



# BALANCING ACCOUNTS PERFORMANCE AUDIT

Pacific Gas & Electric Company

January 1, 2021, through December 31, 2021

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
April 10, 2024



**MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

**Kevin Nakamura, Program and Project Supervisor**

**Edwin Esternon, Lead**

**Angie Huang, Staff**

**Grisel Reyes, Staff**

**Jared Smith, Staff**

**Yosief Hailemichael, Staff**

**Amy Xu, Staff**

**Olufemi Adekunle, Staff**

**Lina Li, Staff**

**You can contact our office at:  
California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

April 10, 2024

Stephanie Williams  
Vice President, Controller, Utility Chief Financial Officer  
Pacific Gas & Electric Company  
300 Lakeside Drive  
Oakland, CA 94612-3534

Dear Stephanie Williams:

**Final Report Transmittal Letter—Audit of Pacific Gas & Electric Company's  
Balancing Accounts for the period of January 1, 2021, through December 31, 2021**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of Pacific Gas & Electric Company's (PG&E) balancing accounts reported for the period of January 1, 2021, through December 31, 2021.

We issued the draft audit report on March 5, 2024. PG&E submitted its comments on March 19, 2024. PG&E's response to the draft report required further analysis and resulted in modifications to Finding 7 in the final report. PG&E's response to the draft report findings and our evaluation of the response are incorporated into this final report.

In addition, as outlined in General Order (G.O.) 66-D and the California Public Records Act (Government Code [GC] Sections 6250-6276.48.), PG&E requested confidential treatment of vendor names and any corresponding identifiers. As a result, the confidential vendor information contained in the final public report is redacted. We will post the final redacted audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry).

A Corrective Action Plan (CAP) addressing the findings and recommendations is required. PG&E should submit further detailed CAP information including specific steps and target dates to correct the findings identified within 45 calendar days from the issuance of this final report to: [UtilityAudits@cpuc.ca.gov](mailto:UtilityAudits@cpuc.ca.gov).

We appreciate PG&E's assistance and cooperation during the engagement, and its willingness to implement UAB's recommendations. If you have any questions regarding this report, please contact Kevin Nakamura, Program and Project Supervisor, at (916) 928-4736.

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: See next page

Stephanie Williams  
Vice President, Controller, Utility Chief Financial Officer  
Pacific Gas & Electric Company  
April 10, 2024  
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cc: Jennifer Garboden, Senior Director, Assistant Controller, PG&E  
Mia Gilber, Senior Manager, Energy Accounting & Cost Recovery, PG&E  
Rachel Peterson, Executive Director, CPUC  
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC  
Leuwam Tesfai, Deputy Executive Director for Energy and Climate Policy, CPUC  
Tyler Gamble, Deputy Executive Director, Strategic Communications and External  
Affairs, CPUC  
Pete Skala, Director of Electric Supply, Planning, and Costs, Energy Division, CPUC  
Simon Baker, Director of Distributed Energy Resources, Natural Gas & Retail Rates,  
Energy Division, CPUC  
Masha Vorobyova, Assistant Director, UAB, CPUC  
Kevin Nakamura, Program and Project Supervisor, UAB, CPUC  
Edwin Esternon, Senior Management Auditor, UAB, CPUC  
Angie Huang, Senior Management Auditor, UAB, CPUC  
Na "Lina" Li, Senior Management Auditor, UAB, CPUC

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## EXECUTIVE SUMMARY

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The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the balancing accounts administered and reported by Pacific Gas & Electric Company (PG&E) for the audit period of January 1, 2021, through December 31, 2021.

Our audit objectives were to determine whether 1) transactions recorded in PG&E's balancing accounts from January 1, 2021, through December 31, 2021, were for allowable purposes and supported by appropriate documentation; and 2) the balancing accounts were established and maintained as required by applicable Public Utilities (PU) Code sections, CPUC directives, orders, rules, regulations, and PG&E's policies and procedures.

Based on our audit objectives, procedures performed, samples tested, and evidence gathered, we found instances of noncompliance with requirements. These instances are quantified in the Summary Schedules of Audit Results and described in the Findings and Recommendations section of this audit report. The audit findings are summarized as follows:

- **Finding 1: Inaccurate Reporting of Balancing Accounts**

PG&E reported inaccurate information in its Annual Report filed with the CPUC. Specifically, the reporting discrepancies in PG&E's Annual Report included the following:

- A total of 13 (5 electric and 8 gas) authorized balancing accounts that had zero activity recorded to the accounts in the year 2021 were omitted from the Annual Report. (Refer to the Summary Schedules of Audit Results, Table 4)
- A total of 60 (38 electric and 22 gas) balancing accounts reported in the Annual Report had different titles than the CPUC approved naming convention authorized in each applicable Preliminary Statement. (Refer to the Summary Schedules of Audits Results, Table 5)
- A total of 19 (12 electric and 7 gas) balancing accounts had reporting inconsistencies due to the inclusion of subaccounts and consolidation of subaccounts. (Refer to the Summary Schedules of Audit Results, Table 6)

- **Finding 2: Annual Report Variance Totaling \$3.3 Billion**

PG&E overstated its total reported under-collected balance of \$5.211 billion by \$3.327 billion due to reporting and recording errors. Specifically, PG&E reviewed the variances identified and explained that variances totaling \$1.398 million for 22 (12 electric and 10 gas) balancing accounts were attributed to incorrectly recording charges to wrong accounts and having various recording errors, incorrect calculations, and rounding errors. In addition, PG&E incorrectly reported the Negative Ongoing Competition Transition Charge Memorandum Account (NOCTCMA) as an electric balancing account with a year-end under-collected balance of \$3.325 billion. As a result of these reporting and recording errors, the total combined year-end under-collected balance for both electric and gas balancing accounts should have been reported as \$1.884 billion instead of \$5.211 billion.

- **Finding 3: Monthly Balancing Account Reconciliations Not Performed Timely or Omitted**

PG&E did not timely perform its required monthly balancing account reconciliations for four (two electric and two gas) balancing accounts. Specifically, PG&E did not timely conduct its required balancing account reconciliation for the Essential Usage Study Experience BA and Public Purpose Program Energy Efficiency BA (Current) and neither performed, approved, and/or closed out the reconciliation for the Statewide Marketing, Education and Outreach BA-Gas and Statewide Marketing Education BA-Electric as of October 16, 2023. The delayed or omitted reconciliation procedures could lead to accounting errors that could accumulate over time.

- **Finding 4: Incorrect Interest Recorded and Reported**

PG&E incorrectly recorded and reported interest in nine of thirteen, or 69% of the balancing accounts judgmentally selected for interest testing. For the thirteen (six electric and seven gas) balancing accounts tested for all twelve months, we found interest was overstated by a total of \$25,688 in five accounts due to not properly accruing monthly interest as stipulated in CPUC approved Preliminary Statements. Furthermore, we found interest was understated by a total of \$24,953 in seven accounts due to incorrect interest calculations. Although the net interest variance discovered is minimal, if left uncorrected, the amounts could become significant over time.

- **Finding 5: Unsupported Rebate Payment Totaling \$298,175**

PG&E did not provide justification and supporting documentation for a rebate payment charged to the Procurement Energy Efficiency Balancing Account (PEEBA) totaling \$298,175. Specifically, PG&E was unable to provide evidence to support a rebate payment to [REDACTED] in the amount of \$298,175. As a result, PG&E overstated the recorded and reported PEEBA expenditures by \$298,175 in 2021.

- **Finding 6: Unsupported Contract Expenditures Totaling \$688,595**

PG&E did not provide requested contract agreements to support expenditures charged to the electric Wildfire Mitigation Balancing Account (WMBA) - Electric (Non-Current) (WMBA-E-NC) Balancing Account and Vegetation Management Balancing Account (VMBA) – Current totaling \$688,595. Specifically, PG&E was unable to validate contracted services related to Public Safety Power Shutoff (PSPS) activities that were invoiced and charged to WMBA-E-NC totaling \$429,041. In addition, PG&E did not provide the contract to support charges totaling \$259,554 for tree trimming, pruning, and tree removal services that was recorded to the VMBA -Current. As a result, PG&E overstated the recorded and reported expenditures in WMBA-E-NC and VMBA-Current by \$429,041 and \$259,554, respectively.

- **Finding 7: Unallowable VMBA Expenditures Totaling \$55,900**

PG&E overstated its expenses in its electric VMBA-NC by \$55,900 due to recording and reporting unallowable charges for labor of two staff not specified in the contract agreement between PG&E and its vendor [REDACTED]. As a result, PG&E overstated VMBA-NC expenses by a total of \$55,900.

- **Finding 8: Duplicate Expenditures Charged to VMBA Totaling \$18,639**

PG&E overstated its expenses in its electric VMBA-NC by a total of \$18,639 due to paying duplicate charges. Specifically, PG&E over-paid its vendor [REDACTED] by \$18,639 due to duplicate charge in invoice [REDACTED] labeled as Billable Misc Charges for \$18,639 and Lodging for the same amount.

- **Finding 9: Unsupported VMBA Expenses Totaling \$501,319**

PG&E did not provide documentation to support expenditures recorded and reported to its VMBA-Current totaling \$501,319 (\$433,176 for vegetation and PSPS activities, and \$68,143 for helicopter services). Specifically, PG&E was unable to provide supporting invoice details to validate pre-inspection vegetation service charges paid to [REDACTED] totaling \$319,601 and [REDACTED] for service related to PSPS activities totaling \$113,575. In addition, PG&E was unable to provide evidence to support helicopter service charges totaling \$68,143 for PSPS, Wildfire Safety Inspection Program (WSIP), and Project Maintenance and Construction Work that was allocated to VMBA-Current. As a result, PG&E overstated VMBA-Current expenses by a total of \$501,319.



# AUDIT REPORT

## Background

### *Balancing Accounts*

The CPUC has a responsibility to authorize the rates that regulated utilities may charge their customers. Considering that the rates are derived from projected costs and projected consumption of service, CPUC authorizes regulated utilities to establish balancing accounts to track the actual costs and the related revenues the utilities collect from ratepayers for specified activities. The primary purpose of a balancing account is to ensure that a utility recovers its CPUC-authorized revenue requirement from ratepayers for a given program or function, but not more or less.

