State of California

Memorandum

Date: June 4, 2012

To: Edward Randolph
Director, Energy Division

From: **Public Utilities Commission—San Francisco**
Kayode Kajopaiye, Branch Chief
Division of Water and Audits

Subject: Interim Financial, Management and Regulatory Compliance Examination
Pacific Gas & Electric Company's Energy Efficiency (EE) Programs for the Year Ended December 31, 2010

This memo provides the Utility Audit, Finance and Compliance Branch's (UAFCB's) observations and recommendations on its Financial, Management and Regulatory Compliance Examination of Pacific Gas and Electric Company's (PG&E's) 2010 Energy Efficiency (EE) programs. Based on consultation with the Energy Division (ED) and UAFCB's prior experience, it examined the following PG&E's 2010 EE programs and costs: (1) the On-Bill Financing program (OBF); (2) EE administrative costs; and (3) the Home Energy Efficiency Rebate program (HEER). UAFCB observed certain deficiencies respecting PG&E's implementation of its EE programs in these areas.

A. Summary of Examination Observations and Recommendations

Except for the items noted below, PG&E demonstrated a reasonable degree of compliance with Commission directives respecting its OBF program, EE administrative costs and HEER program.[1]

Observation 1: PG&E could not fund OBF loans in 2010 because funding was tied to project completion and no projects were completed in 2010.

Recommendation
UAFCB recommends that its examination of PG&E's 2011EE program should include a review of the OBF procedures for disbursing funds and collecting loan payments.

Observation 2: The total administrative costs PG&E reported in its annual report to the Commission in 2010 is $4,161,085 more than the amount reflected in its SAP accounting records because of the subsequent correct reclassification made by PG&E to comply with the allowable cost definitions for cost elements in the administrative cost category.

Recommendation
UAFCB should revisit this matter in its next examination of PG&E's EE administrative costs because it misunderstood the reclassification process explained by PG&E.

[1] Commission directives used to measure compliance included, but were not limited to, D.09-09-047, the ruling in R.01-08-028, dated February 21, 2006 and Energy Division's memo, dated October 22, 2009.

Observation 3: PG&E could not easily access supporting documents to substantiate 42 transactions amounting to $288,241 from the 75 items representing $2,333,306 of the EE administrative expenses selected for testing.

Recommendation
UAFCB should revisit testing PG&E's EE administrative costs in its next examination, in particular the allocated EE administrative costs, to evaluate PG&E's SAP changes and perform other tests to evaluate the integrity of PG&E's allocation methodology.

Observation 4: Although PG&E was responsive to UAFCB's data requests, changes to PG&E's SAP and time constraints affected the scope and approach to UAFCB's substantive testing of certain EE specific cost elements.

Recommendation
PG&E is reminded of its obligation to provide all relevant and timely information to Commission representatives so that they can make the appropriate assessment of its EE programs since the Commission has the oversight function over the program costs and activities.

Observation 5: PG&E's Integrated Demand Side Management (IDSM) Division, which is now known as Customer Energy Solutions (CES) Division, did not follow PG&E's established policy for implementing a new cost allocation methodology.

Recommendation
PG&E's CES should be diligent and thorough in ensuring that it follows PG&E's policies and procedures and that only relevant and appropriate program costs are charged to the EE programs.

Observation 6: PG&E established a company-wide policy and procedures for developing Provider Cost Center (PCC) rates or standard rates for tracking services rendered to organizations within the company. The policy allows PCC manager to establish planned costs at their discretion. UAFCB was unable to test this assertion and the internal controls in connection with the discretion.

Recommendation
During its examination of 2011 EE programs, the UAFCB should examine the relationship(s) between the actual costs charged to EE programs and the monthly standard cost variance of the PCC rates, and evaluate whether there are proper internal controls in place.

B. Conclusion

With the exceptions of the items identified above, PG&E demonstrated compliance with other Commission directives in the three areas examined. A detailed summary of UAFCB's analysis and observations is attached in Appendix A. Additional information on UAFCB's examination is included in Appendix B and pertinent information on PG&E's EE programs is included in Appendix C.

UAFCB provided a copy of its analysis and observations of its examination to PG&E for comment. UAFCB summarized PG&E's response comments and UAFCB's rebuttal to them in Appendix A. PG&E's full response is included in Appendix D of this memo in its entirety. UAFCB made changes to its observations and recommendations, and the appendices, as appropriate, based on the comments received from PG&E for clarity.

If you have any questions on UAFCB's examination, please contact Kayode Kajopaiye.

cc: Rami Kahlon, Director, Division of Water and Audits
Peter Skala, Energy Division
Carmen Best, Energy Division
Jean Lamming, Energy Division
Bernard Ayanruoh, Division of Water and Audits
Kevin Nakamura, Division of Water and Audits
Helen Vaughn, Division of Water and Audits

Appendix A
Analysis and Findings

I. Summary

Except for the deficiencies noted by UAFCB below, Pacific Gas and Electric Company (PG&E) demonstrated to a reasonable degree compliance with Commission directives regarding its 2010 On-Bill Financing program (OBF) and Home Energy Efficiency Rebate program (HEER), as well as its energy efficiency (EE) administrative costs. The areas examined by the UAFCB are described in Appendix C, Program Compendium. The directives that the Utility Audit, Finance and Compliance Branch (UAFCB) used to test compliance included, but were not limited to Decision (D.) 09-09-047, the ruling in Rulemaking (R).01-08-028, dated February 21, 2006 and Energy Division's (ED) memo, dated October 22, 2009. UAFCB's scope and methodology used for the examination are included in Appendix B, Examination Elements.

On March 8, 2012, UAFCB provided a copy of its analysis, observations and a summary of PG&E's 2010 EE programs to PG&E for comment. On March 22, 2012, PG&E provided its comments in response to UAFCB's observations and recommendations. UAFCB included the summary of PG&E's comments and UAFCB's rebuttal at the end of this appendix, and included PG&E's comments in their entirety in Appendix D. UAFCB made changes to its observations and recommendations, and the appendices, as appropriate, based on the comments received from PG&E for clarity.

A. On-Bill Financing (OBF) Program

Observation 1: PG&E could not fund OBF loans in 2010 because funding was tied to project completion.

Criteria: In D.09-09-047, Ordering Paragraph (OP) 2, the Commission approved the 2010-2012 energy efficiency program cycle effective on January 1, 2010. In D.09-09-047, OP 40, the Commission also approved PG&E's OBF program for the 2010-2012 program cycle.

