

**2010 AND 2011
AFFILIATE TRANSACTIONS AUDIT
OF
PACIFIC GAS AND ELECTRIC COMPANY**

**PREPARED FOR
THE CALIFORNIA PUBLIC UTILITIES COMMISSION
AUGUST 18, 2014**

FINAL REPORT



NORTHSTAR CONSULTING GROUP

MANAGEMENT CONSULTANTS

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EXECUTIVE SUMMARY

This section of the report provides a brief overview of the findings, conclusions, and recommendations resulting from NorthStar Consulting Group's (NorthStar) audit of Pacific Gas & Electric Company's (PG&E) compliance with the Affiliate Transaction Rules (ATR or Rules) in the calendar years 2010 and 2011. This executive summary presents an overall picture without duplicating the specific material described further in the report and includes a brief overview of the scope and objectives of the audit, the approach used by NorthStar in auditing PG&E's compliance with the Rules, an exhibit summarizing PG&E's compliance status and a list of NorthStar's recommendations for improvement in PG&E's compliance activities.

PG&E is a subsidiary of PG&E Corporation. During the 2010 and 2011 audit period, PG&E Corporation had 18 direct and indirect subsidiaries other than PG&E, and PG&E itself had 23 subsidiaries. All of these entities are affiliates of PG&E. Only two of these 41 entities had any employees: PG&E Corporation Support Services had one employee (at a time), and PG&E Corporation Support Services II had two, located in Washington, DC. Most of PG&E's affiliates served as financing vehicles, and four of the affiliates were inactive during the audit period. PG&E Corporation was also a relatively small organization, with less than 20 employees.

General observations about the nature of PG&E's affiliates and its affiliate transactions during the audit period are as follows:

- PG&E had no affiliates that brokered, marketed, or sold natural gas or electricity. There were no energy procurement transactions with affiliates during 2010 and 2011.
- The majority of products and services PG&E provided to its affiliates were for shared services permitted under the Rules.
- PG&E Corporation provided services to PG&E related to corporate oversight and governance.
- Most of the employee transfers between PG&E and its affiliates were between PG&E and PG&E Corporation.
- PG&E's annual NTP&S revenues ranged from \$24 million to \$25 million, and the costs ranged from \$19 million to \$24 million. With the exception of Mover Services, NTP&S offerings are included in the utility's General Rate Case (GRC) Filing. There is no revenue sharing mechanism for NTP&S products.
- PG&E's Compliance and Ethics (C&E), Department which reports to the Vice President Internal Audit and Compliance, PG&E Corporation and PG&E, is responsible for ensuring PG&E's ATR compliance. In addition, a director in PG&E's Law Department provides guidance and supports the ATR compliance efforts.

NorthStar found that PG&E did not comply with a number of Rules. This may be attributed to various factors, including:

- The last ATR compliance audit was completed for calendar year 2006. It has been seven years since PG&E has been the subject of an ATR audit. The normal checks and balances provided in the findings from an audit have not occurred, and PG&E and its affiliates have been permitted to conduct business without the benefit of regular scrutiny.
- PG&E's Compliance Plan does not provide specific procedures and guidance to ensure compliance with the Rules.
- PG&E relied on training and procedures to facilitate compliance with the Rules, but both its ATR training program and ATR procedures were inadequate.
- PG&E has several subsidiaries presently classified as non-covered that were created to provide gas and electric related products and services although functionally are inactive.
- PG&E had limited affiliate transactions, especially loaned labor transactions. When a loaned labor transaction did occur, PG&E did have an established process in place, but did not comply with the Rules. This improper treatment of loaned labor then cascaded to additional areas and compliance issues.

NorthStar also examined PG&E's compliance with the ATRs with respect to two non-affiliate entities with whom PG&E Corporation entered into joint investments, SolarCity Corporation (SolarCity) and SunRun, Inc. (SunRun). We found that although PG&E had no specific procedures to ensure compliance with the ATRs for SolarCity and SunRun, PG&E did not give these entities preferential treatment.

PG&E is largely dependent on training and a passive monitoring approach to achieve compliance with these Rules. We strongly suggest that PG&E add substance to its annual compliance plan and policies and procedures that strengthen compliance related activities through a series of more rigorous compliance methodologies.

The audit scope of work requires that for each error, discrepancy, or violation of the ATRs by the utility that the auditor becomes aware of, the auditor will provide:

- a) The auditor's assessment of the magnitude of the error, discrepancy, or violation;
- b) The criteria used to determine the magnitude;
- c) The actual or potential harm to the ratepayers as a result of each error, discrepancy, or violation of the ATRs, considering the ATRs overarching goals of
 - i.* avoiding cross-subsidization of affiliate activities by ratepayers and
 - ii.* maintaining market competition.

There are no independent standards by which to measure the severity of the impact of a Rules violation. Therefore, NorthStar developed a Rules Violation Impact Scoring Matrix to assess magnitude and actual or potential harm to the ratepayers as a result of each error, discrepancy, or violation. For the sake of simplicity, we refer to errors, discrepancies and violations collectively as “violations.”

The Rules Violation Impact Scoring Matrix is a structured model to assess the impact of an ATR violation. The use of the impact scoring matrix ensures that a consistent approach is used to assess violations, so that they are scored and compared consistently across the Rules and across the three utilities audited by NorthStar (in addition to this audit of PG&E, NorthStar conducted the ATR audit of San Diego Gas & Electric and Southern California Gas for the 2010/2011 period). In order to minimize the influence of subjective judgment, NorthStar used the averages of the violation impact scores determined independently by each of the audit team members.

The construct of the matrix is straightforward. Each ATR violation is scored on two axes:

- X-Axis: Severity of Potential Harm -- A value of 1 to 5 is assigned, using the following ratings as a guideline.
 - 1 – No Significant Impact
 - 3 – Cross-subsidization
 - 5 – Impact on Competitive Energy Market
- Y-Axis: Violation Magnitude -- A value of 1 to 5 is assigned, using the following ratings as a guideline.
 - 1 – Error and/or Oversight
 - 3 – Inadequate and/or Incorrect Controls
 - 5 – Disregard for Compliance with the Rule

The impact of the non-compliance is the computed X value multiplied by the Y value.

Exhibit E-1 depicts the scoring matrix. As shown in the exhibit, we have classified violation scores as high, medium and low impact. **Exhibit E-2** provides a summary of PG&E’s compliance with each of the Affiliate Transaction Rules and violation scores where the utility failed to comply. **Exhibit E-3** shows the scoring matrix for each of the Rule violations.

Exhibit E-1 Scoring Matrix

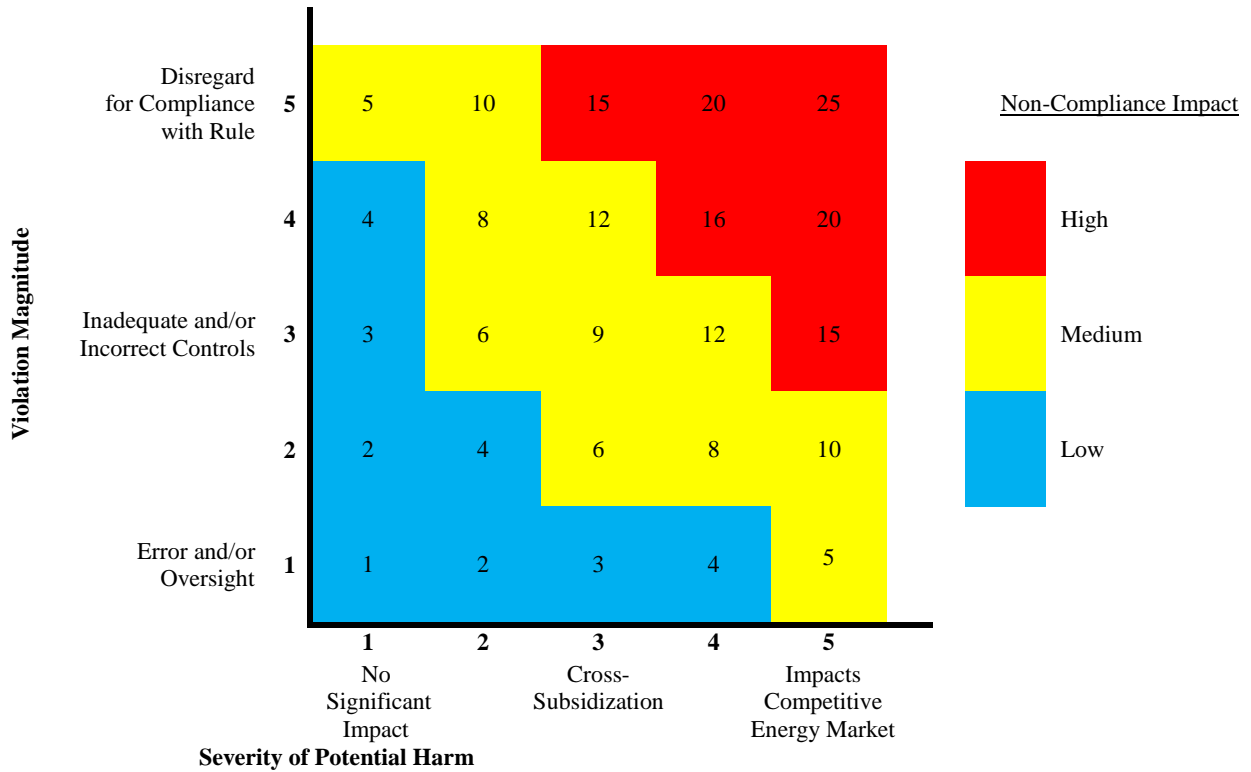
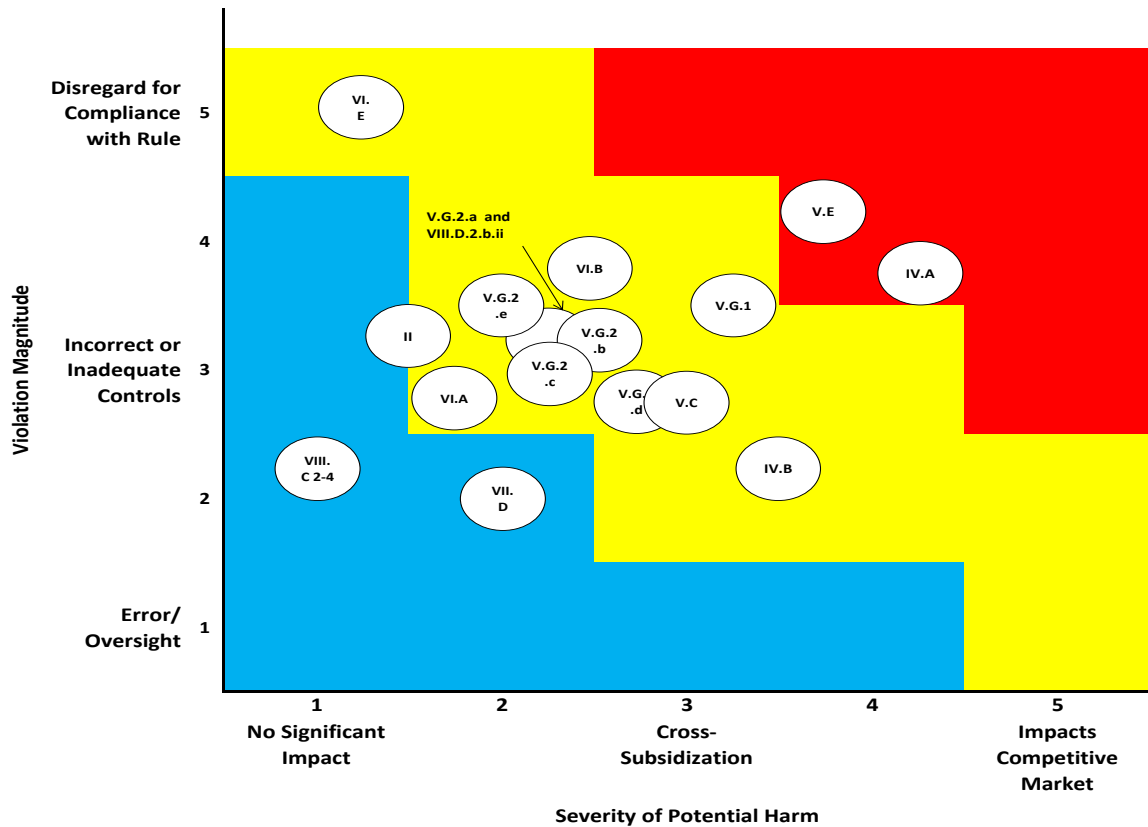


Exhibit E-2 Pacific Gas and Electric Summary Compliance Status (2010 and 2011)

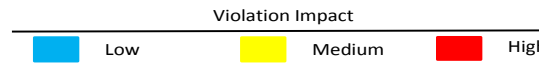
Rule	Section	Brief Rule Description	Complied?	Rec. #	Compliance Impact Score
I	A - G	Definitions	Yes		
II	A - I	Rules Applicability/Coverage	No	1, 2 and 3	4.9
III	A	Nondiscrimination	Yes		
	B	No Preferential Treatment	Yes		
	B.1 – B.3	Resource Procurement	Yes	4	
	B.4 – B.6	No Tariff Discretion	Yes		
	C	No Tying of Services	Yes		
	D	No Customer Assignments	Yes		
	E	No Business Development	Yes		
	F	Affiliate Discount Reports	Yes		
IV	A	Customer Info Disclosure	No	5, 6	15.9
	B	Non-Cust. Non-Public Info.	No		7.9
	C	Service Provider Info.	Yes		
	D	Supplier Information	Yes		
	E	Affiliate Advise/Assistance	Yes		

Rule	Section	Brief Rule Description	Complied?	Rec. #	Compliance Impact Score
	F	Record Keeping	Yes		
	G	Affiliate Contracts / Bids	Yes		
	H	FERC Reporting	N/A		
V	A	Separate Corporate Entities	Yes		
	B	Separate Books & Records	Yes		
	C	Shared Plant & Facilities	No	7	8.3
	D	Joint Procurement	Yes		
	E	Shared Corporate Support	No	8	15.9
	F.1	Corp. Id. and Advertising	Yes		
	F.2	Different Treatment	Yes		
	F.3	No Affiliate Advertising	Yes		
	F.4	No Joint Advertising	Yes		
	F.5	No R&D Subsidization	Yes		
	G.1	No Joint Employees	No	8, 9, 10	11.4
	G.2.a	Employee Move Tracking	No		7.3
	G.2.b	Transfer Residency Req.	No		7.5
	G.2.c	Transfer Payments	No		6.8
	G.2.d	No Information Transferred	No		7.6
	G.2.e	Temporary Labor Assigned	No		7.0
	H	Goods/Services Transfer	Yes		
VI	A	Compliance Plans	No	11, 12	4.8
	B	New Affiliate Notifications	No		9.4
	C	Affiliate Transactions Audit	N/A		
	D	Witness Availability	N/A		
	E	Officer Certifications	No	13	6.3
VII	A	NTP&S General	Yes		
	B	NTP&S Definitions	N/A		
	C	NTP&S Limitations	Yes	14	
	D	Precedent Conditions	No	14, 15, 16	4.0
	E	Advice Letter Requirements	Yes		
	F	Existing Offerings	Yes		
	G	Section 851 Application	Yes		
	H	Periodic Reporting NTP&S	Yes	14	
	I	NTP&S to Affiliates	Yes		
VIII	A – C.1	Violation Claims	N/A		
	C.2 – C.4	Complaint Handling	No	17, 18	2.3
	C.5	Complaint Report / Resolve	N/A		
	C.6	Complaint Contact/Meeting	Yes		
	D.1 – D.2.b.i	Commission Enforcement	N/A	19	
	D.2.b.ii	Utility Conduct / Violation	No		7.3
	D.2.b.iii – D.2.b.v	Setting Fines	N/A		
IX	A	Utility Capital Information	Yes		
	B	Capital Deviations/Reporting	Yes		
	C	Ring-Fencing	Yes		
	D	Changes to Ring-Fencing	Yes		

Exhibit E-3 PG&E Violation Impact Assessment



Source: NorthStar Analysis



Audit Scope and Objectives

The objective of this audit is to express an independent opinion on the degree and extent of PG&E’s compliance with the California Public Utilities Commission’s (CPUC or Commission) Rules governing affiliate transactions and relationships, and with PG&E’s own Compliance Plans filed with the Commission, for the calendar years ending December 31, 2010 and December 31, 2011.

Audit Approach

NorthStar approached this audit from a managerial as well as a financial perspective. As stated in Section II.A of CPUC Decision 97-12-088, the CPUC has chosen “...to adopt rules that generally require more separation between a utility and its affiliate, rather than rules that rely almost exclusively on tracking costs.” While the NorthStar team performed standard audit tests of selected affiliate transactions, we also focused on the effectiveness of the control environment—i.e., the organization, business processes, and regulatory compliance

procedures that affect PG&E's compliance efforts.

We conducted our assessment of PG&E's compliance with the CPUC Rules in accordance with Generally Accepted Government Auditing Standards (GAGAS) for performance audits. The standards are defined in *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions* produced by the Government Accounting Office (GAO) in 1981 and revised in 1988, 1994, 2003 and 2007. The most pertinent standards relate to issues of management economy, efficiency, and effectiveness as they apply to public utilities.

During the course of the audit, NorthStar submitted 306 data requests to PG&E which can be found in **Appendix A** of this report. NorthStar also conducted 57 interviews with a cross-section of PG&E officers, managers, and employees who had specific knowledge of operations and policies relating to Affiliate Transaction Rules compliance. Interview coverage included the following organizations and positions directly responsible for ATR compliance:

- Members of the Compliance and Ethics Department
- Specific individuals that responded to NorthStar information requests
- Law Department – utility and corporate
- Controller and accounting staff
- Internal Audit
- Human Resources – utility and corporate
- Corporate Regulatory and Compliance
- Supply Chain
- Fuel Procurement and Planning
- Facilities management and Security
- Customer Service and Call Center management and staff
- Corporate Communications
- Operations and Dispatch

This extensive documentation and interview coverage provided a broad perspective of PG&E's compliance activities as well as focused attention on transactions in order to establish a high degree of confidence in our audit findings and conclusions. Many PG&E personnel were interviewed more than once. NorthStar has provided copies of our data requests and interview logs separately. Throughout this report, we have identified, where possible, the data request or interview that led to a specific finding. The number of the data request (e.g., DR 50) or interview (e.g., I-20) has been included in the text to provide easy reference to the supporting materials.

In addition to the data requests and interviews, NorthStar tested the validity, accuracy, and compliance status of a large number of affiliate transactions and other customer transactions that are subject to the Affiliate Transaction Rules. The audit included testing of either a sample or the entire population of the following types of 2010 and 2011 transactions:

- A sample of the Customer Information Service Requests (CISRs).

- All Intercompany Service Requests for loaned labor.
- All property transfers involving PG&E and any covered affiliate.
- All service agreements and contracts between PG&E and affiliates in effect in 2010 and 2011
- All joint purchasing transactions between PG&E and its covered affiliates.
- All employee movement between PG&E and its affiliates along with associated transfer fee payments when required.
- All PG&E bill inserts.
- All Board of Director minutes.
- All PG&E and affiliate marketing and advertising materials distributed in 2010 and 2011.

The audit also conducted tests on a number of current transactions to determine compliance with the Rules. These transactions included:

- Customer calls to the Customer Call Center.
- Web postings.
- Bulk power scheduling.

Because PG&E’s compliance process is an internal control system, our review was also based on the internal controls guidelines published in the 1992 report by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. COSO defines internal control as the process carried out by the Board of Directors, management, and other personnel for the purpose of gaining reasonable assurance of achieving objectives related to: (1) the effectiveness and efficiency of operations, (2) the reliability of financial reports, and (3) compliance with laws and regulations.

The COSO definition of internal control includes several important concepts worth noting. First, internal control is a means to an end, not an end in itself. Second, internal controls are not “people proof”. Third, effective internal controls can only provide a reasonable assurance, not a guarantee. Effective internal controls cannot entirely prevent human error, poor judgment, or well-planned fraud. It is important to balance the cost of controls with their effectiveness, so as not to burden a company with expensive controls that provide minimal benefit.

Recommendations

1. The PG&E Compliance and Ethics (C&E) Department should perform a comprehensive analysis of all utility affiliates (and subsidiaries) currently classified as “non-covered” reapplying the rationale and definitions contained within Rule II. (Rule II.B)
2. The C&E Department should perform an analysis of all affiliate entities to determine whether they market energy products or services. Any affiliate entity that markets energy products or services should be classified as an “energy marketing affiliate.”
3. The Affiliate Transactions Compliance Plan, ATR compliance guidelines and utility internet web sites should be updated to reflect those affiliates re-classified as covered and those that are energy marketing affiliates. (Rule II.B)

4. Update the Compliance Plan to provide a link to the website where affiliate discounts are posted. (Rule III.B.3)

The Rules and PG&E policies require written customer approval to provide customer information to third parties. PG&E releases customer usage information to solar contractors without written authorization.

5. Discontinue the practice of providing usage information without written authorization unless/until this practice is authorized by the Commission. (Rule IV.A)
6. Establish clear protocols regarding the release of customer information to third parties, and provide related training to appropriate employees. (Rule IV.A)

The Rules prohibit sharing computer systems, access or information with its affiliates.

7. Develop procedures and checklists to ensure that employee computer access is terminated upon termination of employment. Conduct internal assessment to verify that PG&E complies with this Rule. (Rule V.C)

The PG&E MBA program is not corporate governance, a shared service or a temporary assignment.

8. Limit PG&E's MBA Program to activities within the regulated utility or comply with Rule V.G.2.e – temporary assignments utilizing individual labor agreements between the utility/affiliate and recognizing time limitations. (Rule V.E and V.G)
9. Identify PG&E affiliates and subsidiaries that market gas and electric products and services. Prohibit temporary assignments to these entities. (Rule V.G.2.e)
10. Identify the positions and organizational units of “employees involved in marketing” for all PG&E, and prohibit temporary assignments of these employees. (Rule V.G.2.e)
11. Require all employees to take training module CORP-0400WBT/CORP-0911WBT (web-based Basic CPUC Affiliate Require annual comprehensive ATR training for all PG&E employees). (Rule VI.A)
12. Modify the compliance plan to specifically identify the policies and procedures PG&E has established to ensure compliance. (Rule VI.A)
13. Cease modifying the annual officer certifications and submit certifications that comply with the ATR. (Rule VI.E)
14. Revise the methodology to determine the proportion of utility assets used for non-tariffed products and services (NTP&S). The proportion should reflect the quantity of assets used for NTP&S as it relates to the utility-wide quantity of assets, not an individual department's use of the asset. (Rules VII.C, VII.D.4 and VII.H)
15. PG&E's Internal Audit Department should conduct audits of NTP&S costs and revenues as required by the Rules. (Rule VII.D.4)
16. PG&E should strengthen its process to determine the costs and revenue data included in in the annual NTP&S Reports to ensure that the information provided to the CPUC is correct. (Rule VII.D.4)

- Consider transferring responsibility for compiling NTP&S cost and revenue data from the New Revenue Development (NRD) Department to the Accounting or Non-Energy Billing departments.
 - Establish work paper requirements to require supporting documentation for all dollars reported. (e.g., SAP print-outs).
 - NorthStar’s audit showed incorrect NTP&S 2010-2011 reported revenue and costs. Require an independent review of the reported costs and revenues covering 2007-2013.
17. Assign the Affiliate Compliance Manager responsibility for receiving, investigating, and attempting to resolve complaints. (Rules VIII.C.2 through Rule VIII.C.4)
 18. Develop a documented procedure to specify the Compliance and Ethics Department’s (and other departments’, as appropriate) responsibilities and actions for the complaint resolution process required by Rules VIII.C.2 through VIII.C.4 and VIII.6. (Rules VIII.C.2 through Rule VIII.C.4)
 19. Establish processes to detect Rule violations. Consider a self-assessment program wherein departments are responsible for periodically checking to verify compliance with the Rules. (Rule VIII.D.2.b.ii)
 20. PG&E should update its Compliance Plan to properly reflect the Rules. (Compliance Plan Assessment)
 21. The Commission should hold workshops with interested stakeholders to consider modifications to the Affiliate Transaction Rules.
 22. The Commission should enforce the current Rules and issue an Order Instituting Rulemaking (OIR) to amend the Rules.

Organization of this Report

The remainder of this report provides NorthStar’s detailed evaluation of PG&E’s compliance with each of the Rules. Each Rule is discussed sequentially and includes the following sections:

- Text of the Rule
- 2010 and 2011 Compliance Plan
- Findings and Conclusions

At the end of each chapter, we provide our recommendations.

The last three chapters of the report provide an evaluation of PG&E’s Compliance Plan, its treatment of SunRun and SolarCity, and a discussion of potential changes to the ATRs based upon NorthStar’s audit experience and input from the utilities.

RULE I. DEFINITIONS

Rule I defines the key terms used throughout the Affiliate Transaction Rules (Rules). While Rule I does not require any specific compliance action on the part of the utility, the definitions in Rule I should be reflected in the Pacific Gas and Electric Company (PG&E) compliance procedures, training and compliance oversight activities.

In reviewing PG&E's compliance with Rule I, NorthStar used the following evaluative criteria, whether:

- PG&E understood and accepted the definitions contained in Rule I.
- PG&E's interpretation and application of the definitions contained in Rule I complied with the letter and spirit of definition in Rule I.
- PG&E fully documented and consistently utilized any interpretations of the definitions that are contained in Rule I.
- PG&E's compliance procedures and compliance training were consistent with the definitions in Rule I.

In conducting its compliance audit, NorthStar examined the following:

- The affiliate transaction Compliance Plan, the Annual Report of Affiliate Company Transactions and other documents to assess whether PG&E consistently and accurately applied the Rule I definitions.
- The Affiliate Rules training program, documentation and other communications to determine that PG&E appropriately conveyed the approved definitions and applicability.
- Interpretations of the definitions for consistency with the intent of the Rules.
- The actual or potential harm to the ratepayers as a result of any identified error, discrepancy, or violation of this Rule.

Rule I - Definitions

Unless the context otherwise requires, the following definitions govern the construction of these Rules:

- I.A.** "**Affiliate**" means any person, corporation, utility, partnership, or other entity 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly, either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. For purposes of these Rules, "substantial control" includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of 5% or more by the utility in an entity's company creates a rebuttable presumption of control.

For purposes of this Rule, “affiliate” shall include the utility’s parent or holding company, or any company which directly or indirectly owns, controls, or holds the power to vote 10% or more of the outstanding voting securities of a utility (holding company), to the extent the holding company is engaged in the provision of products or services as set out in Rule II B. However, in its compliance plan filed pursuant to Rule VI, the utility shall demonstrate both the specific mechanisms and procedures that the utility and holding company have in place to assure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules. Examples include but are not limited to specific mechanisms and procedures to assure the Commission that the utility will not use the holding company or another utility affiliate not covered by these Rules, or a consultant or contractor as a vehicle to (1) disseminate information transferred to them by the utility to an affiliate covered by these Rules in contravention of these Rules, (2) provide services to its affiliates covered by these Rules in contravention of these Rules or (3) to transfer employees to its affiliates covered by these Rules in contravention of these Rules. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures to ensure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules.

Regulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate. However, these Rules apply to all interactions any regulated subsidiary has with other affiliated entities covered by these rules.

- I.B. **“Commission”** means the California Public Utilities Commission or its succeeding state regulatory body.
- I.C. **“Customer”** means any person or corporation, as defined in Sections 204, 205 and 206 of the California Public Utilities Code, that is the ultimate consumer of goods and services.
- I.D. **“Customer Information”** means non-public information and data specific to a utility customer which the utility acquired or developed in the course of its provision of utility services.
- I.E. **“FERC”** means the Federal Energy Regulatory Commission.
- I.F. **“Fully Loaded Cost”** means the direct cost of good or service plus all applicable indirect charges and overheads.
- I.G. **“Utility”** means any public utility subject to the jurisdiction of the Commission as an Electric Corporation or Gas Corporation, as defined in California Public Utilities Code Sections 218 and 222, and with gross annual operating revenues in California of \$1 billion or more.
- I.H. **“Resource Procurement”** means the investment in and the production or acquisition of the energy facilities, supplies, and other energy products or services necessary for California public utility gas corporations and California public utility electrical corporations to meet their statutory obligation to serve their customers.

PG&E 2010 and 2011 Compliance Plans

PG&E’s compliance plans do not address Rule I.

Findings and Conclusions

PG&E complied with Rule I.

On January 1, 1998, PG&E along with all other California public utilities, became subject to uniform Affiliate Transaction Rules (D.97-12-088) issued by the California Public Utilities Commission (CPUC). The Affiliate Transaction Rules (ATR) were most recently amended by the CPUC on December 14, 2006 in D.06-12-029.

Affiliate Transaction Rules are based upon the following rules/decisions:

Rule / Decision	Brief Description
D.92-08-008	Annual Report on Significant Utility-Affiliate Transactions
D.93-02-019	Affiliate Transaction Reporting Requirements
D.96-11-017	PG&E holding company structure
D.97-04-011	Standards of conduct
D.97-12-088	Affiliate Transaction Rules
D.98-08-035	Affiliate Transaction Rules (modification of D.97-12-088)
D.98-11-027	Disclaimer Requirement (modification of D.98-08-035)
D.98-12-075	Enforcement re D.97-12-088
D.99-04-069	Grants a limited exemption from the disclaimer requirement.
D.02-02-046	Disclaimer Language (D.99-09-033 deemed applicable to all utilities)
R.05-10-030	Proceeding concerning the relationship between utilities, holding companies and non-regulated affiliates.
D.06-12-029	Affiliate Transaction Rules (modification of D.98-08-035)

In accordance with Decision 06-12-029 PG&E submitted its Affiliate Transaction Rules Compliance Plan for compliance activities during CY2010 on June 28, 2010 (Advice 3131-G/3694-E) and for compliance activities during CY2011 on June 30, 2011 (Advice 3221-G/3868-E). The Compliance Plans include the policies and procedures in place to ensure compliance with the ATRs, other applicable CPUC Rules and the Federal Energy Regulatory Commission (FERC) Rules governing transactions between PG&E and its affiliates.¹

A number of terms appear in the Rules that, by default, leave definition or interpretation to the utilities subject to the Rules. Examples include terms significant to compliance with the Rules such as: “executives,” “employees involved in marketing,” “energy marketing affiliate,” “corporate oversight and governance,” and the “creation of a new affiliate.” Because of the significance of terms such as these, PG&E has offered its own definitions in its compliance plans in effect during 2010 and 2011. When these terms and PG&E’s definitions have an impact on the Rules and PG&E’s compliance, they will be addressed in that context.

PG&E submitted its Compliance Plan (Plan) to comply with the Affiliate Transaction Rules (Rules) adopted by the California Public Utilities Commission (CPUC) in D.06-12-029. PG&E’s Plan includes a variety of procedures and mechanisms for implementation and compliance with the Rules, which provide the company’s approach to affiliate rules

¹ DR 97

compliance. Although not specifically described in the Plan, all Rules will be implemented by means of a combination of one or more of the following:

- Development and distribution of written policies and procedures,
- Education, training for and communications to employees throughout PG&E, PG&E Corporation and their subsidiaries governed by these rules,
- Monitoring affiliate transactions and overall compliance on a continuing basis, and
- Additional training and corrective actions as needed.

PG&E's Compliance and Ethics (C&E) Department, which reports to the Vice President Internal Audit and Compliance, PG&E Corporation and Pacific Gas and Electric Company, is charged with implementing the Plan. The department is staffed with personnel experienced in accounting, auditing, training, and monitoring and enforcing compliance. Appropriate resources in this department are devoted to training employees on the affiliate rules.

The C&E Department is also responsible for issuing periodic memoranda to PG&E employees, PG&E Corporation and its subsidiaries governed by these Rules. These memoranda outline the importance of complying with the Rules and may include corporate guidance documents. The guidance documents articulate what the utility, holding company and affiliate employees must do to ensure that PG&E complies with the Affiliate Rules. During the audit period, memoranda were issued on June 30, 2009, and in August 2010.

A copy of the full Compliance Plan is available to all employees of Pacific Gas and Electric Company via the Pacific Gas and Electric Company Intranet at <http://pgeatwork/Compliance/Pages/AffiliateRules.aspx>.

PG&E's Compliance Plan includes the following specific mechanisms and procedures to fully implement these Rules:

1. Written guidance documents are disseminated to employees of PG&E Corporation and its subsidiaries governed by these Rules describing these Rules and their obligations.
2. Employees of PG&E Corporation who provide permitted corporate support or shared services and who have access to non-public utility information are required to sign a statement that they are aware of, have read and will follow all written policies regarding limitations on the use of non-public utility information and that failure to observe these limitations in the future will result in subjecting them to corporate discipline policies.
3. All support personnel, services, physical plant, equipment, supplies, and other overhead owned by PG&E and used by PG&E Corporation shall be charged to PG&E Corporation as required by D.96-11-017; (See the Utility Affiliated Company Transactions Procedures at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>).
4. All permitted corporate support services rendered by PG&E employees to affiliates shall be charged to the affiliates receiving the services in accordance with the Affiliated Company Transactions procedures at <http://pgeatwork/Finance/Controller/AT/>.

5. Periodic training and reminders will be provided to the employees of PG&E, PG&E Corporation and their subsidiaries. PG&E Corporation officers and employees shall be directed to maintain confidential utility information in a manner to prevent its reaching an affiliate. When needed, PG&E provides training to targeted employee groups to sensitize them to the need to protect confidential Utility information. Online affiliate rules training is also available on PG&E's training platform, My Learning at <https://pgeatworkforme.pge.com/irj/portal>.
6. Policy and practice is in place with the effect that a one-time 25 percent transfer fee will be paid for each non-clerical employee departing the utility and commencing work at an affiliate. This 25 percent fee will only be paid once for any individual employee (See the Utility Affiliated Company Transactions Procedures at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>).
7. Policy and practice is in place that a utility employee who transfers to a Rule II.B affiliate cannot return to the utility until at least twelve months from their last day of employment with the utility unless the provisions of Rule V.G.2.b are met (See the Utility Affiliated Company Transactions Procedures on the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>).
8. Employee transfers to other companies in the corporate family will be tracked by PG&E's HR/SAP system to ensure that they conform to the Rules.
9. PG&E Corporation continues to lease space in utility facilities as approved in D.00-02-061 for some PG&E Corporation employees.
10. A small number of empty utility offices will be available as guest ("hoteling") offices in 77 Beale and other utility facilities for limited day and overnight use by affiliate and PG&E Corporation officers. Costs (including overhead, supplies and support staff) will be charged by the utility.
11. PG&E elected not to share key officers under Rule V.E and so notified the Commission in a letter dated May 25, 2007.
12. PG&E's standard consulting and procurement contract forms contain language restricting contractors from transmitting confidential Utility information to third parties, including affiliates.

These compliance plan mechanisms and their effectiveness in facilitating compliance with the Rules are addressed in the specific chapters that follow.

RULE II. APPLICABILITY

Rule II defines, by the types of transactions they engage in, those affiliates that are subject to the Affiliate Transaction Rules. In the case of PG&E, the Rules apply to all transactions with affiliates engaging in the provision of products using gas or electricity or services relating to the use of gas or electricity.

In reviewing PG&E's compliance with Rule II, NorthStar used the following evaluative criteria, whether:

- PG&E understood and accepted the terms contained in Rule II.
- PG&E's compliance procedures, compliance training, and annual reports on affiliate transactions were consistent with the terms in Rule II.

In conducting its compliance audit, NorthStar performed the following:

- Reviewed the affiliate transaction Compliance Plan, the Annual Report of Affiliate Company Transactions and other documents to assess whether PG&E consistently and accurately identified those affiliates and transactions subject to the Rules, in accordance with Rule II.
- Reviewed training manual and other communications to determine that they appropriately convey the approved applicability.
- Identified any new affiliates and or affiliates with new responsibilities and determined whether the applicability as stated in PG&E' Compliance Plan or other regulatory filings was appropriate.
- Determined the actual or potential harm to the ratepayers as a result of any identified error, discrepancy, or violation of this Rule.

Rules II.A through II.H

II.A These Rules shall apply to California public utility gas corporations and California public utility electrical corporations, subject to regulation by the California Public Utilities Commission and with gross annual operating revenues in California of \$1 billion or more.

II.B. For purposes of a combined gas and electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, unless specifically exempted below. For purposes of an electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses electricity or the provision of services that relate to the use of electricity. For purposes of a gas utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or the provision of services that relate to the use of gas. However, regardless of the foregoing, where explicitly provided, these Rules also apply to a utility's parent holding company and to all of its affiliates, whether or not they engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity.

II.C. No holding company nor any utility affiliate, whether or not engaged in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, shall knowingly:

II.C.1 Direct or cause a utility to violate or circumvent these Rules, including but not limited to the prohibitions against the utility providing preferential treatment, unfair competitive advantages or non-public information to its affiliates;

II.C.2 Aid or abet a utility's violation of these Rules; or

II.C.3 Be used as a conduit to provide non-public information to a utility's affiliate.

II.D. These Rules apply to transactions between a Commission-regulated utility and another affiliated utility, unless specifically modified by the Commission in addressing a separate application to merge or otherwise conduct joint ventures related to regulated services.

II.E. These Rules do not apply to the exchange of operating information, including the disclosure of customer information to its FERC-regulated affiliate to the extent such information is required by the affiliate to schedule and confirm nominations for the interstate transportation of natural gas, between a utility and its FERC-regulated affiliate, to the extent that the affiliate operates an interstate natural gas pipeline. These Rules do not apply to transactions between an electric utility and an affiliate providing broadband over power lines (BPL).

II.F. Existing Rules: Existing Commission rules for each utility and its parent holding company shall continue to apply except to the extent they conflict with these Rules. In such cases, these Rules shall supersede prior rules and guidelines, provided that nothing herein shall supersede the Commission's regulatory framework for broadband over power lines (BPL) adopted in D. 06-04-070 nor shall preclude (1) the Commission from adopting other utility-specific guidelines; or (2) a utility or its parent holding company from adopting other utility-specific guidelines, with advance Commission approval.

II.G. Civil Relief: These Rules shall not preclude or stay any form of civil relief, or rights or defenses thereto, that may be available under state or federal law.

II.H. These Rules should be interpreted broadly, to effectuate our stated objectives of fostering competition and protecting consumer interests. If any provision of these Rules, or the application thereof to any person, company, or circumstance, is held invalid, the remainder of Rules, or the application of such provision to other persons, companies, or circumstances, shall not be affected thereby.

PG&E 2010 and 2011 Compliance Plans

Attachment A contains a list of all entities within the PG&E Corporation family that meet the definition of affiliate provided in Rule I.A. The affiliates are categorized based on the applicability of these rules.

Pacific Gas and Electric Company and PG&E Corporation have training and reminder programs in place to ensure that employees are aware of this rule and are directed to comply with it. This includes live and computer based training as well as the distribution of periodic reminders. Also see Introduction.

An annual communication (see Introduction) was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule².

Findings and Conclusions

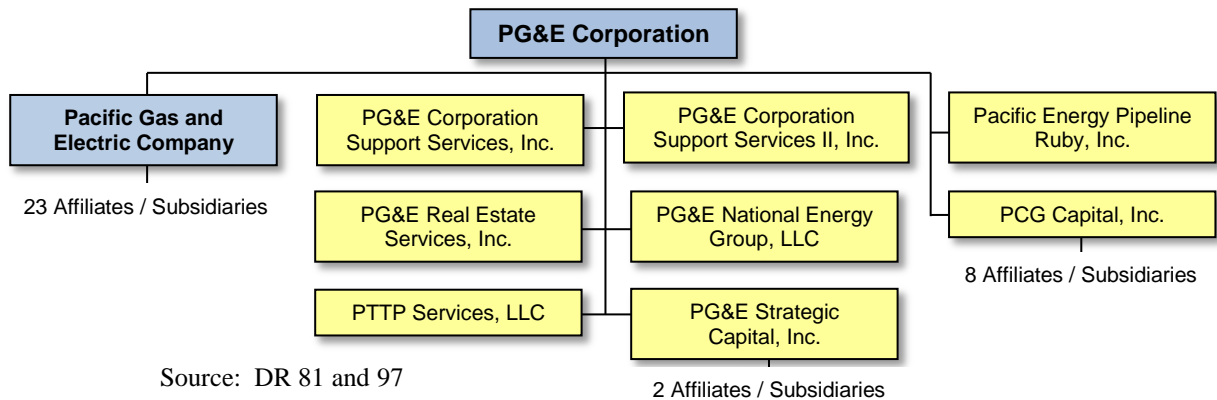
PG&E did not comply with Rule II.