Functionally, a balancing account tracks the difference between actual expenditures associated with the account, revenue authorized for recovery by CPUC (authorized revenue requirement), and the actual revenues collected within customer rates to cover those specific expenditures. Applicable rules for a given balancing account are presented in the utility's Preliminary Statement, which also includes a description of the purpose of the account, the types of costs and/or revenues that are to be tracked in the account, and specific accounting procedures that the utility must follow to record transactions for the balancing account. Additionally, unless approved otherwise, a balancing account is required to accumulate monthly interest at a rate equal to one-twelfth of the most recent month's interest rate on three-month Commercial Paper published by the Federal Reserve.

Actual revenues collected by a utility in rates can be more or less than what CPUC had authorized to collect because rates are always forward-looking and based on forecasted sales. Thus, the balance in a balancing account can either be over- or under-collected. If a balancing account is over- or under-collected, the net balance is typically recovered from or refunded to ratepayers on an annual basis through an adjustment in rates.

### *Pacific Gas & Electric Company (PG&E)*

PG&E is an investor-owned utility (IOU), incorporated in California in 1905. PG&E is a subsidiary of the PG&E Corporation based in Oakland, California. PG&E's primary business is the transmission and delivery of energy, providing natural gas and electric service to approximately 16 million customers in a 70,000 square acre mile territory covering northern and central California.

In its 2021 Annual Balancing and Memorandum Accounts Report (Annual Report) filed with the CPUC, PG&E reported a total of 120 balancing accounts with a total combined under-collected balance of \$5,211,300,369 in its electric and gas balancing accounts, as summarized in the table below:

Balancing Account Type	Total Number of Reported Accounts	Reported Net Under/(Over)-Collected Balance as of Dec. 31, 2021
Electric Balancing Accounts	73	\$5,001,409,457
Gas Balancing Accounts	47	209,890,912
<b>Totals</b>	<b>120</b>	<b>\$5,211,300,369</b>

A breakdown of the reported amounts over or under-collected in rates as of December 31, 2021, by each account, is provided in the Summary Schedules of Audit Results, Table 1.

## **Audit Authority**

UAB conducted this audit under the general authority outlined in PU Code sections 314.5, 314.6, 451, 581, 582, 584. Furthermore, PU Code section 792.5 requires CPUC to develop a risk-based approach for reviewing or auditing balancing accounts periodically to ensure that the transactions recorded in the balancing accounts are for allowable purposes and are supported by appropriate documentation.

## **Objective and Scope**

Our audit objectives were to determine whether 1) transactions recorded in PG&E's balancing accounts from January 1, 2021, through December 31, 2021, were for allowable purposes and supported by appropriate documentation; and 2) the balancing accounts were established and maintained as required by applicable PU Code sections, CPUC directives, orders, rules, regulations, and the PG&E's policies and procedures.

The scope of our audit covered the 120 balancing accounts administered and reported by PG&E for the audit period of January 1, 2021, through December 31, 2021.

## **Methodology**

In planning our audit, we gained an understanding of each balancing account and PG&E's operations by researching and reviewing relevant PU Code sections, preliminary statements, rules, regulations, policies, CPUC decisions, resolutions, advice letters, PG&E's policies and procedures, and interviewing PG&E's personnel.

We conducted a risk assessment, including evaluating whether PG&E's key internal controls relevant to our audit objectives were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, performing walkthroughs, and testing transactions. Deficiencies in internal control, if identified during our audit and determined to be significant within the context of our audit objectives, are included in this report.

Additionally, we assessed the reliability of the data extracted from PG&E's accounting and customer billing systems. Our assessment included examining extracted reports, tracing data between differing report formats to verify completeness, and tracing report data to source documents. We determined the data to be sufficiently reliable to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. To achieve our audit objectives, we:

- Reviewed applicable CPUC decisions, advice letters, proceedings, and preliminary statements to gain an understanding of the balancing accounts and applicable tariff rates.
- Reviewed an external prior audit report prepared by Crowe LLP (Crowe) on PG&E's wildfire mitigation plan expenditures for the period January 1, 2017, through December 31, 2020. We determined there were potential risks or follow-ups required since the prior audit findings were relevant to the audit objectives. We performed follow-ups to assess whether corrective actions were appropriately addressed and implemented.

- Reviewed PG&E's internal audits' 20-018 Audit of Wildfire Memo Accounts, 20-042 Audit of the Portfolio Allocation Balancing Account, and 21-039 Audit of Self-Generation Incentive Program, issued on April 8, 2020, July 28, 2020, and July 19, 2021, respectively. We determined there were potential risks or follow-ups required since the prior audit findings were relevant to the audit objectives. We performed follow-ups and tests to verify whether corrective actions were appropriately addressed and implemented.
- Reviewed CPUC Wildfire Safety Division's audit of PG&E's Implementation of their Enhanced Vegetation Management Program in 2020 and California State Auditor's Audit of Electrical System Safety – California's Oversight of the Efforts by Investor-Owned Utilities to Mitigate the Risk of Wildfires Needs Improvement Report 2021-117. We determined that there were no potential risks or follow-up required since they were not relevant to the audit objectives.
- Reviewed Ernst & Young's performance audit of PG&E Wildfire Mitigation & Catastrophic Events Cost Analysis for the period 2021. We determined that there were no potential risks or follow-up required since the report concluded that it found no evidence of systemic errors or omissions of WMCE costs and the costs incurred were for relevant activities, accurately recorded, and discovered no evidence that costs were recorded on more than one account.
- Reviewed PG&E's internal audit reports 2018 – 2020 Scheduling Coordinator Audit of Settlement Quality Meter Data for the period June 1, 2018, through May 31, 2020, and Audit of Gas Imbalance Statements for Core Transportation Agents for the period January 1, 2017, through December 31, 2019. We determined that there were no potential risks or follow-up required since they were not relevant to the audit objectives.
- Reviewed PG&E's internal control policies and procedures related to the administration and implementation of its balancing accounts.
- Reviewed PG&E's accounting processes and procedures for tracking, monitoring, and recording transactions to its balancing accounts.
- Reviewed PG&E's customer billing system and processes and procedures for recording and reporting revenues to its balancing accounts.
- Reconciled balancing account totals recorded in PG&E's accounting records to the balances reported in PG&E's Annual Report for accuracy and completeness.
- Assessed significance by performing analysis of revenue and expenditure data and evaluating balancing account requirements.
- Obtained an understanding of PG&E's key internal controls relevant to its balancing accounts, such as rate adjustment process, customer billing procedures, accounting and reporting process, and assessed the design, implementation, and operating effectiveness of selected controls that were significant to the audit objectives by:
  - interviewing key personnel;

- completing an internal control questionnaire;
  - reviewing PG&E's policies and procedures, and assessing their implementation pertaining to accounting, recording, and reporting of balancing accounts;
  - performing walkthroughs of selected rate changes, customer billings, and balancing account activities; and
  - assessing the reliability of billing and sales data by tracing meter readings to selected customer billings and approved tariff rates to verify that appropriate rates were charged and calculated correctly on customer bills.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
  - Performed testing of expenses by judgmentally selecting a non-statistical sample of significant expenditure transactions for ten electric and five gas balancing accounts totaling \$969,367,390 of \$6,008,394,086. A summary of 2021 expenditures tested by commodity type, amount tested, amount recorded, and percentage tested is provided in the table below:

Commodity Type	Total Expense Amount Tested	Total Expenses Recorded in 2021	Percent Tested
Electric	\$625,568,506	\$3,833,572,202	16%
Gas	343,798,884	2,174,821,884	16%
<b>Totals</b>	<b>\$969,367,390</b>	<b>\$6,008,394,086</b>	<b>16%</b>

A detailed breakdown of expenditure amounts tested by commodity type, account, amount tested, amount recorded, and percentage tested is included in the Summary Schedules of Audit Results, Table 2.

- For the selected samples, traced expenditures recorded in PG&E's accounting records to supporting documentation and determined whether costs were accurate, attributable to its respective balancing account, supported by appropriate source documents, and incurred in compliance with applicable CPUC directives, orders, rules, regulations, and PG&E's policies and procedures by:
  - tracing expenditures to invoices to ensure expenditure (1) was incurred within 2021, (2) agreed to invoice amount, and (3) was calculated accurately;
  - verifying expenditures were supported by appropriate source documents, such as detailed invoices, agreements/contracts, etc., to confirm the expense was for authorized activity;
  - confirming payments were made for the expenditure and the amount agreed to the invoice; and
  - verifying that the activity occurred for a subset of samples by:

- reviewing daily tree logs from ten invoices covering a period of two months and utilizing Google maps and conducting onsite inspections to assess whether trees were trimmed and maintained pursuant to the clearances established in General Order (GO) 95 for 35 locations covering three geographic regions.
- Determined whether PG&E properly reported and recorded monthly interest in its balancing accounts and general ledger totaling \$332,690 by recomputing the monthly interest amounts for thirteen balancing accounts and all twelve months in 2021. A summary of interest amounts tested by commodity type, number of accounts tested, and interest amounts tested is provided in the table below:

Commodity Type	Number of Accounts Tested	Total Interest Amount Tested
Electric	6	\$175,465
Gas	7	157,225
<b>Totals</b>	<b>13</b>	<b>\$332,690</b>

A detailed summary of 2021 interest amounts tested by commodity type, account name, and interest amount tested is included in the Summary Schedules of Audit Results, Table 3.

We did not audit PG&E's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that PG&E reported, incurred, and maintained its balancing accounts in accordance with the applicable criteria. We considered PG&E's internal controls only to the extent necessary to plan the audit and achieve our audit objective.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Conclusion

Based on our audit objectives, procedures performed, samples tested, and evidence gathered, we found instances of noncompliance with the requirements for the audit period of January 1, 2021, through December 31, 2021. These instances are quantified in the Summary Schedules of Audit Results and described in the Findings and Recommendations section of this audit report.

## Follow-up on Prior Audit Findings

We identified the following PG&E's prior internal audits relevant to our audit objectives that required follow-up:

- 20-018 Audit of Wildfire Memo Accounts (MAP), issued on April 8, 2020, identified inadequate controls over invoice review, approval, and document retention related to wildfire mitigation costs. PG&E's Internal Audit Department closed out this audit following PG&E's satisfactory implementing corrective actions.

- 20-042 Audit of the Portfolio Allocation Balancing Account (PABA), issued on July 28, 2020, identified deficiencies in the processes and controls to support accurate cost and revenue recording and reporting to its PABA. PG&E's Internal Audit Department closed out this audit following PG&E's satisfactory implementing corrective actions.
- 21-039 Audit of Self-Generation Incentive Program (SGIP), issued on July 19, 2021, identified inadequate management controls over program costs and performance to mitigate risks and enhance customer satisfaction. PG&E's Internal Audit Department closed out this audit following PG&E's satisfactory implementing corrective actions.

