



<b>Purpose</b>	Describe PG&E's procedures for "below the line" (BTL) activities and expenses. BTL costs are borne solely by shareholders, not customers.
<b>Applicability</b>	These procedures are applicable to all departments at Pacific Gas and Electric Company that perform work activities for which the costs are borne by shareholders.
<b>Definitions</b>	<p><b>Provider Cost Centers (PCCs):</b> Cost centers that provide services to other cost centers or to orders. Each PCC must have a responsible person assigned to monitor its costs and manage the life-cycle of the PCC. The name of this person is on the SAP cost center master record.</p> <p><b>Orders:</b> SAP Planning Orders are used to plan costs; Actual Orders are used to record costs. Each order must have a responsible person assigned to monitor its costs and manage the life cycle of the order. The name of this person is on the SAP order master record.</p> <p><b>Positive Time Reporting:</b> Employee time reporting for time spent working on all activities. This includes work for both above- and below-the-line activities.</p> <p><b>Receiver Cost Centers (RCCs):</b> Receiver Cost Centers (RCCs) can be either a productive asset (e.g., a power plant), or products and services produced or provided for an external customer. RCCs develop and maintain budgets to operate, maintain, and/or improve their assets based on major work categories (MWCs, such as Maintain Boiler). All costs ultimately flow to RCCs, making it easier to determine what assets are worth, what they cost to own and operate, and how their product should be priced.</p>
<b>Guidelines</b>	<p>In general, expenses attributable to normal utility operations are "above the line" (ATL) and recoverable in rates. The California Public Utilities Commission requires that certain other costs be borne solely by shareholders, not customers, and therefore those costs are classified "below the line." (The terms "above the line" and "below the line" refer to whether an income or expense item appears above or below the operating income line on a utility's regulatory income statement.) Examples of below-the-line activities/expenses include:</p> <ol style="list-style-type: none"><li>1. Political activities and contributions</li><li>2. Charitable contributions</li><li>3. Brand image advertising</li></ol> <p>All costs charged "below the line" are recorded in FERC Account 426. The subaccounts within FERC Account 426 are as follows:</p> <ul style="list-style-type: none"><li>426.1 - Donations</li><li>426.2 - Life Insurance</li><li>426.3 - Penalties</li><li>426.4 - Expenditures for Certain Civic, Political and Related Activities</li><li>426.5 - Other Deductions</li></ul> <p>Please see Attachment C for more specific information on identifying and tracking BTL activities and costs.</p>

*Time and  
Expense  
Guidelines*

Time and expenses can be recorded BTL in the following two ways:

**1. Automatic Allocation of Costs to BTL Activities:**

For departments that perform 100% BTL activities, and employees (e.g., officers, managers, supervisors) who provide supervision and support to employees who perform BTL activities, allocations can be established to automatically charge time and expenses to BTL activities in SAP.

Some departments perform 100% BTL activities. Allocations for such departments will be automated in SAP, and all time and expenses for employees in such departments will be charged directly to BTL orders.

Some departments perform BTL activities on a regular basis in addition to above-the-line activities. These departments' officers and supervisors may not perform BTL activities directly, but since they oversee BTL activities, a portion of their time and expenses are allocated to BTL activities. For example, a Vice President responsible for employees who perform BTL activities as well as ATL activities allocate a proportionate amount of his or her time BTL. The allocation for officers and department heads is automated in SAP.

A list of departments that currently allocate expenses BTL is in Attachment A.

**2. Direct Charging for Time and Expenses, Including Corporate Items**

**a. Positive Time Reporting**

Departments that *regularly* perform both ATL and BTL activities must direct charge their time to the appropriate SAP orders. These departments are listed in Attachment B.

A list of departments that currently direct charge is in Attachment B.

Attachment E provides more specific details on the appropriate accounting. Attachment C describes BTL activities.

**b. Exception Time Reporting**

Departments that *occasionally* perform both ATL and BTL activities must direct charge time to appropriate SAP orders.

**c. Expenses**

Travel and personal expenses (e.g., mileage, parking, hotel) are charged to the employee's PCC. (When time is charged to an order, the hours are

converted to a dollar amount that includes expenses in addition to labor. Therefore, charging personal expenses to an order would be double counting.)

BTL contract and materials expenses should be recorded directly to the appropriate BTL order.

