BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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JOINT REPLY OF THE PUBLIC ADVOCATES OFFICE AND THE UTILITY REFORM NETWORK ON THE ORDER TO SHOW CAUSE DIRECTING SOUTHERN CALIFORNIA EDISON COMPANY TO ADDRESS UPSTREAM LIGHTING PROGRAM ISSUES FOR PROGRAM YEARS 2017 THROUGH 2019

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) submit the following reply in response to the May 24, 2022, *Order to Show Cause Directing Southern California Edison Company to Address Upstream Lighting Program Issues for Program Years 2017 Through 2019* (OSC). The OSC directs Southern California Edison Company (SCE) to show cause why it should not be required to do the following for its mismanagement of the Upstream Lighting program for the years 2017 through 2019, as addressed in Decisions (D.) 14-10-046, D.15-10-028, D.18-05-041, and D.13-09-023:

- Refund ratepayer funding for the portion of the program budget associated with light bulbs that were unaccounted for;
- Refund Efficiency Savings and Performance Incentive (ESPI) shareholder awards associated with unaccounted-for light bulbs; and
- Pay penalties for misrepresenting program progress and results to the Commission, in violation of Rule 1.1 of the Commission's Rules of Practice and Procedure and Public Utilities Code Sections 451, 701, and 2107-2108.[1]

In SCE's response to the OSC, it claims that its ESPI earnings for Program Years (PYs) 2017 and 2018 have already been reduced by approximately \$13.3 million.[2] SCE further proposes to refund an additional \$6.8 million in ESPI earnings and to pay back \$20 million in program costs.[3] SCE alleges that Rule 1.1 penalties are not warranted.[4]

SCE's response falls short of addressing its persistent mismanagement and false reporting of program impacts. SCE harmed ratepayers, the regulatory process, and impeded the furtherance of the state's energy efficiency and greenhouse gas (GHG)

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[1] *Order to Show Cause Directing Southern California Edison Company to Address Upstream Lighting Program Issues for Program Years 2017 Through 2019* (OSC), p. 1.

[2] Southern California Edison Company's (U 338-E) Response to the Order to Show Cause Directing Southern California Edison Company to Address Upstream Lighting Program Issues for Program Years 2017 Through 2019, filed on June 22, 2022 (SCE's OSC Response), p. 2.

[3] SCE's OSC Response, p. 3.

[4] SCE's OSC Response, p. 3.

reduction policies and goals. Cal Advocates and TURN continue to urge the Commission to issue remedies that are proportionate to SCE's level of culpability and the damage to ratepayers and the regulatory process. Specifically, Cal Advocates and TURN recommend the following remedies:

- A refund of all ESPI awards for program years 2017-2019 ($32.7 million), or at least all ESPI awards for the Upstream Lighting Program ($21.1 million).
- A refund of all program administration costs, and all implementation costs associated with the hard-to-reach portion of the Upstream Lighting program for program years 2017-2019 ($91.9 million), or at least all administration costs and those implementation costs associated with unaccounted-for bulbs identified in the Commission's 2017-2019 Impact Evaluations ($76.1 million).
- $98,000,000 in fines for violations of the Public Utilities Code and Commission rules.

II. BACKGROUND

The investor-owned utilities (IOUs), including SCE and San Diego Gas & Electric Company (SDG&E), are authorized by the Commission to implement energy efficiency programs using California ratepayer funding.[5] The Commission sets energy efficiency goals for the IOUs[6] and has provided financial awards to IOU shareholders based on achieved savings and expenditures from energy efficiency programs by means of the ESPI mechanism.[7]

The Upstream Lighting Program, which was discontinued on December 31, 2019, was one of many Energy Efficiency (EE) programs managed by SDG&E and SCE (as

[5] Public Utilities Code Section 454.5(b)(9)(c); CEDARS SCE Customer EE and Solar Division Program Implementation Plan: https://cedars.sound-data.com/documents/download/902/main/ p. 5; CEDARS SDG&E: https://cedars.sound-data.com/documents/download/375/main/ p. 2.

[6] Public Utilities Code Section 454.55(a).

[7] D.13-09-023, pp. 94-95 (Ordering Paragraph 3). ESPI was suspended in D.20-11-013 after the Commission found no evidence that the awards were effective in promoting its policy goals (Findings of Fact 28 and 29, Ordering Paragraph 1).

well as Pacific Gas and Electric Company).[8] Through program years 2017, 2018, and 2019, the Upstream Lighting Program delivered the most significant reported savings in SCE and SDG&E's portfolios.[9] The program offered incentives in the form of rebates to manufacturers that were then passed on as discounts to purchasing retailers and eventually to retail customers to encourage the purchase and installation of energy efficient light bulbs (bulbs).[10] Like other EE programs, the program was ratepayer funded and generally designed to produce EE savings (i.e., cost-effective savings) for which the IOUs could earn a performance-based incentive.[11]

The program strategy shifted in 2017 from "big box" stores (i.e., large retailers like Home Depot) to hard-to-reach locations (i.e., locations where customers may not typically purchase energy efficient bulbs) such as small independent grocery stores, drug stores, low income markets and discount shops, alongside the typical "big box" stores.[12] This shift was based on a recommendation in the Impact Evaluation of the 2015 Upstream and Residential Downstream Lighting Programs, issued on April 1, 2017.[13] When the program shifted to hard-to-reach retailers in 2017, "[i]t was determined these retailers were unlikely to have adequate point-of-sale or inventory systems to accurately

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[8] See Response of San Diego Gas & Electric Company (U 902 M) to Administrative Law Judge's Rulings Seeking Comment on Upstream Lighting Program for Program Years 2017 and 2018, filed on June 8, 2020 (SDG&E Response), p. 2; Southern California Edison Company's (U 338-E) Responses to the Administrative Law Judge's Ruling Seeking Further Comment on Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018, filed on June 8, 2020 (SCE June 2020 Response), p. 3.

[9] See Claim Lifecycle Net GWh on the Budget Filing Detail Report available via CEDARS at https://cedars.sound-data.com/filings/list/. Overall for PYs 2017-2019, the Upstream Lighting program accounted for 79.6% of SDG&E's and 56% of SCE's claim lifecycle net GWh energy savings. For SCE, the program accounted for 45.7% of PY 2017 savings, 64.8% of PY 2018 savings, and 57.2% of PY 2019 savings. For SDG&E, the program accounted for 79.5% of PY 2017 savings, 82.1% of PY 2018 savings, and 73.9% of PY 2019 savings.

[10] SDG&E Response, p. 2.

[11] See SDG&E Response, p. 2.

[12] SDG&E Response, p. 2; SCE June 2020 Response, p. 4.

[13] SDG&E Response, p. 2 (citing *Impact Evaluation of 2015 Upstream and Residential Downstream Lighting Programs*, (April 1, 2017), p. 9, Recommendation 3).

track sales," and because of this, the program was designed to "offer incentives to participating lightbulb manufacturers based on quantities shipped."[14], [15]

In its *Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector – Program Year 2017* (Program Year 2017 Evaluation Report), DNV GL Energy Insights USA, Inc. (DNV GL) found unusually large volumes of bulbs shipped to small stores in SCE's and SDG&E's territories.[16] DNV GL also found that the market could not have supported the sales volumes SCE and SDG&E reported as shipped for the 2017 program.[17] In the discount and grocery store channels, DNV GL found that 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.[18] These discrepancies made up roughly 60 percent of SCE's and 80 percent of SDG&E's total upstream lighting program bulbs.[19]

Overall, DNV GL discovered that approximately 15 million lightbulbs were unaccounted for and as a result adjusted SCE's and SDG&E's claimed savings to reflect the unaccounted-for shipments.[20] DNV GL reduced SCE's and SDG&E's claimed

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[14] Deloitte Report, Financial Advisory Services LLP, Southern California Edison (SCE) Upstream Lighting Program Investigation (Attachment 01), p. 5; Southern California Edison, Primary Lighting Program Document (Attachment 02), p. 2 ("Manufacturers pay the incentive to the retailer one of two ways:

- In the Shipment Data Approach, the manufacturer reduces the wholesale price by the incentive amount or exceeds it.
- In the Sales Data Approach, the manufacturer pays the incentives to the retailer after retail sales are tracked.")

[15] Attachment 01 is also in the record as Exhibit 1 Comments of the Public Advocates Office on the Administrative Law Judge's Ruling Seeking Comment on Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018, filed on January 20, 2021 (Cal Advocates Comments). Attachment 02 is also in the record as Exhibit 2 to Cal Advocates Comments.

[16] PY 2017 Evaluation Report, p. 33, Table 4-5, available at https://pda.energydataweb.com/api/view/2166/CPUC%20Group%20A%202017%20Upstream%20Lighting%20Impact%20Eval%20Report%20FINAL.pdf.

[17] PY 2017 Evaluation Report, pp. 3-8.

[18] PY 2017 Evaluation Report, p. 33, Table 4-5.

[19] PY 2017 Evaluation Report, p. 35, Table 4-7.

[20] PY 2017 Evaluation Report, p. 35, Table 4-7.

savings (by 60% and 81%, respectively) due to the number of unaccounted-for light bulbs.[21] Although SCE's and SDG&E's savings claims were heavily discounted in the impact evaluation owing to the number of bulbs unaccounted for, "utility ratepayers still ultimately paid for the costs of the program."[22]

On June 8, 2020, SCE and SDG&E submitted investigative findings of their Upstream Lighting Programs. SDG&E conducted an investigation using SDG&E staff and an independent third party, Sheppard Mullin Richter and Hampton LLP (who retained PricewaterhouseCoopers to perform a limited forensic investigation), to assess SDG&E's administration of the Upstream Lighting Program for program years (PYs) 2017, 2018, and 2019.[23] Although not required, SDG&E directed that the independent investigation include program year 2019.[24]

In stark contrast, SCE tasked its own program staff associated with energy efficiency to conduct an incomplete internal investigation of its Upstream Lighting Program for program years 2017 and 2018. Though it was far less comprehensive than SDG&E's investigation, SCE claimed it could not finish its investigation due to COVID-19 related restrictions.[25] In contrast, SDG&E was able complete both an internal and independent investigation under the same conditions during the same time period.

Given the inadequacy of SCE's internal investigation, on July 17, 2020, Cal Advocates and TURN filed a joint motion asking the Commission to order a shareholder-funded independent external investigation of SCE's Upstream Lighting Program.[26] SCE responded on July 22, 2020, and claimed that it had already begun taking steps to conduct

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[21] PY 2017 Evaluation Report, p. 5.

[22] Administrative Law Judge's Ruling Seeking Comment on Upstream Lighting Program Impact Evaluation for Program Year 2017, issued on January 9, 2020 (January 2020 Ruling), p. 7.

[23] SDG&E Response, p.7.

[24] SDG&E Response, p. 5.

[25] SCE June 2020 Response, p. 1.

[26] Motion of The Public Advocates Office and The Utility Reform Network to Order a Shareholder-Funded Independent External Investigation of Southern California Edison Company's Upstream Lighting Program and to Extend Time to File Comments on the Administrative Law Judge's Email Ruling Requesting Further Comments on 2017 and 2018 Upstream Lighting Programs, filed July 17, 2020.

such an investigation.[27] SCE's parent company, Edison International, via its internal Audit Services Department, engaged Deloitte & Touche, LLP (Deloitte) to investigate SCE's Upstream Lighting Program for program years 2017, 2018, and 2019.[28]

In contrast to SDG&E, SCE did not hire a law firm or other fully independent third party to manage the investigation. Instead, SCE's parent company's Audit Services Department was tasked with managing the investigation. Thus, SCE placed the same department that put in place, managed, and potentially endorsed the controls, in charge of the audit where the central issue was the effectiveness of the controls they put in place. The results of this investigation were filed with the Commission on November 30, 2020.

On December 9, 2020, Cal Advocates and TURN filed a joint settlement with SDG&E to resolve SDG&E's failure to prudently manage the Upstream Lighting Program in 2017-19.[29] The settlement results in the following remedies paid with shareholder funds: a return of $45.44 million spent by ratepayers on the program in 2017-2019, a return of $6.162 million paid by ratepayers for shareholder awards from the ESPI, and a fine of $5.5 million for Rule 1.1-violations (among other remedies).[30] These refunds were calculated by the settling parties based on the data obtained by DNV GL to "estimate the program cost for efficient light bulbs purportedly shipped by manufacturers to discount and grocery store channels that could not have been stocked and sold by these retailers or otherwise absorbed by the market in SDG&E's service territory".[31] The

[27] Southern California Edison Company (U 338-E) Response to The Motion of The Public Advocates Office and The Utility Reform Network to Order a Shareholder-Funded Independent External Investigation of Southern California Edison Company's Upstream Lighting Program and to Extend Time to File Comments on the Administrative Law Judge's Email Ruling Requesting Further Comments on 2017 and 2018 Upstream Lighting Programs, filed July 22, 2020.

[28] Southern California Edison Company's (U 338-E) Responses to the Administrative Law Judge's Ruling Seeking Further Comment on Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018 and Results of Third-Party Investigation into the Upstream Lighting Program, filed November 30, 2020 (SCE November 2020 Response), p. 4.

[29] Joint Motion of Settling Parties for Commission Adoption of Settlement Agreement, filed December 9, 2020 (Joint Settlement Motion), p. 9.

[30] Joint Settlement Motion, pp. 9-11.

[31] Joint Settlement Motion, p. 9.

settlement also took into account SDG&E's cooperation during the investigation period.[32] On September 9, 2021, the Commission adopted the settlement agreement related to SDG&E's failure to prudently manage the Upstream Lighting Program in 2017-2019.[33]

On January 20, 2021, Cal Advocates and TURN filed comments on SCE's investigation of its administration of the 2017 and 2018 Upstream Lighting Programs.[34] Cal Advocates and TURN both emphasized that SCE failed to prudently administer the Upstream Lighting Program and recommended refunds of program costs and ESPI awards, as well as fines.[35]

SCE filed reply comments on March 5, 2021[36] and amended reply comments on March 15, 2021.[37] In these reply comments, SCE proposed to refund around $20 million in program costs and have shareholders fund the entire cost of approximately $900,000 associated with the Deloitte investigation.[38] But, SCE alleged that Rule 1.1 fines were not warranted and significantly understated its level of mismanagement and culpability.[39]

On May 24, 2022, the Assigned Commissioner and Administrative Law Judge issued this OSC. The OSC directs SCE to show cause why it should not be required to

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[32] Joint Settlement Motion, p 22. D. 21-09-002 FOF 14. "Once the January 9, 2020 assigned ALJ ruling was issued, SDG&E management moved quickly to investigate, at shareholder expense, and cooperated fully with the outside investigation."

[33] D.21-09-002.

[34] Comments of the Public Advocates Office on the Administrative Law Judge's Ruling Seeking Comment on Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018, filed on January 20, 2021 (Cal Advocates Comments); 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, filed on January 20, 2021 (TURN Comments).

[35] Cal Advocates Comments, p. 4; TURN Comments, pp. 3-4.

[36] Southern California Edison Company's (U 338-E) Reply Comments on the Administrative Law Judge's Ruling Seeking Comment on Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018, filed March 5, 2021.

[37] Southern California Edison Company's (U 338-E) Amended Reply Comments on the Administrative Law Judge's Ruling Seeking Comment on Upstream Lighting Program Impact Evaluation for Program Years 2017 and 2018, filed March 15, 2021 (SCE's Amended March 2021 Reply Comments).

[38] SCE's Amended March 2021 Reply Comments, p. 3.

[39] *Compare* SCE's Amended March 2021 Reply Comments, pp. 22-27, *with*, TURN Comments, pp. 23-25 ("SCE minimizes its culpability for these significant breaches and overstates the significance of its voluntary remedial action in 2019.").

do the following, for its mismanagement of the energy efficiency Upstream Lighting Program for the years 2017 through 2019:

- Refund ratepayer funding for the portion of the program budget associated with light bulbs that were unaccounted for;
- Refund Efficiency Savings and Performance Incentive shareholder awards associated with unaccounted-for light bulbs; and
- Pay penalties for misrepresenting program progress and results to the Commission, in violation of Rule 1.1 of the Commission's Rules of Practice and Procedure and Public Utilities Code Sections 451, 701, and 2107-2108.

SCE responded to the OSC on June 20, 2022. SCE once again fails to acknowledge its level of mismanagement and culpability, and alleges that Rule 1.1 penalties are not warranted.[40] SCE claims that its ESPI earnings for Program Years (PYs) 2017 and 2018 have already been reduced by approximately $13.3 million to reflect the unaccounted-for bulbs identified by the 2017 and 2018 Impact Evaluations.[41] SCE proposes to refund an additional $6.1 million dollars in ESPI earnings for PY 2017-2018 "to reflect the remaining ESPI that SCE received under the portion of the Program associated with all bulbs shipped to discount and grocery retailers," and forego collection of another $700,000 in 2019 ESPI earnings (recently approved in Resolution E-5108).[42] SCE further proposes to pay back $20 million in program costs, which includes all 2017-2019 program administrative costs plus 10% of the direct program expenditures for bulbs shipped to discount and grocery stores in 2017, 2018, and 2019.[43] As described below, SCE's proposal does not sufficiently address SCE's mismanagement and false reporting of program impacts, or its attempts to undermine the investigation, all of which harmed ratepayers as well as impeded the advancement of the state's energy efficiency and GHG reduction policies and goals.

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[40] SCE's OSC Response, p. 3.

[41] SCE's OSC Response, p. 2.

[42] SCE's OSC Response, pp. 13-14.

[43] SCE's OSC Response, pp. 3, 11-12.

III. DISCUSSION

A. The Commission Should Order SCE to Refund All Program Administration Costs and At Least All Costs Associated with Unaccounted-For Lightbulbs According to the 2017, 2018, and 2019 Upstream Lighting Program Impact Evaluations.

SCE suggests it would be appropriate to refund all administrative costs for the 2017-2019 Upstream Lighting Program ($4.3 million), plus 10 percent of the program implementation costs associated with bulbs shipped to discount and grocery stores ($8.8 million). SCE explains, "[I]n as much as the Program administration practices led to overstocking, SCE agrees that its customers should not bear the administrative costs associated with the Program and is proposing to refund all the Program administrative costs … including those associated with big-box stores."[44] Regarding the refund of program costs, SCE asserts that $8.8 million in Program costs "corresponds to the instances of overstock identified in SCE's internal inspection reports, as these internal documents, unlike the Impact Reports, existed in real-time, and SCE should have acted in response to its own records to reduce costs incurred."[45] SCE clarifies that "there was evidence that some amount of overstocking took place" in an average of 10 percent of SCE's internal inspection reports in 2017, 2018, and 2019, and $8.8 million is 10 percent of Program costs devoted to bulbs shipped to discount and grocery stores.[46] SCE maintains that it would be inappropriate to base program refunds "on the Impact Reports as SCE could not have taken action to reduce the number of shipped lightbulbs in response to those reports because they were issued over a year after shipments were made."[47]

As explained below, Cal Advocates and TURN disagree with SCE's proposed refund of program implementation costs for at least three reasons.

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[44] SCE's OSC Response, p. 13.

[45] SCE's OSC Response, p. 12 (footnotes in original omitted).

[46] SCE's OSC Response, p. 12.

[47] SCE's OSC Response, p. 12, fn. 19.

1. The Commission Should Order SCE to Refund All Upstream Lighting Program Administration Costs for 2017-2019.

Cal Advocates and TURN agree with SCE that refunding 100 percent of the Program administration costs for 2017-2019 is appropriate, given SCE's conduct in administering the program.[48] There is no compelling reason to limit the refund of administrative costs by excluding costs attributable to the big box stores participating in the Program. As SCE acknowledges, "Refunding all program administration costs is appropriate because SCE's administration of the Program was done singularly for the entire program, and thus there is no clear basis to separate any portion of administrative costs."[49] For this reason, the Commission should order SCE to refund $4.3 million in program administration costs to ratepayers.

2. The Commission Should Reject SCE's Method for Calculating Refunds of Program Implementation Costs.

SCE does not dispute the notion that fairness to ratepayers dictates the refund of some program expenditures related to unaccounted-for light bulbs shipped through the Upstream Lighting Program. However, the approach it offers for calculating refunds is fatally flawed.[50] The Commission should reject SCE's proposed approach for three reasons. First, the record clearly establishes that SCE disregarded its own program oversight and quality control/quality assurance procedures and protocols, which would have increased visibility into bulb overstock and required SCE to adjust program delivery in real time. Second, SCE fails to offer any evidence demonstrating that the percentage of inspection reports revealing overstock is a reasonable proxy for the percentage of bulbs shipped to stores with overstock. Third, the Commission's independent impact evaluations provide the best available, unbiased estimates of unaccounted-for bulbs paid

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[48] Cal Advocates Comments, pp. 4, 24; TURN Comments, pp. 26-27.

[49] SCE's OSC Response, p. 13.

[50] SCE's OSC Response, p. 2 (SCE "has already agreed … that returning a portion of program funds and shareholder awards associated with unaccounted-for lightbulbs is appropriate.").

for by ratepayers. Rather, the Commission should rely on the more neutral and thorough 2017-2019 Impact Evaluations to calculate the refund of program implementation costs, not SCE's proposed method.

a) SCE's Internal Inspections Should Not Be Relied Upon to Determine the Extent of Unaccounted-For Bulbs.

SCE asks the Commission to rely on its own program inspections to determine the extent of unaccounted-for lightbulbs, the costs of which should be subject to refund. However, this OSC arises from SCE's failure to adhere to the Program quality control/quality assurance procedures and processes in 2017- 2018, and part of 2019, including requirements to timely detect overstocking.

SCE had specific procedures to ensure Program effectiveness and the integrity of reported savings in real time. For instance, SCE's *Primary Lighting Inspection Procedure* required, in pertinent part: inspections and retailer education on program requirements; tracking and reporting on inspection results; working with manufacturers and retailers to resolve conditions flagged during inspections; and, where major issues cannot be resolved, cancellation of future allocations or disqualification of retailers from participation.[51] SCE's *Primary Lighting Handling Inspection Problems Procedure* required the Program Manager to work with manufacturers to resolve overstocking in a manner 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; and requiring the Program Manager to apply inventory control to allocations that would avoid overstock in the future.[52] Similarly, the Program Implementation Plan (PIP) SCE filed

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[51] *See* Deloitte Report, Exhibit A.004 (Attachment 03), 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). Attachment 03 is also in the record as Attachment 1 to TURN Comments.

[52] *See* Attachment 03 Section 3.2 (Overstocked Products), Section 3.2.3 (After Overstock Is Found During an Inspection).

with the Commission includes an "Enhanced Inspection Plan to improve quality control and quality of energy savings" under the section for "Quality Assurance Provisions."[53]

The report prepared by Deloitte following its investigation of SCE's Upstream Lighting Program indicates that SCE implemented changes to Program practices that directly undermined the effectiveness of program quality control procedures. For instance, SCE reduced program accountability for on-site inspection results in 2013 and completely suspended inspections in 2018.[54] This change was a major deviation from SCE's Primary Lighting Inspection Procedure. According to SCE's Primary Lighting Inspection Procedure, not only were inspections to be conducted throughout the year,[55] 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."[56]

Furthermore, in 2016, SCE drastically reduced the time for staff to review invoices submitted by manufacturers before paying them.[57] Starting in 2017, SCE's review of manufacturer invoices (called "bills of lading") played an increasingly important role in ensuring that products were delivered to stores starting in 2017, given the shift to hard-to-reach retailers.[58] Reviewing bills of lading can identify any number of issues, including instances where shipping vendors reported an unrealistic number of deliveries by a single

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[53] TURN Comments, pp. 4-5 (citing 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/).

[54] TURN Comments, pp. 4-9.

[55] Attachment 03, SCE Primary Lighting Inspection Procedure, pp. 5-6 of 21.

[56] Attachment 03, SCE Primary Lighting Inspection Procedure, p. 20 of 21 (italics added).

[57] TURN Comments, pp. 9-10.

[58] Deloitte Report, pp. 12-13. As noted above in Section II, the Deloitte Report explained that hard-to-reach retailers were unlikely to have adequate point-of-sale or inventory systems to accurately track sales, making careful review of bills of lading key to ensuring that bulbs were delivered to stores before SCE paid for shipped bulbs.

driver in a given day.[59] Reviewing Invoice Packets can also raise flags about bulb allocations and the risk of overstocking (for example, photographs revealing small stores with limited shelf space for bulbs or duplicate photographs, would call 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 (if actually conducted).[60] Because SCE had visibility into store conditions for all retailers through Invoice Packets, SCE had the responsibility and mechanisms available to conduct adequate review of invoice packages and inspection reports and could have escalated overstock concerns to upper management. Instead, SCE reduced the time devoted to review of Invoice Packets, limiting the effectiveness of this additional tool for detecting overstock.

