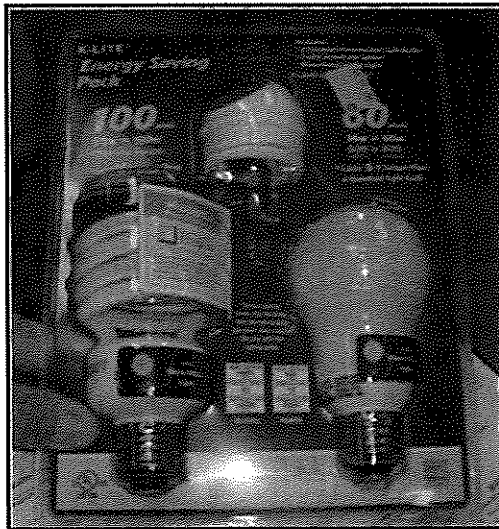
written permission to the manufacturer by the PM.

3.7.3 PROGRAM STICKERS AND PRINT STATEMENTS

Each individual **product or container** is to have a sticker attached stating that the price includes a discount courtesy of Southern California Edison. The sticker may either be attached to the packaging or printed directly on the packaging.

Program Print Statements must be printed on the front and both sides of each **tray, carton, or box** on display. The wording should be similar to that on the stickers that should be on the products.

Program Stickers on Products and Statement on Carton



3.7.4 TRAYS, CARTONS, AND BOXES

Trays, boxes, and cartons are integral parts of store displays:

- a. Trays are low profile and are typically used to display CFLs on a retail shelf. Trays resemble the bottom half of a low-profile rectangular box.
- b. Boxes and cartons are used to ship lighting products. The terms box and carton may be used interchangeably.

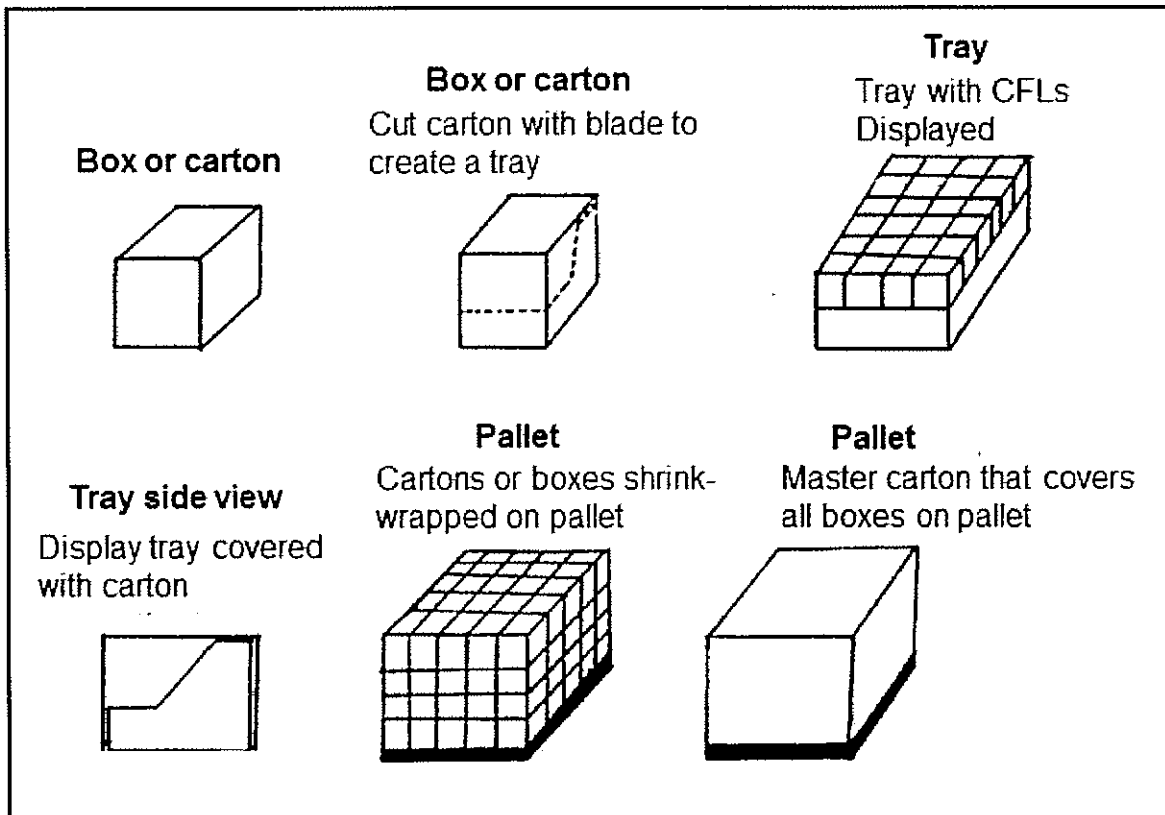
A carton becomes a tray when the Retailer uses the carton to display CFLs on the store shelf after removing the top (perforated) section of the carton.

Go on to the next page

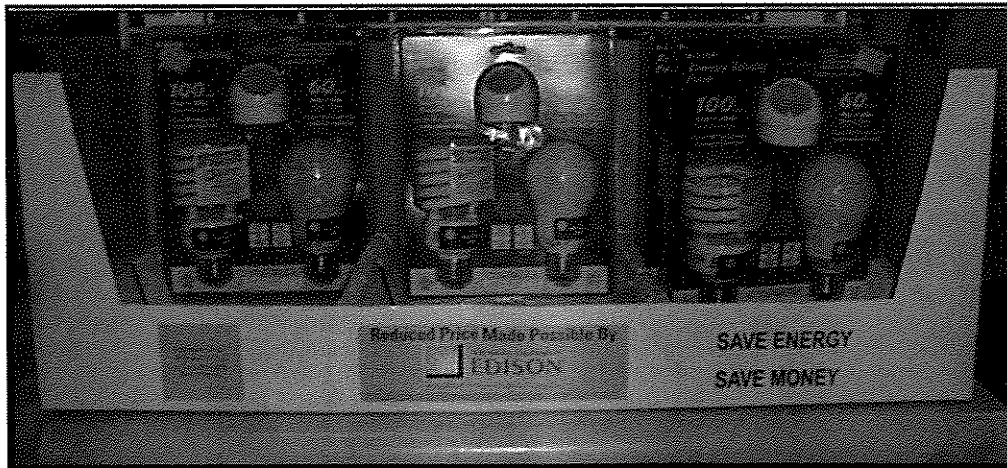
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Trays, Cartons, and Boxes



Example of a Display Tray



3.6.5 COMPLETING THE RLIP INSPECTION / VERIFICATION DATA FORM

The Inspector checks each display against the Inspection / Verification Form, as described in the following table.

