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Link, Murrel & Company

Certified Public Accountants

COMMONWEALTH ENERGY CORPORATION
REPORT ON AGREED-UPON PROCEDURES
DECEMBER 31, 2003

Link, Murrel & Company

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

To the Board of Directors of
Commonwealth Energy Corporation and
The California Energy Commission,
Technology Evaluation Office

We have performed the procedures enumerated in Attachments I through IV, which were agreed to by Commonwealth Energy Corporation (the "Company"), solely to assist you in evaluating Commonwealth Energy Corporation's compliance with annual reporting requirements of the California Energy Commission's Power Source Disclosure Program for the year ended December 31, 2003. Management is responsible for Commonwealth Energy Corporation's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the compliance of the annual reporting requirements of the California Energy Commission's Power Source Disclosure Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the Company and the California Energy Commission and is not intended to be and should not be used by anyone other than those specified parties.

Link, Murrel & Co.

Irvine, California

June 17, 2004

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COMMONWEALTH ENERGY CORPORATION

SUPPLY - PURCHASES

DECEMBER 31, 2003

PROCEDURES AND FINDINGS

We obtained the internally generated report from Commonwealth Energy Corporation that contains the detail of specific and generic purchases (kWh purchased, date generated and generating facility), "Electricity Supply Report". We performed the following procedures:

- A. Recalculated the kWh by generating facility and fuel type on the Electricity Supply Report without exception.
- B. Agreed the purchases by generating facility, unique identification number, Certificate of Specific Generation numbers, and gross kWh purchased by fuel type as shown on the Electricity Supply Report to the "Annual Report to the California Energy Commission, Schedule 1: Retail Sales," as attached hereto as Exhibit 1. We noted that green energy purchases were short by approximately 100,000,000 kWh for the year ended December 31, 2003. It is our understanding that the Company subsequently purchased 12,000,000 kWh and is planning to purchase 88,000,000 kWh of green energy generated during 2003.
- C. Selected a judgmental sample of four months of purchases for testing and performed the following tests:
 - i. Compared each selected energy purchase to a billing invoice or certificate, noting that the kWh purchased and the dates of generation are in agreement.
 - ii. Agreed the billing invoice or unique generating facility identification number and the fuel type as shown on the certificate to Schedule 1 without exception.
 - iii. Compared the date of generation on the billing invoice or certificate to the generation date per the Electricity Supply Report.

COMMONWEALTH ENERGY CORPORATION

SUPPLY - PURCHASES

DECEMBER 31, 2003

- iv. Agreed the net kWh purchased column by fuel type from Schedule 1 to the net purchases (kWh) column shown on the “Annual Report to the California Energy Commission, Schedule 2B: Balancing Sheet,” as attached hereto as Exhibit 3. We noted that an explanation was improperly excluded for each fuel type that showed an amount in the differences column.
- v. Tested the mathematical accuracy of Schedules 1 and 2B without exception.

MANAGEMENT’S RESPONSE

B. The under reporting of green retail sales in the Annual SB1305 Report was due to two separate but related issues. The first and lesser impacting issue was related to the system reporting tool used to generate retail sales calculations. These calculations are referenced in the system by internal rates that are in turn designated by energy type (green/system/clean). Due to the discontinuation of Customer Credit Subaccount as of March 31, 2003, all accounts that were eligible (Residential and Small Commercial) were given the option to stay with a green premium product or switch to net system power. When this change occurred, rates that were previously designated as green were changed to system, thus causing reports run after this change to reflect incorrect green (or lower) sales.

The second issue resulted from the same event. Discontinued green retail customers were given notice that if they did not opt for the green premium rate, they would effectively be switched to system power. When the Annual SB1305 Report was prepared, it was believed that this event coincided with the discontinuation of the Customer Credit Subaccount. Upon review of the letters that were sent to these affected customers by the accountant, it was discovered that this switch did not become official until June 1, 2003. Therefore, retail green sales continued for two more months (April and May 2003) than envisioned in the annual report.

COMMONWEALTH ENERGY CORPORATION

SUPPLY - PURCHASES

DECEMBER 31, 2003

C. iv. When it was clear that green retail sales were under reported in the Annual SB1305 Report, the Power Supply Department began the process of soliciting green energy producers for green tags/tickets for vintage year 2003. To ensure that sufficient tickets were procured, and to simplify discussions with vendors/brokers, rounded values were used in the ticket procurement. As of the date of this report, two transactions have been executed, one in writing, the other verbally. The quantities agreed to in these transactions results in an overage of 748,442 kWh of green tickets purchases.

COMMONWEALTH ENERGY CORPORATION

SUPPLY - RESALES

DECEMBER 31, 2003

PROCEDURES AND FINDINGS

We obtained the internally generated report from Commonwealth Energy Corporation that contains the detail of generic energy resold at wholesale, "Annual Wholesale Sales Report". We performed the following procedures:

- A. Tested the mathematical accuracy of the Annual Wholesale Sales Report without any exception.
- B. Recalculated the kWh resold by fuel type per the Annual Wholesale Sales Report and agreed the total to the kWh of fuel resold by fuel type listing on Schedule 1 without exception.
- C. Selected a judgmental sample of resales to one supplier for testing and performed the following tests:
 - i. Compared each selected item per the Annual Wholesale Sales Report to a copy of the billing invoice without exception.
 - ii. Agreed the name of the Wholesaler to a copy of the billing invoice that contains information regarding kWh sold at wholesale and date of generation without exception.
 - iii. Compared the date of generation on the billing invoice to the generation date per the Electricity Supply Report without exception.