In addition, we identified a prior external audit conducted by Crowe LLP (Crowe), on behalf of the Office of Energy Infrastructure Safety (Energy Safety), relevant to our audit objectives. Crowe's Performance Audit of PG&E Wildfire Mitigation Plan Expenditures Final Report<sup>1</sup> issued on September 15, 2021, examined PG&E's operating and capital costs in the execution of its Wildfire Mitigation Plan (WMP) programs and whether costs were duplicative relative to its prior General Rate Case (GRC) applications, for the period of January 1, 2017, through December 31, 2020. The audit report identified eight findings related to wildfire mitigation costs. During the current audit, PG&E indicated that it disagreed with the findings and would not implement corrective actions on Findings 1-7 identified in the Crowe report. However, PG&E considered Finding 8 relating to improving its time reporting policies and procedures, particularly to address vegetation management time reporting controls and oversight. In doing so, PG&E subsequently performed a Responsible, Accountable, Consulted, and Informed (RACI) exercise to further improve its management invoice review process within the Vegetation Management program. For Finding 8, we performed a follow-up and reviewed the RACI matrix which identifies roles and responsibilities for steps related to vegetation management invoice processing.

## Views of Responsible Officials

We issued a draft report on March 5, 2024. PG&E responded by letter dated March 19, 2024, providing comments on each of the findings and furnishing additional supporting documents for review. PG&E's response is included in this final audit report as an attachment in Appendix A – Utility's Response to Draft Audit Report, and our evaluation of the response is included in Appendix B – UAB's Evaluation of Utility's Response.

## Restricted Use

This audit report is intended solely for the information and use of PG&E and the CPUC; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and will be available on the CPUC website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

*Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division

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<sup>1</sup> The audit report is publicly available and posted on Energy Safety's website.

## FINDINGS AND RECOMMENDATIONS

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### **Finding 1: Inaccurate Reporting of Balancing Accounts**

#### **Condition:**

PG&E reported inaccurate information in its Annual Report filed with the CPUC due to lack of adequate internal reporting policies and procedures. During our reconciliation of its Annual Report to supporting accounting records, balancing account subledgers, and approved balancing account Preliminary Statements, we discovered multiple discrepancies including the omission of accounts, inconsistent reporting of accounts, and inconsistent naming convention of accounts. Specifically, the reporting discrepancies in PG&E's Annual Report included the following:

- A total of 13 (5 electric and 8 gas) authorized balancing accounts that had zero activity recorded to the accounts in the year 2021 were omitted from the Annual Report. (Refer to the Summary Schedules of Audit Results, Table 4)
- A total of 60 (38 electric and 22 gas) balancing accounts reported in the Annual Report had different titles than the CPUC approved naming convention authorized in each applicable Preliminary Statement. (Refer to the Summary Schedules of Audits Results, Table 5)
- A total of 19 (12 electric and 7 gas) balancing accounts had reporting inconsistencies due to the inclusion of subaccounts for certain balancing accounts and the consolidation of subaccounts into the applicable primary authorized balancing account for others. (Refer to the Summary Schedules of Audit Results, Table 6)

During the audit, PG&E acknowledged these reporting discrepancies and confirmed that it should have reported a total of 98 (55 electric and 47 gas) authorized balancing accounts instead of the 120 (73 electric and 47 gas) as originally reported in its Annual Report filed with the CPUC.

#### **Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

#### **Cause:**

PG&E lacked adequate monitoring and oversight policies and procedures for the preparation of its Annual Report.

#### **Effect:**

Inaccurate and/or incomplete information reported in PG&E's Annual Reports, which may be used by decision-makers during GRC application review process, could potentially impact the rates for PG&E's ratepayers. It is imperative for each utility to ensure that its Annual Reports contain complete and accurate information on all of its authorized balancing accounts to ensure decision-makers have complete and accurate information when making decisions that can affect the ratepayers.

#### **Recommendations:**

PG&E should enhance its monitoring and oversight procedures over its Annual Report process to ensure that:

- balancing accounts included in the Annual Report are authorized by the CPUC, and
- all authorized balancing accounts are included in the Annual Report filed with the CPUC regardless of whether there are activities recorded in the accounts during the reporting year.

During the audit, PG&E acknowledged the deficiency in its internal practice for the preparation of the Annual Report and revised its procedures on a prospective basis by requiring a completeness check against the list of approved Tariffs/Preliminary Statements and modifying its process and presentation of balancing accounts in the Annual Report by reporting a single line item per approved Preliminary Statement and noting the population of general ledger accounts for each respective account in a separate column. PG&E implemented its revised procedures in its subsequent 2022 Annual Report filing with the CPUC.

## **Finding 2: Annual Report Variance Totaling \$3.3 Billion**

### **Condition:**

During our reconciliation of PG&E's Annual Report to the supporting balancing account subledgers and approved balancing account preliminary statements, we found that PG&E overstated its total under-collected balance of \$5.211 billion by a total of \$3.327 billion due to reporting and recording errors. Specifically, PG&E reviewed the variances identified and explained that variances totaling \$1.398 million for 22 (12 electric and 10 gas) balancing accounts were attributed to incorrectly recording charges to wrong accounts and having various recording errors, incorrect calculations, and rounding errors. (Refer to the Summary Schedules of Audit Results, Table 7)

In addition, PG&E incorrectly included the NOCTCMA year-end under-collected balance of \$3,325,652,362 as an electric balancing account in its 2021 Annual Report filed with the CPUC. As a result of these errors, the total year-end under-collected balance for both electric and gas balancing accounts should have been \$1.884 billion instead of \$5.211 billion as reported in the Annual Report. A summary of amounts reported, reporting errors, recording variances, and revised year-end balance by commodity type is summarized in the table below.

Description	2021 Annual Report	NOCTCMA	Under/(Over)-Stated Variance	2021 Revised Year-end Balance
Electric	\$5,001,409,457	\$(3,325,652,362)	\$(1,737,007)	\$1,674,020,088
Gas	209,890,912		338,692	210,229,604
<b>Totals</b>	<b>\$5,211,300,369</b>	<b>\$(3,325,652,362)</b>	<b>\$(1,398,315)</b>	<b>\$1,884,249,692</b>

### **Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

### **Cause:**

PG&E's internal control process of reconciling each balancing account subledger to the annual report lacked proper oversight to ensure accurate reconciliations were completed.



**Effect:**

It is imperative that all authorized balancing accounts and amounts be correctly included in the Annual Report in order to provide transparency to members of the public and/or ratepayers, and other stakeholders by reporting complete and accurate information. Correctly including all authorized balancing accounts and related year-end balances in the Annual Report also ensures that its over or under-collected balances in its balancing accounts are accurate, complete, and in compliance with applicable laws, rules, regulations, and directives, so that ratepayers do not pay any more or less in rates than necessary.

**Recommendations:**

PG&E should continue enhancing its monitoring and oversight policies and procedures for the preparation of its Annual Report filed with the CPUC to detect errors and ensure all authorized balancing accounts and applicable year-end balances are accurately reported to the CPUC.

During the audit, PG&E acknowledged the deficiency in its reporting process and corrected its procedures on a prospective basis by implementing an additional step in the preparation of its Annual Report. This step includes the performance of a completeness check against the list of Tariffs (preliminary statements) to ensure accuracy of reported balancing accounts. This step was performed in its preparation of the subsequent 2022 Annual Report filed with the CPUC.

**Finding 3: Monthly Balancing Account Reconciliations Not Performed Timely or Omitted****Condition:**

PG&E did not timely perform its required monthly balancing account reconciliations for four (two electric and two gas) balancing accounts in 2021. During internal controls testing, we discovered that PG&E did not comply with its own policies and procedures by timely performing monthly reconciliations for four balancing accounts as stipulated in the internal Account Documentation Package (ADP). PG&E prepares and assigns an internal ADP for each balancing account which contains, among other things, general ledger account number, Federal Energy Regulatory Commission (FERC) account number, U.S. Securities and Exchange Commission (SEC) financial statement classification, account description, reconciliation accountability and timing, account detail transaction flow, etc. Specifically, PG&E did not timely conduct its required balancing account reconciliation for the Essential Usage Study Experience BA and Public Purpose Program Energy Efficiency BA (Current) and neither performed, approved, and/or closed out the reconciliation for the Statewide Marketing, Education and Outreach BA-Gas and Statewide Marketing Education BA-Electric as of October 16, 2023, as shown in the table below.

#	Tariff Name	Account Number	Balancing Account Title	Period End	Per ADP Policy#		Approval Date	Month(s) Late
					Reconciliation Date	Reconciliation Frequency		
Electric								
1	IL	2540200	Essential Usage Study Experience BA	3/31/21	4/30/21	Quarterly	5/24/21	1
2	GE	2540151	Statewide Marketing, Education and Outreach BA	12/31/21	1/31/22	Quarterly	N/A	Not Closed Out
Gas								
3	Y	2540006	Customer Energy Efficiency Adjustment	12/31/21	1/31/22	Monthly	3/31/22	2
4	DA	2540152	Statewide Marketing, Education and Outreach BA	12/31/21	1/31/22	Quarterly	N/A	Not Closed Out

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

PG&E's internal ADP (Revised 12/31/2014) establishes the requirements and frequency to perform reconciliations for each balancing account.

**Cause:**

PG&E's review and monitoring procedures lacked proper oversight to ensure reconciliations were performed in accordance with each applicable balancing account's ADP.

**Effect:**

The delayed or omitted reconciliation procedures could lead to accounting errors that could accumulate over time. It is imperative that all balancing accounts be reconciled timely to provide transparency to members of the public and/or ratepayers, and other stakeholders to facilitate accountability and help ensure that each balancing account is maintained and implemented in accordance with applicable laws, rules, regulations, directives, and PG&E's policies and procedures. Furthermore, since any over or under-collected year-end balances are carried over from year to year, any potential errors in amounts can impact customer rates.

**Recommendations:**

We recommend that PG&E improve its monitoring and oversight policies and procedures to ensure reconciliations are performed timely and in accordance with its own internal policies and procedures.