² The 2010 language differs slightly: A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.

PG&E’s compliance plan provides little information, much less any form of required demonstration, that there are adequate procedures in place that will preclude the sharing of information with its affiliates that is prohibited by Rule II. PG&E’s Compliance Plan with respect to Rule II is merely Attachment A – a list of subsidiaries and affiliates that PG&E believes meet the definition of Rule II.

Exhibit II-1 provides an overview of PG&E and its affiliates during the audit period 2010 – 2011.

**Exhibit II-1
PG&E Corporation Legal Structure as of December 31, 2011**



PG&E fails to properly categorize affiliates that are covered by Rule II.B. The affiliates that NorthStar determined are covered by Rule II.B, but which PG&E classified as not-covered, are highlighted in **Exhibit II-2**.

- PG&E has 23 subsidiaries, and considers twelve of these subsidiaries to be “regulated subsidiaries,” defined in its Affiliated Company Transactions Standard as a subsidiary of PG&E, the revenues and expenses of which are regulated by the CPUC.³ It is not clear whether PG&E believes that a regulated subsidiary is covered under Rule II.B. Rule I.A specifically addresses this issue:
 - Regulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate.
 - However, these Rules apply to all interactions any regulated subsidiary has with other affiliated entities covered by these rules.
- The only regulated subsidiary whose costs were included in PG&E’s utility rates during 2010 and 2011 was PG&E’s 85.71 percent share of Standard Pacific Gas Line Inc. (StanPac). Subsidiaries of PG&E are affiliates unless they are included in

³ DR 1 Affiliated Company Transactions Standard pg 13

PG&E’s rates. Those providing gas and electric related products and services are covered by Rule II.B.4

- In a number of cases PG&E classifies affiliates that provide gas and electric related products and services as “inactive” and not covered by Rule II.B. It is important to note that PG&E does not show these affiliates as “dissolved” and therefore they continue to remain legal entities. The description of the affiliate shows that the entity was created for the purpose of providing gas and electric related products and services. Rule II.B makes no exceptions for the affiliate’s level of activity during the audit period.
- PG&E classifies PG&E Corporation Support Services II, Inc. as an affiliate not covered by Rule II.B. This is based on the premise that services to PG&E Corporation and certain of its subsidiaries are permitted shared corporate support services only. NorthStar agrees with PG&E’s classification under Rule II.B.

**Exhibit II-2
PG&E Affiliates Covered by Rule II.B – 2010/2011**

Affiliate/Subsidiary	Business Description	PG&E II.B	NorthStar II.B
PG&E Corporation	An energy based holding company that is headquartered in San Francisco. PG&E Corporation is the parent company of Pacific Gas and Electric Company.	The Parent Holding Company	
Pacific Gas and Electric Company (PG&E)	One of the largest combination natural gas and electric utilities in the United States. The company, a subsidiary of PG&E Corporation, serves approximately 15 million people throughout a 70,000-square-mile service area in northern and central California.	The Regulated Utility	
Subsidiaries of PG&E Corporation			
PG&E Corporation Support Services, Inc.	Provides services to the PG&E Corporation family.	Yes	Yes
PG&E Corporation Support Services II, Inc.	Provides services to PG&E Corporation and certain of its subsidiaries permitted shared corporate support services only. ⁵	No	No
Pacific Energy Pipeline Ruby, Inc	Formed to be the investment entity for minority interest in the Ruby natural gas pipeline project from Wyoming to Oregon.	Yes	Yes
PG&E National Energy Group, LLC	Inactive; formed for the limited purpose of holding stock in National Energy & Gas Transmission, Inc. (equity interest in NEGT dissolved through bankruptcy on October 29, 2004).	No	No
PG&E Real Estate Services, Inc.	Formed to provide corporate support services relating to employee relocation and related human resources support.	No	No
PG&E Strategic Capital, Inc.	Formed for general business purposes, including possibly serving as a vehicle for investments and holding Connector Gas Pipeline, LLC and Pacific Connector Gas Pipeline, LP.	Yes	Yes
Pacific Connector Gas Pipeline, LLC	Formed to act as the General Partner in the Pacific Connector Gas Pipeline, LP. (Affiliate; ownership: Fort Chicago LNG II U.S.L.P. 33 1/3%, Williams Pacific Connector Gas Pipeline LLC 33 1/3%, and PG&E Strategic Capital, Inc. 33 1/3%.)	Yes	Yes
Pacific Connector Gas Pipeline, LP	Established for the purpose of developing, constructing, owning, and operating a natural gas pipeline extending from the proposed Jordan Cove Energy Project LNG terminal at Coos Bay, Oregon to either Malin, Oregon, or a point of interconnection with the natural gas transmission system owned and operated by Pacific Gas and Electric Company within the state of California. (Affiliate; ownership: Fort Chicago LNG II U.S.L.P. 33%,	Yes	Yes

⁴ DR 171

⁵ DR 295-299

Affiliate/Subsidiary	Business Description	PG&E I.B	NorthStar I.B
	Williams Pacific Connector Gas Pipeline LLC 33%, PG&E Strategic Capital, Inc. 33%, and Pacific Connector Gas Pipeline 1%.)		
PCG Capital, Inc.	Formed for the purpose of holding interests in other businesses, financing and other transactions. (formerly PG&E Ventures, LLC)	Yes	Yes
PG&E Ventures, LLC	Formed for the purpose of holding interests in other businesses, financing and other transactions.	Yes	Yes
Pacific Energy Capital I, LLC	Name changed from Pacific Venture Capital, LLC to Pacific Energy Capital I, LLC on April 14, 2010 in DE and April 27, 2010 in CA. Reactivated on December 17, 2009 to establish and manage a portfolio of passive capital investments in growing energy and telecommunications companies.	Yes	Yes
PG&E Capital, LLC	Inactive; formed for financing and other transactions related to the energy industry.	No	Yes
PG&E Telecom Holdings, LLC	Inactive; formed for the purpose of engaging in telecommunications and related business activities.	No	No
Pacific Energy Capital II, LLC	Formed to establish and manage a portfolio of passive financial investments in growing energy companies.	Yes	Yes
SunRun Pacific Solar LLC	Formed to own and manage solar photovoltaic projects with host customers in a variety of states.	Yes	Yes
Pacific Energy Capital III, LLC	Formed to establish and manage a portfolio of passive financial investments in growing energy companies.	Yes	Yes
Sequoia Pacific Solar I, LLC	Formed to own and manage solar photovoltaic facilities with host customers in a variety of states.	Yes	Yes
Pacific Energy Capital IV, LLC	Formed to establish and manage a portfolio of passive financial investments in growing energy companies.	Yes	Yes
PTTP Services LLC	Inactive; formed to provide corporate administrative services.	No	No
Subsidiaries of PG&E			
1992 Oakland Regional Housing Partnership Associates	17% limited partner with General Partner, Merritt Community Capital, created to construct and own low income housing.	No	No
1994 Oakland Regional Housing Partnership Associates	11.6% limited partner with General Partner, Merritt Community Capital, created to construct and own low income housing.	No	No
Calaska Energy Company	Inactive; formerly Pacific Gas and Electric Company's representative in Alaska Highway Pipeline Project. Formed to bring Prudhoe Bay natural gas to the lower 48 states.	No	Yes
Chico Commons	40.8% limited partner with General Partner, Baynard Management, created to construct and own low-income housing.	No	No
Eureka Energy Company	Formerly managed the Utah coal venture on behalf of Pacific Gas and Electric Company. Currently holds the Marre Ranch property in San Luis Obispo County. ⁶	No	Yes
Midway Power, LLC	A direct subsidiary of Pacific Gas and Electric Company formed to be the ownership entity for real estate and licenses for a suspended development project, pursuant to a purchase and sale agreement dated July 17, 2008.	No	Yes
Morro Bay Mutual Water Company	A non-profit mutual benefit corporation formed to jointly hold property rights such as easements in connection with the divestiture of the Morro Bay Power Plant.	No	No
Moss Landing Mutual Water Company	A non-profit mutual benefit corporation formed to jointly hold property rights such as easements in connection with the divestiture of the Moss Landing Power Plant.	No	No
Natural Gas Corporation of California	Acts as the vehicle for the amortization of the remaining GEDA (Gas Exploration Development Account) assets.	No	No
Alaska Gas Exploration	Inactive; 50% owned subsidiary of Natural Gas Corporation of California	No	Yes

⁶ The Marre house, high on the hill above what is now known as the San Luis Bay Inn, is situated between Avila Beach and Port San Luis. The Bay Inn and golf course was built with the credit received from PG&E in exchange for leasing to them Diablo Canyon. A protracted lawsuit resulted in the Marre family losing their ranch, home and property. PG&E consented to let Tom Marre's mother live in their mansion until her death in 2009. San Luis Obispo County Historical Society.

Affiliate/Subsidiary	Business Description	PG&E II.B	NorthStar II.B
Associates	formed to obtain gas reserves to support the South Alaska LNG project.		
NGC Production Company	Inactive; formed to facilitate project financing of its capital requirements.	No	Yes
Newco Energy Corporation	Inactive; formed for implementation of Pacific Gas and Electric Company's original proposed plan of reorganization.	No	No
Pacific California Gas System, Inc.	Holds the intrastate (PG&E) segment of the PGT-PG&E Pipeline Expansion project.	No	No
Pacific Conservation Services Company	Engaged in the borrowing and lending operations required to fund Pacific Gas and Electric Company's conservation loan programs. No loans have been issued since 1986.	No	No
Pacific Energy Fuels Company	Created to own and finance nuclear fuel inventory previously owned by Pacific Energy Trust.	Yes	Yes
Fuelco, LLC	Joint Venture LLC formed between Union Electric Company d/b/a AmerenUE 33 1/3%, Texas Utilities (TXU) Generation Company LP 33 1/3%, and Pacific Energy Fuels Company 33 1/3%, for purposes of sharing costs and reducing fuel acquisition costs. (Limited exemption from affiliate rules per D.05-09-006)	Yes	Yes
Pacific Gas and Electric Housing Fund Partnership, L.P.	99.9% limited partner with General Partner, Merritt Community Capital, to invest in projects that construct and own low-income housing.	No	No
Pacific Gas Properties Company	Holds Alaska and California properties, previously intended for LNG purposes, for sale or development.	No	No
PG&E CalHydro, LLC	Created to own and operate a system of hydroelectric facilities and related watershed.	No	Yes
PG&E Capital II	Special purpose financing vehicle formed for the purpose of issuing deferrable income securities.	No	No
PG&E Capital III	Special purpose financing vehicle formed for the purpose of issuing deferrable income securities.	No	No
PG&E Capital IV	Special purpose financing vehicle formed for the purpose of issuing deferrable income securities.	No	No
PG&E Energy Recovery Funding LLC	Formed as a special purpose financing entity for issuance of Energy Recovery Bonds.	No	No
Schoolhouse Lane Apartments L.P.	99.9% limited partner with General Partner, Peoples Self Help Housing Corporation, created to construct and own low-income housing.	No	No
Standard Pacific Gas Line Incorporated	Transportation of natural gas in California; Chevron Pipe Line Company owns 14.29% interest.	No	No

Source: DR 97, 170 - 174 and 177

Recommendations

1. The PG&E Compliance and Ethics Department should perform a comprehensive analysis of all utility affiliates (and subsidiaries) currently classified as “non-covered” reapplying the rationale and definitions contained within Rule II. (Rule II.B)
2. The Compliance and Ethics Department should perform an analysis of all affiliate entities to determine whether they market energy products or services. Any affiliate entity that markets energy products or services should be classified as an “energy marketing affiliate.”
3. The Affiliate Transactions Compliance Plan, ATR compliance guidelines and utility internet web sites should be updated to reflect those affiliates re-classified as covered and those that are energy marketing affiliates. (Rule II.B)

RULE III. NONDISCRIMINATION

Rule III specifies PG&E's conduct in providing services to affiliates and non-affiliates. PG&E is prohibited from providing preferential treatment to its affiliates in order to assist its affiliates in gaining a competitive market advantage and to the detriment of non-affiliated market participants. Rule III focuses on six areas: (1) preferential treatment, (2) provision of products and services, (3) tying of customers, (4) assignment of customers, (5) provision of business development activities and (6) reporting requirements.

In assessing PG&E's compliance with Rule III, NorthStar used the following evaluative criteria, whether:

- PG&E did not:
 - Provide leads to affiliates.
 - Solicit business on behalf of affiliates.
 - Acquire information on behalf of or to provide to affiliates.
 - Share market analysis reports.
 - Request authorization from its customers to pass on customer information exclusively to affiliates.
 - Give any appearance that PG&E speaks on behalf of affiliates.
 - Give any appearance that the affiliates speak on behalf of PG&E.
- Requests for similar services were processed in the same manner and within the same time for affiliates and all other market participants and their customers.
- PG&E did not tie the provision of any services or the availability of discounts of rates, rebates, or waivers of terms and conditions of any services provided by PG&E, to the taking of any goods or services from its affiliates.
- PG&E had not assigned customers to any of its affiliates.
- PG&E disclosed any discount, rebate, of other waiver of any charge or fee to its affiliates by posting a notice on its electronic bulletin board within 24 hours.

In conducting its compliance audit, NorthStar examined the following:

Preferential Treatment

1. Reviewed existing documentation (such as letters, memos, brochures, pamphlets, etc.) and monitored actual conversations with utility customers (in the Customer Service Call Center), to ensure that PG&E did not:
 - Provide its affiliates or customers of its affiliates, any preference over non-affiliated suppliers or their customers in the provision of services provided by PG&E.
 - Trade upon, promote, or advertise its affiliates' business relationship with PG&E.
2. Interviewed managers and employees that interface with customers and affiliates including customer contact personnel, major account representatives, energy efficiency program managers, customer services representatives, and field representatives to determine their understanding of the rules related to affiliate relations, including whether

the prohibition of preferential treatment is clearly understood and whether any such preferential treatment had been provided or offered to any affiliates or customer of an affiliate.

3. Reviewed codes of conduct and other information that provides guidelines to employees involved in transactions with affiliates.
4. Reviewed Affiliated Company Transactions Procedures to determine whether they addressed the issue of preferential treatment in an adequate manner and had been updated appropriately.
5. Interviewed utility personnel to determine how PG&E ensures that there is no preferential treatment in favor of non-utility affiliates in business activities that it conducts with unregulated third-parties.
6. Obtained and reviewed practices, procedures, training materials and other utility documentation related to the customer contact functions.
7. On a sample basis, as appropriate, monitored or reviewed interactions with utility customers to determine whether the customer service representatives: 1) provided preferential treatment to affiliates; 2) assigned or tied customers to the affiliates; or 3) provided referrals for its affiliates.

Transactions

8. Tested a sample of transactions between PG&E and its affiliates to ensure:
 - Transactions between PG&E and its affiliates were limited to: tariffed products, or the sale/purchase of goods, property, products or services through competitive bidding.
 - Access to utility information, services, and unused capacity or supply was provided on the same terms for all similarly situated market participants.
9. Examined corporate revenue accounts, as well as detailed sub-accounts, to determine whether the account totals matched summary reports of all transactions.

Provision of Supply, Capacity, Services or Information

10. Examined PG&E's wholesale electric and natural gas transactions with unregulated affiliates in the audit period.
 - Determined whether such transactions were made available to all market participants on the same terms.
 - Compared the terms of affiliate transactions to the terms of transactions with non-affiliates.
 - Examined cases in which capacity or supply-related information was given to gas and electric affiliates to determine whether this information was made available to all market participants.
 - Examined cases in which discounts were given to gas and electric affiliates to determine whether they were made available by PG&E through an open, competitive bidding process.

11. Reviewed PG&E's procurement processes to determine if they promoted competition for supply, capacity, information, or services.
12. Reviewed past bids to determine if both affiliates and non-affiliates have participated in the process. If data was not available, reviewed the procedure for issuance of a bid.
13. Interviewed utility procurement department personnel to determine whether the competitive bidding requirements were understood and whether any purchases have been made through any other means.
14. Analyzed a sample of affiliate transactions to determine whether competitive bidding requirements were met.
15. Interviewed utility personnel, and reviewed policies and procedures regarding wholesale purchases and sales of electricity and/or gas. Determined whether PG&E's wholesale transactions processes were in compliance with the Rules.

Surplus Energy and/or Capacity

16. Determine whether PG&E offered to sell surplus energy and/or capacity.
17. Reviewed instances where surplus energy and/or capacity had been sold to determine if the offering was made available on a non-discriminatory basis to both affiliates and non-affiliated market participants.
18. Determined whether instances when surplus energy and/or capacity had been sold, if the opportunity was publicly posted.

Offering of Discounts and Discretionary Waivers

19. Reviewed postings on PG&E's affiliate transaction web sites and electronic bulletin boards to determine whether PG&E disclosed any discount, rebate, or other waiver of any charge or fee to its affiliates within 24 hours. Determined whether PG&E maintained associated records for the billing period in accordance with the Rule requirements.
20. Reviewed the discounts that were made available for gas and electric rates, and the reporting mechanism utilized to inform other non-affiliate market participants.
21. Determined whether PG&E provided any discounts that were not appropriately posted and/or recorded.
22. Reviewed the discount reports. Examined all special discount reports to verify that all discounts actually provided or offered to affiliates were also made available to non-affiliates by posting within the 24-hour period.
23. Reviewed posted "Notices of Availability" of discounts offered.
24. Determined whether PG&E provided any discounts to its affiliates and, if so, that PG&E posted the appropriate information on its bulletin board.

Interpretation of Tariff Provisions

25. Reviewed a sample of billing disputes between customers of affiliates and customers of non-affiliates to determine if uniform interpretation of tariff provisions prevailed.

26. Reviewed a sample of rate class assignments of affiliate and non-affiliate customers to determine if customers were on the correct rate schedule.
27. Monitored the customer call center to determine if new customers of affiliates and non-affiliates were provided the same level of information concerning rate schedule information.

Processing of Electric Public Utility Services

28. Monitored Customer Call Center calls to determine if there were any differences in level of service in areas such as bill explanations, bill corrections, and rate schedule assignments between affiliate customers and other customers.

Tying of Products and/or Services Provided by an Electric Public Utility

29. Reviewed marketing materials to determine whether the tying of any purchase of goods or services from an affiliate had ever been implied, offered or provided.

Assignment of Customers

30. Determined whether PG&E had assigned customers to its affiliates.

Business Development and Customer Relations

31. Determined if PG&E had provided business development assistance for its affiliates.
32. Monitored handling of customer service calls.
33. Reviewed advertising materials and bill inserts.
34. Reviewed the advertising and sales materials of the affiliates.
35. Reviewed what controls were in place concerning customer information.
36. Observed customer call center activities to determine if there was any reference materials or information present pertaining to affiliates.
37. Interviewed marketing, sales and customer service personnel regarding customer contact policies and procedures and compliance with this rule.
38. Compared application of tariffs.
39. Analyzed and reviewed the processing of third party customer information and other service requests.

General

40. Determined whether PG&E's processes, procedures and controls used to ensure compliance with this ATR were consistent with PG&E's most recent Compliance Plan.
41. Determined the actual or potential harm to the ratepayers as a result of any identified error, discrepancy, or violation of this Rule.

Rule III.A

III.A. No Preferential Treatment Regarding Services Provided By The Utility

Unless otherwise authorized by the Commission or the FERC, or permitted by these Rules, a utility shall not:

A.1 Represent that as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers; or

A.2 Provide its affiliates, or customers of its affiliates, any preference (including but not limited to terms and conditions, pricing, or timing) over non-affiliated suppliers or their customers in the provision of services provided by the utility.

PG&E 2010 and 2011 Compliance Plan

Rules III.A.1 and A.2

The Utility Affiliated Company Transactions Procedures state that there will be no preferential treatment by Pacific Gas and Electric Company in favor of non-utility affiliates or their customers in business activities that Pacific Gas and Electric Company also conducts with unregulated third parties or their customers. The current version of the Utility Affiliated Company Transactions Procedures is located at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be periodically updated and issued by the Controller of Pacific Gas and Electric Company to relevant Utility personnel.

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.⁷

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Findings and Conclusions

PG&E complied with Rule III.A. NorthStar found no evidence that PG&E provided preferential treatment to its affiliates or customers of its affiliates.

- PG&E's affiliate compliance training instructs employees that they cannot provide preferential treatment to covered affiliates. PG&E has three ATR training modules for employees. All three modules cover the prohibition concerning preferential treatment.⁸
- PG&E provides customer information to energy providers in a non-discriminatory manner. In 2010 and 2011, PG&E processed over 55,000 requests for the release of customer information. NorthStar reviewed a sample of customer information requests from solar installation companies and found that PG&E did not provide

⁷ The 2011 language differs slightly: *An annual communication (see Introduction) was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.* However, the Compliance Plan introduction makes no mention of an annual communication.

⁸ DR 94

preferential treatment to its subsidiaries of its Pacific Energy Capital (PEC) I, PEC II and PEC III affiliates, or SunRun and SolarCity (See Chapter XI – Review of SolarCity Corporation and Sun Run, Inc. Transactions, for further discussion of SunRun and SolarCity).⁹ Affiliates are required to submit the same forms as non-affiliates. All forms are processed by a PG&E Accounting Clerk in the Customer Service Department.¹⁰

- PG&E did not have any affiliates during 2010 and 2011 that participated in the Core Aggregation and Transport Program or the Direct Access Program.¹¹
- PG&E’s voice activated customer call center response system does not provide preferential treatment to any customers. NorthStar tested both the residential and business customers telephone numbers and found:
 - Customers may first select Spanish by pressing 9 or remain on the line.
 - Customers may select “1” for emergency situations, “2” to report an outage or remain on the line for all other services.
 - Customers are then provided advisory notices such as scams or other points of interest.
 - The voice activated system then asks customer to describe the reason for the call.
 - An account number is required and the call is forwarded appropriately.¹²
- PG&E affiliates did not receive preferential treatment in the payment of invoices. During 2010 and 2011, PG&E sent a monthly invoice to each affiliate that had charges. An accounting analyst initiated wire transfers to pay the invoices within 30 days of the invoice receipt.¹³
- PG&E did not provide its affiliates billing inserts, advertisements, space on its billing envelopes, or endorsements. A full discussion of these activities can be found under Rule V.F.1 through V.F.4.
- As described in Chapter XI – Review of SolarCity Corporation and SunRun, Inc. Transactions, NorthStar’s testing did not identify any preferential treatment for SunRun or SolarCity in the California Solar Initiative (CSI) Rebate Processing, CSI Inspections of rooftop solar installations, or PG&E’s Interconnection Processing.

Rule III.B

III.B. Affiliate Transactions

Transactions between a utility and its affiliates shall be limited to tariffed products and services, to the sale of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process, to the provision of information made generally available by the utility to all market participants, to Commission-approved resource

⁹ DR 40

¹⁰ DRs 40 and 187

¹¹ DR 92

¹² 1-800-743-5000 for residential customers and 1-800-468-4743 for commercial/industrial customers

¹³ Email from Pei Sue Ong 2-7-14

procurement by the utility, or as provided for in Rules V. D. (joint purchases), V. E. (corporate support) and VII (new products and services) below.

2010 and 2011 Compliance Plans

The Energy Procurement Policy on Compliance with Affiliate Rules provides guidance for compliance with this Rule. The current version of this policy is located at the Energy Procurement website:

<http://pgeatwork/EnergySupply/EP/Compliance/Pages/EPCompliancewithAffiliateRules.aspx>. This policy may be periodically updated and issued by the Senior Vice President of Energy Procurement of Pacific Gas and Electric Company to relevant Utility personnel.

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.¹⁴

Procurement transactions between the Utility and an entity which is acquired by the Utility or otherwise becomes an affiliate within the meaning of Rule II.B after a procurement agreement between the Utility and the entity is entered into will not be subject to the advance Commission approval requirement of this Rule if the procurement agreement previously has been approved by the Commission either by means of an application or through a Commission-approved process. Similarly, interactions integral to such previously approved transactions and contemplated by their terms will not otherwise require advance approval, nor will the Utility be responsible for the retention of negotiation documents generated prior to the creation of the affiliate relationship.

Findings and Conclusions

PG&E complied with Rule III.B. Transactions between PG&E and its affiliates are limited to tariffed transactions or to transactions permitted in Rule V.E.

NorthStar reviewed the contracts between PG&E and its affiliates. PG&E has a separate contract for each of its fourteen major affiliates. The contracts are similar to “master service agreements” that identify a wide range of products and services related to corporate governance and support. NorthStar determined that the products and services identified in the contracts were consistent with the cost elements found in 2010 and 2011 affiliate transactions and found that transactions were consistent with the shared services permitted by Rule V.E.¹⁵

Rules III.B.1 through III.B.3

III.B.1 Resource Procurement

No utility shall engage in resource procurement, as defined in these Rules, from an affiliate without prior approval from the Commission. Blind transactions between a utility and its affiliate, defined as those transactions in which neither party knows the identity of the counterparty until the transaction is consummated, are exempted from this Rule. A transaction shall be deemed to have prior Commission approval (a) before the effective date of this Rule, if authorized by the Commission specifically or through the delegation of authority to Commission staff or (b) after the effective date of

¹⁴ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

¹⁵ DRs 20 and 151

this Rule, if authorized by the Commission generally or specifically or through the delegation of authority to Commission staff.

III.B.2 Provision of Supply, Capacity, Services or Information

Except as provided for in Rules V. D, V. E, and VII, a utility shall provide access to utility information, services, and unused capacity or supply on the same terms for all similarly situated market participants. If a utility provides supply, capacity, services, or information to its affiliate(s), it shall contemporaneously make the offering available to all similarly situated market participants, which include all competitors serving the same market as the utility's affiliates.

III.B.3. Offering of Discounts

Except when made generally available by the utility through an open, competitive bidding process, if a utility offers a discount or waives all or any part of any other charge or fee to its affiliates, or offers a discount or waiver for a transaction in which its affiliates are involved, the utility shall contemporaneously make such discount or waiver available to similarly situated market participants. The utilities should not use the "similarly situated" qualification to create such a unique discount arrangement with their affiliates such that no competitor could be considered similarly situated. All competitors serving the same market as the utility's affiliates should be offered the same discount as the discount received by the affiliates. A utility shall document the cost differential underlying the discount to its affiliates in the affiliate discount report described in Rule III.F.7 below.

2010 and 2011 Compliance Plans

Rule III.B.1 The Energy Procurement Policy on Compliance with Affiliate Rules provides guidance for compliance with this Rule. The current version of this policy is located at the Energy Procurement website:

<http://pgeatwork/EnergySupply/EP/Compliance/Pages/EPCompliancewithAffiliateRules.aspx>. This policy may be periodically updated and issued by the Senior Vice President of Energy Procurement of Pacific Gas and Electric Company to relevant Utility personnel.

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.¹⁶

Procurement transactions between the Utility and an entity which is acquired by the Utility or otherwise becomes an affiliate within the meaning of Rule II.B after a procurement agreement between the Utility and the entity is entered into will not be subject to the advance Commission approval requirement of this Rule if the procurement agreement previously has been approved by the Commission either by means of an application or through a Commission-approved process. Similarly, interactions integral to such previously approved transactions and contemplated by their terms will not otherwise require advance approval, nor will the Utility be responsible for the retention of negotiation documents generated prior to the creation of the affiliate relationship.

Rule III.B.2 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule, including the Energy Procurement Policy on Compliance with Affiliate Rules which provides guidance for compliance with this Rule. The current version of this policy is located at the Energy Procurement website:

<http://pgeatwork/EnergySupply/EP/Compliance/Pages/EPCompliancewithAffiliateRules.aspx>. This policy may be periodically updated and issued

¹⁶ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

by the Senior Vice President of Energy Procurement of Pacific Gas and Electric Company to relevant Utility personnel.

Additionally, Pacific Gas and Electric Company's Pipe Ranger internet site: <http://www.pge.com/pipeline/> provides some of the information referred to in this Rule to market participants. When needed, Pacific Gas and Electric Company also posts information related to interstate electricity transactions on OASIS.

Since this Rule imposes CPUC requirements on intra-state transactions, Pacific Gas and Electric Company will henceforth contemporaneously post and maintain any required information on intra-state transactions on Pacific Gas and Electric Company's Internet site. Pacific Gas and Electric Company interprets this rule to require posting of only those transactions in which (a) the affiliate is provided with confidential or non-public Utility information that is not required to provide permitted corporate support or make permitted joint purchases, or (b) the affiliate is provided with a discount. However, information provided to an affiliate, as a necessary part of a Rule III.B. transaction, is not posted because it is an integral part of a permitted transaction. For instance, recourse tariff transactions are not covered by this rule except where a negotiated price or term is provided (i.e. a negotiated tariff service) because a recourse tariff service by its very nature aims to prevent one customer from being favored over another through differential pricing and/or information.

See also Compliance Plan for Rule III.F. and IV.F., below.

Rule III.B.3 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Pacific Gas and Electric Company complies with the provisions of its filed tariffs and gas and electric rules, including Electric Rule 22 – Section B.2.a (Tariff responsibilities to be discharged in neutral manner at http://www.pge.com/tariffs/tm2/pdf/ELEC_RULES_22.pdf) and Gas Rule 26 (Standards of Conduct and Procedures Related to Transactions Etc. at http://www.pge.com/tariffs/tm2/pdf/GAS_RULES_26.pdf).

Pacific Gas and Electric Company does not offer preferential treatment to customers of its affiliates, but from time to time may offer a discount or waiver of a charge, fee or tariff provision to a Pacific Gas and Electric Company distribution or transmission customer consistent with other laws, regulations, and sound Utility practice. In such cases, Pacific Gas and Electric Company does not investigate whether such a customer is also a customer of an affiliate. Pacific Gas and Electric Company does not interpret "a transaction in which its affiliates are involved" as including this type of customer discount. Pacific Gas and Electric Company does not interpret this Rule as applying to vendor discounts passed through pro-rata to affiliates in connection with joint purchases permissible under Rule V.D. Pursuant to Resolution E-3540, Pacific Gas and Electric Company will maintain an accounting of when, how and to whom it offers a discount or waiver. For purposes of record keeping, these records will not include discounts or waivers which are within the parameters of an authorized rate schedule where Pacific Gas and Electric Company has no discretion over whether or not that discount or waiver is applied.

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.¹⁷

See also Compliance Plan for Rule III.F., below.

Findings and Conclusions

PG&E complied with Rules III.B.1 through III.B.3.

During 2010 and 2011 audit period, PG&E had no affiliates (including subsidiaries) brokering, marketing, or selling natural gas or electricity. There were no energy procurement transactions with affiliates during 2010 and 2011.¹⁸ NorthStar reviewed PG&E's counterparties for natural gas and electricity trading (including storage and the backbone transmission system) and found that all transactions were with PG&E (fuel for generation and gas system operations).¹⁹

During 2010 and 2011, PG&E did not have an affiliate that acted as a Community Choice Aggregator, Core Transport Agent or Electric Service Provider.²⁰ PG&E posted notices concerning supply, capacity, services or information on its website: <http://pge.com/pipeline>. The opening webpage to this website includes an area to the right where PG&E can make notices related to supply and capacity.

PG&E did not offer any discounts to any affiliates (including subsidiaries) during 2010 and 2011.²¹ If PG&E were to offer discounts, PG&E's Compliance Plan does not clearly state where this notice would be posted to so that the discount or waiver is available to similarly situated market participants.²²

Rule III.B.4 through III.B.6

III.B.4 Tariff Discretion

If a tariff provision allows for discretion in its application, a utility shall apply that tariff provision in the same manner to its affiliates and other market participants and their respective customers.

III.B.5 No Tariff Discretion

If a utility has no discretion in the application of a tariff provision, the utility shall strictly enforce that tariff provision.

III.B.6 Processing Requests for Services Provided by the Utility

A utility shall process requests for similar services provided by the utility in the same manner and within the same time for its affiliates and for all other market participants and their respective customers.

¹⁷ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

¹⁸ DRs 22, 23, and 24

¹⁹ DRs 192, 193, and 194

²⁰ DR 33

²¹ DR 129

²² DR 97 and pge.com/pipeline

2010 and 2011 Compliance Plans

III.B.4. Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Pacific Gas and Electric Company complies with the provisions of its filed tariffs and gas and electric rules, including Rule 22 (Tariff responsibilities to be discharged in neutral manner at http://www.pge.com/tariffs/tm2/pdf/ELEC_RULES_22.pdf) and Rule 26 (Standards of Conduct and Procedures Related to Transactions Etc. at http://www.pge.com/tariffs/tm2/pdf/GAS_RULES_26.pdf).²³

Rule III.B.5 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Pacific Gas and Electric Company complies with the provisions of its filed tariffs and gas and electric rules, including Rule 22 (Tariff responsibilities to be discharged in neutral manner at http://www.pge.com/tariffs/tm2/pdf/ELEC_RULES_22.pdf) and Rule 26 (Standards of Conduct and Procedures Related to Transactions Etc. at http://www.pge.com/tariffs/tm2/pdf/GAS_RULES_26.pdf).²⁴

Rule III.B.6 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule, through its Customer Service General Reference Guide located at: <http://dcs/genref/> (search for Start/Stop Service module).

Findings and Conclusions

PG&E complied with Rules III.B.4 through III.B.6.

During 2010 and 2011, PG&E had no affiliates serving in the capacity of a Community Choice Aggregator, Core Transport Agent or Electric Service Provider; therefore, no customers of affiliates received services from PG&E. PG&E also did not have any affiliates as retail customers.

PG&E had a number of negotiable tariffs related to its backbone transmission system, storage contracts, and storage operations. PG&E filed monthly disclosure reports to the CPUC providing transaction volumes and prices. NorthStar reviewed a sample of these reports and found that PG&E files the requisite report, including volumes and negotiated terms. PG&E states no affiliates received service under any negotiable tariff.²⁵

Rules III.C and III.D

III.C Tying of Services Provided by a Utility Prohibited

A utility shall not condition or otherwise tie the provision of any services provided by the utility, nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any services provided by the utility, to the taking of any goods or services from its affiliates.

III.D No Assignments Of Customers

A utility shall not assign customers to which it currently provides services to any of its affiliates, whether by default, direct assignment, option or by any other means, unless that means is equally available to all competitors.

²³ The 2010 Compliance Plan does not provide web addresses.

²⁴ The 2010 Compliance Plan does not provide web addresses.

²⁵ DRs 19 and 250

2010 and 2011 Compliance Plans

Rule III.C Pacific Gas and Electric Company has adequate procedures in place to implement this Rule through its policy in the Customer Service General Reference Guide located at: <http://dcs/genref/> (Corporate Affiliates module).

Rule III.D Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Customers will not be assigned to any affiliate for any product or service unless the means of assignment are equally available to all competitors. This policy is located in the Customer Service General Reference Guide located at: <http://dcs/genref/> (Corporate Affiliates module).

Findings and Conclusions

PG&E complied with Rules III.C and III.D.

PG&E did not assign customers to an affiliate or tie the provision of PG&E's services to those of an affiliate.²⁶

PG&E's ATR training instructs employees on the prohibition of providing preferential treatment to customers of affiliates.²⁷

Rule III.E

III.E Business Development and Customer Relations

Except as otherwise provided by these Rules, a utility shall not:

- (1) provide leads to its affiliates;
- (2) solicit business on behalf of its affiliates;
- (3) acquire information on behalf of or to provide to its affiliates;
- (4) share market analysis reports or any other types of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates;
- (5) request authorization from its customers to pass on customer information exclusively to its affiliates;
- (6) give the appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates; or
- (7) give any appearance that the affiliate speaks on behalf of the utility.

2010 and 2011 Compliance Plans

Rule III.E.1 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Pacific Gas and Electric Company has a policy stating that Pacific Gas and Electric Company employees will not forward any leads to its affiliates. This is located in the Customer Service General Reference Guide located at: <http://dcs/genref/> (search for Corporate Affiliate module).

²⁶ DR 27

²⁷ DR 94

Customers may also be referred to the Yellow Pages or the Internet, consistent with Rule IV.C.

Rule III.E.2 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule through its Customer Service General Reference Guide located at: <http://dcs/genref/> (search for Corporate Affiliate module).

Rule III.E.3 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule.

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.²⁸

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Pacific Gas and Electric Company does not interpret this Rule as applying to activities permissible under Rule V.E.

See the discussion for Rule III.E.1. above.

Rule III.E.4 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.²⁹

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Pacific Gas and Electric Company interprets this Rule to exclude any information which an employee might otherwise legally disclose to others after termination of employment.

Corporate governance and corporate support services covered by Rule V.E. are expressly permitted. Confidential Utility information included in draft or final non-public market, forecast, planning or strategic reports to regulatory or governmental entities is not being provided to any Rule II.B. affiliate unless it is also contemporaneously being made available to all market participants.

Rule III.E.5 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule under USP 23 Third Party Inquiries Regarding Individual Customers located at: <http://pgeatwork/Guidance/USPIndex/Pages/default.aspx>. Under these procedures, information will be released either with the specified customer's explicit written consent or the use of a Standard Customer Information Release Form.

See also Compliance Plan for Rule IV.A.

Rule III.E.6 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule through its Customer Service General Reference Guide located at: <http://dcs/genref/> (search for Corporate Affiliate module). Also, A communication was

²⁸ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

²⁹ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

*issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.*³⁰

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

*Rule III.E.7 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.*³¹

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Findings and Conclusions

PG&E complied with Rule III.E.

NorthStar interviewed key customer contact personnel and major account executives, listened to customer calls and reviewed press releases, bill messages and bill inserts, radio and TV ads, giveaways and promotional materials, and other sales and marketing materials and found no evidence that PG&E:

- Provided leads to its affiliates
- Solicited business on behalf of its affiliates
- Acquired information on behalf of its affiliates
- Released customer information without customer authorization
- Gave any appearance of speaking on behalf of its affiliates.³²

PG&E has policies and procedure that address Rule III.E.1-3 and III.E.5-6, but does not have policies and procedures that specifically address Rule III.E.4 (sharing of proprietary reports) and III.E.7 (giving the appearance that the affiliate speaks on behalf of the utility).³³ On an annual basis, utility and PG&E Corporate employees with email access were reminded of the need to comply with the Affiliate Rules through the “Business Update” section of the PG&E At Work Bulletin (i.e., employee newsletter). The update on “The Importance of Understanding the Affiliate Rules” reminded employees of their responsibilities and included a link to PG&E’s CPUC Affiliate Rules website which provided details of the Rules.³⁴ The key Affiliate Requirements link provides the following guidance:³⁵

³⁰ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

³¹ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

³² DR 41 (sample bill statements), 48 (bill inserts), DR 49 (utility marketing/advertising materials distributed during the audit period, including radio and TV ads) and DRs 134 and 226 (bill messages), DR 232 (signs, banners, posters, brochures, printed material or collateral used by the utility, parent company or affiliates at trade shows, conferences, workshops, industry association meeting, roundtables, fairs or similar events in California), DR 233 (giveaways and promotional items), IR 15, 32, 33, 34, 36 and 43 (customer service). IR 40-42 (account executives)

³³ DR 220

³⁴ July 7, 2010 and July 6, 2011 PG&E At Work (DR 198)

³⁵ DR 154

For Utility Employees:

- Do not share customer information with affiliates without prior written approval by the customer and do not actively solicit the release of information from the customer. (Rule III.E.5)
- Do not offer or appear to offer, different treatment to affiliates and their customers, than is offered to other companies or their customers. (Rule III.E.6)
- Do not provide any kind of special business opportunity to an affiliate, such as recommending an affiliate to a potential customer, or offering a service at below market rates. (Rules III.E.2, III.E.6, IV.E and V.F.2)
- Do not use PG&E Corporation employees or officers, or a consultant or contractor as a conduit to circumvent these rules.