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Information Required on the Inspection / Verification Form

Section	Description
Retailer Information	[Store name, address, city, ZIP code, and district name & number are pre-printed in the form and will apply only to the specific store.]
Inspection Date	Date of the inspection / verification.
Product to be Verified	[One line of information is pre-printed for every product to be inspected:
Manufacturer	Usually, the brand name; may be the Manufacturer's name. Example: Mfgr = GE; brand = "Energy Smart"
Watts	Wattage that lamps use
Lumens	Lumens that lamps produce
Model #	Model number of item
Description	Type of item. Examples: CFL, night light, fixture, etc.
Price	Retail price of item
Compliance Notes	The Inspector uses the next 7 columns to note if the retail store is in compliance with Program requirements. In all cases , if the items are not in compliance ("N"), the Inspector checks the box under <u>Check If Quantity Is Suspect</u> and notes what is wrong in the <u>If Quantity is Suspect Explain</u> column
[1] Trays, Cartons, Boxes, Print Statements Compliant (Y/N)	<ul style="list-style-type: none"> • Y if the authorized print statement "Reduced price made possible by SCE" is displayed • N if the authorized print statement is not displayed
[2] Stickers (Y/N)	<ul style="list-style-type: none"> • Y if stickers publicizing the SCE discount are attached to each product • N if stickers do not appear on the products or containers, or if another utility sticker is attached (PG&E or SDG&E)
[3] Energy Star Label Compliant (Y/N)	<ul style="list-style-type: none"> • Y if the product package has the ENERGY STAR label • N if the package does not have the ENERGY STAR label
[4] Signage Compliant (Y/N)	<ul style="list-style-type: none"> • Y if the store signs are the correct SCE-provided signs • N if the store signs are not the correct SCE-provided signs
[5] Attempted to Inspect Storage (Y/N)	<ul style="list-style-type: none"> • Y if the Inspector succeeded in inspecting the storage. • N if the Retailer refused to allow the Inspector access to the storage.
[6] Approx. Number Individual Products Found in Storage	<ul style="list-style-type: none"> • Count (or estimate) of how many items are in storage <p>Note: A two-pack of light bulbs counts as 2 items. For example, if a box contains 20 two-packs of CFLs, quantity = 40.</p>
[7] Approx. Number Individual Products Found on Shelf	<ul style="list-style-type: none"> • Count (or estimate) of how many items are on display • Note: A two-pack of light bulbs counts as 2 items.
	•
If You Suggest Follow-up, Give a Kew Word Description	<ul style="list-style-type: none"> • For any checked box, the reason or reasons should appear here. This includes notes about giveaways, donations, sales to wholesalers, or transfers out of SCE's service territory. • If the Inspector requires more room, additional comments should be noted in the <u>General Comments</u> box.

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Section	Description
Check boxes	<ul style="list-style-type: none"> • A check if conspicuous overstock is identified • A check if the shipment was not received • A check if there is an exception
General Comments	Any problems, manager refusals, program policy violations, etc., should be noted here.
Inspector Name	Inspector's printed name and signature
Other Product Information	<i>One line of information is pre-printed for every product to be inspected / verified:</i>
Shipment ID	<i>Code number</i>
Qty	<i>Total number of each individual product shipped</i>
Ship Date	<i>Date the store should have received the shipment</i>
Pieces Per Package	<i>Number of items in each package</i>
SCE Discount Per Pkg	<i>SCE discount amount per package</i>

See the illustration of the Inspection / Verification Data Form

Once Retailer locations for on-site inspections have been selected, Inspectors complete the inspections and return the Inspection / Verification Form(s) in a timely manner as well as enter the data from the forms into any databases assigned for Inspectors to use for that purpose.

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RLIP Inspection / Verification Data Form

Retailer Address City		Inspection Date Priority		District No. District Name	
Zip: 92704		Retail Channel: KEMA Discount			

Note: Inspectors inspect per procedures in the form below. If anything looks wrong, explain. Do not tick out for removal of violations (see Section 4) unless you are sure. If you are unsure, check "To be followed" box to send the program group to follow up.

Manufacturer	Model #	Current	Model #	Current	Energy Star Label	Signage	Adapted to Signage	Products Found in Storage	Products Found on Shelf	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"
OPTOCLIGHT - THE	42.000 2650	OP-BA-42W	42.000 2650	OP-BA-42W											
OPTOCLIGHT - THE	42.000 2650	OP-BA-42W	42.000 2650	OP-BA-42W											

☐ Check if conspicuous overstock is identified
 ☐ Check if shipment not received
 ☐ Check if there is an exception
 Inspector Name: _____

Write General Comments Here:

* "Suspect" can mean: (1) Recent ship date below, but not found. (2) Quantities seem low considering delivery date, sales rate, back room stock. (3) Any "red tag" requiring investigation. (4) Missing Price Statements. (5) Missing/wrong signers. (6) Energy Star Label missing from package. (7) Retailer will not cooperate (e.g. making a grade or storage inspection).

Product Details

Manufacturer	Model #	Current	Model #	Current	Energy Star Label	Signage	Adapted to Signage	Products Found in Storage	Products Found on Shelf	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"	Check if Quantity is "Suspect"
OPTOCLIGHT - THE	42.000 2650	OP-BA-42W	42.000 2650	OP-BA-42W											
OPTOCLIGHT - THE	42.000 2650	OP-BA-42W	42.000 2650	OP-BA-42W											

1 of 2




3.8 INSPECTION RESULTS

The Inspector gathers information. If the signage is incorrect, the Inspector gives the Retailer more signs or sets them up at the display with the Retailer's permission.

RLIP inspection results cover information shown in the following table.

Go on to the next page

Table: Information Provided by Inspection Results

Result	Explanation
No Issues 	The site meets all the following requirements: <ul style="list-style-type: none"> • Shipment available for inspection • No overstock found • No evidence of falsified shipment quantities • No evidence of bulk sales being made • No evidence of products being shipped outside of SCE territory • 100% of signs are displayed correctly • 100% of stickers are displayed on all packages as required • 100% of products are labeled as ENERGY STAR.
Possible Follow-up Opportunity 	When any of the following occurs at the site: <ul style="list-style-type: none"> • Less than 100% of signs are displayed correctly • Less than 100% of stickers are displayed on all packages • Less than 100% of displayed products are labeled as ENERGY STAR.
Flagged 	When any of the following occurs at the site: <ul style="list-style-type: none"> • A recent shipment is not available for inspection • Overstock is found • There is evidence of falsified shipment quantities • There is evidence of bulk sales being made • There is evidence of products being shipped outside SCE territory.

3.8.1 RESOLUTION OF FLAGGED RESULTS

When a result is "**Flagged**," with a suggestion to perform Follow-up the Program vendor follows up and attempts to resolve the issue through either a Follow-up Inspection, or phone call to the retailer, whichever is determined the most applicable. Follow-up and persistence inspections are performed. The PM may also notify the manufacturer, usually prior to the program Vendor of the alleged incident and ask the manufacturer to attempt a resolution.

In cases where corrective action for highly suspected non-compliance appears likely, the PM takes the lead role in investigating, documenting, and applying resolution, while inspectors are removed from the process. See the **Primary Lighting - Handling Inspection Problems Procedure** for more details about resolution and corrective activities.