**Finding 4: Incorrect Interest Recorded and Reported****Condition:**

PG&E incorrectly recorded and reported interest in nine of thirteen, or 69% of the balancing accounts judgmentally selected for interest testing. During our reconciliation of PG&E's Annual Report to the supporting balancing account subledgers and approved balancing account preliminary statements, we initially discovered interest variances for 13 (six electric and seven gas) balancing accounts totaling \$41,029 which PG&E attributed to not properly accruing or recording interest and not calculating interest correctly (Refer to Finding 2 and the Summary Schedules of Audits Results, Table 7). We examined this issue further and tested the recorded and reported interest for the thirteen balancing accounts that contained variances for all twelve months in 2021 and discovered that:

- PG&E overstated interest in five of thirteen, or 38% of balancing accounts tested by a total of \$25,688 due to inconsistently accruing interest on a monthly basis as stipulated in the approved Preliminary Statements.
- PG&E understated interest by a total of \$24,953 in seven of thirteen, or 54% of balancing accounts tested due to not utilizing the correct interest calculation. Specifically, PG&E calculated interest based on its general ledger ending balances which did not account for all activities for the month (i.e., entries for transfers, capital-revenue requirements, and interest adjustments in the Electric Program Investment Charge Revenue Adjustment Mechanism Balancing Account, Transportation Electrification Balancing Account and Adjustment Mechanism for Costs Determined in Other Proceeding Balancing Account) rather than the

monthly balancing account subledger ending balances that accounts for all recorded activities in the month.

As a result, we found that the total interest incorrectly recorded and reported for nine of thirteen, or 69% of balancing accounts was overstated by \$735. Although the net interest variance amount is immaterial, if left uncorrected, the amounts could become significant over time. A summary of the interest variances by commodity type is provided in the table below:

Commodity Type	No. of Accounts with Interest Variances	(Over)/Under Due to Inaccurate Interest Accrual	(Over)/Under Due to Incorrect Interest Calculation	Total (Over)/Under Variance
Electric	5	\$(13,662)	\$14,645	\$ 983
Gas	4	(12,026)	10,308	(1,718)
<b>Totals</b>	<b>9</b>	<b>\$(25,688)</b>	<b>\$24,953</b>	<b>\$ (735)</b>

A detailed breakdown of the interest variances by commodity type, account, reason for variance, and total variance amount is included in the Summary Schedules of Audit Results, Table 8.

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

Preliminary Statements for all PG&E's balancing accounts states:

PG&E will maintain the balancing account by making entries at the end of each month, ... An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15.

**Cause:**

PG&E lacks proper oversight and monitoring policies and procedures to ensure interest is computed and accrued correctly and consistently and applied appropriately in its balancing accounts in accordance with CPUC approved Preliminary Statements.

**Effect:**

Failure to properly accrue or calculate interest as required on a monthly basis can lead to inaccurate recording and reporting of interest in its balancing accounts. Any errors in the calculation or accrual of interest in the balancing accounts can diminish the benefits to ratepayers since balancing accounts accrue interest to be returned to ratepayers if the utility is over-collected or recovered as additional revenue if the utility is under-collected. Furthermore, since any over or under-collected year-end balance, including interest, are carried over from year to year, any potential incorrect interest amount could impact customer rates by being amortized into future rates.

**Recommendations:**

PG&E should enhance its monitoring and oversight policies and procedures to ensure interest is calculated correctly and applied appropriately as stipulated in the CPUC approved Preliminary Statements to avoid any potential errors.

**Finding 5: Unsupported Rebate Payment Totaling \$298,175****Condition:**

PG&E did not provide supporting documentation for a rebate payment charged to the Procurement Energy Efficiency Balancing Account (PEEBA) totaling \$298,175. During testing of expenditures, PG&E was unable to provide evidence to support a rebate payment to [REDACTED] in the amount of \$298,175. As a result, PG&E overstated the recorded and reported PEEBA expenditures by \$298,175 in 2021.

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

PU Code section 792.5(b) requires that transactions recorded in the balancing accounts are for allowable purposes and are supported by appropriate documentation.

PG&E's internal Invoice Payment Standard (Published 06/01/2020) section 5.2 states that Approvers are responsible for ensuring that:

2. b. Each expenditure was authorized, goods and services listed on the payment document were received, and the payment amount is correct...
- c. Accounting data is accurate and complete.
- e. The invoice number, invoice document date, and payment amount match supporting documentation.
3. Ensuring the support documents are appropriate and sufficient to explain and justify the payment amount...

**Cause:**

PG&E's internal protocols were not consistently implemented to ensure supporting documentation is maintained appropriately and can be readily made available from its internal operational resources to support this rebate payment charged to the PEEBA.

**Effect:**

It is imperative for each utility to maintain proper support for expenses and have documentation readily available for review to ensure financial accuracy, completeness, transparency, and compliance with applicable laws, rules, and regulations, and to ensure ratepayers do not pay any more or less in rates than necessary.

**Recommendations:**

PG&E should ensure its staff are aware of the relevant internal protocols, are properly trained, and are following them consistently to ensure supporting documentation is appropriately retained and readily available from its internal operational resources. PG&E should also reduce its 2021 PEEBA expenditures by a total of \$298,175.

**Finding 6: Unsupported Contract Expenditures Totaling \$688,595****Condition:**

PG&E did not provide requested contract agreements to support expenditures charged to the electric WMBA-E-NC<sup>2</sup> Balancing Account and VMBA – Current<sup>3</sup> totaling \$688,595. During testing of expenditures, PG&E was unable to validate contracted services related to Public Safety Power Shutoff (PSPS) activities that were invoiced and paid to [REDACTED] totaling \$429,041 and charged to the WMBA-E-NC. In addition, PG&E did not provide the contract to support four invoices paid to [REDACTED] totaling \$259,554 for tree trimming, pruning, and tree removal services that was recorded to the VMBA -Current balancing account in 2021. Therefore, these charges are unallowable costs and the expenses for the WMBA-E-NC and VMBA-Current are overstated by \$429,041 and \$259,554, respectively. A summary of unallowable charges by account, vendor name, invoice number, and amount due to lack of supporting contract agreements is outlined in the table below:

Unsupported Contracted Expenses		
Vendor Name	Invoice	Amount
<u>WMBA - Electric Non-Current</u>		
[REDACTED]	[REDACTED]	\$429,041
<u>VMBA - Electric Current</u>		
[REDACTED]	[REDACTED]	67,922
[REDACTED]	[REDACTED]	65,964
[REDACTED]	[REDACTED]	65,447
[REDACTED]	[REDACTED]	60,221
<b>Subtotal</b>		<b>\$259,554</b>
<b>Totals</b>		<b>\$688,595</b>

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

PU Code section 792.5(b) requires that transactions recorded in the balancing accounts are for allowable purposes and are supported by appropriate documentation.

PG&E's internal Invoice Payment Standard (Published 06/01/2020) section 5.2 states that Approvers are responsible for ensuring that:

2. b. Each expenditure was authorized, goods and services listed on the payment document were received, and the payment amount is correct...
- c. Accounting data is accurate and complete.

<sup>2</sup> In the 2021 Annual Report, PG&E reported and recorded activities to the Wildfire Mitigation Balancing Account – Electric (Non-Current) to identify costs above the 115% adopted amount authorized in the Wildfire Mitigation Balancing Account – Electric Current.

<sup>3</sup> In the 2021 Annual Report, PG&E reported and recorded activities to the Vegetation Management Balancing Account – Non Current) to identify costs above the 120% adopted amount authorized in the Vegetation Management Balancing Account Current.

- e. The invoice number, invoice document date, and payment amount match supporting documentation.
- 3. Ensuring the support documents are appropriate and sufficient to explain and justify the payment amount...

**Cause:**

PG&E's internal protocols were not consistently implemented to ensure supporting documentation is maintained appropriately and can be readily made available from its internal operational resources to support these payments charged to the WMBA-E-NC and VMBA – Current totaling a combined \$688,595.

**Effect:**

It is imperative for each utility to maintain proper support for expenses and have documentation readily available for review to ensure financial accuracy, completeness, transparency, and compliance with applicable laws, rules, and regulations, and to ensure ratepayers do not pay any more or less in rates than necessary.

**Recommendations:**

PG&E should ensure its staff are aware of the relevant internal protocols, are properly trained, and are following them consistently to ensure supporting documentation is appropriately retained and readily available from its internal operational resources. PG&E should also reduce its 2021 WMBA-E-NC and VMBA-Current expenditures by a total of \$429,041 and \$259,554, respectively.

**Finding 7: Unallowable VMBA Expenditures Totaling \$55,900****Condition:**

PG&E overstated its expenses in its electric VMBA-NC by \$55,900 due to recording and reporting unallowable charges for labor of two staff not specified in the contract agreement between PG&E and its vendor, [REDACTED]. During testing of expenditures recorded to the VMBA-NC, we discovered unallowable charges totaling \$55,900 for labor of two staff in invoice #5053 not specified in contract agreement [REDACTED]. As a result, PG&E overstated VMBA-NC expenses by a total of \$55,900.

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

PU Code section 792.5(b) requires that transactions recorded in the balancing accounts are for allowable purposes and are supported by appropriate documentation.

PG&E's internal Invoice Payment Standard (Published 06/01/2020) section 5.2 states that Approvers are responsible for ensuring that:

- 2. b. Each expenditure was authorized, goods and services listed on the payment document were received, and the payment amount is correct...
- c. Accounting data is accurate and complete.
- e. The invoice number, invoice document date, and payment amount match supporting documentation.

3. Ensuring the support documents are appropriate and sufficient to explain and justify the payment amount...

**Cause:**

PG&E lacks adequate monitoring and oversight in its review and invoice payment approval process to ensure that expenditures comply with contract agreement terms and conditions.

**Effect:**

It is imperative that costs recorded to its balancing accounts are properly reviewed to ensure financial accuracy, completeness, transparency, and compliance with applicable laws, rules, and regulations, and to ensure ratepayers do not pay any more or less in rates than necessary.

**Recommendations:**

PG&E should strengthen its invoice review and approval process to ensure that invoices are billed and paid accurately and in accordance with the contract terms and conditions. In addition, PG&E should reduce its electric VMBA-NC expenditures by a total of \$55,900 for these unauthorized and unallowable vendor charges recorded and reported in 2021.