The *Corporate Affiliates* section of PG&E's Customer Service Online General Reference Guide (referred to as GenRef) used by the Call Center (and by other employees, as needed) specifically instructs employees that the utility must not:

- Provide leads to its affiliates (Rule III.E.1)
- Solicit business on behalf of its affiliates (Rule III.E.2)
- Acquire information on behalf of or to provide to its affiliates (Rule III.E.3)
- Request authorization from its customers to pass on customer information exclusively to its affiliates (Rule III.E.5)
- Give the appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates (Rule III.E.6).³⁶

In contrast to PG&E's statements in its compliance plan, in the years up to and including 2010, PG&E's Compliance and Ethics Department did not require ATR training of employees. Rather, working with Compliance and Ethics and Law, PG&E's lines of business determined their exposure to the risk of non-compliance with the ATR and assigned instructor-led or web-based training to their employees accordingly.³⁷ The following classes were offered but not required; however, as shown in **Exhibit III-1**, attendance was limited:

- CORP-0201 (instructor-led Affiliate Rules training)
- CORP-0400WBT (web-based Basic CPUC Affiliate Rules)
- CORP-0407WBT (web-based CPUC Affiliate Transaction Rules – Advanced Topics)

³⁶ *Corporate Affiliates, Affiliate Transaction Definition*, Genref (DR 39). NorthStar was independently able to access this procedure while at the call center (DR 210)

³⁷ DR 94

As a result of recommendations by Internal Audit, in 2011 Compliance and Ethics formalized an initial training matrix of organizations whose employees should receive required annual training and a list of organization contacts. Working with Compliance and Ethics and Law, the lines of business determined which positions should be assigned to take the annually required training. However, only about 1,500 employees took the training in 2011. Very few were in key customer contact positions such as the Call Center, Corporate Communications/Corporate Relations, Community Affairs or major account executives.³⁸ Call center representatives are not specifically trained in the ATR. Call center training is generally limited to the prohibition on recommending energy service providers. CSRs are only required to take the annual code of conduct training and the ethics and compliance training which do not specifically address the Rules.³⁹

Exhibit III-1 provides the numbers of employees taking the annual affiliate training and the Rule III topics covered by each module. The training module which provided the greatest coverage of Rule III.E was only taken by about 120 people during the audit period.

**Exhibit III-1
Affiliate Training – Attendees and Rule III Topics Covered**

Class	Rule Coverage	Number of Employees Trained	
		2010	2011
CORP-0201	Addresses Rule III.E.1 – III.E.7 either generally or a specific recitation of the requirement.	90	29
CORP-0400WBT CORP-9011WBT	Coverage of Rule III.E limited to prohibition on sharing confidential information or acting as a conduit	940	782 625
CORP-0407WBT	Coverage of Rule III.E limited to prohibition on sharing or releasing confidential information or acting as a conduit	146	116
Grand Total		1,176	1,552

Source: DR 94

Rule III.F

III.F Affiliate Discount Reports

If a utility provides its affiliates a discount, rebate, or other waiver of any charge or fee associated with products or services provided by the utility, the utility shall, within 24 hours of the time at which the product or service provided by the utility is so provided, post a notice on its electronic bulletin board providing the following information:

- F.1** the name of the affiliate involved in the transaction;
- F.2** the rate charged;
- F.3** the maximum rate;
- F.4** the time period for which the discount or waiver applies;
- F.5** the quantities involved in the transaction;
- F.6** the delivery points involved in the transaction;

³⁸ DR 94

³⁹ IR 32

F.7 any conditions or requirements applicable to the discount or waiver, and a documentation of the cost differential underlying the discount as required in Rule III B 2 above; and

F.8 procedures by which a nonaffiliated entity may request a comparable offer.

A utility that provides an affiliate a discounted rate, rebate, or other waiver of a charge or fee associated with services provided by the utility shall maintain, for each billing period, the following information:

F.9 the name of the entity being provided services provided by the utility in the transaction;

F.10 the affiliate's role in the transaction (i.e., shipper, marketer, supplier, seller);

F.11 the duration of the discount or waiver;

F.12 the maximum rate;

F.13 the rate or fee actually charged during the billing period; and

F.14 the quantity of products or services scheduled at the discounted rate during the billing period for each delivery point.

All records maintained pursuant to this provision shall also conform to FERC rules where applicable.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. See Compliance Plan for Rule III.B.1. and Rule III.B.2. for a description of where different types of transactions are posted. Pacific Gas and Electric Company interprets 24 hours in this context to mean one business day.

Pacific Gas and Electric Company interprets this Rule as not requiring the posting of vendor discounts associated with joint purchases otherwise permissible under Rule V.D., since such discounts are not associated with services provided by the Utility and are not available to other market participants.

See also Compliance Plan for Rule III.B.3 for further discussion on discounts.

Findings and Conclusions

PG&E complied with Rule III.F. PG&E had no discounts to post during 2010 and 2011. PG&E's Compliance Plan does not demonstrate how PG&E would comply with this Rule if a discount were to occur.

Recommendations

4. Update the Compliance Plan to provide a link to the website where affiliate discounts are posted. (Rule III.B.3)

RULE IV. DISCLOSURE AND INFORMATION

Rule IV sets forth the requirements of how PG&E will disseminate information concerning utility operations, affiliate operations, and customer billing records. Rule IV requires that PG&E (1) release customer information in a non-discriminatory manner to both affiliates and non-affiliates and only with written customer authorization, (2) release non-customer specific non-public information contemporaneously to all market participants if it is released to an affiliate, (3) supply lists of suppliers of energy related products and services only at the request of the customer, (4) release supplier information to an affiliate only after obtaining the supplier's written consent, (5) not provide customers advice or assistance in selecting suppliers, (6) maintain records of all tariffed and non-tariffed affiliate transactions for three years, and (7) maintain records of all affiliate contracts and bids for three years.

In examining PG&E's compliance with Rule IV, NorthStar used the following evaluative criteria, whether:

- PG&E provided customer information to its affiliated and non-affiliated entities on an equal basis and only with written customer consent.
- PG&E made non-customer specific non-public information available on a non-discriminatory basis to non-affiliated companies when it made such information available to an affiliate.
- PG&E controlled information disclosure in such a way as to be fair to all entities and maintained records of all transactions with its affiliates.
- Non-customer specific, non-public information was made available to affiliates and all other service providers at the same time and under the same terms and conditions.
- If PG&E maintained a list of service providers, the list included all Commission licensed suppliers, maintained in alphabetical order, and did not promote any one supplier.
- PG&E supplied a list of service providers only at the request of a customer or as authorized by the Commission of another governmental body.
- PG&E had an effective process to ensure that supplier information was provided to its affiliates only with only written authorization from the supplier.
- There were effective "firewalls" in place in information systems to prevent affiliates access to information other than what was required for corporate activities?
- PG&E maintained timely, accurate records of all transactions with its affiliates and all negotiations of any sort between PG&E and its affiliate whether or not they were consummated.
- PG&E maintained records of all affiliate contracts and bids for at least three years.

In conducting its compliance audit, NorthStar examined the following:

Customer Information

1. Examined and evaluated the techniques used to respond to requests for information and to provide customer information to affiliated and non-affiliated companies.

2. Reviewed customer consent forms.
3. Reviewed turn-around times for responding to requests for both affiliate and non-affiliate customers.
4. Reviewed the procedure for supplying customer information.
5. Reviewed internal controls regarding confidentiality of customer information.
6. Interviewed utility customer service employees to determine whether the Rules regarding the release of customer information was understood.
7. Reviewed Customer Information System (CIS) and customer service systems to determine what data was available and what controls limited access to customer data.

Non-Customer Specific Non-Public Information

8. Compared information provided to affiliates and non-affiliates to information available to the public to ensure complete access.
9. Determined if notice of availability was appropriately made on the Internet.

Supplier Lists

10. Reviewed the established list of service providers to determine that the list did not promote any one supplier.
11. Determined how the Call Center dealt with customer requests for service provider information.
12. Compared approved CPUC supplier list with official utility supplier list.

Non-Public Supplier Information

13. Interviewed utility management to identify specific instances where non-public supplier information had been obtained from non-affiliated suppliers.
14. Review instances above to determine if the Rules were followed.
15. Reviewed instances where supplier information was provided to affiliates and non-affiliates to determine if written permission was obtained.

Product and/or Service Provider Information

16. Interviewed managers and Customer Call Center employees including customer contact personnel, major account representatives, energy efficiency program managers, customer services representatives, and field representatives to determine their understanding of the rules. Interviews also included personnel that responded to NorthStar information requests. This extensive documentation and interview coverage provided broad

perspective of PG&E's compliance activities as well as focused attention on transactions in order to establish a high degree of confidence in our audit findings and conclusions. Many PG&E personnel were interviewed more than once.

17. Determined how the call center dealt with customer requests for service provider information.

Record Keeping

18. Reviewed PG&E's record-keeping systems and processes for affiliate transactions to verify that record keeping was in accordance with the Rules.
19. Verified that the sum of all transactions logged with affiliates matched the amounts recorded in the General Accounts of PG&E.
20. Examined PG&E's record-keeping practices, as they related to transactions with affiliate companies and the providing of information and services to affiliate companies, non-affiliated companies, and customers.
21. Verified that PG&E maintained contemporaneous records documenting all transactions with its affiliates.
22. Reviewed records for consistency and accuracy.
23. Reviewed affiliates' records of transactions to verify that they were included in PG&E files.
24. Reviewed the logs and records of affiliate transactions. Assessed the thoroughness of the information and determined whether such logs/records assisted in fostering competition and protected consumer interests.
25. Reviewed instructions and procedures regarding accounting for affiliate transactions to determine if effective controls were in effect.

Maintenance of Affiliate Contracts and Related Bids

26. Verified that PG&E maintained a record of contracts and related bids for the provision of work, products or services to and from PG&E to its affiliates. Reviewed records for consistency and accuracy.
27. Reviewed contracts among corporate entities to ensure that they were in compliance with the Rules, the compliance plan and procedures.
28. Reviewed affiliate companies' records of transactions to verify that they were included in PG&E file.

General

29. Determined whether PG&E's processes, procedures and controls used to ensure compliance with this Rule were consistent with PG&E's most recent Compliance Plan.

Rule IV.A

IV.A Customer Information

A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly nondiscriminatory basis, and only with prior affirmative customer written consent.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Departments whose employees have access to customer information (such as Customer Care or similar) have discrete policies which prohibit provision of customer information to any person or entity, except the customer, without that customer's prior written consent. The use of Pacific Gas and Electric Company's Standard Customer Release Information Form or an equivalent written consent is mandatory, except for any case where Pacific Gas and Electric Company has received a subpoena which requires the release of information, or as required under Section 588 of the California Public Utilities Code or as required by other state or federal law or regulation. See also Compliance Plan for Rule III.E.5, above. Also see USP 23 – Third Party Requests for Customer Information located at:

<http://pgeatwork/Guidance/USPIndex/Pages/default.aspx>.

Pursuant to resolution E-3540, Pacific Gas and Electric Company posts on its Internet site transactions where customer information was released to an affiliate. These postings will not include customer-specific information or identification.

Pacific Gas and Electric Company's Employee Code of Conduct provides that employees may not use or disclose confidential or proprietary information acquired during employment. The employee Code of Conduct is located at: http://www.pge-corp.com/aboutus/corp_gov/coce.shtml. Pacific Gas and Electric Company monitors compliance with this policy as to employees who transfer to affiliates by means of a "departing employee checklist," which is located at the Human Resources website: <http://www/HR/ManagingEmployees/Compliance.shtml>.

Pacific Gas and Electric Company interprets this rule to permit Pacific Gas and Electric Company to provide taxpayer (customer) information to those California cities and counties where Pacific Gas and Electric Company is required to collect a utility users tax as part of the monthly energy bill. This information is provided for the exclusive use of the taxing authority to permit the local tax administrator to confirm the tax status of individual customers and to audit the tax collections by Pacific Gas and Electric Company.

Pacific Gas and Electric Company has put in place a dialog box that appears to persons attempting to access electronic information. The box contains the following message:

This system is for use by authorized users only. Unauthorized use is subject to civil and criminal penalties and disciplinary action or termination. Use of this system must comply with applicable laws,

regulations, and company conduct security standards. Users should have no expectation of privacy in their use of any aspect of this system. Accessing pornographic (including sexually explicit) material using company computers, phones, BlackBerry(R) devices, or other company device will result in termination. If you have any questions, send an email inquiry to ComplianceEthicsHelp@pge.com. If you are not a utility employee performing utility work, a holding company employee, or do not have prior authorization, do not continue. If you have questions about these requirements, send an email inquiry to ARC@pge.com. By logging in, you acknowledge that you have read, understood, and agree with these requirements.⁴⁰

Findings and Conclusions

PG&E did not comply with Rule IV.A.

NorthStar reviewed a sample of customer calls and found that PG&E provided customer usage information to third-party solar vendors upon verbal customer authorization, without written request.⁴¹

The release of customer information to third parties is addressed in various sections of PG&E's Customer Service Online General Reference Guide (GenRef), as described in the following paragraphs.

The *Authorized Third Party Customer Authentication* section authorizes customer service representatives (CSRs) to provide the allowed information that is noted in a customer's account if the Customer of Record (COR) has signed an *Authorization to Receive Customer Information or Act on a Customer's Behalf* form authorizing information to be released. CSRs are instructed to provide the specific information noted on Customer Contact/Alert but are instructed to provide no information if the *caller cannot be authenticated as an authorized caller*.⁴²

The *Request for Account Information* section provides the following, potentially confusing, guidelines which indicate the CSR may provide customer information over the phone following verbal authorization if the customer hands the phone over to the third party:

Ensuring Customer Privacy

- COR wants a Third Party to be able to receive account information or transact business on their behalf

⁴⁰ The 2010 Compliance Plan states: Pacific Gas and Electric Company has put in place dialog boxes which will appear to persons attempting to access electronic information. These boxes contain the following message, "Only authorized personnel may access confidential Utility information. If you are not a Utility employee performing Utility work, a holding company employee, or do not have prior written authorization, do not continue. If you have questions about this rule, send an email inquiry to ARC@pge.com," or words to that effect.

⁴¹ IR 32 (call center call mining), calls provided in DR 209, Attachments 2-5.

⁴² Additional NorthStar GenRef searches (DR 206)

- COR CAN authorize a Third Party through one the following methods
 - Information Release
 - Third Party Notification Form

- COR CANNOT provide VERBAL permission
 - It is never permissible to note the account indicating COR has authorized someone to receive information

- COR and Caller on the Telephone Together
 - During a call, after verifying you are speaking with the COR, if they ask you to talk with another individual, and that individual comes on the line
 - Preferably the customer stays on the line, but if there is only one telephone, the customer can pass the phone to this person to discuss the account - during this one call only.⁴³

The *Contractor Calling Needing Permission from COR* section allows the CSR to initiate a conference call with a contractor and the customer, advise the customer of reason for call and the line is being recorded, and upon receipt of authorization, discuss the necessary information with the customer. The example cited related to a renovation contractor and the associated customer application.⁴⁴

Call Center training allows the CSRs to provide usage information to solar customers upon verbal authorization by the customer.⁴⁵

PG&E provides third parties with twelve month consumption data for residential accounts, and interval consumption data and multi-year consumption data for commercial accounts.⁴⁶ PG&E's policy, *Third Party Requests for Customer Information*, states that confidential information must be protected from unauthorized access, loss and misuse. The policy further states that customer information is furnished to other persons, agencies, or firms only with the written permission of the customer involved. PG&E policy requires a complete third party request for release of customer information. PG&E has two forms for the release of customer information:

- Authorization to Receive Customer Information or Act on a Customer's Behalf
- Request for a Change of Mailing Address to a Third Party

Both forms require customer of record name, service address, service account number, and customer signature. NorthStar reviewed a sample of the third party requests for customer information and found them to be completed and containing customer signatures.⁴⁷

⁴³ Additional NorthStar GenRef searches (DR 206)

⁴⁴ Additional NorthStar GenRef searches (DR 206)

⁴⁵ DR 215

⁴⁶ DR 37

⁴⁷ DR 187

Rule IV.B

IV.B. Non-Customer Specific Non-Public Information

A utility shall make non-customer specific non-public information, including but not limited to information about a utility's natural gas or electricity purchases, sales, or operations or about the utility's gas-related goods or services and electricity-related goods or services, available to the utility's affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. A utility is also permitted to exchange proprietary information on an exclusive basis with its affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V.E. below. The affiliate's use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission's right to information under the Public Utilities Code Sections 314 and 581.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has procedures in place to implement this Rule.

The Utility Affiliated Company Transactions Procedures provide guidance for compliance with this Rule, including CPUC-adopted pricing and reporting guidelines. The current version of the Affiliated Company Transactions Procedures is located at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be periodically updated and issued by the Controller of Pacific Gas and Electric Company to relevant company personnel.

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.⁴⁸

Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Pacific Gas and Electric Company interprets this Rule to exclude information which an employee might otherwise legally disclose to others after termination of employment. A summary of individual transactions with affiliates will be contemporaneously posted on the Pacific Gas and Electric Company Internet site which is available to all market participants.

Additionally, Pacific Gas and Electric Company limits its transactions with affiliates to those listed in this Rule, specifically:

- *Tariffed products and services – Pacific Gas and Electric Company implements its tariffs in a nondiscriminatory fashion. Tariff discretions are addressed in Rule III.B.4.*
- *Open competitive bidding process – Pacific Gas and Electric Company makes the opportunity and process available to all market participants.*
- *Information made generally available by Pacific Gas and Electric Company to all market participants.*

⁴⁸ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

- *Commission-approved resource procurement – as described above.*
- *Shared services – as described under Rules V.D and V.E.*
- *Non-tariffed products and services.*

Information provided to an affiliate as a necessary part of a Rule III.B. transaction is not posted because it is an integral part of the permitted transaction.

*To see Pacific Gas and Electric Company’s Affiliate Rules postings, go to:
<http://www.pge.com/about/rates/affiliate/>.*

Findings and Conclusions

PG&E did not comply with Rule IV.B.

PG&E permitted employees of its affiliates to have access to PG&E’s systems without making the access contemporaneously available to non-affiliated service providers. This is also discussed in NorthStar’s assessment of compliance with Rule V.G.2.d.

A PG&E employee on temporary assignment to PCG Capital, Inc. transported documents including solar PV investment issues, draft and final agreement models for partnership-flip transactions, and transactions to be used as examples to provide to existing solar PV counterparties. This information is deemed Non-Customer Specific Non-Public Information and was not made contemporaneously available to all market participants.⁴⁹ This is also discussed in NorthStar’s assessment of compliance with Rule V.G.2.e.

PG&E has three ATR training modules for employees. All three modules cite the prohibition on providing Non-Customer Specific Non-Public Information to affiliates. However, as discussed in the assessment of Rule III.E, only 1,500 or so employees received ATR training in 2011.⁵⁰

PG&E’s compliance plan does not demonstrate how PG&E complies with the Rule:

- The compliance plan does not specifically instruct employees to post Non-Customer Specific Non-Public Information transactions so that only the information is contemporaneously available to all other service providers on the same terms and conditions,
- The compliance plan relies on training as a form of compliance. Few employees have received training.
- The compliance plan references an annual communication that tells employees to be aware of the importance of the ATR and directs them to the Compliance and Ethics website.⁵¹

⁴⁹ DR 57 Attachment 3

⁵⁰ DR 94

⁵¹ DRs 94, 97, and 198

Rule IV.C

IV.C. Service Provider Information

Except upon request by a customer or as otherwise authorized by the Commission, or another governmental body, a utility shall not provide its customers with any list of service providers, which includes or identifies the utility's affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company interprets this Rule to allow the Utility to provide lists of service providers which do not contain the name of an affiliate of the Utility.

Consistent with D.99-05-034, Pacific Gas and Electric Company will inform all callers complaining about an ESP (including affiliates) that they should call the ESP directly, or call the Commission's complaint telephone number. See the Customer Service General Reference Guide at <http://dcs/genref/> (search for Corporate Affiliate module).

Findings and Conclusions

PG&E complied with Rule IV.C.

During 2010 and 2011, PG&E did not have any registered energy service providers (ESPs) in its service territory.⁵² During the audit period, PG&E maintained a listing of registered ESPs on its website. PG&E was unable to provide copies of the listing.⁵³

PG&E's Compliance Plan does not demonstrate how PG&E complied with this Rule. The Plan does not state what an employee should do in the event that a customer requests an ESP list.⁵⁴

Rule IV.D

IV.D Supplier Information

A utility may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier. A utility shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.⁵⁵ This is also addressed in Pacific Gas and Electric Company's Joint Purchasing Guidelines at: <http://pgeatwork/Compliance/Pages/AffiliateRules.aspx>.

⁵² DR 42

⁵³ DR 92

⁵⁴ DR 94

⁵⁵ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Pacific Gas and Electric Company does not interpret this Rule to apply to information about suppliers with whom affiliates may jointly purchase goods and services with the Utility under Rule V.D.

Findings and Conclusions

PG&E complied with Rule IV.D. PG&E did not provide any requests for non-public supplier information to its affiliates.⁵⁶

PG&E's Plan does not describe how PG&E would comply with this rule if an affiliate were to request such information.⁵⁷

Rule IV.E

IV.E Affiliate-Related Advice Or Assistance

Except as otherwise provided in these Rules, a utility shall not offer or provide customers advice or assistance with regard to its affiliates or other service providers.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule through its Customer Service General Reference Guide located at: <http://dcs/genref/> (search for Corporate Affiliate module).

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.⁵⁸

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Pacific Gas and Electric Company does not interpret this Rule as prohibiting communications with customers to explain bundled or unbundled Utility distribution service, community choice aggregation, direct access, direct access tariffs or other Pacific Gas and Electric Company tariffs or gas or electric rules, or to provide general advice.

The tracking and reporting of ESP complaint information, and providing ESP's telephone numbers or the Commission's complaint telephone number under the circumstances described in D.99-05-034 are permitted.

See also Compliance Plan for Rule III.E.2, above.

⁵⁶ DR 43

⁵⁷ DR 97

⁵⁸ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

Findings and Conclusions

PG&E complied with Rule IV.E. NorthStar found no evidence that PG&E offered customers advice assistance with regard to its affiliates or other service providers

NorthStar interviewed customer service personnel and major account executives, evaluated policies and procedures and online reference guides, listened to customer calls, and reviewed marketing and promotional materials and found no evidence that PG&E did not comply with Rule IV.E.⁵⁹ On one of the calls, another PG&E employee called the Solar Energy Line and asked about SolarCity: the CSRs only indicated that SolarCity was a contractor and had previously referred the employee to the solar website for a list of contractors.⁶⁰

According to PG&E, it does not make recommendations or advise customers about affiliates or other service providers. Customers are referred to the CPUC website (www.cpuc.ca.gov) for a list of energy service providers.⁶¹ The Corporate Affiliates section of PG&E's Customer Service Online General Reference Guide specifically instructs employees that CSRs may not provide the following advice or assistance:

- CSRs should not provide customers with affiliate phone numbers and for further inquiries, politely reply: "This Company is a separate company from Pacific Gas and Electric Company and under the rules of the CPUC, we are not permitted to give out and affiliate's phone number."
- If someone asks a CSR to recommend an energy service provider, the CSR is instructed to remain neutral. Let the customer know they cannot make a recommendation and refer them to the CPUC website www.cpuc.ca.gov for a list of energy service providers.
- They must not provide customers with any list of service providers, which includes or identifies the utility's affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities except upon request by a customer or as otherwise authorized by the CPUC or another governmental body.
- They must not offer or provide customers advice or assistance with regard to PG&E's affiliates or other service provider.⁶²

The section in the Customer Service Online General Reference Guide on "how to find solar contractor" instructs the CSR to advise the customer to visit the GoSolarCalifornia website for a list of eligible contractors and provides the website address. It also suggests the

⁵⁹ DR 209 and live call monitoring (IR 33), IR 15, 32, 33, 34, 36 and 43 (customer service). IR 40-42 (account executives)

⁶⁰ DR 209 Attachment 1

⁶¹ DR 39

⁶² *Corporate Affiliates, Affiliate Transaction Definition*, GenRef (DR 39). NorthStar was independently able to access this procedure while at the call center (DR 210)

customer should interview at least three reputable solar contractors and ask for complete project bids for all additional costs.⁶³

The Codes of Conduct in effect during the audit period has reminded employees that PG&E does not endorse products or services or the firms or individuals who supply them, and favoritism must not be implied by testimonials or endorsements of PG&E’s use of any materials, supplies, equipment, or service, or by the use of its name in advertising, publicity, articles, or catalogs.⁶⁴ All employees received training when the Code of Conduct was revised in April 2010.⁶⁵

On an annual basis, utility and PG&E Corporate employees with email access were reminded of the need to comply with the ATR through the “Business Update” section of the PG&E At Work Bulletin (i.e., employee newsletter). The update on “The Importance of Understanding the Affiliate Rules” reminded employees of their responsibilities and included a link to the PG&E’s CPUC Affiliate Rules website.⁶⁶ The key Affiliate Requirements link provides the following guidance related to Rule IV.E:⁶⁷

For Utility Employees:

- Do not provide any kind of special business opportunity to an affiliate, such as recommending an affiliate to a potential customer, or offering a service at below market rates. (Rules III.E.2, III.E.6 and IV.E)
- Do not provide customers advice on service providers. (Rule IV.E)

As described in NorthStar’s assessment of Rule III.E, contrary to PG&E’s statements in its Compliance Plan, in the years up to and including 2010, it did not require ATR training of employees. In 2011, C&E identified employees who should take the ATR training, but the training module which provided the greatest coverage of Rule IV.E was only taken by about 250 people during the audit period.

**Exhibit IV-1
Affiliate Training – Attendees and Rule III Topics Covered**

Class	Rule Coverage	Number of Employees Trained	
		2010	2011
CORP-0201	Does not address Rule IV.E.	90	29
CORP-0400WBT CORP-9011WBT	Does not address Rule IV.E	940	782 625
CORP-0407WBT	Prohibits recommending an affiliate to a customer (Rule IV.E)	146	116
Grand Total		1,176	1,552

Source: DR 94

⁶³ Sections of GenRef pulled while at the call center (DR 201)

⁶⁴ December 2006 and April 2010 Codes of Conduct (DR 95, Attachments 1 and 2)

⁶⁵ DR 95

⁶⁶ July 7, 2010 and July 6, 2011 PG&E At Work (DR 198)

⁶⁷ DR 154

Rule IV.F

IV.F Record Keeping

A utility shall maintain contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions, all discounts, and all negotiations of any sort between the utility and its affiliates whether or not they are consummated. A utility shall maintain such records for a minimum of three years and longer if this Commission or another government agency so requires. For consummated transactions, the utility shall make such final transaction documents available for third party review upon 72 hours' notice, or at a time mutually agreeable to the utility and third party.

If D.97-06-110 is applicable to the information the utility seeks to protect, the utility should follow the procedure set forth in D.97-06-110, except that the utility should serve the third party making the request in a manner that the third party receives the utility's D.97-06-110 requests for confidentiality within 24 hours of service.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has in place procedures which implement this Rule. Pacific Gas and Electric Company has electronic bulletin boards to maintain records of discounts (see Compliance Plan for Rule III.F., above), policies requiring record keeping for all tariff or contract provisions, and corporate policies for document retention (See Corporation Standard: GOV-7001S - Record Retention and Disposal Standard at: <http://pgeatwork/Guidance/USPIndex/Pages/default.aspx>).

This rule is also addressed in Pacific Gas and Electric Company's Procurement Manual at <http://pgeatwork/SS/SupplyChain/Sourcing/ProcureManual/Pages/ProcurementManual.aspx>.

Pacific Gas and Electric Company requires the following of all its employees:

(1) requires the use of an Affiliate Transaction Report (ATR), which shall be completed by each Utility employee for each day or for each affiliate transaction in which that employee took part. In the case of transactions that may cover a period of time, employees will only be required to submit one ATR for the transaction. The employee shall maintain additional records including records of negotiation with affiliates as required by Rule IV.F. regarding the transaction which shall be available to the C&E department upon request. The ATR shall include a summary of the transaction along with who participated from the affiliate and Utility. Each record, except where the transaction noted in that record was subject to legal privilege, should be delivered to the C&E department as soon as practicable. Where the transaction recorded was subject to legal privilege, the record shall be electronically transmitted or delivered in hard copy to a file created for this purpose. The C&E department shall ensure that postings to the Pacific Gas and Electric Company Internet site are made as required; and

(2) requires C&E to centrally maintain such records not already kept in a location accessible to C&E;

All requests to review transactions under this Rule must be submitted in writing to:

*Pacific Gas and Electric Company
Compliance and Ethics Department (C&E)
245 Market Street
P.O. Box 770000 Mail Code N4F*

San Francisco, CA 94177

Summaries of individual transactions will be made available to third parties for review. The summary will contain sufficient information for the third party to determine that the subject matter of the transaction was permitted and the cost, if any. If an affiliate was charged for a document or information, a third party will be charged the same amount if they request the same document or information. Third parties will not be granted access to any confidential customer information that may have been properly provided to an affiliate without also obtaining prior written authorization of the customer. Third parties will not be granted access to any confidential or proprietary affiliate information that was shared with the Utility or to any non-public information shared with an affiliate as part of providing a permitted corporate support service.

Pacific Gas and Electric Company interprets 72 hours to mean that the information must be available by the third business day following the request and 24 hours to be one business day. Contemporaneous shall mean monthly for billings and other transactions between Pacific Gas and Electric Company and its affiliates that are recorded on a monthly basis. Summaries will be made available following the monthly closing of accounts.

Findings and Conclusions

PG&E complied with Rule IV.F.

PG&E's Affiliated Company Transactions Procedures effectively outline the types of transactions, the method for costing the transaction, disclosure requirements, how the transaction is to be recorded and record keeping responsibilities and requirements (including the three year record retention requirement).⁶⁸

NorthStar waived the 72 hours requirement for the provision of records due to the large volumes of information requested. Generally, PG&E responded to NorthStar's requests in two weeks.

PG&E's compliance plan recognizes the requirement to maintain records so that they can be released in 72 hours. PG&E's compliance plan requires the Compliance and Ethics Department to maintain records. PG&E's compliance plan does not recognize the three years retention period.⁶⁹

Rule IV.G

IV.G Maintenance of Affiliate Contracts and Related Bids

A utility shall maintain a record of all contracts and related bids for the provision of work, products or services between the utility and its affiliates for no less than a period of three years, and longer if this Commission or another government agency so requires.

⁶⁸ DRs 82 and 84

⁶⁹ DR 94

2010 and 2011 Compliance Plans

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.⁷⁰ This rule is also addressed in Pacific Gas and Electric Company's Procurement Manual at <http://pgeatwork/SS/SupplyChain/Sourcing/ProcureManual/Pages/ProcurementManual.aspx>.

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Findings and Conclusions

PG&E complied with Rule IV.G. PG&E provided the contracts with its fourteen affiliates for NorthStar's review during the course of the audit:

- PCG Capital, Inc.
- Pacific Energy Capital II, LLC
- Pacific Energy Capital III, LLC
- Pacific Energy Capital IV, LLC
- PG&E National Energy Group, LLC
- PG&E Corporation Support Services II, Inc.
- PG&E Corporation Support Services, Inc.
- PG&E Corporation
- PG&E Real Estate Services, Inc.
- Eureka Energy Company
- Certain Subsidiaries
- Pacific Energy Ruby Pipeline, Inc.
- PG&E Strategic Capital, Inc.
- PG&E Telecom Holdings, LLC⁷¹

Rule IV.H

IV.H. FERC Reporting Requirements

To the extent that reporting rules imposed by the FERC require more detailed information or more expeditious reporting, nothing in these Rules shall be construed as modifying the FERC rules.

2010 and 2011 Compliance Plans

Rule IV.H does not require any specific action by PG&E.

Findings and Conclusions

Rule IV.H does not require any specific action by PG&E.

⁷⁰ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

⁷¹ DR 20

Recommendation

5. Discontinue the practice of providing usage information without written authorization unless/until this practice is authorized by the Commission. (Rule IV.A)
6. Establish clear protocols regarding the release of customer information to third parties, and provide related training to appropriate employees. (Rule IV.A)

RULE V. SEPARATION

Rule V requires that the utility and its affiliates: (1) be separate corporate entities with separate books and records, (2) not share facilities, except for the provision of shared corporate services, (3) prohibit joint purchases related to the utility merchant function, (4) not promote or advertise an affiliate's affiliation with the utility, (5) not jointly employ the same employees, and (6) transfer allowable goods and services at fair market value or fully loaded cost.

In reviewing PG&E's compliance with Rule V, NorthStar used the following evaluative criteria, whether:

- PG&E, its parent holding company, PG&E Corporation, and its affiliates were organizationally and functionally separate.
- PG&E and its affiliates maintained separate books and records which were kept in accordance with USOA and GAAP standards.
- PG&E did not share office space or office equipment with its affiliates, except to the extent appropriate to perform shared corporate support functions permitted under Rule V.
- PG&E did not share services with its affiliates, except to the extent appropriate to perform shared corporate support functions permitted under Rule V.
- Affiliate companies did not have access to utility computer or information systems beyond what was appropriate for joint corporate functions. PG&E did not have access to affiliate computer or information systems beyond what was appropriate for joint corporate functions.
- The processes used to allocate costs for shared facilities and services provided accurate and timely information.
- PG&E and its affiliates did not make joint purchases of goods and services associated with the traditional utility merchant function.
- Costs of joint purchases of goods and services were allocated appropriately.
- Shared services did not provide a means for the transfer of confidential information, create an opportunity of preferential treatment of unfair competitive advantage, lead to customer confusion, or create opportunities for cross-subsidization,
- If PG&E shared any key officers, the following services were not shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of authorized shared services.
- Shared support services were priced, reported and conducted in accordance with Separation and Information standards set forth in the Rules as well as other applicable Commission requirements.
- PG&E did not engage in joint advertising or R&D projects with its affiliates.
- PG&E had no joint employees with its affiliates, except as permitted for corporate support shared services.
- Transfers of employees between PG&E and its affiliates were conducted in accordance with the Rules.

- Transfers of employees between PG&E and its affiliates did not come at the expense of PG&E business.
- Officer approval of both companies involved in the transfer was obtained before the transfer occurs.
- Utility employees were free to accept or reject employment with affiliates and no involuntary transfers took place.
- If a utility employee elected to accept a position with an affiliate, he or she resigned from PG&E.
- The transfer-pricing methodology ensured that transactions between PG&E and its affiliates did not harm PG&E or its customers and was in line with the Rules.
- The transfer-pricing methodology was consistently utilized.

In conducting its compliance audit, NorthStar examined the following:

Corporate Entities

1. Reviewed the documents issued to create each corporation.
2. Reviewed organization charts, company literature, and employee manuals.
3. Reviewed Commission Advice Letters identifying the creation of a new affiliate.

Books and Records

4. Verified that all accounting records were available for review and analysis.
5. Reviewed audit reports to ensure that books and records were kept separately by entity and in accordance with Uniform System of Accounts (USOA) and Generally Accepted Accounting Procedures (GAAP).

Sharing of Plant, Facilities, Equipment or Costs

6. Examined premises of PG&E and each affiliate to determine that they were separate.
7. Verified through review of system architecture, access security controls and investigation that cross-system computer access was not possible except as necessary for joint corporate functions.
8. Interviewed managers of information technology to identify what controls and design features were in place to limit cross-company access to computer systems and information.

Joint Purchases

9. Reviewed joint purchasing agreements to analyze the method by which costs and benefits were allocated.

10. Reviewed joint purchasing agreements to determine that products or services associated with the traditional utility merchant function were not included.
11. Interviewed utility purchasing department management to determine if they understood the rules affecting joint purchases.
12. Reviewed procedures of joint purchases.

Corporate Support

13. Examined corporate support activities to ensure that they were in compliance with the Rules.
14. Examined methods of cost allocation to determine if fully allocated costs were consistent with the Rules and underlying causal factors.
15. Examined accounting records to verify that the procedures used in accounting for costs shared between corporate entities were consistent with the Rules and underlying causal factors.
16. Interviewed managers of corporate support functions to identify and describe the services performed.

Corporate Identification and Advertising

17. Reviewed compliance plans and internal procedures provided in response to NorthStar's data requests as well as those available on PG&E's intranet site.
18. Reviewed utility advertising materials to ensure that identification of any affiliates was proper and included required disclosures.
19. Identified any known occurrence in which PG&E participated in joint advertising or joint marketing with its affiliates.
20. Examined instances where PG&E provided space in its billing envelopes or other forms of written communication to customers to insure that the affiliates did not trade improperly on PG&E's name or logo and that the affiliates obtained access under the same terms and conditions offered to non-related entities.
21. Interviewed responsible managers to determine how advertising content and communications were determined with respect to affiliates.
22. Interviewed personnel regarding controls over branding and the use of the PG&E logo.
23. Interviewed the PG&E corporate communications compliance manager.
24. Interviewed major account executive supervisor regarding promotional materials, marketing activities and controls. Reviewed responsibilities and goals/performance objectives for potential adverse incentives. Reviewed industry trade presentations.

25. Interviewed parent company and affiliate personnel regarding marketing and promotional materials and controls over affiliate activities.
26. Interviewed billing personnel regarding summary billing process, bill format and bill information.
27. Reviewed bills, bill inserts and bill envelopes.
28. Reviewed PG&E's promotional materials.
29. Reviewed the code of conduct and affiliate compliance training materials (corporate and call center).
30. Reviewed PG&E and affiliates press releases.

Employees

31. Examined employee time reports to determine that there were no joint employees and that restrictions on transfers and temporary assignments were adhered to.
32. Determined if any employees left a utility for an affiliate and returned in less than one year.
33. Reviewed records to determine if all affiliate use of utility employees was based on written agreements approved by the appropriate managers or officers.

Transfer of Services

34. Analyzed transfers from PG&E to its affiliates of goods and services produced, purchased or developed for sale on the open market by PG&E to validate that they were priced at fair market value.
35. Analyzed transfers from affiliates to PG&E of goods and services produced, purchased or developed for sale on the open market by the affiliate to validate that they were priced at no more than fair market value.
36. Analyzed transfers from PG&E to its affiliates of goods and services not produced, purchased or developed for sale by PG&E affiliate to validate that they were priced at fully loaded cost.
37. Analyzed transfers from an affiliate to PG&E of goods and services not produced, purchased or developed for sale by the affiliate to validate that they were priced at the lower of fully loaded cost or fair market value.
38. Interviewed utility Controller and Procurement management to determine if they understood the rules governing transfer of goods and services and what controls were in effect to ensure that the rules were followed.

39. Analyzed methods used to determine fully allocated costs to ensure that they were consistent with the Rules and underlying causal factors.

Transfer, Lease or Rental of Utility Assets

40. Reviewed lease agreements to determine if prices were in accordance with fair market value provisions of the Rules.

General

41. Determined whether PG&E's processes, procedures and controls used to ensure compliance with this ATR were consistent with PG&E's most recent Compliance Plan.

Rule V.A

V.A Corporate Entities

A utility, its parent holding company, and its affiliates shall be separate corporate entities.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company is in compliance with this Rule. Each affiliate maintains its own Board of Directors, officers, and books of accounts. Consistent with Pacific Gas and Electric Company's holding company application, A.95-10-024, which was approved by the Commission in D.96-11-017 and amended in D.06-12-029, Pacific Gas and Electric Company and its affiliates are separate corporate entities.

Attachment A contains a list of all entities within the PG&E Corporation family that meet the definition of affiliate provided in Rule I.A. The affiliates are categorized based on the applicability of these rules.

Findings and Conclusions

PG&E complied with Rule V.A.

PG&E and its affiliates are separate corporate entities. PG&E Corporation, incorporated in California in 1995, is a holding company that conducts its business through Pacific Gas and Electric Company (PG&E), a public utility operating in northern and central California. PG&E was incorporated in California in 1905. PG&E Corporation became the holding company of the PG&E and its subsidiaries on January 1, 1997.⁷²

PG&E Corporation and PG&E entered into a settlement agreement with the CPUC on December 19, 2003, to resolve the PG&E's proceeding filed under Chapter 11 of the U.S. Bankruptcy Code that had been pending in the U.S. Bankruptcy Court for the Northern District of California (Bankruptcy Court) since April 2001 (Chapter 11 Settlement Agreement). The nine-year Chapter 11 Settlement Agreement established certain regulatory

⁷² PG&E Corp Form 10-K filed 02/16/12 for the period ending 12/31/2011 <http://pge.q4cdn.com/941b457c-b8fc-4741-b5b3-1297ccfd358e.pdf?noexit=true>

assets and addressed various ratemaking matters to restore the PG&E's financial health and enable it to emerge from Chapter 11. The terms of the Chapter 11 Settlement Agreement were incorporated into the PG&E's plan of reorganization under Chapter 11, which became effective on April 12, 2004. The Bankruptcy Court retains jurisdiction to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Chapter 11 Settlement Agreement, in addition to other matters.