Furthermore, the reliability of the inspections that SCE actually conducted is questionable. As explained by Cal Advocates:

> SCE admits that because of the large number of participating retailers, SCE's inspectors were often unable to conduct their investigations shortly after shipments arrived. Instead, inspections sometimes occurred months after the delivery of bulbs and potentially after retailers had already begun selling the very bulbs inspectors were to inspect. This often rendered the inspections inaccurate, and illustrates how the inspection methods SCE had in place throughout the program were not adequate.[61]

Given these facts, the Commission should not rely on the inspections that SCE conducted to establish the extent of unaccounted-for lightbulbs shipped to discount and grocery stores.

b) The Fraction of SCE's Inspections Showing Overstock Is Not a Reasonable Measure of

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[59] Deloitte Report, pp. 12-13.

[60] Attachment 03, SCE Primary Lighting Inspection Procedure, p. 4 of 21.

[61] Cal Advocates Comments, p. 10 (citations in original omitted).

the Fraction of Bulbs Going to Stores with Overstock.

SCE implicitly asks the Commission to assume that the percentage of inspections revealing overstock (10 percent) is proportional to the percentage of bulbs shipped to stores with overstock. Yet SCE provides no information about the number of bulbs shipped to the retailers with observed overstock, as compared to the number of bulbs shipped to retailers with inspections showing no observed overstock. Without any factual basis for SCE's assumption, it is unreasonable for the Commission to accept SCE's 10 percent proxy. Indeed, the confidential version of Cal Advocates' January 20, 2021, Comments provides information that directly undercuts SCE's theory by showing the volume of bulbs shipped to certain stores with overstock.[62]

c) The Commission's Independent Impact Evaluations Provide the Best Available Estimates of Unaccounted-For Lightbulbs.

In D.05-01-055, the Commission adopted the modern administrative structure for energy efficiency program Evaluation, Measurement, and Verification (EM&V). That structure ensures the independence of program and portfolio-related impact evaluations by putting the Energy Division in charge of administration of these studies, while the Portfolio Administrators have oversight over program design evaluation and market assessment studies.[63] In retaining administration of impact evaluations, the Commission emphasized the importance of avoiding any conflicts of interest that could bias EM&V results:

> … Independent EM&V ensures that ratepayers get the energy efficiency for which they pay. California needs an EM&V framework bold enough to prevent wasteful expenditures of ratepayer money on energy efficiency programs. Ratepayers should reap the benefits of the energy efficiency programs they fund. These ratepayer benefits should include well-run, effective energy efficiency programs, resultant lower

[62] Cal Advocates Comments, p. 19 (pertinent information redacted in Public Version).

[63] D.05-01-055, pp. 115, 118-119, 121.

> customer bills, and increasing utility use of energy efficiency as a demand-side resource. Ratepayers deserve an administrative structure that gives them a reasonable assurance that their money is being wisely and efficiently expended.[64]

The Commission's 2017, 2018, and 2019 Impact Evaluations adjusted SCE's claimed savings for the Upstream Lighting Program to remove unaccounted-for lightbulbs shipped to discount and grocery stores. The following table summarizes the adjustments, showing the percentage of lightbulbs credited by the evaluators.[65]

Table 1. SCE's Upstream Lighting Claimed Savings Impact Evaluation Results

Program Year	Total Lightbulbs Shipped	Percent Credited	Bulbs Shipped to Discount, Grocery Stores	Percent Credited
2017	14,464,884	40%	10,948,199	20%
2018	14,982,715	27%	13,021,326	16%
2019	14,131,131	30%	11,827,300	17%

The Commission's independent evaluation determined that SCE should get credit for *20 percent or less* of the bulbs shipped to discount and grocery stores in 2017-2019 because the rest were unaccounted-for (6,258,609 bulbs).[66] In contrast, SCE asserts that ratepayers should pay for *90 percent* of the bulbs shipped to discount and grocery stores in these years (32,217,143 bulbs).[67]

SCE claims that a 10 percent refund corresponds to its knowledge of bulb overstocking at the time it was implementing the program, whereas the impact evaluation

[64] D.05-01-055, p. 112.

[65] *See* 2017 Final Impact Evaluation, Table 1-4; 2018 Final Impact Evaluation, Table 1-3; 2019 Final Impact Evaluation, Table 1-3.

[66] Equation: [0.20 (10,948,199) + 0.16 (13,021,326) + 0.17 (11,827,300)] = 6,258,609 credited bulbs.

[67] Equation: (10,948,199 + 13,021,326 + 11,827,300) * 0.90 = 32,217,142.50 bulbs.

results arrived too late for SCE to shift its program activities.[68] SCE similarly claims that the Upstream Lighting Program was designed to depend on feedback from the "annual Commission review and Impact Reports" to identify program shortcomings.[69] Contrary to these claims, detecting and minimizing overstocking were core program quality control/assurance functions that SCE management's enacted program changes that fostered their neglect of these functions. Because SCE ignored readily discoverable shortcomings in its program on claims that it was waiting for EM&V results to suggest course corrections, the consequences of SCE's mismanagement should not fall to ratepayers. Rather, ratepayers should be made whole for SCE's actions and receive refunds of 2017-2019 program implementation costs associated with lightbulbs deemed unaccounted-for by the Commission's Impact Evaluations.

SCE spent $87.6 million on program implementation costs associated with discount and grocery stores in 2017-2019.[70] Cal Advocates and TURN recommend that SCE refund all of this amount to ratepayers because of its imprudent program management.[71] However, if the Commission decides it would be more appropriate to limit refunds to the costs associated with unaccounted-for lightbulbs (as opposed to all lightbulbs shipped to discount and grocery stores), the Commission could calculate the refund as follows, based on the data provided by Cal Advocates in its January 20, 2021 Comments:[72]

[68] SCE's OSC Response, p. 12.

[69] SCE's OSC Response, p. 2.

[70] Cal Advocates Comments, Exhibit 21 (Refund Calculations).

[71] Cal Advocates Comments, pp. 4, 24; TURN Comments, pp. 26-27.

[72] *See* Cal Advocates Comments, Exhibit 21 (Refund Calculations); 2017, 2018, and 2019 Final Impact Evaluations.

Program Year	Discount, Grocery Store Program Costs	Percent Not Credited by Impact Reports	Refund
2017	$40,567,067	80%	$32,453,654
2018	$29,052,714	84%	$24,404,280
2019	$17,976,854	83%	$14,920,789
Total	$87,596,635		**$71,778,722**

The total program refund would in that case be $76.1 million, which reflects $71.8 million in program implementation and $4.3 million in program administration costs.

B. The Commission Should At Least Order SCE to Refund All ESPI Awards Associated with Lightbulbs Shipped to Discount and Grocery Stores, As SCE Proposes, if Not Refund All ESPI Awards.

SCE asserts that its shareholders should receive zero ESPI awards associated with lightbulbs shipped to discount and grocery store market segments in 2017-2019 as a result of its "own Program shortcomings."[73] SCE explains that the Commission already reduced its 2017 and 2018 ESPI awards by $13.3 million for the unaccounted-for lightbulbs. To eliminate all ESPI awards for discount and grocery store shipments in 2017-2019, SCE proposes to refund an additional $6.1 million of the 2017 and 2018 ESPI awards and forego collection of $700,000 of its 2019 award.[74] With these additional ESPI award adjustments, SCE will be ineligible for a total of $21.1 million in shareholder earnings as a result of its mismanagement of the Upstream Lighting Program in 2017-2019.

Consistent with the above, SCE should not receive any ESPI awards for the discount and grocery store segment of its Upstream Lighting Program in 2017-2019, including the unaccounted-for lightbulbs per the 2017-2019 Impact Evaluations *and* the remaining bulbs shipped to these stores. The shortcomings in SCE's oversight and quality control/assurance procedures applied equally to all bulbs distributed to hard-to-

[73] SCE's OSC Response, pp. 13-14.

[74] SCE's OSC Response, pp. 13-14.

reach market segments, including bulbs that the Commission's impact evaluators could account for and those that the evaluators could not. SCE's performance with regard to this element of the Upstream Lighting Program was not deserving of shareholder incentives, which were intended to, in pertinent part, reward the utilities for "prudently us[ing] customer funds to ensure that customers are better off when utilities invest in efficiency instead of supply-side alternatives."[75] Accordingly, the Commission should order SCE to refund an additional $6.8 million in 2017-2019 ESPI awards.

Cal Advocates and TURN note that the remedy conceded by SCE is smaller than the ESPI-related remedy proposed by Cal Advocates in its January 20, 2021 Comments (and supported by TURN). There Cal Advocates recommended a refund of all ESPI awards requested by SCE for those years, totaling $32.7 million.[76] SCE's imprudence with regard to the Upstream Lighting Program was egregious enough and extended to managers with responsibility for more than just that program so as to warrant a full refund of all ESPI awards on principle.

C. The Commission Should Sanction SCE for Its Repeated and Ongoing Violations of Rule 1.1.

SCE violated Rule 1.1 when it submitted inaccurate information to the Commission. SCE knew this information would be used, among other things, to calculate SCE's ESPI awards and assess SCE's progress toward energy efficiency goals. A total fine of $98,000,000[77] is proportionate to the harm caused by SCE's mismanagement and its level of culpability. This recommendation is based on an analysis of the five criteria set forth in D.98-12-075.[78]

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[75] D.13-09-023, pp. 18-19.

[76] Cal Advocates Comments, pp. 20, 22-24; Cal Advocates' Proposed Penalties and Refunds Overview (Attachment 04).

[77] Cal Advocates' Proposed Penalties and Refunds Overview (Attachment 04); Cal Advocates' Proposed Penalties Detail (Attachment 05).

[78] *Standards of Conduct Governing Relationships Between Energy Utilities and Their Affiliates* (D.98-12-075), 1998 Cal. PUC LEXIS 1016, pp. 50-60.

1. SCE Submitted Information to the Commission that It Knew or Should Have Known Was False in Violation of Rule 1.1.

Rule 1.1 of the Commission's Rules of Practice and Procedure (Rule 1.1) requires that any person who transacts business with the Commission never "mislead the Commission or its staff by an artifice or false statement of fact or law." A person who violates Rule 1.1 may be sanctioned in accordance with Public Utilities Code Section 2107, which provides for a penalty of not less than five hundred dollars and not more than one hundred thousand dollars for a utility's failure or neglect to comply with "any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the [C]omission." The purpose of a fine is to go beyond restitution to the victim and to effectively deter further violations by the utility or others.[79] Fines are a cost of doing business, and they must be significant enough to dissuade improper practices.

SCE violated Rule 1.1 by submitting false information to the Commission which it knew would be used, among other things, to calculate SCE's ESPI awards and assess SCE's progress toward energy efficiency goals. Specifically, SCE violated Rule 1.1 when it submitted the following to the Commission:

- EE Annual Reports for program years 2017,[80] 2018,[81] and 2019.[82]
- Quarterly energy savings claims filed via CEDARS throughout program years 2017, 2018, and 2019.[83]

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[79] D.98-12-075, p. 35.

[80] Southern California Edison Company's (U 338-E) 2017 Annual Report for Energy Efficiency Programs, filed May 1, 2018. (reporting on EE programs and results for Program Year 2017).

[81] Southern California Edison Company's (U 338-E) Amended 2019 Annual Report for Energy Efficiency Programs, filed June 7, 2019. (reporting on EE programs and results for Program Year 2018).

[82] Southern California Edison Company's (U 338-E) 2020 Annual Report for Energy Efficiency Programs, filed May 15, 2020. (reporting on EE programs and results for Program Year 2019).

[83] See Quarterly Claims Upload History available via the California Energy Data and Reporting System (CEDARS), available at https://cedars.sound-data.com/upload/list/.

SCE argues that Rule 1.1 violations are not warranted because Cal Advocates and TURN do not "challenge the data actually submitted in the filings."[84] But this is untrue. All of the above filings contained savings claims based on bulbs that SCE knew or should have known were overstocked and unlikely to result in energy savings (at least during the reporting period).[85] SCE further alleges that Cal Advocates' and TURN's arguments amount to mere criticisms of program management, as opposed to arguments as to the accuracy of its submissions.[86] But it was SCE's mismanagement that led to the inaccurate submissions. As described in more detail in Section III.C.2.b. below, the record is clear that SCE knew or should have known about these violations, acted to foster the violations, and had limited oversight of the program; this persistent pattern of mismanagement was the cause of the violations. Furthermore, D.98-12-075 makes it clear that mismanagement is one of the factors that warrants imposing higher penalties. On this point, the Commission has said that it "expects public utilities to monitor diligently their activities" and that "[m]anagers will be considered, absent clear evidence to the contrary, to have condoned day-to-day actions by employees and agents under their supervision."[87] Particularly in light of this precedent, SCE's argument that its mismanagement does not warrant Rule 1.1 penalties makes little sense.

SCE also claims that it has been "consistently forthright, transparent, and compliant with the Commission rules, programs, and regulations."[88] However, this statement is directly contradicted by the proceeding record, which shows that SCE's mismanagement and false reporting of program impacts harmed state energy efficiency and GHG reduction policies and goals, as described in more detail in Section III.C.2.a. below.

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[84] SCE's Response, p. 15.

[85] At the time of filing, SCE was aware of overstock issues reported during the program and failed to disclose this information in their filings, leading to inaccurate filing data. See Attachment 01, p 13 and SCE November 2020 Response.

[86] SCE's OSC Response, p. 15.

[87] D.98-12-075, pp. 57-58.

[88] SCE's OSC Response, p. 3.

Also, contrary to SCE's claim that is has been forthright and transparent, SCE only began to disclose its violations after the Commission began its inquiry into the Upstream Lighting Program based on the DNV GL reports. Even after the DNV GL reports, SCE was slow to conduct its own, demonstrably inadequate investigations. And as described in above in Section III.C.2.b., SCE's conduct and investigation were clearly distinguishable from SDG&E's. Unlike SCE, SDG&E hired an independent investigator through an arm's length arrangement and completed its investigations in a timely manner.[89]

The Commission should therefore sanction SCE for violating Rule 1.1.

IV. THE COMMISSION SHOULD IMPOSE A TOTAL FINE OF $98,000,000 BASED ON CONSIDERATION OF FIVE CRITERIA.

The Commission considers the following five criteria to be considered when determining the fine amount to be imposed for violations:

(1) The severity of the offense;

(2) The conduct of the utility before, during, and after the offense;

(3) The financial resources of the utility;

(4) The totality of the circumstances in furtherance of the public interest;

(5) The amount of the fine in relation to prior Commission decisions.[90]

The total maximum penalty for these 15 violations (3 Annual Reports, 4 quarterly CEDARS filings each for 3 years) would be approximately $338 million.[91] Rather than the maximum penalty, Cal Advocates and TURN recommend a total fine of $$98 million as it reasonably reflects the harm SCE's mismanagement has inflicted and SCE's level of culpability.[92] The above penalty is calculated based on an analysis of the five criteria set forth in D.98-12-075, as discussed below.

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[89] D.21-09-002, p. 6.

[90] D.98-12-075, pp. 89-95.

[91] This is calculated using each filing as a single violation of $100,000 each according to Public Utilities Code Section 2107, on a continuous basis from the date of filing through the date of these comments.

[92] Previously, Cal Advocates recommended a fine amount of $140 million. This ongoing fine was

Criterion 1: The severity of the offense

The size of a fine should be proportionate to the severity of the offense.[93] To determine the severity of the offense, the Commission considers the following factors: (1) physical harm; (2) economic harm; (3) harm to the regulatory process; and (4) the number of violations.[94]

Economic harm consists of the amount of expense imposed on victims and any unlawful benefits gained by the utility.[95] The Commission generally orders the greater of these two amounts in setting the fine.[96] Even when economic harm is difficult to quantify, this fact does not diminish the severity of the offense or the need for sanctions.[97] SCE ratepayers were economically harmed by the collection of $32,710,536 in ESPI awards and $91,942,401 in expenditures for program administration and for implementation of the hard-to-reach portion of the Upstream Lighting program for program years 2017-2019, for a program that did not deliver its promised benefits.

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calculated with an end date of 1/21/2020, the day Cal Advocates filed its comments with the recommended fine. That date is no longer appropriate given SCE's failure to take corrective action, despite having ample opportunity to do so in the **2 years** since TURN and Cal Advocates filed comments in this proceeding. The revised and updated calculation for ongoing Annual Report fines uses an end date of the day the OSC was filed. This is a conservative approach given that SCE has yet to meaningfully rectify the issues identified in this pleading; therefore, SCE's Rule 1.1 violations continue. TURN and Cal Advocates propose the date that the OSC was filed as the fine end date in order to reasonably calculate a fine without the need to continuously update the end date to the date the Commission makes its final determination. If the end date for the three Annual Reports was the day of this filing instead of the date the OSC was filed, the proposed amount would increase from $98M to $102M. Further, in response to SCE's comments about the ESPI advice letter, TURN and Cal Advocates have removed Rule 1.1 fines for the ESPI advice letter. Also, the ongoing fines for the CEDARS reports regarding the first through third quarters (Q1-Q3) now have cure dates associated with the filling of the consecutive quarterly report, with Q4 CEDARS reports having an end date of the filing of the consecutive Annual Report.

[93] D.09-09-005, p. 29.

[94] D.98-12-075, pp. 55-60.

[95] D.98-12-075, pp. 54-55.

[96] D.98-12-075, p. 55.

[97] D.98-12-075, p. 55.

Harm to the regulatory process can be a significant factor in the Commission's determination of the severity of the fine to impose.[98] [99] [100] [101] Here, harm to the regulatory process weighs heavily in favor of imposing the recommended fine. First, SCE's violations severely impacted the integrity of a Commission-authorized and ratepayer-funded program. Second, the Commission has found that the mismanagement and false reporting of program impacts raises particular concerns because incentive mechanisms "require a great deal of trust between the Commission and the utility's entire management."[102] The Commission explained that "the utility's management must communicate through its practices, rules, and corporate culture that the data submitted to the Commission that impacts the incentive mechanisms must be completely accurate and timely."[103] The Commission concluded that if it "is to continue to rely on and potentially create new incentive mechanisms … [it] must be vigilant against abuse and appropriately penalize violations in order to safeguard the integrity of incentive mechanisms going forward for all utilities."[104]

Third, SCE's actions significantly and irreparably have harmed the state's energy efficiency and GHG reduction policies and goals. Energy efficiency is at the top of the state's loading order, which articulates how the state should prioritize its investments to address its future energy needs.[105] In addition, energy policy and environmental policy

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[98] See D.17-03-017, p. 8 (finding that in the totality of the circumstances analysis that the "principal harm threatened here is to the regulatory process" and issuing a $10,000 fine for a single violation); *see id*. at p. 5 ("Applicants' violation of §854(a) did not result in physical or economic harm to their customers or consumers generally, there is no evidence that Applicants significantly benefited from the violation and the violation had no widespread impact. However, there was harm to the regulatory process because this is a statutory violation.").

[99] D.98-12-075, p. 55; see Public Utilities Code Section 702.

[100] D.98-12-075, p. 56.

[101] D.98-12-075, p. 56.

[102] D.08-09-038, p. 102.

[103] D.08-09-038, p. 102.

[104] D.08-09-038, pp. 102-103.

[105] Energy Action Plan (2008 Updates), p. 1, available at https://www.cpuc.ca.gov/eaps/; Public Utilities Code Section 454.5(b)(9)(C) ("The electrical corporation will first meet its unmet resource needs through

are inextricably linked and energy efficiency is "most important tool" for addressing GHG emissions in the energy sector.[106] Moreover, the ESPI mechanism was intended to motivate utilities to prioritize EE goals and to be an integral part of reinforcing the Commission's commitment to EE as the highest energy resource priority to meet California's energy demand.[107] Thus, SCE severely harmed the regulatory process by causing significant consequences for the state's energy efficiency and GHG emission reduction policies and goals.

A single violation may be less severe than multiple offenses, whereas a widespread violation that affects a large number of consumers can be a more severe offense than one that is limited in scope.[108] Under Public Utilities Code Section 2108, the Commission can treat each day as a separate offense.[109] In addition, Public Utilities Code Section 2107 provides that each violation is a separate and distinct offense.

SCE's Rule 1.1 and Section 451 violations were continuous. SCE violated Rule 1.1 when it filed its program year 2017, 2018, and 2019 EE Annual Reports; and its quarterly energy savings claims in CEDARS for program years 2017, 2018, and 2019. All these documents contained information that SCE knew or should have known overstated savings from the Upstream Lighting Program, as the data in them included overstocked bulbs. To date these violations have not been cured. SCE's failure to cure knowing violations illustrates SCE's pattern and practice of ignoring significant problems with the program over the course of several years that led up to and continued well after

all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible."); Integrated Resource Plan and Long Term Procurement Plan (IRP-LTPP), available at https://www.cpuc.ca.gov/irp/ ("Procurement plans detail what is going to be procured and how it will be done. These plans must adhere to State Policies, including the Loading Order, which mandates that energy efficiency and demand response be pursued first, followed by renewables and lastly clean-fossil generation. If the procurement plans do not comply with State policies and adequately balance safety, reliability, cost, and environmental goals, utilities are ordered to modify them.")

[106] Energy Action Plan (2008 Updates), pp. 3, 6.

[107] D.13-09-023, p. 2.

[108] See D.98-12-075, pp. 60-62.

[109] D.98-12-075, p. 73.

it filed the misleading reports.[110] As such, the violations related to Rule 1.1 do not relate a one-time duty to file the report; rather, SCE has an ongoing duty to cure the known violations.[111]

SCE argues that the penalties should not be calculated as ongoing violations.[112] For its quarterly energy savings claims in CEDARS, SCE argues that these reports are not final but instead are "in-process" documents.[113] According to SCE, each quarterly report makes the last one obsolete, and the quarterly reports are subsumed by the year-end annual report.[114] Cal Advocates and TURN's updated fine amount sets the cure date for these violations as the filing of the subsequent quarterly report and, for the 4th quarter filing, as the Annual report filing date. Further, Cal Advocates and TURN have already made downward adjustments to penalty amounts to reflect the fact that CEDARS filings are interim reports. Based on this consideration, in calculating recommended penalty amounts, Cal Advocates and TURN set the severity of violations associated with the CEDARS filings on the lower end of the potential fine range.[115] Although CEDARS filings provide important oversight information and are certainly deserving of greater care and attention than SCE management demonstrates, they are interim reports that do not have an immediate effect on customer rates. In comparison, EE Annual Reports have more value to the Commission in terms of evaluating program performance and as the basis for ratepayer-funded shareholder awards. Based on these considerations, Cal Advocates and TURN assign a low daily fine amount of $12,610 (pre-2019) and $25,125

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[110] See D.15-12-016, p. 28 ("We find that SCE also violated Rule 1.1 because its grossly negligent actions and omissions after the undisclosed ex parte communication resulted in (i) a failure to correct the record; and (ii) false and misleading statements made in other documents subsequently filed with the Commission. On this basis, we find that this is a continuing violation.").

[111] See D.15-12-016, pp. 37-38.

[112] SCE's OSC Response, p. 19.

[113] SCE's OSC Response, p. 18.

[114] SCE's OSC Response, p. 19.

[115] Cal Advocates has set the penalty amount for CEDARS Quarterly reports to "low" severity.

(post-2019) for each quarterly CEDARS filing, and a maximum daily penalty of $50,000 (pre-2019) and $100,000 (post 2019) for each of the EE annual reports.[116]

SCE personnel and management knew or should have known about the overstocking issues in 2017 and earlier, but SCE management made no meaningful efforts to investigate suppliers or impose new controls. SCE continued to spend ratepayer funds related to program administration and collect ESPI awards despite this awareness.

Criterion 2: Conduct of the Utility

The size of a fine should reflect the conduct of the utility, before, during, and after the offense.[117] The Commission considers the following factors when assessing the utility's conduct: (1) the utility's actions to prevent a violation; (2) the utility's actions to detect a violation; and (3) the utility's actions to disclose and rectify a violation.[118] The evidence shows that SCE failed to take meaningful action in all three respects.