The Follow-up inspector's task is to uncover as many areas that can be improved as possible, resolve them with the retailer or manufacturer and report them to the Program staff, but not to penalize Retailers. Any major issues that cannot be resolved by the Program vendor will be resolved by the Program Manager through actions such as cancellation of future allocations or disqualification of retailers from future participation. Therefore 100% of all issues will be addressed with some form of resolution.

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3.9 COORDINATION OF INSPECTIONS

The PM activities related to inspections should generally take place at the following frequencies:

Frequency	Activity
Once or twice per quarter	Review shipment data
Once or more per quarter as applicable	Apply random sampling
Once or more per quarter as applicable	Request inspections accordingly
Weekly or as new data are available	Collect and review inspection findings
Weekly or as new Initial Inspection Worksheets are received	Determine potential Follow-up inspections or follow-up activities
Weekly or as new Initial Inspection Worksheets are received or the Follow-up database is updated	Assign and request new Follow-up inspections and activities
Quarterly or as new progress data arrives	Track progress or review the vendor's progress.
Ongoing	Works closely with the vendor where applicable.
As new initial inspection requests are prepared	Analyze Initial Inspection completion rate per sector for use in assigning new requests.

4.0 DEFINITIONS

Term	Topic

5.0 REFERENCES

5.1 EXTERNAL REFERENCES

None.

5.2 INTERNAL REFERENCES

Upstream Residential Lighting Incentive Program, V3.0
Program Services Inspection Training and Reference Guide

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6.0 ATTACHMENTS

7.0 REVIEW AND REVISION HISTORY

Version	Date	Description of Revision	Key Contacts
1.0	7/09/2015	Initial publication in new format	Residential Incentive & New Construction DSM QC & Compliance

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SCE	CS	CP&S	PR	Document No., Version No. CPS-PR-RSD-0099, V4.0	 SOUTHERN CALIFORNIA EDISON [®] <small>An EDISON INTERNATIONAL[®] Company</small>
Responsible Department: Residential Incentive and New Construction Programs					
Publication Date	July 9, 2015				
Supersedes	Upstream RLIP Policies and Procedures Manual, V3.0				
Primary Lighting Handling Inspection Problems Procedure					

1.0 PROCEDURE STATEMENT

This procedure explains how to determine and handle problems found during inspections.

2.0 APPLICABILITY

This Program document is applicable to the Primary Lighting Program (a.k.a. **Residential Lighting and Upstream Lighting**), subprogram of Primary Lighting. It specifically applies to the Inspector, Program Manager (**PM**), and if assigned, the 3rd Party Program Vendor Follow-up Inspection team).

Note: *Procedures not under requirement by regulators or contractual agreement may be waived or exempted at the discretion of, or upon written permission by the program manager.*

3.0 PROCEDURE DETAIL

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3.1 OVERVIEW

Inspectors must be alert to various ways in which Retailers and products may be out of compliance with Program requirements, including:

- a. Overstocked products

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- b. Unauthorized sales of products
- c. Products being shipped outside SCE's service territory
- d. Falsified shipment quantities
- e. Evidence of bulk sales or giveaways

The PM and the Program vendor's Follow-up Inspectors are responsible for dealing with overstock and evidence of the other problems reported by Initial Inspectors.

3.2 OVERSTOCKED PRODUCTS

Inspectors may find larger volumes of Program-incentivized products at a site than would appear reasonable, which might indicate overstocking. The Inspectors would so indicate on the worksheet.

3.2.1 IDENTIFYING OVERSTOCK CONDITIONS

The Ship Date on the Inspection Form is important because it helps indicate how many products **should** be on site at any one time. In general, Program Retailers are not supposed to order more than two months' supply of products, so:

- a. If an inspection occurs one week after shipment, the quantity of products in the store should be close to two months' worth, but
- b. If it occurs weeks after shipment, the quantity in the store should be much less

Generally, if the total number of products at the store—including both those on display and those in storage—is more than twice the number of products the store sells in a month, the store is considered **overstocked**. Usually, overstocking and understocking do not apply to chain Retailers who have many stores. Chain retailers may have up to three months of products in stock or very little stock.

For example, if the store sells about 4 cases per month, it should not have more than 8 cases (2 months' supply) on site.

If the products at the retailer site exceed three times the monthly sales rate, the problem is considered urgent and deserving of Program Management intervention. Slight overstocking can often be resolved by training and education on tactics to increase sales rates and on the fact that the retailer can reject future deliveries of quantities that would cause overstock.

3.2.2 INSPECTOR'S PROCEDURE

During an inspection, the Inspector always checks for overstocking.

*See the **Primary Lighting Managing Overstock Procedure** for more information.*

3.2.3 AFTER OVERSTOCK IS FOUND DURING AN INSPECTION

After an Inspector finds overstock at the Retailer site and reports it on the

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inspection worksheet and any assigned database, the Follow-up inspector determines, based on a site visit, whether the retailer is truly overstocked, and if so, what should be the course of action. The PM, and the Manufacturer work together to resolve the problem in a way acceptable to the Retailer. They follow the steps described in the table below.

Table: Procedures for Handling Overstock

Overstock Responsibilities	Steps
Follow-up Inspector	<ol style="list-style-type: none"> 1. Visits the site to determine how problematic the situation is. 2. Discusses the inventory levels with the Retailer to ascertain the Retailer's attitude toward the quantities and the Program. 3. Mentions options to resolve overstock issues, like displaying products in a way more conducive to fast sales, canceling a future scheduled shipment that would create overstock, or possible redistribution of products. 4. Reports findings. 5. If overstock remediation is deemed urgent, notifies the PM immediately
PM	<ol style="list-style-type: none"> 6. Determine together the next step, options, such as canceling future allocations, requesting a chain retailer to distribute excess product from one store to other participating store(s) not overstocked, redistribution from the overstocked retailers to other participating retailers not overstocked, or take another course of action. 7. Pursue the selected course of action through the manufacturer. 8. If redistribution is chosen, and the Retailer is amenable to PM works with the Manufacturer to determine what store(s) the excess product will be moved to. When an acceptable solution is reached, the Manufacturer removes excess products delivers them, and provides proof-of-delivery and quantity data to the PM.. 9. If redistribution is selected as the best alternative, but the retailer is not amenable, the PM works with the Retailer and Manufacturer to apply other corrective action. 10. Instructs the Retailer to notify SCE and the Manufacturer of any future overstock problem as soon as possible. 11. If the Retailer is found to exhibit suspect behavior in the future pertaining to overstock, consider removing the Retailer from the RLIP. Note: The PA would coordinate another inspection after the next scheduled shipment of product. 12. Informs the Manufacturer that overstocking Retailers is a serious violation of RLIP guidelines. 13. Notes the sales rate of the Retailer when reviewing future requests for allocations.
Manufacturer	<ol style="list-style-type: none"> 14. Removes the product at Manufacturer's expense if so chosen. 15. Works with Retailers who receive the incentivized product to ensure that overstock does not happen again. 16. Visits stores at PM's request that were identified as having large recurring allocations to check for overstock.