The separation of PG&E from its affiliates is thoroughly documented in the Company's Affiliate Transactions Report submitted annually to the California Public Utilities Commission (Commission or CPUC), and in PG&E Corporation's and PG&E's 10-K Report filed annually with the SEC.⁷³ As further confirmation, NorthStar reviewed the organizational structure, Board of Directors minutes, and articles of incorporation of PG&E, PG&E Corporation, and new affiliates created during 2010 and 2011. All are corporate entities separate from PG&E.⁷⁴

PG&E Corporation is a holding company for its subsidiaries (all affiliates of PG&E – the regulated utility) that are not subject to California utility regulation. PG&E is a wholly owned subsidiary of PG&E Corporation and PG&E has 23 subsidiaries (also affiliates of PG&E) of its own. These entities are shown in **Exhibit II-1**.⁷⁵ PG&E Corporation directly or indirectly owns all the common stock and substantially all of the voting stock of each of all subsidiary companies.⁷⁶

PG&E and its affiliates have separate employees and separate directors and officers except where exclusions are allowed by Rule V.E – shared corporate services, addressed later in this chapter.

Rule V.B

V.B Books and Records

A utility, its parent holding company, and its affiliates shall keep separate books and records.

V.B.1 Utility books and records shall be kept in accordance with the applicable Uniform System of Accounts ("USOA") and Generally Accepted Accounting Procedures ("GAAP").

V.B.2 The books and records of a utility's parent holding company and affiliates shall be open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Sections 314 and 701, the conditions in the Commission's orders authorizing the utilities' holding companies and/or mergers and these Rules.

⁷³ DR 1, 12 and 81, PG&E Corp Form 10-K filed 02/16/12 for the period ending 12/31/2011
<http://pge.g4cdn.com/941b457c-b8fc-4741-b5b3-1297ccfd358e.pdf?noexit=true>

⁷⁴ DR 2, 6, 9,12, 15, 16 and 81

⁷⁵ All entities are affiliates of PG&E and covered by the Rules if they provide energy related products and services. Subsidiaries of PG&E included in rates are not covered by the Rules.

⁷⁶ DR 12, 16 and PG&E Corp Form 10-K filed 02/16/12 for the period ending 12/31/2011

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company is in compliance with this Rule. PG&E Corporation's financial statements, and Pacific Gas and Electric Company's financial statements and annual FERC report, are audited for compliance with GAAP by independent accountants on an annual basis.

The books and records of Pacific Gas and Electric Company's parent holding company and its affiliates are open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Section 314.

Findings and Conclusions

PG&E complied with Rule V.B.

NorthStar verified that PG&E and its affiliates keep separate books and records. NorthStar reviewed the accounting and data processing procedures, examined the books and records of PG&E, policies and procedures, and interviewed accounting personnel. NorthStar reviewed the SAP Chart of accounts for PG&E and PG&E Corporation, and found them to be separate.⁷⁷

PG&E uses a system of charge numbers called internal orders for tracking all expenses incurred on behalf of its affiliates, as well as other internal costs that need to be accumulated. Requests for goods and services provided to PG&E Corporation and affiliates must be documented using the Utility Affiliate Order Request form, which includes process and approval instructions.⁷⁸

PG&E's financial statements are audited for compliance with GAAP by its independent accountants on an annual basis. The books and records of PG&E, PG&E Corporation and affiliates were open for examination.⁷⁹

Rule V.C

V.C Sharing of Plant, Facilities, Equipment or Costs

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V.E. of these Rules. Physical separation required by this rule shall be accomplished preferably by having office space in a separate building, or, in the alternative, through the use of separate elevator banks and/or security-controlled access. This provision does not preclude a utility from offering a joint service provided this service is authorized by the Commission and is available to all non-affiliated service providers on the same terms and conditions (e.g., joint billing services pursuant to D.97-05-039).

⁷⁷ DR 79

⁷⁸ DR 1, 81, ATR Reports, Affiliated Company Transactions Procedures – Section B.2

⁷⁹ DR 12

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate plans in place to implement this Rule.

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.⁸⁰

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Pacific Gas and Electric Company has data network segmentation which provides sufficient separation of facilities as mandated by this rule. Pacific Gas and Electric Company uses the Information Technology Change Management Procedure to monitor network segmentation.

As of the date of this Compliance Plan, no affiliate employees are located in Utility space.

Findings and Conclusions

PG&E did not comply with Rule V.C.

PG&E permitted sharing of its computer system with a covered affiliate; however it did comply with the facilities separation requirement of the Rule.

Facilities Separation

PG&E did not share office space with its affiliates during the audit period. PG&E and PG&E Corporation occupied office space at 77 Beale Street and 245 Market Street in San Francisco. These facilities are not shared with any Rule II.B affiliates. **Exhibit V-1** shows the PG&E Corporation company employees who occupied PG&E facilities during the audit period, as well as one non-covered affiliate which leased PG&E facilities.

Exhibit V-1
Holding Company Employees Occupying PG&E Facilities in 2010 and 2011

Title	Office Location	Years	Notes
VP & Chief Risk & Audit Officer	245 Market	Partial 2010	His executive assistant was a utility employee located in adjacent office in 245 Market
VP Internal Audit and Compliance	245 Market	Partial 2010 2011	
Executive Assistant to VP Vice President Internal Audit and Compliance	245 Market	Partial 2010 2011	
Leadership Development Program	245 Market	2010	
Leadership Development Program	77 Beale	2010	

⁸⁰ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

Title	Office Location	Years	Notes
SVP, Human Resources	77 Beale	2010 2011	Secondary office. Primary office was in PG&E Corporation
Executive Assistant to SVP, Human Resources	77 Beale	2010 2011	
SVP, Corporate Relations	77 Beale	2010 2011	
Chairman, CEO, & President	77 Beale	2010 2011	
Executive Assistant to Chairman, CEO, & President	77 Beale	2010 2011	
Special Assistant to Chairman, CEO, & President	77 Beale	2010 2011	
SVP and CFO, PG&E Corporation, VP Financial Services, PG&E	77 Beale	Partial 2010	
PG&E Energy Recovery Funding LLC. (Not a covered II.B affiliate)	77 Beale and 245 Market	2010 2011	Pays PG&E a license fee to use utility space.

Source: DR 75 Supplement 2

During the audit period, access to utility facilities was controlled through separate identification badges and access cards, and by security guards at perimeter entrances of the utility's San Francisco General Office complex at 245 Market Street and 77 Beale. Some floors or spaces on floors had heightened restrictions that further limit access to only authorized personnel. When a utility employee's transfer out of the utility is entered in HR's record, access to utility facilities is automatically terminated the same day. Corporate Security administers access requests.⁸¹ PG&E Corporation (the holding company) employees generally have the same access privileges and restrictions as utility employees.⁸²

Employees of PG&E Corporation Support Services II, a non-covered affiliate, also have the same access privileges and restrictions as utility employees because they are engaged in utility business. Their employment by PG&E Corporation Support Services II is for tax and payroll purposes due to their location in Washington, D.C. Employees of covered affiliates have no independent access to utility facilities — they are not issued employee identification badges or access cards; they must sign in at a security guard desk and be escorted by a utility employee, just as any other guest.⁸³

Only a few of PG&E's affiliates had office locations, which are listed in **Exhibit V-2**. The other affiliates had mailing addresses only.

⁸¹ DR 159

⁸² DR 159

⁸³ DR 159

Exhibit V-2
PG&E Affiliate Office Locations in 2010 and 2011

Primary Location of Affiliate	Affiliate	Subsidiary's Line of Business (products or services offered)
900 7th Street NW Suite 950 Washington, DC 20001	PG&E Corporation Support Services II, Inc.	Provides general corporate services to PG&E Corporation and certain of its subsidiaries.
One Market, Spear Tower Suite 3639 San Francisco, CA 94105	PG&E Corporation Support Services, Inc.	Provides general corporate services to PG&E Corporation and certain of its subsidiaries.
One Market, Spear Tower, Suite 2400, San Francisco, CA	PG&E Strategic Capital, Inc. PCG Capital, Inc. Pacific Energy Capital I, LLC Pacific Energy Capital II, LLC Pacific Energy Capital III, LLC Pacific Energy Capital IV, LLC	PG&E Strategic Capital was formed for general business purposes. Holds a one-third interest in Pacific Connector Gas Pipeline, LLC and Pacific Connector Gas Pipeline, LP. PCG Capital was formed for the purpose of holding interests in other businesses, financing and other transactions. Pacific Energy Capital I was formed to build and manage a portfolio of passive capital investments in energy and telecommunications companies. Pacific Energy Capital II – IV were formed to establish and manage a portfolio of passive financial investments in energy companies.

As shown in **Exhibit V-2**, PG&E, PG&E Corporation and some PG&E affiliates had office space in the Spear Tower at One Market in San Francisco. During the audit period, PG&E Corporation leased space on the 4th, 23rd and 24th floors of One Market Plaza, which had security controlled access that did not allow affiliate personnel access to space also occupied by utility employees. The employee of PG&E Corporation Support Services, LLC, a Rule II.B covered affiliate, had an office on the 23rd floor of One Market Plaza, a floor that was occupied only by PG&E Corporation employees. The affiliate employee did not have cardkey or badge access to space occupied by utility employees on the 4th floor. After the employee's retirement, the 23rd floor of One Market was converted to PG&E Corporation/utility shared space, and no covered affiliate employee had badge or cardkey access to it. The only other covered affiliate employees during the audit period worked for PG&E Corporation Support Services, LLC, and were located in a separate office on the 36th floor of One Market Plaza. They did not have independent access to PG&E Corporation/utility shared space.⁸⁴

Systems Separation

PG&E did not comply with Rule V.C, which prohibits affiliates' access to the utility's computer or information systems. PG&E permitted sharing of its computer system between the utility and a covered affiliate on more than one occasion. PG&E transferred twelve people from the utility to affiliates in 2010 and two people from the utility to affiliates in

⁸⁴ DR 159

2011. PG&E did not immediately terminate access to the utility's computer systems in any of these cases. In three cases, the access was never terminated. The one person transferred to a covered affiliate in 2010 had systems access terminated after four days. The one person transferred to a covered affiliate in 2011 had systems access terminated after two months and nineteen days. The remaining staff all transferred to PG&E Corporation and did not have their utility computer access terminated for one to thirteen months following their transfers out of the utility.⁸⁵

Access to the utility's network and applications is controlled by system owners who establish and maintain formal user registration and deregistration procedures for accessing information systems and services. All user information must be verified and maintained in the HR system prior to granting system and/or network access. User access requests must be approved by the requestor's direct supervisor.⁸⁶

Rule V.D

V.D Joint Purchases

To the extent not precluded by any other Rule, the utilities and their affiliates may make joint purchases of goods and services, but not those associated with the traditional utility merchant function. For purpose of these Rules, to the extent that a utility is engaged in the marketing of the commodity of electricity or natural gas to customers, as opposed to the marketing of transmission and distribution services, it is engaging in merchant functions. Examples of permissible joint purchases include joint purchases of office supplies and telephone services. Examples of joint purchases not permitted include gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, systems operations, and marketing. The utility must insure that all joint purchases are priced, reported, and conducted in a manner that permits clear identification of the utility and affiliate portions of such purchases, and in accordance with applicable Commission allocation and reporting rules.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company have adequate procedures in place to implement this Rule. A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.⁸⁷

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

The Utility Affiliated Company Transactions Procedures provides guidance for compliance with this Rule, including requiring that purchases of materials or services on behalf of an affiliate must be reported to the Affiliate Accounting Group after being reviewed by the C&E department and the cost thereof must be charged to the appropriate intercompany order. The current version of the Affiliated Company Transactions Procedures is located at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be periodically updated and issued by the Controller of Pacific Gas and Electric Company to relevant Utility personnel.

⁸⁵ DR 62

⁸⁶ DR 66

⁸⁷ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

Pacific Gas and Electric Company will continue its current practice of making joint purchases of goods and services other than those associated with the traditional Utility merchant function. C&E has created and will maintain a list of permitted joint purchases at its website: <http://pgeatwork/Compliance/Pages/AffiliateRules.aspx>.

Findings and Conclusions

PG&E complied with Rule V.D.

There were no joint purchasing arrangements between the PG&E and its affiliates during the audit period. Purchases by PG&E Corporation Support Services (PSUP) and PG&E Corporation Support Services II (PSUP II), PG&E’s only affiliates with employees, were either charged to the respective affiliate or to a PG&E Corporation order number. No affiliate purchases were conducted with the utility and no costs were settled to the utility.⁸⁸

In 2010 and 2011, purchases of office supplies, computers, furniture, phones and copiers for affiliate employees in PSUP were handled by a contractor retained by the PG&E’s Corporate Real Estate Department with delegated purchasing approval authority.⁸⁹ Purchases of office supplies, computers, furniture, phones and copiers for affiliate employees in PSUP II were handled by employees in the Washington, DC office with delegated purchasing approval. The purchase invoices were first processed and paid by PG&E Corporation (holding company).⁹⁰

For both PSUP and PSUP II, the charges were subsequently recorded to the responsible affiliate. There are no joint purchase agreements between the utility or PG&E Corporation with either PSUP or PSUP II.⁹¹

During the audit period, the Affiliate Rules section of PG&E’s website listed permitted and not-permitted joint purchases, as summarized in **Exhibit V-3** below.

**Exhibit V-3
List of Permitted Joint Purchase Items from PG&E’s Affiliate Rules Intranet**

Permitted Joint Purchases Include These and Similar Items	Purchases Which May NOT be made with or for an Affiliate Include These and Similar Items
<ul style="list-style-type: none"> • Office Supplies (pens, paper, pencils, scissors, etc.) • Computers, Printers and other Office Equipment (computers must be a standard configuration readily available in the marketplace) • Computer Software used for general business purposes (Windows, Word, Excel, SAP, SQL etc.) • Office and Ergonomic furniture • Express mail and shipping services 	<ul style="list-style-type: none"> • Electricity (commodity, transmission or distribution etc.); • Gas (commodity, transmission, parking, lending, etc.); • Equipment used on the utility gas or electrical system (transformers, pipe, wire, insulators, concrete); • Vehicles used in utility system O&M (line trucks, backhoes etc.); • Tools that must be special ordered or built for

⁸⁸ DR 73
⁸⁹ DR 256
⁹⁰ DRs 256 and 268
⁹¹ DR 256

Permitted Joint Purchases Include These and Similar Items	Purchases Which May NOT be made with or for an Affiliate Include These and Similar Items
<ul style="list-style-type: none"> • Vehicles including fuels, oils and lubricants (Jointly purchasing vehicles, other than passenger cars, is not yet approved by the CPUC. These purchases should not be undertaken jointly until CPUC authorization has been granted.) • Bulk or Generic Chemicals (used for a variety of processes, including water treatment) • Travel Services and Travel (airline, hotel, rental car) • Hand and Power Tools readily available in the marketplace (hammers, screwdrivers, wrenches, drills etc.) • Copier or Fax maintenance and lease • Health and Safety Products • Temporary Staffing / Clerical Support • Telephone Services (local, long distance, cell phone, pager and accessories) • Legal, tax and auditing services as well as all other permitted corporate support services 	<ul style="list-style-type: none"> • utility use; • Specialized Computers used for engineering or system operations; • Computer Software specifically developed for utility functions (examples: transmission scheduling, generation asset optimization); • Engineering Services • Marketing Services • Employee Recruiting Services

Source: DR 162

Rule V.E

V.E Corporate Support

As a general principle, a utility, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its affiliates joint corporate oversight, governance, support systems and personnel, as further specified below. Any shared support shall be priced, reported and conducted in accordance with the Separation and Information Standards set forth herein, as well as other applicable Commission pricing and reporting requirements.

As a general principle, such joint utilization shall not allow or provide a means for the transfer of confidential information from the utility to the affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures in place to ensure the utility follows the mandates of this paragraph, and to ensure the utility is not utilizing joint corporate support services as a conduit to circumvent these Rules.

Examples of services that may be shared include: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, and pension management. However, if a utility and its parent holding company share any key officers after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized. For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and at its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in each case, any and all officers whose responsibilities are the functional equivalent of the foregoing.

Examples of services that may not be shared include: employee recruiting, engineering, hedging and financial derivatives and arbitrage services, gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, and marketing. However, if a utility and its parent holding company share any key officers (as defined in

the preceding paragraph) after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. The provision of corporate support services will not provide a means for the transfer of confidential non-public Utility information from the Utility to an affiliate that would create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates. Any non-public information exchanged will be exchanged in accordance with Rule IV.B.

Pacific Gas and Electric Company's Affiliated Company Transactions Procedures located at <http://pgeatwork/Finance/Controller/AT/> state that the portion of the fully-loaded costs of shared corporate services which benefits PG&E Corporation and/or affiliates shall be charged to PG&E Corporation and/or affiliates. On a monthly basis, the Affiliate Accounting section of Corporate Accounting charges PG&E Corporation for its allocated share of the costs of corporate services provided by Pacific Gas and Electric Company. In addition, Pacific Gas and Electric Company corporate services employees charge time spent directly on holding company or affiliate matters to the holding company or affiliates by reporting the time spent on these matters. PG&E Corporation is also entitled to charge Pacific Gas and Electric Company for services and support it provides to Pacific Gas and Electric Company.

For the purposes of this Rule, Pacific Gas and Electric Company considers that shared services include, but are not limited to:

- *corporate oversight and governance*
- *use of financial and cash management and payroll systems software*
- *payroll advice and services, including printing and distribution of paychecks*
- *corporate budget preparation and monitoring*
- *corporate communications, public relations, and charitable contributions*
- *tax advice and services*
- *treasury functions*
- *investor relations and shareholder services*
- *consolidated business planning (other than market analyses)*
- *financial services such as -*
 - *accounts payable*
 - *accounting*
 - *banking services not including customer transactions*
 - *cash management*
 - *planning, analysis, negotiation and workout (e.g. analytical support for various subsidiary projects and for long-range planning)*
 - *reporting*
 - *risk management (which includes approval of and monitoring compliance with policies and procedures; each subsidiary has its own risk management committee to manage its hedging, financial derivative, and arbitrage activities as they relate to energy products; the holding company in its oversight role*

may also review and approve certain transactions involving the Utility or the affiliates)

- *internal auditing*
- *insurance advice, services, and procurement*
- *state, federal, and local lobbying and regulatory affairs*
- *analysis of regulatory or legislative actions*
- *legal services and support*
- *legal and regulatory compliance, including affiliate transactions rules compliance*
- *compliance and ethics activities*
- *environmental and safety*
- *corporate development*
- *computer, telecommunications, and technical systems support and maintenance (Utility employees may have access to affiliate systems while providing support and maintenance on those systems. Utility support may include Internet routing. Affiliate employees will only be allowed to provide support and maintenance for the Utility if they will not have access to any non-public Utility information contained in a computer or information system, e.g. limited hardware maintenance or software development.)*
- *human resources planning and development services, including succession planning*
- *compensation and benefit services and plan procurement and management*
- *pension management*
- *development, interpretation, and application of employment policies*
- *creation and maintenance of employee records*
- *limited day or overnight use of Pacific Gas and Electric Company meeting rooms or facilities (Rule II.B. affiliate employees would only be in attendance if their presence was necessary to perform shared corporate support functions and they had been invited by the entity hosting the meeting.)*
- *printing of documents for permitted shared services and corporate support functions*
- *corporate communications and public relations*
- *corporate security*
- *fleet services*

Pacific Gas and Electric Company considers that financial, accounting, and purchasing systems are included within sharable support systems. Affiliate employees sharing support systems with the Utility will not be granted access to any confidential Utility information contained within those systems.

Pacific Gas and Electric Company will continue to provide a “hotlink” from its Internet site to that of PG&E Corporation. There will be no “hotlinks” from the Pacific Gas and Electric Company Internet site to affiliate Internet sites.

Pacific Gas and Electric Company elected not to share key officers under Rule V.E. and notified the Commission of this election in a letter

Findings and Conclusions

PG&E did not comply with Rule V.E.

During the audit period PG&E, shared a key corporate officer with its parent holding company, PG&E Corporation and shared employee recruiting with its affiliates.⁹²

The first part of Rule V.E prohibits corporate support from sharing confidential information or creating an opportunity for preferential treatment. In this regard, corporate officers from the holding company and the utility provided signed verifications that the utility's compliance plan was adequate during the audit period and that the utility is not using shared services as a conduit to circumvent the Rules.⁹³

Shared Officers

PG&E shared a key corporate officer with its parent holding company, PG&E Corporation.⁹⁴ **Exhibit V-4** lists the key corporate officers for PG&E Corporation and the utility. The shared officer is highlighted in yellow.

Exhibit V-4 Key Officers

Key Officers/Directors	PG&E Corporation	Pacific Gas and Electric Company
2010		
Chair	Peter A. Darbee	C. Lee Cox
President	Peter A. Darbee	Christopher P. Johns
Chief Executive Officer	Peter A. Darbee	None
Chief Financial Officer	Kent M. Harvey	Kent M. Harvey/ Dinyar B. Mistry
Chief Regulatory Officer	Steve Kline ⁹⁵	Thomas E. Bottorff
2011		
Chair	Anthony F. Early	C. Lee Cox
President	Anthony F. Early	Christopher P. Johns
Chief Executive Officer	Anthony F. Early	None
Chief Financial Officer	Kent M. Harvey	Kent M. Harvey/ Dinyar B. Mistry
Chief Regulatory Officer	Steve Kline	Thomas E. Bottorff

Source: DRs 12, 16

- Kent Harvey was the senior financial officer for both the Corporation and the utility. Mr. Harvey held the title Senior Vice President and Chief Financial Officer of the Corporation and reported directly to the CEO.⁹⁶ The compliance plans for both 2010

⁹² DRs 304, 305, 306

⁹³ DR 97

⁹⁴ DRs 304, 305, 306

⁹⁵ PG&E Fact Check page 3, provided May 14, 2014: Steve Kline was the Vice President, Corporate Environmental and Federal Affairs and Chief Sustainability Officer for PG&E Corporation. No Chief Regulatory Officer was shown for PG&E Corporation.

⁹⁶ DR 16

and 2011 identify Kent Harvey as a concurrently serving officer of the Corporation and the utility with the titles Senior Vice President and Chief Financial officer (Corporation) and Senior Vice President, Financial Services (utility). Dinyar Mistry held the title Vice President, Controller, Utility Chief Financial Officer on the corporation organization chart.⁹⁷ However, in both the 2010 and 2011 compliance plans, he signed the verification of the plan as an officer of the utility using the title Vice President and Controller of PG&E Corporation and Pacific Gas and Electric Company.⁹⁸ Neither Kent Harvey nor Dinyar Mistry are listed on the organization chart for the utility. It is clear that Kent Harvey served as the senior financial officer for both the Corporation and the utility.

- Rule V.E states:

For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and at its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in each case, any and all officers whose responsibilities are the functional equivalent of the foregoing. (emphasis added)

- The way the title “Chief Financial Officer” is used does not change the fact that Kent Harvey is the functional senior financial officer of both the utility and the parent holding company. Because PG&E Company and PG&E Corporation shared a key officer and, as noted above in the utility’s compliance plan, also shared legal, lobbying and regulatory affairs as shared services, they are in violation of Rule V.E.

NorthStar finds that PG&E’s compliance plan for each year of the audit period is not in compliance because it acknowledges the shared key officers described above and states that this is in accordance with the Rules.

Shared Services

Other than the shared officers noted above along with their respective shared services, the remaining services shared between PG&E, PG&E Corporation and affiliates are permitted under Rule V.E.

All shared support services provided by the utility to its affiliates are priced, reported and conducted in accordance with Separation and Information Standards set forth in the Affiliate Transaction Rules.

PG&E, PG&E Corporation and all of their affiliates have used the SAP accounting system since the 1990s. Members of Corporate Accounting perform the accounting processes for all of the entities using SAP. Each entity has its own access to SAP. Corporate Accounting staff has authorization to use each segregated version of SAP. Employees of

⁹⁷ DR 16

⁹⁸ DR 97

affiliates who have access to SAP are limited to accessing only data for the affiliate and may not access data for the utility.⁹⁹

Utility costs for services provided to affiliates are charged to specific internal order numbers.¹⁰⁰ Services provided to affiliates, are charged at fully loaded costs (direct expenditures and all applicable overhead costs). The overhead costs include appropriate labor and non-labor overheads in support of the affiliates.¹⁰¹ Some of these internal orders directly charge affiliates. Others allocate a portion of costs to several affiliates.¹⁰²

In the case of direct labor charges, PG&E charges the affiliate actual hours plus a pro-rated share of each employee's non-productive time.¹⁰³ PG&E uses average hourly rates within an organization rather than employee specific hourly rates.¹⁰⁴ This eliminates subsidy issues between the utility and all its affiliates. In the case of allocated time charges across multiple affiliates, PG&E develops the allocation factors from the previous year's actual time records.¹⁰⁵

Overhead rates are developed based on annual projected budgets for labor and overhead expenses. PG&E does not "true-up" actual costs to projected costs unless a major event occurs during the course of the year.¹⁰⁶ If such an event were to occur, PG&E would recalculate the overhead rates.¹⁰⁷

During 2010 and 2011, PG&E's non-energy billing system (NEBS) generated a monthly invoice for each affiliate which received services from PG&E. Corporate Accounting prepared monthly invoices for services provided by entities other than PG&E, including the holding company. For all amounts due to the utility, payments are made and actual settlement occurs in SAP (i.e. cash is moved from the affiliate to PG&E). During 2010 and 2011, an accounting analyst initiated wire transfers to pay for invoices within 30 days of the receipt of invoice.¹⁰⁸

During 2010 and 2011, PG&E processed approximately 17,200 transactions with its affiliates as recorded in its SAP system.¹⁰⁹ NorthStar obtained a database of these transactions and selected a focused sample using the following methodology:

- Transactions were separated by affiliate
- Transactions were then subcategorized by cost element. Typical cost elements included:
 - Labor

⁹⁹ DR ?

¹⁰⁰ DRs 84, 132

¹⁰¹ DR 83

¹⁰² DRs 85, 89

¹⁰³ DR 285

¹⁰⁴ IR56

¹⁰⁵ DR 285

¹⁰⁶ PG&E does not define "major event".

¹⁰⁷ DR 287

¹⁰⁸ Email from Pei Sue Ong 2-7-14

¹⁰⁹ DR 151

- Labor overheads
- Administrative and General overheads
- Professional Services Contracts (Legal, Consulting, etc.)
- Affiliate Surcharges
- Fleet
- Equipment investment
- Materials
- A sample of transactions for each affiliate representing labor, overhead and materials were selected.

The focused sample included transactions from each type of activity charged to each of several affiliates. NorthStar tested these selected transactions and found that they were correctly loaded with the appropriate overhead rates.

Most of the transactions were provided under shared services as authorized in Rule V.E. The remaining transactions are related to employee transfers and loaned labor as discussed in Rule V.G. NorthStar determined that all of the transactions tested were based on authentic source documents and that overheads were calculated and applied correctly. NorthStar reviewed a number of charges that were allocated across affiliates and found the allocations factors to be appropriately applied.¹¹⁰

Joint Recruitment

PG&E also did not comply with Rule V.E regarding the prohibition on joint recruiting. PG&E conducted joint recruitment with its affiliates on two occasions during 2010.¹¹¹ Two years later, PG&E recognized this violation of the ATR and notified the CPUC's Energy Division on February 28, 2013.¹¹² PG&E, upon identification of this problem, established an internal system control that does not allow the posting of positions external to the utility on the utility's bulletin board. PG&E also received an additional payment from the affiliate for recruitment fees in the amount of 23 percent of the annual salary of each position. Recruitment fees are not required by the Rules and joint recruitment remains as a violation. The affiliate, PG&E Support Services Corporation, filled the positions with two utility employees. In addition to the recruitment fee, PG&E also received the one-time 25 percent transfer fee.¹¹³

Rule V.F and Rule V.F.1

V.F Corporate Identification and Advertising

V.F.1 A utility shall not trade upon, promote, or advertise its affiliate's affiliation with the utility, nor allow the utility name or logo to be used by the affiliate or in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the utility name or logo appears that:

¹¹⁰ DR 285

¹¹¹ DR 236

¹¹² DR 117

¹¹³ DR 117

V.F.1.a. the affiliate “is not the same company as [i.e. PG&E, Edison, the Gas Company, etc.], the utility”;

V.F.1.b. the affiliate is not regulated by the California Public Utilities Commission; and

V.F.1.c. “you do not have to buy [the affiliate’s] products in order to continue to receive quality regulated services from the utility.”

The application of the name/logo disclaimer is limited to the use of the name or logo in California.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule.

1. *A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.¹¹⁴*

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

2. *Pacific Gas and Electric Company does not interpret this Rule to cover situations where individuals unaffiliated with Pacific Gas and Electric Company, its affiliates, and PG&E Corporation, remove the required disclaimers from materials circulated by affiliates or fail to include the disclaimer after being so notified by us.*

3. *Use of disclaimer on envelopes. The disclaimer will either be included on the first page of the materials within an envelope or on the envelope.*

4. *Pacific Gas and Electric Company in all cases interprets and applies this Rule to written material circulated in California by an affiliate for which potential customers of the affiliate are the intended or reasonably foreseeable recipients. The rules are interpreted to also require the disclaimer to be used on technical and operational correspondence, and billing and invoices with an existing customer.*

Communications to procure goods and services from suppliers, to recruit employees, and other types of communications to California audiences other than regulators, governmental entities, and security holders and other members of the investment community, will bear disclaimers. Oral communications, unless recorded and distributed for broadcast, will not include disclaimers. Communications or documents which originate with a supplier, vendor or other third party will not be required to include the disclaimer.

5. *The Rules are interpreted to require the use of the disclaimer on all signs, banners or posters on which Pacific Gas and Electric Company affiliates use the name or logo at trade shows, conferences, fairs or similar events in California. In addition, all printed marketing and promotional items, such as business cards and marketing publications distributed at these events by an affiliate, will bear the appropriate disclaimer in the required font size, if they include the name or logo. Financial documents such as the PG&E Corporation Annual Report or 10-K do not require the disclaimer.*

¹¹⁴ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

6. *Pacific Gas and Electric Company interprets the geographic limitation on this Rule to mean the disclaimer is only required where a California customer is the intended or reasonably foreseeable recipient of the communication. Thus, for communications originating outside California the disclaimer will appear only when California locations are targeted. Communications directed to customers outside of California will not bear the disclaimers.*

7. *Pacific Gas and Electric Company interprets the Rules to permit joint participation in trade shows, conferences, fairs and similar events outside California. The rules are interpreted as not requiring the use of the name/logo disclaimer on signs, banners, posters or printed marketing material at these out of state events.*

8. *Affiliate business cards containing either the name "PG&E" or the spotlight logo used by the Utility will bear a disclaimer if they are distributed in California or to California customers.*

In an effort to adhere to the spirit of this Rule and to maintain the meaning of the Commission's language while shortening it so it can be more easily read, noticed and understood by customers, Pacific Gas and Electric Company has prepared the following consolidated disclaimers. The first disclaimer will be generally used by all affiliates except those which are regulated by the Federal Energy Regulatory Commission or another agency, and therefore cannot appropriately employ the language proposed in the April 1998 amendment to the compliance plan, which would describe them as an "unregulated subsidiary of PG&E Corporation."

All business cards of affiliates will include one of the two following disclaimers on the face of the cards if they are distributed in California or to California customers. Generally affiliates which are not regulated by the Federal Energy Regulatory Commission or other agency, will bear the following consolidated disclaimer on the face:


'[Affiliate] is an unregulated subsidiary of PG&E Corporation. (see back)'


Those affiliates that do not use the above consolidated disclaimer on the face of their business cards will use the following consolidated disclaimer:

'[Affiliate] is not the same company as Pacific Gas and Electric Company, the regulated Utility. (see back)'

The full disclaimers will appear on the back of all affiliate business cards distributed in California or to California customers.

The examples below contain the approximate type size ordered by the Commission in D.98-11-027.

	xxx Street Name, Room xx Any City, State Name, xxxxx Mailing Address PO Box xxxxx
	Any City, State Name, xxxxx
Employee Name Title Department	123.456.4741 Fax 123.456.7890 Internet name@affiliate.com
PG&E [Affiliate] is an unregulated subsidiary of PG&E Corporation. (see back)	

	xxx Street Name, Room xx Any City, State Name, xxxxx Mailing Address PO Box xxxxx
	Any City, State Name, xxxxx
Employee Name Title Department	123.456.4741 Fax 123.456.7890 Internet name@affiliate.com
PG&E [Affiliate] is not the same company as Pacific Gas and Electric Company, the regulated utility. (see back)	

PG&E [Affiliate] is not the same company as Pacific Gas and Electric Company, the utility; PG&E [Affiliate] is not regulated by the California Public Utilities Commission; and you do not have to buy PG&E [Affiliate] products in order to continue to receive quality regulated services from the utility.

9. *Promotional items and other tangible objects distributed by affiliates in California will bear the full disclaimer. Due to the small size or irregular shape of some promotional items (e.g., golf tees, lapel pins), the affiliate will display the disclaimers on packaging materials such that the disclaimers will become visible to the customer at the same time or before the name or logo does. The Rules are interpreted as not requiring a disclaimer on promotional items and other tangible objects distributed outside California.*

Listed below are examples of promotional items which may be distributed to customers in California by the affiliates. These promotional items, and future similar promotional items, will have the disclaimer on a label on the item or on packaging surrounding the item.

- *Package of golf tees*
- *Box of golf balls*
- *Flashlights and squeeze lights*
- *Clocks*
- *Notepad blocks of paper*

- *Lucite cubes*
- *Stuffed animals*
- *Key chain knives*
- *Ink pens or mechanical pencils*
- *Cups or mugs*
- *Bottles of wine*
- *Plastic night lights*
- *Foam rubber light bulbs*
- *Fanny packs, sacks or tote bags*
- *T-shirts and Polo shirts*
- *Caps and hats*

In all cases the disclaimer used will be printed legibly in 6 point font, or larger. A larger font will be used whenever required to meet the 1/2 font size legibility standard.

10. *Use of the disclaimer for direct mail marketing. The Rules are interpreted to require the use of the disclaimer on either the envelope or the first sheet of the first item in the envelope which uses the name or logo, for direct mail sent to California addresses. The disclaimer will be legible, printed in the same direction as the other material on the page, and be no smaller than the larger of (a) 1/2 of the size of the font used in printing the name that accompanies the logo, or (b) 6 point type. Pacific Gas and Electric Company interprets the Rules not to require printing the disclaimer on every page, on other attachments in a direct mail package.*

11. *Authorized use of the name/logo by third parties. If an affiliate authorizes the use of the name or logo by a third party within California for the purpose of advertising or marketing of the affiliate's products and services, use of the name or logo will be conditioned on the use of the appropriate disclaimer. The affiliate will take prompt action upon discovery of unauthorized or inappropriate use of the name or logo in the marketing or advertising of products and services by a third party, to stop the unauthorized or inappropriate use. Unauthorized use by a third party will not be considered a violation. Other third party uses of the name or logo are not required to include the disclaimer.*

12. *Affiliate Press Releases. In the spirit of the Rules, affiliate press releases to the media within California, or where California customers are the primary audience for a wire service press release, will include the following or similar instructions to the media:*

Please do not use "Pacific Gas and Electric" or "PG&E" when referring to [affiliate name]. [Affiliate Name] is not the same company as Pacific Gas and Electric Company and is not regulated by the California Public Utilities Commission and customers of Pacific Gas and Electric Company do not have to purchase products or services from [affiliate name] to continue receiving quality regulated service from Pacific Gas and Electric Company.

13. *PG&E Corporation Press Releases. PG&E Corporation press releases are only required to include the disclaimer if they mention an affiliate using the PG&E name and the products and services offered for sale by the affiliate using the PG&E name.*

14. *Media interviews and inquiries.* In the spirit of the Rules, representatives of the affiliates interviewed by the press within California, or where the resulting article is likely to appear in California, will remind news media representatives as appropriate about the relationship between Pacific Gas and Electric Company and its affiliates, prior to the interview or inquiry either orally or in writing that the affiliate is separate from Pacific Gas and Electric Company, and caution them to use the full name of the affiliate, and not to refer to the affiliate as PG&E or Pacific Gas and Electric Company. The Rules are interpreted as not requiring the affiliate representative to recite the disclaimer during the interview.

15. *Use of the disclaimer in building signage.* The Rules are interpreted to allow normal signage on the outside of buildings owned or utilized by the affiliates in California, without use of the disclaimer on the signage. Normal signage is limited to the company name, logo and address, and has the primary purpose of identifying the business location. The Rules are interpreted to require the disclaimer on any disproportionately large sign, such as a billboard.

16. *Institutional advertising by PG&E Corporation.* PG&E Corporation, may from time to time communicate with the public and security holders using, among other media, paid print or broadcast media advertising. PG&E Corporation does not sell products or services and does not have a marketing function, therefore Pacific Gas and Electric Company interprets the rules as not requiring the use of the disclaimer in such communications because of the investor relations nature of the communications and the non-affiliate status of the communicating entity.

Similarly, Pacific Gas and Electric Company interprets the rules to allow institutional or “brand” advertising by PG&E Corporation in California without inclusion of the disclaimer, provided that:

PG&E Corporation does not exploit the connection of Pacific Gas and Electric Company with the holding company’s unregulated subsidiaries. However, it is appropriate for PG&E Corporation to include factual characteristics of the consolidated group in an overall description of PG&E Corporation; and

The advertisement does not identify the affiliates by name or logo.

Institutional or “brand” advertising is defined as paid advertising which communicates generally to the reader but does not communicate regarding any specific product or service and calls the reader to engage in a transaction based on the advertisement. This type of advertising is commonly undertaken by major corporations with diverse operating affiliates.

PG&E Corporation’s paid advertising in California which identifies the unregulated affiliates by name will make it clear that these services are performed by the affiliates, and will include the disclaimer in size and type required by the Commission.

17. *The disclaimer is not required on communications with governmental bodies, where the parties involved either know or should have reason to know, the legal status of the interrelationship of the Utility and affiliates, and the communications are not related to product and service sales. The situations included in this item include financial reports to*

security holders and other members of the investment community, legal or regulatory proceedings, written communications with governmental bodies regarding actual or proposed legislation, and written communications to federal, state or municipal agencies which relate to an agency requirement or power (other than the power of the agency to buy products and services).

18. *The disclaimer is not required on internal written communications between the holding company, the Utility, and any of the affiliates covered by the Rules, provided that the internal communications are not also sent to third parties outside of the company.*

”Legible” in the context of printed materials as it relates to Rule V. F., means that the disclaimer must be sized and displayed commensurate with the “signature” (i.e., the logo or name identification), so that the disclaimer is the larger of (a) ½ the size of the type which first displays the name or logo, or (b) 6 point type, and is positioned so that the reader will naturally focus on the disclaimer as easily as the “signature.” The disclaimer shall not be displayed upside down, sideways, in a different language, or in any other way which would have the effect of minimizing its appearance.

Findings and Conclusions

PG&E complied with Rule V.F.1. NorthStar identified no instance of non-compliance with requirements regarding corporate identity and advertising.

PG&E has no policies and procedures, handbooks or checklists addressing Rule V.F. According to PG&E, since PG&E Corporation’s equity interest in National Energy & Gas Transmission, Inc. (NEGT) was dissolved in October 2004, there have been no utility or affiliate activities that would have triggered application of this rule. “Since the bankruptcy of NEGTE, the PG&E Corporation family has not used the PG&E name, brand, or logo in relation to covered affiliates, and there is no current intention to do so. If the intent changes, PG&E will develop appropriate procedures to address Rule V.F.”¹¹⁵

Applicable policies and procedures such as the *Communications and Advertising* and the *Utility Name and Identity* policies do not address disclosure requirements or the Rules.¹¹⁶ Similarly, PG&E’s 65 page *Corporate Identify Guidelines* addressing the use of the PG&E logo and name do not address disclosure requirements or the Rules.¹¹⁷

The Codes of Conduct in effect during the audit period provide some guidance regarding required disclosures: “[w]atch for the use of the PG&E graphic icon or the corporate name, logo, or colors by those not authorized to represent PG&E, such as contractors. Also, energy affiliate companies must include disclaimers of specific wording and size when using the

¹¹⁵ DR 230 (see also DR 228)

¹¹⁶ DR 221

¹¹⁷ DR 229

icon, corporate name, or logo.”¹¹⁸ All employees received training when the Code of Conduct was revised in April 2010.¹¹⁹

NorthStar reviewed parent and affiliate business cards provided by PG&E. Only one affiliate card – PCG Capital, Inc. was provided. The card did not contain either the name “PG&E” or the spotlight logo used by the utility, nor was it similar in any way to the appearance of the utility business cards.¹²⁰ Thus, no disclosure was required.