**Finding 8: Duplicate Expenditures Charged to VMBA Totaling \$18,639**

**Condition:**

PG&E overstated its expenses in its electric VMBA-NC by a total of \$18,639 due to paying duplicate charges invoiced by vendor [REDACTED]. During our testing of expenses, we found that PG&E over-paid [REDACTED] by \$18,639 due to duplicate charge in invoice [REDACTED] labeled as Billable Misc Charges for \$18,639 and Lodging (Daily Rate W Taxes x Days of Stay) for the same amount. As a result, the recorded and reported VMBA-NC expenditures were overstated by a total of \$18,639 in 2021.

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

PU Code section 792.5(b) requires that transactions recorded in the balancing accounts are for allowable purposes and are supported by appropriate documentation.

PG&E's internal Invoice Payment Standard (Published 06/01/2020) section 5.2 states that Approvers are responsible for ensuring that:

- 2. b. Each expenditure was authorized, goods and services listed on the payment document were received, and the payment amount is correct...
- c. Accounting data is accurate and complete.
- e. The invoice number, invoice document date, and payment amount match supporting documentation.
- 3. Ensuring the support documents are appropriate and sufficient to explain and justify the payment amount...

**Cause:**

PG&E lacks adequate monitoring and oversight of its review and invoice payment approval process to ensure that expenditures are accurately paid.

**Effect:**

It is imperative that costs recorded to its balancing accounts are properly reviewed to ensure financial accuracy, completeness, transparency, and compliance with applicable laws, rules, and regulations, and to ensure ratepayers do not pay any more or less in rates than necessary.

**Recommendations:**

PG&E should strengthen its invoice review and approval process to ensure that invoices are billed and paid accurately and supported by source documentation. In addition, PG&E should reduce its electric VMBA-NC expenditures by \$18,639 due to duplicate payment for the same services.

**Finding 9: Unsupported VMBA Expenses Totaling \$501,319****Condition:**

PG&E did not provide requested documentation to support expenditures recorded and reported to it VMBA-Current totaling \$501,319 (\$433,176 for vegetation and PSPS activities, and \$68,143 for helicopter services). During testing of expenditures, PG&E was unable to provide supporting invoice details to validate pre-inspection vegetation service charges paid to [REDACTED] totaling \$319,601 and [REDACTED] for services related to PSPS activities totaling \$113,575. A summary of unsupported expenditures transactions charged to the VMBA-Current by vendor name, testing sample number, contract number, invoice number, and amount is shown in the table below:

<b>Unsupported VMBA-Current Expenditures</b>			
<b>Sample #</b>	<b>Contract #</b>	<b>Invoice #</b>	<b>Amount</b>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
54	[REDACTED]	6633	<b>\$113,575</b>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
46	[REDACTED]	2	182,746
47	[REDACTED]	3	136,855
<b>Subtotal - [REDACTED]</b>			<b>\$319,601</b>
<b>Total</b>			<b>\$433,176</b>

In addition, PG&E was unable to provide evidence to support charges totaling \$68,143 to VMBA-Current for helicopter services in support of PSPS program, Wildfire Safety Inspection Program (WSIP), and the Project Maintenance and Construction Work. Specifically, for the August 2021 invoices selected for testing within Order #8191346, PG&E was unable to provide evidence to support the charges totaling \$68,143 allocated to the VMBA-Current based on helicopter charges of \$4,008.40 per day for 17 days.

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

PU Code section 792.5(b) requires that transactions recorded in the balancing accounts are for allowable purposes and are supported by appropriate documentation.



PG&E's internal Invoice Payment Standard (Published 06/01/2020) section 5.2 states that Approvers are responsible for ensuring that:

2. b. Each expenditure was authorized, goods and services listed on the payment document were received, and the payment amount is correct...
- c. Accounting data is accurate and complete.
- e. The invoice number, invoice document date, and payment amount match supporting documentation.
3. Ensuring the support documents are appropriate and sufficient to explain and justify the payment amount...

**Cause:**

PG&E's internal protocols were not consistently implemented to ensure supporting documentation is maintained appropriately and can be made readily available from its internal operational resources to support payments charged to VMBA-Current totaling \$501,319.

**Effect:**

It is imperative for each utility to maintain proper support for expenses and have documentation readily available for review to ensure financial accuracy, completeness, transparency, and compliance with applicable laws, rules, regulations, etc., and to ensure ratepayers do not pay any more or less in rates than necessary.

**Recommendations:**

PG&E should ensure its staff are aware of the relevant internal protocols, are properly trained, and are following them consistently to ensure supporting documentation is appropriately retained and readily available from its internal operational resources. PG&E should also reduce its 2021 VMBA-Current expenditures by a total of \$501,319.

## SUMMARY SCHEDULES OF AUDIT RESULTS

**Table 1**  
**Summary - PG&E 2021 Annual Report**

#	Title of Accounts	Reported Net Under/(Over)-Collected Balance as of December 31, 2021
<b>Electric</b>		
1	BA - Calif. Alt Rates for Energy Program Elec	\$ 204,808,043
2	BA - Hazardous Substance-Electric	38,579,524
3	BA - CEE Incentive Balancing Acct - Electric	12,459,873
4	BA - Energy Resource Recovery Account	190,333,541
5	Energy Recovery Bonds Balancing Account	7,257,708
6	Distribution Revenue Adjustment Mechanism	(121,262,963)
7	DWR Power Charge Collection Balancing Account	122,064
8	Public Purpose Programs Revenue Adjustment Mechanism.	(47,098,653)
9	Modified Transition Cost Balancing Account	(16,108,493)
10	Procurement Energy Efficiency Revenue Adjustment Mechanism	20,434,811
11	Family Electric Rate Assistance Balancing Account	15,722,603
12	BA - Negative Ongoing Competition Transition Charge	3,325,652,362
13	NonCurrent HSM Balancing Account Electric	32,804,772
14	Nuclear Decommissioning Adjustment Mechanism	(136,741,062)
15	Dept. of Energy Litigation Balancing Account	(8,495,149)
16	Demand Response Expenditures BA - Incentives	(9,286,438)
17	New System Generation Balancing Account Current	7,167,034
18	Electric Program Investment Charge Revenue Adjustment Mechanism	13,743,785
19	Green Tariff Shared Renewables Balancing Account	(21,215,063)
20	BA - Portfolio Allocation Balancing Account	(99,511,182)
21	Hydro Licensing Balancing Account-Current	(4)
22	Nuclear Regulatory Commission Rulemaking Balancing Account-Current	(0)
23	Wildfire Mitigation Balancing Account - Electric Current	90,965,627
24	Residential Uncollectible Balancing Account	89,671,919
25	Integrated Distribution Energy Resources Account	1,437,339
26	Tree Mortality Non-Bypassable Charge Balancing Account	(10,909,135)
27	General Office Sale Balancing Account-E Current	(13,546,015)
28	Mobile Home Park B/A - Electric	22,360,522
29	Risk Transfer Balancing Account - Electric Current	391,690,056
30	Risk Transfer Balancing Account - Electric NonCurrent	43,595,017
31	BioMAT Non-Bypassable Charge Balancing Account	7,348,259
32	Major Emergency Bal Acct	113,170,648

#	Title of Accounts	Reported Net Under/(Over)-Collected Balance as of December 31, 2021
33	Hydro Licensing Balancing Account NonCurrent	(771,524)
34	Nuclear Regulatory Commission Rulemaking Balancing Account-NonCurrent	1,704,684
35	Diablo Canyon Retirement Bal Acct (Depreciation) - NonCurrent	0
36	Diablo Canyon Retirement Bal Acct (Depreciation) - Current	6,618,839
37	DCRBA - DCPD Employee Retention & Retraining Program	47,998,264
38	San Joaquin Valley Disadvantaged Communities Pilot BA	(27,970,346)
39	Public Policy Charge Balancing Account-Public Policy Charge Programs Subaccount	14,603,123
40	Disadvantaged Community Green Tariff Program Balancing Account	1,125,318
41	Net Energy Metering Balancing Account	625,149
42	Community Solar Green Tariff Balancing Account	(6,662,670)
43	PCIA Undercollection Balancing Account	99,423,771
44	Wildfire Mitigation Balancing Account (WMBA) - Electric Reason Review (Non-Current)	272,587,948
45	Vegetation Management Balancing Acct (VMBA) - Current	126,753,735
46	Vegetation Management Balancing Acct (VMBA) - NonCurrent	1,411,384,371
47	Procurement Energy Efficiency Balancing Acct-Current	(68,986,754)
48	CCA's DAC-GT and CS-GT Programs Balancing Account	(501,435)
49	Solar on Multifamily Affordable Housing Bal Acct	(184,889,812)
50	Wildfire Hardening Fixed Recovery Charge Balancing Account	(81,136,005)
51	California Solar Initiative Balancing Account	(68,060,699)
52	Demand Response Expenditures BA - Operations	(85,011,846)
53	Pension Contribution Balancing Account-Electric	(4,468)
54	Non-Tariffed Products and Srv BA-Electric	(537,397)
55	Energy Efficiency Financing Balancing A/C-Electric	(29,920,958)
56	VMBA - Other Current liability	
57	Electric Program Investment Charge Balancing Acct	(143,589,244)
58	Demand Response Expenditures Balancing Account -Emergency Load Reduction Program Subaccount	(30,541,856)
59	Demand Response Expenditures Balancing Account - Critical Peak Pricing Subaccount	(498,039)
60	Procurement Energy Efficiency Balancing Account	(7,003,635)
61	BA PPP Low Income - Electric Current	(70,868,745)
62	Statewide Marketing Education and Outreach Balancing Account-Electric	(7,682,318)
63	GHGRBA-Greenhouse Gas Revenue Subaccount	(68,755,524)
64	GHGRBA-LCFS Revenue Subaccount	(52,297,676)
65	DREBA Operations Balancing Account - Current	(0)
66	Electric Vehicle Program Balancing Acct-Current	(22,058,658)
67	Rule 20A Balancing Account (RBA) noncurrent	(13,643,287)
68	Statewide Energy Efficiency Balancing Acct-Electric	(11,533,619)