COMMONWEALTH ENERGY CORPORATION

DEMAND - SALES

DECEMBER 31, 2003

PROCEDURES AND FINDINGS

We obtained the internally generated report from Commonwealth Energy Corporation that contains the detail of monthly retail sales, "Retail Sales by Month". We performed the following procedures:

- A. Recalculated the kWh sold by fuel type for Product 1 on the "Retail Sales by Month Report" for all months and compared the total to the kWh of retail sales by fuel type for Product 1 report on the "Annual Report to the California Energy Commission, Schedule 2A: Retail Sales," as attached hereto as Exhibit 2. The California Energy Commission did not require any agreed-upon procedures with respect to sales of Product 2. Due to the timing of the discontinued green program and other circumstances, we noted in our agreed-upon procedures that the amount of Product 1 kWh sold for the year ended December 31, 2003 should be 187,751,558 kWh whereas, the amount reported by the Company to the California Energy Commission was 85,923,539 kWh.

It is our understanding that the Company extended its supply of green energy through May 2003 rather than March 2003 as reported. The Company has subsequently purchased 12,000,000 kWh and is planning to purchase 88,000,000 kWh of green energy to make up the difference.

- B. Tested the mathematical accuracy of Retail Sales by Month Report without exception.
- C. Compared the total retail sales noted in Schedule 2A with total net kWh purchased from Schedule 1. The total retail sales did not match the net kWh purchased from Schedule 1. We noted that an attachment providing the explanation was improperly excluded.

COMMONWEALTH ENERGY CORPORATION

DEMAND - SALES

DECEMBER 31, 2003

- D. Selected a judgmental sample of retail sales of green energy to various customer groups for five months and a judgmental sample of retail sales of green energy to six customer groups for one month each for testing and performed the following test:
 - i. Compared the selected retail sales to a billing summary prepared by the Utility Distribution Company without exception.
- E. Tested the mathematical accuracy of Schedule 2A without exception.

MANAGEMENT'S RESPONSE

A. The under reporting of green retail sales in the Annual SB1305 Report was due to two separate but related issues. The first and lesser impacting issue was related to the system reporting tool used to generate retail sales calculations. These calculations are referenced in the system by internal rates that are in turn designated by energy type (green/system/clean). Due to the discontinuation of Customer Credit Subaccount as of March 31, 2003, all accounts that were eligible (Residential and Small Commercial) were given the option to stay with a green premium product or switch back to system power. When this change occurred, rates that were previously designated as green were changed to system, thus causing reports run after this change to reflect incorrect green (or lower) sales.

The second issue resulted from the same event. Discontinued green retail customers were given notice that if they did not opt for the green premium rate, they would effectively be switched to system power. When the Annual SB1305 Report was prepared, it was believed that this event coincided with the discontinuation of the Customer Credit Subaccount. Upon review of the letters that were sent to these affected customers by the accountant, it was discovered that this switch did not become official until June 1, 2003. Therefore, retail green sales continued for two more months (April and May 2003) than envisioned in the annual report.

COMMONWEALTH ENERGY CORPORATION

DEMAND - SALES

DECEMBER 31, 2003

C. When it was clear that green retail sales were under reported in the Annual SB1305 Report, the Power Supply Department began the process of soliciting green energy producers for green tags/tickets for vintage year 2003. To ensure that sufficient tickets were procured, and to simplify discussions with vendors/brokers, rounded values were used in the ticket procurement. As of the date of this report, two transactions have been executed, one in writing, the other verbally. The quantities agreed to in these transactions results in an overage of 748,442 kWh of green tickets purchases.

COMMONWEALTH ENERGY CORPORATION

DEMAND – DISCLOSURE PROGRAM

DECEMBER 31, 2003

PROCEDURES AND FINDINGS

We obtained internally generated reports from Commonwealth Energy Corporation that contain the quarterly power content label percentages based on the sales of Product 1 for the year ended December 31, 2003, “Annual Report to the California Energy Commission, Schedule 2C: Annual Power Content Label Calculation,” as attached hereto as Exhibit 4. We performed the following procedures:

- A. Recalculated the power content label percentages by fuel type for Product 1 on Schedule 2C without exception. As a result of the purchase of biomass energy in June 2004, we noted that the purchase changed the power mix reported in the annual report.
- B. A copy of the December 31, 2003 disclosure of the annual power content label was not available. The procedures to compare percentages printed under the column labeled “Actual Power Mix” of the annual power content label with the percentages calculated on Schedule 2C was not performed. It is our understanding that the “Actual Power Mix” disclosure is required when the actual is different from the projected disclosure at the end of the year.
- C. Due to the purchase of biomass energy in June 2004, the absolute value of the difference of each fuel type percentage between the “actual” column of the quarterly power content label and the projected disclosures was greater than five percentage (5%) points for all four quarters of 2003.
- D. Tested the mathematical accuracy of Schedule 2C without exception.