Condition: PG&E's OBF program was not offered to its customers until July 1, 2010. In addition, PG&E tied OBF funding was tied to project completion and no projects were completed in 2010. Therefore, no OBF loans were funded in 2010.

Cause: On November 23, 2009, PG&E filed EE Advice Letter (AL) 3065-G/3562-E to implement its 2010-2012 EE program budgets and tariff changes in compliance with (D.) 09-09-047. On December 18, 2010, the Energy Division (ED) suspended the Compliance AL to allow more time for staff review. PG&E's OBF program was inclusive in the suspended AL. Subsequently, in a memo dated April 21, 2010, ED directed PG&E to revise its 2010-2012 portfolio program budgets, to offer its OBF program using an off-bill solution by July 1, 2010, and file an abbreviated OBF program implementation plan (PIP).

Effect: Although PG&E was able to process and approve funding for 11 OBF loan applications, however, due to the delay in launching the OBF program and its requirement that projects be completed before they can be funded, no loans were funded until March 2011.

PG&E's Response: PG&E provides that OBF loan funding requires project completion. No funding took place in 2010 because no projects were completed in that year.

Recommendation: UAFCB recommends that its examination of PG&E's 2011 EE program should include a review of the OBF procedures for disbursing funds and collecting loan payments.

B. Energy Efficiency Administrative Costs

Observation 2: The total administrative costs PG&E reported in its annual report to the Commission in 2010 is $4,161,085 more than the amount reflected in its SAP accounting records because of the subsequent correct reclassification made by PG&E to comply with the allowable cost definitions for cost elements in the administrative cost category.

Criteria: The ruling in Rulemaking (R).01-08-028 dated February 21, 2006 prescribed what should be reported as allowable costs under the administrative cost category. ED's memo dated October 22, 2009 requires the utilities to report Program Manager (PM) activities that are related to the direct interface with customers or program participants (i.e., working with contractors, customers, planning scope of work etc.) in the direct implementation cost category. PG&E used to report these PM activities in Administration Cost Category.

Condition: PG&E charged PM labor expenses that it used to charge to administrative cost category to the respective direct implementation and marketing and outreach cost categories. However, the associated payroll taxes of those labor costs and certain other costs were reported in the administrative cost category based on the allowable cost guidelines. Therefore, PG&E's SAP accounting system showed $28,493,527 in total EE administrative costs in 2010, while the amount reported in the EE Annual Report filed with the Commission was $32,654,612, a difference of $4,161,085.

Cause: PG&E states that the reported difference was due to reporting the payroll taxes ($4,075,692 and $85,392) associated with the PM labor expenses and certain other costs reported in the direct implementation and marketing and outreach cost categories in the administrative cost category as required by the allowable cost definitions prescribed by the Commission.

Effect: PG&E's total EE administrative costs reported to the Commission in its 2010 EE Annual Report was $4,161,085 more than what it recorded in its SAP system.

PG&E's Response: PG&E corrected the UAFCB's original observation on this matter.

Recommendation:
UAFCB should revisit this matter in its next examination of PG&E's EE administrative cost category because it misunderstood the reclassification process explained by PG&E.

Observation 3: PG&E could not substantiate 42 transactions amounting to $288,241 from the 75 items representing $2,333,306 of the EE administrative expenses selected for testing.

Criteria: General Order (GO) No. 28 requires that "every public utility … preserve all records, memoranda and papers supporting each and every entry." "The manner in which these records, memoranda and papers shall be preserved must be such that this Commission may readily examine the same at its convenience."

Condition: Of the 75 EE administrative expense transactions representing $2,333,306 selected for testing, PG&E was unable to substantiate 42 expense transactions totaling $288,241.

Cause: The 42 expense transactions represent allocated labor costs from various provider cost centers (PCC). Each transaction consists of multiple allocations from various PCCs based on PG&E's elaborate cost allocation methodology. An organization's PCC is specific to a PCC, cost category (admin. and direct implementation) and funding source.

An organization's PCC is assigned several allocation order numbers representing the types of services provided to other organizations or teams within PG&E and the CES division. Each allocation order is assigned a pre-determined sector allocation order or percentage based on some determination by the PCC manager to assign the amount of the organization's services to other departments or teams. The sector order allocation or percentage determines the amount allocated (hours charged x the PCC rate x the sector allocation order percentage) or charged to the order number of the organization receiving the services based on the hours worked by employees on their timesheets for the services provided to it.

The amount derived by the sector allocation is further allocated based on the target order allocation factor. This factor may depend on the authorized amount or other determination. The final amount charged to a PCC organization is unbundled to the PCC cost element by pre-determined factors by the organization that provided the service. The SAP system is programmed to perform the task. Instead of PG&E providing the documentation to support the results of the steps outlined above for each transaction sampled, PG&E offered a detailed explanation and mapping of 20 transactions of the 42 selected.

Effect: UAFCB was unable to satisfy its objective for ascertaining that PG&E's administrative expenses for propriety and relevance to the EE programs.

PG&E's Response: PG&E states that it is time consuming to provide the documentation for all the 42 expense transactions due to the volume of source documents supporting each individual cost allocation sample. It added that it had implemented functionality to its SAP system to allow PG&E to trace the types of transactions the UAFCB wanted to test.

Recommendation: UAFCB should revisit testing PG&E's EE administrative costs in its next examination, in particular the allocated EE administrative costs, to evaluate PG&E's SAP changes and perform other tests to evaluate the integrity of PG&E's allocation methodology.

Observation 4: Although PG&E was responsive to UAFCB's data requests, changes to PG&E's SAP and time constraints affected the scope and approach to UAFCB's substantive testing of certain EE specific cost elements.

Criteria: Public Utility (PU) Code 584 requires that "every public utility shall furnish such reports to the Commission at such time and in such form as the commission may require in which the utility shall specifically answer all questions propounded by the Commission…"

Condition: On June 9, 2011, PG&E provided the UAFCB the data dump pertaining to EE cost categories that it was not familiar with from its SAP accounting system after the UAFCB request on May 24, 2011. On October 24, 2011, one week before the completion of the fieldwork on October 31, 2011, PG&E provided additional revised accounting data from SAP as a result of many hours of discussions on changes that took place in 2010 to the SAP system that also affected EE programs.