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Overstock Responsibilities	Steps
PM	17. Applies inventory control to allocations that would avoid overstock. 18. Involves manufacturers throughout the year in planning allocations and requests that would not overstock and in monitoring retailers for overstock. 19. Analyzes allocations to identify stores with recurring allocations that could result in cumulative overstock, and ask manufacturers to visit those identified stores. Usually this would be done in the 3 rd and 4 th quarters. 20. Tracks the follow-up activities and resolutions.

*For detailed information about handling overstock, see the **Primary Lighting Handling Overstock Procedure** for more information.*

3.3 UNAUTHORIZED SALES

The PM, with the support of the PA(s), is responsible for investigating every instance of unauthorized sale of incentivized products:

- a. **Either** by Retailers not enrolled in the Program,
- b. **Or** on a basis not allowed by Program rules,
- c. **Or** via the internet or other unauthorized channels,
- d. **Or** in stores outside SCE territory

The PM investigates suspected unauthorized sales incidents, and determines the best course of corrective action. The PM maintains thorough files (records) of all investigations.

*For more information about Retailer Responsibilities, see the **Primary Lighting Program Document** and the **Primary Lighting Roles and Responsibilities Standard**.*

3.3.1 RESTRICTIONS ON AUTHORIZED PRODUCT SALES

The Program allows **only** authorized Retailers to sell incentivized products. The PM designates Retailers that violate Program policies as **unauthorized resellers** and investigates any such instance of unauthorized selling.

Examples of unauthorized sales (aka **leakage**) include, but are not limited to, the following:

- a. A participating retail chain sells incentivized products at locations outside SCE's service territory, or
- b. A participating retailer sells incentivized products on a wholesale basis to a liquidator or distributor, or
- c. A participating retailer sells incentivized products to another reseller who is not authorized to participate in the Program, or
- d. An unauthorized retailer sells SCE-stickered products, or

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- e. An authorized retailer sells incentivized products on the internet without written SCE approval, or
- f. An unauthorized retailer sells incentivized products on the internet or through other means that advertise outside California, such as catalog or phone sales

"Leakage" is sales to customers in other states or outside the California Investor-Owned Utility (IOU) areas. RLIP applies the following safeguards to help prevent leakage including:

- a. Inspections of brick-and-mortar locations
- b. Online inspections, as described below under Investigating Retailer Website Sales
- c. Overstock prevention, as described above. Overstock does not mean leakage but can offer a temptation to retailers to leak products.
- d. Manufacturer and Retailer Participation Agreements that explicitly forbid the unauthorized selling of incentivized product.
- e. Prominent display of stickers and signage on incentivized products
- f. A Program Data Template (now included in CRM as invoice data screens) that has controls to prevent shipments and invoices for shipments to manufacturers for products sent outside of SCE's service territory

3.3.2 INVESTIGATING UNAUTHORIZED SALES

The Program Manager investigates:

- a. Sale of any unauthorized products discovered on internet based sales sites
- b. Sale of incentivized products by sellers who are not Program participants, outside SCE territory

The steps for these investigating unauthorized sales are shown in the table below:

Table: Investigating Unauthorized Sales

Step	Procedure
1. Investigate	Determine if incentivized products were offered for sale in violation of Program rules: <ul style="list-style-type: none"> • Outside of SCE's service territory, or • Over the Internet in an unauthorized manner.
2. Document	Describe how the investigation was performed. Keep paper and electronic files documenting all aspects of the investigation in order to: <ul style="list-style-type: none"> • Help satisfy management and auditors, and • Provide evidence, if needed, in legal proceedings.

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Step	Procedure
3. Share Information	Let RLIP staff know which sellers are being investigated and what information has been discovered.
4. Resolve the Situation	Ask the participating Manufacturer whose SCE-stickered products appeared for sale in a physical store outside SCE territory to: <ul style="list-style-type: none"> • Notify the reseller in writing, and • Expressly notifies the reseller to cease and desist unauthorized sales of SCE-incentivized products.
5. Remind	Remind Manufacturers that the Program Agreement requires them to perform regular internet searches to identify and control leakage.
6. Follow-Up	Follow up by: <ul style="list-style-type: none"> • Monitoring results of Manufacturer's efforts to stop non-compliant reseller activities • Discussing progress with the Manufacturer.

3.3.3 CONDUCTING INTERNET SEARCHES

As needed, SCE reviews websites of sellers found to have sold incentivized products to ensure that they have stopped violating Program rules.

3.3.4 SCHEDULED SEARCHES

When there is frequent internet leakage discovered, the assigned PA performs searches on a daily basis during the business week and tracks findings in a database. At least once a week, the PA should perform a more extensive search than usual. Internet searches are performed less frequently based on the number of reported occurrences. When internet sales diminish, searches are put on hold.

3.3.5 INFORMING PROGRAM MANAGEMENT

The PA informs the PM of all discoveries of unauthorized sales of Program products on the internet, both verbally and by E-mail. The E-mail should contain details of the findings so the PM can contact the participating Manufacturer to arrange a resolution.

To resolve the problem, the PM asks the Manufacturer to contact the reseller in writing to request removal of the products from web sites, and indicate the reseller is not authorized by the Manufacturer to sell its products and thereby notifies the reseller to cease and desist from further internet sales of SCE-incentivized products.

3.3.6 URGENT SEARCHES

In addition to regularly scheduled search sessions during periods of frequent internet leakage, the PM or PA may need to search a website immediately, resulting from:

- a. Word of mouth or reports by other SCE employees

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- b. Printed or online ads
- c. A complaint from a manufacturer or retailer

Advertisements for the sale of specific incentivized products are investigated immediately.

3.4 EVIDENCE OF PRODUCTS SHIPPED OUTSIDE SCE TERRITORY

The PM investigates any SCE-incentivized products suspected of being shipped outside SCE territory by gathering evidence, reviewing paperwork, and discussing with Manufacturers and Retailers as necessary. If confirmed, the PM could drop the Retailer from the RLIP.

3.5 EVIDENCE OF FALSIFIED SHIPMENT QUANTITIES

The PM conducts fraud investigations on all allegedly falsified shipment quantities by gathering evidence, reviewing paperwork, and discussing with Manufacturers and Retailers as necessary. If confirmed, the PM could drop the Manufacturer from the RLIP.

3.6 EVIDENCE OF BULK SALES

"Bulk sale" is defined as sale of a product in quantities that exceed the customer purchase limit. This limit is not imposed on the five "Big Box" retailers.

If evidence of bulk sales is found, action is taken as described in the table below.