First, SCE failed to take actions to prevent and detect the violations. Deloitte found that some SCE employees were aware of overstocking in 2017 and earlier,[119] but continued instances of overstocking occurred through program years 2017 through 2019.[120] As the record makes clear, SCE knew or should have known about these violations but did not act to prevent subsequent violations. Indeed, rather than act to prevent the violations, the record shows that SCE acted to foster such violations by reducing and eliminating controls. Inspection results for the Upstream Lighting program were removed from quarterly reports in 2013, which resulted in dramatically reducing their effectiveness as a management control.[121] Further complicating matters is the fact

[116] Cal Advocates' Proposed Penalties and Refunds Overview (Attachment 04); Cal Advocates' Proposed Penalties Detail (Attachment 05).

[117] D.98-12-075, p. 91; D.09-09-005, p. 31.

[118] D.98-12-075, p. 91.

[119] SCE November 2020 Response, p. 10.

[120] SCE Response to CalAdvocates-SB-SCE-2020-05, Q9 (Attachment 06), p. 1 (Response to 9(a)).

[121] SCE November 2020 Response, p. 11.

that SCE did not conduct inspections for program year 2018 until February 2019. SCE did not even have a functioning inspections database during this time.[122] Indeed, SCE was unable to provide any evidence to show that it conducted any inspections from November 2017 until February 2019.[123] As a result, for over a year there was very limited, if any, oversight of this program. The level and extent of management's involvement in or tolerance of the offense is considered in determining the amount of any penalty.[124] Here again, the record shows that SCE's management allowed and created lax controls. This indicates a level of culpability that goes well beyond negligence and warrants significant penalties.

SCE further argues that Cal Advocates' and TURN's "arguments do not appear to challenge the data actually submitted in the filings; rather, the Intervenors' real contention is that SCE should have changed its operational practices to reflect the numbers, for the lightbulbs shipped and incentives paid, to be more aligned with the yet-to-be-published Impact Reports."[125] Our argument remains the same: there is proof of SCE's awareness of overstock in the period leading up to the filings in question, SCE failed to follow its own oversight and quality control/quality assurance procedures, and SCE failed to report the overstock problem as well as failed to prudently take corrective action, thus allowing the overstock problem to persist.

In February 2019, SCE decided to add the inspection results back into the inspections database.[126] This decision followed 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

[122] SCE Response to CalAdvocates-SB-SCE-2020-05, Q17 (Attachment 07), p. 1 (Response to Question 17(a)). Attachment 07 is also in the record as Exhibit 14 to Cal Advocates Comments.

[123] Attachment 06, p. 2 (Response to Question 17(b)).

[124] D.98-12-075, pp. 38.

[125] SCE OSC Response, p. 15.

[126] Deloitte Report, Financial Advisory Services LLP, Southern California Edison (SCE) Upstream Lighting Program Investigation (Attachment 01), p. 15.

management given the quarterly reports.[127] The email chain disclosed in the Deloitte Report involving SCE managers in early 2019 shows SCE's awareness that the energy savings claims submitted to the Commission might be indefensible.[128] For example, in the email chain, an SCE employee said, "[a]s 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."[129] After this email exchange, SCE submitted its Program Year 2018 Annual Report in May 2019 (amended in June 2019) and Program Year 2019 quarterly claims and Annual Report.

Moreover, this is not the first instance of SCE's lack of effective controls for a significant program involving energy efficiency. In a paper published in 2018[130] regarding SCE's management of its Energy Savings Assistance (ESA) program that provided refrigerators to low-income customers (for program years 2009 through 2012), statistical analysis demonstrated that SCE's lack of effective contract controls led to ratepayers being charged for refrigerator replacements that did not meet program requirements and should not have been allowed. The basic pattern in the ESA case is similar to the facts of the Upstream Lighting Program; SCE had no effective management controls to ensure ratepayers were only being charged for expenses that complied with

[127] See SCE Email Chain, Ex. A.035 to Deloitte Report (Attachment 08) (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). Attachment 08 is also in the record as Attachment 2 to TURN Comments.

[128] SCE Email Chain, Ex. A.035 to Deloitte Report (Attachment 08) ("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.") ("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 [sic] program intervention after the inspections.").

[129] SCE Email Chain, Ex. A.035 to Deloitte Report (Attachment 08).

[130] Blonz, J., Energy Institute at Haas, *The Welfare Costs of Misaligned Incentives: Energy Efficiency and the Principal Agent Problem* (November 2018), available at https://haas.berkeley.edu/wp-content/uploads/WP297.pdf

program rules established by the Commission. In both instances, SCE did not act prudently to ensure the invoices were true and correct. Prudent management, especially for a set of programs that are within the same functional department within the utility, would have discovered these shortcomings and used the lessons learned as an opportunity to evaluate controls across its programmatic areas.[131] Instead, SCE failed to implement better controls, thereby continuing a pattern of profiting from its misuse of ratepayer funds.

Lastly, SCE only began to disclose its violations after the Commission initiated its inquiry into the Upstream Lighting Program based on the DNV GL reports. Then, even after the DNV GL reports, SCE was slow to conduct its own, demonstrably inadequate investigations, as described below.[132] SCE's inaction is inconsistent with the Commission's requirement that utilities promptly bring a violation to the Commission's attention.[133]

Steps taken by a utility to promptly and cooperatively report, and correct violations may be considered in assessing any penalty.[134] However, SCE's conduct throughout the investigation into this matter shows an evasiveness toward culpability and minimal efforts to discover and correct violations. Indeed, unlike SDG&E, which hired an independent third party through an arm's length arrangement to manage its investigation, SCE's Audit Services Department supervised and limited Deloitte's audit.[135] SCE was also slow to complete its investigation and claimed to be unable to

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[131] In the case of the ESA program, Cal Advocates is not aware of SCE providing ratepayers refunds for inappropriate replacements of refrigerators, nor for non-compliance with the Commission's program rules.

[132] See, e.g., SCE June Response, pp. 6-7. As reported in SCE's June 8, 2020 comments, SCE conducted an incomplete internal investigation of its Upstream Lighting Program, claiming that COVID-19 significantly circumscribed its investigative efforts.

[133] D.98-12-075, p. 38.

[134] D.98-12-075, pp. 58-59.

[135] SCE November 2020 Response, p. 4.

complete its initial internal investigation.[136] In contrast, SDG&E was able to complete both its internal and independent investigations in a timely manner. SCE's lack of promptness is further reflected in its limited responses to the findings from these investigations. To date, there is no evidence that any SCE employees have been terminated because of the program investigations despite evidence of mismanagement.[137] Also, Cal Advocates is not aware of any corrective personnel actions taken by SCE related to the program investigations. On the contrary, to the extent that some of these employees received bonuses for this work, SCE continues to encourage such blatant mismanagement.

Criterion 3: Financial resources of the utility and deterrent effect of future violations

In D.98-12-075, the Commission held that the size of a fine should reflect the financial resources of the entity. When assessing the financial resources of the entity, the Commission stated it would consider the following factors:[138]

- **Need for Deterrence**: Fines should be set at a level that deters future violations. Effective deterrence requires that the Commission recognize the financial resources of the entity in setting a fine.
- **Constitutional Limitations on Excessive Fines**: The Commission will adjust the size of fines to achieve the objective of deterrence, without becoming excessive, based on each entity's financial resources.

SCE is a large and well-resourced utility. Per the *Edison International and Southern California Edison 2021 Annual Report*, SCE has total assets of $74,538,000,000, annual net operating income $1,510,000,000, operating revenue of

[136] See, e.g., SCE June Response, pp. 6-7. As reported in SCE's June 8, 2020 comments, SCE conducted an incomplete internal investigation of its Upstream Lighting Program, claiming that COVID-19 significantly circumscribed its investigative efforts.

[137] SCE Response to CalAdvocates-SB-SCE-2020-05, Q29. (Attachment 09). Attachment 09 is also in the record as Exhibit 15 to Cal Advocates Comments.

[138] D.98-12-075, pp. 75-76.

$14,874,000,000, and retained earnings of $8,721,000,000.[139] The financial penalties proposed herein represents less than 6.5 percent of SCE's estimated annual net operating income. SCE, therefore, has ample ability to pay the financial penalties proposed by Cal Advocates and TURN without hindering its ability to provide utility services.

Criterion 4: Totality of the Circumstances

In D.98-12-075, the Commission held that a fine should be tailored to the unique facts of each case. When assessing the unique facts of each case, the Commission stated that it would consider the following factors[140]:

- **The Degree of Wrongdoing**: The Commission will review facts that tend to mitigate the degree of wrongdoing as well as facts that exacerbate the wrongdoing.
- **The Public Interest**: In all cases, the harm will be evaluated from the perspective of the public interest.

There are no facts that mitigate SCE's degree of wrongdoing. However, there are numerous facts that exacerbate SCE's wrongdoing, including the economic harm to ratepayers; the harm to the regulatory process, including tarnishing the integrity of shareholder incentives (ESPI awards); and the ongoing, widespread, and continuous nature of the violations. Specifically, SCE's limited review processes, poor recordkeeping, and lack of appropriate employee disciplinary actions reflect a broad lack of controls that exacerbates SCE's wrongdoing. Thus, given the totality of the circumstances at issue, the fine recommended by Cal Advocates and TURN is warranted.

Criterion 5: The Role of Precedent

Any decision that imposes a fine should address previous decisions that involve reasonably comparable factual circumstances and explain any substantial differences in outcome.[141] The Commission adjudicates a wide range of cases that involve sanctions,

[139] Edison International and Southern California Edison 2021 Annual Report, Consolidated Statements of Income (pp.14, 69, 70, 71)

[140] D.98-12-075, p. 76.

[141] D.98-12-075, p. 77.

many of which are cases of first impression, accordingly, the outcomes of cases are not usually directly comparable.[142]

The previous Commission decision most relevant here is D.08-09-038. In this decision, the Commission imposed $30 million[143] in penalties on SCE for the submission of manipulated, false, and misleading data used to determine SCE's performance-based ratemaking (PBR) incentive awards and revenue requirement affected by the erroneous data.[144] Of a possible fine of $102 million, the Commission imposed a penalty of $30 million.[145] In other words, the Commission fined SCE approximately 29% of the maximum amount possible. In D.08-09-038, the Commission calculated the violations as ongoing violations, as it should do here.[146]

The circumstances here are similar to those in D.08-09-038.[147] In both instances, SCE knowingly submitted false data to the Commission that impacted program costs and garnered shareholder incentives. Cal Advocates recommends a penalty of $178 million, which is reasonable and consistent with precedent. Here, given SCE's violations and the severity of those violations, the possible fine would be $338 million; 29% of this fine, [148] as aligned with precedent, would be approximately $98 million.

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[142] D.98-12-075, pp. 76-77.

[143] This fine amount would be equivalent to $41 million in 2022 inflation-adjusted dollars, https://www.officialdata.org/us/inflation/2008?amount=30000000.

[144] D.08-09-038, pp. 2-4, 99.

[145] D.08-09-038, p. 107; see also D.08-09-038, p. 99 (discussing recommendations of the Consumer Protection and Enforcement Division [formerly Consumer Protection and Safety Division]).

[146] D.08-09-038, p. 111 ("Finally, a fine of $30 million is reasonable when viewed as an ongoing violation that should be subject to a daily penalty, as recommended by CPSD and used by the Commission in the case that was upheld in *Pacific Bell Wireless, LLC v. Pub. Util. Comm'n*. If SCE's violations are viewed as daily violations that continued for seven years, then a $30 million dollar fine equates to a daily penalty of just less than $12,000 ($30 million/7 years/365 days).")

[147] As described in the last paragraph in this section, in D.21-09-002, the Commission adopted a settlement among SDG&E, TURN, and Cal Advocates arising out of SDG&E's management of its Upstream Lighting Program. However, this settlement is not precedential, and SDG&E's remedial actions were clearly distinguishable from SCE's.

[148] There is flexibility in our calculation for the fine amount by adjusting the percentage reduction as the Commission deems fit.

However, in contrast to this case, in D.08-09-038, the Commission specifically acknowledged "SCE's excellent cooperation after the fraud and manipulation came to light" and accordingly imposed a lower fine. Here, SCE's evasiveness and minimal efforts to address the issues presented must be considered. A fine of $98 million appropriately takes into account precedent while reflecting the unique and troubling circumstances of this case.

Another critical distinction between D.08-09-038 and the present matter that further warrants the recommended fine. The Commission's goal for the PBR was to have a regulatory process that encouraged utilities to focus on their performance, reduce operational costs, increase service quality, and improve productivity while at the same time ensuring that safety, quality of service, and reliability were not compromised.[149] By providing financial incentives, the Commission expected the IOUs would be encouraged to operate more efficiently, reliably, and safely to maximize their profits.[150] In stark contrast to the goals in D.08-09-038, SCE's actions here significantly and irreparably harmed state energy efficiency and greenhouse gas GHG reduction policies.

Energy efficiency is at the top of the state's loading order.[151] Public Utilities Code Section 454.5, subdivision (b)(9)(C) states: "The electrical corporation will first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible." In addition, energy policy and environmental policy are inextricably linked and energy efficiency is the "most important tool" for addressing GHG emissions in the energy sector.[152] Moreover, the ESPI mechanism was intended to motivate utilities to prioritize EE goals and to be an integral part of reinforcing the Commission's commitment to EE as the highest energy resource priority to meet California's energy demand.[153] As such, in return for the billions of

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[149] D.08-09-038, p. 3.

[150] D.08-09-038, p. 3.

[151] Energy Action Plan (2008 Updates), available at https://www.cpuc.ca.gov/eaps/, p. 1.

[152] Energy Action Plan (2008 Updates), pp. 3, 6.

[153] D.13-09-023, p. 2.

ratepayer dollars committed to energy efficiency programs, the Commission expects the utilities to "yield measurable, verifiable, cost-effective energy savings."[154]
Energy efficient bulbs have been a cost-effective way to achieve significant energy savings[155] and GHG reductions.[156] The number of bulbs actually delivered to customers and the related energy savings and GHG reductions are unknown due to SCE's mismanagement of its Upstream Lighting Program. As a result, the impact of SCE's imprudence had significant consequences for the state's energy efficiency policy and goals and, therefore, warrants a meaningful penalty.

Finally, in D.21-09-002, the Commission adopted a settlement among SDG&E, TURN, and Cal Advocates arising out of SDG&E's management of its Upstream Lighting Program. However, this settlement is not precedential.[157] And as discussed above in Section III.C.2.b., SDG&E's remedial actions were clearly distinguishable from SCE's. SDG&E hired an independent investigator through an arm's length arrangement, completed its investigations in a timely manner, and took actions in response to the investigation findings to strengthen program management and internal controls.[158] SCE, on the other hand, used its parent company's Audit Services Department to supervise

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[154] D.14-10-046, p. 2.

[155] See, e.g., SCE June 2020 Response, pp. 3-4.

[156] See, e.g., SF Gate, "How Does Changing the Light Bulbs Help the Environment?" ("Replacing only one light bulb with an Energy Star-rated light bulb in every American home would reduce greenhouse gas emissions by 9 billion pounds, or about the amount from 800,000 cars, the U.S. Environmental Protection Agency Reports."), available at https://homeguides.sfgate.com/changing-light-bulbs-environment-70834.html; New York Times, America's Light Bulb Revolution (March 8, 2019), available at https://www.nytimes.com/interactive/2019/03/08/climate/light-bulb-efficiency.html; D.13-09-023, p. 19 (finding that ESPI "should value efforts that achieve deeper, more comprehensive, and longer-lasting savings … [and] maximize GHG reductions and encourage both market transformation and resource acquisition programs"); D.10-09-047, Attachment A , p. 1 (stating that residential lighting comprises 22 percent of electricity use in the average California home and with more than 11 million homes and 500 million light sockets in California, there is substantial potential for energy savings and peak demand reduction); *id.* at p. 5 ("Policies should be developed to ensure that best practice lighting systems avoid unintended negative environmental consequences by minimizing the ecological impacts of each technology throughout its lifecycle — from design through disposal."), available at https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=433795.

[157] CPUC Rules of Practice and Procedure, Rule 12.5.

[158] D.21-09-002, p. 6.

Deloitte's audit of SCE's program,[159] was slow to complete its independent investigation and unable to complete its initial internal investigation, and refuses to acknowledge its level of culpability in its mismanagement of its Upstream Lighting Program. The violations by the two IOUs are therefore distinguishable. Consistent with its prior decisions, the Commission must now impose a fine on SCE that encourages utilities to take management malfeasance seriously.

V. CONCLUSION

Cal Advocates and TURN respectfully request that the Commission adopt the recommendations listed above for the reasons stated herein.

Respectfully Submitted,

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July 18, 2022

[159] SCE November 2020 Response, p. 4.

ATTACHMENT INDEX

Attachments	Description
1	Deloitte Report, Financial Advisory Services LLP, Southern California Edison (SCE) Upstream Lighting Program Investigation **Redacted Public Version**
2	Southern California Edison, Primary Lighting Program Document
3	Ex. A004 to Deloitte Report
4	Cal Advocates' Proposed Penalties and Refunds Overview
5	Cal Advocates' Proposed Penalties Detail
6	SCE Response to CalAdvocates-SB-SCE-2020-05, Q9
7	SCE Response to CalAdvocates-SB-SCE-2020-05, Q17
8	SCE Email Chain, Ex. A.035 to Deloitte Report
9	SCE Response to CalAdvocates-SB-SCE-2020-05, Q29

ATTACHMENT 1

Deloitte Report, Financial Advisory Services LLP,
Southern California Edison (SCE)
Upstream Lighting Program Investigation

Redacted Public Version

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November 24, 2020

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Southern California Edison ("SCE") Upstream Lighting Program Investigation

I. Executive Summary

To assist SCE in its response to an inquiry from the California Public Utilities Commission ("CPUC"), SCE's Audit Services Department ("ASD") engaged Deloitte & Touche LLP ("D&T", "we" or "our") to conduct an investigation of its Upstream Lighting Program (the "Program") to assess whether the Program adhered to the processes and procedures established during the period of January 1, 2017 through December 31, 2019 (the "Analysis Period"). SCE provided the draft work plan[1] to the California Public Advocates Office ("CALPA") and The Utility Reform Network ("TURN") for feedback and additional input. For the purpose of the investigation, SCE requested we focus our procedures on Program retailers categorized as discount and grocery stores that participated in the Program.

On April 1, 2019, the CPUC issued an Impact Evaluation Report of SCE's Primary Lighting Program for Program Year 2017[2] (the "2017 CPUC Impact Evaluation Report").[3] In the report, the CPUC concluded that selling more than 100 "lamps" (i.e. lightbulbs) per week (i.e. approximately 5,000 per year) is an unrealistic expectation for any store, particularly in stores where lamps bought are impulse purchases, such as at discount, drug, and grocery stores.[4] The CPUC stated that when comparing the estimated sales to the Program shipments, it appeared that SCE shipped more lightbulbs to discount and grocery channels than the stores could support. Additionally, the CPUC reported that 11 of the 34 SCE Program[5] retailers they contacted stated they had not sold lightbulbs over the previous 3 years. In its report, the CPUC

[1] See Exhibit A.001 for the draft work plan, Draft_SCE_Upstream_Lighting_Scoping_Plan_8.7.2020v3.
[2] According to Program Manager 2, a Program Year begins January 1 and ends December 31.
[3] See Exhibit A.002 for the 2017 CPUC Impact Evaluation Report. Primary Lighting is also referred to as Upstream Lighting.
[4] See Exhibit A.002, page 36.
[5] Within the 2017 CPUC Impact Evaluation Report, the CPUC stated 83 total retailers were contacted for all investor owned utilities. See Exhibit A.002, page 22.

stated that "SCE reduced their overall savings estimates but increased the number of discounted light bulbs to achieve the targeted energy savings."[6]

On May 7, 2019, ASD issued Y19-10504 Primary Lighting FINAL Report 20190507 (the "ASD Audit Report") that identified more than 850 out of approximately 2,000 retailer stores in 2017, and more than 920 out of approximately 1,300 retailer stores in 2018, that received over 5,000 lightbulbs in that respective year. Additionally, on-site inspections identified 5 of 15 retailers received over 5,000 lightbulbs. In response to the findings within the ASD Audit Report, we understand SCE management planned to implement the following corrective actions for the remainder of 2019:[7]

1. Enforced the overstock provisions within the manufacturer agreements;
2. Performed 125 inspections per month from April 1 – October 31, 2019;
3. Set dollar limits and allocation caps for retailers;
4. Restricted one manufacturer per retailer;
5. Developed revised Program policies and procedures by end of July 2019; and
6. Worked with the Quality Assurance team to include inspection results on the Quarterly DSM Programs Inspection Report sent to Senior Management.

As described in more detail in Section V, D&T performed various investigative procedures, including but not limited to:

1. Conducted interviews of 29 SCE personnel (current or former employees)[8], 7 of 9 lightbulb manufacturers[9], 3 of 22 shipping vendors, and 69 of 1,534 unique retailers[10];
2. Analyzed 532 Program Invoice Packets[11] and 1,078 Inspection Reports[12], the total population for Program Years 2017-2019, as provided by SCE;
3. Analyzed Program-related data and documentation; and
4. Reviewed select emails of seven current or former SCE employees.

As described in more detail in Section IV, due in part to the length of time that passed between the Analysis Period (which began in January 2017) and the investigation (data collection and analysis began in June 2020), not all data and information requested were available. Although we attempted to verify statements made during interviews through supporting data and documentation, certain email data and other documentation were reported to us as not being available by the relevant parties. Additionally, SCE personnel interviewed could not always recall certain events that may have occurred during the Analysis Period.

Based on the procedures performed, and as described in more detail in Section V of this report, D&T made the following observations for the Analysis Period:

[6] See Exhibit A.002, page 2.
[7] See Exhibit A.003 for the ASD Audit Report, pages 3 and 4.
[8] See Appendix A for a list of SCE personnel interviewed.
[9] D&T was unable to interview two of the nine manufacturers. See Appendix B for additional details.
[10] For the purpose of this report, the term "retailers" refers to discount and grocery stores that participated in the Program. It does not include companies that are in the "big-box" or national chain categories. In this report, "retailer" and "store" are synonymous and used interchangeably.
[11] An Invoice Packet is a collection of documents compiled by lightbulb manufacturers and submitted to SCE for payment.
[12] An Inspection Report is a document generated to document the findings of SCE employees who visited retailers participating in the Program.

1. **Lightbulb Shipments** – Based on the review of the 532 Invoice Packets, we did not identify evidence that manufacturers falsified lightbulb shipments, with a potential exception of one retailer, who reported two less shipments than the manufacturer reported. Due to the lack of adequate corroborating data and documentation, we were not able to confirm which data was correct.

   In addition, of the 69 retailers interviewed (41 by telephone and 28 in-store visits), 67 stated they sold Program lightbulbs during the Analysis Period. The other 2 retailers, while not selling Program lightbulbs, did receive shipments, but either gave their lightbulbs away for free to customers or donated all of the lightbulbs.

   We did identify various discrepancies in manufacturer-provided supporting documentation within 9 out of the 532 Invoice Packets. However, we were unable to resolve the discrepancies through our interviews with manufacturers, shipping vendors, or retailers due to the lack of available corroborating data. The identified discrepancies include:
   a. Duplicate photographs used for proofs of delivery on different dates.
   b. Duplicate photographs used for different retailers.
   c. Duplicate delivery driver and retailer signatures from proof of delivery documentation.
   d. Proof of delivery documentation for one retailer did not match between the Invoice Packet and what was provided by the retailer.
   e. Quantity of lightbulbs (and the number of corresponding shipments) delivered by a manufacturer to one retailer did not match the amount reportedly received per the retailer's data.

   Additionally, from our review of the 532 Invoice Packets, we identified evidence of potentially excessive number of daily deliveries. We identified 14 instances out of 1,032 total daily delivery routes/schedules in which the daily delivery route/schedule included a potentially excessive number of stops (ranging from 23 to 56 by a single driver).

2. **Lightbulb Overstock** – We identified 128 instances of overstocking[13] at retailers by lightbulb manufacturers.
   a. Seventy-seven instances of overstock were reported in the 1,078 SCE Inspection Reports we reviewed (4 instances for Program Year 2017, 28 instances for Program Year 2018, and 45 instances for Program Year 2019).
   b. Fifty-one instances of overstock were identified during the 69 interviews with participating retailers.
   c. The 128 instances of overstock identified correspond to 124 out of 1,534 unique retailers (77 from Inspection Reports and 47 from the 69 retailer interviews).