NorthStar reviewed all of PG&E Corporation’s and a sample of PG&E’s press releases for 2010 and 2011.¹²¹ According to PG&E, there were no press releases issued to the media by affiliates in 2010 and 2011.¹²² The PG&E press release reviewed did not mention an affiliate.

PG&E Corporation issued two press releases in 2010 that referenced its tax equity financing investments through its subsidiaries, Pacific Venture Capital, LLC (now named Pacific Energy Capital I, LLC), and Pacific Energy Capital II, LLC. PG&E Corporation issued no other press releases to the media in 2011 about non-utility subsidiaries.¹²³

- On January 20, 2010, PG&E Corporation and SolarCity Corporation jointly issued a press release announcing the closing of the Banyan transaction involving Pacific Venture Capital.
- On June 21, 2010, PG&E Corporation issued a press release announcing a \$100 million tax equity project financing agreement between Pacific Energy Capital II, LLC, a non-utility subsidiary of PG&E Corporation and SunRun Inc., to fund SunRun’s installation of more than 3,500 new home solar installations across the nation. The investment, principally funded by PG&E Corporation shareholders through Pacific Energy Capital, creates the largest residential solar financing vehicle established to date.¹²⁴

The press releases did not refer to PG&E in the body of the release, but did mention PG&E in the disclosure statement: “PG&E Corporation is an energy-based holding company headquartered in San Francisco. It is the parent company of Pacific Gas and Electric Company, one of the largest combined natural gas and electric utilities in the United States. Pacific Venture Capital, LLC, is a subsidiary of PG&E Corporation that makes capital investments in growing energy companies.”¹²⁵

¹¹⁸ December 2006 and April 2010 Codes of Conduct (DR 95, Attachments 1 and 2)

¹¹⁹ DR 95

¹²⁰ DR 227

¹²¹ <http://www.pge.com/about/newsroom/newsreleases/> and www.pgecorp.com

¹²² DR 237

¹²³ Press Releases, www.pgecorp.com

¹²⁴ Press Releases, www.pgecorp.com

¹²⁵ DR 216. PG&E name and logo were not used in the press releases. Additionally, PG&E Corporation press releases are only required to include the disclaimer if they mention an affiliate using the PG&E name and the products and services offered for sale by the affiliate using the PG&E name.

The key Affiliate Requirements link on PG&E’s CPUC Affiliate Rules website provides the following guidance related to V.F.1:

For Utility Employees

- Affiliates using the PG&E name or spotlight logo in California must add specific disclaimers to objects or statements on which the logo is used. Check with the C&E department for additional information, including specific disclaimer language.¹²⁶

As discussed in NorthStar’s assessment of Rule III.E, only about 1,500 employees took ATR training in 2011. As shown in **Exhibit V-5**, only about 250 people took the training module which provided the greatest coverage of Rule V.F.

**Exhibit V-5
Affiliate Training – Attendees and Rule V.F Topics Covered**

Class	Rule V.F Coverage	Number of Employees Trained	
		2010	2011
CORP-0201	Coverage of Rule V.F limited to the prohibition on preferential treatment (Rule V.F.2)	90	29
CORP-0400WBT CORP-9011WBT	Coverage of Rule V.F limited to V.F.4 – The utility may not jointly pursue customers through joint sales meetings, marketing, or trade shows	940	782 625
CORP-0407WBT	Addresses Rules V.F.1 – use of logos and disclosure requirements, V.F. 2 – no preferential treatment V.F.4 – The utility may not jointly pursue customers through joint sales meetings, marketing, or trade shows	146	116
Grand Total		1,176	1,552

Source: DR 94

NorthStar interviewed customer service personnel and major account executives, and reviewed PG&E’s bill inserts and bill messages, radio and TV ads, signs/banners, giveaways and promotional items, direct mail marketing materials and other sales and marketing materials and found no evidence of any promotion or advertising of its affiliate’s affiliation with the utility, or that PG&E allowed the utility name or logo to be used by the affiliate or in any material circulated by the affiliate.¹²⁷

NorthStar reviewed PG&E’s and PG&E Corporation’s promotional items and tangible objects provided during 2010 and 2011. Neither PG&E nor PG&E Corporation promoted its affiliation with its affiliate. All items include only the PG&E logo or other non-utility logos

¹²⁶ DR 154

¹²⁷ DR 48 (bill inserts), DRs 134 and 226 (bill messages), DR 49 (utility marketing/advertising materials distributed during the audit period, including radio and TV ads), DR 232 (signs, banners, posters, brochures, printed material or collateral used by the utility, parent company or affiliates at trade shows, conferences, workshops, industry association meeting, roundtables, fairs or similar events in California), DR 233 (giveaways and promotional items), DR 234 (direct mail marketing materials), IR 15, 32, 33, 34, 36 and 43 (customer service). IR 40-42 (account executives)

such as “Circle in on Safety or Smart Meter”.¹²⁸ PG&E did not provide any affiliate materials for NorthStar to analyze. However, PG&E utilizes two vendors for these types of materials and determined that their vendors did not supply any of these materials to a covered affiliate.¹²⁹

NorthStar reviewed PG&E’s and PG&E Corporation’s signs, banners, posters, and brochures used during 2010 and 2011. Neither PG&E nor PG&E Corporation promoted its affiliation with its affiliate. All items included only the PG&E logo or other non-utility logos such as “Supplier Diversity or Smart Meter”.¹³⁰ PG&E did not provide any affiliate materials but did verify with its three vendors that they did not supply any of these materials to a covered affiliate.¹³¹

NorthStar reviewed PG&E’s, PG&E Corporation’s and its affiliate PCG Capitals’ business cards. PG&E utilizes only the PG&E logo and name. PG&E Corporation utilizes only the PG&E logo and name. PCG Capital does not use any logo. None of these examples would require use of the disclaimer.¹³²

NorthStar reviewed PG&E’s website and found no references to its affiliates. PG&E does provide a link to PG&E Corporation. PG&E Corporation does not provide references or links to its subsidiaries. PG&E is not required to use the disclaimer on either website.¹³³

Rule V.F.2

V.F.2 A utility, through action or words, shall not represent that, as a result of the affiliate’s affiliation with the utility, its affiliates will receive any different treatment than other service providers.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule through its Customer Service General Reference Guide located at: <http://dcs/genref> (search for Corporate Affiliate module). Also, a communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.¹³⁴

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Findings and Conclusions

PG&E complied with Rule V.F.2.

NorthStar interviewed key customer contact personnel and major account executives, listened to customer calls and reviewed press releases, bill messages and bill inserts, radio

¹²⁸ DR 233

¹²⁹ DR 233

¹³⁰ DR 232

¹³¹ DR 232

¹³² DR 227

¹³³ <http://pge.com>business> to business>about

¹³⁴ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

and TV ads, giveaways and promotional materials, and other sales and marketing materials and found no evidence of PG&E implying or stating that, as a result of the affiliate's affiliation with the utility, its affiliates will receive any different treatment than other service providers.¹³⁵

The Corporate Affiliates section of PG&E's Customer Service Online General Reference Guide specifically instructs employees that they must not:

- Give the appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates.
- Condition or otherwise tie the provision of any services provided by the utility, nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any services provided by the utility, to the taking of any goods or services from its affiliates.¹³⁶

The key Affiliate Requirements link on PG&E's CPUC Affiliate Rules website provides the following guidance related to Rule V.F.2:¹³⁷

- For Utility Employees:
 - Do not offer or appear to offer, different treatment to affiliates and their customers, than is offered to other companies or their customers. (Rule III.E.6 and IV.F.2)
 - Do not provide any kind of special business opportunity to an affiliate, such as recommending an affiliate to a potential customer, or offering a service at below market rates. (Rules III.E.2, III.E.6, IV.E and V.F.2)

Rule V.F.3

V.F.3 A utility shall not offer or provide to its affiliates advertising space in utility billing envelopes or any other form of utility customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement this Rule through its Customer Service General Reference Guide located at: <http://dcs/genref/> (search for Corporate Affiliate module). Also, a communication was issued to employees of the

¹³⁵ DR 41 (sample bill statements), 48 (bill inserts), DR 49 (utility marketing/advertising materials distributed during the audit period, including radio and TV ads) and DRs 134 and 226 (bill messages), DR 232 (signs, banners, posters, brochures, printed material or collateral used by the utility, parent company or affiliates at trade shows, conferences, workshops, industry association meeting, roundtables, fairs or similar events in California), DR 233 (giveaways and promotional items), IR 15, 32, 33, 34, 36 and 43 (customer service). IR 40-42 (account executives), DR 209 (customer calls)

¹³⁶ *Corporate Affiliates, Affiliate Transaction Definition*, Genref (DR 39). NorthStar was independently able to access this procedure while at the call center (DR 210)

¹³⁷ DR 154

*Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.*¹³⁸

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Findings and Conclusions

PG&E complied with Rule V.F.3.

According to PG&E, no advertising space was provided to covered affiliates in the utility's billing envelopes or any other form of the utility's customer written communication during the audit period.¹³⁹ NorthStar reviewed PG&E's bill inserts and bill messages and found no evidence of any affiliate marketing materials.¹⁴⁰

In contrast to statements in its compliance plan, PG&E does not have any procedures that address Rule V.F.3.¹⁴¹

Rule V.F.4

V.F.4 A utility shall not participate in joint advertising or joint marketing with its affiliates. This prohibition means that utilities may not engage in activities which include, but are not limited to the following:

V.F.4.a A utility shall not participate with its affiliates in joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to requests for proposals ("RFPs") to existing or potential customers. At a customer's unsolicited request, a utility may participate, on a nondiscriminatory basis, in non-sales meetings with its affiliates or any other market participant to discuss technical or operational subjects regarding the utility's provision of transportation service to the customer;

V.F.4.b Except as otherwise provided for by these Rules, a utility shall not participate in any joint activity with its affiliates. The term "joint activities" includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;

V.F.4.c. A utility shall not participate with its affiliates in trade shows, conferences, or other information or marketing events held in California.

2010 and 2011 Compliance Plans

*Pacific Gas and Electric Company has adequate procedures in place to implement these Rules. A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.*¹⁴²

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

¹³⁸ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

¹³⁹ DR 47

¹⁴⁰ DR 48 and 134

¹⁴¹ DR 1, 7, 95, 39, 228, 229, 230

¹⁴² As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

Pacific Gas and Electric Company interprets this Rule as permitting Pacific Gas and Electric Company's participation, at a customer's request and on a non-discriminatory basis, at a meeting the customer has not indicated to be a "sales meeting," and at which an affiliate is also present. If Pacific Gas and Electric Company attends such a meeting and sales matters are discussed, Pacific Gas and Electric Company's role will be limited to technical or operational information regarding the Utility's provision of service to the customer. Utility employees will not participate in any discussion of any prohibited topic when an affiliate employee is present. Should a prohibited topic arise in such a meeting, Utility employees are instructed to either request that parties refrain from discussing the prohibited topic while they are present or leave the meeting until the discussion of the prohibited topic has concluded. Pacific Gas and Electric Company does not interpret attending such a meeting, or a trade show, conference, or other public marketing event where Pacific Gas and Electric Company and affiliate attendance is not coordinated, to be a reportable transaction under these Rules or the rules in D.93-02-019.

Pacific Gas and Electric Company interprets the rules to permit joint participation in trade shows, conferences, fairs and similar events outside California.

Findings and Conclusions

PG&E complied with Rule V.F.4.

According to PG&E, the utility did not participate in joint advertising or joint marketing with covered affiliates during the audit period.¹⁴³ Additionally, no marketing or advertising materials for products or services were placed in local media in the utility's service territory by covered affiliates of the utility during the audit period, nor did the utility's covered affiliates have brochures for products or services during the audit period.¹⁴⁴ Similarly, no direct mail marketing materials were issued by the parent company or an affiliate in California in 2010 or 2011.¹⁴⁵ However, as NorthStar was not specifically provided with any affiliate materials it is unable to confirm that no marketing by any affiliates occurred in California.

NorthStar interviewed major account executives and other customer contact personnel and reviewed PG&E's bill inserts and bill messages, radio and TV ads, signs/banners, giveaways and promotional items, and other sales and marketing materials, and found no evidence of any joint advertising or marketing.¹⁴⁶

In its Compliance Plan, PG&E interpreted the Rules as allowing the following:

¹⁴³ DR 46

¹⁴⁴ DR 45

¹⁴⁵ DR 234

¹⁴⁶ DR 48, 134 and 226, DR 232 (signs, banners, posters, brochures, printed material or collateral used by the utility, parent company or affiliates at trade shows, conferences, workshops, industry association meeting, roundtables, fairs or similar events in California), DR 233 (giveaways and promotional items), IR 15, 32, 33, 34, 36 and 43 (customer service). IR 40-42 (account executives)

- Pacific Gas and Electric Company’s participation, at a customer’s request and on a non-discriminatory basis, at a meeting the customer has not indicated to be a “sales meeting,” and at which an affiliate is also present.
- Attending a meeting, or a trade show, conference, or other public marketing event where Pacific Gas and Electric Company and affiliate attendance is not coordinated is not considered a reportable event.
- Joint participation in trade shows, conferences, fairs and similar events outside California.

As NorthStar was not provided with any affiliate materials or information regarding trade shows, conferences or other events, NorthStar is unable to determine whether these “qualifications” were necessary or relied upon for compliance.

The key Affiliate Requirements link on PG&E’s CPUC Affiliate Rules website provides the following guidance related to V.F.4:

For Utility Employees

- Do not attend “sales” meetings where representatives of our affiliates are present. If your employees are involved in sales, they must attend a training session for more guidance. (Rule V.F.4)

For All Employees

- Except for shared “corporate support functions”, affiliates and the Utility may not share office space, services, systems, equipment, books, records, employees, marketing or advertising, or anything related to the provision of gas and electric service. (Rule V.F.4)

Rule V.F.5

V.F.5 A utility shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has adequate procedures in place to implement these Rules. A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.¹⁴⁷

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

¹⁴⁷ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

The Energy Procurement Policy on Compliance with Affiliate Rules provides guidance for compliance with this Rule. The current version of this policy is located at the Energy Procurement website: <http://pgeatwork/EnergySupply/EP/Compliance/Pages/EPCompliancewithAffiliateRules.aspx>. This policy may be periodically updated and issued by the Senior Vice President of Energy Procurement of Pacific Gas and Electric Company to relevant Utility personnel.

Findings and Conclusions

PG&E complied with Rule V.F.5.

PG&E spent \$100,547 and \$6,495 for natural gas-related research during 2010 and 2011, respectively. PG&E did not engage in any research and development activities for its electric system.¹⁴⁸ PG&E states that it did not participate in joint research and development activities with its affiliates nor did it subsidize in the research and development activities of its affiliates.¹⁴⁹

Rules V.G and V.G.1

V.G Employees

V.G.1 Except as permitted in Rule V E (corporate support), a utility and its affiliates shall not jointly employ the same employees. This Rule prohibiting joint employees also applies to Board Directors and corporate officers, except for the following circumstances: In instances when this Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or affiliate (but not both) to the extent consistent with Rule V E (corporate support). Where the utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for the affiliates, the prohibition against any board member or corporate officer of the utility also serving as a board member or corporate officer of an affiliate shall only apply to affiliates that operate within California. In the case of shared directors and officers, a corporate officer from the utility and holding company shall describe and verify in the utility's compliance plan required by Rule VI the adequacy of the specific mechanisms and procedures in place to ensure that the utility is not utilizing shared officers and directors as a conduit to circumvent any of these Rules. In its compliance plan, the utility shall list all shared directors and officers between the utility and affiliates. No later than 30 days following a change to this list, the utility shall notify the Commission's Energy Division and the parties on the service list of R.97-04-011/I.97-04-012 of any change to this list.

PG&E 2010 and 2011 Compliance Plans

Both because this Rule is not applicable to PG&E Corporation, which is not an affiliate because it is not engaged in the provision of products or services as set out in Rule II.B., and because the Rule excepts from its prohibition the corporate support services permitted under Rule V.E., except for key officers, members of the Board of Directors and Officers may and will continue to serve as such for both PG&E Corporation and Pacific Gas and Electric Company. The following individuals currently serve concurrently as Officers or Directors of Pacific Gas and Electric Company and PG&E Corporation:

¹⁴⁸ DR 50

¹⁴⁹ DRs 51 and 52

OFFICERS

Harvey, Kent M.	Senior Vice President and Chief Financial Officer (PG&E Corporation) Senior Vice President, Financial Services (Pacific Gas and Electric Company)
Pruett, Greg S.	Senior Vice President, Corporate Affairs (PG&E Corporation and Pacific Gas and Electric Company)
Simon, John R.	Senior Vice President, Human Resources (PG&E Corporation and Pacific Gas and Electric Company)
Cairns, Stephen J.	Vice President, Internal Audit and Compliance (PG&E Corporation and Pacific Gas and Electric Company)
Cheng, Linda Y.H.	Vice President, Corporate Governance and Corporate Secretary (PG&E Corporation and Pacific Gas and Electric Company)
Mistry, Dinyar B.	Vice President and Controller (PG&E Corporation and Pacific Gas and Electric Company)
Suri, Anil K.	Vice President and Chief Risk and Audit Officer (PG&E Corporation and Pacific Gas and Electric Company)
Bijur, Nicholas M.	Treasurer (PG&E Corporation and Pacific Gas and Electric Company)
Chan, Eileen O.	Assistant Corporate Secretary (PG&E Corporation and Pacific Gas and Electric Company)
Lee, Wondy S.	Assistant Corporate Secretary (PG&E Corporation and Pacific Gas and Electric Company)
Montizambert, Eric	Assistant Corporate Secretary (PG&E Corporation and Pacific Gas and Electric Company)

DIRECTORS

Andrews, David R.	Director (PG&E Corporation and Pacific Gas and Electric Company)
Chew, Lewis	Director (PG&E Corporation and Pacific Gas and Electric Company)
Cox, C. Lee	Director (PG&E Corporation and Pacific Gas and Electric Company)
Darbee, Peter A.(2010)	
Herringer, Maryellen C.	Director (PG&E Corporation and Pacific Gas and Electric Company)
Kimmel, Roger H.	Director (PG&E Corporation and Pacific Gas and Electric Company)
Meserve, Dr. Richard A.	Director (PG&E Corporation and Pacific Gas and Electric Company)
Miller, Forrest E.	Director (PG&E Corporation and Pacific Gas and Electric Company)
Parra, Rosendo G.	Director (PG&E Corporation and Pacific Gas and Electric Company)
Rambo, Barbara L.	Director (PG&E Corporation and Pacific Gas and Electric Company)
Williams, Barry Lawson	Director (PG&E Corporation and Pacific Gas and Electric Company)

Further, because this Rule excepts from its prohibition the corporate support services permitted under Rule V.E. Officers and members of the Board of Directors performing authorized corporate support services may be shared among PG&E Corporation and any of its subsidiaries. The following individuals currently serve concurrently as, Officers or Directors of PG&E Corporation, Pacific Gas and Electric Company, and affiliates:

Harvey, Kent M.	Senior Vice President and Chief Financial Officer (PG&E Corporation); Senior Vice President, Financial Services (Pacific Gas and Electric Company); President and Chief Financial Officer (PG&E Corporate Support Services II, Inc.); Director and President (PG&E Real Estate Services, Inc.)
Simon, John R.	Senior Vice President, Human Resources (PG&E Corporation and Pacific Gas and Electric Company); Vice President (PG&E Real Estate Services, Inc.); Member, President and Chief Executive Officer (PG&E Real Estate, LLC)
Cheng, Linda Y.H.	Vice President Corporate Governance and Corporate Secretary (PG&E Corporation, Pacific Gas and Electric Company); Secretary for multiple affiliates
Mistry, Dinyar B.	Vice President and Controller (PG&E Corporation, Pacific Gas and Electric Company and multiple affiliates)
Bijur, Nicholas M.	Treasurer (PG&E Corporation and Pacific Gas and Electric Company and multiple affiliates); Director (PG&E Energy Recovery Funding, LLC)
Chan, Eileen	Assistant Corporate Secretary (PG&E Corporation, Pacific Gas and Electric Company); Assistant Secretary for multiple affiliates
Lee, Wondy S.	Assistant Corporate Secretary (PG&E Corporation, Pacific Gas and Electric Company); Assistant Secretary for multiple affiliates
Montizambert, Eric	Assistant Corporate Secretary (PG&E Corporation, Pacific Gas and Electric

Pacific Gas and Electric Company has developed specific procedures to implement this Rule (See Introduction), to ensure that these officers and board members are not used by Pacific Gas and Electric Company as a conduit to circumvent the Rules. Pacific Gas and Electric Company will notify the Commission's Energy Division and parties of the service list of R.97-04-011/I.97-04-012 no later than 30 days following any change to this list.

Findings and Conclusions

PG&E did not comply with Rule V.G.

First, PG&E's compliance plan states "this Rule is not applicable to PG&E Corporation." This is not true since Rule II.B includes the following:

II.B. For purposes of a combined gas and electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, unless specifically exempted below. For purposes of an electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses electricity or the provision of services that relate to the use of electricity. For purposes of a gas utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or the provision of services that relate to the use of gas. However, regardless of the foregoing, **where explicitly provided**, these Rules also apply to a utility's parent holding company and to all of its affiliates, whether or not they engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity.

Rule V.G.1 explicitly includes Board of Directors, corporate officers, parent holding company, and holding company structure as highlighted below.

V.G.1 Except as permitted in Rule V E (corporate support), a utility and its affiliates shall not jointly employ the same employees. **This Rule prohibiting joint employees also applies to Board Directors and corporate officers, except for the following circumstances: In instances when this Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or affiliate (but not both) to the extent consistent with Rule V E (corporate support).** Where the utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for the affiliates, the prohibition against any board member or corporate officer of the utility also serving as a board member or corporate officer of an affiliate shall only apply to affiliates that operate within California. In the case of shared directors and officers, a corporate officer from the utility and holding company shall describe and verify in the utility's compliance plan required by Rule VI the adequacy of the specific mechanisms and procedures in place to ensure that the utility is not utilizing shared officers and directors as a conduit to circumvent any of these Rules. In its compliance plan, the utility shall list all shared directors and officers between the utility and affiliates. No later than 30 days following a change to this list, the utility shall notify the Commission's Energy Division and the parties on the service list of R.97-04-011/I.97-04-012 of any change to this list.

Second, PG&E and PG&E Corporation share key officers as noted previously in Rule V.E. Therefore, any sharing of regulatory, legal and lobbying activities are prohibited under Rule V.G.1 and are considered joint employment.

Third, PG&E’s “MBA Program” is considered joint employment. The program does not comply with Rule V.E – shared services or governance, nor does it comply with Rule V.G.2.e – temporary assignments as it does not utilize labor agreements between the utility/affiliate and the assignments well exceed time limitations.

- PG&E’s MBA Program participants are grouped into two categories: Program Associates and Program Interns. Program Associates typically are in the program for two years, with each associate completing two one-year assignments. Program Interns typically complete one assignment lasting six to eight weeks.¹⁵⁰
- **Exhibit V-6** describes a selection of assignments for program participants in 2010 and 2011. The assignments show that activities do not qualify as shared corporate services nor as corporate governance, and in some cases they include engineering and marketing which are prohibited.

**Exhibit V-6
PG&E MBA Program Activities**

Period	Participant	Assignment
1/1/2010 - 9/2010	JG	Corporate Strategy and Development
1/1/2010 - 9/2010	KL	Corporate Strategy and Development
9/2010 - 12/2011	KL	Utility Strategic Planning
1/1/2010 - 9/2010	AM	Finance - Economic and Project Analysis
9/2010 - 6/2011		E&O, Smart Grid and Technology Integration
1/1/2010 - 9/2010	PR	Customer Engagement
9/2010 - 2/2011	PR	Long-Term Energy Policy (EP)
1/1/2010 - 9/2010	BR	Renewables Energy Mgmt. (Customer and Reg Rel)
9/2010 -10/2011		Corporate Strategy and Development
9/2010 - 6/2011	BR	CC/ IDSM /Core Products/Manager DR programs
1/1/2010 - 9/2010		Strategic Analysis (Fin./Strat. role)
9/2010 - 11/2011	DW	Engineering & Technology
1/1/2010 - 10/11/2010	MA	Emerging Clean Technologies Renewable Technologies (EP)
1/1/2010 - 5/31/2010	MB	EP: Structured Renewable Investments
1/1/2010 - 5/2/2010	HB	SmartMeter/Business Delivery Group (Customer)
1/1/2010 - 2/28/2010	DB	Customer Care: Smart Energy Web, Clean Air Transportation
1/1/2010 - 6/30/2010	PC	Power Generation: Planning & Development
1/1/2010 - 2/28/2010	TC	Smart Energy Web / IDSM Products (Customer)
1/1/2010 - 8/31/2010	SJ	Natural Gas Strategy & Planning / EP
1/1/2010 - 6/30/2010	HK	Engineering and Operations, Smart Grid Strategy
1/1/2010 - 9/1/2010	AL	Engineering and Operations, Engineering & Technology
1/1/2010 - 3/31/2010	GR	Market Risk Management
9/2010 - 9/2011	HB	IDSM SPARC (product governance) (Customer)
9/2011 - 12/2011		Customer Operations
9/2011 - 12/2011	CH	Transmission Planning & Generation Interconnect Svcs (EO)
9/2010 - 12/2011	JL	Energy Delivery

Source: DR 145

¹⁵⁰ DR 145

- The MBA Program activities where employees rotate for two-year periods exceed the 30 percent limitation in Rule V.G.2.e and would not comply with temporary assignment requirements under Rule V.G.2.e.
- The MBA Program assignments are considered joint employment prohibited by Rule V.G.1 as the employees are paid by one entity and are assigned and supervised by another entity for an extended time period.¹⁵¹ The direct supervision and control of a rotation employee by an affiliate – and not by the shared service organizational unit – is considered employment.¹⁵²

Rules V.G.2 through V.G.2.d

V.G.2 All employee movement between a utility and its affiliates shall be consistent with the following provisions:

V.G.2.a A utility shall track and report to the Commission all employee movement between the utility and affiliates. The utility shall report this information annually pursuant to our Affiliate Transaction Reporting Decision, D93-02-019, 48 CPUC 2d 163, 171-172 and 180 (Appendix A, Section I and Section II H.).

V.G.2.b Once an employee of a utility becomes an employee of an affiliate, the employee may not return to the utility for a period of one year. This Rule is inapplicable if the affiliate to which the employee transfers goes out of business during the one-year period. In the event that such employee returns to the utility, such employee cannot be retransferred, reassigned, or otherwise employed by the affiliate for a period of two years. Employees transferring from the utility to the affiliate are expressly prohibited from using information gained from the utility in a discriminatory or exclusive fashion, to the benefit of the affiliate or to the detriment of other unaffiliated service providers.

V.G.2.c When an employee of a utility is transferred, assigned, or otherwise employed by the affiliate, the affiliate shall make a one-time payment to the utility in an amount equivalent to 25% of the employee's base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15%) is appropriate for the class of employee included. In the limited case where a rank-and-file (non-executive) employee's position is eliminated as a result of electric industry restructuring, a utility may demonstrate that no fee or a lesser percentage than 15% is appropriate. All such fees paid to the utility shall be accounted for in a separate memorandum account to track them for future ratemaking treatment (i.e. credited to the Electric Revenue Adjustment Account or the Core and Non-core Gas Fixed Cost Accounts, or other ratemaking treatment, as appropriate), on an annual basis, or as otherwise necessary to ensure that the utility's ratepayers receive the fees. This transfer payment provision will not apply to clerical workers. Nor will it apply to the initial transfer of employees to the utility's holding company to perform corporate support functions or to a separate affiliate performing corporate support functions, provided that the transfer is made during the initial implementation period of these rules or pursuant to a §851 application or other Commission proceeding. However, the rule will apply to any subsequent transfers or assignments between a utility and its affiliates of all covered employees at a later time.

V.G.2.d Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.

¹⁵¹ DR 255

¹⁵² State of California Department of Industrial Relations
http://www.dir.ca.gov/dlse/faq_independentcontractor.htm

PG&E 2010 and 2011 Compliance Plans

V.G.2.a *Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. The Utility Affiliated Company Transactions Procedures provides guidance for compliance with this Rule. The current version of the Affiliated Company Transactions Procedures is located at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be periodically updated and issued by the Controller of Pacific Gas and Electric Company to relevant Utility personnel.*

Pacific Gas and Electric Company's HR/SAP system will track this employee movement and be able to provide periodic reports.

Pacific Gas and Electric Company will continue to report employee movement in its Annual Affiliate Transaction Report.

V.G.2.b *Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. The Utility Affiliated Company Transactions Procedures provides guidance for compliance with this Rule. The current version of the Affiliated Company Transactions Procedures is located at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be periodically updated and issued by the Controller of Pacific Gas and Electric Company to relevant Utility personnel.*

A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

Pacific Gas and Electric Company's HR/SAP system will track this employee movement and be able to provide periodic reports.

Going out of business includes sale of a company or significant reorganization resulting in elimination of a function.

See also Compliance Plan for Rules III.E.5 and IV.A, above, regarding the use of proprietary information gained from the Utility.

V.G.2.c *Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. The Utility Affiliated Company Transactions Procedures provides guidance for compliance with this Rule. The current version of the Affiliated Company Transactions Procedures is located at Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be periodically updated and issued by the Controller of Pacific Gas and Electric Company to relevant Utility personnel.*

This one-time fee will only be paid once for any individual employee. For purposes of this Rule, “clerical workers” shall be deemed to include non-professional, bargaining unit employees without specific utility-related skills. Should Pacific Gas and Electric Company declare any employees to be “impacted” as prescribed in this Rule, the Commission will be notified by letter within 30 days of that decision.

The memorandum accounts to account for the transfer fees have been established as described in Advice Letter 2167-G/1891-E.

V.G.2.d *Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Pacific Gas and Electric Company’s Employee Code of Conduct at: http://www.pge-corp.com/aboutus/corp_gov/coce.shtml provides that employees may not use or disclose confidential or proprietary information acquired during employment. One tool Pacific Gas and Electric Company uses to monitor compliance with this rule is a “departing employee checklist”, which is at the Human Resources website: <http://www/HR/ManagingEmployees/Compliance.shtml>.*

Findings and Conclusions

PG&E did not comply with Rule V.G.2.

PG&E did not comply with Rule V.G.2.a, which requires tracking and reporting of all employee movement between the utility and its affiliates in 2010 and 2011.¹⁵³ This Rule requires tracking and reporting employee movement from the utility to affiliates and from affiliates to the utility. PG&E’s reported information is included in Section H of PG&E’s Annual Report of Affiliate Transaction and only includes employee movement from the utility to the affiliate. Employee transfers are shown in **Exhibit V-7** on the following page.

PG&E did not comply with Rule V.G.2.b.

Exhibit V-7 also shows that in 2011, employee number 00200259 transferred from the utility to PG&E Corporation on 3/1/2011 and back to the utility on 11/1/2011. Also, employee number 00223630 transferred from the utility to PG&E Corporation 9/1/2009 and back to the utility on 5/1/2010.¹⁵⁴ Residency requirements prohibit an employee from returning to the utility for a period of one year.

¹⁵³ DR 81

¹⁵⁴ DR 60

Exhibit V-7
Employee Transfers Between PG&E and Affiliates 2010 - 2011

Empl. No	Job Title / Department	Annual Comp.	Transfer Date	Company	Transfer Fee
From			To Company		
Calendar Year 2010					
00001400	PG&E- Principal	\$150,225	9/1/2010	PG&E Corp.	\$68,544
00019576	PG&E- Finance Manager	\$127,226	9/1/2010	PG&E Corp.	\$65,236
00023453	PG&E- Compl. Supervisor	\$110,919	1/1/2010	PG&E Corp.	\$48,458
00113475	PG&E Corp.- Director		7/1/2010	PG&E	
00114908	PG&E- ISO Settlement	\$132,773	10/1/2010	PG&E Support Serv.	\$66,783
00200259	PG&E Corp.- Exec. Asst.		6/1/2010	PG&E	
00218447	PG&E Corp.- Exec. Asst.		2/1/2010	PG&E	
00219675	PG&E- Acct. Manager	\$117,281	5/1/2010	PG&E Corp.	\$62,809
00219984	PG&E Corp.- Sr. Director		9/1/2010	PG&E	
00221278	PG&E- Comp. Specialist	\$73,325	1/1/2010	PG&E Corp.	\$31,345
00221562	PG&E- Call Cent Serv. Rep.		6/6/2010	PG&E Corp.	
00223630	PG&E Corp.- Mgr. – Chair		5/1/2010	PG&E	
00225763	PG&E- Appl. Specialist	\$97,890	1/1/2010	PG&E Corp.	\$42,774
00226864	PG&E- Associate	\$130,000	7/1/2010	PG&E Corp.	\$56,204
00227743	PG&E- Comp. Support	\$67,000	1/1/2010	PG&E Corp.	\$27,100
00228783	PG&E- Exec. Asst.	\$90,000	10/1/2010	PG&E Corp.	\$45,115
00228986	PG&E- Director Asst.	\$65,780	4/1/2010	PG&E Corp.	\$27,301
Calendar Year 2011					
00067590	PG&E Corp.- Exec. Asst.		11/1/2011	PG&E	
00114908	PG&E Corp.- Fin. Analyst		10/1/2011	PG&E	
00200207	PG&E Corp.- Fin. Analyst		12/15/2011	PG&E	
00200259	PG&E- Project Manager	\$86,200	3/1/2011	PG&E Corp.	\$37,020
00200259	PG&E Corp.- Exec. Asst.		11/1/2011	PG&E	
00221562	PG&E Corp.- Admin. Clerk		12/1/2011	PG&E	
00222345	PG&E Corp.- Dir. Asst.		9/1/2011	PG&E	
00226864	PG&E Corp.- Fin. Analyst		7/1/2011	PG&E	
00229593	PG&E- Financial Analyst	\$105,311	4/1/2011	PG&E Support Serv.	\$46,386

Source: DR 53, 56 and 81

PG&E did not comply with Rule V.G.2.c.

Rule V.G.2.c, which requires a 25 percent payment of base annual compensation by the affiliate for utility employee transfers. As shown in **Exhibit V-7**, PG&E made this transfer payment for all transfers except employee number 00221562. While the Rule states that the transfer payment will not apply to clerical workers, the employee was a Call Center Service Representative.¹⁵⁵ PG&E’s position summary for a Service Representative states the following:¹⁵⁶

Customer Service Representatives (CSRs) are customer advocates who provide front-line support by telephone, e-mail and written correspondence. They are the “voice” of our

¹⁵⁵ DR 53 and 56

¹⁵⁶ DR 276

company and often are the first contact a customer has with PG&E. Therefore, CSRs must be clear and confident communicators and must possess a customer-centric ethic consisting of active listening and negotiation skills as well as good judgment and decision making skills. CSRs process hundreds of customer transactions each day and PG&E customers rely on CSRs to handle their inquiries in a friendly, timely and highly accurate manner. CSRs must have the ability to work with a diverse group of personalities and possess strong teamwork skills. CSRs work in a high-impact, fast-paced environment; therefore, the ability to successfully handle high-pressure situations and remain concentrated while working on multiple tasks is important to the well-being of our employees.

This summary along with the responsibilities noted in PG&E’s position description are not clerical in nature and would not be exempted from compliance with Rule V.G.2.c.¹⁵⁷

PG&E did not comply with Rule V.G.2.d.

Rule V.G.2.d prohibits employees from removing or otherwise providing information to an affiliate. Fundamental to this Rule is disabling access to utility specific systems information. **Exhibit V-8** shows that PG&E does not disable systems access for months after an employee has transferred. In the case of Executive Assistants and Director Assistants, PG&E did not disable systems access at any point.¹⁵⁸

**Exhibit V-8
Employee Transfer System Access Disabled**

Employee Number	LAN ID	Transfer Date	Access Disabled
00001400	NRP3	9/1/2010	9/29/2010
00019576	MTB4	9/1/2010	4/13/2011
00023453	CAJ4	1/1/2010	5/5/2010
00114908	MANI	10/1/2010	10/5/2010
00219675	JAZ5	5/1/2010	5/25/2011
00221278	MXNN	1/1/2010	5/5/2010
00221562	L1SY	6/6/2010	8/25/2010
00225763	CRWM	1/1/2010	Not Done
00226864	P1C2	7/1/2010	9/8/2010
00227743	RDHX	1/1/2010	5/19/2010
00228783	J2AC	10/1/2010	Not Done
00228986	KNG0	4/1/2010	Not Done
00200259	AEDA	3/1/2011	4/27/2011
00229593	TJDH	4/1/2011	6/19/2011

Source: DR 62

¹⁵⁷ DR 276

¹⁵⁸ DR 62 and 273

Rule V.G.2.e

V.G.2.e A utility shall not make temporary or intermittent assignments, or rotations to its energy marketing affiliates. Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates not engaged in energy marketing only if:

V.G.2.e.i All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market values. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.

V.G.2.e.ii Utility needs for utility employees always take priority over any affiliate requests;

V.G.2.e.iii No more than 5% of full time equivalent utility employees may be on loan at a given time;

V.G.2.e.iv Utility employees agree, in writing, that they will abide by these Affiliate Transaction Rules; and

V.G.2.e.v Affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company has procedures to allow temporary or intermittent assignments, or rotations. These procedures are located at the HR website: <http://pgeatwork/Guidance/HumanResources/Pages/default.aspx> and the Utility Affiliated Company Transactions Procedures at website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be updated from time to time to meet operational needs. Any update will continue to comply with the requirements of this Rule.

Findings and Conclusions

PG&E did not comply with Rule V.G.2.e.

PG&E had no temporary or intermittent assignments in 2010.¹⁵⁹ One non-marketing utility employee was temporarily assigned and performed accounting work at PCG Capital, Inc. during January and February 2011. PCG Capital, Inc. is a Rule II.B covered affiliate formed for the purpose of holding interests in other businesses, financing, and other transactions.¹⁶⁰

Rule V.G.2.e prohibits temporary assignments to energy marketing affiliates. PG&E maintains that neither PCG Capital, Inc. nor any of its subsidiaries are engaged in energy marketing activities.¹⁶¹ Specifically, the utility states that PG&E Corporation and its affiliates are not involved in sales or marketing of photovoltaic solar systems and have no

¹⁵⁹ DR 58

¹⁶⁰ DR 57

¹⁶¹ DR 57

direct contact with customers purchasing or leasing such systems.¹⁶² PG&E has limited the definition of an energy marketing affiliate on whether it has direct contact with customers. Direct customer contact is clearly not required for marketing energy products and services as recognized in Rule III.B.1 describing blind transactions in resource procurement.

PCG Capital, Inc. is classified by PG&E as a Rule II.B covered affiliate formed for the purpose of holding interests in other businesses, financing, and other transactions.¹⁶³ Through its subsidiaries Pacific Energy Capital II and Pacific Energy Capital III, PCG Capital, Inc. owns membership interests in SunRun Pacific Solar, LLC and Sequoia Pacific Solar I, LLC. The managing member of SunRun Pacific is SunRun, Inc., a provider of residential solar sales, marketing, financing and monitoring services; the managing member of Sequoia Pacific an affiliate of SolarCity Corp., and a provider of residential solar sales, marketing, financing and monitoring services.

As PCG Capital, Inc. is classified as a Rule II.B covered affiliate:

- It is an affiliate engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity.
- None of its subsidiaries (also affiliates) are classified as energy marketing affiliates.
- PG&E's description of SunRun Pacific Solar, LLC and Sequoia Pacific Solar I, LLC, (also classified as covered affiliates but not energy marketing affiliates) indicates that these entities have customers.
 - SunRun Pacific Solar LLC: Formed to own and manage solar photovoltaic facilities with host customers in a variety of states.
 - Sequoia Pacific Solar I, LLC: Formed to own and manage solar photovoltaic facilities with host customers in a variety of states.¹⁶⁴
- Based on PG&E's definitions and classifications PCG Capital, Inc. would never market any products or services to its customers. NorthStar does not accept this conclusion and PCG Capital, Inc. along with its subsidiaries must be considered energy marketing affiliates, subject to the temporary assignment prohibitions contained in Rule V.G.2.e. The temporary labor assignment to PCG Capital, Inc. is therefore a violation of Rule V.G.2.e.