Cause: PG&E changed its SAP system in 2010 and thought that it provided what the UAFCB auditor asked for. It didn't realize that the auditor would need the detail SAP expenditure data dump for her work.

Effect: UAFCB was unable to select and test an appropriate level of expenditures to ensure that charges were relevant and appropriate to PG&E's EE programs.

PG&E's Response: PG&E states that it provided what the auditor asked for and it also spent so many hours explaining in detail the changes that took place in 2010 to its accounting system.

Recommendation: PG&E is reminded of its obligation to provide all relevant and timely information to Commission representatives so that they can make the appropriate assessment of its EE programs since the Commission has the oversight function over the program costs and activities.

<u>Observation 5:</u> PG&E's Integrated Demand Side Management (IDSM) Division, now known as Customer Energy Solutions (CES) Division did not follow PG&E's established policy for implementing a new cost allocation methodology.

Criteria: PG&E established Policies and Procedures that each business unit is required to follow before implementing a new or making changes to existing process that impact the accounting treatment of costs, revenues, and/or other transactions resulting from a regulatory decision.

Condition: In 2010 PG&E's IDSM implemented a new methodology for allocating shared costs to its energy efficiency programs that affected the allocation of labor and overhead costs. Prior to its implementation, IDSM did not obtain the proper approval from the relevant stakeholders, consistent with PG&E's defined process for changes that impact the accounting treatment of costs resulting from a regulatory decision.

Cause: According to a finding in PG&E's internal audit report dated July 30, 2010, CES's Customer Energy Efficiency (CEE) organization did not follow a discipline to ensure that relevant stakeholders review, approve, and concur with changes to regulatory interpretations and/or accounting that affect the recording or reporting of CEE transactions.

Effect: The failure by CEE to obtain the proper approval for changes that impact the accounting treatment of costs resulting from regulatory decisions could result in improper program costs being recorded.

PG&E's Response: PG&E's CEE provided the evidence that it did resolve this problem with the Internal Audit Department on January 5, 2011.

Recommendation: PG&E's CEE should be diligent and thorough in ensuring that it follows PG&E's policies and procedures and that only relevant and appropriate program costs are charged to the EE programs.

Observation 6: PG&E established a company-wide policy and procedures for developing Provider Cost Center (PCC) rates or standard rates for tracking services rendered to organizations within the company. The policy allows PCC manager to establish planned costs at their discretion. UAFCB was unable to test this assertion and the internal controls in connection with the discretion.

Criteria: In D.09-09-47, page 50, the Commission defined administrative labor as the utility labor costs related to either management or clerical positions directly related to program administration.

Condition: PCC rates include labor charges and other cost items based on the PCC policy. The standard rates are generally adjusted quarterly or more frequently if they meet certain thresholds and also based on the planned costs anticipated by the PCC manager.

Cause: A PCC manager can add to the existing planned costs to change the PCC rate. The purpose of the adjustment could include changes to add costs for conferences, uniforms, dues, and staff augmentation.

Effect: Although the PCC rate does not affect the actual costs charged to EE programs but it does affect the standard cost variances settled to the actual program costs.

PG&E's Response: PG&E states that "planned costs in the standard rates have no effect on the actual costs that ultimately flowed through the program orders. PCC standard rates are a planning mechanism for transferring organization support costs from a PCC to a program order. Only actual costs charged to a PCC flows to the order(s). Any over or under-allocation of PCC costs in a given month is offset by the standard cost variance (SCBV)."

Recommendation: During its examination of 2011 EE programs, the UAFCB should examine the relationship(s) between the actual costs charged to EE programs and the monthly standard cost variance of PCC rates, and evaluate whether there are proper internal controls in place.

II. Summary of PG&E's Comments on UAFCB's Draft Report and Rebuttal

On March 8, 2012, the UAFCB submitted a copy of its interim draft report to PG&E for its review and response. The draft report included UAFCB's observations and recommendations to the specific areas reviewed during the examination of PG&E's EE programs for budget year 2010. PG&E provided its comments on March 22, 2012. A copy of PG&E's responses is included in Appendix D in its entirety. The following is UAFCB's summary of PG&E's comments and UAFCB's rebuttal.

PG&E's Response to Observation 1
PG&E acknowledges that it processed 11 OBF loan applications in 2010 and clarified that loan funds were not disbursed in 2010 as none of the customers had completed their projects by the end of 2010. The first project to request payment did so in March 2011. PG&E noted that a long lead time is typical of many energy efficiency projects and requests that the draft report be revised to clarify that the OBF loan funds are disbursed once the projects are completed.

Rebuttal to PG&E's Response
UAFCB will test PG&E's assertion on this matter in its next review of PG&E's OBF program.

PG&E's Response to Observation 2
PG&E states that "its reclassification process was not triggered by the October 22, 2009, memo rather, it dates back to at least the 2006-08 EE cycle." PG&E states further that "the reclassification occurs because PG&E reports certain costs, such as payroll taxes, in SAP to the same cost category as the associated labor and that the Commission considers payroll taxes and certain other costs to be administrative costs under its allowable cost definition, rather than having these costs follow labor charges as PG&E records in SAP."

Rebuttal to PG&E's Response
UAFCB agrees with PG&E that the reclassifications were necessary in order for PG&E to comply with the Commission's allowable cost definitions. UAFCB modifies its observation and recommendation in agreement with comments received from PG&E on this matter.

PG&E's Response to Observation 3
PG&E acknowledges that it is time consuming to provide the documentation for all 42 cost allocation samples, due to the volume of source documents supporting each individual cost allocation sample. PG&E requests that UAFCB's recommendation that its shareholders refund $288,241 be changed.

PG&E states that it has implemented functionality to its SAP system to allow for an automated trace of transactions, such as the cost allocation samples requested for the 2010 EE audit, back to their source. This process improvement will be useful in responding to similar requests in future EE program examinations.

Rebuttal to PG&E's Response
On May 15, 2012, the UAFCB met with representatives of PG&E to obtain further understanding of its comments on the interim draft report. That meeting was productive.

However, PG&E has the burden to demonstrate that the EE program costs are relevant and appropriate. To that end, the UAFCB's next review of administrative costs of EE programs will include testing of the relevance and appropriateness of allocated costs to EE programs. UAFCB will also test the adequacy of the new system.

PG&E's Response to Observation 4
PG&E states that it was responsive to the UAFCB and provided the SAP monthly expenditures for PG&E's EE programs for 2010 grouped into cost categories as requested by the UAFCB staff.