3. **SCE Awareness of Overstock** – Certain SCE personnel were aware of overstock during the Analysis Period. During interviews, the following individuals/teams told us they became aware that manufacturers had overstocked some retailers as early as:
   a. 2017 and earlier: Inspections team
   b. 2018: Program Manager 2
   c. 2019: EE Portfolio management

[13] As defined in Policy and Procedures Manual 2 (Exhibit A.004, page 11/47), as used in this report, "overstocking" is defined as greater than three months of lightbulb stock at a retailer.

4. **Limited Upward Visibility of Inspection Reports** – There was limited upward visibility into Program inspection results for Program Year 2017.
    a. SCE's QA team removed Program inspection results from the quarterly Portfolio management reporting in 2013, purportedly at the request of Program Manager 1.[14] No evidence was identified that provided an explanation for why the results were removed. According to Portfolio management, inspection results were only visible to the Program Manager, as they relied on the Program Manager to run all aspects of the Program. In February 2019, the Inspection Results Dashboard was reinstated, which helped to improve upward visibility of Inspection Results.
    b. Program inspections were not conducted for Program Year 2018 until February 2019. According to Program Manager 2, this was due to the transition between Program Managers.

5. **Retailers Not Adhering to or Understanding Program Rules** – Our review of the Inspection Reports for the Analysis Period and interviews with retailers identified instances where retailers did not adhere to, or understand, Program rules.
    a. Of the 1,078 Inspection Reports reviewed, we identified 37 instances (involving 28 unique retailers of the total 1,534 unique retailers) of retailers giving away lightbulbs for free. This was a violation of Program rules.[15]
    b. Of the 69 retailers interviewed, 31 retailers stated they both sold some Program lightbulbs and gave away some Program lightbulbs for free, while 2 retailers stated they did not sell any Program lightbulbs, but rather gave them all away either to customers or to charity. Eleven retailers stated that they had "little to no understanding" of the Program or its rules.

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

II. Background[16]

The 2008 California Long Term Energy Efficiency Strategic Plan (the "Plan") outlined the transformation of energy consuming equipment, including lightbulbs, to maximize energy efficiency and minimize energy consumption and greenhouse gas production.[17]

In 2010, the CPUC published the "Lighting Chapter" of the Plan, which outlined goals applicable to the investor owned utilities ("IOUs") for reducing lighting energy consumption in California by 60%–80% by

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[14] For a description of the Program Manager's roles & responsibilities, see Section II, Background, "Program Organizational Management".
[15] See Exhibit A.004, Section 3.1.
[16] For additional details about the Program's background, see Appendix C Background; Exhibit A.004; Exhibit A.005 2019 Statewide Lighting Market Transformation Annual Report; Exhibit A.006 CPS-PM-RSD-0001 V5.1 Primary Lighting-dp LM dp LM; Exhibit A.007 CPS-ST-RSD-0033 V6.0 PL Roles Resps; Exhibit A.008 Org Chart - Customer Service - Lighting Program; Exhibit A.009 CPS-ST-RSD-0032 V6.0 PL Online Allocation Requests; Exhibit A.010 CPS-PR-RSD-0089 V2.0 PL PA Invoice Review Desk Proc.
[17] See Exhibit A.005, page 3.

2020.[18] To meet the CPUC goals, SCE adopted various Energy Efficiency ("EE") measures, categorized into Residential and Non-Residential portfolios. One of these measures was SCE's creation of the Program, which was one of the components of SCE's broader Residential Energy Efficiency Portfolio (the "Portfolio"). The Program (which ended December 31, 2019) offered incentives to participating lightbulb manufacturers in order to reduce the cost of energy efficient lightbulbs to the consumer.

The Program's initial step was SCE enrolling lightbulb manufacturers, who subsequently enrolled specific retailers into the Program.[19] In 2017, the Program expanded to focus on "hard to reach" retailers in disadvantaged communities, which consisted of various small businesses, including discount, grocery, and thrift stores. It was determined these retailers were unlikely to have adequate point-of-sale or inventory systems to accurately track sales; as such, the Program's framework was designed by the CPUC to offer incentives to participating lightbulb manufacturers based on quantities shipped.

Program Organizational Management

According to Program documentation, the Program was to be executed and managed by a dedicated Program Manager, whose duties included forecasting lightbulb demand and reporting other Program performance details to the Residential Energy Efficiency Portfolio manager (or "Senior Manager"). Additional duties include working with lightbulb manufacturers to determine appropriate shipment quantities and the timing of those shipments to retailers ("Allocations").

In addition to the above duties, according to the SCE Program organization charts[20], the Program Manager's duties included, but were not limited to:

1. overseeing all components of the operation of the Program,
2. ensuring the Program's compliance with the Plan and other CPUC requirements,
3. managing and tracking manufacturer allocations,
4. reviewing and approving manufacturer Invoice Packets, and
5. coordinating inspections of retailer locations.[21]

The Senior Manager was responsible for managing all of the programs residing within the Residential EE Portfolio. The Senior Manager reported to the "Principal Manager", who oversaw multiple energy efficiency portfolio product team departments ("EE Portfolio Manager").

The Program Manager would determine, or allocate, the types and quantities of bulbs that a manufacturer could deliver to a specific retailer and how often. In order to determine this, the Program Manager would utilize data provided by the manufacturers including, but not limited to the:

1. retailer's square footage
2. type of retail facility (i.e., must be a brick and mortar location where it sells the Program's lightbulbs – no internet sales allowed, and it cannot sell Program lightbulbs to a wholesaler, liquidator, distributor, or non-participating retailer)[22] and

[18] See Exhibit A.005, page 3.
[19] See Exhibit A.006, pages 1/13 and 3/13.
[20] See Exhibits A.007, pages 2/15 and 3/15; and A.008.
[21] See Exhibit A.007, page 2/15.
[22] See Exhibit A.006, page 4/13.

3. self-reported historical store sales, to determine the allocation amounts.

Program Operation

According to the Program's written policies and procedures, manufacturers initiated the allocation process by emailing required forms[23] to the Program Manager, who reviewed and loaded the data into the Program Customer Relationship master database ("CRM").[24] According to Program Manager 2, both manufacturers or SCE could initiate an allocation request. The next step would be for manufacturers to submit the allocation request via the Program CRM in order to generate a shipment of lightbulbs to a specific retailer.

The manufacturer's allocation request included:

- (i) which retailer(s) the manufacturer would ship lightbulbs to;
- (ii) the timing of the shipment (by month and Program Year);
- (iii) the quantity of lightbulbs to be shipped; and
- (iv) the types of lightbulbs, which determined the specific incentive amounts for which SCE would owe the manufacturer.

After the Program Manager approved the allocation request, or made any necessary upward or downward adjustments, the manufacturer utilized a 3rd party shipper to deliver the lightbulbs to the retailers.

Once the lightbulbs were delivered to the retailers, the manufacturer submitted a vendor payment request form, along with various supporting documentation to SCE (an "Invoice Packet"). These Invoice Packets were to contain the following documentation:[25]

- (i) invoice from the manufacturer to SCE showing the total amount due,
- (ii) the total quantity of lightbulbs shipped,
- (iii) invoices from the manufacturer to each retailer (these were zero-dollar invoices, as the retailers did not pay for Program lightbulbs,
- (iv) proof of delivery and/or bill of lading from the 3rd party shipper,
- (v) disbursement letters, if applicable (for example, if multiple retail locations were owned/operated by one retailer entity),
- (vi) photographs of:
    - a. the Program lightbulb displays at the retailer, and
    - b. pictures of the retailer's storefront.

III. Scope

On April 1, 2019, the CPUC issued an Impact Evaluation Report of SCE's Primary Lighting Program for Program Year 2017.[26] In the report, the CPUC concluded that selling more than 100 lamps per week (i.e. approximately 5,000 per year) is an unrealistic expectation for any store, particularly in stores where

[23] The forms included the following: (i) a New Product Request Form, (ii) a New Retailer Request Form, or (iii) a New Store Location Request Form. The forms included information such as a retailer's name, address, and square footage.
[24] See Exhibit A.009, page 1.
[25] See Exhibit A.0010, pages 5/16 and 6/16.
[26] See Exhibit A.002.

lamps bought are impulse purchases, such as at discount, drug, and grocery stores. The CPUC stated that when comparing the estimated sales to the Program shipments, it appeared that SCE shipped more lightbulbs to discount and grocery channels than the stores could support. Additionally, the CPUC reported that 11 of the 34 SCE Program[27] retailers they contacted stated they had not sold lightbulbs over the previous 3 years. In its report, the CPUC stated that "SCE reduced their overall savings estimates but increased the number of discounted light bulbs to achieve the targeted energy savings."[28]

To assist SCE in its response to an inquiry from the CPUC, D&T was engaged by ASD to investigate whether the Program adhered to the processes and procedures established by SCE during the Analysis Period. For the purpose of the investigation, SCE requested we focus our work on retailers categorized as discount, grocery, thrift, or other small businesses that participated in the Program. We did not include retailers in the "big-box" or national chain categories, as these participating retailers were under the sales data approach rather than the shipment data approach. The scope included, but was not limited to, performing interviews and analyses in an effort to identify potential gaps in controls, process discrepancies, and/or facts that indicate potential variances or red flags in how the Program was implemented. SCE provided a preliminary draft work plan to CALPA and TURN for feedback and additional input. As the engagement progressed, SCE provided further clarification to D&T to ensure the investigation addressed the following questions:[29]

1) Was there overstocking of lightbulbs?
2) Did manufacturers falsify lightbulb shipments?
3) If there was overstocking or falsified shipments, were SCE personnel aware of or did they participate in this activity?
4) Were manufacturer invoices to SCE split in order to circumvent SCE's payment approvals or authorizations?

IV. Procedures Performed

D&T performed various investigative procedures including, but not limited to:

1. Reviewed Program documentation and related information[30] to develop our understanding of the Program's operations. This information included, but was not limited to:
    a. Program policies and procedures;
    b. Various SCE responses to CPUC requests;
    c. SCE Program personnel organization charts; and
    d. Program operation related information, such as:
        i. Manufacturer allocation data,
        ii. Program Inspection Reports,
        iii. Manufacturer Invoice Packets, and
        iv. SCE payment data

2. Interviewed people knowledgeable of the Program, including:

[27] Within the CPUC Impact Evaluation Report, the CPUC stated 83 total retailers were contacted for all investor-owned utilities. See Exhibit A.002, page 22.
[28] See Exhibit A.002, page 2.
[29] See Exhibit A.011 Upstream Lighting Program Investigation - Timeline update and discussion.
[30] See Appendix D for the full listing of documents and data obtained and reviewed.

a. 29 current or former SCE employees[31] who were directly or indirectly involved with the Program in order to enhance our understanding of:
    i. how the Program operated during the Analysis Period,
    ii. whether they had any concerns about the administration or execution of the Program during the Analysis Period, and
    iii. whether they were aware of any other potentially inappropriate activity related to the Program
b. Seven of the nine lightbulb manufacturers[32] (two manufacturers were unresponsive or unable to be contacted) that provided lightbulbs to retailers in order to further our understanding of:
    i. how they enrolled and interacted with retailers
    ii. how allocation amounts were determined
    iii. processes for delivering shipments
    iv. process for submitting invoices to SCE
    v. whether retailers could refuse shipments, and if so, the process for picking up and/or reallocating the lightbulbs
c. Three of 22 third-party shippers that delivered lightbulbs to retailers to better understand:[33]
    i. the activities and processes the shippers engaged in, with both the manufacturers and retailers,
    ii. whether they were aware of any overstock issues at the retailers, and
    iii. whether any retailers refused to accept lightbulb shipments, and if so, the process for handling

3. In an effort to identify 50 retailers for on-site interviews and 35 to 50 retailers for telephonic interviews, D&T provided SCE a listing of 249 participating retailers (out of 1,534 unique Program retailers), 99 for on-site interviews and 150 for telephonic interviews. Of the 249 Program retailers, only 69 agreed to be interviewed, and the remaining 180 retailers either were unresponsive or declined to be interviewed.
    a. For each on-site interview, ASD contacted the retailers and arranged the interviews. The 99 Program retailers for potential on-site interviews were judgmentally selected based on the following criteria.
        i. retailers with the highest increase of lightbulb allocations from the previous year,
        ii. retailers with the largest quantity of bulbs allocated in Program Year 2019 (the most likely to still have overstock);
        iii. retailers with allocations from more than one manufacturer in the same quarter;
        iv. retailers that had the same address but different names within CEDARS data;
        v. mismatched or reused photographs of retailer storefronts and/or Program lightbulb stock within manufacturer Invoice Packets, and
        vi. retailers identified as high risk by SCE personnel.
    b. For each telephonic interview, ASD contacted the retailers and arranged the interviews. The 150 Program retailers for potential telephonic interviews were judgmentally selected through an analysis of CEDARS data that reported the:

[31] See Appendix A for a list of SCE personnel interviewed.
[32] See Appendix B for a list of manufacturers interviewed.
[33] See Appendix E for a list of shipping company vendors interviewed.

   i. store types (e.g., some types of stores would not be expected to sell lightbulbs in the ordinary course of business (e.g., meat markets, caterers, fish and seafood markets, etc.),
   ii. geographic diversity,
   iii. which lightbulb manufacturer served that retail location, and
   iv. other judgmental selections.

4. Interviewed 69 Program retailers (41 by telephone[34], and 28 on-site at their retail location[35]) in order to better understand whether the retailers:
   a. sold lightbulbs (currently or during the Analysis Period);
   b. participated in the Program;
   c. experienced overstock or unwanted shipments of lightbulbs; and
   d. if they refused lightbulb shipments.

5. Analyzed manufacturer Invoice Packets to identify potential instances of invoice splitting and/or falsified shipments.
   a. We analyzed the 532 Invoice Packets provided by SCE to determine if they appeared to have been split to avoid the SCE Vice President's review and approval, which was required for all invoices greater than or equal to $500,000[36].

6. Analyzed Inspection Reports
   a. D&T analyzed the 1,078 Inspection Reports provided by SCE in an effort to identify potential issues identified and reported in such Reports during the following Program Years:
      i. Program Year 2017: 208
      ii. Program Year 2018: 131 (completed in February or March 2019)
      iii. Program Year 2019: 728
      iv. Undated Inspection Reports: 11

7. Conducted email analysis to better understand potentially relevant communications between SCE personnel involved in the operation and performance of the Program. Email data was collected for the following seven custodians:
   a. Retired SCE employee and Program Manager from the Program's inception through April 30, 2018 ("Program Manager 1")
   b. An Analyst within the Program ("Analyst 1")
   c. The Program Manager from May 1, 2018 through the end of the Program, December 31, 2019 ("Program Manager 2")
   d. An Inspector who inspected participating retailers ("Inspector 1")
   e. The Principal Manager throughout the Program Years 2017 through 2019 ("EE Portfolio Manager")
   f. The Portfolio Senior Manager who oversaw the Program from March 2018 through 2019 ("Residential EE Portfolio Manager 1")
   g. The Portfolio Senior Manager who oversaw the Program from 2017 through February 2018 ("Residential EE Portfolio Manager 2")

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[34] See Appendix F for a list of retailers interviewed by telephone.
[35] See Appendix G for the 28 retailers interviewed on-site.
[36] See Exhibits A.012 Invoice Packet #565 – Manufacturer 1 page 1/38; Exhibit A.013 Invoice Packet #566 – Manufacturer 1 1/37; Exhibit A.014 Invoice Packet #567 1/37; Exhibit A.015 Invoice Packet #568 1/33.

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

Limitations

In addition to the Limitations set forth in Section VI, we note the following limitations to our procedures:

1. Many of the participating retailers were no longer in business or have transferred ownership after the Analysis Period.
2. According to our interviews with the 69 retailers, only one maintained any records of lightbulb shipments received (Retailer 1). Accordingly, we were unable to obtain adequate data to corroborate the number of lightbulbs received by the retailers.
3. Two of the participating manufacturers were unable to be contacted.
   - Manufacturer 2 is no longer in business.
   - Manufacturer 3 was non-responsive when contacted by ASD and D&T.
4. The shipping vendors were unable to provide additional documentation to support the shipments made, as all shipment documentation was provided to the manufacturers after completion of the shipments.
5. According to SCE, when employees leave the organization their data is deleted within 30 days of departure. For active employees, there is no data retention policy. Certain data was unavailable for Program Manager 1, Residential EE Portfolio Manager 2, Director of Operations 2, and a former VP responsible for the Program due to data retention policies maintained by SCE in the normal course of business.

V. Observations

1. Lightbulb Shipments

Based on our review of the 532 Invoice Packets provided to us, we did not identify evidence that manufacturers falsified lightbulb shipments, with a potential exception of one retailer, who reported two less shipments than the manufacturer reported. Due to the lack of adequate corroborating data and documentation, we were not able to confirm whose records were correct.

In addition, of the 69 retailers interviewed (41 by telephone and 28 in-store visits), 67 stated they sold Program lightbulbs during the Analysis Period. The other two retailers either gave their lightbulbs away for free to customers or donated all of the lightbulbs to a religious organization as they appeared to be a re-delivery.

Invoice Packet Discrepancies

We identified various discrepancies in manufacturer-provided supporting documentation within 9 out of the 532 Invoice Packets. However, we were unable to resolve the discrepancies through our interviews with manufacturers, shipping vendors, or retailers due to the lack of available corroborating data. The identified discrepancies include:

a. Two lightbulb display photographs appear to be of the same interior display but were associated with two different retailers.[37]
b. Photographs of a retailer's exterior and interior lightbulb displays were used for two different Invoice Packets associated with two different shipments on different dates.[38]
c. The delivery driver and retailer signatures from proof of delivery documentation appear to be identical, with the exception that the quantities listed above the signature block were different. These signatures appear in two sets of two different Invoice Packets related to shipments to the same retailers.[39]
d. Proof of delivery documentation did not match between the Invoice Packet and what was provided by the retailer, Retailer 1.
e. During our interview, Retailer 1 provided delivery data from 2017-2019 showing the total number of lightbulbs received. The information provided by this retailer showed 29,720 fewer lightbulbs received than what the manufacturer (Manufacturer 4) reflected in its corresponding Invoice Packets submitted to SCE.
    - Retailer 1 provided us with bills of ladings that they signed for deliveries which did not match the corresponding bills of lading located in Manufacturer 4's Invoice Packets.[40] Retailer 1's data indicated it received 88,140 bulbs which were then distributed between its 4 locations during the Analysis Period.[41] The corresponding shipment information included in the Invoice Packets stated a total of 117,860 bulbs (29,720 more lightbulbs than Retailer 1 data).
    - The bills of lading showed different signatures and retailer stamps indicating receipt of lightbulbs, and supplemental information handwritten on the version within the Invoice Packet was not included in the version provided by Retailer 1.
    - Retailer 1's data showed a total of eight shipments received from Manufacturer 4 during the Analysis Period. The corresponding Invoice Packets submitted by Manufacturer 4 to SCE reflect ten shipments to Retailer 1 (included in ten Invoice Packets).
    - We showed Retailer 1 the bills of lading from the two additional shipments claimed by Manufacturer 4 and Retailer 1 maintained that its records reflect the number of lightbulbs and shipments received.

From our interviews with SCE personnel, we understand the procedures for reviewing and approving Invoice Packets was part of a five-day overall process. The initial review of the Invoice Packets and the related supporting documentation was performed by SCE's Customer Support Group for the EE Portfolio. According to our interviews, this review took approximately 20 minutes per Invoice Packet and included reviewing for:

- Matching lightbulb quantities between the manufacturer invoice, retailer invoices, and proof of delivery documentation;
- A printout from CRM to verify allocation amounts, retailer addresses, and shipment amounts;
- Photographs of retailer store fronts and displays; and

[37] See Exhibit A.016 Invoice Packet #71621 - Manufacturer 3, pages 47/210 and 52/210.
[38] See Exhibit A.012, page 38 and Exhibit A.013, page 37/38.
[39] See Exhibit A.017 Invoice Packet #68919 - Manufacturer 3 pages 10/123 and 20/123 compared to Exhibit A.018 Invoice Packet #68970 - Manufacturer 3 pages 15/115 and 20/115; Exhibit A.019 Invoice Packet #69129 - Manufacturer 3 pages 10/132 and 15/132 compared to Exhibit A.020 Invoice Packet #69183 - Manufacturer 3 pages 10/133 and 15/133.
[40] See Exhibit A.021 Retailer 1 Manufacturer 4 BOL Mismatches.
[41] See Exhibit A.022 Retailer 1 Light Bulb Sales Report 20201007.

- An explanation of equivalency documentation used to determine the quantity of lightbulbs in various packaging materials.

In interviews with the Customer Support Group, they informed us they did not identify discrepancies with supporting photographs and any discrepancies with other supporting documentation were clarified with the participating manufacturer. According to Analyst 1, in 2016 Program Manager 1 reduced the review time for each Invoice Packet from 20 minutes to 5 minutes, including the time for scanning the first five pages of the Invoice Packet. Analyst 1 stated the request from Program Manager 1 was due to the result of SCE organization-wide Operational Excellence decisions, which led to a large layoff, thereby reducing the number of SCE employees available to review the Invoice Packets and led to the review time being reduced.

Potentially Excessive Number of Daily Deliveries

From our analysis of bills of lading and proof of delivery documentation within Invoice Packets, we identified 14 instances out of 1,032 total daily delivery routes/schedule in which the daily delivery route/schedule included a potentially excessive number of stops (ranging from 23 to 56 by a single driver). According to our interviews with shipping vendors, a driver's ability to complete all scheduled deliveries (stops) within a given day can depend on multiple factors including, but not limited to, retailer locations and proximity to one another, traffic, weather, and driver experience.

- We identified two instances in which drivers (on behalf of Manufacturer 4's shipping vendor Shipping Vendor 1) completed over 20 deliveries in a single day.[42] We interviewed the Manager of Shipping Vendor 1 and asked how many deliveries by a single driver is possible. He informed us that 12-15 deliveries maximum is possible. The Manager later qualified his statement to say it was possible to complete 23 – 27 deliveries "if the stores are close to one another, and if the driver started early in the day and came back to the warehouse to do a second run." We mapped the delivery locations from the bills of lading for the two Shipping Vendor 1 drivers in an effort to assess whether the locations were close enough to each other to reasonably enable the driver to complete the deliveries in a single day. Based on the mappings, it appears unlikely either driver could have reasonably completed the deliveries in a single day.
- In our analysis of delivery documentation, we identified 12 instances in which deliveries by an individual driver were between 30 – 56 in a single day.[43] When we interviewed a Manager at Shipping Vendor 2, she stated that "30 deliveries in one day would be impossible." She did not qualify her statement. We mapped the delivery locations from the bills of lading for a Shipping Vendor 2 driver who had 32 stops on a single day in an effort to assess whether the locations were close enough to each other to reasonably enable the driver to complete the deliveries in a single day. Based on the mappings, it appears unlikely the driver could have reasonably completed the deliveries in a single day.

During our interview with a former QA Principal Manager, who left SCE in 2016, he mentioned the key to proving products were delivered to stores were bills of lading because "it became complicated to track inventory since the lightbulbs were given to retailers for free." He stated, "When you get down to smaller chains, their inventory and sales control environments are not strong." QA Principal Manager stated he questioned bills of lading when he came across one shipping vendor claiming to be capable of making 20-

[42] See Exhibit A.023 Shipping Vendor 1 [redacted] 5-31-2018; Exhibit A.024 Shipping Vendor 1 [redacted] 5-31-2018.
[43] See Exhibit A.025 Shipping Vendor 2 [redacted] 3-1-2019; Exhibit A.026 Shipping Vendor 2 [redacted] 4-23-2019; Exhibit A.027 Shipping Vendor 2 [redacted] 2-28-2019; Exhibit A.028 Shipping Vendor 2 [redacted] 2-28-2019.

30 deliveries to 3 different counties in a single day. His team "thought it was an error in the Invoice Packet, but when they looked deeper into the issue, it did not make sense and it was impossible for one truck to complete all of those deliveries in one day." QA Principal Manager also stated that if any delivery driver was making roughly 20 deliveries in one day, it would be difficult to complete, "going to Santa Monica … in mid-day, unless they were going along that same freeway corridor, it would be pretty impossible to do that."

