



# GAS RESEARCH AND DEVELOPMENT PROGRAM PERFORMANCE AUDIT

California Energy Commission

July 1, 2022, through June 30, 2023

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
August 28, 2025



## **MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

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**A digital copy of this report can be found at:**

**[Audit Reports by Industry \(ca.gov\)](#)**

**You can contact our office at:  
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400 R Street, Suite 221  
Sacramento, CA 95811**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

August 28, 2025

Jonah Steinbuck, Director  
Energy Research and Development Division  
California Energy Commission  
715 P Street  
Sacramento, CA 95814

Dear Jonah Steinbuck:

**Final Report Transmittal Letter—Audit of California Energy Commission's Gas Research and Development Program for the Period of July 1, 2022, Through June 30, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of California Energy Commission's (CEC) Gas Research and Development Program for the period of July 1, 2022, through June 30, 2023. The final audit report is enclosed.

Our audit disclosed no findings requiring a response and we are issuing the report as final. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry).

We appreciate CEC's assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Nancy Ta, Supervisor, at (415) 914-4841.

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: See next page

Jonah Steinbuck, Director  
Energy Research and Development Division  
California Energy Commission  
August 28, 2025  
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cc: Drew Bohan, Executive Director, CEC  
Jennifer Martin-Gallardo, Deputy Executive Director, CEC  
Mindy Patterson, Audit Director, CEC  
Christina Evola, Assistant Chief Counsel, Chief Counsel's Office, Transactions, CEC  
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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 Gas Research and Development (R&D) program administered by the California Energy Commission (CEC) for the audit period of July 1, 2022, through June 30, 2023, or Fiscal Year (FY) 2022-2023.

Our audit objective was to determine whether CEC's expenditures reported for the Gas R&D program from July 1, 2022, through June 30, 2023, were for allowable purposes, supported by appropriate documentation, and in compliance with applicable Public Utilities (PU) Code sections, CPUC decisions, resolutions, guidelines, CEC policies and procedures, and other relevant criteria.

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found that the expenditures reported for the period July 1, 2022, to June 30, 2023, were for allowable purposes, supported by appropriate documentation, and in compliance with applicable PU Code sections, CPUC decisions, resolutions, guidelines, CEC policies and procedures, and other relevant criteria.

# AUDIT REPORT

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## Background

### *Gas Research and Development Program*

CPUC established the gas research and development program in 2004, pursuant to Assembly Bill (AB) 1002. AB 1002 required CPUC to impose a surcharge on gas consumed in California to fund gas-related public purpose programs such as low-income customer assistance, energy efficiency, and public interest research and development. The public interest research and development program is also known as the Gas R&D program and aims to improve gas energy efficiency and environmental quality, develop renewable technologies, and otherwise provide benefits to the public.

In Decision (D.) 04-08-010, CPUC designated CEC as the program administrator. In more recent years, CPUC approved funding for Southern California Gas Company in D.19-09-051 and Pacific Gas and Electric Company in D.23-11-069, to engage in gas research, development, and demonstration. CPUC publishes R&D related information at [Energy Research Development and Deployment](#).

CEC's Energy R&D Division administers the Gas R&D Program with an annual budget plan of \$24 million, \$21.6 million for gas research funding areas and \$2.4 million for program administration.

### *Gas Research Funding Areas*

The CEC Gas R&D program funds the development and deployment of improved natural gas technologies and practices. The Gas R&D program focuses on five primary research areas:

- Gas-related Energy Efficiency
- Renewable Energy and Advanced Generation
- Gas Infrastructure Safety and Integrity
- Energy-Related Environmental Research
- Gas-Related Transportation

For FY 2022-2023, CEC distributed \$18,929,529 of encumbered funds for gas research funding across multiple budget plans.

### *Program Administration*

CEC, as the administrator of Gas R&D program, has the responsibility to offer public interest projects for CPUC approval and provide oversight so that projects are performed in a timely manner, within budget, and at reasonable cost. The administrator manages daily activities and Gas R&D projects, including planning, project procurement, project accounting and program evaluation.

CEC utilizes the program administration budget to fund 14 positions. These gas-funded positions are responsible for managing and developing solicitations, managing and developing agreements, reporting requirements and system support, and administrative oversight of Gas R&D program's internal and public websites, among others.

For FY 2022-2023, CEC incurred \$2,400,000 for program administration.



CEC outlined project successes and research benefits of completed and in-progress projects from July 1, 2022, through June 30, 2023, in its Gas Research and Development Program 2023 Annual Report<sup>1</sup> published October 2023 at CEC's website<sup>2</sup>.

## Audit Authority

UAB conducted this audit under the general authority outlined in PU Code section 314.6. Specifically, PU Code section 314.6.(a) authorizes the CPUC to conduct financial and performance reviews or audits of any entity or program created by any order, decision, motion, settlement, or other action of CPUC.

## Objective and Scope

Our objective was to determine whether CEC's expenditures reported for the Gas R&D program from July 1, 2022, through June 30, 2023, were for allowable purposes, supported by appropriate documentation, and in compliance with applicable PU Code sections, CPUC decisions, resolutions, guidelines, and CEC policies and procedures, and other relevant criteria.

The scope of our audit covered the audit period of July 1, 2022, through June 30, 2023, and included project expenditures of \$18,929,529 and program administration of \$2,400,000.