Rebuttal to PG&E's Response
UAFCB agrees that PG&E provided responses to all of the data requests from the UAFCB and was forthcoming when explaining to the UAFCB staff things that she did not understand. However, it did not alert the UAFCB that the data dump it provided would not be similar to the detail it used to provide to UAFCB in prior audits. If this warning had been given, it would have generated further questions or changed UAFCB's data request earlier in the process rather than at the end of the fieldwork when PG&E brought the matter to UAFCB's attention.

PG&E's Responses to Observation 5
PG&E's Customer Energy Solutions (CES) implemented procedures to ensure that all relevant stakeholders review, approve, and concur with changes to regulatory interpretation and/or accounting that impact the recognition, recording, or reporting of EE transactions and reviewed these procedures with Internal Audit. PG&E states that the issue was closed on January 5, 2011.

Rebuttal to PG&E's Response
UAFCB commends PG&E for resolving this issue and for providing documentation to support the resolution.

PG&E's Response to Observation 6
PG&E requests that UAFCB's Observation 6 be modified to state that PG&E does follow its established company-wide policy surrounding costs and overheads when determining Provider PCC rates. PG&E states further that standard rate calculations are done by PG&E's Business Finance department annually and that changes are made quarterly. It states further that the PCC managers have some discretion including additional items in their standard rates, if warranted. This may include charges for uniforms, conference fees, dues, contributions, staff augmentation. PG&E concludes that planned costs in the standard rate have no effect on the actual costs that ultimately flow to the program orders,

Rebuttal to PG&E's Response
UAFCB agrees and acknowledges that PG&E does follow its company wide policy surrounding costs and overheads when determining the PCC rates because the UAFCB reviewed this particular area a in prior examination engagement. However, UAFCB was not aware of the discretion given to the PCC managers. It needs to test the extent of this discretion in a future examination and evaluate whether there are safeguards to maintain the integrity of the policy

Appendix B
Examination Elements

The Utility Audit, Finance and Compliance Branch (UAFCB) initiated this examination by sending an engagement letter to Pacific Gas and Electric Company (PG&E), dated April 14, 2011. UAFCB representatives visited PG&E's office in San Francisco, California on a few occasions, met with PG&E management and staff, and reviewed original supporting data. UAFCB completed its fieldwork on October 31, 2011.

Authority

Decision (D).09-09-047 ordering paragraph (OP) 14 states among other things, that "Commission staff conduct a full audit of the utilities' administrative and other costs in order to understand the changes in characterization of costs in the revised applications and to ensure accountability of the amount, allocation and the composition of the total administrative costs for this portfolio timeframe." UAFCB met with ED's management and based on the requirements of OP 14, developed the scope for the examination.

Scope

Based on consultation with Energy Division, UAFCB was to examine PG&E's 2010 On-Bill Financing Program (OBF) and energy efficiency administrative costs. In addition, based on prior experience, UAFCB selected a statewide program to include in the examination, the Home Energy Efficiency Rebate Program (HEER). Consequently, the scope of UAFCB's examination was limited to the three areas for PG&E's 2010 activities and expenditures.

Objectives

UAFCB's overall objectives determine whether the:

1. Program design, structure, processes, implementation, costs and controls of PG&E's OBF were in compliance with (1) the Commission's guidelines including, but not limited to, D.09-09-047, the ruling in R.01-08-028, dated February 21, 2006 and Energy Division's memo, dated October 22, 2009; and (2) PG&E's own internal policies and procedures;
2. EE administrative costs that PG&E incurred were proper and in compliance with (1) the Commission's guidelines including, but not limited to, D.09-09-047, the ruling in R.01-08-028, dated February 21, 2006 and Energy Division's memo, dated October 22, 2009; and (2) with PG&E's own internal policies and procedures; and
3. Design, structure, processes, implementation, costs and controls of PG&E's HEER were in compliance with the Commission's guidelines including, but not limited to, D.09-09-047, the ruling in R.01-08-028, dated February 21, 2006 and Energy Division's memo, dated October 22, 2009 and (2) PG&E's own internal policies and procedures.

Methodology and Testing

UAFCB used PG&E's responses to UAFCB's Internal Control Questionnaires (ICQ) to perform a preliminary risk analysis. Based on the results of its risk analysis, UAFCB determined specific areas for testing and developed its testing methodology.

On-Bill Financing (OBF): UAFCB judgmentally selected and examined only 2 OBF customer application files since no OBF loans were funded in 2010. UAFCB also reconciled PG&E's OBF program expenditures to amounts reported to the Commission.

UAFCB observed that PG&E had consistently applied its OBF loan processes and procedures based on its underwriting guidelines and loan requirements. UAFCB did not find any exceptions in its examination of the OBF program loan underwriting process. The loan delinquency timelines from past-due to write-off were in order.

In addition, UAFCB observed that PG&E's OBF program expenditures totaled $702,135 in its SAP accounting records, which reconciled to the amounts reported to the Commission in its 2010 EE Annual Report. Of the $702,135 in OBF program expenses in 2010, PG&E incurred $128,566 for administrative costs and $573,568 in direct implementation costs. PG&E had no OBF marketing/outreach costs in 2010.

Energy Efficiency Administrative Expenditures: UAFCB judgmentally selected and examined 75 EE administrative expense transactions for Core, Third Party and LGP delivery channels totaling $2,333,036. The following table shows the selected administrative transactions by the delivery channel, total dollar amount of the transactions and the number of transactions tested,

Table B-1
Administrative Expenses Tested By Deliver Channel

Delivery Channel	Amount	No. of Transactions
Core Delivery	$ 364,170	57
Third Party Delivery	1,645,533	12
Government Partnership	323,603	6
Total	**$2,333,306**	**75**

UAFCB was unable to fully complete its testing of the 75 administrative expenses transactions selected for testing due to the following circumstances: (1) 42 of the 75 transactions selected for testing were aggregated into a single cost element and no source documents were provided to support the recorded costs, (2) supporting documentation for 3 of the 33 transactions in which PG&E provided inadequate and incomplete supporting documentation , and (3) PG&E provided a revised SAP data dump of its expenditures consisting of sixty-six costs elements on October 24, 2011, one week before the completion of the fieldwork on October 31, 2011. PG&E original SAP data dump provided to the UAFCB on June 9, 011 contained only seven cost elements. Therefore, the UAFCB was unable to verify the relevance and appropriateness of EE administrative costs during its testing.