#	Title of Accounts	Reported Net Under/(Over)- Collected Balance as of December 31, 2021
69	Demand Response Expenditures Balancing Account - Demand Response Auction Mechanism NonCurrent	(15,647,283)
70	Public Policy Charge Balancing Account-Disadvantaged Communities Single-Family Solar Homes Non-current	(4,123,470)
71	AB841 School Energy Efficiency Stimulus Program Balancing Account-Electric	(6,495)
72	Essential Usage Study Expenditures Balancing Acct	(140,118)
73	GHGRBA-LCFS NonCurrent	(123,723,213)
	<b>Total - Electric Balancing Accounts</b>	<b>\$5,001,409,457</b>
<b><u>Gas</u></b>		
1	BA - Core Brokerage Fee	(275,572)
2	BA - Purchased Gas Account	12,194,994
3	BA - (BCA) Charge Account	12,102,987
4	Gas PPP Surcharge- CARE	6,609,359
5	BA - Hazardous Substance - Gas	90,018,888
6	BA - Gas Fixed Cost Account Core	(16,797,047)
7	BA Noncore Customer Class Charge Acct (eff. 3/98)	(26,063,750)
8	BA Core-Pipeline Demand Charge Account	(7,504,098)
9	BA - CEE Incentive Balancing Acct - Gas	4,849,744
10	BA - Gas Core Firm Storage Account	(2,657,377)
11	NonCurrent HSM balancing account gas	76,544,468
12	GTSRSM-Gas Transmission & Storage Revenue Sharing	(66,357,598)
13	AMCDOP-Cost Adjustment Mechanism-Other proceedings	95,577,095
14	GPBA-Greenhouse Gas Compliance Subaccount	3,082,374
15	GPBA-GHG Operational Costs Subaccount	(5,187,240)
16	Gas Storage Balancing Account	(7,654,098)
17	Wildfire Mitigation Balancing Account - Gas Current	(12,032,821)
18	Residential Uncollectible Balancing Account	36,995,103
19	Transmission Integrity Management Program Balancing Acct	(8,396,658)
20	General Office Sale BA-G Current	(7,091,543)
21	Gas Pipeline Expense & Capital Bal Acct (GPECBA)	0
22	Mobile Home Park B/A - Gas	22,507,182
23	Risk Transfer Balancing Account - Gas Current	143,193,203
24	Risk Transfer Balancing Account - Gas NonCurrent	15,355,332
25	New Environmental Regulations Balancing Account-Curr	(2,542,874)
26	Wildfire Mitigation Balancing Account - Gas Reason Review (Non-Current)	(15,093,402)
27	Adj Mechanism for Costs in Other Proceedings - NC	7,467,491
28	Public Purpose Program Energy Efficiency Bal Acct- Current	(15,574,644)

#	Title of Accounts	Reported Net Under/(Over)-Collected Balance as of December 31, 2021
29	BA - Public Purpose Program Energy Efficiency-Gas	(1,575,986)
30	Gas PPP Surcharge Energy Efficiency	(15,202,950)
31	Gas Public Purpose Program Surcharge Low Income	23,274,237
32	Gas Public Purpose Program Surcharge- RDD	1,008,298
33	Pension Contribution Balancing Account-Gas	(2,339)
34	Non-Tariffed Products and Service BA-Gas	(439,625)
35	Energy Efficiency Financing Balancing A/C-Gas	(5,335,080)
36	BA PPP Low Income - Gas Current	(164,252)
37	Statewide Marketing Education and Outreach Balancing Account-Gas	(539,029)
38	GPBA-Greenhouse Gas Revenue Subaccount	(38,131,613)
39	GPBA-LCFS Revenue Subaccount	34,793
40	Engineering Critical Assessment Balancing Acct-NonCurrent	6,011,130
41	GPBA-Biomethane Environmental Proceeds Subaccount	(930,171)
42	Natural Gas Leak Abatement Program Balancing Account-Current	0
43	Statewide Energy Efficiency Balancing Account-Gas	(2,371,321)
44	Hydrostatic Testing Balancing Account	(85,150,348)
45	Atmospheric Corrosion Balancing Account	117,776
46	Dairy Biomethane Pilot Balancing Account	(3,980,775)
47	AB841 School Energy Efficiency Stimulus Program Balancing Account-Gas	(1,330)
	<b>Total - Gas Balancing Accounts</b>	<b>\$ 209,890,912</b>
	<b>Grand Total - Net Under/(Over)-Collected Reported Amount</b>	<b><u>\$5,211,300,369</u></b>

**Table 2**  
**Summary - PG&E 2021 Expenditures Tested**

Balancing Account Name	Total Expense Amount Tested	Total Expenses Recorded in 2021	Percent Tested
<b><u>Electric</u></b>			
Vegetation Management Balancing Account (Electric) – Current	\$238,027,295	\$1,540,853,633	15%
Vegetation Management Balancing Account (Electric) – Non-Current	153,901,040	816,717,674	19%
Procurement Energy Efficiency Balancing Account (Electric)	24,916,013	154,187,012	16%
Solar on Multifamily Affordable Housing Balancing Account (Electric)	664,975	4,432,718	15%
Tree Mortality Non-Bypassable Charge Balancing Account (Electric)	8,981,708	59,540,102	15%
Risk Transfer Balancing Account (Electric) – Current <sup>4</sup>	166,830,927	1,066,916,255	16%
Wildfire Mitigation Balancing Account (Electric) – Current	14,909,196	110,222,798	14%
Wildfire Mitigation Balancing Account (Electric) – Non-Current	13,610,394	56,364,869	24%
Wildfire Hardening Fixed Recovery Charge Balancing Account (Electric)	67,360	67,360	100%
Demand Response Expenditures Balancing Account (Electric)	3,659,598	24,269,781	15%
<b>Subtotal - Electric</b>	<b>\$625,568,506</b>	<b>\$3,833,572,202</b>	<b>16%</b>
<b><u>Gas</u></b>			
Hydrostatic Testing Program Balancing Account (Gas)	5,730,059	32,176,078	18%
Adjustment Mechanism for Costs Determined in Other Proceedings (Gas) – Current <sup>5</sup>	166,830,927	1,066,916,255	16%
Risk Transfer Balancing Account (Gas) – Current <sup>6</sup>	166,830,927	1,066,916,255	16%
Wildfire Mitigation Balancing Account (Gas) – Current	842,622	5,248,977	16%
Dairy Biomethane Pilots Balancing Account (Gas)	3,564,349	3,564,319	100%
<b>Subtotal - Gas</b>	<b>\$343,798,884</b>	<b>\$2,174,821,884</b>	<b>16%</b>
<b>Grand Total</b>	<b>\$969,367,390</b>	<b>\$6,008,394,086</b>	<b>16%</b>

<sup>4</sup> The Risk Transfer Balancing Account (Electric) – Current, Adjustment Mechanism for Costs Determined in Other Proceedings (Gas) – Current, and Risk Transfer Balancing Account (Gas) – Current share expenditures and was subsequently tested as a whole.

<sup>5</sup> See Footnote 6 above.

<sup>6</sup> See Footnote 6 above.

**Table 3**  
**Summary – Balancing Account Interest Tested**

Balancing Account Name	Total Interest Tested
<b><u>Electric</u></b>	
Vegetation Management Balancing Account (Electric) – Current	\$103,914
Demand Response Expenditure Balancing Account (Electric)	33,496
Electric Program Investment Charge Revenue Adjustment Mechanism (Electric)	6,753
Electric Program Investment Charge (Electric)	22,587
Transportation Electrification Balancing Account	8,715
Public Policy Charge Balancing Account <sup>7</sup>	-
<b>Subtotal - Electric</b>	<b>\$175,465</b>
<b><u>Gas</u></b>	
Transmission Integrity Management Program Balancing Account (Gas) – Non-Current	\$ 17,592
Adjustment Mechanism for Costs Determined in Other Proceedings (Gas) – Current	38,417
Adjustment Mechanism for Costs Determined in Other Proceedings (Gas) – Non-Current	164
Engineering Critical Assessment Balancing Account (Gas) – Non-Current	6,986
Hydrostatic Testing Program Balancing Account (Gas)	50,397
Atmospheric Corrosion Program Balancing Account (Gas)	501
Residential Uncollectibles Balancing Account (Gas)	43,168
<b>Subtotal - Gas</b>	<b>157,225</b>
<b>Total Interest Tested</b>	<b>\$332,690</b>

<sup>7</sup> As identified in Finding 4, Summary Schedules of Audit Results, Table 8, PG&E did not accrue in the Public Policy Charge Balancing Account in 2021, but later corrected the error and recorded interest totaling \$1,211 on February 28, 2022.

**Table 4**  
**Omitted Balancing Accounts in 2021 Annual Report**

#	Tariff Name	Balancing Account Name
<b><u>Electric</u></b>		
1	EM	ClimateSmart Balancing Account - Electric
2	FM	Diablo Canyon Seismic Studies Balancing Account
3	HY	Rule 21 Balancing Account
4	IT	Microgrids Balancing Account
5	JD	Microgrid Reservation Capacity Component - Standby Charge Suspension Account
<b><u>Gas</u></b>		
6	BS	ClimateSmart Balancing Account - Gas
7	EN	Below-Ground storage Decommissioning Balancing Account
8	EO	Measurement & Control Station Rebuilds Program Balancing Account
9	ER	Internal Corrosion Program Balancing Account
10	ES	Physical Security Program Balancing Account
11	EX	Alternating Current Interference Balancing Account
12	EZ	Casing program Balancing Account
13	FA	In-Line Inspection Program Balancing Account



**Table 5**  
**Inconsistent Balancing Account Naming Convention**

#	Annual Report Balancing Account Name	Tariff Name	Balancing Account Name Per Preliminary Statement
<u>Electric</u>			
1	VMBA Current		
2	VMBA NonCurrent	BU	Vegetation Management Balancing Account
3	VMBA - Curr Liab		
4	PEEBA - Current		
5	BA PEEBA	DI	Procurement Energy Efficiency Balancing Account
6	DREBA - Incentives		
7	DCRBA-Depr NC		
8	DREBA - Operations		
9	DREBA ELRP Subacct.	EC	Demand Response Expenditures Balancing Account
10	DREBA CPP Subacct.		
11	DREBA Ops Current		
12	DREBA-Dem Res Auc NC		
13	GHGRBA-GHG Rev Sub		
14	GHGRBA-LCFS Rev Sub	GB	Greenhouse Gas Revenue Balancing Account
15	LCFS-E Non-Current		
16	HLBA - Current		
17	HLBA	GL	Hydro Licensing Balancing Account
18	NRCRBA - Current		
19	NRCRBA - NonCurrent	GM	Nuclear Regulatory Commission Rulemaking Balancing Account
20	IDERA	GZ	Distributed Energy Resources Distribution Deferral Account
21	Rule 20A-Non Current	HC	Rule 20 Balancing Account
22	EVPBA - Current	HH	Transportation Electrification Balancing Account
23	DCRBA-Depr Curr		
24	DCRBA-DCPP Ret BA	HK	Diablo Canyon Retirement Balancing Account
25	PPCBA Pub Pol Ch Prg		
26	DACGTBA		
27	CSGTBA	HM	Public Policy Charge Balancing Account
28	CCA DACGT & CSGT BA		
29	PPCBA-DACSASH Sub NC		
30	SJVDACBA	HU	San Joaquin Valley Disadvantage Communities Pilot Balancing Account (SJVDAC PBA)
31	BA - RTBA Elec Curr	IN	Risk Transfer Balancing Account

