

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 3, 2022

Ms. Kate Sturgess
Vice President and Controller
Southern California Edison
2244 Walnut Grove Avenue
Rosemead, CA 91770

Notice of Non-Compliance – Southern California Edison–Santa Catalina Island Water Operations has filed an incomplete Annual Report for the Year Ended December 31, 2021

Dear Ms. Sturgess:

The purpose of this letter is to inform you that Southern California Edison's (SCE) Santa Catalina Island Water Operations (SCE–Santa Catalina) filed a substantially incomplete 2021 Annual Report with the California Public Utilities Commission (CPUC); and therefore, SCE–Santa Catalina did not comply with the filing requirements specified under the California Public Utilities (PU) Code Sections 581, 582, 584, and CPUC's directives, including the CPUC Water Division's memo dated January 20, 2022.

PU Code Sections 581, 582, 584 and CPUC's General Order (G.O.) 104-A grant authority to the CPUC to require all public utilities doing business in California to file reports in the form and content specified by the CPUC. The Uniform System of Accounts (USOA) adopted in CPUC Decision (D.) 16-11-006 by the CPUC on November 10, 2016, also requires all water utilities to maintain accounting records using double entry accounting method and keep accounting records to fully support facts pertaining to such entries¹. Pursuant to PU Code Section 314.5, the CPUC has statutory responsibility to review or audit the books and records of your company, including but not limited to SCE–Santa Catalina's regulatory basis financial statements contained in the Annual Report required to be filed with the CPUC.

Pursuant to PU Code Section 314.5, the Utility Audits Branch (UAB) of the CPUC selected SCE–Santa Catalina's 2021 Annual Report for review. During our preliminary review of the Annual Report, we noted that SCE–Santa Catalina's required financial schedules were substantially incomplete. In addition, SCE–Santa Catalina's Balance Sheet did not balance. The Total Assets and Other Debits of \$22,393,812 in the Balance Sheet did not agree with the Total Liabilities and Other Credits of \$728,844. SCE–Santa Catalina's Annual Report omitted balances for key accounts including, but not limited to, Cash (Accounts 131 and 132), Accounts Receivables (Account 141), Other Current Assets (Account 174), Retained Earnings (Account 215), Long-Term Debt (Account 224) and Account Payable (Account 231). As a result, SCE–Santa Catalina's 2021 Annual Report is incomplete and does not comply with the aforementioned statutory and regulatory requirements.

During our discussions with SCE personnel on September 1, 2022, and September 21, 2022, SCE personnel explained that SCE does not maintain a separate accounting ledger for SCE–Santa Catalina. SCE personnel also explained that some accounting data necessary to complete the

¹ General Accounting Instruction # 2 of the Uniform System of Accounts on Page B13.

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Annual Report for its water operations is combined with accounting data for its gas and electric operations. SCE's inability to segregate all the necessary accounting data for SCE–Santa Catalina to file a complete 2021 Annual Report constitutes a limitation on UAB's review scope. Therefore, we are unable to complete our review of SCE-Santa Catalina's 2021 Annual Report. UAB will publish this noncompliance letter on our public website at [Audit Reports by Industry \(ca.gov\)](#). This letter also serves to meet the intention of the audit requirements specified in PU Code Section 314.5.

UAB recommends that SCE establish and implement accounting and reporting procedures to segregate the accounting data for SCE–Santa Catalina and file complete Annual Reports for SCE–Santa Catalina to comply with the aforementioned statutory and regulatory requirements.

SCE's management should submit a corrective action plan to UAB at UtilityAudits@cpuc.ca.gov, with a copy to Bruce DeBerry, Program Manager of Water Division, at Bruce.DeBerry@cpuc.ca.gov by November 17, 2022. The corrective action plan should address how SCE will remediate the noncompliance issues described in this letter.

The CPUC reserves the right for further regulatory actions if SCE–Santa Catalina's Annual Report continues to be noncompliant. Pursuant to Resolution W-4799, CPUC has the authority to take prompt actions, including issuing citations and imposing fines, against any water or sewer utility that fails to correct the noncompliance or violation in a timely manner. A complete copy of the Resolution can be accessed at https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_RESOLUTION/109215.PDF.

Please contact us at UtilityAudits@cpuc.ca.gov if you have any questions.

Sincerely,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

cc: See next page.

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cc: Tiffany Argandona, Principal Manager, Corporate Accounting, SCE
Diana S. Chavez, Senior Manager, Corporate Accounting, SCE
Elizabeth Leano, Senior Manager, Compliance, SCE
Rachel Peterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC
Terence Shia, Director, Water Division, CPUC
Masha Vorobyova, Assistant Director, UAB, CPUC
Bruce DeBerry, Program Manager, Water Division, CPUC
Raymond Yin, Program and Project Supervisor, UAB, CPUC
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Judith Mason, Financial Examiner IV, UAB, CPUC