Home Energy Efficiency Rebate Program (HEER): UAFCB judgmentally selected and tested 47 transactions amounting to $4,511,812 recorded to PG&E's SAP incentive and implementation costs categories. The samples included 21 transactions totaling $159,540 of processed and paid rebates through mail-in, online, POS, and Venders. Other transactions were: Program Management Labor, Consulting, PCC Allocation, Journal Entry (JE) Accruals and 4 transactions in the amount of $350 were for rebates paid by PG&E on behalf of Water Districts and reimbursed to PG&E. These rebates were not included as PG&E EE rebates reported to the Commission. A breakdown of the number of transactions and amounts tested are provided in the following table.

Table B-2
Summary of HEER Expenditures Tested

Type Tested	# Tested	Amount Tested
Mail-in	8	$ 5,509
On-line	7	3,761
POS	2	57,750
Vendor	4	92,520
Water District	4	350
Program Mgr Labor	4	4,036
Consulting Contract	3	125,786
PCC Allocation	2	17,204
JE/Accruals	13	4,204,896
Total	**47**	**$4,511,812**

UAFCB's examination of PG&E's HEER program expenditures found that expenditures tested were relevant, accurately reported and recorded, and fully supported with appropriate documentation. Results of UAFCB's examination of selected rebates did not yield a pattern of duplicity in the rebate applications or in payment and recording of rebate amounts. However, due to time constraints, the UAFCB was unable to verify third-party vendor contracts associated with PG&E's HEER program or its contracts with the water districts.

Standards

The UAFCB conducted this audit in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence concerning PG&E's compliance with the requirements noted above and performing any other procedures as we considered necessary in the circumstances. The UAFCB believes that its audit provides a reasonable basis for an opinion. Our examination does not provide a legal determination on PG&E's compliance with specified requirements.

Appendix C
Program Compendium

On September 24, 2009, the California Public Utilities Commission (Commission) issued Decision (D.) 09-09-047 which, among other things, authorized Pacific Gas and Electric Company (PG&E) a total budget of approximately $1.338 billion in ratepayer funds to administer and implement its EE programs for the years 2010 through 2012. This represents about 42.8% of the total funds the Commission authorized for this program cycle. In addition, this decision also set energy savings goals, established cost-effectiveness requirements, placed a cap of 10 percent on utility administrative costs, authorized types of programs, and set targets for certain programs.

The authorized EE budget for PG&E was $1.284 billion excluding $54 million dedicated to fund the Evaluation, Measurement and Verification (EM&V) portion of the program portfolio during the 2010-2012 budget period. For the year 2010, excluding EM&V expenditures, PG&E spent $370 million, or 28.8%, of its total authorized budget for the years 2010 through 2012. The following table shows the amount carried forward, authorized budget, funds available for spending and actual expenditures for PG&E during 2010.

Table C-1
Summary of 2010 Ratepayer Funded EE Programs
(Excluding EM&V)

Description	Amount
Amounts Brought-Forward	$0
Authorized Budget per D.09-09-047	1,284,000,000
Available for Spending	1,284,000,000
Actual 2010 EE Expenditures	370,371,323
Amounts Carried Forward	$913,628,677

In 2010, PG&E's Integrated Demand Side Management (IDSM) organization renamed the Customer Energy Solutions (CES) used a total of 79 Provider Cost Centers[2] (PCCs) to implement its EE programs. Of the 79, sixty five (65 PCCs) were for the teams and organization within the IDSM and 14 from outside of IDSM.

PG&E states that the PCC is PG&E's company-wide Activity Price Policy similar to standard rates or standard costs. Standard rate calculations are done by PG&E's Business Finance department annually and updated quarterly. "Planned costs in the standard rates have no effect on the actual costs flowing to the program orders. PCC rates are planning mechanism for transferring organization support costs from a PCC to a program order. Actual costs are the ones that flow to the orders. Over or under allocation of PCC costs in a given month is offset by the standard cost variance (SCV)."

[2] Provider Cost Centers are individual groups and/or departments that operate within PG&E that provide distinct products and services.

PCCs are teams, or organizations performing specific activities. The PCCs under the umbrella of the IDSM organization are directly responsible for implementing all of the energy programs such as Energy Savings Assistance Program (ESAP), California Solar Initiative (CSI) and any other energy public purpose programs.

Under the direction of a Director, the PCC managers are responsible for PCC planned costs. Directors report to a Senior Director and the Senior Director reports to the VP of the IDSM Division. The planned costs used in developing a PCC rate are specific to the services provided by the PCC team or organization to others.

IDSM PCC services include Core Products, Technical Product Support, Core Technologies & Building Products, Policy and Integration Planning, Emerging Products, IDSM Operations-Inspections, IDSM Operations-Enrollment and Incentive Management, Mass Market Contract, Mass Market Education Training, Mass Market Government Partnership, etc. PCCs outside of the IDSM organization include Information Technology Services, Customer Care Call Center, Business Finance Services, and Reprographics services. [3]

All levels throughout the organization are identified as PCC teams. Employees charge their time for working on EE programs at a rate of the PCC where they work. The methodology for calculating a PCC hourly rate is the total cost it takes to run a specific PCC team or organization, including employee actual salaries and overhead costs, divided by an estimate of billing hours.

A. On-Bill Financing (OBF) Program

PG&E's OBF program offers zero-interest financing to facilitate the purchase and installation of qualified energy efficiency retrofit measures to non-residential customers who might not otherwise be able to act given capital constraints and/or the administrative and time burdens involved in obtaining traditional project financing. Only energy efficiency measures which qualify for rebates and/or incentives in PG&E's portfolio are qualified for the OBF program. They include Institution and Non-Institution customers such as commercial, industrial, and agricultural and tax-payer funded customers.

PG&E's OBF budget for the 2010-2012 EE program cycle is $27.8 million as set forth in Commission D.09-09-047. The budget provides for operating expenses of $9.3 million funded by the Public Goods Charge (PGC) and a revolving fund loan pool of $18.5 million funded by one time transfer of funds from the Public Purpose Program Energy Efficiency Balancing Account (PPPEEBA) subaccounts to another balancing account, per Commission's approval of PG&E Advice Letter 3118-G-A/3667-E-A on June 30, 2010.