#	Annual Report Balancing Account Name	Tariff Name	Balancing Account Name Per Preliminary Statement
32	BA - RTBA Elec NC		
33	WMBA-E	IO	Wildfire Mitigation Balancing Account
34	WMBA-E-RR		
35	BA CEE Incent - Elec	P	Customer Energy Efficiency Adjustment
36	BA PPP Low Inc E Cur		
37	BA Hzrdus Sub - Elec	S	Hazardous Substance Mechanism
38	NC HSM BA Elec		
<b><u>Gas</u></b>			
1	BA Hzrdus Sub - Gas	AN	Hazardous Substance Mechanism
2	NC HSM BA Gas		
3	TIMPBA-noncurrent	CL	Transmission Integrity Management Program Balancing Account
4	AMCDOP	CO	Adjustment Mechanism for Costs Determined in Other Proceedings
5	AMCDOP-noncurrent		
6	GPBA-GHG Comp Subacc		
7	GHG Ops Costs Sub		
8	GPBA-GHG Rev Subacct	DH	Gas Programs Balancing Account
9	GPBA-LCFS Rev Sub		
10	GPBA-BEPS Rev Sub		
11	ECABA-noncurrent	DQ	Engineering Critical Assessment Balancing Account
12	NEBRA - Current	DZ	New Environmental Regulations Balancing Account
13	NGLAPBA -Current		
14	BA - RTBA Gas Curr	FK	Risk Transfer Balancing Account - Gas
15	BA - RTBA Gas NC		
16	WMBA-G	FL	Wildfire Mitigation Balancing Account
17	WMBA-G-RR		
18	PPP- CARE	V	California Alternate Rates for Energy Account
19	BA CEE Incent - Gas		
20	PPPEEBA-Current	Y	Customer Energy Efficiency Adjustment
21	BA Public Purps Prg		
22	BA PPP Low Inc G Cur		

**Table 6  
Inconsistent Reporting of Subaccounts**

#	Tariff Name	Balancing Account Name Per Preliminary Statement	Annual Report Subaccounts
<u>Electric</u>			
1	BU	Vegetation Management Balancing Account	VMBA Current VMBA NonCurrent VMBA - Curr Liab
2	DI	Procurement Energy Efficiency Balancing Account	PEEBA - Current BA PEEBA
3	EC	Demand Response Expenditures Balancing Account	DREBA - Incentives DCRBA-Depr NC DREBA - Operations DREBA ELRP Subacct. DREBA CPP Subacct. DREBA Ops Current DREBA-Dem Res Auc NC
4	GB	Greenhouse Gas Revenue Balancing Account	GHGRBA-GHG Rev Sub GHGRBA-LCFS Rev Sub LCFS-E Non-Current
5	GL	Hydro Licensing Balancing Account	HLBA - Current HLBA
6	GM	Nuclear Regulatory Commission Rulemaking Balancing Account	NRCRBA - Current NRCRBA - NonCurrent
7	HK	Diablo Canyon Retirement Balancing Account	DCRBA-Depr Curr DCRBA-DCPP Ret BA
8	HM	Public Policy Charge Balancing Account	PPCBA Pub Pol Ch Prg DACGTBA CSGTBA CCA DACGT & CSGT BA PPCBA-DACSASH Sub NC
9	IN	Risk Transfer Balancing Account	BA - RTBA Elec Curr BA - RTBA Elec NC
10	IO	Wildfire Mitigation Balancing Account	WMBA-E WMBA-E-RR
11	P	Customer Energy Efficiency Adjustment	BA CEE Incent - Elec BA PPP Low Inc E Cur

#	Tariff Name	Balancing Account Name Per Preliminary Statement	Annual Report Subaccounts
12	S	Hazardous Substance Mechanism	BA Hzdus Sub - Elec NC HSM BA Elec
<b><u>Gas</u></b>			
13	AN	Hazardous Substance Mechanism	BA Hzdus Sub - Gas NC HSM BA Gas
14	CO	Adjustment Mechanism for Costs Determined in Other Proceedings	AMCDOP AMCDOP-noncurrent GPBA-GHG Comp Subacc
15	DH	Gas Programs Balancing Account	GHG Ops Costs Sub GPBA-GHG Rev Subacct GPBA-LCFS Rev Sub GPBA-BEPS Rev Sub
16	DZ	New Environmental Regulations Balancing Account	NEBRA - Current NGLAPBA -Current
17	FK	Risk Transfer Balancing Account - Gas	BA - RTBA Gas Curr BA - RTBA Gas NC
18	FL	Wildfire Mitigation Balancing Account	WMBA-G WMBA-G-RR
19	Y	Customer Energy Efficiency Adjustment	BA CEE Incent - Gas PPPEEBA-Current BA Public Purps Prg BA PPP Low Inc G Cur

**Table 7**  
**Summary – Total Under/(Over)-Stated Recording Variances**

Balancing Account Name	Under/(Over)- Stated Recording Variance	Under/(Over)- Stated Interest Variance	Total Under/(Over)- Stated Variance
<b><u>Electric</u></b>			
Procurement Energy Efficiency Balancing Account	\$ 22,673		\$ 22,673
Family Electric Rate Assistance Balancing Account	(1,230,545)		(1,230,545)
Statewide Marketing, Education and Outreach Balancing Account	(435,960)		(435,960)
Statewide Energy Efficiency Balancing Account	(23,083)		(23,083)
San Joaquin Valley Disadvantage Communities Pilot Balancing Account	(8,538)		(8,538)
Essential Usage Study Experience Balancing Account	(29,993)		(29,993)
Vegetation Management Balancing Account		(30,053)	(30,053)
Demand Response Expenditures Balancing Account		2,656	2,656
Electric Program Investment Charge Revenue Adjustment Mechanism		(1,199)	(1,199)
Electric Program Investment Charge Transportation Electrification Balancing Account		3,808	3,808
Public Policy Charge Balancing Account		(7,499)	(7,499)
		1,211	1,211
Various Round Errors			(485)
<b>Subtotal – Electric Under/(Over) Variance</b>	<b>\$(1,705,446)</b>	<b>\$(31,076)</b>	<b>\$ (1,737,007)</b>
<b><u>Gas</u></b>			
Transmission Integrity Management Program Balancing Account	(87,612)	(98,418)	(186,030)
Statewide Marketing, Education and Outreach Balancing Account	436,583		436,583
Statewide Energy Efficiency Balancing Account	(4,728)		(4,728)
Customer Energy Efficiency Adjustment Balancing Account	4,470		4,470
Adjustment Mechanism for Costs Determined in Other Proceedings		4,642	4,642

Balancing Account Name	Under/(Over)- Stated Recording Variance	Under/(Over)- Stated Interest Variance	Total Under/(Over)- Stated Variance
Adjustment Mechanism for Costs Determined in Other Proceedings (Non- Current)		(6,748)	(6,748)
Engineering Critical Assessment Balancing Account (Non-Current)		61,738	61,738
Hydrostatic Testing Program Balancing Account		11,382	11,382
Atmosphere Corrosion Program Balancing Account		(1,194)	(1,194)
Residential Uncollectibles Balancing Account - Gas		18,645	18,645
Various Round Errors			(68)
<b>Subtotal - Gas Under/(Over) Variance</b>	<b>\$ 348,713</b>	<b>\$ (9,953)</b>	<b>\$ 338,692</b>
<b>Total Under/(Over) Variance</b>	<b>\$(1,356,733)</b>	<b>\$(41,029)</b>	<b>\$ (1,398,315)</b>
<b>Incorrect Reporting of NOCTCMA</b>			<b>(3,325,652,362)</b>
<b>Grand Total – Annual Report Variance</b>			<b>\$(3,327,050,677)</b>

**Table 8**  
**Summary – Total Under/(Over)-Stated Interest Variances**

Balancing Account Name	(Over)/Under Due to Inaccurate Interest Accrual	(Over)/Under Due to Incorrect Interest Calculation	Total (Over)/Under Variance
<b><u>Electric</u></b>			
Vegetation Management Balancing Account	\$ (14,873)	\$ 7,650	\$ (7,223)
Electric Program Investment Charge Balancing Account (EPIC)		(1,702)	(1,702)
EPIC Revenue Adjustment Mechanism Balancing Account		1,199	1,199
Public Policy Charge Balancing Account	1,211		1,211
Transportation Electrification Balancing Account		7,498	7,498
<b>Subtotal - Electric</b>	<b>\$(13,662)</b>	<b>\$14,645</b>	<b>\$ 983</b>
<b><u>Gas</u></b>			
Transmission Integrity Management Program Balancing Account		3,079	3,079
Adjustment Mechanism for Costs Determined in Other Proceedings	(5,545)	1,021	(4,524)
Atmosphere Corrosion Program Balancing Account	70		70
Residential Uncollectibles Balancing Account - Gas	(6,551)	6,208	(343)
<b>Subtotal - Gas</b>	<b>\$(12,026)</b>	<b>\$10,308</b>	<b>\$(1,718)</b>
<b>Totals</b>	<b>\$(25,688)</b>	<b>\$24,953</b>	<b>\$ (735)</b>

## APPENDIX A—UTILITY'S RESPONSE TO DRAFT AUDIT REPORT

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Pacific Gas and Electric Company  
300 Lakeside Drive  
Oakland, Ca, 94612-3534

March 19, 2024

Ms. Angie Williams, Director  
Utility Audits, Risk and Compliance Division

Subject: Pacific Gas and Electric's Response to the Utility Audit Branch (UAB) of the California Public Utilities Commission (CPUC) Audit of Pacific Gas and Electric Company's Balancing Accounts for the period of January 1, 2021, through December 31, 2021

Dear Ms. Williams:

Pacific Gas and Electric (PG&E) received the draft report in connection with the audit of PG&E's balancing accounts for the period of January 1, 2021 to December 31, 2021 from the UAB of the CPUC on March 5, 2024. PG&E takes this opportunity to submit comments concerning the Findings and Recommendations section of the audit report.