## Methodology

In planning our audit, we gained an understanding of the Gas R&D program and CEC's operations and identified relevant criteria by reviewing applicable PU Code sections, CPUC decisions, resolutions, orders, rulemakings, directives, CEC's policies and procedures, and interviewing CEC's personnel.

We conducted a risk assessment, including evaluating whether CEC's key internal controls relevant to our audit objective 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 objective, are included in this report.

Additionally, we assessed the reliability of the data extracted from CEC's accounting system and program information management 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 objective.

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

- Reviewed applicable CPUC decisions, resolutions, and CEC's internal policies and procedures to gain an understanding of the Gas R&D program.
- Reconciled CEC's project expenditure and administrative cost data to Open FI\$CAL for accuracy.

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<sup>1</sup> Public Resources Code section 25620.8 was amended in 2021 to provide further guidance on the preparation and submission of annual reports.

<sup>2</sup> [Gas Research and Development Program: 2023 Annual Report | California Energy Commission](#)



- Reviewed the following prior audit reports and determined that the audits were not relevant to our audit objective and, therefore, no further review was performed for:
  - UAB's examination report of CEC's Electric Program Investment Charge (EPIC) program for the period January 1, 2017, through December 31, 2017, issued on September 19, 2019.
  - Sjoberg Evashenk Consulting, Inc. performance audit of the EPIC program for the period January 1, 2012, through June 30, 2019, issued January 14, 2021.
  - Department of Finance, Office of State Audits and Evaluations performance audit of CEC's program management and year-end financial reporting processes for the period July 1, 2022, through January 31, 2024, issued July 30, 2024.
- Reviewed CEC's internal control policies and procedures related to the administration of the Gas R&D program.
- Reviewed CEC's program information management system's policies, processes and procedures for tracking and monitoring project's budgets and costs.
- Assessed significance by performing analysis of the project list and project expenditure data.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- Obtained an understanding of CEC's key internal controls relevant to its administration of the Gas R&D program, such as the solicitation process, project management, and expenditure review, and assessed the design, implementation, and operating effectiveness of selected controls that were significant to the audit objective by:
  - interviewing key personnel and administering an internal control questionnaire;
  - reviewing CEC's policies and procedures and assessing their implementation pertaining to solicitations and project management;
  - performing walkthroughs and obtaining narratives for the management of selected projects; and
  - tracing selected expenditure transactions to source documents, such as approvals, invoices, and agreements to verify consistency and operating effectiveness of controls over expenditures.
- Performed testing of program administration costs by:
  - verifying 14 gas-funded positions utilized for program administration to the organization chart;
  - judgmentally selecting two transactions and confirming labor charged were from employees listed in the gas-funded positions;

- recomputing indirect administrative cost based on Indirect Cost Proposal rate for accuracy; and
- confirming program administrative costs incurred is within the approved budgeted amount.
- Performed testing of project expenditures by judgmentally selecting a non-statistical sample of significant expenditure transactions totaling \$3,254,070 of \$18,929,529, or 17.2% of the total recorded expenses as illustrated in the table below:

Research Area	Total Expenditures Tested	Total Expenditures Recorded in FY2022-2023	Percent Tested
Energy Efficiency	\$327,456	\$3,174,225	10.3%
Energy-Related Environmental Research	1,262,051	3,918,618	32.2%
Natural Gas Infrastructure Safety and Integrity	616,187	6,267,898	9.8%
Natural Gas-Related Transportation	931,925	3,158,519	29.5%
Renewable Energy and Advance Generation	116,451	2,107,178	5.5%
Others	-	303,091	-
<b>Totals</b>	<b>\$3,254,070</b>	<b>\$18,929,529</b>	<b>17.2%</b>

- For the selected samples, traced expenditures recorded in CEC's accounting records to supporting documentation and determined whether costs were accurate, attributable to their respective projects, supported by appropriate source documents, and incurred in compliance with applicable CPUC directives, orders, rules, regulations, and CEC's policies and procedures by:
  - tracing expenditures to invoices to ensure expenditure (1) was incurred, (2) agreed to invoice amount, and (3) was calculated accurately;
  - reconciling payment advances to actual costs incurred during the invoiced period;
  - 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 expenditures and the amount agreed to the invoice; and
  - corroborating that the activity was completed as claimed for two projects by reviewing the scope work, progress reports, detailed demonstration and testing reports, and physically observing the resulting product.

We did not audit CEC's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that CEC reported and incurred expenditures in accordance with the applicable criteria. We considered CEC'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 objective.

## Conclusion

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found that CEC's expenditures reported for the period of July 1, 2022, to June 30, 2023, were for allowable purposes and supported by appropriate documentation and in compliance with applicable PU Code sections, CPUC decisions, resolutions, guidelines, CEC policies and procedures, and other relevant criteria.

## Follow-up on Prior Audit Finding

We have not previously conducted an audit of CEC's Gas R&D program. Furthermore, CEC did not identify any prior engagements that are significant within the context of our audit objective that would require us to determine if appropriate corrective actions have been taken to address the findings and recommendations.

## Views of Responsible Officials

We discussed the audits results with CEC representatives at an exit conference held on June 20, 2025. At the exit conference, we stated that the final report will include the views of responsible officials. Because there were no audit findings requiring a response, we are issuing the report as final.

## Restricted Use

This audit report is intended solely for the information and use of CEC and 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 final audit report, which is a matter of public record and will be available on 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