Step	When Evidence of Bulk Sales is Found
1. Reiterate Policy	The PM contacts the Manufacturer and asks that the retailer be informed that selling SCE incentivized products in bulk quantities is against Program rules and can have serious consequences. The Follow-up Inspector notifies the retailer in a similar fashion when bulk sales are discovered. The retailer is reminded to keep customer purchase limit signs up.
2. "Secret Shopper" Inspection	If determined appropriate and requested by the PM, an assigned PA, SCE representative, or Follow-up Inspector conducts a "secret shopper" inspection at the retail site.
3. Attempt to Purchase	If the representative cannot determine from the display that the Retailer is posting a per-customer purchase limit, the representative attempts, or starts, to make a bulk purchase of incentivized products.
4. Follow-Up	If the Retailer exhibits behavior allowing the representative to purchase in bulk, the representative either purchases or refrains from purchasing at that point, based on previous instructions by the PM. The PM may cancel future allocations for the retailer and not allow the retailer to participate in the future. The PM contacts the Manufacturer to discuss solutions or inform about allocation cancellations.
5. 2nd "Secret Shopper" Inspection	If the allocation is not canceled, and if deemed appropriate by the PM, a different representative may be asked by the PM to perform another secret shopper inspection.

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Step	When Evidence of Bulk Sales is Found
6. Drop Retailer	If the bulk purchase is allowed on the 2nd secret shopper visit, then: <ul style="list-style-type: none"> The Retailer is dropped from the Program, and The Manufacturer may be asked to talk to the retailer about removing the products for redistribution.
7. Drop Manufacturer	If there is ample evidence that the Manufacturer is complicit with the bulk sales, the PM may, but is not obligated to, remove the Manufacturer from the RLIP by cancelling future allocations of all retailers.
8. Resolution	If the secret shopper is not allowed to buy in bulk on either the first or second visit, then the issue is resolved.

Many other types of non-compliance can be resolved by the Follow-up Inspector through retailer education and persistence visits. When the PM becomes involved, corrective activities will vary based on the alleged non-compliance, the level of cooperation by the retailer and manufacturer, and the need to avoid corrective force in excess of that minimally required to create complete resolution. Several retailers have had allocations canceled and some of been removed from the program to resolve compliance issues. A manufacturer has been removed as well. The PM is responsible to apply the most fitting solution to avoid risk to SCE and the Program.

4.0 DEFINITIONS

Term	Topic

5.0 REFERENCES

5.1 EXTERNAL REFERENCES

- a. None

5.2 INTERNAL REFERENCES

- a. Upstream Residential Lighting Incentive Program, V3.0
- b. Primary Lighting Program Document, V4.0, CPS-PM-RSD-0001
- c. Primary Lighting Roles and Responsibilities Standard, V4.0, CPS-ST-RSD-0054
- d. Primary Lighting Managing Overstock Procedure, V4.0, CPS-PR-RSD-0101

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6.0 ATTACHMENTS

See the following pages:

- a. None


7.0 REVIEW AND REVISION HISTORY

Version	Publication Date	Description of Revision	Key Contacts
4.0	7/09/2015	First publication in this format. Converted Upstream RLIP Policies and Procedures Manual, V3.0 as follows: §404 converted to this document	<ul style="list-style-type: none">• Residential Incentive and New Construction Program• DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	<ul style="list-style-type: none">• Residential Incentive & New Construction• DSM QC & Compliance
2.0	12/9/2010	<ul style="list-style-type: none">• Revised for 2010 – 2012 Program Cycle• Consolidated separate manuals into a single manual	<ul style="list-style-type: none">• Residential Incentive & New Construction• DSM QC & Compliance
1.1	6/6/2008	Various revisions as various separate manuals	---
1.0	4/2/2008	Initial Publication	---

This is the end of the Primary Lighting Handling Inspection Problems Procedure Document.

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SCE	CS	CP&S	PR	Document No., Version No.	 <div>SOUTHERN CALIFORNIA EDISON[®] <small>An EDISON INTERNATIONAL[®] Company</small></div>
				CPS-PR-RSD-0099, V4.0	
Responsible Department: Residential Incentive and New Construction Programs					
Publication Date	July 9, 2015				
Supersedes	Upstream RLIP Policies and Procedures Manual, V3.0				
Primary Lighting Handling Inspection Problems Procedure					

1.0 PROCEDURE STATEMENT

This procedure explains how to determine and handle problems found during inspections.

2.0 APPLICABILITY

This Program document is applicable to the Upstream Lighting Program (a.k.a. **Residential Lighting**), subprogram of Primary Lighting. It specifically applies to the Inspector, Program Manager (**PM**), and if assigned, the Program Analyst (**PA**).

Note: *Procedures not under requirement by regulators or contractual agreement may be waived or exempted at the discretion of, or upon written permission by the program manager.*

3.0 PROCEDURE DETAIL

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3.1 OVERVIEW

Inspectors must be alert to various ways in which Retailers and products may be out of compliance with Program requirements, including:

- a. Overstocked products

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- b. Unauthorized sales of products
- c. Products being shipped outside SCE's service territory
- d. Falsified shipment quantities
- e. Evidence of bulk sales or giveaways

The PM and the Program vendor's Follow-up Inspectors are responsible for dealing with overstock and evidence of the other problems reported by Initial Inspectors.

3.2 OVERSTOCKED PRODUCTS

Inspectors may find larger volumes of Program-incentivized products at a site than would appear reasonable, which might indicate overstocking. The Inspectors would so indicate on the worksheet.

3.2.1 IDENTIFYING OVERSTOCK CONDITIONS

The Ship Date on the Inspection Form is important because it helps indicate how many products **should** be on site at any one time. In general, Program Retailers are not supposed to order more than two months' supply of products, so:

- a. If an inspection occurs one week after shipment, the quantity of products in the store should be close to two months' worth, but
- b. If it occurs weeks after shipment, the quantity in the store should be much less

Generally, if the total number of products at the store—including both those on display and those in storage—is more than twice the number of products the store sells in a month, the store is considered **overstocked**. Usually, overstocking and understocking do not apply to chain Retailers who have many stores. Chain retailers may have up to three months of products in stock or very little stock.

For example, if the store sells about 4 cases per month, it should not have more than 8 cases (2 months' supply) on site.

If the products at the retailer site exceed three times the monthly sales rate, the problem is considered urgent and deserving of Program Management intervention. Slight overstocking can often be resolved by training and education on tactics to increase sales rates and on the fact that the retailer can reject future deliveries of quantities that would cause overstock.

3.2.2 INSPECTOR'S PROCEDURE

During an inspection, the Inspector always checks for overstocking.

*See the **Primary Lighting Managing Overstock Procedure** for more information.*

3.2.3 AFTER OVERSTOCK IS FOUND DURING AN INSPECTION

After an Inspector finds overstock at the Retailer site and reports it on the

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inspection worksheet and any assigned database, the Follow-up inspector determines, based on a site visit, whether the retailer is truly overstocked, and if so, what should be the course of action. The PM, and the Manufacturer work together to resolve the problem in a way acceptable to the Retailer. They follow the steps described in the table below.