PG&E's OBF underwriting guidelines include verification of customer's project cost; project eligibility for other EE rebate/incentive program(s); and specific credit criteria review, which includes customer's utility bill payment history, and for commercial customers, a credit agency report. The OBF loan process includes calculation of project's energy savings; post-installation

[3] For 2010 PG&E had 79 PCCs charge to the EE Programs. Sixty five are direct charges, or charges through PCCs within the Customer Energy Solutions (CES) Organization, formerly (IDSM) Integrated Demand Side Management, and 14 outside of the CES Organization.

inspection and project cost adjustments; calculation of loan term, loan amount (net of rebate/incentives), and monthly loan payment.

In D.09-09-047, OP 40, the Commission sets a loan cap of $100,000 for commercial loans with loan terms of up to five years, or may extend beyond five, but not to exceed the expected useful life (EUL) of the bundle efficiency measures proposed, whichever is lower. Institutional[4] customers may be granted loans of up to a total of $1 million with a maximum term of 10 years per facility to capture large savings and when all other terms are met. As for the treatment of delinquent OBF loans, the OBF billing is tied to PG&E's utility billing system wherein an outstanding bill which remains unpaid for more than 180 days will be considered in default and written off to Bad Debt Account. As stated in 7(c.) of the special conditions of the OBF Electric and Gas Preliminary statements, customers are considered in default of both the energy bill and the loan bill and (d) shall be subject to the discontinuance provisions of Rule 11-section D.

Pursuant to D.09-09-047, the Commission approved on June 30, 2010, PG&E's request in Advice Letter (AL) 3118-G-A and 3667-E-A to establish an $18.5 million loan pool or a sub-account in the On-Bill Financing Balancing Account (OBFBA). On July 1, 2010 in compliance with the approved AL, PG&E established OBFBA revolving fund sub-account in the OBFBA to track OBF loan disbursements and repayment activities. PG&E maintains separate accounts for electric and gas OBFBA. In 2010, PG&E's Gas and Electric OBFBA's activity was limited to earned interest. Balances for OBFA Electric and Gas balancing accounts are shown in Tables C-2 and C-3 below.

Table C-2
OBFBA-GAS Account Activities – 2010

Description	Amount
Authorized Funding	$ 3,330,000
2010 OBF Loan Disbursements	0
Interest	4,202
2010 Year-End OBFBA -G	**$ 3,334,202**

[4] Institutional customers are tax-payer funded agencies/facilities whose energy bills are paid by federal, state, county, city, or Indian tribal governments.

Table C-3
OBFBA-Electric Account Activities – 2010

Description	Amount
Authorized Funding	$ 15,170,000
2010 OBF Loan Disbursements	0
Interest	19,552
2010 Year-End OBFBA -E	**$ 15,189,552**

B. Energy Efficiency Administrative Costs

Pursuant to D.09-09-47 OP 13, the Commission limited the utilities' administrative costs for managing the EE programs to 10% of the total EE budget for years 2010-2012. Consequently, PG&E's authorized three year EE administrative budget for 112 EE programs for years 2010-2012 amounts to $144.2 million. PG&E's 2010 EE portfolio expenditures are $370.4 million and its administrative expenditures (excluding EM&V) amount to $32.6 million. Table 4 below shows administrative expenses as a percentage to total portfolio expenditures by delivery channel.

Table C-4
PG&E EE Expenditures by Cost Category

Category	Amount	% of Total Program	% Cap	% Target
PG&E Admin. Exp.	$ 22,910,764	6.2%	10%	
3rd Party and GP Admin. Exp.	**9,743,848**	**2.6%**		10%
Total Admin. Expenses	**$ 32,654,612**	**8.82%**		10%
Total 2010 EE Expenses	**$370,371,323**			

PG&E incurred $22.9 million in EE administrative costs or 6.2% of the total 2010 EE expenditures. PG&E is on track to stay within the 10% cap imposed by the Commission.

C. Home Energy Efficiency Rebate Program

The Home Energy Efficiency Rebate Program (HEER) encourages the adoption of energy-efficient choices when purchasing and installing household appliances by offering residential customers educational materials about energy efficiency options and by providing rebates and/or incentives. For PG&E, its HEER targets residential customers who are either owners or renters of single-family homes, townhomes, condominiums and mobile homes.

Residential customers who purchase EE qualified household appliances in PG&E's service territory can claim rebates from PG&E through a mail-in rebate or online application process. PG&E also offers instant point-of-sale (POS) rebates to individuals who purchase EE qualified appliances at participating retailers in PG&E's service territory. Also, several Water Districts within PG&E's service territory offer energy efficiency programs that provide rebates for high efficiency clothes washers. PG&E has agreements with these districts that allow each participating Water District's customer to request for the water district rebate through PG&E on a PG&E application. PG&E is reimbursed for rebates paid on behalf of the water district.

PG&E's HEER program incurred a total of $19.2 million in expenditures during 2010. Of the $19.2 million, $13.7 million, or 71.2% was for rebates provided to customers for the purchase of EE qualified appliances. To administer and implement the HEER program, PG&E incurred operating expenses totaling $5.5 million, or 28% of its total 2010 expenses for the HEER program. A detailed summary of PG&E's HEER program expenses and their ratios to total amount in 2010 is shown in Table C-5 below.

Table C-5
Summary of PG&E HEER Expenses – 2010

Description	Amount	%
Administrative Expenses	$ 634,987	3.3%
Marketing & Outreach Expenses	2,859,379	14.8%
Direct Implementation Expenses	2,057,414	10.7%
Mail-in and/or On-line Rebates	13,326,117	69.2%
POS Rebates	378,414	2.0%
Total HEER Expenses	$ 19,256,311	100.0%

PG&E pays HEER rebates to customers for the purchase of EE qualified appliances either through a mail-in, on-line, POS, or reimbursement process. The process for mail-in and on-line rebates generally takes PG&E 4 days to complete.

POS rebates are provided to customers who purchase Low Flow Showerheads from Stores located within PG&E's service territory, as approved in the Notification of Incentive Fund Allocation Form (NOIFA). To reimburse for POS rebates, electronically submits a monthly sales data report to PG&E for the previous month's sales by the 15th day of the following month. Upon review and approval of the monthly sales data report, PG&E remits payment to within thirty (30) days.