**d. Corporate Items**

Corporate Items should be charged to the appropriate cost element and PCC or RCC. For questions about how to record Corporate Items, please contact:

Redacted Management Reporting, Redacted

***Guideline Owners***

All recorded BTL charges will be reviewed by Operations Proceedings to ensure consistency in the resulting financial and regulatory recovery treatment for these expenditures. For more information, please contact:

Redacted Operations Proceedings, Redacted  
Bruce Fraser, Operations Proceedings, 223-1991, [BPF2@pge.com](mailto:BPF2@pge.com)

***Roles and Responsibilities***

Employee - Ensure familiarity with BTL procedures and direct charge orders if necessary.

Supervisors - Ensure familiarity with BTL procedures and approve individual time records to ensure accurate charging of time.

Directors and Vice Presidents - Ensure familiarity with BTL procedures and ensure controls are in place for employees to properly record the department's activities.

Operations Proceedings - Perform a reasonableness review of allocations and time recorded to BTL orders and resolve any issues in a timely manner.

Business Planning - Inform Operations Proceedings when structural changes to PCCs that time charge or allocate occur. Establish and maintain ATL and BTL orders.

Management Reporting - Ensure allocations to BTL orders are created and maintained in a timely manner.

***Attachments***

- A) Cost Centers that Allocate BTL
- B) Cost Centers that Direct Charge
- C) Guidelines on Activities that Must be Tracked BTL
- D) Procedures for Tracking and Recording Municipalization Campaign Activities and Expenses
- E) Below the Line Cost Elements

**Attachment A: Cost Centers that Allocate BTL**

The following cost centers are allocated 100% BTL in SAP:

<b><u>PCC</u></b>	<b><u>Cost Center Description</u></b>
10308	State Government Relations
10309	Charitable Contributions
10313	Advertising

A portion of the costs for each cost center listed below are automatically allocated BTL each month in SAP. Generally, these cost centers may not perform BTL activities directly, but supervise other cost centers that record time and expenses BTL. The allocations are determined based on the BTL percentages of the departments that report to it. Operations Proceedings will review these allocations on a quarterly basis and work with Management Reporting to adjust them as necessary.

<b><u>PCC</u></b>	<b><u>Cost Center Description</u></b>
10305	Governmental Relations ( <i>BTL percentage equals percentage for PCC 20060</i> )
10311	VP Communications
12853	VP Civic Partnership and Community Initiatives

**Attachment B: Cost Centers that Direct Charge**

The following departments *regularly* direct charge to ATL and BTL orders. The departments that direct charge are subject to change based on the extent to which they engage in BTL activities.

<b><u>PCC</u></b>	<b><u>Cost Center Description</u></b>
10306	Political Affairs
10892	Extnl Rel Outreach & coalition efforts ( <i>Community Relations group only</i> )
12243	Public Affairs Area 1
12244	Public Affairs Area 2
12245	Public Affairs Area 3
12246	Public Affairs Area 4 Los Padres
12514	Public Affairs Area 4 Fresno/Kern
12247	Public Affairs Area 5
12248	Public Affairs Area 6/7

## **Attachment C: Guidelines on Activities that Must be Tracked BTL**

### **I. Political Activities**

#### **Influencing federal, state, and local legislation**

Costs associated with influencing federal, state, and local legislation must be charged BTL. Influencing legislation includes any attempt through communication to influence any government official or employee regarding a legislative matter. Legislative matters include acts, bills, resolutions, or similar items coming before Congress, any state legislature, county board of supervisors, or city council, and ballot measures, propositions, referenda and initiatives placed on the ballot for vote by the electorate.

Not all time or expenses associated with interacting with government officials or employees needs to be recorded BTL. The following are examples of activities and costs that should be charged ATL:

- Communicating with regulatory agencies including but not limited to the California Public Utilities Commission (CPUC), Nuclear Regulatory Commission (NRC), California Energy Commission (CEC), Federal Energy Regulatory Commission (FERC) and Local Area Formation Commissions (LAFCo) to the extent the topic involves regulation
- Analyzing and monitoring proposed legislation or regulation to determine impact on the Company
- Responding to requests for information on legislative or regulatory proposals, such as assessing the potential impact or suggesting alternatives
- Reviewing and providing input to assist the Company on making a determination as to whether to take a position on a legislative or regulatory proposal
- Providing technical or ministerial information to public officials
- Providing information on issues of general interest
- Working on contracts, permits or licenses

#### **Municipalization**

Time and expenses in direct support of campaigns on proposed or actual municipalization ballot measures must be recorded BTL. Until a municipalization effort becomes a proposed or actual ballot measure, however, the associated activities and expenses should be charged ATL. See Attachment D for additional procedures on municipalization campaigns.