The PG&E employee on temporary assignment also transferred various documents and information to PCG Capital, Inc. in violation of the Rules:

- Various draft and final accounting analysis memos documenting existing solar PV tax-equity transactions (Banyan, Mini-Sequoia, Francisco, Sequoia);
- Various draft and final accounting research documents relating to specific non-utility related solar PV investment issues (Banyan, Mini-Sequoia, Sequoia, and future non-utility transactions);

¹⁶² DR 186

¹⁶³ DR 57

¹⁶⁴ DR 97

- Copies of draft and final agreements relating to the Banyan, Mini-Sequoia, Francisco, and Sequoia transactions;
- Copies of draft and final HLBV accounting models for partnership-flip transactions (Francisco, Sequoia);
- Sample reporting templates specifically created for non-utility transactions to be used as examples to provide to existing solar PV counter-parties;
- Training presentations relating to non-utility related tax-equity transactions;
- E-mails relating to the pre-transaction evaluation and post-transaction operations of Banyan, Mini-Sequoia, Francisco, and Sequoia transactions dated March 2009 through January 2011; and
- Various general accounting guides published by third parties.¹⁶⁵

PG&E has characterized these materials as shared corporate services materials and “non-utility specific” materials. NorthStar does not concur. They are not shared services or governance documentation – and they were transferred via a temporary, loaned labor assignment. Furthermore, solar PV investment issues, draft and final agreement models for partnership-flip transactions, and transactions to be used as examples to provide to existing solar PV counter-parties as noted above are not “non-utility” materials/information. This is also a violation of Rule IV.B – providing non-customer specific, non-public information to an affiliate.

PG&E’s Policy/Procedure for Temporary Assignments includes confirmation that the employee understands the Affiliate Rules, including the provision that the employee will not transfer confidential PG&E information to Affiliates while on a temporary assignment.¹⁶⁶ The employee signed the Temporary Assignment Agreement acknowledging that proprietary and confidential information would not be used or disclosed.

PG&E did not comply with Rule V.G.2.e.i. As shown in **Exhibit V-9**, PG&E did not charge PCG Capital a temporary assignment charge based on fully loaded costs plus 10 percent of direct labor.

- PG&E charged a “standard rate” for all department employees. The rate includes direct labor, facility cost, IT device fees, materials and other related costs. This amount was \$17,036.16 for the hours shown in Exhibit V-9.¹⁶⁷ As PG&E does not use the employee’s direct labor cost, this amount is the direct labor charge.
- PG&E adds pension, PBOP, insurance and A&G to determine fully loaded labor. These amounts for the temporary assignment were \$11,562.45.

PG&E only charged an additional \$1,407.19. The 10 percent of direct labor added to the standard rate should have been \$1,703.62. Actual charges were \$30,005.80 while the charges should have been \$30,302.23.

¹⁶⁵ DR 57 Attachment 3

¹⁶⁶ DR 57 Attachment 1

¹⁶⁷ DR 278 and PG&E Fact Check submitted May 14, 2014 Appendix 1 page 1 and 2

Exhibit V-9
Temporary Assignment Charges for Fully Loaded Cost Plus 10 Percent

Time Period	Description of Charges	Rates	Hours	Total Charges
Jan. 2011	Standard Costs (includes direct labor and other related costs)	\$74.72	156	\$11,656.32
Feb. 2011	Standard Costs (includes direct labor and other related costs)	\$74.72	72	\$ 5,379.84
Standard Costs for January and February 2011				\$17,036.16
Labor Overhead costs				\$11,562.45
Total Direct Labor and Overhead Costs				\$28,598.61
Non-executive rotation added cost charged by PG&E to PCG Capital, Inc.				\$ 1,407.19
Total 2011 Temporary Assignment Charges				\$30,005.80
Plus 10 percent of direct labor (\$17,036.16 x 1.10):				\$ 1,703.62

Source: DR 58 and 278

PG&E complied with Rules V.G.2.e ii and V.G.2.e.iii. The needs of the utility were not subordinated by the needs of the affiliate and less than 5 percent of full time utility employees (only one employee) were on loan to affiliates at any time.

PG&E did not comply with Rules V.G.2.e.iv and V.G.2.e.v.

PG&E provided an “updated” Temporary Assignment Agreement dated 1/28/2011 for an assignment that occurred in January and February of 2011. PG&E stated that it was unable to locate the original Temporary Assignment Agreement. The date of this assignment agreement is a violation of Rule V.G.2.e.iv: utility employees agree, in writing, that they will abide by these ATR. An agreement after the fact is also a violation of Rule V.G.2.e.v: affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.

In addition to the above, NorthStar’s audit of Rule V.G.2.e compliance revealed that in February 2010 employees from PG&E’s Energy Supply, Customer Solutions, and Gas Services organizations attended a meeting and charged their time to PCG Capital, Inc., a covered affiliate.¹⁶⁸ As this activity is not corporate shared services, this event results in a violation of Rule V.G.2.e. NorthStar examined the associated accounting transactions and identified an error in the employee’s time reporting. As described by PG&E:

[W]e determined that the Utility incorrectly charged one hour of the employee’s time to PCG Capital, Inc. The employee attended a meeting on February 4, 2010, related to a Solar PV industry update. However, the time reporting incorrectly reflected that the meeting was related to PG&E Corporation’s tax equity investments. This reporting was initiated by an administrative employee who assumed that the meeting related to tax equity because of the Solar PV reference. Neither this employee nor the other Utility employees at the meeting spent time working on tax equity investments, so the time charges for [employee] and the other Utility employees should not have been recorded. The error in the employee’s time and the four other Utility employees’ time charges (plus related burdens)

¹⁶⁸ PG&E Fact Verification.

amounted to \$653 and \$1,347, respectively. Thus, the Utility overcharged PCG Capital, Inc. by \$2,000 in 2010.”¹⁶⁹

Rule V.H

V.H. Transfer of Goods and Services

To the extent that these Rules do not prohibit transfers of goods and services between a utility and its affiliates, and except for as provided by Rule V.G.2.e., all such transfers shall be subject to the following pricing provisions:

1. Transfers from the utility to its affiliates of goods and services produced, purchased or developed for sale on the open market by the utility will be priced at fair market value.
2. Transfers from an affiliate to the utility of goods and services produced, purchased or developed for sale on the open market by the affiliate shall be priced at no more than fair market value.
3. For goods or services for which the price is regulated by a state or federal agency, that price shall be deemed to be the fair market value, except that in cases where more than one state commission regulated the price of goods or services, this Commission’s pricing provisions govern.
4. Goods and services produced, purchased or developed for sale on the open market by the utility will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise required or permitted by these Rules or applicable law.
5. Transfers from the utility to its affiliates of goods and services not produced, purchased or developed for sale by the utility will be priced at fully loaded cost plus 5% on fully loaded labor.
6. Transfers from an affiliate to the utility of goods and services not produced, purchased or developed for sale by the affiliate will be priced at the lower of fully loaded cost or fair market value.

PG&E 2010 and 2011 Compliance Plans

This Rule does not apply to PG&E Corporation, which is not engaged in the provision of products or services as set out in Rule II.B., and thus is not an “affiliate” under these Rules. As a result, this Rule does not supersede D.96-11-017 as to transfers from Pacific Gas and Electric Company to PG&E Corporation. Likewise, these Rules do not specifically address transfers of assets, including intellectual property, so Pacific Gas and Electric Company will continue to follow the rules adopted by D.96-11-017 in this regard.

The Utility Affiliated Company Transactions Procedures provides guidance for compliance with this Rule. The current version of the Affiliated Company Transactions Procedures is located at the Finance/Controller website: <http://pgeatwork/Finance/Controller/AT/>. These procedures may be periodically updated and issued by the Controller of Pacific Gas and Electric Company to relevant Utility personnel.

¹⁶⁹ DR 285 Cover sheet

Sales or purchases made pursuant to an open competitive bid where an affiliate is involved in the winning bid(s) shall be transfer priced using the appropriate rule for goods and services produced, purchased or developed for sale. The winning bid price shall be considered fair market value.

***V.H.1** Pacific Gas and Electric Company has adequate procedures in place to implement this Rule (See Rule V.H. for reference). Sales to an affiliate of goods and services produced, purchased, or developed for sale on the open market will be priced at their tariff or list price, which Pacific Gas and Electric Company interprets to be fair market value.*

***V.H.2** Pacific Gas and Electric Company has adequate procedures in place to implement this Rule (See Rule V.H. for reference). Transfers from an affiliate of goods and services produced, purchased, or developed for sale on the open market will be priced at no more than fair market value or tariff or list price, which Pacific Gas and Electric Company interprets to be fair market value.*

***V.H.3** Pacific Gas and Electric Company has adequate procedures in place to implement this Rule (See Rule V.H. for reference). See Compliance Plan for Rule IV.H.*

***V.H.4** Pacific Gas and Electric Company has adequate procedures in place to implement this Rule (See Rule V.H. for reference). A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.¹⁷⁰*

Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.

***V.H.5** Pacific Gas and Electric Company has adequate procedures in place to implement this Rule (See Rule V.H. for reference). Transfers from the Utility to its affiliates of goods and services not produced, purchased or developed for sale by the Utility will be priced at fully loaded cost plus 5% of direct labor cost.*

***V.H.6** Pacific Gas and Electric Company has adequate procedures in place to implement this Rule (See Rule V.H. for reference). Transfers from an affiliate to the Utility of goods and services not produced, purchased or developed for sale by the affiliate will be priced at the lower of fully loaded cost or fair market value. Pacific Gas and Electric Company interprets this rule in accord with Rule II. B., as only applying to Utility transfers with affiliates engaging in the provision of a product using or relating to the use of gas or electricity and not to transactions with affiliates engaged in other functions such as the provision of financial services or permitted corporate support services.*

Findings and Conclusions

PG&E complied with Rule V.H. It should be noted that PG&E does not apply the five percent affiliate surcharge required in Rule V.H.5 to PG&E Corporation, the holding

¹⁷⁰ As discussed in Rule III.A.1, the 2011 Compliance Plan language differs slightly.

company. The Rules are not clear on whether this surcharge is applicable to both the holding company and Rule II.B affiliates.

PG&E provided and received products and services from its affiliates during 2010 and 2011 as reported in Schedules C and D of the 2010 and 2011 Affiliate Transaction Reports. Transactions are summarized in **Exhibit V-10**. NorthStar reviewed a sample of transactions and found:

- The majority of the transactions from PG&E to its affiliates are for shared services permitted under Rule V.E.
- PG&E charges a 5 percent surcharge on direct labor costs to only its covered affiliates as required under Rule V.H.5.¹⁷¹
- Transactions from PG&E Corporation are related to corporate oversight and governance and charged at allocated cost.

Exhibit V-10
2010 and 2011 PG&E
Services Provided To and From Affiliates (\$000s)

	Services Provided to Affiliates		Services Provided from Affiliates	
	2010	2011	2010	2011
PG&E Corporation	\$6,134	\$5,160	\$55,469	\$49,422
Natural Gas Corporation of CA	2	1	14	8
Standard Pacific Gas Line Inc	40	15	862	2,719
Pacific Gas Properties Company	21	12		
Calaska Energy Company	4	3		
Pacific Conservation Services Co	2	1	0	0
Eureka Energy Company	28	15	266	266
Fuelco LLC	276	432		
PG&E Energy Recovery Funding LLC	2,567	2,566	46,558	26,901
Pacific Energy Fuels Company	522	80		
PG&E Strategic Capital, LLC	8			
PG&E Real Estate Service Inc	184	169		
PCG Capital, Inc	648	984		
PG&E Corp Support Services, Inc	67	46		
PG&E Corp Support Services II, Inc		357		
Total	\$10,502	\$9,821	\$103,168	\$79,315

Source: DR 81

- The only transfers of tangible assets between PG&E and an affiliate entity were PG&E's annual lease payments to Eureka Energy Company (Eureka). Eureka is a subsidiary of PG&E and not a covered affiliate.
- The CPUC Affiliate Transaction Report reporting requirements in Rulemaking 92-08-008 state that lease of any tangible asset to PG&E from and affiliated entity is

¹⁷¹ DR 243

considered a transfer should be reported in Section E.¹⁷² As summarized in **Exhibit V-11**, the only transfers of tangible assets between PG&E and an affiliate were PG&E’s annual lease payments to Eureka. The \$265,846 annual lease payments are rent for land for the Diablo Canyon Power Plant.¹⁷³

Exhibit V-11
Transfers of Tangible Assets From PG&E to Eureka

Year	Asset	Transfer Price	Basis	Comply with Rule V.H Pricing?	Discussion
2010	Lease Payment	\$265,846	Land lease for Diablo Canyon Power Plant. Annual rents and cost of living adjustment specified in lease with Eureka.	NA	Pricing based on fully loaded costs or fair market value is not applicable to lease payments specified in lease agreements..
2011	Lease Payment	\$265,846		NA	

DR 157

The requirement of Rule V.H.6 that tangible assets are to be priced at the lower of fully loaded cost or fair market value is not applicable to lease payments. The amount of PG&E’s payments to Eureka is based on the specified rents and price index adjustments in the in the lease agreements, rather than any pricing mechanism.

NorthStar reviewed PG&E’s work papers for these transactions and identified no deficiencies.¹⁷⁴ The \$265,846 payment for each year is supported by invoices from Eureka and work papers which tie the amount to the rent calculation methodology specified in the lease agreements.

Recommendations

7. Develop procedures and checklists to ensure that employee computer access is terminated upon termination of employment. Conduct internal assessment to verify that PG&E complies with this Rule. (Rule V.C)
8. Limit PG&E’s MBA Program to activities within the regulated utility or comply with Rule V.G.2.e – temporary assignments utilizing individual labor agreements between the utility/affiliate and recognizing time limitations. (Rule V.E and V.G)
9. Identify PG&E affiliates and subsidiaries that market gas and electric products and services. Prohibit temporary assignments to these entities. (Rule V.G.2.e)
10. Identify the positions and organizational units of “employees involved in marketing” for all PG&E, and prohibit temporary assignments of these employees. (Rule V.G.2.e)

¹⁷² DR 157

¹⁷³ DR 157

¹⁷⁴ DR 157

RULE VI. REGULATORY OVERSIGHT

Rule VI requires PG&E to file a Compliance Plan applicable to transactions with all affiliates as of the end of 1997 and annually thereafter if there have been changes in its Compliance Plan. The CPUC must be notified as to the creation of any new affiliates. Annual audits, conducted at shareholder expense, are required to independently verify compliance with the Rules, and affiliate officers and employees must be made available for testimony as necessary or required by the CPUC.

NorthStar reviewed whether PG&E filed its Compliance Plan and other related documentation required by the CPUC in accordance the Affiliate Transaction Rules (ATR). NorthStar examined whether PG&E's implementation of the Rules was consistent with its Compliance Plan. In reviewing PG&E's compliance with Rule VI, NorthStar used the following evaluative criteria, whether:

- PG&E filed a compliance plan when there was a change in the compliance plan (i.e., a new affiliate, or change in affiliate activities).
- Compliance plans filed with the Commission were thorough, accurate, and timely.
- PG&E notified the Commission of the creation of any new affiliates which were covered by the Rules and filed the required Advice Letters within 60 days.
- PG&E identified all affiliates that were covered by the Rules.
- PG&E filed all required audits, advice letters and notices to comply with the Rules.
- By March 31 each year, the key officers of PG&E and its parent certify to the Energy Division in writing that each had complied with the Rules during the previous calendar year.

In conducting its compliance audit, NorthStar examined the following:

1. Reviewed the establishment of all affiliates and whether PG&E properly filed notification of affiliate creation and its Compliance Plan with the Commission.
2. Determined whether PG&E filed all required audits, advice letters and notices to comply with the Rules.
3. Determined whether the key officers of PG&E and its parent certified to the Energy Division in writing by March 31, 2011 and March 31, 2012 that each had complied with the Rules during the previous calendar year

Rule VI.A

VI.A Compliance Plans

No later than June 30, 2007, each utility shall file a compliance plan by advice letter with the Energy Division of the Commission. The compliance plan shall include:

1. A list of all affiliates of the utility, as defined in Rule I A of these Rules, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II.B makes these Rules applicable to the affiliate;
2. A demonstration of the procedures in place to assure compliance with these Rules.

The utility's compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter where there is some change in the compliance plan (i.e., where there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company filed its most recent Compliance Plans on June 28, 2010 (Advice 3131-G/3694-E¹⁷⁵) in compliance with this Rule. Pacific Gas and Electric Company will thereafter file a PG&E 2010 and 2011 Compliance Plans with the CPUC annually if the plan is materially changed. Attachment A lists all affiliates of the Utility as defined in Rule I.A.

Pacific Gas and Electric Company makes this filing in compliance with this Rule. Pacific Gas and Electric Company will hereafter file a PG&E 2010 and 2011 Compliance Plans with the CPUC annually if the plan is materially changed for any reason.

Findings and Conclusions

PG&E did not comply with Rule VI.A.

PG&E's Compliance Plans are lengthy documents that repeatedly state PG&E has policies and procedures to comply with the Rules, but fail to demonstrate what processes will be used to ensure compliance.

Compliance Plans

Rule VI.A requires PG&E to meet two criteria: (1) To file a compliance plan annually by June 30th if there had been a change in the status of an affiliate, the creation of a new affiliate or a change to preceding compliance plan; (2) To demonstrate the procedures in place to ensure compliance.

- PG&E filed Advice Letter 3131-G/3694-E for its 2010 Annual Affiliates Compliance Plan on June 28, 2010, and Advice Letter 3221-G/3868-E for its 2011 Annual Affiliates Compliance plan on June 30, 2011.¹⁷⁶
 - The compliance plans included a list of all affiliates of the utility, as defined in Rule I.A of the ATR, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II.B makes these Rules applicable to the affiliate;
 - PG&E uses two types of categorizations of its affiliates in relation to Rule II.B: Not Covered and Covered.

¹⁷⁵ The 2009 filing was June 30, 2009 (Advice 3029-G/3484-E).

¹⁷⁶ DR 97

- PG&E did comply with Rule VI.A.2 which requires the utility to adequately demonstrate procedures in place to demonstrate compliance.¹⁷⁷ In its Compliance Plans, PG&E did not identify specific compliance controls, but repeatedly used the following two phrases to demonstrate compliance:

“Pacific Gas and Electric Company has adequate procedures in place to implement this Rule.”

“Pacific Gas and Electric Company will comply with all provisions of this Rule.”¹⁷⁸

Compliance Monitoring and Control Environment

The Committee of Sponsoring Organizations (COSO) of the Treadway Commission defined internal control as a process effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliable financial reporting
- Effective and efficient operations
- Compliance with applicable laws and regulations

NorthStar’s audit of PG&E’s compliance with the Rules indicated that there are serious issues in the control environment. The assessment of PG&E’s 2010 and 2011 Compliance Plans found that in various areas PG&E is either too dependent on passive, administrative type controls, rewrites/ignores the Rules to align with actual PG&E practice, or has no compliance methodology. These issues are addressed in detail in chapters of this report related to specific Rules. PG&E’s Compliance Plan shortcomings are exemplified by the following:

- PG&E states repeatedly that employees receive an annual communication to comply with a specific Rule. NorthStar reviewed the annual communication and found it to be a paragraph in the PG&E At Work newsletter instructing employees to refer to the Compliance and Ethics intranet page.¹⁷⁹
- PG&E’s Compliance Plan often ignores key provisions of the Rules. The plan for compliance with Rule VI.B states: “Pacific Gas and Electric Company will notify the CPUC of the creation of any new affiliate and will post notice on its electronic bulletin board.” PG&E has eliminated the word “immediately” from its compliance plan.

¹⁷⁷ DR 97

¹⁷⁸ DR 97

¹⁷⁹ DR 198

- In Rule VI.E, PG&E identifies two shared officers between the utility and the holding company. PG&E ignores the prohibition of shared legal, lobbying, and regulatory affairs if officers are shared between the holding company and the utility.
- PG&E's Compliance Plan cites policies and procedures that do not exist to support compliance with Rules III.E.4 through III.E.7.¹⁸⁰

Although PG&E identifies training as a key administrative control in PG&E's ATR Compliance Plan, training is not an effective tool in PG&E's compliance program. PG&E offers three courses related to affiliate transactions:

- CORP-0201 (instructor-led Affiliate Rules training)
- CORP-0400WBT/CORP-0911WBT (web-based Basic CPUC Affiliate Rules)
- CORP-0407WBT (web-based CPUC Affiliate Transaction Rules – Advanced Topics)

NorthStar reviewed the training and found the first two training modules to be insufficient. Training materials concentrate on how PG&E believes it complies and provide numerous references to other sources of information. Training materials do not explain prohibitions or challenging areas of compliance. The third training module, Advanced Topics, provides a comprehensive review of the Rules. Moreover, prior to 2011, ATR training was not an annual training requirement, and even in 2011, only 116 employees had completed the Advanced Topics ATR training.¹⁸¹

Rule VI.B

VI.B New Affiliate Compliance Plans

Upon the creation of a new affiliate, the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission. The advice letter shall state the affiliate's purpose or activities, whether the utility claims that Rule II B makes these Rules applicable to the affiliate, and shall include a demonstration to the Commission that there are adequate procedures in place that will ensure compliance with these Rules.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will notify the CPUC of the creation of any new affiliate and will post notice on its electronic bulletin board. No later than 60 days after the creation of each new affiliate, Pacific Gas and Electric Company will file an advice letter with the CPUC's Energy Division, served on all parties to the proceeding, demonstrating how Pacific Gas and Electric Company will implement these Rules with respect to the new affiliate.

Findings and Conclusions

PG&E did not comply with Rule VI.B.

¹⁸⁰ DR 220

¹⁸¹ DR94

Upon the creation of a new affiliate, Rule VI.B requires three actions by PG&E:

- Immediate notification of the Commission of the creation of a new affiliate
- Immediate posting of notice of the creation of a new affiliate on its electronic bulletin board
- Filing an advice letter with the Commission within 60 days of creation stating the affiliates purpose or activities, whether the affiliate is covered under Rule II.B and the procedure in place to ensure compliance with these Rules.

PG&E Corporation created seven new affiliates during 2010 and 2011. PG&E did not comply with Rule VI.B:

- PG&E failed to provide immediate posting on its internet site on two occasions.¹⁸²
- PG&E failed to provide immediate notification to the CPUC on two occasions.¹⁸³
- PG&E failed to file advice letters within 60 days to the CPUC on two occasions.¹⁸⁴

Exhibit VI-1
Affiliate Notifications and Filings Not in Compliance With Rule VI.B

Affiliate	Posting Time (Days)	Notification (Days)	Advice Letter (Days)
Sequoia Pacific Solar I, LLC	21	21	83
SunRun Pacific Solar, LLC	49	49	100
Pacific Energy Capital I, LLC (formerly Pacific Venture Capital LLC)	0	4	56
PG&E Real Estate, LLC	6	6	59
Pacific Energy Capital II, LLC	0	0	60
Pacific Energy Capital III, LLC	0	0	60
Pacific Energy Capital IV, LLC	0	0	60

Source: DRs 8, 100, 101, 122, 125 126 and 126 Supplement dated May 12, 2014

PG&E’s Compliance Plan does not comply with Rule VI.B. PG&E does not include the requirement of immediate posting and notification to the CPUC of the creation of a new affiliate in its Compliance Plan.¹⁸⁵

Rule VI.C

VI.C Affiliate Audit

The Commission’s Energy Division shall have audits performed biennially by independent auditors. The audits shall cover the last two calendar years which ends on December 31, and shall verify that the utility is in compliance with the Rules set forth herein. The Energy Division shall post the audit reports on the Commissioner’s Web site. The audits shall be at shareholder expense.

¹⁸² DR 101

¹⁸³ DR 126 and DR 126 supplement dated May 12, 2014

¹⁸⁴ DR 122

¹⁸⁵ DR 97

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will follow this Rule as stated and will cooperate with the Energy Division during the audit. The full costs of these audits will be charged to Pacific Gas and Electric Company shareholders.

Findings and Conclusions

PG&E complied with Rule VI.C.

- PG&E's most recent ATR Audit was performed during 2006. PG&E has a requirement to maintain records related to these Rules for three years. Shareholder payment of the audits, occurring in 2006 and 2007, extend beyond the three-year record retention requirement.
- PG&E has established internal order 3016838 to capture the costs associated with the Affiliate Transaction Audit. The charges are collected below the line, indicating they are not included in the utility's operating costs.¹⁸⁶

Rule VI.D

VI.D Witness Availability

Affiliate officers and employees shall be made available to testify before the Commission as necessary or required, without subpoena, consistent with the provisions of Public Utilities Code Sections 314 and 701, the conditions in the Commission's orders authorizing the utilities' holding companies and/or mergers and these Rules.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will continue to make all affiliate officers and employees available to testify before the CPUC as necessary or required, without subpoena, consistent with the provisions of Public Utility Code Section 314 and D.96-11-017.

Findings and Conclusions

Rule VI.D compliance required no specific action by PG&E.

Rule VI.E

VI.E Officer Certification

No later than March 31 of each year, the key officers of a utility and its parent holding company, as defined in Rule V E (corporate support), shall certify to the Energy Division of the Commission in writing under penalty of perjury that each has personally complied with these Rules during the prior calendar year. The certification shall state:

I, [name], hold the office of [title] at [name of utility or holding company], and occupied this position from January 1, [year] to December 31, [year].

I hereby certify that I have reviewed the Affiliate Transaction Rules Applicable to Large California Energy Utilities of the California Public Utilities Commission and I am familiar with the provisions therein. I further certify that for the above period, I followed the Rules and am not aware of any violations of them, other than the following: [list or state "none"].

I swear/affirm these representations under penalty of perjury of the laws of the State of California.

_____ [Signature]

Executed at _____ [City], County of _____, on _____ [Date]

¹⁸⁶ DR 303

2010 and 2011 Compliance Plans

I, [name], hold the office of [title] at [name of utility or holding company], and occupied this position from January 1, [year] to December 31 [year], I hereby certify that I have reviewed the Affiliate Transaction Rules Applicable to Large California Energy Utilities of the California Public Utilities Commission and I am familiar with the provisions therein. I further certify that for the above period, I followed these Rules and am not aware of any violations of them, other than the following: [list or state "none"]. I swear/affirm these representations under penalty of perjury of the laws of the State of California.

_____ [Signature]

Executed at _____ [City], County of _____, on
_____ [Date]

The certification will not include violations, if any, already reported to the Commission or publicly posted during the reporting period. Nor will the certificate include audits or investigations, if any, in progress at the end of the reporting period. If violations are found in ongoing audits or investigations, they will be posted or reported consistent with this Compliance Plan. Pacific Gas and Electric Company complied with this Rule by submitting the most recent officer certifications to the Energy Division on March 18, 2011 and will continue to do so annually.

Findings and Conclusions

PG&E did not comply with Rule VI.E.

- Rule VI.E requires PG&E to file written certifications with the Commission by March 31st annually.
- PG&E filed certifications on March 17, 2011 and March 27, 2012 for calendar years 2010 and 2011 respectively. However, the certifications do not comply with the language of Rule VI.E in that PG&E added the following qualifying language that essentially voids the certification:

“The certification will not include violations, if any, already reported to the Commission or publicly posted during the reporting period. Nor will the certificate include audits or investigations, if any, in progress at the end of the reporting period. If violations are found in ongoing audits or investigations, they will be posted or reported consistent with this Compliance Plan.”¹⁸⁷

- PG&E filed certifications for key officers whose responsibilities are the functional equivalent of:
 - PG&E Corporation Chairman
 - PG&E Corporation President
 - PG&E Corporation Chief Executive Officer

¹⁸⁷ DR 97

- PG&E Corporation Chief Financial Officer
- PG&E Corporation Chief Regulatory Officer
- PG&E President
- PG&E Chief Executive Officer
- PG&E Chief Financial Officer
- PG&E Chief Regulatory Officer¹⁸⁸

Recommendations

11. Require all employees to take training module CORP-0400WBT/CORP-0911WBT (web-based Basic CPUC Affiliate Require annual comprehensive ATR training for all PG&E employees). (Rule VI.A)
12. Modify the compliance plan to specifically identify the policies and procedures PG&E has established to ensure compliance. (Rule VI.A)
13. Cease modifying the annual officer certifications and submit certifications that comply with the ATR. (Rule VI.E)

¹⁸⁸ DR 190

RULE VII. UTILITY PRODUCTS AND SERVICES

Rule VII sets forth the requirements under which PG&E can offer new products and services. Under Rule VII of the Affiliate Transaction Rules (ATR), PG&E is required to file an advice letter with the California Public Utilities Commission (CPUC) before offering any new category of non-tariffed products and services (NTP&S) and is also required to file periodic reports describing its non-tariffed products and services.

In reviewing PG&E's compliance with Rule VII, NorthStar used the following evaluative criteria:

- Whether the NTP&S offered for sale by PG&E meet the requirements set forth in Rule VII.C, including:
 - The NTP&S utilizes a portion of utility asset or capacity that is used in providing tariffed services
 - The NTP&S does not adversely affect the cost, quality, or reliability of tariffed products and services.
 - The NTP&S can be marketed and offered with minimal or no ratepayer impact and diversion of management attention
 - The NTP&S does not violate anti-competitive rules and policies
 - PG&E complies with the Commission-approved cost and revenue accounting procedures for the NTP&S, as well as periodic reporting and auditing requirements.
- Whether PG&E submitted Advice Letters to the Commission prior to offering new NTP&S.
- Whether Accounting processes ensure that cross-subsidization does not occur.
- Whether PG&E has established periodic reporting and auditing requirements for non-tariffed services and has met these reporting requirements.
- Whether PG&E filed the annual report of Non-tariffed Products and Services required in Rule VII.H

In conducting its compliance audit, NorthStar performed the following tasks:

1. Determined whether PG&E filed the requisite Advice Letters with the Commission for any new NTP&S in 2010 and 2011 and whether the Advice Letters met the requirements of Rule VII.
2. Reviewed the NTP&S annual Reports on for the years 2010 and 2011 to determine if they address all the requirements of Rule VII.
3. Reviewed employee training materials related to the procedures for offering new products and services.

4. Compiled data on PG&E's NTP&S offerings, to the extent the information is available.
 - A listing of each NTP&S;
 - A description of the business service or product offered, including its mission statement and operational market goals;
 - A description of each market into which each NTP&S is being sold, including discussions of the size of the market and of the competitors in this marketplace;
 - A description of how its entry into the market has affected the relevant marketplace;
 - The various types, quantities, and costs of utility resources used to develop and sell the NTP&S
 - Total revenues generated by these NTP&S, for each individual year of the two years of interest
5. Examined NTP&S offerings to determine PG&E's level of compliance with ATR VII.
 - For each NTP&S, audit the actual costs and revenues and determine if PG&E has properly complied with the sharing mechanism authorized in the relevant resolution/decision issued by the Commission
 - Assessed the breakdown of how these additional revenues are allocated between shareholders and ratepayers, including both percentage allocations and specific dollar amounts.
 - For each NTP&S, determined the level of compliance with ATR VII, including the following:
 - The NTP&S utilizes a portion of utility asset or capacity that is used in providing tariffed services
 - The NTP&S does not adversely affect the cost, quality, or reliability of tariffed products and services.
 - The NTP&S has minimal or no ratepayer impact and diversion of management attention
 - The NTP&S does not violate anti-competitive rules and policies
 - PG&E complied with the Commission-approved cost and revenue accounting procedures for the NTP&S, as well as periodic reporting and auditing requirements.
6. Conducted interviews with the PG&E personnel responsible for compiling data included in the 2010 and 2011 NTP&S reports.
7. Interviewed selected business managers responsible for providing data inclusion in the NTP&S report. Analyzed supporting documentation associated with each NTP&S reporting category and determined whether the amount of revenue and cost reported was supported by the documents provided by each business unit. Determined whether PG&E's processes, procedures and controls used to ensure compliance with this ATR are consistent with PG&E's most recent Compliance Plan.

Rule VII.A and VII.B

VII.A General Rule

Except as provided for in these Rules, new products and services shall be offered through affiliates.

VII.B Definitions

The following definitions apply for the purposes of Rule VII:

VII.B.1 “Category” refers to a factually similar group of products and services that use the same type of utility assets or capacity. For example, “leases of land under utility transmission lines” or “use of a utility repair shop for third party equipment repair” would each constitute a separate product or service category.

VII.B.2 “Existing” products and services are those which a utility is offering on the effective date of these Rules.

VII.B.3 “Products” include use of property, both real and intellectual, other than those uses authorized under General Order 69-C.

VII.B.4 “Tariff” or “tariffed” refers to rates, terms and conditions of services as approved by this Commission or the Federal Energy Regulatory Commission (FERC), whether by traditional tariff, approved contract or other such approval process as the Commission or the FERC may deem appropriate.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

PG&E complied with Rule VII.A. PG&E did not offer any new CPUC-jurisdictional products and services other than those included in its NTP&S offerings in compliance with Rule VII. PG&E also offers non-tariffed products related to its FERC jurisdictional assets. FERC adopted similar rules regarding PG&E’s offering of non-tariffed products and services utilizing FERC-jurisdictional transmission assets and personnel in Decision No. CAE-35, Docket EL99-91-000.¹⁸⁹ NorthStar did not review PG&E’s non-tariffed products related to its FERC jurisdictional assets.

Rule VII.B is definitional in nature and do not require any specific action on the part of PG&E.

Rule VII.C

VII.C Utility Products and Services

Except as provided in these Rules, a utility shall not offer nontariffed products and services. In no event shall a utility offer natural gas or electricity commodity service on a nontariffed basis. A utility may only offer for sale the following products and services:

VII.C.1 Existing products and services offered by the utility pursuant to tariff;

VII.C.2 Unbundled versions of existing utility products and services, with the unbundled versions being offered on a tariffed basis;

VII.C.3 New products and services that are offered on a tariffed basis; and

¹⁸⁹ DR 199

VII.C.4 Products and services which are offered on a nontariffed basis and which meet the following conditions:

VII.C.4.a the nontariffed product or service utilizes a portion of a utility asset or capacity;

VII.C.4.b such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;

VII.C.4.c the involved portion of such asset or capacity may be used to offer the product or service on a nontariffed basis without adversely affecting the cost, quality or reliability of tariffed utility products and services;

VII.C.4.d the products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk being incurred by utility ratepayers, and no undue diversion of utility management attention; and

VII.C.4.e the utility's offering of such nontariffed product or service does not violate any law, regulation, or Commission policy regarding anticompetitive practices.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

PG&E complied with Rule VII.C. PG&E's NTP&S meet the conditions specified in the Rules.

In 2010 and 2011, PG&E offered NTP&S in eleven categories, as summarized in **Exhibit VII-1**. PG&E has offered NTP&S in all but one of its categories since it described its existing offerings in Advice Letter No. 2063-G/1741-E, filed on January 30, 1998.¹⁹⁰ The "new" category, Mover Services, was approved in 2008. Note that PG&E no longer offers NTP&S in many of the categories used in 1998.

Exhibit VII-1 Non-Tariffed Products and Services offered by PG&E in 2010 and 2011

Regulatory Category		Products	Year Offering Began
N.E	Electric		
N.E.1	Facility joint use arrangements.	Facility joint use arrangements with cable and telecommunications providers	1998
N.E.3	Hot-Washing of Electrical Equipment for Others	Pressure washing	1998
N.E.4	Sale of hourly metered QF data to QFs. (Discontinued in 2011)	Sale of hourly metered Qualified Facilities (QF) data to QFs.	1998
N.E.12	Incidental non-utility water sales.	Incidental water sales to water utilities	1998
N.G	Gas		
N.G.2	Pipeline maintenance, excavation,	Temporary rental of portable natural gas	2008

¹⁹⁰ DR 102

Regulatory Category		Products	Year Offering Began
	and leak detection for others.	equipment to third parties	
N.C	Combined		
N.C.1	Testing, analysis, evaluation, measurement of customer or third party systems and equipment.	Services performed by engineers and technicians in Applied Technology Services (ATS) lab for third parties. Includes meter testing.	1998
N.C.3	Wireless attachment to PG&E facilities; installation/maintenance and related land rights services.	Licensing of PG&E assets for placement of wireless antennas and base station equipment by wireless carriers. (includes pole top attachments)	2008
N.C.4	Short-term use of facilities/real property with associated services.	Short term use of San Ramon Valley Conference Center	1998
N.C.10	Operation, maintenance, repair, inspection and construction and related land rights service for customer owned or third party facilities	Simple gas parts replaced by a Gas Service Rep during a service call to a residence.	2007
		Energy related project design, construction, and commissioning for federal agencies.	2009
		Replacing city-owned street lights with LED fixtures on a turnkey basis.	2009
		Construction, maintenance, and repair of customer-owned gas and electric facilities.	1998
N.C.11	Training for customers and third parties.	Training services offered to third parties.	1998
Other			
	Mover Services - approved by Resolution G-3417	Offering mover services such as phone, TV and internet to PG&E customers via PG&E Call Centers.	2008

Source: DR 102

Exhibit VII-2 presents an overview of PG&E NTP&S offerings in 2010 and 2011 and includes PG&E's assessment of the market impact of each offering.

Exhibit VII-2
Overview of PG&E's NTP&S Offerings in 2010 and 2011

Category/Product		Rate Base Assets Used	Percent of Assets [Note 1]	Description of Product or Service / Market Impact
N.E.	Electric			
N.E.1	Pole Attachment Fees for Telecommunications Carriers	Employees, Vehicles, Distribution Poles Equipment	8%	<p>Facility joint use arrangements with cable and telecommunications providers. Facility joint use services are offered to cable TV providers and telecommunications companies who are members (or tenants of members) of the Northern California Joint Pole Association.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>The relevant market for these services is joint owners or tenants of joint owners of distribution poles. This is a specialized market and economies of scale are achieved by jointly sharing these assets. PG&E's entry into this market place has had a positive impact on the market by sharing these assets with other providers, thereby reducing the number of distribution poles.</p>
N.E.3	Hot-Washing of Electrical Equipment for Others	Employees, Vehicles, Equipment	<1%	<p>Pressure washing of electrical equipment.</p> <p>PG&E did not provide an assessment of market impact. PG&E received revenues of less than \$30,000 during the 2010/2011 audit period.</p>
N.E.4	Sale of Hourly Metered Data to QFs	Employees, Equipment	<1%	<p>QF data services were offered to generating facilities that meet the requirements of a qualifying facility (QFs) under the Public Utility Regulatory Policies Act. These data services provided hourly QF generation data, as measured by PG&E.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>The market for these services is small and niche and PG&E has discontinued offering these services on a non-tariffed basis.</p>

Category/Product		Rate Base Assets Used	Percent of Assets [Note 1]	Description of Product or Service / Market Impact
N.E.6	Repair and Maintenance on Third Party Power Plants	Employees, Vehicles, Equipment	<1%	Facilities maintenance services are offered to commercial customers needing repair or maintenance to their customer-owned gas or electric facilities. <u>PG&E's Assessment of Market Impact</u> The relevant market for these services is engineering, construction and project management firms offering repair and maintenance services for gas and electric facilities. The size of this market is very large, has diverse segments, is highly competitive and is rapidly expanding. PG&E's entry into this market place has not affected the market since PG&E only offers these services on limited basis and only if there is excess capacity for utility personnel to perform these services.
N.E.12	Incidental Non-Utility Water Sales	Employees	<1%	Incidental water sales are offered to the California Department of Water Resources, municipal water districts, and private water companies. <u>PG&E's Assessment of Market Impact</u> The relevant market for these services is state and municipal water districts and private water companies. The size of this market is very large and PG&E's role in the market place is minimal. PG&E's entry into the market place has a positive impact by providing excess water from hydro operations to California-based water districts.
N.G	Gas			
N.G.2	Pipeline Maintenance, Excavation, Leak Detection for Others	Employees, Vehicles, Equipment	<1%	Portable Natural Gas Services: Temporary rental of portable natural gas equipment to third parties offered to other utilities and commercial customers that want to supplement their pipelines on a temporary basis with compressed or liquefied natural gas, typically during construction or maintenance of their gas facilities. <u>PG&E's Assessment of Market Impact</u> The relevant market for this service is providers of portable natural gas. This is a specialized market with some providers, other alternatives, and very low demand. PG&E's entry into this market place has had no impact on the market since these services do not have high demand and are offered on very limited basis.