Vendor Rebates provided by contracted third-party vendors on behalf of PG&E customers submit claims for reimbursement through PG&E's Vendor Rebate System as follows:

- Vendor uploads file to system.
- System validated applications. Issues are flagged to be resolved manually.
- Validated applications are given an approved status and available for invoicing.
- Approved applications are bundled per vendor and per rebate program into invoices nightly.
- Invoices are reviewed by Program Managers for approval.
- Approved invoices are transferred into the MDSS system for additional validation checking, including possible double dipping and inspections.
- Once passed MDSS checks, MDSS submits the invoice to SAP for payment.
- Once paid, payment information is reported back to the Bulk Load System.

According to PG&E its customers also apply through PG&E for the water district rebates on its mail-in application form if the water district within PG&E's service territory has a rebate program that offers a rebate for the same qualifying appliance. Prior to approving and paying the rebate, the eligibility of the product is verified with the water district. Once verified and approved by the water district, PG&E pays the rebate on behalf of the water district along with its own rebate to the customer. Upon request by PG&E, the water district pays PG&E the amount paid on its behalf. PG&E credits the amount paid by the water district to its implementation cost category to acknowledge the reimbursement reducing the cost of the HEER program.

Appendix D
PG&E Comments

Pacific Gas and Electric Company

Janice S. Berman
Senior Director
Customer Energy Solutions,
Policy & Integrated Planning

245 Market Street
Mail Code N6G
San Francisco, CA 94105

(415) 973-1018
JSBa@pge.com

May 11, 2012

Kayode Kajopaiye - Branch Manager
Utility Audit, Finance and Compliance Branch
California Public Utilities Commission
505 Van Ness Avenue, 3rd Floor
San Francisco, CA 94102

Dear Mr. Kajopaiye,

Subject: PG&E's response to the CPUC 2010 EE Interim Examination Report

Attached is the Response of Pacific Gas and Electric Company to the California Public Utilities Commission's Utility Audit, Finance and Compliance Branch Interim Examination Report of PG&E's Energy Efficiency Program for the Year Ended December 31, 2010.

Please contact me if you have any questions or concerns.

Thank you,

Janice S. Berman
Sr. Director
CES Policy & Integrated Planning

Pacific Gas and Electric Company

Janice S. Berman
Senior Director
Customer Energy Solutions,
Policy & Integrated Planning

245 Market
Mail Code
San Francisco, CA

(415) 973
JSBa@pg

PACIFIC GAS AND ELECTRIC COMPANY
2010 ENERGY EFFICIENCY AUDIT

Response of Pacific Gas and Electric Company to the California Public Utilities Commission's Utility Audit, Finance and Compliance Branch Interim Examination Report of PG&E's Energy Efficiency Program for the Year Ended December 31, 2010

PG&E appreciates the opportunity to comment on UAFCB's draft Interim Examination Report (Report) and provides the following clarifications and comments for inclusion in the final Report.

I. Analysis and Findings – PG&E's Response to Recommendations

A. On-Bill Financing (OBF) Program

UAFCB Observation 1: PG&E failed to fund any OBF loan applications in 2010.

UAFCB Recommendation: PG&E should step up its efforts in approving and funding OBF loans during the remaining program cycle in order to minimize any lost opportunities caused by the delay in launching its OBF program. Also, UAFCB recommends that during the audit of 2011 EE program, OBF procedures for disbursing OBF funds and collecting loan payments should be reviewed.

PG&E Comments: UAFCB states in the "Effect" section: "Although PG&E was able to process and approve funding for 11 OBF applications, due to the delay in launching the OBF program, PG&E was unable to actually disburse any OBF funds in 2010."

PG&E launched its OBF program on July 1, 2010, upon Energy Division's approval of Advice Letter 3118-G-A/3667-E-A on June 30, 2010, and subsequently processed 11 OBF loan applications in 2010. Loan funds were not disbursed in 2010 as none of the customers had completed projects by the end to 2010. The first project to be completed and to request payment was in March 2011. Note that long lead time is typical of many energy efficiency projects. PG&E requests that the Report be revised to clarify that the OBF loan funds are disbursed once the projects are completed.

B. Energy Efficiency Administrative Costs

UAFCB Observation 2: PG&E used a manual process to reclassify $4,161,085 of costs from the Marketing and Implementation costs categories to its EE Admin Costs category.

UAFCB Recommendation: PG&E's manual reclassification process and procedure to be examined during the next audit to ensure the reclassification is relevant and appropriate.

Pacific Gas and Electric Company

Janice S. Berman
Senior Director
Customer Energy Solutions,
Policy & Integrated Planning

245 Market Street
Mail Code N6G
San Francisco, CA 94105

(415) 973-1018
JSBa@pge.com

PG&E Comments: The Report states in the "Condition" section: "Since PM labor cost that [sic] is now charged to the direct implementation cost category, PG&E does a monthly reclassification to extract the component of administrative costs from the recorded direct implementation costs so as to comply with allowable administration cost as required in the October 22, 2009 memo." PG&E would like to clarify that the reclassification process was not triggered by the October 22, 2009, memo rather, it dates back to at least to the 2006-08 EE cycle. The reclassification occurs because PG&E reports certain costs, such as payroll taxes, in SAP to the same cost category as the associated labor. However, the CPUC considers payroll taxes and certain other costs to be administrative costs under its allowable cost definitions, rather than having these costs follow labor charges as PG&E records it in SAP. Therefore, the monthly reclassification is done to appropriately move these costs that PG&E records in SAP as direct implementation or marketing costs, to administrative, for external reporting purposes only. PG&E requests that the Report be modified to incorporate this clarification.

For additional details, please see PG&E's response to UAFCB data request number 6, dated October 10, 2011. (see attachment 1)

UAFCB Observation 3: PG&E failed to provide all source documents to support 42 transactions amounting to $288,241 out of the 75 transactions or $2,333,306 of the EE admin expenditure transactions selected for testing.

UAFCB Recommendation: PG&E should maintain adequate source documentation. Without documentation to validate these expenditures, PG&E's shareholders should refund the 2010-12 cycle for these expenditures.

PG&E Comments: PG&E would like to provide clarification on UAFCB Observation 3. On September 28, 2011, PG&E met with the UAFCB audit team to walk through the cost allocation methodology. PG&E acknowledges the fact that it is time consuming to provide the documentation for all 42 cost allocation samples, due to the volume of source documents supporting each individual cost allocation sample. As documented in the attached summary e-mail (see attachment 2), PG&E provided documentation for 20 of the 42 transactions. As instructed, PG&E did not provide the individual time records for these samples. PG&E and the UAFCB staff agreed that PG&E was to provide a detailed trace for several cost allocation samples including the timecard approval / signature page for the relevant PCC owner, pertaining to the labor related cost allocation samples.