#### **Community Choice Aggregation (CCA)**

BTL activities include efforts to persuade government officials or customers to support a particular position, or marketing in order to retain customers as PG&E customers. This would include the time associated with attending meetings within the communities potentially affected. Although the purpose for attending these types of meetings could simply be to provide information rather than promote a particular outcome, the Company records this time BTL. PG&E reserves the right to seek recovery for costs associated with these activities.

ATL activities include responding to requests for information from government or regulatory officials, or participating on behalf of PG&E or supporting PG&E's participation in legal, regulatory or governmental proceedings in which PG&E's participation is mandatory, not discretionary. For example, time spent on activities necessary to implement a proposed CCA program is ATL.

## **II. Political Contributions and Memberships**

Contributions to "political" 501(c)(4) organizations and 527 committees must be charged BTL using Cost Element 5030300, "Exp Certain Civic/Political & Rel Actvs" or Cost Element 5030010, "Donations - Non Cash." In addition, labor and other costs associated with political contributions must be charged BTL. Political contributions support efforts including election campaigns, voter initiatives and referendums, voter registration and "get out the vote" campaigns. Political contributions can be monetary or non-monetary (e.g., use of company facilities for campaign purposes, employee time during the work day devoted to a political campaign), and in either case must be charged BTL.

Memberships in Chambers of Commerce must be charged BTL, using Cost Element 5030001, "Other Contribution (non 501c3)," or by booking to a below the line order or cost center. (Cost centers that are 100% below the line are identified in Attachment A.) Certain fees paid to professional organizations may be charged above-the-line (e.g., dues paid to California Bar Association or renewal of a Certified Public Accountant (CPA) license).

## **III. Charitable Contributions**

All charitable contributions must be charged BTL using Cost Element 5030000, "Charitable Contribution" or Cost Element 5030010, "Donations - Non Cash." In addition, labor and related costs associated with administering charitable contributions should be charged BTL. Charitable contributions include donations of money as well as other assets (e.g., land, computers).

## **IV. Advertising**

Costs related to advertising conducted to enhance PG&E's brand image or corporate identity must be charged BTL using Cost Element 5040130, "Other Inc & Deds - Advertising Expense."

Certain advertising costs, including associated labor and materials, may be charged above-the-line. Examples of advertising costs that can be charged above the line are legally required bill inserts, public purpose program messages (e.g., energy efficiency), and storm safety alerts.

## **V. Mergers and Acquisitions (M&A)**

Time and expenses related to the possible or actual merger with or acquisition of other entities must be charged BTL if incurred by the Utility. M&A costs incurred by PG&E Corporation must not be allocated to the Utility.

## **VI. Penalties and Notices of Violation**

All imposed civil penalties must be charged BTL using Cost Element 5030200, "Penalties." All Notices of Violation should be charged BTL using Cost Element 5030203, "Violation Notice-BTL."

## **VII. Other Non-Utility Activities**

Other non-utility activities must be charged BTL.

## **Attachment D: Procedures for Tracking and Recording Municipalization Campaign Activities and Expenses**

### **I. Purpose**

Describe PG&E's procedures for the defining, tracking, recording, and reporting of all labor and expenditures in direct support of campaigns on proposed or actual municipalization ballot measures.

### **II. Notification**

As soon as PG&E enters a "Campaign," notice must be provided to the Operations Proceedings and Law Departments to insure appropriate oversight and assistance.

### **III. Accounting**

Specific order numbers will be created to track all ballot measure campaign related expenses. Generally, two unique order numbers would be required for each campaign: one order for political contributions, and one for non-monetary (in-kind) contributions:

- An order number will be established to record political contributions to a separate, outside entity (usually a non-profit corporation formed under Internal Revenue Code section 501(c)(4)). This category of expenditure is pursuant to actions of the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company relative to political contributions.
- A second order number will be established to record any non-monetary (in-kind) contributions. This category of expenditure is also pursuant to actions of the Boards of Directors of PG&E Corporation and Pacific Gas and Electric Company. Non-monetary contributions will include the campaign related time charged through the payroll accounting system (see Timekeeping Requirements), payments to outside vendors and consultants, and the recording via journal entry of the value associated with the use of PG&E facilities.

Additional order numbers can be created as necessary.

### **IV. Ballot Measure Campaign Contributions**

All ballot measure campaign contributions will be processed by the "Political Contributions" unit of State Governmental Relations. Contribution requests will be forwarded to the Political Contributions unit with any supporting documentation. The Political Contributions unit will complete the appropriate approval forms and obtain all required signatures. The check will be requested and posted to the designated order number. The payment will be posted to the designated order number as well as the NetFile tracking and reporting system.