Category/Product		Rate Base Assets Used	Percent of Assets [Note 1]	Description of Product or Service / Market Impact
N.C	Combined			
N.C.1	Testing, Analysis, Evaluation, Measurement of Customer or Third Party Systems and Equipment	Employees, Equipment, Facilities	<1%	<p>Services performed by engineers and technicians in Applied Technology Services (ATS) lab for third parties. Includes meter testing.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>The relevant market for this service is labs providing testing services. The demand for these types of services is low and there are several private and government labs offering these types of services. PG&E's entry into this market place has had no impact on the market.</p>
N.C.3	Wireless Attachment to PG&E Facilities; Installation/Maintenance and Related Land Rights	Street lights and poles	<1%	<p>Licensing of PG&E assets for placement of wireless antennas and base station equipment by wireless carriers. (includes pole top attachments)</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>Wireless and pole top attachments services are offered to telecommunications providers. The relevant market for these services is owners of vertical assets suitable for placement of wireless antennas. The size of this market is large and telecommunications providers have various options in choosing the ideal location for their antennas. PG&E's entry into this market place has had no impact on the market since these services are offered only in locations where PG&E has suitable assets.</p>
N.C.4	Short-Term Use of Facilities/Real Property with Associated Services	Employees, Conference Center Facilities, Parking Center Facilities	11%	<p>Short term use of facilities is offered to individuals and commercial customers at PG&E's San Ramon Valley Conference Center.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>The relevant market for this offering is providers of accommodations and conference room space located near San Ramon. The size of this market is very large with a variety of hotels and conference spaces available in San Ramon and its surrounding areas. PG&E's entry into this market place has had a positive impact by bringing visitors to San Ramon, which benefits local businesses.</p>

Category/Product		Rate Base Assets Used	Percent of Assets [Note 1]	Description of Product or Service / Market Impact
N.C.10	Operation, Maintenance, Repair, Inspection and Construction and Related Land Rights for Customer-Owned or Third Party Facilities	Employees, Vehicles, Equipment, Materials	<1%	<p><i>Utility Energy Service Contracts (UESC)</i> Energy related project design, construction, and commissioning for federal agencies.</p> <p><i>Appliance Parts Replacement Program (APRP)</i>: Simple gas parts replaced by a Gas Service Rep during a service call to a residence.</p> <p><i>LED Streetlights Turnkey program</i>: Replacing city-owned street lights with LED fixtures on a turnkey basis.</p> <p><i>Intellectual Property</i>: Licensing fees for rights to use PG&E-owned and patented intellectual property.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p><i>Appliance Parts Replacement Program (APRP)</i>: APRP program is offered to residential customers needing simple repairs to their gas appliances. The relevant market for this service is plumbing and heating services. The size of this market is very large and highly competitive. PG&E's entry into the market place has had no effect on the market since the APRP service is offered on a very minimal basis by Gas Service Representatives when they are already visiting a customer's residence.</p> <p><i>Utility Energy Services Contracts (UESC)</i>: The UESC program is offered to PG&E's federal customers. The relevant market for this service is engineering, design and construction firms offering services to federal customers. The size of this market is very large, has diverse segments, is highly competitive and is rapidly expanding. PG&E's entry into this market has stimulated the market place because it makes it easier for federal customers to implement large scale projects. This creates opportunities for existing and new providers in the market place to grow their business with federal customers. PG&E is not competing with providers in this market, but rather is enabling them to grow their business.</p>

Category/Product		Rate Base Assets Used	Percent of Assets [Note 1]	Description of Product or Service / Market Impact
N.C.10 (cont'd)	Operation, Maintenance, Repair, Inspection and Construction and Related Land Rights for Customer-Owned or Third Party Facilities			<p><i>LED Streetlights Turnkey program:</i> The LED streetlights turnkey program is offered to cities and counties interested in converting their streetlights to LEDs.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>The relevant market for this service is lighting manufacturers, electricians and installers. The size of this market is very large and growing as LEDs become more energy efficient. PG&E's entry into the market place has stimulated the market since these turnkey projects create opportunities for existing and new providers in the market place to grow their business with cities and counties. PG&E is not competing with providers in this market, but rather is enabling them to grow their business.</p>
N.C.11	Training for Customers and Third Parties	Employees, Vehicles, Equipment	<1%	<p>Training services offered to third parties.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>PG&E's entry into the market place has had no impact on the relevant market for these services. Training services are offered to individuals and businesses interested in PG&E's technical training services. The relevant market for these services is providers of training services related to gas and electricity. There are many training programs available in the market offered through businesses, schools and online programs. PG&E's training services are one of many options available in the market and are only offered if there is excess capacity in a class.</p>

Category/Product		Rate Base Assets Used	Percent of Assets [Note 1]	Description of Product or Service / Market Impact
Other	Mover Services	Employees, Call Center Equipment	<1%	<p>Offering mover services such as phone, TV and internet to PG&E customers via PG&E Call Centers.</p> <p>This program will offer residential customers the option to access a mover-service vendor at the end of their transaction with PG&E when they require starting or transferring utility service. The third-party services offered by the mover-service vendor may include, but are not limited to, telephone, internet, cable or satellite television, home security, trash removal, and a host of other products and services that customers value when they move to a new location.</p> <p><u>PG&E's Assessment of Market Impact</u></p> <p>The program is offered to residential customers in the process of moving. The relevant market for this service is providers of phone, TV and internet services. The size of this market is very large and there are a lot of large and small competitors offering these services in the market. PG&E's entry into this market has stimulated the market place because it makes it convenient for customers to start their phone, TV and internet service with providers of their choice in one call. PG&E is not competing with providers in this market, but rather is enabling them to grow their business.</p>

[Note 1] Data for portion of utility assets is from PG&E's 2011 NTP&S report to the CPUC. PG&E determines the portion of utility assets used for providing NTP&S based on the ratio of NTP&S costs to the total costs of the department which provides the NTP&S services.¹⁹¹

Source: DRs 104, 108 and 109

¹⁹¹ DR 108

As shown in **Exhibit VII-2**, PG&E reports a relatively high proportion of utility assets for N.C.4 – Short-term use of Facilities (11 percent), and N.E.1 – Pole Attachment Fees (8 percent). These numbers are misleading, as PG&E determines the portion of utility assets used for providing NTP&S based on the ratio of NTP&S costs to the total costs of the *department* which provides the NTP&S services.¹⁹² This cost comparison does not measure the portion of assets used. PG&E’s methodology is different than the process used by the Sempra utilities — SDG&E and SoCalGas determine the portion of assets used by comparing the fixed assets used for NTP&S to the total utility use of the asset.¹⁹³ The requirement to provide information on the proportion of relevant utility assets used to offer each category of product and service is required by Rules VII.H.4, but there is no guidance given on how to determine the proportion.

PG&E’s Customer Energy Solutions New Revenue Development (NRD) department was responsible for managing and administrating NTP&S except for the items listed below:

<u>NTP&S</u>	<u>Managed by</u>
N.E.1 – Pole Attachments Fee	Electric Operations.
N.E.4 – Sale of hourly metered QF generation data to QFs	QF Contracts Team (Discontinued in 2011)
N.E.12 – Incidental non-utility water sales	Hydro Generation.
N.C.4 – Short-term use of facilities (Conference Centers)	Corporate Real Estate. ¹⁹⁴

The NRD Department reports to the Vice President of Customer Energy Solutions Customer Care and is responsible for advancing new uses of PG&E assets, resources, expertise and relationships. NRD’s involvement with CPUC NTP&S offerings includes project development, contract negotiation, managing customer inquiries, project management, billing, and financial reporting. NRD supports both CPUC and FERC non-tariffed products; about 25 percent of its efforts relate to CPUC-jurisdictional activities.¹⁹⁵ NRD employees involved with the CPUC NTP&S include a Manager, Supervisor, Business Development Manager, Product Manager, and a Contract Analyst.¹⁹⁶

PG&E’s offerings met the conditions specified in Rule VII.C.4, as summarized in **Exhibit VII-3** below.

¹⁹² DR 108

¹⁹³ SoCalGas DR 108

¹⁹⁴ DR 109

¹⁹⁵ IR 18

¹⁹⁶ DR 293

Exhibit VII-3
Assessment of PG&E’s Compliance with Rule VII.C.4

Rule VII.C.4 Condition	Meets Condition?	Comments
a. Uses a portion of a utility asset or capacity	✓	As shown in Exhibit VII-2, PG&E’s non-tariffed offerings use utility assets which are used to provide tariffed service.
b. Utility asset is used to provide tariffed utility services	✓	
c. Use of the utility asset does not adversely affect tariffed service	✓	Negligible portions of the rate base assets are used.
d. NTP&S is marketed with minimal or no incremental ratepayer capital	✓	Nine of PG&E’s NTP&S are described in links on PG&E’s website. The costs to develop these descriptions were booked to a general NTP&S order along with other administrative costs. There are no costs associated with distributing these advertising materials since they are shared with customers via online links. ¹⁹⁷
Minimal or no new forms of liability or business risk incurred by ratepayers,	✓	A review of the descriptions of the NTP&S offerings in Exhibit VII-2 shows that the ratepayers incur no liabilities or risks associated with the offerings.
No undue diversion of utility management attention;	✓	NorthStar interviews with PG&E personnel and a review of the description of the offerings determined that there is no undue diversion of management attention.
e. Does not violate any law, regulation, or Commission policy regarding anticompetitive practices	✓	PG&E’s assessment of the market impact is described in Exhibit VII-2. The offerings do not violate anticompetitive policies.

Rule VII.D

VII.D Conditions Precedent to Offering New Products and Services

This Rule does not represent an endorsement by the Commission of any particular nontariffed utility product or service. A utility may offer new nontariffed products and services only if the Commission has adopted and the utility has established:

VII.D.1 A mechanism or accounting standard for allocating costs to each new product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a nontariffed basis;

VII.D.2 A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing

¹⁹⁷ DR 106

mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.

VII.D.3 Periodic reporting requirements regarding pertinent information related to nontariffed products and services; and

VII.D.4 Periodic auditing of the costs allocated to and the revenues derived from nontariffed products and services.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule. Pacific Gas and Electric Company filed its most recent Report on Non-Tariffed Products and Services on May 18, 2011 and will continue to do so annually.

Findings and Conclusions

PG&E complied with Rules VII.D.1 and VII.D.2 and VII.D.3, but did not comply with Rule VII.D.4

VII.D.1: Allocation of costs to prevent cross-subsidization

PG&E has appropriate procedures and controls in place regarding the determination of incremental costs to prevent the cross-subsidization between tariffed and non-tariffed services. PG&E has documented NTP&S Accounting Instructions which define allocated (incremental) costs for NTP&S

Allocated Costs - both recurring and non-recurring costs attributable to the product or service. Standard rates are used when available. Standard rates include fully loaded labor rates (e.g., salaries, benefits, payroll taxes, supervisory time, etc.), overhead (including space occupied by the employee, office supplies and equipment such as computers, phones and copy machines, office furniture, etc.), vehicles, other equipment, and any other direct costs incurred in the provision of the non-tariffed product or service. Because the standard labor rate does not include such items as pensions and insurance, the labor rates have been increased by the Utility's standard adders to cover the costs of these items.

Incremental costs - The definition of incremental costs varies depending on the regulatory context. The CPUC has approved a specific definition, for NTP&S purposes, which is the same as "allocated costs".¹⁹⁸

The Accounting Instructions also prescribe the methodology for setting up orders to record costs in SAP.¹⁹⁹ SAP data do not include labor adders for pension and insurance. PG&E includes the labor adders in the costs shown in its annual NTP&S report to CPUC. According to PG&E, these adders are considered when external customers are billed, but

¹⁹⁸ DR 109

¹⁹⁹ DR 109

only to ensure that the market-based revenues collected from the external customers are sufficient to cover the costs inclusive of adders.

As discussed in NorthStar's assessment of Rule VII.D.4, PG&E does not include the labor adders when billing customers for NTP&S N.E.1 – Pole Attachments; but does include the adders in its reported labor costs. Thus, on the annual NTP&S Reports to the CPUC it appears that the costs exceed revenues, when in fact the costs are a pass-through to the billed parties, and revenues equal costs.

VII.D.2: Mechanism for treatment of benefits and revenues from NTP&S

With the exception of Mover Services, PG&E's 2010 and 2011 NTP&S offerings are included in the utility's General Rate Case (GRC) Filing. There is no revenue sharing mechanism for these NTP&S products. Expenses are included as part of Operating and Maintenance expenses. The revenues are included as part of Other Operating Revenues. These both become part of the GRC revenue requirement. Actual revenues and costs are recorded in SAP (and thus the general ledger) as part of PG&E's accounting processes.²⁰⁰

PG&E requested that the Commission adopt a 50/50 net-revenue sharing mechanism for its entire catalogue of NTP&S in its 2011 GRC filing, but that request was denied.²⁰¹

PG&E's Mover Services NTP&S is subject to 50/50 net revenue sharing. In Resolution G-3417, effective June 8, 2008, the Commission approved PG&E's Advice Letter 2891-G/3169-E requesting authorization to offer a new NTP&S category entitled "Mover Services," and to use the 50/50 sharing net revenue sharing mechanism approved in D.99-04-021.

As explained in Advice Letter 2891-G/3169-E, Mover Services revenues, net of costs and income taxes, are split 50/50 between customers and shareholders. The costs associated with this program include, telephone upgrades, IT material and labor costs to implement the service, contract implementation, Customer Service Representative (CSR) training and increased CSR call time to offer the Mover Service program, charged at the provider cost center standard rate where applicable. Expenses and revenues are charged to a unique order number created for the Mover Service program. The revenues, net of costs and taxes, will be split 50/50 between customers and shareholders. The customer share of net revenues is tracked in balancing accounts and transferred to the Distribution Recovery Adjustment Mechanism (DRAM) and the Core Fixed Cost Account (CFCA) for a rate reduction through the Annual Electric True-Up and Annual Gas True-Up advice letters.²⁰²

²⁰⁰ DR 111

²⁰¹ DR 265

²⁰² DR 240 and PG&E Advice Letter 2891-G/3169-E

The customer share of Mover Services revenues is shown in **Exhibit VII- 4**. NorthStar examined the Mover Service 2010 and 2011 balancing account work papers and found no deficiencies.²⁰³

Exhibit VII-4
Customer Share of Mover Services Net Revenues
(Dollars)

Year	50% of Net Revenues
2010	\$498,553
2011	\$393,480

Source: DR 240

There are difference between the costs and revenues booked to the Mover Services balancing accounts and the NTP&S reports due to timing issues and the fact that the labor adders are included in the NTP&S reported-costs, but not to the balancing account costs.

- Revenues for the Mover Services Program are posted quarterly with a one month lag (i.e. Q1 2011 11 revenues were posted in April 2011). Following that convention, Q4 revenues would be posted in January of the next year. This convention does not work for the NTBA, which needs an annual total by the end of each calendar year. So, an estimate of Q4 Mover Services revenue is entered into SAP in December of each year, which is used by the Revenue Accounting group to complete its NTBA filing. That Q4 estimate is then trued up in the following January to the correct and final Q4 Mover Services revenue. The correct and final value has been reported in the NTP&S Report. This January true-up is captured in the NTBA in the subsequent year.²⁰⁴
- For expenses, the NTBA records all expenses posted in a given calendar year, regardless of which calendar year the expenses apply. Some of these expenses are on the order number for the previous year, posted late. These previous year expenses are not included in the NTP&S Report, as they do not match with current year revenue.²⁰⁵

VII.D.3: Periodic Reporting

In accordance with Rule VII.H, PG&E filed its 2010 and 2011 NTP&S Reports with the Commission March 25, 2011 and May 11, 2012 respectively.²⁰⁶

PG&E’s NRD group compiled the information for PG&E’s 2010 and 2011 NTP&S reports for all NTP&S except for the N.E.1 –Pole Attachments Fee, N.E.12 – Incidental non-

²⁰³ DR 240

²⁰⁴ DR 279

²⁰⁵ DR 279

²⁰⁶ DR 104

utility water sales, N.C.4 – Short-term use of facilities (the departments directly responsible for these three offerings also compiled the NTP&S report data).²⁰⁷ NRD downloads SAP NTP&S revenue and cost order data into a database, and uses this database to compile costs for the annual NTP&S reports.²⁰⁸

As described in the discussion of Rule VII.D.4, NorthStar identified errors in PG&E’s reported NTP&S costs.

Exhibit VII-5 (next page) summarizes PG&E’s 2010 and 2011 NTP&S incremental costs and revenues reported to the CPUC. PG&E’s annual NTP&S revenues ranged from \$24 million to \$25 million. 57 percent of the revenues (\$28.4 million) and 79 percent of the reported costs (\$33.7 million) are associated with pole attachment fees for telecommunications carriers (As discussed in the previous section, reported costs exceed revenues as they include labor adders which are not included in PG&E’s invoices to customers).

The second largest contributor to PG&E NTP&S revenues is Category N.C.10 - Operation, Maintenance, Repair, Inspection and Construction and Related Land Rights for Customer-Owned or Third Party Facilities. There are several products within this category. As shown in **Exhibit VII-6**, the LED Streetlights Turnkey program contributes \$5.3 million of the \$8.6 million revenues.

Exhibit VII-6
Breakdown of Revenues and Incremental Costs for Category N.C.10
O&M for Customer-Owned or Third Party Facilities
2010 and 2011

Product/Service	Revenues	Incremental Costs
LED Streetlights Turnkey Program for Cities	\$5,309,836	\$3,356,385
Utility Energy Service Contracts for Federal Agencies.	1,580,558	(263,184)
Maintenance and Meter Repair	1,140,282	212,227
Appliance Parts Replacement Program	533,908	366,536
Intellectual Property	110,000	27,349
Total	\$8,674,584.	\$3,699,314

Source: DR 105, NorthStar Analysis

²⁰⁷ DR 114

²⁰⁸ IR 18

Exhibit VII-5
PG&E 2010 and 2011 NTP&S Revenues and Costs
as Reported in NTP&S Reports to the CPUC

Category and Product or Service		2010		2011		2010 and 2011			
		Revenues	Incremental Costs	Revenues	Incremental Costs	Revenues	%	Incremental Costs	%
N.E.	Electric								
N.E.1	Pole Attachment Fees for Telecommunications Carriers	\$15,988,999	\$19,896,347	\$12,372,311	\$13,838,129	\$28,361,310	57%	\$33,734,476	79%
N.E.3	Hot-Washing of Electrical Equipment for Others	22,447	15,205	6,875	2,105	\$29,322	0%	\$17,310	0%
N.E.4	Sale of Hourly Metered Data to QFs	56,700	23,405			\$56,700	0%	\$23,405	0%
N.E.6	Repair and Maintenance on Third Party Power Plants	363,806	252,546	402,153	298,669	\$765,959	2%	\$551,215	1%
N.E.12	Incidental Non-Utility Water Sales	675,851	61,174	554,693	58,218	\$1,230,544	2%	\$119,392	0%
	Subtotal	17,107,803	20,248,677	13,336,032	14,197,121	30,443,835	62%	34,445,798	81%
N.G	Gas								
N.G.2	Pipeline Maintenance, Excavation, Lead Detection for Others	41,862	8,028	35,431	8,654	\$77,293	0%	\$16,682	0%
	Subtotal	41,862	8,028	35,431	8,654	\$77,293	0%	\$16,682	0%
N.C	Combined								
N.C.1	Testing, Analysis, Evaluation, Measurement of Customer or Third Party Systems and Equipment	686,335	571,247	978,665	678,878	\$1,665,000	3%	\$1,250,125	3%
N.C.3	Wireless Attachment to PG&E Facilities; Installation/Maintenance and Related Land Rights	880,392	0	955,691	0	\$1,836,083	4%	\$0	0%

N.C.4	Short-Term Use of Facilities/Real Property with Associated Services	1,078,591	813,457	1,312,641	1,023,769	\$2,391,232	5%	\$1,837,226	4%
N.C.10	Operation, Maintenance, Repair, Inspection and Construction and Related Land Rights for Customer-Owned or Third Party Facilities	2,155,310	1,278,657	6,519,274	2,420,657	\$8,674,584	18%	\$3,699,314	9%
N.C.11	Training for Customers and Third Parties	177,076	74,662	141,140	30,482	\$318,216	1%	\$105,144	0%
	Subtotal	4,977,704	2,738,023	9,907,411	4,153,786	14,885,115	30%	6,891,809	16%
	Mover Services								
	Mover Services	1,914,738	609,417	2,133,372	588,415	\$4,048,110	8%	\$1,197,832	3%
	Subtotal	1,914,738	609,417	2,133,372	588,415	4,048,110	8%	1,197,832	3%
	Total	\$24,042,107	\$23,604,145	\$25,412,246	\$18,947,976	\$49,454,353	100%	\$42,552,121	100%

VII.D.4: Periodic Auditing of NTP&S Costs and Revenues

PG&E did not comply with Rule VII.D.4.

PG&E did not perform any audits of NTP&S costs and revenues in 2010 and 2011. While PG&E’s Internal Audit organization conducted audits in three areas related to NTP&S: Non-Energy Billings, Real Estate Transactions, and StanPac Hydrotest Costs, there were not audits performed of NTP&S.²⁰⁹ Because PG&E did not perform audits of NTP&S costs and revenues, it did not identify possible controls issues which resulted in errors in PG&E’s reported NTP&S costs.

PG&E’s non-compliance with Rule VII.D.4 did not cause direct harm to ratepayers. PG&E’s revenue requirements would have been impacted by any incorrect NTP&S costs and revenues included in its GRC filing. NorthStar did not audit the costs included in PG&E’s GRC filing.

Exhibit VII-7 is a summary of accounting and reporting errors identified by NorthStar. The values of the errors are not significant, but the number of errors identified raises concerns about the accuracy of PG&E’s reported NTP&S revenues. All of the identified errors relate to inconsistencies between the amounts recorded in PG&E’s SAP accounting system, the amounts in PG&E work papers and the amounts shown in the annual NTP&S report to the CPUC. NorthStar did not identify any errors due to the classification of costs or revenues.

**Exhibit VII-7
Exceptions Identified in NorthStar’s NTP&S Transaction Testing**

Category		Cost or Revenue Category Tested	Amount Included in Report Total	SAP Amount	Description/Comments
N.E.1	Pole Attachment Fees for Telecommunication Carriers	Revenues (March 2010)	1,010,858 (based on billing report)	\$700,880	The amount included in the report is based on billing records. This does not match the \$1,292,624 invoiced in March 2010. The SAP order did not include all billing transactions and totaled only \$700,880, and includes credits from other jobs. \$335,547 in the billing report is not in the SAP order and was most likely booked to a default order. It is likely the report amount is correct, but it cannot readily be tied to SAP data.

²⁰⁹ DR 155

N.C.1	Testing, Analysis, Evaluation, Measurement of Customer or Third Party Systems and Equipment	Labor Costs (2010)	\$130,825	\$130,464 (SAP)	The amount of labor is the SAP order is less than amount included in NTP&S report total.
N.C.3	Wireless Attachment to PG&E Facilities; Installation/Maintenance and Related Land Rights	Non-Labor Costs (T-Mobile 2011)	0	(\$29,355) (work papers)	PG&E inadvertently did not include (\$29,355) amount calculated in work papers in the NTP&S report. Note the (\$29,355) is incorrect as explained in next line item.
N.C.3	Wireless Attachment to PG&E Facilities; Installation/Maintenance and Related Land Rights	Non-Labor Costs (T-Mobile 2011)	(\$54,850) (Amount in NTP&S work papers. See line item above)	(\$62,268) (SAP)	The SAP order for includes transactions not included in the work paper amount.
N.C.10	Operation, Maintenance, Repair, Inspection and Construction and Related Land Rights for Customer-Owned or Third Party Facilities	Non-Labor Costs (Street Light Maintenance 2010)	\$838,181	\$992,904 (SAP)	The SAP order includes transactions not included in the NTP&S report total

Source: DRs 267 and 288, NorthStar Analysis.

In addition to the exceptions identified in Exhibit VII-7, NorthStar found that PG&E does not include the labor adders when billing joint pole attachment customers; but does include the adders in its reported labor costs. Thus it appears that the costs exceed revenues, when in fact the costs are a pass-through to the billed parties, and revenues equal costs.

The Northern California Joint Pole Association (NCJPA) provides the pricing for all joint pole transactions. PG&E and the joint pole member companies submit cost data to the NJCPA. The NCJPA determines the net amount each utility owes the other pole member companies and sends the utility a bill of sale. PG&E uses this bill of sale to prepare invoices for its NJCPA customers. The invoice is for cost recovery, rather than net profits. A review of PG&E's work papers shows that the joint pole attachment revenues match the costs before the application of labor adders.²¹⁰

Rule VII.E

VII.E Requirement to File an Advice Letter

Prior to offering a new category of nontariffed products or services as set forth in Rule VII.C above, a utility shall file an advice letter in compliance with the following provisions of this paragraph.

VII.E.1 The advice letter shall:

VII.E.1.a demonstrate compliance with these rules;

²¹⁰ DR 105

VII.E.1.b address the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;

VII.E.1.c address the potential impact of the new product or service on competition in the relevant market, including but not limited to the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market.

VII.E.1.d be served on the service list of Rulemaking 97-04-011/Investigation 97-04-012, as well as on any other party appropriately designated by the rules governing the Commission's advice letter process.

VII.E.2 For categories of nontariffed products or services targeted and offered to less than 1% of the number of customers in the utility's customer base, in the absence of a protest alleging non-compliance with these Rules or any law, regulation, decision, or Commission policy, or allegations of harm, the utility may commence offering the product or service 30 days after submission of the advice letter. For categories of nontariffed products or services targeted and offered to 1% or more of the number of customers in the utility's customer base, the utility may commence offering the product or service after the Commission approves the advice letter through the normal advice letter process.

VII.E.3 A protest of an advice letter filed in accordance with this paragraph shall include:

VII.E.3.a An explanation of the specific Rules, or any law, regulation, decision, or Commission policy the utility will allegedly violate by offering the proposed product or service, with reasonable factual detail; or

VII.E.3.b An explanation of the specific harm the protestant will allegedly suffer.

VII.E.4 If such a protest is filed, the utility may file a motion to dismiss the protest within 5 working days if it believes the protestant has failed to provide the minimum grounds for protest required above. The protestant has 5 working days to respond to the motion.

VII.E.5 The intention of the Commission is to make its best reasonable efforts to rule on such a motion to dismiss promptly. Absent a ruling granting a motion to dismiss, the utility shall begin offering that category of products and services only after Commission approval through the normal advice letter process.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule. .

Findings and Conclusions

PG&E complied with Rule VII.E. PG&E did not introduce any new categories of NTP&S during the audit period and had no requirement to file Advice Letter.

Rule VII.F

VII.F Existing Offerings

Unless and until further Commission order to the contrary as a result of the advice letter filing or otherwise, a utility that is offering tariffed or nontariffed products and services, as of the effective date of this decision, may continue to offer such products and services, provided that the utility complies with the cost allocation and reporting requirements in this rule. No later than January 30, 1998, each utility shall submit an advice letter describing the existing products and services (both tariffed and nontariffed) currently being offered by the utility and the number of the Commission decision or advice letter approving this offering, if any, and requesting authorization or continuing authorization for the

utility's continued provision of this product or service in compliance with the criteria set forth in Rule VII. This requirement applies to both existing products and services explicitly approved and not explicitly approved by the Commission.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

PG&E complied with Rule VII.F.

On January 30, 1998, PG&E submitted Advice Letter 2063-G/1741-E with its list of tariffed and NTP&S. This submission was augmented with Advice 2063-g-A/1741-E) September 8, 1998) and Advice 2063-G-B/1741-E-B (April 1, 1999).²¹¹

Rule VII.G

VII.G Section 851 Application

A utility must continue to comply fully with the provisions of Public Utilities Code Section 851 when necessary or useful utility property is sold, leased, assigned, mortgaged, disposed of, or otherwise encumbered as part of a nontariffed product or service offering by the utility. If an application pursuant to Section 851 is submitted, the utility need not file a separate advice letter, but shall include in the application those items which would otherwise appear in the advice letter as required in this Rule.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

PG&E complied with Rule VII.G.

Public Utilities Code Section 851 addresses the utility's obligations to obtain Commission approval when necessary or useful utility property is sold, leased, assigned, mortgaged, disposed of, or otherwise encumbered. If the transaction is valued above five million dollars, the utility must secure an order from the Commission authorizing the transaction. If the transaction is valued at five million dollars or less, the utility must file an advice letter and obtained a resolution from the Commission authorizing the transaction. The Commission determines the types of transactions valued at five million dollars or less that qualify for advice letter handling. In accordance with Rule VII.G, if a utility submits an application pursuant to Section 851, the utility need not file a separate advice letter, but shall include in the application those items which would otherwise appear in the advice letter.

PG&E did not have any Section 851 transactions in 2010 and 2011. PG&E notified the Commission of its NTP&S offerings related to rental and leasing of utility properties in its

²¹¹ DR 286

description of existing non-tariffed project and service offerings in Advice Letters 2063-G/1741-E, Advice 2063-G-A/1741-E) and Advice 2063-G-B/1741-E-B.²¹²

Rule VII.H

VII.H Periodic Reporting of Nontariffed Products and Services

Any utility offering nontariffed products and services shall file periodic reports with the Commission's Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission. The utility shall serve periodic reports on the service list of this proceeding. The periodic reports shall contain the following information:

VII.H.1 A description of each existing or new category of nontariffed products and services and the authority under which it is offered;

VII.H.2 A description of the types and quantities of products and services contained within each category (so that, for example, "leases for agricultural nurseries at 15 sites" might be listed under the category "leases of land under utility transmission lines," although the utility would not be required to provide the details regarding each individual lease);

VII.H.3 The costs allocated to and revenues derived from each category; and

VII.H.4 Current information on the proportion of relevant utility assets used to offer each category of product and service.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule. Pacific Gas and Electric Company filed its most recent Report on Non-Tariffed Products and Services on May 18, 2011 (March 25, 2010) and will continue to do so annually.

Findings and Conclusions

PG&E complied with Rule VII.H.

In accordance with Rule VII.H, PG&E filed its 2010 and 2011 NTP&S Reports with the Commission May 18, 2011 and May 11, 2012 respectively.²¹³

Rule VII.I

VII.I Offering of Nontariffed Products and Services to Affiliates

Nontariffed products and services which are allowed by this Rule may be offered to utility affiliates only in compliance with all other provisions of these Affiliate Rules. Similarly, this Rule does not prohibit affiliate transactions which are otherwise allowed by all other provisions of these Affiliate Rules.

PG&E 2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule. Pacific Gas and Electric Company filed its most recent Report on Non-Tariffed Products and Services on May 18, 2011²¹⁴ and will continue to do so annually.

²¹² DR 286

²¹³ DR 104

Findings and Conclusions

PG&E complied with Rule VII.I. PG&E offers NTP&S on a non-discriminatory basis.

Recommendations

14. PG&E should revise its methodology to determine the proportion of utility assets used for non-tariffed products and services. The proportion should reflect the quantity of assets used for NTP&S as it relates to the utility-wide quantity of assets, not an individual department's use of the asset. (Rules VII.C, VII.D.4 and VII.H)
15. PG&E's Internal Audit Department should conduct audits of NTP&S costs and revenues as required by the Rules. (Rule VII.D.4)
16. PG&E should strengthen its process to determine the costs and revenue data included in the annual NTP&S Reports to ensure that the information provided to the CPUC is correct. (Rule VII.D.4)
 - Consider transferring responsibility for compiling NTP&S cost and revenue data from the New Revenue Development Department to the Accounting or Non-Energy Billing departments.
 - Establish work paper requirements to require supporting documentation for all dollars reported. (e.g., SAP print-outs).
 - Require an independent review of the reported costs and revenues.

²¹⁴ March 25, 2010

RULE VIII. COMPLAINT PROCEDURES AND REMEDIES

Rule VIII establishes the process for following up and resolving complaints received by the CPUC regarding violation of the Affiliate Transaction Rules and describes the remedies available to the CPUC for enforcing the Rules. It is important to note that only a few parts of Rule VIII require specific compliance action by PG&E, with the remainder of the Rule defining the resolution process and available remedies.

In reviewing PG&E's compliance with Rule VIII, NorthStar will use the following evaluative criteria, whether:

- PG&E has designated an Affiliate Compliance Manager with the required responsibilities.
- PG&E's Compliance Plan addresses complaint investigation, reporting, and resolution processes in compliance with the Rules.
- PG&E has properly notified the Commission Energy Division of the resolution of any complaints and any actions taken as a result of such resolutions.
- PG&E is following the procedures for informal contacts as required.

In conducting its compliance audit, NorthStar examined the following:

- Identified the Affiliate Compliance Manager and examined his/her responsibilities.
- Assessed PG&E's policies and procedures for investigation, reporting and remediation of complaints.
- Examined PG&E's actions with respect to all affiliate transaction non-compliance complaints receiving during 2010 and 2011. Determined whether PG&E properly notified the Commission Energy Division regarding these complaints.
- Determined whether PG&E's processes, procedures and controls used to ensure compliance with this ATR are consistent with PG&E's Compliance Plan.

Rules VIII.A through VIII.C.1

VIII.A The Commission Shall Strictly Enforce These Rules

Each act or failure to act by a utility in violation of these rules may be considered a separate occurrence.

VIII.B.1 Any person or corporation as defined in Sections 204, 205, and 206 of the California Public Utilities Code may complain to the Commission or to a utility in writing, setting forth any act or thing done or omitted to be done by any utility or affiliate in violation or claimed violation of any rule set forth in this document.

VIII.B.2 "Whistleblower complaints" will be accepted and the confidentiality of complainant will be maintained until conclusion of an investigation or indefinitely, if so requested by the whistleblower. When a whistleblower requests anonymity, the Commission will continue to pursue the complaint only where it has elected to convert it into a Commission-initiated investigation. Regardless of the complainant's status, the defendant shall file a timely answer to the complaint.

VIII.C.1 All complaints shall be filed as formal complaints with the Commission and complainants shall provide a copy to the utility's designated officer (as described below) on the same day that the complaint is filed.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

Rules VIII.A through VIII.C.1 do not require any specific compliance action by PG&E.

Rules VIII.C.2 through VIII.C.4

VIII.C.2 Each utility shall designate an Affiliate Compliance Manager who is responsible for compliance with these affiliate rules and the utility's compliance plan adopted pursuant to these rules. Such officer shall also be responsible for receiving, investigating, and attempting to resolve complaints. The Affiliate Compliance Manager may, however, delegate responsibilities to other officers and employees.

VIII.C.2.a The utility shall investigate and attempt to resolve the complaint. The resolution process shall include a meet-and-confer session with the complainant. A Commission staff member may, upon request by the utility or the complainant, participate in such meet-and-confer sessions and shall participate in the case of a whistleblower complaint.

A party filing a complaint may seek a temporary restraining order at the time the formal complaint is filed. The defendant utility and other interested parties may file responses to a request for a temporary restraining order within 10 days of the filing of the request. An assigned commissioner or administrative law judge may shorten the period for responses, where appropriate. An assigned commissioner or administrative law judge, or the Commission shall act on the request for a temporary restraining order within 30 days. The request may be granted when: (1) the moving party is reasonably likely to prevail on the merits, and (2) a temporary restraining order relief is necessary to avoid irreparable injury, will not substantially harm other parties, and is consistent with the public interest.

A notice of temporary restraining order issued by an assigned commissioner or administrative law judge will only stay in effect until the end of the day of the next regularly-scheduled Commission meeting at which the Commission can issue a temporary restraining order or a preliminary injunction. If the Commission declines to issue a temporary restraining order or a preliminary injunction, the notice of temporary restraining order will be immediately lifted. Whether or not a temporary restraining order or a preliminary injunction is issued, the underlying complaint may still move forward.

VIII.C.2.b The utility shall prepare and preserve a report on each complaint, all relevant dates, companies, customers and employees involved, and if applicable, the resolution reached, the date of the resolution and any actions taken to prevent further violations from occurring. The report shall be provided to the Commission and all parties within four weeks of the date the complaint was filed. In addition, to providing hard copies, the utility shall also provide electronic copies to the Commission and to any party providing an e-mail address.

VIII.C.2.c Each utility shall file annually with the Commission a report detailing the nature and status of all complaints.

VIII.C.2.d The Commission may, notwithstanding any resolution reached by the utility and the complainant, convert a complaint to an investigation and determine whether the utility violated these rules, and impose any appropriate penalties under Section VIII.D or any other remedies provided by the Commission's rules or the Public Utilities Code.

VIII.C.3 The utility will inform the Commission’s Energy Division and Consumer Services Division of the results of this dispute resolution process. If the dispute is resolved, the utility shall inform the Commission staff of the actions taken to resolve the complaint and the date the complaint was resolved.

VIII.C.4 If the utility and the complainant cannot reach a resolution of the complaint, the utility will so inform the Commission’s Energy Division. It will also file an answer to the complaint within 30 days of the issuance by the Commission’s Docket Office of instructions to answer the original complaint. Within 10 business days of notice of failure to resolve the complaint, Energy Division staff will meet and confer with the utility and the complainant and propose actions to resolve the complaint. Under the circumstances where the complainant and the utility cannot resolve the complaint, the Commission shall strive to resolve the complaint within 180 days of the date the instructions to answer are served on the utility.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

PG&E did not comply with Rules VIII.C.2 through Rule VIII.C.4.

In compliance with Rule VIII.C.2, PG&E designated a principal in the C&E Department to serve as the Affiliate Compliance Manager with responsibility for overseeing PG&E’s compliance with the Rules; however, it is not clear that the Affiliate Compliance Manager has responsibility for “receiving, investigating, and attempting to resolve complaints,” as specified in Rule VIII.C.2. According to PG&E, the responsibilities of the Affiliate Compliance Manager include:

- Submitting all filings timely, e.g., key officer certifications, annual compliance plan, financial health, and ad hoc filings
- Developing communications to employees related affiliate rules compliance
- Maintaining an Intranet website with affiliate rules compliance resources
- Working with PG&E organizations to ensure appropriate processes are in place to facilitate compliance with affiliate rules
- Maintaining training modules and working with lines of business representatives to have appropriate employees take annual training
- Directing the posting of information on the Affiliate Transactions Internet site in accordance with the affiliate rules
- Overseeing activities related to the Affiliate Transactions Rules audit²¹⁵.

However, PG&E has issued no specific procedures about handling a ATR complaints to comply with Rules VIII.C.2.a through VIII.C.2.d.²¹⁶ According to PG&E, any Rules complaints would be made using the Compliance and Ethics helpline. There is no mention of the ATR in the brochure used to explain the purpose and process of the Compliance and Ethics Helpline to employees.²¹⁷

²¹⁵ DR 116

²¹⁶ DR 119

²¹⁷ DR 119

PG&E received no complaints in the 2010 -2011 audit period and therefore no actions were required to comply with Rules VIII.3 and VIII.4.²¹⁸

Rule VIII.C.5

VIII.C.5 The Commission shall maintain on its Web site a public log of all new, pending and resolved complaints. The Commission shall update the log at least once every week. The log shall specify, at a minimum, the date the complaint was received, the specific allegations contained in the complaint, the date the complaint was resolved and the manner in which it was resolved, and a description of any similar complaints, including the resolution of such similar complaints.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

Rule VIII.C.5 does not require any specific compliance action by PG&E.

Rule VIII.C.6

VIII.C.6.a Prior to filing a formal complaint, a potential complainant may contact the responsible utility officer and/or the Energy Division to inform them of the possible violation of the affiliate rules. If the potential complainant seeks an informal meeting with the utility to discuss the complaint, the utility shall make reasonable efforts to arrange such a meeting. Upon mutual agreement, Energy Division staff and interested parties may attend any such meeting.

VIII.C.6.b If a potential complainant makes an informal contact with a utility regarding an alleged violation of the affiliate transaction rules, the utility officer in charge of affiliate compliance shall respond in writing to the potential complainant within 15 business days. The response would state whether or not the issues raised by the potential complainant require further investigation. (The potential complainant does not have to rely on the responses in deciding whether to file a formal complaint.)