### **Finding 1: Inaccurate Reporting of Balancing Accounts**

PG&E has implemented process improvements to the annual report preparation process, starting with the fiscal year 2022 annual report. Processes improvements include:

- Completeness checks to ensure all accounts are captured within the report
- Presenting balancing account names to be consistent with the preliminary statements
- Presenting balances at the balancing account level, including subaccounts

### **Finding 2: Annual Report Variance Totaling \$3.3 Billion**

PG&E has implemented process improvements to the annual report preparation process, starting with the fiscal year 2022 annual report. This includes the classification of the accounts between balancing and memorandum accounts in accordance with the naming convention of the account.

In addition, the variances noted in the Condition were known differences between the subledger and general ledger balances identified by PG&E through the account reconciliation process. PG&E will update the annual report process to incorporate the known differences to ensure the balance presented is in line with the subledgers.

### **Finding 3: Monthly Balancing Account Reconciliations Not Performed Timely or Omitted**

PG&E has implemented additional reporting and oversight controls to ensure that account reconciliations are completed timely. This includes dashboards of reconciliation status that are leveraged to ensure timely completion.

### **Finding 4: Incorrect Interest Recorded and Reported**

PG&E respectfully views the impact of the incorrect interest calculations as immaterial on both a gross (\$51 thousand) and net (\$753 whole dollars) perspective. Furthermore, PG&E's account reconciliation process captures variances at the individual as well as the aggregate level across all accounts to ensure the issue does not become material. PG&E has a mitigating control to review and track variances to raise awareness with management. This includes:



- Non-recurring differences over 120 days outstanding and greater than \$250 thousand in aggregate reviewed by Manager;
- Unknown differences greater than \$100 thousand in aggregate by Manager; or
- Items greater than \$1 million by Manager and Director.

Nevertheless, PG&E will evaluate enhancements to the reconciliation process.

**Unsupported or Unallowable Expenditures**

Finding 5: Unsupported Rebate Payment Totaling \$298,175

Finding 6: Unsupported Contract Expenditures Totaling \$688,595

Finding 7: Unallowable VMBA Expenditures Totaling \$600,253

Finding 9: Unsupported VMBA Expense Totaling \$501,319

PG&E performed additional research after the conclusion of the substantive testing period and validated the charges for Findings 5, 6, 7, 8 and 9 are appropriate and in line with contract terms. The additional support has been submitted to the UAB for review.

In addition, PG&E will evaluate the process for providing resources and support for future audits.

**Finding 8: Duplicate Expenditures Charge to VMBA Total \$18,639**

Upon further investigation of the charge in question, PG&E confirmed the charge referenced in the finding is a duplicate charge from the vendor. PG&E will record an adjusting entry to remove the charge from the VMBA.

**Conclusion**

PG&E appreciates the work performed by the UAB and looks forward to the final audit report. If there are any follow up questions concerning this response, please contact Mia Gilbert (Mia.Gilbert@pge.com)

Sincerely,

Stephanie Williams  
Vice President, Controller, Utility Chief Financial Officer  
Pacific Gas & Electric Company  
300 Lakeside Drive  
Oakland, CA 94612-3534

cc: Jennifer Garboden, Senior Director, Assistant Controller, PG&E  
Mia Gilbert, Director, Energy Accounting, PG&E  
Masha Vorobyova, Assistant Director, UAB, CPUC  
Kevin Nakamura, Program and Project Supervisor, UAB, CPUC  
Edwin Esternon, Senior Management Auditor, UAB, CPUC  
Na "Lina" Li, Senior Management Auditor, UAB, CPUC  
Angie Huang, Senior Management Auditor, UAB, CPUC

## APPENDIX B—UAB'S EVALUATION OF UTILITY'S RESPONSE

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We appreciate PG&E's comments submitted on March 19, 2024. PG&E provided general comments and responses regarding each finding and separately furnished additional supporting documents for Findings 5, 6, 7, and 9 through a secure document sharing platform. Below is our evaluation of PG&E's responses and assessment of accompanying supporting documentation by individual finding.

### **Finding 1: Inaccurate Reporting of Balancing Accounts**

We appreciate PG&E's efforts in the development and implementation of improvements to its annual report preparation process.

The finding and recommendations remain unchanged.

### **Finding 2: Annual Report Variance Totaling \$3.3 Billion**

We appreciate PG&E's efforts in the development and implementation of improvements to its annual report preparation process.

The finding and recommendations remain unchanged.

### **Finding 3: Monthly Balancing Account Reconciliations Not Performed Timely or Omitted**

We appreciate PG&E's efforts in strengthening its controls to ensure monthly balancing account reconciliations are timely completed.

The finding and recommendations remain unchanged.

### **Finding 4: Incorrect Interest Recorded and Reported**

We appreciate PG&E's explanation of existing processes and controls to ensure variances do not become material and its consideration to evaluate enhancement to its reconciliation process.

The finding and recommendations remain unchanged.

### **Finding 5: Unsupported Rebate Payment Totaling \$298,175**

In its response, PG&E contends that it conducted additional research for this charge and validated that it is appropriate and in line with contract terms. Additionally, PG&E separately provided supplemental support with its comments to the draft report through a secure document sharing platform. Specifically, additional support provided by PG&E for this finding included a copy of its 2021 Energy Efficiency budget advice letters 4303-G/5936-E, 4303-G-A/5936-E-A, and CPUC decision D.18-05-041.

We disagree with PG&E's assertion that this charge to the PEEBA totaling \$298,175 is appropriate and in line with contract terms. Based on our assessment, PG&E provided information that described, among other things, Energy Efficiency program business plans, program budgets, goals, and types of rebates and incentives available to qualified customers. However, the supporting documents provided did not contain evidence to ascertain the type of rebate charged and how it was an allowable charge to the PEEBA.

As a result, the finding and recommendations remain unchanged.

**Finding 6: Unsupported Contract Expenditures Totaling \$688,595**

In its response, PG&E contends that it conducted additional research for this charge and validated that it is appropriate and in line with contract terms. Additionally, PG&E asserted that it separately provided supplemental support with its comments to the draft report through a secure document sharing platform relating to the charges recorded and reported to the electric WMBA-E-NC and VMBA-Current totaling \$429,041 and \$259,554, respectively.

We disagree with PG&E's assertion that these charges to WMBA-E-NC and VMBA-Current totaling \$688,595 are appropriate and in line with contract terms. Based on our review and inspection of additional supporting documents transmitted through the secure document sharing platform, PG&E did not include the contract agreement to support and validate contracted services related to PSPS activities that were invoiced and paid to [REDACTED] totaling \$429,041 and charged to the WMBA-E-NC. In addition, PG&E did not provide the contract agreement to support the four invoices paid to [REDACTED] totaling \$259,554 for tree trimming, pruning, and tree removal services that was charged to the VMBA -Current balancing account in 2021.

As a result, the finding and recommendations remain unchanged.

**Finding 7: Unallowable VMBA Expenditures Totaling \$600,253**

In its response, PG&E contends that it conducted additional research for these charges and validated that they are appropriate and in line with contract terms. Additionally, PG&E separately provided supplemental support with its comments to the draft report through a secure document sharing platform relating to the charges recorded and reported to its electric VMBA-Current and VMBA-NC totaling \$309,992 and \$290,261, respectively, for a total of \$600,253.

We reviewed the documents transmitted and partially agreed with PG&E's assertion that these charges to its electric VMBA-Current and VMBA-NC totaling \$600,253 are appropriate and in line with contract terms. Based on our assessment of the additional support provided by PG&E, we found that the overtime and/or double-time expenditures paid to [REDACTED] and recorded to VMBA-Current in the amount of \$309,992 and VMBA-NC totaling \$234,361, for a total of \$544,353, are allowable based on the contract agreement changes orders provided by PG&E.

However, PG&E did not provide any additional contract information or support to validate the charges totaling \$55,900 for labor of two staff not specified in the contract agreement with [REDACTED] and charged to its electric VMBA-NC.

As a result, we revised the finding amount of \$600,253 previously stated in the draft audit report to a new amount of \$55,900 as now stated in the final audit report. The total revised and adjusted unallowable VMBA expenditures in the Executive Summary and Finding 7 in the Findings and Recommendations section of this final report has been updated to reflect a revised unallowable amount of \$55,900 instead of \$600,253 as originally identified during the audit.

**Finding 8: Duplicate Expenditures Charged to VMBA Totaling \$18,639**

PG&E agreed with this finding and indicated that it will record an adjusting entry to remove the

duplicate charge totaling \$18,639 recorded and reported to its VMBA in 2021.

The finding and recommendations remain unchanged.

**Finding 9: Unsupported VMBA Expenses Totaling \$501,319**

In its response, PG&E contends that it conducted additional research for these charges and validated that they are appropriate and in line with contract terms. Additionally, PG&E asserted that it separately provided supplemental support with its comments to the draft report through a secure document sharing platform for these expenditures recorded and reported to VMBA-Current totaling \$501,319 (\$433,176 for vegetation and PSPS activities, and \$68,143 for helicopter services).

We disagree with PG&E's assertion that these charges to VMBA-Current totaling \$501,319 are appropriate and in line with contract terms. Based on our review and inspection of the additional supporting documents transmitted through the secure document sharing platform, PG&E did not include additional support to validate the pre-inspection vegetation service charges paid to [REDACTED] totaling \$319,601 and [REDACTED] for services related to PSPS activities totaling \$113,575.

In addition, PG&E did not include evidence to validate the \$68,143 recorded and reported to VMBA-Current for helicopter services in support of PSPS program, Wildfire Safety Inspection Program (WSIP), and the Project Maintenance and Construction Work. Specifically, PG&E provided an internal meeting document dated January 1, 2023, that listed "Helicopter Usage Chargeback" as the topic for "All Functional Areas utilizing Helicopters." This internal meeting document included a general overview, method for estimating helicopter charges, chargeback process, monthly accrual process, and guidance on utilizing exclusive use contracts. However, for the August 2021 invoices selected for testing within Order #8191346, it did not address nor provide evidence to support the charges totaling \$68,143 allocated to the VMBA-Current based on helicopter charges of \$4,008.40 per day for 17 days.

As a result, the finding and recommendations remain unchanged.