Table: Procedures for Handling Overstock

Overstock Responsibilities	Steps
Follow-up Inspector	<ol style="list-style-type: none"> 1. Visits the site to determine how problematic the situation is. 2. Discusses the inventory levels with the Retailer to ascertain the Retailer's attitude toward the quantities and the Program. 3. Mentions options to resolve overstock issues, like displaying products in a way more conducive to fast sales, canceling a future scheduled shipment that would create overstock, or possible redistribution of products. 4. Reports findings. 5. If overstock remediation is deemed urgent, notifies the PM immediately
PM	<ol style="list-style-type: none"> 6. Determine together the next step, options, such as canceling future allocations, requesting a chain retailer to distribute excess product from one store to other participating store(s) not overstocked, redistribution from the overstocked retailers to other participating retailers not overstocked, or take another course of action. 7. Pursue the selected course of action through the manufacturer. 8. If redistribution is chosen, and the Retailer is amenable to PM works with the Manufacturer to determine what store(s) the excess product will be moved to. When an acceptable solution is reached, the Manufacturer removes excess products delivers them, and provides proof-of-delivery and quantity data to the PM.. 9. If redistribution is selected as the best alternative, but the retailer is not amenable, the PM works with the Retailer and Manufacturer to apply other corrective action. 10. Instructs the Retailer to notify SCE and the Manufacturer of any future overstock problem as soon as possible. 11. If the Retailer is found to exhibit suspect behavior in the future pertaining to overstock, consider removing the Retailer from the RLIP. Note: The PA would coordinate another inspection after the next scheduled shipment of product. 12. Informs the Manufacturer that overstocking Retailers is a serious violation of RLIP guidelines. 13. Notes the sales rate of the Retailer when reviewing future requests for allocations.
Manufacturer	<ol style="list-style-type: none"> 14. Removes the product at Manufacturer's expense if so chosen. 15. Works with Retailers who receive the incentivized product to ensure that overstock does not happen again. 16. Visits stores at PM's request that were identified as having large recurring allocations to check for overstock.

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Overstock Responsibilities	Steps
PM	17. Applies inventory control to allocations that would avoid overstock. 18. Involves manufacturers throughout the year in planning allocations and requests that would not overstock and in monitoring retailers for overstock. 19. Analyzes allocations to identify stores with recurring allocations that could result in cumulative overstock, and ask manufacturers to visit those identified stores. Usually this would be done in the 3 rd and 4 th quarters. 20. Tracks the follow-up activities and resolutions.

*For detailed information about handling overstock, see the **Primary Lighting Handling Overstock Procedure** for more information.*

3.3 UNAUTHORIZED SALES

The PM, with the support of the PA(s), is responsible for investigating every instance of unauthorized sale of incentivized products:

- a. **Either** by Retailers not enrolled in the Program,
- b. **Or** on a basis not allowed by Program rules,
- c. **Or** via the internet or other unauthorized channels,
- d. **Or** in stores outside SCE territory

The PM investigates suspected unauthorized sales incidents, and determines the best course of corrective action. The PM maintains thorough files (records) of all investigations.

*For more information about Retailer Responsibilities, see the **Primary Lighting Program Document** and the **Primary Lighting Roles and Responsibilities Standard**.*

3.3.1 RESTRICTIONS ON AUTHORIZED PRODUCT SALES

The Program allows **only** authorized Retailers to sell incentivized products. The PM designates Retailers that violate Program policies as **unauthorized resellers** and investigates any such instance of unauthorized selling.

Examples of unauthorized sales (aka **leakage**) include, but are not limited to, the following:

- a. A participating retail chain sells incentivized products at locations outside SCE's service territory, or
- b. A participating retailer sells incentivized products on a wholesale basis to a liquidator or distributor, or
- c. A participating retailer sells incentivized products to another reseller who is not authorized to participate in the Program, or
- d. An unauthorized retailer sells SCE-stickered products, or

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- e. An authorized retailer sells incentivized products on the internet without written SCE approval, or
- f. An unauthorized retailer sells incentivized products on the internet or through other means that advertise outside California, such as catalog or phone sales

"Leakage" is sales to customers in other states or outside the California Investor-Owned Utility (IOU) areas. RLIP applies the following safeguards to help prevent leakage including:

- a. Inspections of brick-and-mortar locations
- b. Online inspections, as described below under Investigating Retailer Website Sales
- c. Overstock prevention, as described above. Overstock does not mean leakage but can offer a temptation to retailers to leak products.
- d. Manufacturer and Retailer Participation Agreements that explicitly forbid the unauthorized selling of incentivized product.
- e. Prominent display of stickers and signage on incentivized products
- f. A Program Data Template (now included in CRM as invoice data screens) that has controls to prevent shipments and invoices for shipments to manufacturers for products sent outside of SCE's service territory

3.3.2 INVESTIGATING UNAUTHORIZED SALES

The Program Manager investigates:

- a. Sale of any unauthorized products discovered on internet based sales sites
- b. Sale of incentivized products by sellers who are not Program participants, outside SCE territory

The steps for these investigating unauthorized sales are shown in the table below:

Table: Investigating Unauthorized Sales

Step	Procedure
1. Investigate	Determine if incentivized products were offered for sale in violation of Program rules: <ul style="list-style-type: none"> • Outside of SCE's service territory, or • Over the Internet in an unauthorized manner.
2. Document	Describe how the investigation was performed. Keep paper and electronic files documenting all aspects of the investigation in order to: <ul style="list-style-type: none"> • Help satisfy management and auditors, and • Provide evidence, if needed, in legal proceedings.

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Step	Procedure
3. Share Information	Let RLIP staff know which sellers are being investigated and what information has been discovered.
4. Resolve the Situation	Ask the participating Manufacturer whose SCE-stickered products appeared for sale in a physical store outside SCE territory to: <ul style="list-style-type: none"> • Notify the reseller in writing, and • Expressly notifies the reseller to cease and desist unauthorized sales of SCE-incentivized products.
5. Remind	Remind Manufacturers that the Program Agreement requires them to perform regular internet searches to identify and control leakage.
6. Follow-Up	Follow up by: <ul style="list-style-type: none"> • Monitoring results of Manufacturer's efforts to stop non-compliant reseller activities • Discussing progress with the Manufacturer.

3.3.3 CONDUCTING INTERNET SEARCHES

As needed, SCE reviews websites of sellers found to have sold incentivized products to ensure that they have stopped violating Program rules.

3.3.4 SCHEDULED SEARCHES

When there is frequent internet leakage discovered, the assigned PA performs searches on a daily basis during the business week and tracks findings in a database. At least once a week, the PA should perform a more extensive search than usual. Internet searches are performed less frequently based on the number of reported occurrences. When internet sales diminish, searches are put on hold.

3.3.5 INFORMING PROGRAM MANAGEMENT

The PA informs the PM of all discoveries of unauthorized sales of Program products on the internet, both verbally and by E-mail. The E-mail should contain details of the findings so the PM can contact the participating Manufacturer to arrange a resolution.

To resolve the problem, the PM asks the Manufacturer to contact the reseller in writing to request removal of the products from web sites, and indicate the reseller is not authorized by the Manufacturer to sell its products and thereby notifies the reseller to cease and desist from further internet sales of SCE-incentivized products.

