



Clay Faber  
Director – Regulatory Affairs  
8330 Century Park Court  
San Diego, CA 92123-1548

Tel: 858-654-3563  
Fax: 858-654-1788  
CFaber@semprautilities.com

August 9, 2012

Edward Randolph, Director  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**SUBJECT: Request of SoCalGas for Extension to Submit Independent Audit Report on 2011 Energy Savings Assistance Program Management Activities**

Dear Mr. Randolph:

Pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure, Southern California Gas Company (SoCalGas) submits this request for an extension of time to comply with a requirement of the Joint Assigned Commissioner and Administrative Law Judge's Post Order to Show Cause Hearing Ruling (Ruling), dated February 16, 2012, as described below.

Section 1 c. (ii) of the Ruling states:

Within 180 days, SoCalGas shall assure that the final audit report is submitted to the Administrative Law Judge for filing in proceeding A. 11-05-017 et al.

To meet the 180 day criterion, the required report would be due by August 14, 2012. SoCalGas hereby requests an extension of this deadline to November 30, 2012.

In accordance with the Ruling, SoCalGas is required to retain an independent third party management auditing firm to examine the Utility's records associated with its Energy Savings Assistance program focusing on a specific period of time. SoCalGas retained the services of Macias Consulting Group to conduct such a review and as part of the deliverables, the audit report as describe above was required to be produced.


Attached for your reference is a progress report from Macias Consulting Group which itemizes the work completed as of July 31, upcoming work, and key project milestones. Given the work

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to be completed, SoCalGas requests that an extension be granted to enable Macias Consulting to complete their review of the SoCalGas Energy Savings Assistance program.

Should you have any questions or comments on this request, please contact me or Joy Yamagata at your earliest convenience. Joy can be reached at [jyamagata@semprautilities.com](mailto:jyamagata@semprautilities.com) or (858) 654-1755.

Sincerely,

A handwritten signature in black ink that reads "Clay E. Faber". The signature is fluid and cursive, with the first name "Clay" being the most prominent.

Clay Faber  
Director, Regulatory Affairs

Attachment

cc: ALJ Kimberly Kim – CPUC  
Kim Hassan – SoCalGas  
Interested Parties in Service List A. 08-05-022 et al  
SoCalGas Central Files



## Southern California Gas Company – Energy Savings Assistance Program (ESAP)

### Progress Report

Period: July 1 to July 31, 2012

#### Work Completed To Date – *Planning and Implementation Phases*

- Reviewed documents and data received from Southern California Gas Company (SoCal Gas) in response to Data Request #1, including:
  - Organizational chart and directory of SoCal Gas ESAP personnel and contacts.
  - Copies of all documentation submitted to the California Public Utility Commission (CPUC) and Administrative Law Judge (ALJ) regarding the ESAP and the Order to Show Cause hearing.
  - ESAP policies, procedures and relevant program updates.
  - SoCal Gas Accounts Payable Policies and Procedures as applicable to the ESAP.
  - HEAT database output showing data for those invoices pending utility approval between 2/1/2011 and 1/31/2012.
  - Sample report from SAP for Feb 2011 with the detail on how the ESAP invoices were paid.
  
- Randomly selected 78 invoices within the November 2011 timeframe for verification of payment and processing accuracy.
  
- Conducted Entrance Conference with staff from SoCal Gas and Sempra Energy on July 19, 2012. Items discussed:
  - Purpose of Audit
  - Scope
  - Major Project Tasks
  - Project Approach – Planning, Implementation and Reporting
  - Project Timeline
  - Questions
  
- Interviewed key ESAP management staff on July 19, 2012 regarding:
  - The ESAP Contractor Information Process
    - Process Overview
    - Process Controls
    - Invoicing

- The composition and source of SoCal Gas' November 2011 commitment estimate included in its response to the CPUC
  - The ESAP Budget
  - The HEAT System's Reporting Capabilities, Strengths, and Weaknesses
  - ESAP Governance
  - MGO staff's access to documentation and workspace during on-site fieldwork
- Submitted Data Request #2 to SoCal Gas on July 20, 2012 for additional information from the HEAT database system regarding the 78 sample invoices. Also requested a sample of the hard copy documentation accompanying the record of each invoice and an enrollment within an invoice as well as a sample of a contract between SoCal Gas and an ESAP contractor.
- Received and reviewed additional data related to 78 sample invoices and finalized sample for testing. Based on information received at July 19, 2012 meetings, all sample testing will require a review of the original hard copy documents. As these hard copy documents are stored at a secure off-site facility, at least one week will be required between the submission of the file request and receipt of the necessary hard copy files.
  - Selected sample of invoice transactions (enrollments) to be tested. Nine percent of enrollments within each invoice were randomly selected for review, totaling 315 enrollments to be reviewed.
  - Using the additional data received, completed a file request for SoCal Gas to provide to the off-site facility.
- Received and reviewed sample invoice, enrollment, and contract documentation.
- Developed testing matrix for November 2011 invoice sample.
- Completed a risk assessment of the ESAP within the audit time frame.
- Interviewed Mark Aguirre, ESAP Customer Program Manager, on Friday, July 27, 2012 about the company's response to the CPUC regarding the November 2011 stoppage.
- Interviewed Ornett Mack, Energy Program Project Manager and Tanzania Ware, Energy Programs Supervisor, on Tuesday, July 31, 2012 about the hard copy documentation that supports invoices submitted by contractors and various controls within the invoice payment process.

### **Work Planned for Next Two Weeks – *Implementation Phase***

- Conduct on-site fieldwork testing of November 2011 invoice sample using hard copy files from off-site facility.
- Receive and review SoCal Gas' original budget submission to the CPUC and the final budget from the CPUC for the ESAP in program years CY 09-11.
- Identify, examine, and document our review of management actions related to ESAP activities during the audit timeframe. This will include then-existing ESAP-related management practices, protocols and contract management tools in place in November 2011.

### **Key Project Milestones**

June 7, 2012	Initial Data Documentation Request and Review
July 19, 2012	Kick Off Conference
July 19, 2012	Management Interviews Begin
July 23, 2012	Commence Field Work Enrollment Sample Selection and Testing
September 7,, 2012	End Sample Testing
October 19, 2012	Results Meeting
November 2, 2012	Exit Conference
November 16, 2012	Issue Draft Report
November 30, 2012	Issue Final Report