2. Lightbulb Overstock

We identified 128 instances of overstock during the Analysis Period:

- 77 instances from 1,078 Inspection Reports (each Inspection Report addresses 1 retailer), and
- 51 instances from 69 retailer interviews

Inspection Reports

We analyzed inspection data on a population of 1,078 Inspection Reports across the Analysis Period. Seventy-seven of the 1,078 Inspection Reports identified lightbulb overstock (around 7.1% of the total population).

- Program Years 2017 – 4 of 208 reports cited overstock [1.9%]
- Program Year 2018 – 28 of 131 cited overstock [21.4%]
- Program Year 2019 – 45 of 728 reports cited overstock [6.2%]
- Program Year Unknown (where report contained no date) – 0 of 11 reports cited overstock

SCE Inspection Reports were maintained in an inspections database which was created and maintained by Program Manager 1. The database was used by Program Manager 1 for various purposes, including selecting retailers to be inspected. When Program Manager 2 became Program Manager in May 2018, the inspections database was not functioning. Per Program Manager 2, the inspections database served as the source of selecting retailers for inspections, no inspections were planned until a solution was found. We understand that in or around February 2019, a new database was completed, which enabled Program inspections to resume. Program inspections conducted in February and March 2019 were on behalf of Program Year 2018.

Retailer Interviews

During our interviews with 69 retailers, 51 identified overstock issues during the Analysis Period. Thirty-three retailers admitted to giving away Program lightbulbs for free (in violation of Program rules) for multiple reasons, including a need to eliminate their overstock. One of the retailers interviewed asked that D&T take the lightbulb overstock off the premises.

3. SCE Awareness of Overstock

Certain SCE personnel were aware of overstock during the Analysis Period.

Inspections Team

According to SCE's Supervisor of Inspections ("Inspector 2"), overstock issues were frequently identified by his team and estimated overstock occurred at approximately 15% of the retailers. During our interview with Inspector 2, he stated that he would communicate overstock issues to the Program Manager in three different manners:

- the Inspection Reports;
- in-person at weekly team meetings, and
- via an email.

Inspector 2 added that he was not aware of any action being taken by SCE to resolve the overstock issues after Program Manager 1 was notified, and Program Manager 1 was the most senior individual notified through this process. Program Manager 2 was not involved in the process prior to joining the Program.

Program Manager 2

In our interview with Program Manager 2, she stated that she raised concerns about overstock issues twice prior to the issuance of the 2017 CPUC Impact Evaluation Report in April 2019. She stated she first verbally raised overstock issues to Residential EE Portfolio Manager 1 in June or July 2018 after visiting several retailers during a ride along with the two owners of lightbulb manufacturer (Manufacturer 3) and she raised her concerns a second time after visiting retailers with Inspector 1 in February or March of 2019.

In the first instance, Program Manager 2 informed us that around June or July 2018, she became concerned with overstock after going on a ride along with the two Manufacturer 3 owners. The ride along included visits to multiple retailers within the same neighborhood. When Program Manager 2 asked the Manufacturer 3 owners how the retailers could sell so many lightbulbs within a small area, both owners replied, "Oh, they sell, they sell." When Program Manager 2 asked the Manufacturer 3 owners if she could speak with some of the retailers, the Manufacturer 3 owners denied her request. Program Manager 2 stated she raised her concerns about potential overstock in a discussion with her immediate supervisor, Residential EE Portfolio Manager 1. According to Program Manager 2, this discussion in June or July 2018 was the first instance where she raised her concern about overstock issues to her supervisor. In our interview with Residential EE Portfolio Manager 1, she could not recall Program Manager 2 raising a concern about overstock at such time.

In the second instance, around February or March 2019, Program Manager 2 heard about additional instances of overstock at retailers identified by the inspections team and visited select retailers with Inspector 1. Program Manager 2 informed us that she again verbally raised these issues to Residential EE Portfolio Manager 1. However, in our interview with Residential EE Portfolio Manager 1, she could not recall Program Manager 2 raising her overstock concerns.

According to Program Manager 2, in the latter parts of Program Year 2018 and early Program Year 2019, she implemented a rule allowing only one manufacturer to ship lightbulbs to each retailer in an effort to mitigate the overstock issues. Previously, the Program allowed for more than one manufacturer to ship lightbulbs to the same retailer. Additionally, Program Manager 2 rejected allocation requests to retailers where Inspection Reports identified overstock issues. These efforts aligned with some of the recommendations later identified in ASD's May 2019 audit of the Program, including that Program Manager 2 continue to track and engage in ongoing dialogue with the Inspections team to gauge inventory levels at retailers.

Another example of Program Manager 2's efforts to reduce overstock included working with SCE internal counsel to put a manufacturer on notice that they were at risk for being excluded from the Program if they did not take corrective action immediately. Program Manager 2 informed us in an interview that on October 15, 2019, she participated in a ride along with a representative from lightbulb manufacturer (Manufacturer 4). Program Manager 2 stated they visited five retailers and she questioned the volume of lightbulbs shipped to the retailers due to their close proximity to one another. At one retailer, she stated that she found "13 unopened pallets of lightbulbs stacked up to the ceiling", which to her clearly indicated overstock by Manufacturer 4. Program Manager 2 asked Manufacturer 4 to remove the overstock from the five retailers and have the retailers confirm in writing the overstock was removed. Manufacturer 4 provided signed documents from the retailers which stated they did not have overstock and/or did not want them removed and stated there was no more overstock at the retailers. Program Manager 2 believed, according to an email, that these documents were forged by Manufacturer 4. In a subsequent email, Program Manager 2 requested assistance from SCE internal counsel to draft a letter informing Manufacturer 4 they were at risk of being removed as a participating manufacturer in the Program if immediate changes were not made. The letter to Manufacturer 4 stated that Program Manager 2 and an inspector visited five retailers, identified overstock – which contradicted Manufacturer 4's statement that there was no overstock, and that all five retailers claimed they never met with an Manufacturer 4 representative about their overstock.[44] Manufacturer 4's President responded via email to Program Manager 2 that he terminated the representative responsible for interacting with that retailer.

<u>EE Portfolio Management</u>

According to interviews with Residential EE Portfolio Manager 1, EE Portfolio Manager, and Director of Operations 1, they became aware of the overstock issues upon the issuance of the 2017 CPUC Impact Evaluation Report and the ASD Audit Report in the first half of 2019. SCE management agreed to implement corrective actions for the remainder of 2019.

4. Limited Upward Visibility of Inspection Reports

During Program Manager 1's tenure as Program Manager, certain actions appeared to limit the visibility of Portfolio management of the Program's inspection results for Program Year 2017.

Based on D&T's interview with the QA Principal Manager, the Inspection Results Dashboard was a tool created by him and his team in the early 2010s to consolidate inspection results from different programs in the Portfolio. The QA Principal Manager stated he recommended that Program Manager 1 add flags to the Program's systems to prevent over-allocating lightbulbs to retailers within a specific zip code and prevent potential overstock, but he was unaware if Program Manager 1 shared these recommendations with anyone within the Program or Portfolio.

In February 2019, in an email from the Quality Assurance Manager ("QAM") to Residential EE Portfolio Manager 1, the QAM stated that the Program Manager 1 requested that the Program's inspection performance be removed from the quarterly Inspections Results Dashboard in 2013. D&T was not provided an explanation as to why the Program was removed from the Inspection Results Dashboard. After the Program was removed from the Inspection Results Dashboard, the inspection results were not automatically reported in a consolidated basis to Portfolio management. In an email response to the February 2019 email, Residential EE Portfolio Manager 1 and EE Portfolio Manager agreed the Program needed to be added back to increase visibility into the Program's issues.[45]

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[44] See Exhibit A.029 PM2-00108082; Exhibit A.030 PM2-00108644; Exhibit A.031 PM2-00109251; Exhibit A.032 PM2-00117189; Exhibit A.033 PM2-00119186; Exhibit A.034 PM2-00128164.

[45] See Exhibit A.035 Inspection Reports Dashboard(1A).

5. Retailers Not Adhering to or Understanding Program Rules

Our review of the Inspection Reports for the Analysis Period and interviews with retailers identified instances where retailers did not adhere to Program rules.

Of the 1,078 Inspection Reports reviewed, we identified 37 instances (involving 28 unique retailers of the total 1,534 unique retailers) of retailers giving away lightbulbs for free. Per the Program manual, it was the responsibility of manufacturers to ensure retailers understood and adhered to the rules of the Program.

Of the 69 retailers interviewed, 31 retailers stated they both sold some Program lightbulbs and gave away some Program lightbulbs for free. Two retailers stated they did not sell any of their Program lightbulbs, one of which stated they always gave their lightbulbs away for free to customers and the other stated the lightbulbs received appeared to be a re-delivery from another store and they immediately donated all of the lightbulbs to a religious organization. Sixty-seven of the 69 confirmed they did sell Program lightbulbs during the Analysis Period. Eleven retailers stated that they had "little to no understanding" of the Program or its rules.

6. Invoice Splitting

Our review of the 532 Invoice Packets did not identify evidence of manufacturer invoices being split in an effort to circumvent SCE's invoice approval processes. We reviewed invoice amounts and approval levels on the Invoice Packets. For example, for invoices greater than $500,000, we noted that the SCE Vice President's review and approval was required, and we did not find any exceptions.

VI. Limitations and Disclosures

This report is intended solely for the benefit of SCE and is not intended to be and should not be relied upon by any person or entity other than SCE. This report must be read in its entirety, and we are not responsible for any portion of this report that is selectively quoted or otherwise used in isolation or any summary or paraphrasing of the report that is prepared by others.

The specific procedures performed by D&T were established based on discussions with SCE as the engagement progressed and additional information was obtained during the course of the engagement. D&T is not responsible for responding to SCE's obligations to shareholders, lenders, regulators, and other stakeholders. In addition, SCE remains responsible for its reporting and similar obligations.

The services performed by D&T were performed under the Standards for Consulting Services of the American Institute of Certified Public Accountants ("AICPA") and the AICPA Statement on Standards for Forensic Services No. 1.

The services performed by D&T do not constitute an engagement to provide audit, compilation, review, or attestation services as described in the pronouncements on professional standards issued by the AICPA, the Public Company Accounting Oversight Board, or other regulatory body and, therefore, D&T

does not express an opinion or any other form of assurance as a result of performing the services described herein.

D&T did not and does not provide legal services or advice. Any advice or recommendation provided under this engagement should not be relied on as legal advice.

The findings and observations are based upon information provided to D&T as of the date of this report. D&T did not test the veracity of the information provided by SCE, manufacturers or retailers. The sufficiency of the procedures performed is solely the responsibility of SCE. Consequently, we make no representation regarding the sufficiency of the procedures performed. We reserve the right to amend this report if additional information relevant to our findings and observations becomes available.

We call your attention to the possibility that other professionals may perform procedures concerning the same information or data, and perhaps the same accounts and records, and reach different findings than D&T for a variety of reasons, including the possibilities that additional or different information or data might be provided to them that was not provided to D&T, that they might perform different procedures than did D&T, or that professional judgments concerning complex, unusual, or poorly documented transactions or matters may differ.

Appendix A

SCE Personnel Interviews

D&T conducted fact-finding and forensic interviews with the following 29 current or former SCE employees:

No.	Title	Date	Mode of Communication	Reason for Interview
1	Manager	August 25, 2020	Phone	Manager who was tasked with reviewing inspection documents as part of the response to the ALJ Ruling
2	Program Manager ("Program Manager 2")	August 25, 2020 September 9, 2020 October 30, 2020 November 9, 2020	Phone	Program Manager from May 1, 2018 – December 31, 2019
3	Inspection Coordinator	August 25, 2020	Phone	Scheduled Program inspections; collected inspection reports, and inputted results in the Program's inspections database
4	Inspection Lead ("Inspector 1")	August 25, 2020	Phone	Inspected participating retailers
5	Principal Manager ("EE Portfolio Manager")	August 25, 2020 November 9, 2020	Video	Oversaw the Energy Efficiency Portfolio of programs, which included the Program

No.	Title	Date	Mode of Communication	Reason for Interview
6	Regulatory Rep	August 25, 2020	Phone	Provided support to Demand Side Management Programs and participated in the response to the ALJ Ruling
7	Regulatory Rep	August 25, 2020	Phone	Provided support to Demand Side Management Programs and participated in the response to the ALJ Ruling
8	Senior Manager ("Residential EE Portfolio Manager 1")	August 26, 2020 November 9, 2020	Phone	Oversaw the Program from March 2018 - 2019
9	Analyst ("Analyst 1")	August 27, 2020 & September 1, 2020	Phone	Processed invoices for the Program 2017 - 2019
10	Sr. Manager, Audit Services	August 27, 2020	Phone	Oversaw the Senior Auditor who conducted the audit on the Program in response to management's request for an audit.
11	Director, Audit Services	August 27, 2020	Phone	Oversaw Financial and Corporate audits for the department, including the audit on the Program in 2019
12	Principal Manager of Engineering Services	August 28, 2020	Phone	Oversaw the Measurement & Evaluation Team that communicated to the Program Manager of the Program, the results of the CPUC's evaluations

No.	Title	Date	Mode of Communication	Reason for Interview
13	Director ("Director 1")	August 28, 2020	Phone	Oversaw the Program from 2018 – 2019
14	Senior Manager ("Residential EE Portfolio Manager 2")	August 31, 2020	Phone	Oversaw the Program from 2017 – February 2018
15	Invoice Processor	August 31, 2020	Phone	Helped process invoices for the Program starting in 2016
16	Analyst	September 1, 2020	Phone	Analyst who supported the Program from 2016 – November 2017
17	Analyst	September 1, 2020	Video	Analyst who conducted KPI reports for the Program from December 2017 – December 2019
18	Analyst	September 1, 2020	Phone	Analyst who analyzed data and turned them into savings on the KPI reports for the Program from 2009 – 2012. Returned to the Program from 2014 – 2016.
19	Analyst	September 2, 2020	Video	Created new database [redacted]
20	Manager of the Reporting Group	September 2, 2020	Phone	Reports the budget of the Program to the commission
21	Inspection Supervisor ("Inspector 2")	September 2, 2020	Phone	Oversaw inspections of the Program from 2012 until end of the Program.

No.	Title	Date	Mode of Communication	Reason for Interview
22	Director ("Director 2")	September 2, 2020	Phone	Director of the Program from 2016 – 2017
23	VP of Customer Programs	September 3, 2020	Video	Oversaw the Program from 2018 – 2019
24	VP of Customer Programs	September 3, 2020	Video	Oversaw the Program from 2016 – 2017
25	Senior Auditor, Audit Services	September 3, 2020	Phone	Conducted the ASD 2019 Program audit
26	Program Manager ("Program Manager 1")	September 3, 2020	Phone	Program Manager of the Program from inception through April 30, 2018
27	Senior Manager ("Residential EE Portfolio Manager 4")	September 4, 2020	Phone	Senior Manager of the Program from 2011 – 2016
28	Invoice Processor	September 9,2020	Phone	Helped process invoices for the Program from 2016 - 2019
29	Principal Manager ("QA Principal Manager")	October 30, 2020	Phone	Former Principal Manager who helped create and manage the Inspections Results Dashboard that the Program was removed from in 2013

Appendix B

Manufacturer Interviews

D&T conducted interviews with the following manufacturers' employees who participated in the Program:

No.	Company	Title	Date
1	[redacted]	President	September 22, 2020
2	[redacted]	Operations Manager	September 25, 2020
3	[redacted]	Owner	September 17, 2020
4	[redacted]	Operations Manager	October 2, 2020
5	[redacted]	Operations Manager	September 25, 2020
6	[redacted]	Vice President of Residential Utility Programs	September 21, 2020
7	[redacted]	Operations Manager	September 24, 2020
8	[redacted]	Owner	October 1, 2020
9	[redacted]	Representative to SCE, retailers' stores, and shipping companies	September 16, 2020
10	[redacted]	Accounts Receivable	September 18, 2020

Two of the participating manufacturers were not interviewed.

- Manufacturer 2 is apparently no longer in business.
- Manufacturer 3 did not respond to emails from SCE nor phone calls from either SCE and D&T. Per public record searches, the company is still in business and the vendor appears to be an active registered corporation in the state of [redacted].

Appendix C

Background

The 2008 California Long Term Energy Efficiency Strategic Plan (the "Plan") outlined the transformation of energy consuming equipment, including lightbulbs, to maximize energy efficiency and minimize energy consumption and greenhouse gas production.[46] The Plan was developed through a collaborative process between the CPUC and the relevant IOU, including SCE.

On September 23, 2010, the CPUC published the "Lighting Chapter" of the Plan, which outlined goals applicable to the IOUs for reducing lighting energy consumption in California by 60%–80% by 2020.[47] To meet the CPUC goals, SCE adopted various Energy Efficiency ("EE") measures, categorized into Residential and Non-Residential portfolios. One of these measures was the creation of the Program, which was one of the components of SCE's Residential Energy Efficiency Portfolio (the "Portfolio"). The Program, including its goals (listed below), were approved by the CPUC.

Program Overview

The Program goals were to[48]:

1. Achieve energy savings and demand reduction (kWh reduction).
2. Emphasize participation among retailers in disadvantaged communities.
3. Influence customers' future purchases.
4. Phase out utility promotions for basic compact fluorescent light ("CFL") purchases at big-box retailers and small grocery/discount retailers.

The Program (which ended December 31, 2019) offered incentives to participating lightbulb manufacturers in order to reduce the cost of energy efficient lightbulbs to the consumer. The Program introduced new premium efficiency lightbulbs into SCE's market territory and attempted to influence the future purchasing and installation behaviors of its residential customers.[49]

The first step of the Program was SCE enrolling lightbulb manufacturers, who subsequently enrolled specific retailers into the Program.[50] In 2017, the Program expanded to focus on "hard to reach" retailers in disadvantaged communities, which consisted of various small businesses, including discount, grocery and thrift stores. SCE determined these retailers were unlikely to have adequate point-of-sale or inventory systems to accurately track sales.

[46] See Exhibit A.005, page 3.
[47] See Exhibit A.005, page 3.
[48] See Exhibit A.006, page 3.
[49] See Exhibit A.005, page 4.
[50] See Exhibit A.006, pages 3 and 4.

Program Organizational Management

The Program was to be executed and managed by a dedicated Program Manager, whose duties included forecasting lightbulb demand and reporting other Program performance details to the Residential Energy Efficiency Portfolio manager (or "Senior Manager"). Additional duties include working with lightbulb manufacturers to determine appropriate shipment quantities and the timing of those shipments to retailers ("Allocations").

In addition to the above duties, according to the SCE Program organization charts[51], the Program Manager's duties included but were not limited to:

a. overseeing all components of the operation of the Program,
b. ensuring the Program's compliance with the Plan and other CPUC requirements,
c. managing and tracking manufacturer allocations,
d. reviewing and approving manufacturer Invoice Packets[52], and
e. coordinating inspections of retailer locations.

The Program Manager reported directly to the Portfolio Manager, who was responsible for managing all of the programs residing within the Residential Portfolio. The Portfolio Manager reported to the "Principal Manager", who oversaw multiple energy efficiency portfolio product team departments ("EE Portfolio Manager").

The CPUC provided SCE with a specific savings rate to be used for each type of lightbulb shipped. This savings rate was to be realized when shipped, not when sold by the retailer or installed by the consumer. For each lightbulb shipped, the savings rate would be calculated based on the quantity, type and wattage of bulbs shipped. The Program Manager would determine, or allocate, the types and quantities of bulbs that a manufacturer could deliver to a specific retailer and how often. In order to determine this, the Program Manager would utilize data provided by the manufacturers including, but not limited to the:

4. retailer's square footage
5. type of retail facility (i.e., must be a brick and mortar location where it sells the Program's lightbulbs – no internet sales allowed, and it cannot sell Program lightbulbs to a wholesaler, liquidator, distributor, or non-participating retailer) and
6. historical store sales, to determine the allocation amounts.

Program Operation

According to the Program's written policies and procedures, manufacturers initiated the allocation process by emailing required forms[53] to the Program Manager, who reviewed and loaded the data into the Program Customer Relationship master database ("CRM").[54] Manufacturers would then submit an

[51] See Exhibits A.007 and A.008.
[52] An Invoice Packet is a collection of documents compiled by lightbulb manufacturers and submitted to SCE for payment.
[53] The forms included the following: (i) a New Product Request Form, (ii) a New Retailer Request Form, or (iii) a New Store Location Request Form. The forms included information such as a retailer's name, address, and square footage.
[54] See Exhibit A.009, page 1.

allocation request via the Program CRM in order to generate a shipment of lightbulbs to a specific retailer.

The manufacturer's allocation request included:

(v) which retailer(s) the manufacturer would ship lightbulbs to;
(vi) the timing of the shipment (by month and Program Year);
(vii) the quantity of lightbulbs to be shipped; and
(viii) the types of lightbulbs, which determined the specific incentive amounts for which SCE would owe the manufacturer.

When the Program Manager approved the allocation request, the manufacturer utilized a 3rd party shipper to deliver the lightbulbs to the retailers.

Once the lightbulbs were delivered to the retailers, the manufacturer submitted a vendor payment request form, along with various supporting documentation to SCE (an "Invoice Packet"). These Invoice Packets were to contain the following documentation[55]:

(vii) invoice from the manufacturer to SCE showing the total amount due,
(viii) the total quantity of lightbulbs shipped,
(ix) invoices from the manufacturer to each retailer (these were zero-dollar invoices, as the retailers did not have to pay for Program lightbulbs,
(x) proof of delivery and/or bill of lading from the 3rd party shipper,
(xi) disbursement letters, if applicable (for example, if multiple retail locations were owned/operated by one retailer entity),
(xii) photographs of:
    a. the Program lightbulb displays at the retailer, and
    b. pictures of the retailer's storefront.

[55] See Exhibit A.010, pages 5/16 and 6/16.