3.3.6 URGENT SEARCHES

In addition to regularly scheduled search sessions during periods of frequent internet leakage, the PM or PA may need to search a website immediately, resulting from:

- a. Word of mouth or reports by other SCE employees

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- b. Printed or online ads
- c. A complaint from a manufacturer or retailer

Advertisements for the sale of specific incentivized products are investigated immediately.

3.4 EVIDENCE OF PRODUCTS SHIPPED OUTSIDE SCE TERRITORY

The PM investigates any SCE-incentivized products suspected of being shipped outside SCE territory by gathering evidence, reviewing paperwork, and discussing with Manufacturers and Retailers as necessary. If confirmed, the PM could drop the Retailer from the RLIP.

3.5 EVIDENCE OF FALSIFIED SHIPMENT QUANTITIES

The PM conducts fraud investigations on all allegedly falsified shipment quantities by gathering evidence, reviewing paperwork, and discussing with Manufacturers and Retailers as necessary. If confirmed, the PM could drop the Manufacturer from the RLIP.

3.6 EVIDENCE OF BULK SALES

"Bulk sale" is defined as sale of a product in quantities that exceed the customer purchase limit. This limit is not imposed on the five "Big Box" retailers.

If evidence of bulk sales is found, action is taken as described in the table below.

Step	When Evidence of Bulk Sales is Found
1. Reiterate Policy	The PM contacts the Manufacturer and asks that the retailer be informed that selling SCE incentivized products in bulk quantities is against Program rules and can have serious consequences. The Follow-up Inspector notifies the retailer in a similar fashion when bulk sales are discovered. The retailer is reminded to keep customer purchase limit signs up.
2. "Secret Shopper" Inspection	If determined appropriate and requested by the PM, an assigned PA, SCE representative, or Follow-up Inspector conducts a "secret shopper" inspection at the retail site.
3. Attempt to Purchase	If the representative cannot determine from the display that the Retailer is posting a per-customer purchase limit, the representative attempts, or starts, to make a bulk purchase of incentivized products.
4. Follow-Up	If the Retailer exhibits behavior allowing the representative to purchase in bulk, the representative either purchases or refrains from purchasing at that point, based on previous instructions by the PM. The PM may cancel future allocations for the retailer and not allow the retailer to participate in the future. The PM contacts the Manufacturer to discuss solutions or inform about allocation cancellations.
5. 2nd "Secret Shopper" Inspection	If the allocation is not canceled, and if deemed appropriate by the PM, a different representative may be asked by the PM to perform another secret shopper inspection.

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Step	When Evidence of Bulk Sales is Found
6. Drop Retailer	If the bulk purchase is allowed on the 2nd secret shopper visit, then: <ul style="list-style-type: none"> The Retailer is dropped from the Program, and The Manufacturer may be asked to talk to the retailer about removing the products for redistribution.
7. Drop Manufacturer	If there is ample evidence that the Manufacturer is complicit with the bulk sales, the PM may, but is not obligated to, remove the Manufacturer from the RLIP by cancelling future allocations of all retailers.
8. Resolution	If the secret shopper is not allowed to buy in bulk on either the first or second visit, then the issue is resolved.

Many other types of non-compliance can be resolved by the Follow-up Inspector through retailer education and persistence visits. When the PM becomes involved, corrective activities will vary based on the alleged non-compliance, the level of cooperation by the retailer and manufacturer, and the need to avoid corrective force in excess of that minimally required to create complete resolution. Several retailers have had allocations canceled and some of been removed from the program to resolve compliance issues. A manufacturer has been removed as well. The PM is responsible to apply the most fitting solution to avoid risk to SCE and the Program.

4.0 DEFINITIONS

Term	Topic

5.0 REFERENCES

5.1 EXTERNAL REFERENCES

- a. None

5.2 INTERNAL REFERENCES

- a. Upstream Residential Lighting Incentive Program, V3.0
- b. Primary Lighting Program Document, V4.0, CPS-PM-RSD-0001
- c. Primary Lighting Roles and Responsibilities Standard, V4.0, CPS-ST-RSD-0054
- d. Primary Lighting Managing Overstock Procedure, V4.0, CPS-PR-RSD-0101

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6.0 ATTACHMENTS

See the following pages:

- a. None

7.0 REVIEW AND REVISION HISTORY

Version	Publication Date	Description of Revision	Key Contacts
4.0	7/09/2015	First publication in this format. Converted Upstream RLIP Policies and Procedures Manual, V3.0 as follows: §404 converted to this document	<ul style="list-style-type: none">• Residential Incentive and New Construction Program• DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	<ul style="list-style-type: none">• Residential Incentive & New Construction• DSM QC & Compliance
2.0	12/9/2010	<ul style="list-style-type: none">• Revised for 2010 – 2012 Program Cycle• Consolidated separate manuals into a single manual	<ul style="list-style-type: none">• Residential Incentive & New Construction• DSM QC & Compliance
1.1	6/6/2008	Various revisions as various separate manuals	---
1.0	4/2/2008	Initial Publication	---

This is the end of the Primary Lighting Handling Inspection Problems Procedure Document.

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ATTACHMENT 2

D&T Report Exhibit A.035 PUBLIC REDACTED

To: [REDACTED]
From: [REDACTED]
Sent: Tue 2/12/2019 12:17:33 AM (UTC)
Subject: RE: (External):2017 Lighting EM&V- meeting request

Thanks [REDACTED] for the additional information.

I agree with your assessment that inspections should be added back to the report; I ran this by [REDACTED] as well, and he is in agreement. I am also doing some additional research on my end with the inspection team to find out if they have any further insight into inspections not being completed; I would imagine stopping that many inspections should have triggered something on their end.

Thanks.

[REDACTED]



From: [REDACTED]
Sent: Friday, February 08, 2019 4:11 PM
To: [REDACTED]
Subject: RE: (External):2017 Lighting EM&V- meeting request

Hi [REDACTED]

I talked to my team and they are not aware of any CPUC requirement that requires inspections in order to claim savings. As I mentioned, given that no inspections took place in 2018, we'll have a weaker position to stand behind our savings claims. If the program had conducted inspections in 2018 and found overallocations, the amount of claimed savings could have been different.

On a somewhat related note, in 2013, the PM at the time requested that primary lighting inspection performance be removed from the quarterly inspection report, which is prepared by my team. I wasn't here in 2013, but I spoke to [REDACTED] and he said that the PM and his manager approved the removal. I recommend that we re-insert primary lighting inspection data in the quarterly report (if the inspections are being done). Do you agree? This way it will have more visibility.

From a program design perspective, do you know what the program design document for primary lighting has in respect to inspections?

[REDACTED]

From: [REDACTED]
Sent: Wednesday, February 06, 2019 2:46 PM
To: [REDACTED]
Subject: RE: (External):2017 Lighting EM&V- meeting request

No worries, thanks!

From: [REDACTED]
Sent: Wednesday, February 06, 2019 2:46 PM
To: [REDACTED]
Subject: RE: (External):2017 Lighting EM&V- meeting request

I'll have an update by the end of this week. Sorry for the delay.