As such, PG&E requests that UAFCB's recommendation that PG&E's shareholders refund $288,241 be changed. As PG&E indicated during the audit, PG&E can provide the necessary documentation to validate the expenditure transactions if such documentation is now desired. PG&E requests the opportunity for UAFCB to review the documentation, or a sample therein, prior to finalizing the Report.

Pacific Gas and Electric Company

Janice S. Berman
Senior Director
Customer Energy Solutions,
Policy & Integrated Planning

245 Market Street
Mail Code N6G
San Francisco, CA 94105

(415) 973-1018
JSBa@pge.com

As provided in PG&E's response to UAFCB's oral data request number 1, question 1, dated November 18, 2011, (see attachment 3) PG&E has implemented functionality to its SAP system to allow for an automated trace of transactions, such as the cost allocation samples requested for the 2010 EE audit, back to their source. This process improvement will be useful in responding to similar requests in future EE audits or other program audits.

UAFCB Observation 4: PG&E's failure to provide relevant SAP accounting data on time resulted in limiting the scope and size of EE expenditures that UAFCB was able to review during the audit.
UAFCB Recommendation: PG&E should be reminded of its obligation to provide relevant and timely information during audits.

PG&E Comments: PG&E understands the need to provide relevant and timely information during the audit. Throughout the audit period, PG&E worked closely with the UAFCB staff in order to provide requested information in a timely manner. PG&E also worked closely with the UAFCB staff to explain the organizational and program expenditure reporting process changes made in 2010 that impacted the EE audit. The draft report in the "Criteria" section references Public Utility (PU) Code 584 that the utility needs to furnish reports "to the Commission at such time and in such form as the commission may require in which the utility shall specifically answer all questions propounded by the Commission."

PG&E was responsive to the UAFCB and provided SAP monthly expenditures for PG&E's EE programs for 2010 grouped into cost categories as requested by the UAFCB staff. Subsequent to providing the expenditures, PG&E engaged in many hours of explanation of the changes that PG&E made to its internal order and organizational structure in 2010 to accommodate a greater focus on integrated demand side management. As the result of these discussions, PG&E presented a refined version of the same SAP expenditures, broken out by direct charges and allocated charges. PG&E also provided the UAFCB staff a roadmap ("CES 2010 Administration Cost Allocation Demographic"), which may assist the UAFCB in developing their sampling approach in future audits. (see attachment 4)

The "Cause" section states that "PG&E provided no explanation for not providing the sub-account of its SAP data with the response to UAFCB's original request for SAP data dump of expenditures related to the 2010 recorded costs for its EE programs." PG&E requests the Report be revised to reflect that sub account detail that PG&E provided at the end of the audit was the same expenditure information provided in the original SAP data dump, but with greater granularity, in order to assist UAFCB in requesting similar data in the future for EE or other program audits.

Pacific Gas and Electric Company

Janice S. Berman
Senior Director
Customer Energy Solutions,
Policy & Integrated Planning

245 Market Street
Mail Code N6G
San Francisco, CA 94105

(415) 973-1018
JSBa@pge.com

UAFCB Observation 5: PG&E IDSM failed to follow established Company's policy for cost allocation methodology before implementing it.

UAFCB Recommendation: PG&E should be more diligent in ensuring that company's policies and procedures are followed and that only relevant and appropriate program costs are charged to the EE program. PG&E should provide how it resolved the problem or situation to the UAFCB in its comments.

PG&E Comments: PG&E's Customer Energy Solutions (CES) implemented procedures to ensure that all relevant stakeholders review, approve, and concur with changes to regulatory interpretation and/or accounting that impact the recognition, recording, or reporting of EE transactions. CES has reviewed these procedures with Internal Audit and this issue was closed on January 5, 2011. (see attachment 5)

UAFCB Observation 6: PG&E does not clearly define what costs and overheads each PCC manager can include when determining labor charges for his/her cost center.

UAFCB Recommendation: The UAFCB may revisit the development of PCC rates in future audits.

PG&E Comments: PG&E requests that UAFCB's Observation 6 be modified to state that PG&E does follow its established company-wide policy surrounding costs and overheads when determining Provider Cost Centers (PCC) rates. PG&E's company-wide Activity Price Policy (see attachment 6) provides guidance on how the activity prices are calculated. Note that the term "activity price" is synonymous with standard rates, standard costs, activity type rates, or PCC rates.

Standard rate calculations are done by the PG&E's Business Finance department annually and updated each quarter. Note that a PCC manager does have some discretion on including additional items in his/her standard rate, if warranted (e.g. uniforms, conference fees, dues, contributions, staff augmentation). Planned costs in the standard rate have no effect on the actual costs that ultimately flow to the program orders. PCC standard rates are a planning mechanism for transferring organizational support costs from a PCC to a program order. Only actual costs charged to a PCC flows to the order(s). Any over- or under-allocation of PCC costs in a given month is offset by the standard cost variance (SCV).

As provided in PG&E's response to UAFCB's oral data request number 1, question 3, dated November 18, 2011, (see attachment 3) PG&E uses standard rates to move costs from PCC to other cost objects (other PCCs or orders) within SAP.

Pacific Gas and Electric Company

Janice S. Berman
Senior Director
Customer Energy Solutions,
Policy & Integrated Planning

245 Market Street
Mail Code N6G
San Francisco, CA 94105

(415) 973-1018
JSBa@pge.com

II. Introduction - PG&E's Comments

Page 4: PG&E's 2010-12 Energy Efficiency authorized total budget should be $1.338 billion, not $1.388 billion.

Page 4, Table 1: Actual 2010 EE Expenditures should be $370,371,323 and amount carried forward $913,628,677.

D. Energy Efficiency Administrative Costs

Page 6: PG&E Admin Expenses should be $22,910,764 and Total Admin Expenditures $32,654,612.

E. Home Energy Efficiency Rebate Program

Page 7: PG&E would like to add that the HEER program promotes installation of energy efficient appliances and general improvements (e.g. insulation). The rebates are offered through a mail-in OR online rebate redemption process.

Page 7: PG&E contracted with a single third-party vendor to deliver some of our water heater rebates. It was a relatively small portion of the sub-program.

Page 8: PG&E processes water agencies rebates if it comes in on a PG&E application, but there is also a Cooperative Water Agency specific application.