### **V. Non-Monetary Contributions**

All information related to non-monetary contributions to ballot measure committees, excluding employee work time, should be submitted to the Political Contributions unit in a timely manner. These contributions will also be processed by the "Political Contributions" unit of State Governmental Relations. Contribution requests will be forwarded to Political Contributions with any supporting documentation. Political Contributions will complete the appropriate approval forms and obtain all required signatures. Non-monetary contributions consisting of payments to outside vendors will be processed as an invoice. The check will be requested and forwarded to the vendor. The payment will be posted to the designated order number as well as the NetFile tracking and reporting system. Non-monetary contributions consisting of the use of internal PG&E facilities will be valued by the PG&E Campaign Lead and the valuation criteria will be vetted with outside political law counsel, documented and then recorded and reported to the Operations



Proceedings and Law Departments. The value of the non-monetary contribution will be reimbursed to the providing department via journal entry.

## **VI. Timekeeping Requirements**

Timekeeping records will be kept and campaign time will be charged to the campaign order number using the SAP time entry system called "CATS". All time devoted to the campaign will be recorded in one hour intervals. All time reporting will also be in compliance with the monthly questionnaire used to track campaign related labor for Fair Political Practices Commission (FPPC) and California Public Utilities Commission (CPUC) purposes. Please see the following section for those requirements.

The Government Relations employee assigned to coordinating the campaign will notify every employee involved in a ballot measure campaign of the time reporting responsibilities and campaign-related expense reimbursement.

## **VII. Campaign Volunteer Activities**

Employees who volunteer for campaign activities outside normal business hours and on their own personal time, specifically on weekends and evenings, are not compensated for these activities. As a result, their time is not includible in PG&E's payroll, expense or time reporting system. As such it is not appropriate for employees to drive a Company vehicle to these activities or be reimbursed for mileage, gasoline, lodging, meals or any other expenses.

## **VIII. FPPC and CPUC Reporting Requirements**

Relative to the employee involved in campaign activities during normal business hours, there is a separate but parallel reporting requirement dictated by the Fair Political Practices Commission. The collection of data is the responsibility of the Law Department. A monthly questionnaire will be distributed to all employees, IBEW members and contractors working on the campaign during normal business hours as identified by the PG&E Campaign Lead. The forms will be completed and submitted on a monthly basis or more frequently if there is a shorter reporting period, using the timekeeping records already created (see Timekeeping Requirements above) as the source documents. The distributions list for the questionnaires is expanded on a regular basis to capture new personnel that join campaign activities. It is imperative that the two documents and processes yield consistent accounting totals.

## **IX. Training**

The Manager of the Political Contributions unit of State Government Relations is responsible for providing comprehensive training to all employees involved in any ballot measure campaign. This includes employees required to report time and those responsible for other forms of non-monetary expenditures.

## **X. Monitoring**

The monitoring of the accounting of campaign expenses will be performed on an on-going basis. The Senior Vice President of Public Affairs will be responsible for the proper tracking and accounting of expenses. This function may be delegated to a Director level employee, generally the person directing the campaign day-to-day activities. A review of the accounting structure and compliance with this procedure will be performed periodically throughout the campaign. The review will include a comparison of the timekeeping reporting forms and the FPPC reporting forms to ensure they provide consistent information. At the conclusion of the campaign the accounting will be finalized and a final audit will be performed to ensure full compliance. The responsible Director will report regularly to the Senior Vice President of Public Affairs and confirm compliance with this procedure.

**Attachment E: Below The Line Cost Elements**

The following cost elements (CE's) are charged BTL:

Departmental

- 5030000 Charitable Contribution
- 5030001 Other Contribution (non 501c3)
- 5030010 Donations - Non Cash
- 5030200 Penalties
- 5030203 Violation Notice-BTL
- 5030300 Exp Certain Civic/Political & Rel Actvs
- 5040010 Other Income & Deductions - REACH
- 5040020 Other Inc & Deds - Cancelled Jobs
- 5040025 Other Inc & Deds - Miscellaneous Amortiz
- 5040040 Other Inc & Deds - Abandoned Projects
- 5040120 Other Inc & Ded - Legislative Expenses
- 5040125 Other Deductions - Reorganization Costs
- 5040130 Other Inc & Deds - Advertising Expense

Corporate Items

Corporate Items should be charged to the appropriate cost element and PCC or RCC. For questions about how to record Corporate Items, please contact:

Redacted Management Reporting, Redacted