Appendix D

Documents collected and reviewed during the investigation

No.	Document
1	2017 CPUC Impact Evaluation Report
2	ALJ Report dated January 9, 2020
3	Allocation Data Files
4	Audit Services Department documents from their 2019 internal audit
5	CEDARS Data 2016 - 2019
6	Energy Efficiency Portfolio Annual Report
7	Energy Efficiency Portfolio Strategic Plan
8	Engineer Workpapers
9	Goals Vs. Forecasted for 2017 - 2019
10	Inspection Data Files for 2017 & 2019
11	Inspection Reports
12	Invoices received by retailers from manufacturers
13	Key Performance Indicator (KPI) Monthly files for years 2016 - 2019
14	Manufacturer Agreement Forms
15	Manufacturer Invoice Packets for 2017 - 2019
16	Retailer Acknowledge Form
17	Sales Report from participating retailers
18	SAP Invoice Payment Data for 2017 - 2019
19	SCE Program Organization Chart
20	SCE Program Policies and Procedures
21	Primary Lighting Program Manuals
22	Primary Lighting Program Training Binder

Appendix E

Shipping Company Interviews

D&T conducted interviews with employees of three shipping vendors who delivered lightbulbs on behalf of manufacturers that participated in the Program:

No.	Company	Title	Associated Manufacturer	Date
1	[redacted]	Manager	[redacted]	September 28, 2020
2	[redacted]	General Manager	[redacted]	October 1, 2020
3	[redacted]	Manager	[redacted]	October 16, 2020

Appendix F

List of 41 retailers telephonically interviewed

No.	Retailer Name	Manufacturer
1	[redacted]	[redacted]
2	[redacted]	[redacted]
3	[redacted]	[redacted]
4	[redacted]	[redacted]
5	[redacted]	[redacted]
6	[redacted]	[redacted]
7	[redacted]	[redacted]
8	[redacted]	[redacted]
9	[redacted]	[redacted]
10	[redacted]	[redacted]
11	[redacted]	[redacted]
12	[redacted]	[redacted]
13	[redacted]	[redacted]
14	[redacted]	[redacted]
15	[redacted]	[redacted]
16	[redacted]	[redacted]
17	[redacted]	[redacted]
18	[redacted]	[redacted]
19	[redacted]	[redacted]
20	[redacted]	[redacted]
21	[redacted]	[redacted]
22	[redacted]	[redacted]
23	[redacted]	[redacted]

No.	Retailer Name	Manufacturer
24	[redacted]	[redacted]
25	[redacted]	[redacted]
26	[redacted]	[redacted]
27	[redacted]	[redacted]
28	[redacted]	[redacted]
29	[redacted]	[redacted]
30	[redacted]	[redacted]
31	[redacted]	[redacted]
32	[redacted]	[redacted]
33	[redacted]	[redacted]
34	[redacted]	[redacted]
35	[redacted]	[redacted]
36	[redacted]	[redacted]
37	[redacted]	[redacted]
38	[redacted]	[redacted]
39	[redacted]	[redacted]
40	[redacted]	[redacted]
41	[redacted]	[redacted]

Appendix G

List of 28 retailers interviewed on-site

No.	Retailer Name	Manufacturer	Sold Lightbulbs	Participated in the Program	Experienced Overstock	Refused Shipments
1	[redacted]	[redacted]	Y	Y	Y	
2	[redacted]	[redacted]	Y	Y	Y	
3	[redacted]	[redacted]	Y	Y	Y	Y
4	[redacted]	[redacted]	Y	Y	Y	
5	[redacted]	[redacted]	Y	Y	Y	
6	[redacted]	[redacted]	Y	Y	Y	

No.	Retailer Name	Manufacturer	Sold Lightbulbs	Participated in the Program	Experienced Overstock	Refused Shipments
7	[redacted]	[redacted]	Y	Y	Y	
8	[redacted]	[redacted]	Y	Y	Y	
9	[redacted]	[redacted]	Y	Y	Y	
10	[redacted]	[redacted]	Y	Y	Y	
11	[redacted]	[redacted]	Y	Y	Y	Y
12	[redacted]	[redacted]	Y	Y		
13	[redacted]	[redacted]	Y	Y	Y	Y

No.	Retailer Name	Manufacturer	Sold Lightbulbs	Participated in the Program	Experienced Overstock	Refused Shipments
14	[redacted]	[redacted]	Y	Y	Y	
15	[redacted]	[redacted]	Y	Y		
16	[redacted]	[redacted]	Y	Y	Y	
17	[redacted]	[redacted]	Y	Y	Y	
18	[redacted]	[redacted]	Y	Y		
19	[redacted]	[redacted]	Y	Y	Y	
20	[redacted]	[redacted]	Y	Y	Y	
21	[redacted]	[redacted]	Y	Y	Y	

No.	Retailer Name	Manufacturer	Sold Lightbulbs	Participated in the Program	Experienced Overstock	Refused Shipments
22	[redacted]	[redacted]	Y	Y	Y	
23	[redacted]	[redacted]	Y	Y	Y	
24	[redacted]	[redacted]	Y	Y	Y	
25	[redacted]	[redacted]	Y	Y	Y	Y
26	[redacted]	[redacted]	Y	Y	Y	Y
27	[redacted]	[redacted]	Y	Y	Y	
28	[redacted]	[redacted]	Y	Y	Y	

Appendix H

Invoice Packets

The Invoice Packets were provided to D&T by ASD through SCE's Office 365 OneDrive site. The data was downloaded and promptly uploaded to D&T's SFTP site, Aspera. The data was then processed using Relativity[56] Processing, loaded into the Relativity project workspace, and made available for review and analysis.

- Pagination and Identification:
  - The individual documents received for analysis included both separate invoices and associated backup information (e.g., scanned photographs). D&T first paginated the Invoice Packets by identifying the individual invoices, bills of ladings, and associated images of retailer locations and lightbulb displays (both exterior and interior).
  - Once the pagination and identification were complete, the Invoice Packets were exported out of Relativity in PDF format and loaded into a program called PDF Page Selector. A load file containing the individual page assignments was then created and loaded into the software, allowing for the extraction of individual invoices, bills of ladings, and the associated retailer images. The resulting individual documents were then reloaded directly back into the RelativityOne workspace for the Data Extraction and Analysis.

- Data Extraction and Analysis:
  - D&T performed the following during the data extraction phase:
    - i. Organized and extracted the following data points from the Invoice Packets:
      1. Invoice number
      2. Invoice date
      3. Payment due/terms
      4. Retailer address
      5. Product volume
      6. Delivery date
      7. Delivery driver name
      8. Retailer name
      9. Manufacturer name
      10. Bill of lading information:
          a. Shipper and consignee names
          b. Name of carrier
          c. Goods quantity
          d. Shipment terms
          e. Weight/volume of cargo
          f. Delivery driver name/ID #
          g. Delivery address
      11. Signature/stamped confirmation of shipping
      12. Signature/stamped confirmation of receipt
    - ii. Searched for discrepancies, including, but not limited to:
      1. Same interior retailer picture
          a. For example, an identical interior picture of a retailer being used for two or more retailers in invoice packets sent to SCE

[56] Relativity is a web-based eDiscovery platform that offers processing, analytics, review, and production capabilities.

- Reporting
  - Post extraction and analysis, the findings were consolidated and reported for each manufacturer. This included:
    i. Order by Retailer: Total number of lightbulbs ordered by each retailer in a year, for each lightbulb type.
    ii. Deliveries by Store: Total number of lightbulbs delivered to each retailer in a year, for each lightbulb type.
    iii. Driver Retailer Metrics[57]: Retailer and driver information for each delivery.
    iv. Driver Delivery Dates: Number of deliveries each driver carried out in a day and the number of days the deliveries were carried out.
    v. Invoice and Bill of Lading Bulb Comparison: Number of lightbulbs sold for each lightbulb type to each retailer and flags mismatches between the purchase and delivery numbers.
    vi. Driver Delivery Details by Date: Flags indication of higher than average number of deliveries carried out by a driver in a day. Please note, this report could only be generated for Manufacturer 3 as the driver details were unavailable for the remaining manufacturers.
    vii. Bill of Lading Bulb Count Summary: Total number of lightbulbs that were delivered for each driver by date.
    viii. Invoice Count Summary: Total number of invoices for each manufacturer by date.

Inspection Reports

The Inspection Reports were provided to D&T by ASD through SCE's Office 365 OneDrive site. The data was downloaded and promptly uploaded to Aspera. Using Relativity Processing, this data was processed with deduplication, loaded into the Relativity - Review workspace, and made available to for review.

D&T reviewed and extracted data from 1,078 Inspection Reports for grocery and discount stores that participated in the Program. The dates represented in the Inspection Reports are as follows:

  - Inspection Reports completed in calendar year 2019: 859
  - Inspection Reports completed in calendar year 2017: 208
  - Inspection Reports that were undated: 11

- Pagination and Identification
  - Like the Invoice Packets, each document initially received for this workflow contained multiple Inspection Reports and associated documents. D&T first paginated these documents to identify the relevant pages. This pagination allowed us to be able to split the relevant pages into individual documents. These newly created documents were then utilized for further data extraction and analysis.

[57] Driver information was not available for all manufacturers. When this information was unavailable, the metrics were generated by date.

<u>Appendix I</u>

SCE provided email data to D&T through four separate uploads to Aspera. This data consisted of MS Exchange & Lotus Notes email and was not date filtered at the time of collection. Additional detail on the volumes can be found in the following tables:

SCE Volume	File Type	Source	File Count	File Size (GB)
UL001	Email	LN Server	1	0.12
UL001	Email	LN Server	1	0.07
UL001	Email	LN Server	1	0.2
UL001	Email	LN Server	1	0.4
UL001	Email	Exchange	2	10.5
UL001	Email	Exchange	3	19.8
UL001	Email	Exchange	3	23.2
UL003	Email	Exchange	13	137
UL004	Email	Exchange	8	93
UL005	Email	Exchange	8	101
UL002	eDocs	Network Share	20,981	85.94

The email data for the following custodians was processed using Relativity Processing utilizing Global Deduplication[58] settings and loaded into the project workspace.

- Retired SCE employee and Program Manager from the Program's inception through April 30, 2018 ("Program Manager 1")
- An Analyst within the Program ("Analyst 1")
- The Program Manager from May 1, 2018 through the end of the Program, December 31, 2019 ("Program Manager 2")
- An Inspector who inspected participating retailers ("Inspector 1")
- The Principal Manager throughout the Program years 2017 through 2019 ("EE Portfolio Manager")
- The Portfolio Manager who oversaw the Program from March 2018 through 2019 ("Residential EE Portfolio Manager 1")
- The Portfolio Manager who oversaw the Program from 2017 through February 2018 ("Residential EE Portfolio Manager 2")

We were informed that due to the retirement and separation of certain key SCE personnel and SCE data retention policies, many email and other communications were not maintained by SCE. We understand email data for Program Manager 1, former Senior Manager, former Director of Operations, and former VP responsible for the Program was unavailable due to data retention policies maintained by SCE in the normal course of business.

[58] Global Deduplication is a process where data from multiple sources is compared against one another and redundant copies are excluded from the final dataset.

Once the data was made available in the hosted Relativity platform, D&T applied a date range filter[59] and search terms for culling. Of the original 1,665,543 email documents that were loaded into the project – pre-review (i.e., Repository) workspace, a total of 81,975 documents remained after application of the date range and search term limiters.

The search terms applied to email data used to conduct email review are listed below:

- **Date Range**: 1/1/2016 – Present
- **Search Terms**:
    - Cancel* w/5 Shipment
    - Deliver* w/5 Refus*
    - Deliver* w/5 Reject*
    - Deliver* w/5 Return*
    - Fake w/5 Deliver*
    - Fals* w/5 Deliver*
    - Fictitious w/5 Deliver*
    - Fake w/5 Invoice*
    - Fals* w/5 Invoice*
    - Fictitious w/5 Invoice*
    - Forg* w/5 Invoice*
    - Fake w/5 Ship*
    - Fals* w/5 Ship*
    - Fictitious w/5 Ship*
    - Inspection w/3 Database
    - Make w/3 Goal
    - Make w/3 Savings
    - Make w/3 Target
    - Manufacturer w/3 Rep*
    - Meet w/2 Goal
    - Meet w/2 Savings
    - Meet w/3 Target
    - Over w/3 Allocat*
    - Over w/3 Bill*
    - Over w/3 Stock*
    - Overallocat*
    - Overstock*
    - Reallocat*
    - Wrong w/5 Date
    - Wrong w/5 Invoic*
    - Wrong w/5 Order*
    - Wrong w/5 Quantity
    - Wrong w/5 Ship*
    - Free w/3 Bulb*
    - Inspecti* w/2 result*
    - Ship* w/3 Issu*

[59] Date range 1/1/16 – Present was applied when collecting emails from custodians in the investigation. For some custodians, email data was not retained, however email data was obtained from legacy system back-ups used during system migration.

    - Inspect* w/3 issu*
    - Add* w/3 allocat*

- Early Case Assessment Analytics
    - After the initial filtering, a series of analytics workflows were applied to the documents to further reduce the size of the review universe. The techniques utilized were as follows:
        - Email Threading: Relativity's email threading tool was utilized to identify lesser included portions of email chains, which were then excluded from review. In total, 12,661 lesser included emails were identified and excluded.
        - Blast Emails: We identified 488 "blast emails" sent from Edison International Daily Clips. These files contained news clips related to Edison and the power industry in general. These documents were excluded from review.
        - Duplicate MD5 Hash Search Term Hits: Only one version of each unique MD5 hash number that hit on searches was reviewed initially, totaling in 2,753 search hits that were initially excluded from review.
- After application of these techniques, 48,665 documents were promoted to the Review workspace.
- Single Instance & Analytics
    - The following workflow tools were used to further reduce the number of documents requiring review to prioritize the most relevant documents.
        - Single Instance Review: D&T only reviewed one version of each unique search hit. If a search hit was deemed responsive, the document and all its attachments were reviewed.
        - Technology Assisted Review: Relativity's Continuous Active Learning tool was utilized to prioritize the document review. Documents the tool felt were more likely to be responsive were pushed to the top of the review queue. Documents less likely to be responsive were reviewed last. This tool was not used for document elimination.
- Review Protocol and Quality Control
    - A review protocol, which included the Program's background and potential red flags, was drafted for use as a reference tool during the email review.
    - After documents completed initial review, a quality control review was performed to confirm the coding conformed with the review protocol.

Results

- Total Number of Documents Reviewed: 13,730
- Total Number of Relevant Documents: 1,891
- Total Number of Responsive Documents: 75

ATTACHMENT 2

Southern California Edison,
Primary Lighting Program Document

Primary Lighting Program Document

1.0 PROGRAM STATEMENT

The Primary Lighting Program[1], aka Residential Lighting Incentive Program, involves lighting manufacturers who enroll in the Program and then supply retailers with energy efficient lighting products. These products are then sold to customers at a reduced price. An incentive reimbursement is paid to the manufacturer, who, at its own expense, facilitated the discounted rate. One hundred percent of the incentive is passed on to the customer, making the Residential Lighting Incentive Program a "pass-through" of incentives, which is one form of an Upstream Program. It involves synergies whereby, in some cases, the retail price is reduced by more than the incentive amount (such as by additional manufacturer or retailer price reductions).

Customers install 6% of the product sold through the Residential Lighting Incentive Program in nonresidential buildings. This makes it a crosscutting program.

2.0 APPLICABILITY

This document is effective for the year of 2019 and is applicable to:

- Primary Lighting Program Manager (**PM**)
- Primary Lighting Program Analyst
- Customer Service Operations Division (**CSOD**)
- The manufacturers who create the measures
- The retailers who sell the products

Go on to the next page

[1] Program ID is SCE-13-SW-005C.

3.0 PROGRAM DETAIL

Program Detail Table of Contents

* *

3.1 RESIDENTIAL LIGHTING INCENTIVE PROGRAM PROCESS AND OVERVIEW

The table below outlines the overall process of how the Residential Lighting Incentive Program works.

1.	Participating manufacturers provide participating retailers with products that: • Are produced for participating in the Program, and • Have the SCE discount applied.
2.	The manufacturers submit reimbursement requests (invoices) to SCE for the cost of Program incentives supplied to retailers. ***Note:*** *Per-unit incentive amount is granted — per allocation, per model — at the discretion of the PM after the manufacturer requests allocation quantity and specifies per-unit incentive bid. For more details about incentives, see the* ***Primary Lighting Measure Eligibility Procedure*** *document.*
3.	The retailer lowers the consumer price, ensuring that 100% or more of the SCE incentive goes to the end-use consumer. These price reductions are sometimes called **instant rebates.**
4.	Manufacturers pay the incentive to the retailer one of two ways: • In the **Shipment Data Approach**, the manufacturer reduces the wholesale price by the incentive amount or exceeds it. • In the **Sales Data Approach**, the manufacturer pays the incentives to the retailer after retail sales are tracked.
5.	SCE Program staff verify the validity of the manufacturer payment requests and completeness of the documentation and then reimburses the manufacturers for their costs.

Note: *Steps one and two above are not necessarily in chronological order. The order depends on the Data Approach referenced in the fourth step.*

3.1.1 Goals for the Residential Lighting Incentive Program

Consistent with the California Long-Term Energy Efficiency Strategic Plan (**CLTEESP**), the Residential Lighting Incentive Program goals are to:

- Achieve energy savings (kWh reduction) and demand reduction (kW reduction)
- Emphasize participation among stores in disadvantaged communities
- Influence customers' future purchases
- Phase out utility promotions for basic compact fluorescent light (CFL)[2] purchases at big-box retailers[3] and small grocery/discount stores

The Residential Lighting Incentive Program has two California Public Utilities Commission (**CPUC**)-assigned program targets for the funding cycle, one for kWh saved and one for kW reduced, and they are broken down for each year.

3.1.2 Rationale for the Upstream Delivery System

Instead of processing hundreds of thousands of rebates for individual customers, SCE processes a limited number of checks for the manufacturers, making the Program more cost-efficient. Since 100% of the incentive goes to the customer, this Program never subsidizes any participating manufacturer or retailer.

3.1.3 Participation and Eligibility

The outline below describes the manufacturer participation process:

1. After verifying eligibility, SCE sends the Manufacturer's Participation Agreement (**MPA**) to all the applying manufacturers in its territory.
2. The manufacturer returns two signed copies of the MPA to the applicable utility.
3. When SCE receives the two signed MPAs, the PM sends both copies to upper management for signatures. Once returned, the PM files one of the hard-copy MPAs and sends the other back to the manufacturer.
4. The manufacturer reaches out to qualified retailers to garner their participation.

The table below outlines the necessary qualifications and requirements for the manufacturer, retailer, and measures.

[2] Basic CFLs are single brightness, bare spiral, less than 31 Watts, and less than 80 lumens per Watt.
[3] These are retail establishments (generally 50,000 square feet or more), that are part of a chain. The term sometimes also refers, by extension, to the company that operates the store. Examples include Home Depot, Lowe's, Costco, Wal-Mart, and Sam's Club.

Participant Qualifications and Requirements

Participant	Qualifications and Requirements

Manufacturer	• All known U.S. lighting manufacturers are potentially eligible.
	• Before the Reservation Request, each manufacturer submits, as applicable:
	  ◦ Eligibility Questionnaire (New manufacturers only)
	  ◦ MPA, or amendment, in order to participate for the current year
	  ◦ New Product Request Form(s)
	  ◦ New Retailer Request Form(s), and
	  ◦ New Store Location Request Form(s).

Measures	A variety of product types, models, and technologies are eligible for incentives in the Residential Lighting Incentive Program. Typical technologies include the following:
	  ◦ Light-emitting diode (**LED**) light bulbs such as reflectors, candelabras, and globes.
	Although other products are listed as active, these are the categories SCE has chosen to focus on.
	To be eligible for incentives:
	  ◦ LED lamps must meet or exceed the California Quality LED Specifications, incorporated as a voluntary standard by the California Energy Commission (**CEC**) in Title 20 equipment codes.
	  ◦ The products must go through extensive review of compliance with the California Quality LED Specifications, and then be determined eligible for incentives at the discretion of the PM.

Retailer	• **Must be a "Brick and Mortar" Retailer** that sells Program products **only** at a physical location within the SCE territory — no internet sales. • Does not sell Program products wholesale to a liquidator, distributor, or non-participating retailer. • Signs the **Retailer Partner Acknowledgement Form** — contract that binds manufacturer, retailer and SCE. By signing this form, a retailer agrees to the Program terms and conditions and also makes it possible for the manufacturer to be considered by SCE to receive an allocation to participate with the retailer.

3.1.4 MARKETING AND OUTREACH PLAN

The Residential Lighting Incentive Program marketing and outreach plan primarily uses in-store signage and displays. Additional marketing and outreach tools used to focus public awareness on the Residential Lighting Incentive Program include:

- Various other media or promotional opportunities, such as the Western Regional Utility Network campaigns or ENERGY STAR
- Promotional web pages (such as www.sce.com)
- Multi-program brochures

Manufacturers can coordinate additional outreach efforts with retailers, such as circulars, newspaper advertisements, press releases, and occasional radio spots.

3.1.5 Tracking and Reporting

SCE carefully tracks the sales or shipment data that are submitted with the payment request. It also tracks internal processing flows to monitor and improve accuracy, timeliness, and cost-efficiency. On a regular basis throughout each Program year, SCE conducts extensive data management and reporting to document attainment of the various targets and objectives. SCE applies its ethic of continuous improvement based on data tracked and operational efficiency planning.

The Residential Lighting Incentive Program uses several reports to inform management of Program progress and status upon request. For invoice processing and tracking, these reports are run from the Business Objects queries of CRM data, the Non-PO SAP Database, and various legacy systems.

Program achievement reports are created from CRM data. The most important reports relate to performance energy targets, *for example:*

- Key Performance Indicators (**KPI**) Detail Report
- Commitment Report
- Quarterly Financial Reconciliation Report
- Quarterly Participation Data Reporting
- DSM Report

3.1.6 Systems Used

The SCE systems related to the Residential Lighting Incentive Program include:

- Customer Service System (**CSS**)
- Program Participation Database
- Customer Relationship Management (**CRM**)
- Business Objects – BI Launchpad
- Residential Invoice Tracking System (**RITS**)
- SAP Accounting and Non-PO Systems

See the Program desk procedures for details about operating systems.

3.2 Data Entry

3.2.1 Reservation Request

After the PM has trained the manufacturer to navigate and use the system, the manufacturer can submit the Reservation Request through SCE's online Upstream Lighting Tool in CRM.

A Reservation Request in CRM will include information submitted via e-mail to the PM in the forms below, prior to the actual request. These forms are all part of one Excel workbook:

- New Product Request
- New Retailer Request
- New Store Location Request

These forms are used whenever new products or retailers and/or locations need to be added to CRM.

Once the above information is pre-loaded into CRM, the manufacturer submits the request using the *Allocation Request Details* screen in CRM.

See PM for additional documentation on how to process a reservation request.

3.3 INSPECTIONS

Inspections occur at the retailer site and not the manufacturer facility. The PM calculates the number of inspections to perform each year and which sites will be inspected. During the **Initial** inspection, the inspector looks to confirm whether the shipment complies with the Program guidelines. Depending on the results, additional follow-up inspections may be performed to identify and resolve concerns identified in the initial inspection.

*See the **Primary Lighting Inspection Procedure**, referenced below in **§5.2(d),** for more details about the inspections process.*

3.4 INVOICES AND PAYMENT

The Manufacturer can submit the invoice after:

- Receiving confirmation of allocations
- Shipping the lighting products to the retailers
- Submitting a shipment report, invoice data, and draft request for vendor payment in CRM to the invoice processing team at SCE

To receive payment and as part of the hard copy invoice packet submitted to SCE, the manufacturer will include proof of delivery for invoices based on shipping documents. For invoices based on sales data, the sales data serves as proof of delivery when both the manufacturer and retailer separately corroborate the data. Payments are processed as Non-PO payments.

*For details regarding Primary Lighting payment invoicing and payment processing, see **§5.2(c), Primary Lighting Invoice Processing Desk Procedure**, referenced below*.

3.5 REGULATORY REQUIREMENTS

Lighting measures are reported in the statewide lighting program and in the program where the lighting measures are being delivered.[4]

[4] Regulatory Requirements, D12-11-015, OP29 and OP30

4.0 Definitions and Acronyms

Term	Topic
Basic Compact Fluorescent Light (CFL)	Single brightness, bare spiral, less than 31 Watts, and less than 80 lumens per Watt.
Compliance	Both SCE and the CPUC provide guidelines—policies and rules—to help the PM and staff achieve these goals. Compliance means acting to follow and fulfill these guidelines.
CSS	Customer Service System. The CSS database is SCE's primary customer database. It maintains records about all past and current residential and non-residential customers.
Invoice Verification Database	Access database that supports the functions for: • Processing invoices • Preparing the Invoice Status Report, and • Management personnel to view or request invoice performance reports, as needed
LED	Light-emitting diode light bulbs such as reflectors, candelabras, and globes.
Methodology	Principles or rules used to govern a process.
Program Participation Database	Excel database used to track participation data (program activity) for the purposes of reporting quarterly to the CPUC.
Retailer Acknowledgement Form	An agreement between the retailer, manufacturer, and SCE to participate according to the Program rules. Manufacturers obtain signatures and submit them to the PM prior to receiving allocations in CRM.

Go on to the next page.

