

DOCKETED

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2018 CNE Power Source Disclosure Program Review

September 26, 2018

Exelon Audit Services



AUDIT REPORT

To: James Johnston, Director of Wholesale Operations, ExGen
Jennifer Solomon, Assistant General Counsel, BSC

September 26, 2018

Executive Summary

Exelon Audit Services (EAS) performed a review of the completeness and accuracy of the data submitted on the Constellation New Energy's (CNE) Power Source Disclosure Program (PSDP) Annual Report for the year ending December 31, 2017. The PSDP Annual Report includes both specified and unspecified power source purchases, retail sales, and power source mix of delivered electricity during 2017. This review was conducted to fulfill the annual California Energy Commission (CEC) Audit Requirement outlined in the Agreed Upon Procedures (AUP) of Appendix A in Title 20, Article 5, § 1394 of the California Code of Regulations. The objective of the audit was to verify compliance with Title 20, Article 5, § 1394, subdivisions (b)(1), (b)(2), (c)(1), (c)(2), and (c)(3) of the California Code of Regulations. The results of the auditor performed AUP will be reported to the CEC by October 1, 2018 by Exelon Legal along with proof of service that the Annual Power Content Label has been distributed to CNE's California-based customers. EAS conducted this audit in accordance with the American Institute of Certified Public accountants (AICPA) Statements on Auditing Standards, Section 622.

The results of the audit indicate that the process and general control environment within the CEC PSDP Annual Reporting Process, which includes those activities necessary to provide reasonable assurance that risks are being managed and objectives are met, are **Effective**. No issues relating to the PSDP Report for the year ending December 31, 2017 were identified.

Exelon Audit Services greatly appreciates the assistance of the BSC Legal and CNE Wholesale Operations personnel in the completion of this review.

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Background

The Power Source Disclosure Program (PSDP) was established in 1997 through the enactment of California Senate Bill 1305 in an effort to provide accuracy, reliability, and transparency on the sources of energy that are used to provide electric services to California Consumers. The PSDP requires that electricity retail suppliers disclose which types of resources are used to generate electricity being sold to consumers. The suppliers are required to use a format developed by the California Energy Commission (CEC) called the Power Content Label. Additionally, retail suppliers are required to submit a detailed report of their resource mix to the CEC.

CNE utilizes the Western Energy Coordinating Council's (WECC) Western Renewable Energy Generation Information System (WREGIS), which is an independent, renewable energy generation registry and tracking system for the region covered by the Western Interconnection, in order to report on the calendar year's specific purchases. In addition, the California Independent Service Operator (CAISO) Market Results Interface System (MRI-S) is used by CNE to submit Settlement Quality Meter Data (SQMD) and report on the calendar year's total retail sales.

Areas In Scope

The following areas were specifically included in the scope of our review and align to the requirements within the AUP:

-) Reconciliation of the facility names, WREGIS and CEC-Renewable Portfolio Standard (RPS) IDs, kilowatt hours, and fuel type for all specific purchases from the PSDP Schedule 1 to the WREGIS and CEC-RPS List Support;
-) For a statistical random sample of specific purchases, reconciliation of the facility names, WREGIS and CEC-RPS IDs, kilowatt hours, fuel type, and generation/reporting period from the PSDP Schedule 1 to purchase contract support;
-) Reconciliation of the reported net kilowatt hours purchased on the PSDP Schedule 1 to reported net kilowatt hours purchased on the PSDP Schedule 2;
-) Reconciliation of the total retail sales per MRI-S to total retail sales reported on PSDP Schedule 1 and reconciliation of the total retail sales shown on Schedule 1 to total retail sales shown on Schedule 2;
-) Recalculation and reconciliation of the fuel and technology mix of the total annual retail sales for each product using the information provided in PSDP Schedule 2; and
-) Verification of distribution of annual power content label for each product.

APPENDIX A: AUDIT ISSUES RATINGS

Issue Ratings	Definition
High Risk	Absence of sufficient controls over the process(es) that were reviewed indicates the issue is high risk, critical in nature and, if left outstanding will cause <u>significant</u> financial, operational, reputational, regulatory and/or strategic risk to the business entity and/or company as a whole. There is a clear and urgent need to mitigate the risk. Immediate Management attention is required to evaluate the effects of the issue and develop and execute corrective action within 90 days of reporting (Agreed Upon Action Plans).
Medium Risk	Absence of sufficient controls over the process(es) that were reviewed indicates the issue is medium risk and if left outstanding will cause a <u>moderate</u> level of financial, operational, reputational, regulatory and/or strategic risk to the business entity and/or company as a whole and needs to be addressed. Timely Management attention to this issue is required to evaluate the effects of the issue and develop and execute corrective action within 6-9 months of reporting (Agreed Upon Action Plans).
Low Risk	Absence of sufficient controls over the process(es) that were reviewed indicates the issue is low risk and poses <u>limited</u> financial, operational, reputational, regulatory and/or strategic risk to the business entity and/or company as a whole and should be addressed. Timely Management attention to this issue is required to evaluate the effects of the issue and develop and execute corrective action within 9-12 months of reporting (Agreed Upon Action Plans).