COMMONWEALTH ENERGY CORPORATION

DEMAND – DISCLOSURE PROGRAM

DECEMBER 31, 2003

MANAGEMENT'S RESPONSE

The Power Content Labels for each quarter have been published and sent or made available to customers receiving green power. It is the understanding of management that the annual power content label is not necessary unless there is a material difference (5% deviation) from the aggregate of the four quarters. Now that the final report has been reviewed and amended, and the power source disclosure has changed (from 100% geothermal to 94% geothermal/6% biomass), a final label will be prepared and sent to the respective customers.

Applicable to: Retail Providers

INSTRUCTIONS: Enter information about power purchases supporting all electricity products for which your company is filing the Annual Report. If you need additional rows, add them from the INSERT menu. Note: if the power was purchased from a power pool or registered renewable wholesaler that will be filing an Annual Report with the Energy Commission (schedules 3 and 4), identify the name of the pool / wholesaler under "Facility Name."

GENERIC PURCHASES		
Gross kWh Purchased	kWh Resold	Net kWh Purchased
973,046,167	27,949,000	
Total Net Purchases		

CEC Reg. # 91092A

COMMONWEALTH ENERGY CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2003

EXHIBIT 2

ANNUAL REPORT TO THE CALIFORNIA ENERGY COMMISSION:
Power Source Disclosure Program - March 2004

for the year ending December 31, 2003

SCHEDULE 2A: RETAIL SALES

Applicable to: Retail Providers

Product 1	GreenSmart
Product 2	Generic/Net System
Product 3	
Product 4	
Product 5	
Product 6	

	kWh Sold Product 1	kWh Sold Product 2	kWh Sold Product 3	kWh Sold Product 4	kWh Sold Product 5	kWh Sold Product 6	TOTALS ¹
Specific Purchases							
Renewable							
Biomass & Waste	12,000,000						
Geothermal	175,751,558						
Small hydroelectric							
Solar electric							
Wind							
Coal							
Large hydroelectric							
Natural Gas							
Nuclear							
Other							
Total Specific Purchase Power Sold							
Generic Power Sold		945,845,609					
Total Retail Sales	187,751,558	945,845,609					

¹ If total retail sales do not match total "Net kWh Purchased" from Schedule 1, please provide an explanation in an attachment to your filing. If the difference is due to losses, it is sufficient to simply state this.

CEC Reg. # 91092A

COMMONWEALTH ENERGY CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2003

EXHIBIT 3

ANNUAL REPORT TO THE CALIFORNIA ENERGY COMMISSION:
Power Source Disclosure Program - March 2004

for the year ending December 31, 2003
SCHEDULE 2B: BALANCING SHEET
Applicable to: Retail Providers

INSTRUCTIONS: Total your specific purchases (by fuel type) and generic purchases from Schedule 1 and enter these numbers in the first column. The remainder of this sheet is automated. If for any fuel type (including generic) the numbers in the Difference column are negative, please provide an explanation for this imbalance of supply and load.

	Net Purchases (kWh)	Retail Sales (kWh)	Difference (kWh)
Specific Purchases			
Renewable			
Biomass & Waste	12,000,000		
Geothermal	176,500,000		
Small hydroelectric			
Solar electric			
Wind			
Coal			
Large hydroelectric			
Natural Gas			
Nuclear			
Other			
Total Specific Purchase Power Sold	188,500,000	187,381,310	1,118,690
Generic Power Sold	945,097,167	945,945,009	(847,842)
Total Retail Sales¹	1,033,597,167	1,033,326,319	270,848

EXPLANATION OF DISCREPANCIES: Difference is attributed to purchasing green tags in round increments, resulting in excess of green purchases to retail sales.

¹ If total retail sales do not match total "Net kWh Purchased" from Schedule 1, please provide an explanation in an attachment to your filing. If the difference is due to losses, it is sufficient to simply state this.

CEC Reg. # 91092A

COMMONWEALTH ENERGY CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2003

EXHIBIT 4

ANNUAL REPORT TO THE CALIFORNIA ENERGY COMMISSION:

Power Source Disclosure Program - March 2004

for the year ending December 31, 2003

SCHEDULE 2C: ANNUAL POWER CONTENT LABEL CALCULATION

Applicable to: Retail Providers

INSTRUCTIONS: This form will automatically calculate the correct annual power content label percentages based on your sales reported on Schedule 2.

Product 1
Product 2
Product 3
Product 4
Product 5
Product 6

	Product 1	Product 2	Product 3	Product 4	Product 5	Product 6
Renewable						
Biomass & Waste						
Geothermal						
Small hydroelectric						
Solar electric						
Wind						
Coal						
Large hydroelectric						
Natural Gas						
Nuclear						
Other						
TOTAL						