5.0 REFERENCES

5.1 EXTERNAL REFERENCES

a. **Regulatory Requirements, D.12-11-015, OP 29**

b. **Regulatory Requirements, D.12-11-015, OP 30**

c. **Regulatory Requirements, D.09-09-047, §5.2, Lighting Programs.**

5.2 INTERNAL REFERENCES

a. CP&S Payment Processing Procedures (PO and Non-PO), CPS-PR-DIV-0008, V4.1.4. To access this document, go to:

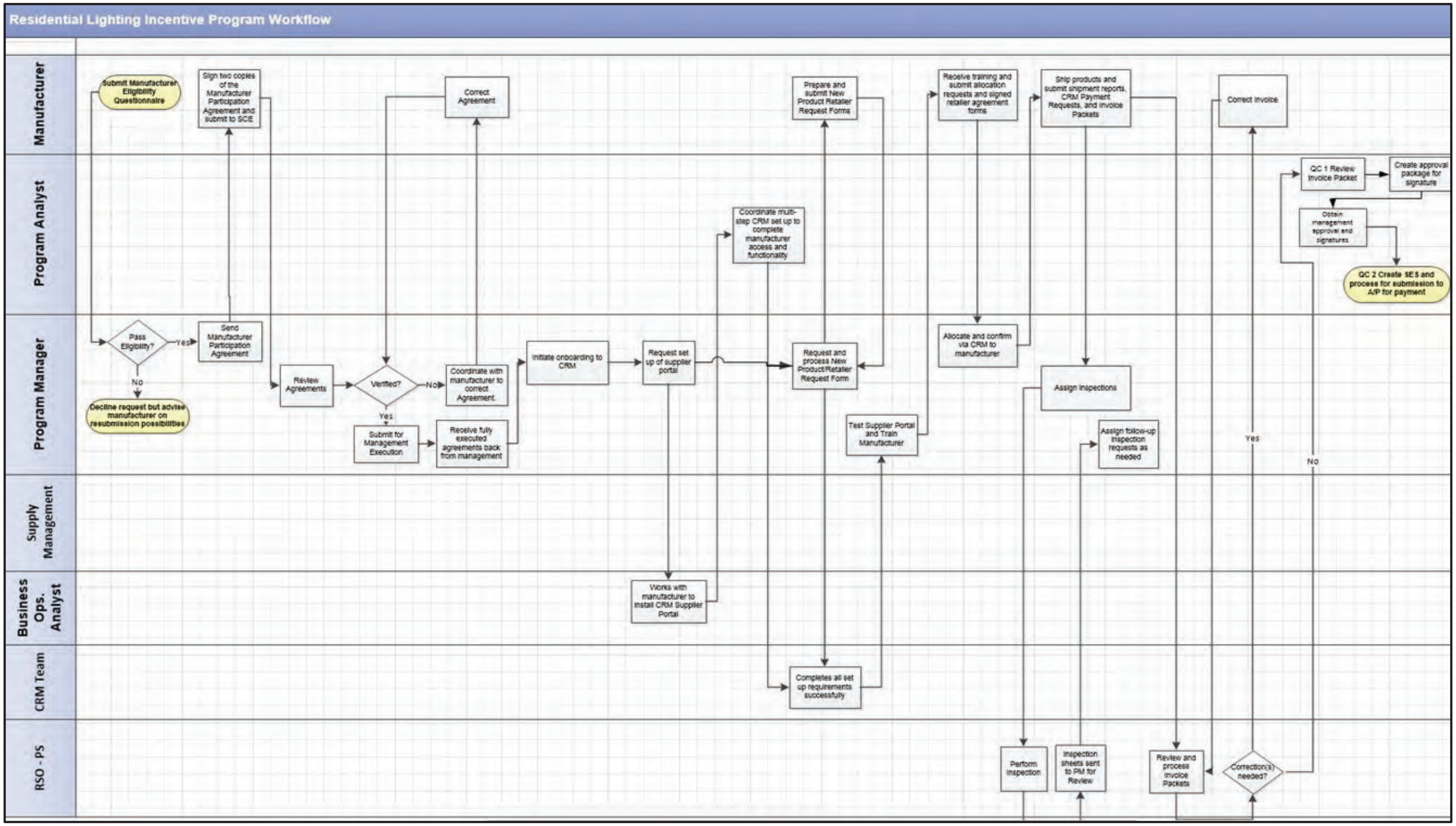
https://edisonintl.sharepoint.com/cs/CPS%20Policies%20and%20Procedures/Forms/AllItems.aspx?id=%2Fcs%2FCPS%20Policies%20and%20Procedures%2FCP%26S%20Payment%20Processing%20Procedures%20%28PO%20and%20Non%2DPO%29%2Epdf&parent=%2Fcs%2FCPS%20Policies%20and%20Procedures

b. Primary Lighting Invoice Processing Desk Procedure, CPS-PR-RSD-0090, V2.0.

c. Primary Lighting Inspection Procedure, CPS-PR-RSD-0098.

6.0 ATTACHMENTS

Flowchart: Upstream Residential Lighting Incentive Program



7.0 Review and Revision History

Version	Publication Date	Description of Revision	Key Contacts
5.1	10/14/2020	• Deleted list item 1 and some text from the Participant Qualifications and Requirements table in ***§3.1.3***, *Participation and Eligibility*. • Deleted 3 list items from §***3.1.4***, *Marketing and Outreach Plan*. • Deleted some text from ***§3.1.5***, *Tracking and Reporting*. • Deleted two list items from list in ***§3.1.6***, *Systems Used.* • Deleted last paragraph from ***§3.2***, ***Data Entry***. • Added and deleted some text in ***§3.4***, *Invoices and Payment*. • Added and deleted some terms in ***§4.0***, *Definitions and Acronyms* table. • Updated list in ***§5.2,*** *Internal References.* • Added updated flowchart titled Upstream Residential Lighting Incentive Program.	• Primary Lighting Program • Project Management & Compliance

Version	Publication Date	Description of Revision	Key Contacts
5.0	04/12/2017	• Removed reference to Operation Light Exchange • Updated RSO – PS to CSOD • Added definition of CFLs • *§3.2.3 Added these items to the Manufacturer requir*ements: • Eligibility Questionnaire (New Manufacturer only) • Amendment to MPA • Pluralized the "form" • *§3.2.3:* Deleted reference to 2013 & 2014 measures and deleted: "at the beginning of each year, the PM works with SCE marketing group to prepare a marketing plan…" • *§3.2.4:* added the word "primarily" after "outreach plan" • *§3.2.5: Deleted Quarterly CPUC Narrative report & PPM Report. Added: "the BO queries of CRM data" after "these reports are run from and added, "Excel Residential Invoice Tracking System, the Non-PO SAP Database, and various legacy systems," after "the Microsoft."* • *§3.2.6: Added "SAP Accounting and Non-PO Systems* • *§3.3.1: Added: "*These forms are used whenever new products or retailers and/or locations need to be added to CRM." • *§3.4 Added: "*follow-up inspections may be performed to identify and resolve concerns identified in the initial inspection." • *§3.5 Deleted: reference to NOA and added the word "draft" before "vendor payment" and added "*when both the manufacturer and retailer separately corroborate the data. Payments are processed as Non-PO payments," after, "proof of delivery." • *§3.6 Deleted: Reference to 2013 and LED* • To Invoice Verification Database definition added: "Management personnel to view or request invoice performance reports, as needed" Changes updates made to document • Initial publication in new format • Restart version number & Update Process Flow • Plug-in Lamp Exchange has been retired • Change name of Retailer Notification Allocation Form to Retailer Partner Acknowledgement Form • Added that payments are processed as Non-PO payments • Removed 2013 reference to LED lighting	Residential Incentive & New Construction Processes & Compliance

Version	Publication Date	Description of Revision	Key Contacts
4.0	7/09/2015	Converted manual procedure sections to stand-alone procedure documents: • 101 converted to Primary Lighting Program Document, CPS-PM-RSD-0001 • 102 converted to Primary Lighting Program Document; CPS-PM-RSD-0001, PL Online Allocation Request Standard, CPS-ST-RSD-0032; PL How to Process a Reservation Request Procedure, CPS-PR-RSD-0092; PL How to Allocate Funds Procedure, CPS-PR-RSD-0093; PL Retailer Participation Standard, CPS-ST-RSD-0036 • 103 converted to PL Roles and Responsibilities Standard, CPS-ST-RSD-0033 • 104 converted to Primary Lighting Program Document, CPS-PM-RSD-0001 • 105 converted to PL Measure Eligibility Standard, CPS-ST-RSD-0034 • 106 converted to Primary Lighting Program Document, CPS-PM-RSD-0001 • 107 converted to PL Initial Invoice Intake Standard, CPS-ST-RSD-0035 • 202 converted to PL Reporting Standard, CPS-ST-RSD-0039 • 301 converted to PL Notification and Enrollment, CPS-PR-RSD-0088 • 302 converted to Primary Lighting Program Document, CPS-PM-RSD-0001 • 303 converted to PL Customer Complaints Standard, CPS-ST-RSD-0037 • 401 converted to PL Audits and Compliance Standard, CPS-ST-RSD-0040 • 402 converted to PL Exceptions Standard, CPS-ST-RSD-0038 • 403 converted to PL Inspections Procedure, CPS-PR-RSD-0098 • 404 converted to PL Handling Inspection Problems Standard, CPS-ST-RSD-0099 • 405 converted to PL Invoicing Procedure, CPS-PR-RSD-0100 • 406 converted to PL Managing Overstock Procedure, CPS-PR-RSD-0101	Residential Incentive & New Construction DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	Residential Incentive & New Construction DSM QC & Compliance

Version	Publication Date	Description of Revision	Key Contacts
2.0	12/9/2010	• Revised for 2010 – 2012 Program Cycle • Consolidated separate manuals into a single manual	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 Program Document.

ATTACHMENT 3

Ex. A004 to Deloitte Report

SCE	CS	CP&S	PR	Document No., Version No.
				CPS-PR-RSD-0093, V4.0
Responsible Department: Residential Incentive and New Construction Programs				
Publication Date	July 9, 2015			
Supersedes	Upstream RLIP Policies and Procedures Manual, V3.0			

SOUTHERN CALIFORNIA EDISON
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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

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 *Summary* 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 ***Summary*** tab. These summary data show: • Amount remaining in the budget • Requested and allocated amount of savings and kW reduction, and • Average of kWh and kW per dollar spent.

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	Use a broad set of criteria, priorities, and emphases to determine how allocations will be distributed. *Examples*: • 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: • Allocate reassignments, and • Track incoming invoices against allocated amounts. ***Note:*** *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.*
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: • Hold the total Allocated amounts within the total purchase order caps, and • Prevent confirmation of allocations beyond a Manufacturers PO limit. *For Change Order procedures, see the* ***CP&S Change Order Request Procedure*** *document.*

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 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	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. **Note:** *In subsequent allocations, it may not be necessary to use the mass analysis tools or methods designed to process a high volume of requests.*
	Be aware that during the Program year, additional allocations for a particular retailer do not require a new signature. **Note:** *Signatures on the first Retailer Partner Acknowledgement Form are binding throughout the year for all aspects of the allocation.*
3	At the PM's discretion, convey subsequent allocations as: • Allocation lists • E-mail notifications of allocation change, or • A combination of these methods. **Note:** *The most official record of allocations is CRM based on Allocation Status. Approved for Shipment Status means allocations are confirmed and official.*

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. 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	• Residential Incentive and New Construction Program • DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	• Residential Incentive & New Construction • DSM QC & Compliance
2.0	12/9/2010	• Revised for 2010 – 2012 Program Cycle • Consolidated separate manuals into a single manual	• 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.

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

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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. *Examples*: • 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: • Allocate reassignments, and • Track incoming invoices against allocated amounts. ***Note:*** *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.*
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: • Hold the total Allocated amounts within the total purchase order caps, and • Prevent confirmation of allocations beyond a Manufacturers PO limit. *For Change Order procedures, see the* ***CP&S Change Order Request Procedure*** *document.*

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	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. ***Note:*** *In subsequent allocations, it may not be necessary to use the mass analysis tools designed to process a high volume of requests.*
	Be aware that during the Program year, additional allocations for a particular retailer do not require a new signature. ***Note:*** *Signatures on the first Retailer Partner Acknowledgement Form are binding throughout the year for all aspects of the allocation.*
3	At the PM's discretion, convey and confirm subsequent allocations as: • Allocation lists • New allocation forms • E-mail notifications of allocation change, or • A combination of these methods. ***Note:*** *The most official record of allocations is CRM based on Allocation Status. Approved for Shipment Status means allocations are confirmed and official.*

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. 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	• Residential Incentive and New Construction Program • DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	• Residential Incentive & New Construction • DSM QC & Compliance
2.0	12/9/2010	• Revised for 2010 – 2012 Program Cycle • Consolidated separate manuals into a single manual	• 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.

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

Procedure Detail Table of Contents

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	• 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. *Go to **Section 3.6.5** below to see an illustration of the RLIP Inspection / Verification Data Form used for gathering information.* ***Note:*** *If all is well, no further investigation is required*

Inspection	Description
Follow-up Inspection	• 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 (*for example*, phone calls, E-mails, etc.) take place for nearly all stores that receive a Follow-up inspection. • Performed by: ◦ Currently the tasks associated with Follow-up inspections are performed by the vendor Organization Support Services (**OSS**) ***Note:*** *When follow-up inspection vendors receive inspection assignments from the PM, they can perform additional inspections based on previously provided decision criteria.*
Persistence Inspection	• A visit to confirm that corrections have been made or issues resolved and the retailer is likely to stay compliant.
Check the Checker	• 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:

a. Collect data about the number of products on the floor and in inventory

See page 19/47 for overstock definition.

b. Collect data indicating whether the number of products reported delivered by the manufacturer were actually delivered to the specified retailer

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.

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 replacement[1]
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, 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)	• Provide training for the Program Services (**PS**) Inspections Group and for third-party Inspectors ***Note:*** *PS Inspectors are trained on inspection policies and procedures twice annually, or as required.* • • 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)	• Review Inspectors' completed RLIP Inspection / Verification Data Forms ("**Inspection Forms**") *See the illustration on the next page.* • 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	• Manage the work of Inspectors.
-PS Inspection Desk Rep	• Coordinate and scheduleinspection assignments • Provide inspection forms to Inspectors, and • Perform data entry in CRM of completed inspections.
Inspectors	• Visit retail sites and record the condition of incentivized products, their displays, and program compliance.

Inspection Responsibilities	Explanation
Retailers	• 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	• 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	• 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:

a. Shipments that have already received one inspection for the year, and

b. 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:

a. Allow one Inspector to check multiple shipments at the site during the same visit

b. Coincide with the arrival or continued presence of incentivized products at the retail site, and

c. 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 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:

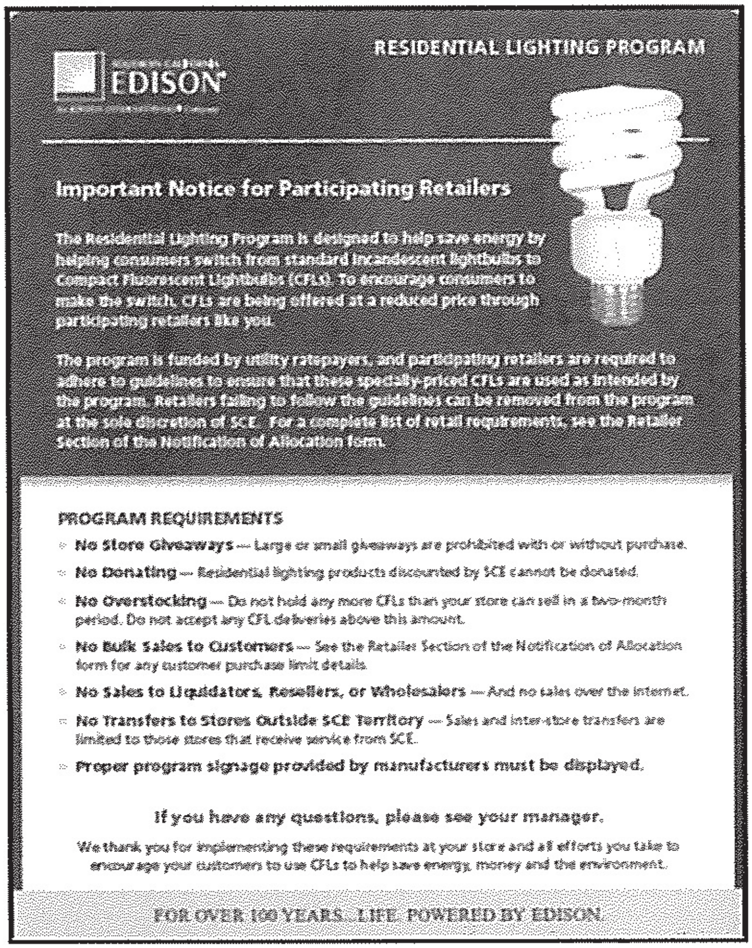
1. Review product displays and use the RLIP Inspection / Verification Form to accurately describe the condition (or absence) of the product display, the signage, and the product stickers
2. Check products in storage, if applicable
3. Note whether products are stocked at a reasonable quantity reflecting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


RESIDENTIAL LIGHTING PROGRAM

EDISON

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:

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

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.

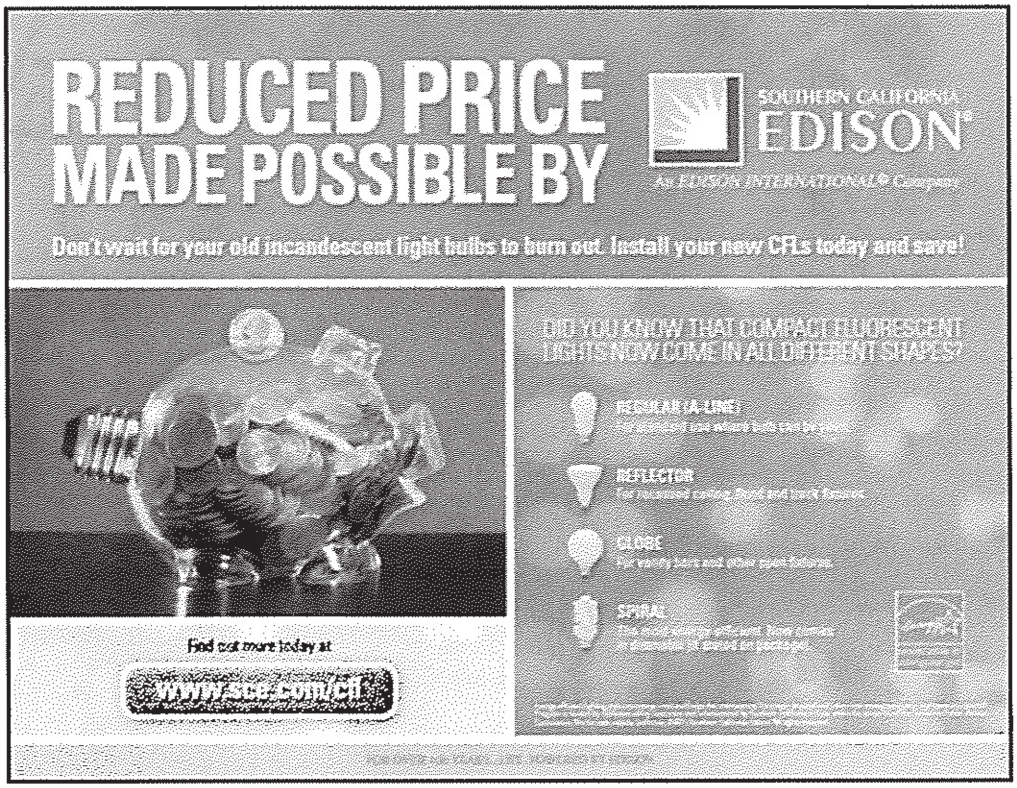
A box on each product row of the initial Inspection Worksheet to suggest follow-up can be used when suspect issues are found or pertain to a particular model.

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)



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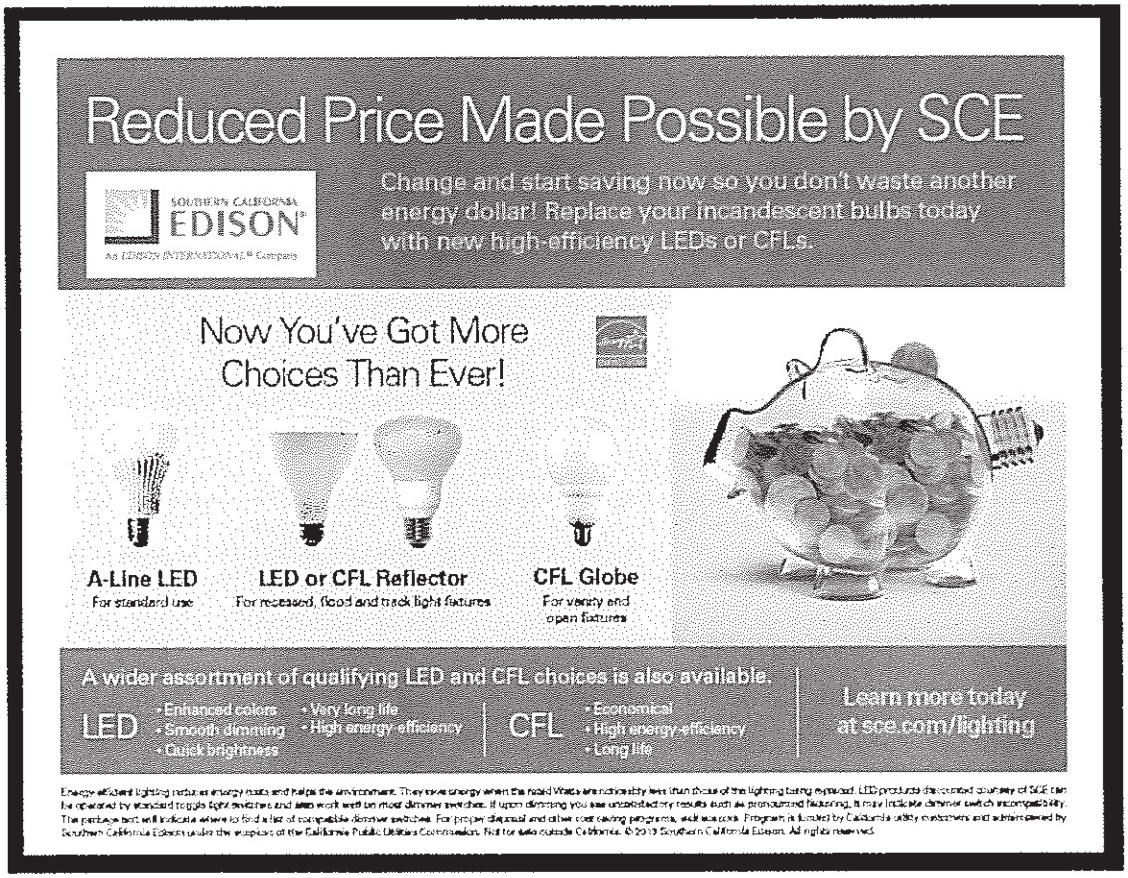
Main Product Display Sign for Retailers Who Stock LEDs (Required)



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:

a. Costco

b. Home Depot

c. Lowe's

d. Sam's Club

e. Walmart

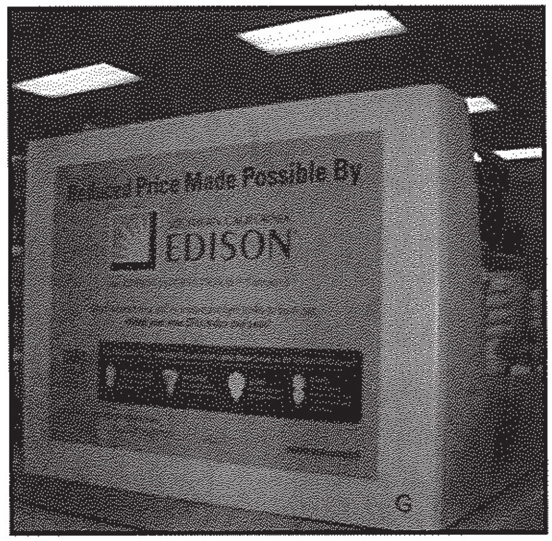
These Retailers may choose whether or not to use the SCE-provided Main Product Display Sign, and may also display signs of their own design. A sign with the SCE messaging is mandatory, and no exceptions are allowed without written permission to the manufacturer by the PM.

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.