From: [REDACTED]
Sent: Wednesday, February 06, 2019 11:18 AM
To: [REDACTED]
Subject: RE: (External):2017 Lighting EM&V- meeting request

[REDACTED]

Just following up on this request and to see if you had an update. Thanks!

Thanks,

[REDACTED]



From: [REDACTED]
Sent: Wednesday, January 30, 2019 9:51 PM
To: [REDACTED]
Subject: Re: (External):2017 Lighting EM&V- meeting request

[REDACTED]

I'll need to talk to my team and get back to you.

In the meantime, I am not aware of any CPUC mandate of not being able to claim savings due to a lack of inspections. The inspection is an assurance/control process to make sure that we have measures installed as intended. Given that no inspections took place in 2018, we'll have a weaker position to stand behind our savings claims. Plus, my team prepares a quarterly inspection report, so I am now wondering why this wasn't showing up as a potential issue.

[REDACTED]

From: [REDACTED]
Sent: Wednesday, January 30, 2019 10:12 AM
To: [REDACTED]
Subject: FW: (External):2017 Lighting EM&V- meeting request

[REDACTED]

Good morning. [REDACTED] asked me to reach out to you. We have a situation in which the CPUC is looking into potential over-allocation of CFL's. We discovered that we did not do any inspections in all of 2018 (see third paragraph below from [REDACTED]). [REDACTED] wanted to know if savings would be discounted because no inspections were done in 2018?

Thanks,

[REDACTED]



From: [REDACTED]
Sent: Friday, January 25, 2019 5:05 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: (External):2017 Lighting EM&V- meeting request

[REDACTED]

In addition to the information below, [REDACTED] said:

"In 2017, SCE claimed 3,702,632 CFL bulbs. This equates to approximately \$731,242 in ESPI earnings assuming no other discounts or approximately \$0.20 in earnings/bulb."

[REDACTED] found the following:

"In 2017, there were 122 GWh (1st year gross) for CFLs in Residential. For LEDs, the potential in Residential was 7 GWh. SCE actually did 174 GWh.

In 2018, there were no inspections completed. I took over the role of Primary Lighting PM on May 1, 2018. We had just begun 2018 allocations in late April/early May. When PSO and I talked in summer of 2018 about inspections, we found that the inspection database [REDACTED] had built was no longer usable by me or PSO. I asked [REDACTED] if he could rebuild the database and, with his manager's approval, he began the project. Unfortunately, it was not completed in 2018. [REDACTED] is in the final stages of completing the database, and PSO and I will begin testing next week.

In 2019, I have a few ideas to prevent overstock:

-) Allocate the bulk of products to the big box stores like [REDACTED] and [REDACTED]; also, allocate to the large grocery chains like [REDACTED]
-) Conduct an inventory of stock in the small stores and do not ship to stores with overstock or ample stock for the year
-) Remove gross overstock from stores and allocate to other stores linked to that specific manufacturer
-) Encourage manufacturers to sign up more stores and send overstock to new stores

The first three months of 2019 had already been approved by SCE because of the Trump tax tariffs. SCE let the manufacturers order stock from China before the end of 2018 to avoid paying extra taxes. The manufacturers have supplies sitting in their warehouses ready to ship in 2019. I have talked to the manufacturers and asked them to help prevent overstock as much as possible.

Please let me know if you need additional information.

Thank you,

[REDACTED]

Southern California Edison

[REDACTED]
1515 Walnut Grove Avenue, Rosemead, CA 91770
[REDACTED]



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From: [REDACTED]
Sent: Friday, January 18, 2019 10:57 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: (External):2017 Lighting EM&V- meeting request
Importance: High

Hello [REDACTED]

On Wednesday, January 16, SCE personnel [REDACTED] had a call with the CPUC [REDACTED] and their consultant DNV-GL [REDACTED] about SCE's 2017 Primary Lighting program. [REDACTED] and [REDACTED] are working on the 2017 impact evaluations and data showed that SCE allocated and manufacturers shipped a little over 3.7 million CFLs.

[REDACTED] and [REDACTED] said that their third-party, Apex Analytix, is studying sales data for lighting products across California and records show a number far less than 3 million products sold. (SCE questioned the validity of this study; how did this group collect their data?) A high percentage of these CFLs went to smaller-type stores (discount markets, liquor stores, small grocery stores) and CPUC/DNV-GL is questioning the sales volume of such stores. SCE responded by saying that we ship to smaller-type stores with an emphasis on DACs and HTR areas. [REDACTED] said she appreciated that fact; however, the volume of CFLs is higher than that of PG&E (about 81,000) and SDG&E (about 240,000).

[REDACTED] wanted to know if we had any way to verify that the manufacturers had truly shipped the product. I explained that each invoice had a shipping bill of lading with a signature and pictures. Also, SCE had an internal group performing inspections. I checked with PSO on Thursday and found that they conducted 969 inspections in 2017. And OSS (third-party inspections) had also completed 91 secondary visits. A lot of the inspections showed overstock, both from the original and secondary inspections. I have no records program intervention after the inspections.

[REDACTED] said that she will issue one or two data requests this week: inspection data and allocation data. I haven't seen the data requests yet.

As an example of an inspection report that showed [REDACTED]

[REDACTED]

Please contact me if you have any questions.

Thank you,

[REDACTED]

Southern California Edison

1515 Walnut Grove Avenue, Rosemead, CA 91770



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From: [REDACTED]
Sent: Tuesday, January 15, 2019 12:56 PM

To: [REDACTED]
Cc: [REDACTED]

Subject: FW: (External):2017 Lighting EM&V- meeting request
Importance: High

Hi, [REDACTED] & [REDACTED] –

Can you connect with [REDACTED] to see what the ED might want here?

Probably good to have you both on the call. All I can speculate is SCE's inclusion of CFLs in the portfolio. Maybe they don't know up until what point we were allowed to continue including them.

From: [REDACTED]
Sent: Tuesday, January 15, 2019 12:30 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: (External):2017 Lighting EM&V- meeting request
Importance: High

All,

I have no idea what they are worried about since they are being cryptic "some related issues."

I'm thinking that [REDACTED] would be good as well to explain our lighting choices from Program's perspective. I will look at calendars and book something.

[REDACTED]

[REDACTED]
Southern California Edison
[REDACTED]

From: [REDACTED]
Sent: Tuesday, January 15, 2019 10:41 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: (External):2017 Lighting EM&V- meeting request
Importance: High

Hi [REDACTED] and [REDACTED]

As you know our EM&V team is working full swing on the 2017 evals. Based on the nature of SCE's Quarter 4 2017 claim filings, we are looking to revise the EM&V workplan to include high wattage CFL's. We wanted to give you a heads up and also discuss some related issues.

Would you be available for a 45-minute call this week or next week? Please suggest some time options that work on your end. Also let me know who else should be included in the meeting.

Thanks!

[REDACTED]

“Not everything that counts can be counted, and not everything that’s counted truly counts.” - William Bruce Cameron