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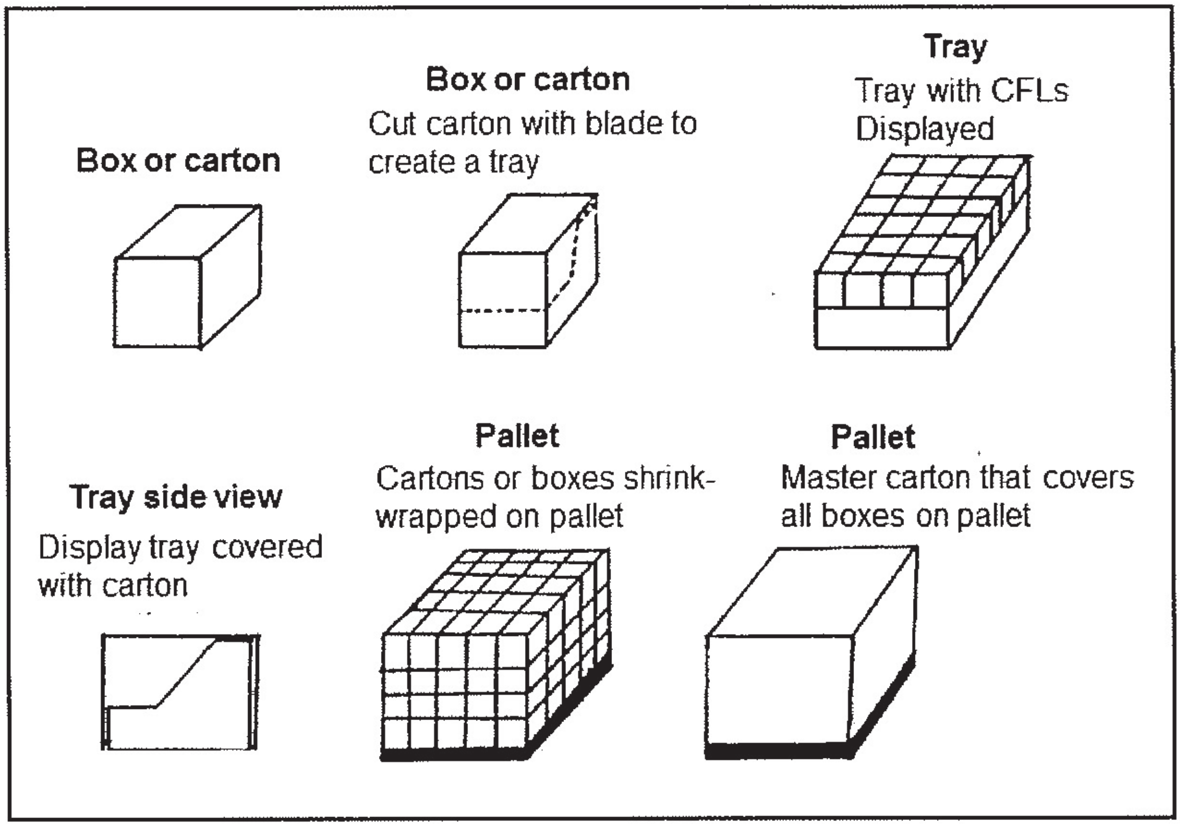
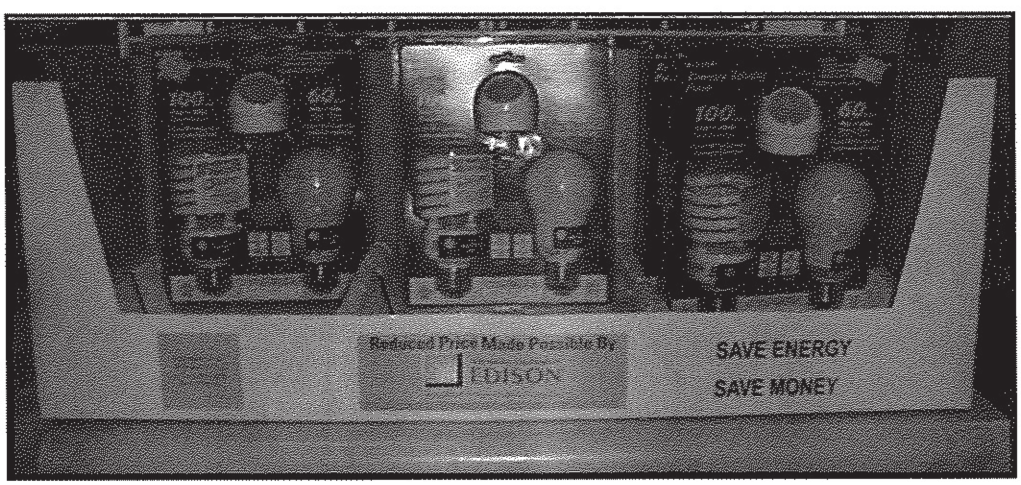
Trays, Cartons, and Boxes



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.

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 Check If Quantity Is Suspect and notes what is wrong in the If Quantity is Suspect Explain column
[1] Trays, Cartons, Boxes, Print Statements Compliant (Y/N)	• **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)	• **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)	• **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)	• **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)	• **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	• Count (or estimate) of how many items are in storage ***Note:*** *A two-pack of light bulbs counts as 2 items. For example, if a box contains 20 two-packs of CFLs, quantity = 40.*
[7] Approx. Number Individual Products Found on Shelf	• 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	• 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 General Comments box.

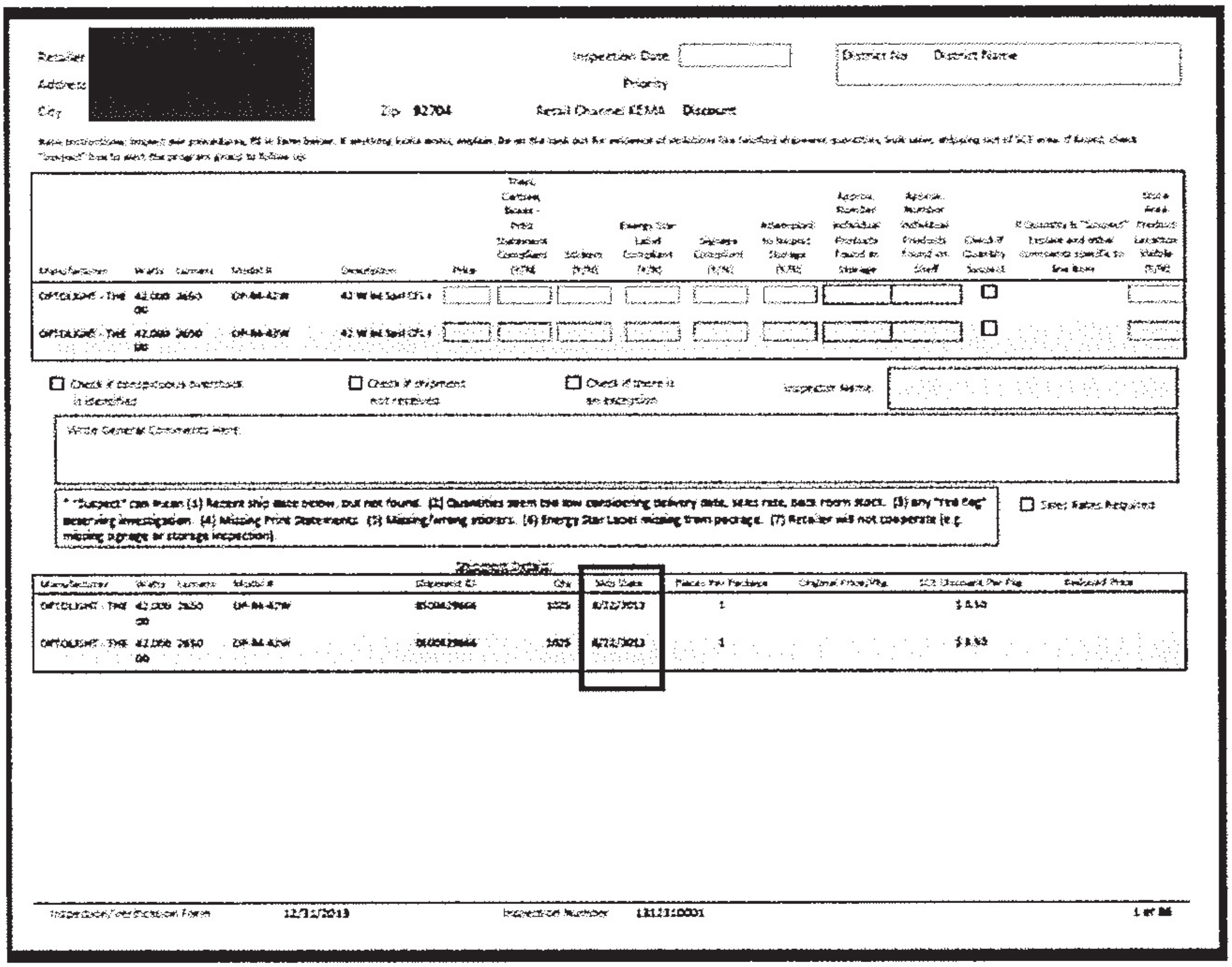
Section	Description
Check boxes	• A check if conspicuous overstock is identified • A check if the shipment was not received • A check if there is an exception
General Comments	Any problems, manager refusals, program policy violations, etc., should be noted here.
Inspector Name	Inspector's printed name and signature
Other Product Information	*One line of information is pre-printed for every product to be inspected / verified:*
Shipment ID	*Code number*
Qty	*Total number of each individual product shipped*
Ship Date	*Date the store should have received the shipment*
Pieces Per Package	*Number of items in each package*
SCE Discount Per Pkg	*SCE discount amount per package*

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.

Go on to the next page

RLIP Inspection / Verification Data Form



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: • 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: • 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: • 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.

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

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

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

Procedure Detail Table of Contents

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

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 Mananging 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 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	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	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	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.

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 3rd and 4th 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

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: • 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: • Help satisfy management and auditors, and • Provide evidence, if needed, in legal proceedings.

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: • 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: • 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

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 bulb 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.

Step	When Evidence of Bulk Sales is Found
6. **Drop Retailer**	If the bulk purchase is allowed on the 2nd secret shopper visit, then: • 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

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	• Residential Incentive and New Construction Program • DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	• Residential Incentive & New Construction • DSM QC & Compliance
2.0	12/9/2010	• Revised for 2010 – 2012 Program Cycle • Consolidated separate manuals into a single manual	• 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 <u>Primary Lighting Handling Inspection Problems Procedure Document</u>.

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

Procedure Detail Table of Contents

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

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 Mananging 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 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	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	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	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.

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 3rd and 4th 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

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: • 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: • Help satisfy management and auditors, and • Provide evidence, if needed, in legal proceedings.

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: • 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: • 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

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 bulb 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.

Step	When Evidence of Bulk Sales is Found
6. Drop Retailer	If the bulk purchase is allowed on the 2nd secret shopper visit, then: • 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

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	• Residential Incentive and New Construction Program • DSM QC & Compliance
3.0	10/1/2013	Revised for changes since Version 2.0	• Residential Incentive & New Construction • DSM QC & Compliance
2.0	12/9/2010	• Revised for 2010 – 2012 Program Cycle • Consolidated separate manuals into a single manual	• 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.

ATTACHMENT 4

Cal Advocates' Proposed Penalties and Refunds Overview

PUBLIC ADVOCATES OFFICE PROPOSED PENALTIES	
Item	**Penalty ($)**
ESPI Refund	32,710,536
Program Refund	91,942,401
Rule 1.1 Fines*	97,983,044
Total Penalties	**222,635,980**

*Fines were adjusted from the possible calculated amount to account for precedent and the circumstances of this case. See discussion in comments.

Refund Calculations			
Refund Item	**Refund ($)**		**Data Source**
ESPI PY 2017	17,446,864		SCE AL 3901-E and 4070-E
ESPI PY 2018	10,341,764		SCE AL 4070-E and 4281-E
ESPI PY 2019	4,921,908		SCE AL 4281-E
ESPI Refund	**32,710,536**		
UL Admin Costs PY 2017	1,683,198		https://cedars.sound-data.com/programs/SCE-13-SW-005C/details/2017/?include_c_n_s=true
UL HTR Program Costs PY 2017*	40,567,067	77%	
UL Admin Costs PY 2018	1,419,140		https://cedars.sound-data.com/programs/SCE-13-SW-005C/details/2018/?include_c_n_s=true
UL HTR Program Costs PY 2018*	29,052,714	81%	
UL Admin Costs PY 2019	1,243,428		https://cedars.sound-data.com/programs/SCE-13-SW-005C/details/2019/?include_c_n_s=true
UL HTR Program Costs PY 2019*	17,976,854	77%	
Total Admin Cost Refund	4,345,765		
Total HTR Program Cost Refund	87,596,635		
Program Refund	**91,942,401**		
Total Refund			**$124,652,936.53**

* See SCE response to CalAdvocates-ER-SCE-2020-01 Q4 for HTR percentages

Fine Calculations for Violations of Rule 1.1			Days in Violation	
Violation	**Fine ($)**	**Severity**	Pre-2019	2019+
EE Annual Reports (PY 2017-19)	318,500,000	Maximum	244	3063
CEDARS Quarterly Filings - 2017	4,236,960	Low	336	0
CEDARS Quarterly Filings - 2018	6,743,855	Low	218	159
CEDARS Quarterly Filings - 2019	8,391,750	Low	0	334
Total Possible Rule 1 Fines	**337,872,565**			

Severity and Fines Table		
Severity	**Pre 2019**	**Post 2019**
Minimum	$500	$500
Low	$12,610	$25,125
Medium	$24,720	$49,750
High	$37,360	$74,875
Maximum	$50,000	$100,000

ATTACHMENT 5

Cal Advocates' Proposed Penalties Detail

Description	Violation Type	Ongoing	Severity	Start Date	Cure Date	Days in Violation (Before 2019)	Days in Violation (2019+)	Total Days in Violation	Minimum	Maximum	Ongoing By Severity	Discrete By Severity	By Severity
EE Annual Report 2018 - PY 2017	Rule 1	Y	Maximum	5/1/2018	5/24/2022	244	1240	1484	$ 742,000	$136,200,000	$ 136,200,000	$ 100,000	$ 136,200,000
EE Annual Report 2019 - PY 2018	Rule 1	Y	Maximum	6/7/2019	5/24/2022	0	1083	1082	$ 541,000	$108,300,000	$ 108,300,000	$ 100,000	$ 108,300,000
EE Annual Report 2020 - PY 2019	Rule 1	Y	Maximum	5/15/2020	5/24/2022	0	740	739	$ 369,500	$ 74,000,000	$ 74,000,000	$ 100,000	$ 74,000,000
CEDARS Quarterly - 2017 Q1	Rule 1	Y	Low	5/30/2017	9/14/2017	107	0	107	$ 53,500	$ 5,350,000	$ 1,349,270	$ 12,610	$ 1,349,270
CEDARS Quarterly - 2017 Q2	Rule 1	Y	Low	9/14/2017	11/29/2017	76	0	76	$ 38,000	$ 3,800,000	$ 958,360	$ 12,610	$ 958,360
CEDARS Quarterly - 2017 Q3	Rule 1	Y	Low	11/29/2017	2/27/2018	90	0	90	$ 45,000	$ 4,500,000	$ 1,134,900	$ 12,610	$ 1,134,900
CEDARS Quarterly - 2017 Q4	Rule 1	Y	Low	2/27/2018	5/1/2018	63	0	63	$ 31,500	$ 3,150,000	$ 794,430	$ 12,610	$ 794,430
CEDARS Quarterly - 2018 Q1	Rule 1	Y	Low	5/27/2018	9/12/2018	108	0	108	$ 54,000	$ 5,400,000	$ 1,361,880	$ 12,610	$ 1,361,880
CEDARS Quarterly - 2018 Q2	Rule 1	Y	Low	9/12/2018	11/27/2018	76	0	76	$ 38,000	$ 3,800,000	$ 958,360	$ 12,610	$ 958,360
CEDARS Quarterly - 2018 Q3	Rule 1	Y	Low	11/27/2018	2/12/2019	34	43	77	$ 38,500	$ 6,000,000	$ 1,509,115	$ 25,125	$ 1,509,115
CEDARS Quarterly - 2018 Q4	Rule 1	Y	Low	2/12/2019	6/7/2019	0	116	115	$ 57,500	$ 11,600,000	$ 2,914,500	$ 25,125	$ 2,914,500
CEDARS Quarterly - 2019 Q1	Rule 1	Y	Low	6/20/2019	9/9/2019	0	82	81	$ 40,500	$ 8,200,000	$ 2,060,250	$ 25,125	$ 2,060,250
CEDARS Quarterly - 2019 Q2	Rule 1	Y	Low	9/9/2019	11/20/2019	0	73	72	$ 36,000	$ 7,300,000	$ 1,834,125	$ 25,125	$ 1,834,125
CEDARS Quarterly - 2019 Q3	Rule 1	Y	Low	11/20/2019	2/20/2020	0	93	92	$ 46,000	$ 9,300,000	$ 2,336,625	$ 25,125	$ 2,336,625
CEDARS Quarterly - 2019 Q4	Rule 1	Y	Low	2/20/2020	5/15/2020	0	86	85	$ 42,500	$ 8,600,000	$ 2,160,750	$ 25,125	$ 2,160,750

ATTACHMENT 6

SCE Response to CalAdvocates-SB-SCE-2020-05, Q9

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

DATA REQUEST SET CalAdvocates-SB-SCE-2020-05

To: Cal Advocates
Prepared by: Joanne Tran
Job Title: Director, Financial & Corp Audits
Received Date: 12/21/2020

Response Date: 1/6/2021

Question 009:
How many instances of overstocking were identified by SCE, by program year?

a. What was the date of the overstocking identified?
b. Provide the name of the vendor associated with each identified overstocking issue identified by SCE in the Excel workbook provided with this data request.
c. Please provide each manufacturer's information in its own tab.
d.For each manufacturer associated with overstocking issues, where the contract was not suspended/terminated after overstocking was noted by SCE management, please use the Excel workbook provided with this data request to provide for the totality of the manufacturer's participation in the program (one table per manufacturer):
i. the total bulbs invoiced by month
ii. the dollar amounts invoice by month
iii. the total invoices paid by SCE, by month
iv. month the overstock occurred
v. the date the overstock was identified by SCE.

Response to Question 009:

CONFIDENTIAL
The Attachment(s) Are Marked Confidential In Accordance With D. 16-08-024 and D.17-09-023.
Basis for Confidentiality In Accompanying Confidentiality Declaration.
Public Disclosure Restricted.

a. Based on the SCE inspection reports, there were 77 instances of overstocking broken down by program year as follows:
   - Program Year 2017: 4 instances
   - Program Year 2018: 28 instances
   - Program Year 2019: 45 instances

Please note that the above amounts are instances of overstock which were identified through SCE inspection reports. The attached Excel file provides a list of the inspection report numbers, along with dates, that flagged overstock. Refer to the inspection reports provided in response to Question 4 to review those inspection reports where an overstocking concern was raised by the SCE inspection team. As noted in the D&T report, D&T identified 51 instances of overstock based on retailer interviews conducted in September/October 2020. Retailers did not provide D&T with the actual timing of the overstock occurrence.

b. For those instances identified by inspection reports, please refer to the attached Excel file for the name of the retailers associated with the overstocking issue. For the instances identified by interviews, all were identified in September/October 2020.

c. With regard to the request that each manufacturer's information be included on a separate tab, SCE notes that some inspection reports identify more than one manufacturer per retailer in the inspection reports, as noted in the Excel file. The inspection reports data file and the source inspection reports provided to D&T do not attribute overstock to a specific manufacturer when more than one manufacturer provided lightbulbs to a given retailer. Please refer to the Excel file for more details.

d.

i. See SCE response to Data Request ER- SCE- 2020-02, Question 2

ii. See SCE response to Data Request ER- SCE- 2020-02, Question 2

iii. See SCE response to Data Request ER- SCE- 2020-02, Question 2

iv. For those instances identified by inspection reports, SCE is unable to determine the actual month in which the overstock issue occurred. As noted in response to Question 9a, the overstock concern was flagged by SCE inspection team at the time of inspection; as such, the inspection date is the date the overstock was identified.

v. See SCE response to Question 9a.

ATTACHMENT 7

SCE Response to CalAdvocates-SB-SCE-2020-05, Q17

Southern California Edison

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

DATA REQUEST SET C a l A d v o c a t e s - S B - S C E - 2 0 2 0 - 0 5

To: Cal AdvocatesTo: Cal Advocates
Prepared by: Tory Weber
Job Title: Manager
Received Date: 12/21/2020

Response Date: 1/7/2021

Question 017:
Page 4 of the D&T Investigation states: “Program inspections were not conducted for Program Year 2018 until February 2019. According to Program Manager 2, this was due to the transition between Program Managers.”

a. Why did transition between program managers disrupt the process of conducting program inspections?
b. Provide the number of program inspections conducted, by month, from 1/1/2016 through 1/1/2020.
c. Provide the basis of determining how to conduct each program inspection, from 1/1/2016 through 1/1/2020.

Response to Question 017:

a.

In 2018, when the new program manager attempted to utilize the inspection database that had been created by the former program manager, it was discovered that the database did not function. SCE studied the database and determined that macros were missing. SCE was not able to recreate the macros. In February 2019, a newly created method consisting of using an Excel file to track and monitor inspections was implemented.

b.

SCE objects to this request to the extent that it seeks reports from 2016 because it overly broad, unduly burdensome and exceeds the scope this proceeding. Subject to and without waiving the foregoing objection, SCE responds as follows:

The D&T investigation and report covered program years 2017-2019. While inspections for 2016 were not part of the D&T Investigation, in response to data request set CalAdvocates-SB-SCE 2020-04, SCE provided the number of total inspections conducted for 2016. SCE conducted 462 inspections of all participating retailers, not just discount and grocery stores, in 2016.

Program inspections of grocery and discount stores conducted in PY 2017-2019 are broken down by month as follows:

Program Year 2017: Total 208
May 2017: 42
June 2017: 8
July 2017: 31
Aug. 2017: 61
Sept. 2017: 10
Oct. 2017: 52
Nov. 2017: 4

Program Year 2018: Total 131
Feb. 2019: 113
Mar. 2019: 18

Program Year 2019: Total 728
April 2019: 5
May 2019: 112
June 2019: 118
July 2019: 173
Aug. 2019: 93
Sept. 2019: 128
Oct. 2019: 63
Nov. 2019: 26
Dec. 2019: 10

c.

Please see SCE's response to Question 3 of data request set CalAdvocates-SB-SCE 2020-04 which explains SCE's inspection process.

ATTACHMENT 8

SCE Email Chain, Ex. A.035 to Deloitte Report

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

To: Quality Assurance Manager (QAM)
From: Residential EE Portfolio Manager 1

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]

SOUTHERN CALIFORNIA EDISON | Energy for What's Ahead™

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

From: QAM
To: Residential EE Portfolio Manager 1

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

From: Residential EE Portfolio Manager 1
To: QAM

No worries, thanks!

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

From: QAM
To: Residential EE Portfolio Manager 1

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

From: Residential EE Portfolio Manager 1
To: QAM

[redacted]

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

Thanks,
[redacted]

- -

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

From: QAM
To: Residential EE Portfolio Manager 1

[redacted]

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

n 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

From: Residential EE Portfolio Manager 1
To: QAM

[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]

- -

SOUTHERN CALIFORNIA EDISON | Energy for What's Ahead™

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

From: Program Manager 2
To: EE Portfolio Manager
Cc: Residential EE Portfolio Manager 1

[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]

SOUTHERN CALIFORNIA EDISON | Energy for What's Ahead℠

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

From: Program Manager 2
To: EE Portfolio Manager
Cc: Residential EE Portfolio Manager 1

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

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

From: EE Portfolio Manager
To: Program Manager 2 (+1 other)
Cc: Residential EE Portfolio Manager 1 (+2 others)

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]

Cc: EE Portfolio Manager (+2others)

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]

[redacted] | Energy Analyst: Lighting Programs; Commercial Program and Evaluation Section | Energy Efficiency Branch, Energy Division | California Public Utilities Commission | [redacted] | 300 Capitol Mall, Ste 418, Sacramento, CA 95814

"Not everything that counts can be counted, and not everything that's counted truly counts."- William Bruce Cameron

ATTACHMENT 9

SCE Response to CalAdvocates-SB-SCE-2020-05, Q29

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

DATA REQUEST SET CalAdvocates-SB-SCE-2020-05

To: Cal Advocates
Prepared by: Michael Bushey
Job Title: Director, Program Operations
Received Date: 12/21/2020

Response Date: 1/5/2021

Question 029:
What personnel actions, if any, has SCE taken in response to its review of the UL program?

a. Have any personnel been terminated from employment at SCE as a result of mismanagement of the upstream lighting program?
b. Please indicate the titles of any personnel who have had an adverse personnel action, up to and including termination, as a result of SCE's investigation into mismanagement of the upstream lighting program (please clearly indicate the title of the individual, the personnel action taken, and the date of that action).

Response to Question 029:

Employee privacy rights protect corrective personnel actions from disclosure and are, therefore, confidential. Moreover, SCE is in the process of investigating and determining an appropriate response to the results of the Deloitte investigation, including any employee-related action. As of the date of this response, no employees have been terminated due to the investigations of the Upstream Lighting Program.