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

If a complaint is levied against Pacific Gas and Electric Company, the Utility will follow all provisions of Rule VIII.

Findings and Conclusions

PG&E complied with Rule VIII.C.6.

PG&E received no complaints in the 2010-2011 audit period.²¹⁹

²¹⁸ DR 118

²¹⁹ DRs 118 and 119

Rules VIII.D.1 through VIII.D.2.b.i

VIII.D.1 When enforcing these rules or any order of the Commission regarding these rules, the Commission may do any or all of the following:

VIII.D.1.a Order a utility to stop doing something that violates these rules;

VIII.D.1.b Prospectively limit or restrict the amount, percentage, or value of transactions entered into between the utility and its affiliate(s);

VIII.D.1.c Assess fines or other penalties;

VIII.D.1.d Prohibit the utility from allowing its affiliate(s) to utilize the name and logo of the utility, either on a temporary or a permanent basis;

VIII.D.1.e Apply any other remedy available to the Commission.

VIII.D.2 Any public utility which violates a provision of these rules is subject to a fine of not less than five hundred dollars (\$500), nor more than \$20,000 for each offense. The remainder of this subsection distills the principles that the Commission has historically relied upon in assessing fines and restates them in a manner that will form the analytical foundation for future decisions in which fines are assessed. Before discussing those principles, reparations are distinguished.

VIII.D.2.a Reparations are not fines and conceptually should not be included in setting the amount of a fine. Reparations are refunds of excessive or discriminatory amounts collected by a public utility. PU Code §734. The purpose is to return funds to the victim which were unlawfully collected by the public utility. Accordingly, the statute requires that all reparation amounts are paid to the victims. Unclaimed reparations generally escheat to the state, Code of Civil Procedure §1519.5, unless equitable or other authority directs otherwise, e.g., Public Utilities Code §394.9.

VIII.D.2.b The purpose of a fine is to go beyond restitution to the victim and to effectively deter further violations by this perpetrator or others. For this reason, fines are paid to the State of California, rather than to victims.

Effective deterrence creates an incentive for public utilities to avoid violations. Deterrence is particularly important against violations which could result in public harm, and particularly against those where severe consequences could result. To capture these ideas, the two general factors used by the Commission in setting fines are: (1) severity of the offense and (2) conduct of the utility. These help guide the Commission in setting fines which are proportionate to the violation.

VIII.D.2.b.i The severity of the offense includes several considerations. Economic harm reflects the amount of expense which was imposed upon the victims, as well as any unlawful benefits gained by the public utility. Generally, the greater of these two amounts will be used in establishing the fine. In comparison, violations which caused actual physical harm to people or property are generally considered the most severe, with violations that threatened such harm closely following.

The fact that the economic harm may be difficult to quantify does not itself diminish the severity or the need for sanctions. For example, the Commission has recognized that deprivation of choice of service providers, while not necessarily imposing quantifiable economic harm, diminishes the competitive marketplace such that some form of sanction is warranted.

Many potential penalty cases before the Commission do not involve any harm to consumers but are instead violations of reporting or compliance requirements. In these cases, the harm may not be to consumers but rather to the integrity of the regulatory processes. For example, compliance with Commission directives is required of all California Public Utilities:

“Every public utility shall obey and comply with every order, decision, direction, or rule made or prescribed by the Commission in the matters specified in this part, or any other matter in any way relating to or affecting its business as a public utility, and shall do everything

necessary or proper to secure compliance therewith by all of its officers, agents, and employees.” Public Utilities Code §702.

Such compliance is absolutely necessary to the proper functioning of the regulatory process. For this reason, disregarding a statutory or Commission directive, regardless of the effects on the public, will be accorded a high level of severity.

The number of the violations is a factor in determining the severity. A series of temporally distinct violations can suggest an on-going compliance deficiency which the public utility should have addressed after the first instance. Similarly, a widespread violation which affects a large number of consumers is a more severe offense than one which is limited in scope. For a “continuing offense,” PU Code §2108 counts each day as a separate offense.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Findings and Conclusions

Rules VIII.D.1 through VIII.D.2.b.i do not require any specific compliance action by PG&E.

Rule VIII.D.2.b.ii

VIII.D.2.b.ii This factor recognizes the important role of the public utility’s conduct in (1) preventing the violation, (2) detecting the violation, and (3) disclosing and rectifying the violation. The public utility is responsible for the acts of all its officers, agents, and employees:

“In construing and enforcing the provisions of this part relating to penalties, the act, omission, or failure of any officer, agent or employee of any public utility, acting within the scope of his [or her] official duties or employment, shall in every case be the act, omission, or failure of such public utility.” Public Utilities Code §2109.

VIII.D.2.b.ii.(1) Prior to a violation occurring, prudent practice requires that all public utilities take reasonable steps to ensure compliance with Commission directives. This includes becoming familiar with applicable laws and regulations, and most critically, the utility regularly reviewing its own operations to ensure full compliance. In evaluating the utility’s advance efforts to ensure compliance, the Commission will consider the utility’s past record of compliance with Commission directives.

VIII.D.2.b.ii.(2) The Commission expects public utilities to monitor diligently their activities. Where utilities have for whatever reason failed to meet this standard, the Commission will continue to hold the utility responsible for its actions. Deliberate as opposed to inadvertent wrong-doing will be considered an aggravating factor. The Commission will also look at the management’s conduct during the period in which the violation occurred to ascertain particularly the level and extent of involvement in or tolerance of the offense by management personnel. The Commission will closely scrutinize any attempts by management to attribute wrong-doing to rogue employees. Managers will be considered, absent clear evidence to the contrary, to have condoned day-to-day actions by employees and agents under their supervision.

VIII.D.2.b.ii.(3) When a public utility is aware that a violation has occurred, the Commission expects the public utility to promptly bring it to the attention of the Commission. The precise timetable that constitutes “prompt” will vary based on the nature of the violation. Violations which physically endanger the public must be immediately corrected and thereafter reported to the Commission staff. Reporting violations should be remedied at the earliest administratively feasible time.

Prompt reporting of violations furthers the public interest by allowing for expeditious correction. For this reason, steps taken by a public utility to promptly and cooperatively report and correct violations may be considered in assessing any penalty.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

If a complaint is levied against Pacific Gas and Electric Company, the Utility will follow all provisions of Rule VIII.

Findings and Conclusions

PG&E did not comply with Rule VIII.D.2.b.ii.

This Rule requires that the utility prevent, detect, disclose and rectify violations of the Affiliate Transactions Rules. PG&E did not have effective processes in place to detect Rule violations. In that regard, the greatest obstacle to ATR compliance and enforcement of Rule VIII.D.2.b.ii is that it is entirely dependent on the utility's admission that there has been a Rules violation.

PG&E did not prevent, detect or report to the Commission the Rule violations identified in the NorthStar audit. In a number of cases these violations were entirely visible to the utility, and are briefly summarized below. A review of the nature of these violations indicates that if PG&E had an effective process to identify Rule violations, it would have identified and corrected these violations.

<u>Rule</u>	<u>Violation</u>
IV.A	PG&E did not obtain written consent for the release of customer information. (refer to page 43)
IV.B	PG&E permitted employees of its affiliates to have access to PG&E's systems without making the access contemporaneously available to non-affiliated service providers. (refer to page 46)
V.C	PG&E permitted sharing of its computer system with a covered affiliate. (refer to page 62)
V.G.2.a	PG&E only reported employee movement from the utility to affiliates in its annual Affiliate Transaction Reports. (refer to page 92)
V.G.2.b	PG&E did not comply with residency requirements prohibit a transferred employee from returning to the utility for a period of one year. (refer to page 94)
V.G.2.c	PG&E did not charge a 25 percent payment of base annual compensation by the affiliate for utility employee transfers. (refer to page 95)
V.G.2.d	PG&E did not disable systems access for months after an employee transferred. (refer to page 95)

<u>Rule</u>	<u>Violation</u>
VI.B	With respect to newly-formed affiliates: <ul style="list-style-type: none"> PG&E failed to provide immediate posting on its internet site on two occasions. PG&E failed to provide immediate notification to the CPUC for all new affiliates. PG&E failed to file advice letters within 60 days to the CPUC on four occasions (refer to page 108)
VI.E	Officer certifications in the Compliance Plan do not comply with the statements specified in Rule VI.E. (refer to page 110)
VII.D	PG&E did not perform any audits of NTP&S costs and revenues in 2010 and 2011. There were errors in PG&E’s reported NTP&S costs. (refer to page 125)

Rule VIII.D.2.b.ii describes the second of two general factors to be used by the Commission in setting fines for any violations – the conduct of the utility (the first general factor, severity of the offense, is addressed in Rule VIII.D.2.b.i. VIII.D.2.b.ii’s description of the “the conduct of the utility” does not prescribe utility actions, but outlines prudent utility practice in preventing violations and the Commission’s expectations with regard to detecting and disclosing violations. The “conduct of the utility” is also addressed through specific compliance with other Rules.

Exhibit VIII-1 provides a summary of PG&E processes to prevent, detect, and disclose violations of the Affiliate Transactions Rules.

**Exhibit VIII-1
PG&E Processes to Prevent, Detect and Disclose Violations**

Expected Utility Behavior	PG&E Processes	Adequate ?	NorthStar Comments
1. Preventing — Prior to a violation occurring, the utility takes reasonable steps to ensure compliance. Including:			
<ul style="list-style-type: none"> Becoming familiar with applicable laws and regulations 	<ul style="list-style-type: none"> Training Compliance Plan 	No	As described in the assessment of Rule VI, PG&E’s ATR training and Compliance Plan are both inadequate.
<ul style="list-style-type: none"> Reviewing its own operations to ensure full compliance. 	<ul style="list-style-type: none"> Internal Audits of ATR 	Yes	As shown in Exhibit VIII-2 , in 2010-2011, Internal Audit issued reports related to Affiliate Rules Compliance Controls and Intercompany Accounting/Affiliate Transactions
2. Detecting — The Commission	<ul style="list-style-type: none"> Affiliate Rules Compliance 	No	While PG&E has appropriate communication avenues, they are

	expects the utility to diligently monitor activities.	Information mailbox • C&E Helpline (email and phone)		not effective if employees are not adequately trained and aware of Rule requirements.
3.	Disclosing and Rectifying — When a utility knows a violation has occurred, the Commission expects the utility to promptly bring it to the attention of the Commission. “Prompt” varies based on the nature of the violation. Reported violations should be remedied at the earliest administratively feasible time.	• No formal procedures	No	With no formal procedures in place, it is likely there would be delays in bringing violations to the Commission’s attention.

PG&E also took steps to prevent and detect ATR compliance issues by conducting internal audits. During the audit period, PG&E Corporate’s Internal Audit conducted two audits of Affiliate Rule compliance, as summarized in **Exhibit VIII-2**.

Exhibit VIII-2
Internal Audits of PG&E Affiliate Rule Compliance

Audit Report Date	Topic	Findings
February 9, 2011	Review of Affiliate Rules Compliance	<ul style="list-style-type: none"> • Controls used to ensure compliance need strengthening. • PG&E does not ensure employees at high risk for violating Rules are trained. • No indication that PG&E is providing preferential treatment to SolarCity and SunRun.
February 1, 2010	Intercompany Accounting/Affiliate Transactions	<ul style="list-style-type: none"> • Controls for intercompany accounting are adequate • Low risk issue – cost center facility charges are not updated to reflect employee transfers that occur after the beginning of each year.

Source: DR 139

PG&E personnel are to report any potential affiliate compliance issues to the C&E Department through the following methods:

- Affiliate Rules Compliance (ARC) Information mailbox (ARC@pge.com), which is monitored daily.

- Compliance and Ethics Helpline mailbox (ComplianceEthicsHelp@pge.com), which is monitored daily.
- Compliance and Ethics fax (415-973-6134), which are monitored daily. Any complaints are entered into the Compliance and Ethics Helpline database.
- Compliance and Ethics Helpline (1-888-231-2310), which is monitored 24-hours a day by an outside vendor and reported the same day to Compliance and Ethics.
- Direct contact via phone, email, mail, or in person with any employee of Compliance and Ethics.²²⁰

The C&E Department tracks all reports and complaints in the Compliance and Ethics Helpline database.²²¹

Rules VIII.D.2.b.iii through VIII.D.2.b.v

VIII.D.2.b.iii Effective deterrence also requires that the Commission recognize the financial resources of the public utility in setting a fine which balances the need for deterrence with the constitutional limitations on excessive fines. Some California utilities are among the largest corporations in the United States and others are extremely modest, one-person operations. What is accounting rounding error to one company is annual revenue to another. The Commission intends to adjust fine levels to achieve the objective of deterrence, without becoming excessive, based on each utility's financial resources.

VIII.D.2.b.iv Setting a fine at a level which effectively deters further unlawful conduct by the subject utility and others requires that the Commission specifically tailor the package of sanctions, including any fine, to the unique facts of the case. The Commission will review facts which tend to mitigate the degree of wrongdoing as well as any facts which exacerbate the wrongdoing. In all cases, the harm will be evaluated from the perspective of the public interest.

VIII.D.2.b.v The Commission adjudicates a wide range of cases which involve sanctions, many of which are cases of first impression. As such, the outcomes of cases are not usually directly comparable. In future decisions which impose sanctions the parties and, in turn, the Commission will be expected to explicitly address those previously issued decisions which involve the most reasonably comparable factual circumstances and explain any substantial differences in outcome.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

If a complaint is levied against Pacific Gas and Electric Company, the Utility will follow all provisions of Rule VIII.

Findings and Conclusions

Rules VIII.D.2.b.iii through VIII.D.2.b.v do not require any specific compliance action by PG&E.

²²⁰ DR 120

²²¹ DR 120

Recommendations

17. Assign the Affiliate Compliance Manager responsibility for receiving, investigating, and attempting to resolve complaints. (Rules VIII.C.2 through Rule VIII.C.4)
18. Develop a documented procedure to specify C&E (and other departments', as appropriate) responsibilities and actions for the complaint resolution process required by Rules VIII.C.2 through VIII.C.4 and VIII.6. (Rules VIII.C.2 through Rule VIII.C.4)
19. Establish processes to detect Rule violations. Consider a self-assessment program wherein departments are responsible for periodically checking to verify compliance with the Rules. (Rule VIII.D.2.b.ii)

RULE IX. PROTECTING THE UTILITY'S FINANCIAL HEALTH

Rule IX was adopted in D. 06-12-029, and consists of four provisions, A-D. Rule IX.A requires PG&E to submit certain financial data and projections annually by November 30. Rule IX.B imposes the obligation to retain a capital structure consistent with the Commission-authorized structure.

Rules IX.C and IX.D are ring-fencing measures to ensure that PG&E is not pulled into the bankruptcy of its holding company, should serious financial problems develop. Rule IX.C requires a utility to obtain a non-consolidation opinion that demonstrates that the ring-fencing measures it has in place are adequate to keep PG&E out of a bankruptcy filed by its holding company parent. Rule IX.D requires only that PG&E notify the Commission if it subsequently makes changes to its ring-fencing measures.

In reviewing PG&E's compliance with Rule VIII, NorthStar used the following evaluative criteria:

- PG&E has filed with the CPUC prior to November 30, 2010 and November 30, 2011 a report containing the following information:
 - PG&E's estimate of investment capital needed to build or acquire long-term assets (i.e., greater than one year), such as operating assets and utility infrastructure, over each of the next five years.
 - PG&E's estimate of capital needed to meet resource procurement goals over each of the next five years.
 - PG&E's policies concerning dividends, stock repurchase and retention of capital for each year.
 - The names of individuals involved in deciding corporate policies for PG&E's dividends, stock repurchase and retention of capital.
 - The process by which corporate policies concerning dividends, stock repurchase and retention of capital are implemented.
 - How PG&E expects or intends to meet its investment capital needs.
- PG&E has maintained a capital structure consistent with that determined to be reasonable by the Commission in its most recent decision on PG&E's capital structure.
- PG&E's equity has been retained such that the Commission's adopted capital structure shall be maintained on average over the period the capital structure is in effect for ratemaking purposes.
- PG&E has filed an application for waiver with the CPUC from its equity position for events that have reduced PG&E's equity ratio by 1 percent or more. The application is subject to the following conditions:
- PG&E has obtained a non-consolidation opinion demonstrating that the ring fencing around PG&E is sufficient to prevent PG&E from being pulled into bankruptcy of its parent holding company prior to March 20, 2007.
- The opinion has been provided to the CPUC in a timely manner.

- If PG&E did not obtain said opinion prior to March 20, 2007, PG&E has promptly undertaken the following actions:
 - Notify the Commission of the inability to obtain a non-consolidation opinion.
 - Propose and implement, upon Commission approval, such ring fencing provisions that are sufficient to prevent PG&E from being pulled into the bankruptcy of its parent holding company.
 - Obtain a non-consolidation opinion.
- PG&E has notified the CPUC of any changes to the ring fencing provisions within 30 days.

NorthStar performed the following tasks:

1. Obtained copies of PG&E's filings/advice letters of capital investment as required in Rule IX.A. Review the filings for the following:
 - Date of filing
 - Completeness for compliance with Rule IX.A
 - Supported by utility source data
2. Obtained utility monthly trial balances and utility annual reports and calculate equity ratios.
 - Verify the equity ratio is consistent with the CPUC determined ratio.
 - Determine if there are any reductions in equity of more than 1 percent.
 - Verify that applications were filed for reductions in equity as required in Rule IX.C.
3. Obtained the opinion of non-consolidation and determine:
 - If the opinion was obtained prior to March 20, 2007.
 - Obtain advice letters and submittals to determine if the CPUC promptly received copies of the opinion.
 - If PG&E did not obtain an opinion of non-consolidation, PG&E performed the following:
 - The Commission was notified of the inability to obtain a non-consolidation opinion.
 - PG&E proposed and implemented, upon Commission approval, ring fencing provisions that are sufficient to prevent PG&E from being pulled into the bankruptcy of its parent holding company.
 - PG&E obtained a non-consolidation opinion.
4. Review all versions of PG&E's ring fencing provisions. Obtain all advice letters and verify that the CPUC was notified within 30 days of all modifications.
5. Determine whether PG&E's processes, procedures and controls used to ensure compliance with this ATR are consistent with PG&E's most recent Compliance Plan.

Rule IX.A

IX.A Information from Utility on Necessary Capital.

Each utility shall provide to the Commission on the last business day of November of each year a report with the following information:

1. the utility's estimate of investment capital needed to build or acquire long-term assets (i.e. greater than one year), such as operating assets and utility infrastructure, over each of the next five years;
2. the utility's estimate of capital needed to meet resource procurement goals over each of the next five years;
3. the utility's policies concerning dividends, stock repurchase and retention of capital for each year;
4. the names of individuals involved in deciding corporate policies for the utility's dividends, stock repurchase and retention of capital;
5. the process by which corporate policies concerning dividends, stock repurchase and retention of capital are implemented; and
6. how the utility expects or intends to meet its investment capital needs.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

On November 23, 2009, Pacific Gas and Electric Company submitted a report to the Energy Division containing information on necessary capital.

Pacific Gas and Electric Company will comply with this Rule. If changes occur that require notification to the Commission, Pacific Gas and Electric Company will comply within the required time period.

Findings and Conclusions

PG&E complied with Rule IX.A.

PG&E made timely filings to the CPUC each year during the audit period. Each filing addressed all six of the specific items of information required.²²² Based upon our review of the reported data, NorthStar notes the following:

- The response to Rule IX.A.1 & 2 d not provide any explanation of variations between the current year's projections and any previous years' variations. For example, the estimate for 2013 increased \$888 million from 2010 to 2011 which is 22 percent. The increase for 2014 was even greater.
- The response to Rule IX.A.6 does not provide any specifics. Rather it states:

²²² DR 121

The utility expects to meet its investment capital needs through both internally generated cash (cash from operations) and externally generated cash through the issuance of debt and equity securities.

Rule IX.B

IX.B Restrictions on Deviations from Authorized Capital Structure

A utility shall maintain a balanced capital structure consistent with that determined to be reasonable by the Commission in its most recent decision on the utility's capital structure. The utility's equity shall be retained such that the Commission's adopted capital structure shall be maintained on average over the period the capital structure is in effect for rulemaking purposes. Provided, however, that a utility shall file an application for a waiver, on a case by case basis and in a timely manner, of this Rule if an adverse financial event at the utility reduces the utility's equity ratio by 1% or more. In order to assure that regulatory staff has adequate time to review and assess the application and to permit the consideration of all relevant facts, the utility shall not be considered in violation of this Rule during the period the waiver is pending resolution. Nothing in this provision creates a presumption of either reasonableness or unreasonableness of the utility's actions which may have caused the adverse financial event.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule.

Pacific Gas and Electric Company will comply with this Rule. If changes occur that require notification to the Commission, Pacific Gas and Electric Company will comply within the required time period.

Findings and Conclusions

PG&E complied with Rule IX.B.

The average equity ratio for each year of the audit period exceeded the PG&E's target common equity ratio of 52 percent, which was also the authorized CPUC common equity ratio for the utility. During eight of the 24 months, the common equity ratio was below the target of 52 percent. Three of those months were more than one percent below the target of 52 percent.²²³

NorthStar notes that Rule IX.B states that the utility's equity shall be retained such that the Commission's adopted capital structure shall be maintained on average over the period the capital structure is in effect for rulemaking purposes; however, it is not clear what time period should be used for averaging. PG&E uses 13 months but provides no explanation as to why this period is used. NorthStar calculated the annual average to compare it to PG&E's target common equity ratio of 52 percent.

²²³ DR 167

Rule IX.C

IX.C Ring-Fencing

Within three months of the effective date of the decision adopting this amendment to the Rules, a utility shall obtain a non-consolidation opinion that demonstrates that the ring-fencing around the utility is sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company. The utility shall promptly provide the opinion to the Commission. If the current ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the utility shall promptly undertake the following actions:

1. notify the Commission of the inability to obtain a non-consolidation opinion;
2. propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company; and then
3. obtain a non-consolidation opinion.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with all the provisions of this Rule. On March 14, 2007, Pacific Gas and Electric Company submitted a non-consolidation opinion to the Energy Division as required by Rule IX.C.

Pacific Gas and Electric Company will comply with this Rule. If changes occur that require notification to the Commission, Pacific Gas and Electric Company will comply within the required time period.

Findings and Conclusions

PG&E complied with Rule IX.C.

PG&E filed a non-consolidation opinion with the CPUC on March 14, 2007, prior to the deadline established by Rule IX.C. A special counsel concluded that a court would not exercise its equitable discretion to disregard the separate existence of the utility to order, under bankruptcy, substantive consolidation of the assets and liabilities of the utility with the bankruptcy estate of PG&E Corporation.²²⁴

Rule IX.D

IX.D Changes to Ring-Fencing Provisions

A utility shall notify the Commission of any changes made to its ring-fencing provisions within 30 days.

2010 and 2011 Compliance Plans

Pacific Gas and Electric Company will comply with this Rule. If changes occur that require notification to the Commission, Pacific Gas and Electric Company will comply within the required time period.

²²⁴ DR 169

Findings and Conclusions

PG&E complied with Rule IX.D.

- PG&E has made no material changes to its ring-fencing provisions since the original opinion was issued in 2007.

AFFILIATE TRANSACTION COMPLIANCE PLAN ASSESSMENT

This chapter provides a focused summary of NorthStar's findings related to PG&E's Compliance Plan. We compiled the results of our review of PG&E's compliance with the Rules to assess whether PG&E's actions are consistent with its Compliance Plan. In particular, it identifies 1) instances when PG&E's Compliance Plan itself does not comply with the Rules, and 2) instances when PG&E did not comply with its own compliance plan.

In conducting our review, NorthStar used the following evaluative criteria:

- The Compliance Plan is complete and addresses all aspects of the Rules.
- The Compliance Plan is consistent with PG&E's actions as identified through NorthStar's audit of Rules I through IX.
- PG&E has regularly assessed the effectiveness of its Compliance Plan and revised it to improve its compliance programs.

NorthStar conducted the following activities:

1. Assessed PG&E's Compliance Plan and determine whether it addresses all aspects of the Rules
2. Compared the results of our audit of the Rules to the Compliance Plan(s) in effect during the audit period to determine whether PG&E complied with its Compliance Plan. Determine the cause of any discrepancies and identify any remediation efforts.
3. Recommend additional steps PG&E can take to ensure its Compliance Plan matches its actions.

Findings and Conclusions

As discussed in NorthStar's assessment of Rule VI, Regulatory Oversight, PG&E's 2010 and 2011 Compliance Plans were inadequate. While the plans repeatedly state that PG&E has policies and procedures to comply with the Rules, they fail to identify specific controls and processes to ensure ATR compliance. In addition, PG&E's Compliance Plan cites some procedures that do not exist, and often ignores key provisions of the Rules.

Exhibit X-1 summarizes instances when PG&E's Compliance Plan does not comply with the Rules.

Exhibit X-1
Instances when PG&E’s Compliance Plan Does Not Comply with Rules

Affiliate Transaction Rule	PG&E Compliance Plan	NorthStar Comments
<p>Rule II.B.</p> <p>For purposes of a combined gas and electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, unless specifically exempted below. For purposes of an electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses electricity or the provision of services that relate to the use of electricity. For purposes of a gas utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or the provision of services that relate to the use of gas. However, regardless of the foregoing, where explicitly provided, these Rules also apply to a utility’s parent holding company and to all of its affiliates, whether or not they engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity.</p>	<p>Attachment A contains a list of all entities within the PG&E Corporation family that meet the definition of affiliate provided in Rule I.A. The affiliates are categorized based on the applicability of these rules.</p> <p>Pacific Gas and Electric Company and PG&E Corporation have training and reminder programs in place to ensure that employees are aware of this rule and are directed to comply with it. This includes live and computer based training as well as the distribution of periodic reminders. Also see Introduction.</p> <p>An annual communication (see Introduction) was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule²²⁵.</p>	<p>The compliance plan provides little information and no demonstration, that there are adequate procedures in place to preclude the sharing of information with its affiliates that is prohibited by Rule II.</p>

²²⁵ The 2010 language differs slightly: A communication was issued to employees of the Utility, PG&E Corporation and their subsidiaries governed by these Rules directing them to comply with this Rule.

Affiliate Transaction Rule	PG&E Compliance Plan	NorthStar Comments
Rule III.B.3		
<p>Except when made generally available by the utility through an open, competitive bidding process, if a utility offers a discount or waives all or any part of any other charge or fee to its affiliates, or offers a discount or waiver for a transaction in which its affiliates are involved, the utility shall contemporaneously make such discount or waiver available to similarly situated market participants.</p>	<p>Pacific Gas and Electric Company has adequate procedures in place to implement this Rule. Pacific Gas and Electric Company complies with the provisions of its filed tariffs and gas and electric rules, including Electric Rule 22 – Section B.2.a (Tariff responsibilities to be discharged in neutral manner at [web-address]).</p> <p>Pacific Gas and Electric Company does not offer preferential treatment to customers of its affiliates, but from time to time may offer a discount or waiver of a charge, fee or tariff provision to a Pacific Gas and Electric Company distribution or transmission customer consistent with other laws, regulations, and sound Utility practice. In such cases, Pacific Gas and Electric Company does not investigate whether such a customer is also a customer of an affiliate. Pacific Gas and Electric Company does not interpret “a transaction in which its affiliates are involved” as including this type of customer discount. Pacific Gas and Electric Company does not interpret this Rule as applying to vendor discounts passed through pro-rata to affiliates in connection with joint purchases permissible under Rule V.D. Pursuant to Resolution E-3540, Pacific Gas and Electric Company will maintain an accounting of when, how and to whom it offers a discount or waiver. For purposes of record keeping, these records will not include discounts or waivers which are within the parameters of an authorized rate schedule where Pacific Gas and Electric Company has no discretion over whether or not that discount or waiver is applied.</p>	<p>The Compliance Plan does not clearly state where this notice would be posted to so that the discount or waiver is available to similarly situated market participants</p>

Affiliate Transaction Rule	PG&E Compliance Plan	NorthStar Comments
Rule IV.B		
<p>A utility shall make non-customer specific non-public information, including but not limited to information about a utility's natural gas or electricity purchases, sales, or operations or about the utility's gas-related goods or services and electricity-related goods or services, available to the utility's affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection.</p>	<p>...Pacific Gas and Electric Company complies with the provisions of its filed tariffs and gas and electric rules, including Electric Rule 22 – Section B.2.a (Tariff responsibilities to be discharged in neutral manner) at [web address].</p> <p>Pacific Gas and Electric Company does not offer preferential treatment to customers of its affiliates, but from time to time may offer a discount or waiver of a charge, fee or tariff provision to a Pacific Gas and Electric Company distribution or transmission customer consistent with other laws, regulations, and sound Utility practice. In such cases, Pacific Gas and Electric Company does not investigate whether such a customer is also a customer of an affiliate. Pacific Gas and Electric Company does not interpret “a transaction in which its affiliates are involved” as including this type of customer discount. Pacific Gas and Electric Company does not interpret this Rule as applying to vendor discounts passed through pro-rata to affiliates in connection with joint purchases permissible under Rule V.D. Pursuant to Resolution E-3540, Pacific Gas and Electric Company will maintain an accounting of when, how and to whom it offers a discount or waiver. For purposes of record keeping, these records will not include discounts or waivers which are within the parameters of an authorized rate schedule where Pacific Gas and Electric Company has no discretion over whether or not that discount or waiver is applied.</p>	<p>The compliance plan does not specifically instruct employees to post Non-Customer Specific Non-Public Information transactions so that only the information is contemporaneously available to all other service providers on the same terms and conditions,</p>

Affiliate Transaction Rule	PG&E Compliance Plan	NorthStar Comments
Rule IV.F		
<p>A utility shall maintain contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates... A utility shall maintain such records for a minimum of three years and longer if this Commission or another government agency so requires. For consummated transactions, the utility shall make such final transaction documents available for third party review upon 72 hours' notice, or at a time mutually agreeable to the utility and third party.</p>		<p>PG&E's compliance plan does not recognize the three years retention period.²²⁶</p>
Rule V.G		
<p>Except as permitted in Rule V E (corporate support), a utility and its affiliates shall not jointly employ the same employees.</p>	<p>Both because this Rule is not applicable to PG&E Corporation, which is not an affiliate because it is not engaged in the provision of products or services as set out in Rule II.B., and because the Rule excepts from its prohibition the corporate support services permitted under Rule V.E., except for key officers, members of the Board of Directors and Officers may and will continue to serve as such for both PG&E Corporation and Pacific Gas and Electric Company.</p>	<p>PG&E's compliance plan states "this Rule is not applicable to PG&E Corporation." This is not true since Rule II.B includes the following: "However, regardless of the foregoing, where explicitly provided, these Rules also apply to a utility's parent holding company and to all of its affiliates, whether or not they engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity."</p>

²²⁶ DR 94

Affiliate Transaction Rule	PG&E Compliance Plan	NorthStar Comments
VI.B New Affiliate Compliance Plans		
<p>Upon the creation of a new affiliate, the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. .</p>	<p>“Pacific Gas and Electric Company will notify the CPUC of the creation of any new affiliate and will post notice on its electronic bulletin board.” PG&E has eliminated the word “immediately” from its compliance plan. In Rule VI.E, PG&E identifies two shared officers between the utility and the holding company. PG&E ignores the prohibition of shared legal, lobbying, and regulatory affairs if officers are shared between the holding company and the utility.</p>	<p>PG&E has eliminated the word “immediately” from its compliance plan and its compliance actions are not timely.</p>
Rule VI.E Officer Certification		
<p>The certification shall state:</p> <p>I, [name], hold the office of [title] at [name of utility or holding company], and occupied this position from January 1, [year] to December 31, [year].</p> <p>I hereby certify that I have reviewed the Affiliate Transaction Rules Applicable to Large California Energy Utilities of the California Public Utilities Commission and I am familiar with the provisions therein. I further certify that for the above period, I followed the Rules and am not aware of any violations of them, other than the following: [list or state “none”].</p> <p>I swear/affirm these representations under penalty of perjury of the laws of the State of California.</p> <p>_____ [Signature]</p> <p>Executed at _____ [City], County of _____, on _____ [Date]</p>	<p>...I swear/affirm these representations under penalty of perjury of the laws of the State of California.</p> <p>_____ [Signature]</p> <p>Executed at _____ [City], County of _____, on _____ [Date]</p> <p>The certification will not include violations, if any, already reported to the Commission or publicly posted during the reporting period. Nor will the certificate include audits or investigations, if any, in progress at the end of the reporting period. If violations are found in ongoing audits or investigations, they will be posted or reported consistent with this Compliance Plan.</p>	<p>The clarification added to the certificate essentially voids the certification.</p>

Instances in which PG&E did not comply with its Compliance Plan during the 2010 – 2011 audit period are summarized in **Exhibit X-2**. Further discussion of each instance of non-compliance is provided in NorthStar’s assessment of each Rule in Chapters I through IX. As discussed in the assessment of Rule VI, NorthStar found that PG&E’s Compliance Plans repeatedly states PG&E’s intent to comply with the Rules, but provide few specific descriptions of what processes will be used to ensure compliance.

Exhibit X-2
Instances When PG&E Did Not Comply with Its Compliance Plan

PG&E Compliance Plans	NorthStar Finding
<p>Several Instances Additionally, Pacific Gas and Electric Company provides training, as necessary, to targeted groups affected by these rules.</p>	<ul style="list-style-type: none"> • The compliance plan relies on training as a form of compliance. Few employees have received training.
<p>IV.A Customer Information A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly nondiscriminatory basis, and only with prior affirmative customer written consent. <u>2010 and 2011 Compliance Plans</u> Departments whose employees have access to customer information (such as Customer Care or similar) have discrete policies which prohibit provision of customer information to any person or entity, except the customer, without that customer’s prior written consent. <u>2013 Compliance Plan</u> – Same as 2010 and 2011.</p>	<p>PG&E does not obtain written consent for the release of customer information.</p>
<p>III.E.4 through III.E.7 and V.F.3 Pacific Gas and Electric Company has adequate procedures in place to implement this Rule.</p>	<p>PG&E does not have procedures as cited in compliance plan</p>
<p>VI.B New Affiliate Pacific Gas and Electric Company will notify the CPUC of the creation of any new affiliate and will post notice on its electronic bulletin board. No later than 60 days after the creation of each new affiliate, Pacific Gas and Electric Company will file an advice letter with the CPUC’s Energy Division, served on all parties to the proceeding, demonstrating how Pacific Gas and Electric Company will implement these Rules with respect to the new affiliate.</p>	<p>With respect to newly-formed affiliates:</p> <ul style="list-style-type: none"> • PG&E failed to provide immediate posting on its internet site on two occasions. • PG&E failed to provide immediate notification to the CPUC on two occasions. • PG&E failed to file advice letters within 60 days to the CPUC on two occasions

Recommendations

20. PG&E should update its Compliance Plan to properly reflect the Rules.

REVIEW OF SOLARCITY CORPORATION AND SUNRUN, INC. TRANSACTIONS

Commission Resolution G-3461 requires an audit of PG&E transactions with “non-affiliates” SolarCity Corporation and SunRun, Inc., as well as PG&E affiliates including, but not limited to, Pacific Energy Capital I (PEC I), Pacific Energy Capital II (PEC II), Pacific Energy Capital III (PEC III), Pacific Energy Capital IV (PEC IV), Pacific Energy Capital V, SunRun Pacific Solar (SunRun Pacific), and Sequoia Pacific Solar I (Sequoia Pacific). Resolution G-3478 confirms the audit period of the required PG&E audit to the ATR audit period, January 2010 through December 2011.²²⁷

This chapter focuses on whether, when, and to what extent, PG&E’s internal procedures were functioning to ensure compliance with the ATRs for the “non-affiliates” SolarCity and SunRun for each individual year. The review of SolarCity and SunRun transactions with PG&E is of particular interest as PG&E Corporation had relationships with the identified affiliates and “non-affiliates” while PG&E served as Program Administrator for the California Solar Initiative (CSI) Program in PG&E’s service territory.

NorthStar used the following evaluative criteria to reviewing PG&E’s transactions with SolarCity Corporation and Sun Run, Inc.:

- PG&E had effective procedures to ensure compliance with the ATRs for the “non-affiliates” SolarCity and SunRun in each year, 2010, and 2011.
- PG&E had adequate methods and metrics to ensure “non-affiliates” SolarCity and SunRun were compliant with the ATRs in each year, 2010, and 2011.
- PG&E meets the applicable evaluative criteria specified for each ATR in Tasks 1-9, with respect to its “non-affiliates” SolarCity and SunRun, particularly the criteria associated with Rules III, IV, and V.

PG&E’s PEC I, PEC II and PEC III affiliates investments in the solar developers SolarCity and SunRun are summarized in **Exhibit XI-1**.

²²⁷ DR 122 Resolution G-3461

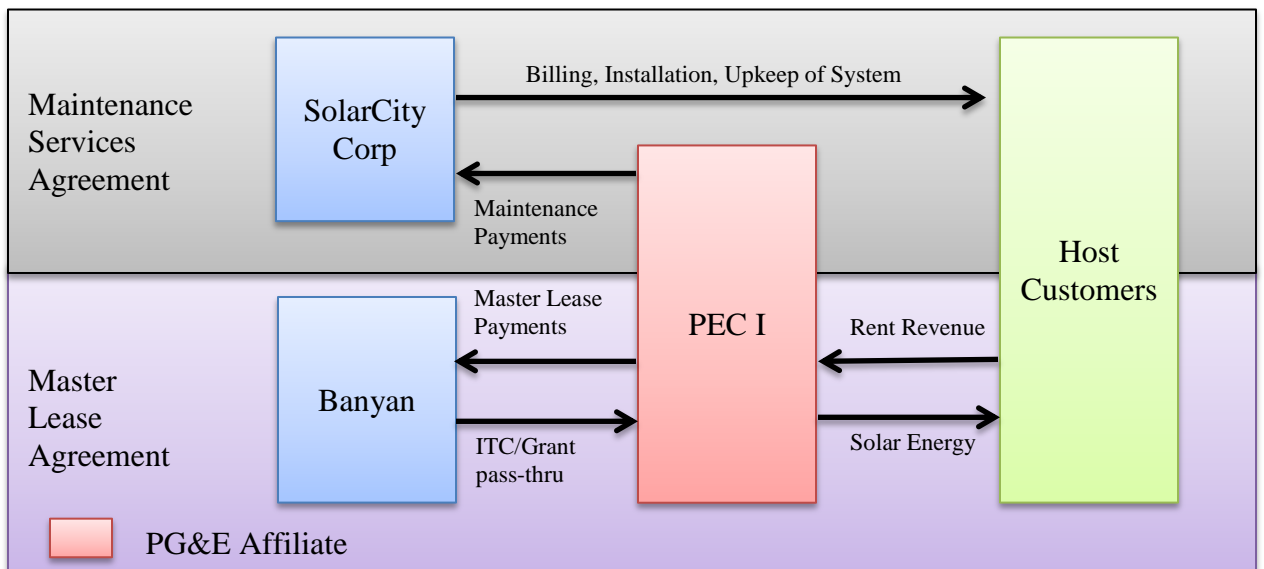
Exhibit XI-1
PG&E Affiliate Investment in SolarCity and SunRun

PG&E Affiliate(s)	Agreement Date(s)	Investment Type	Investment	Solar Company	Solar Company Subsidiary
PEC I	12/17/2009 6/23/2010	Master Lease Agreement	\$61M lease agreement with Banyan SolarCity Owner 2010 (Banyan) \$17.2M for PV on Walmart stores	SolarCity	Banyan
PEC II SunRun Pacific Solar	5/25/2010	Membership Interest	\$100M investment in SunRun Pacific Solar	SunRun	SunRun Pacific Solar
PEC III Sequoia Pacific Solar	9/21/2010	Membership Interest	\$120M investment in Sequoia Pacific Solar	SolarCity	Sequoia Pacific Solar

Source: DR 122

Exhibit XI-2 provides an overview of PEC I agreements with SolarCity Corp and its wholly-owned subsidiary Banyan.

Exhibit XI-2
Overview of PEC I SolarCity Agreements



Source: DR 122, NorthStar Analysis

PEC I has a master lease agreement with Banyan, which owns and installs rooftop photovoltaic (PV) systems. PEC I pays \$61 million rent over the fifteen-year term to lease those systems. In return, PEC I receives investment tax credits. PEC I also rents the equipment to the host customers and receives the associated rental income. The host

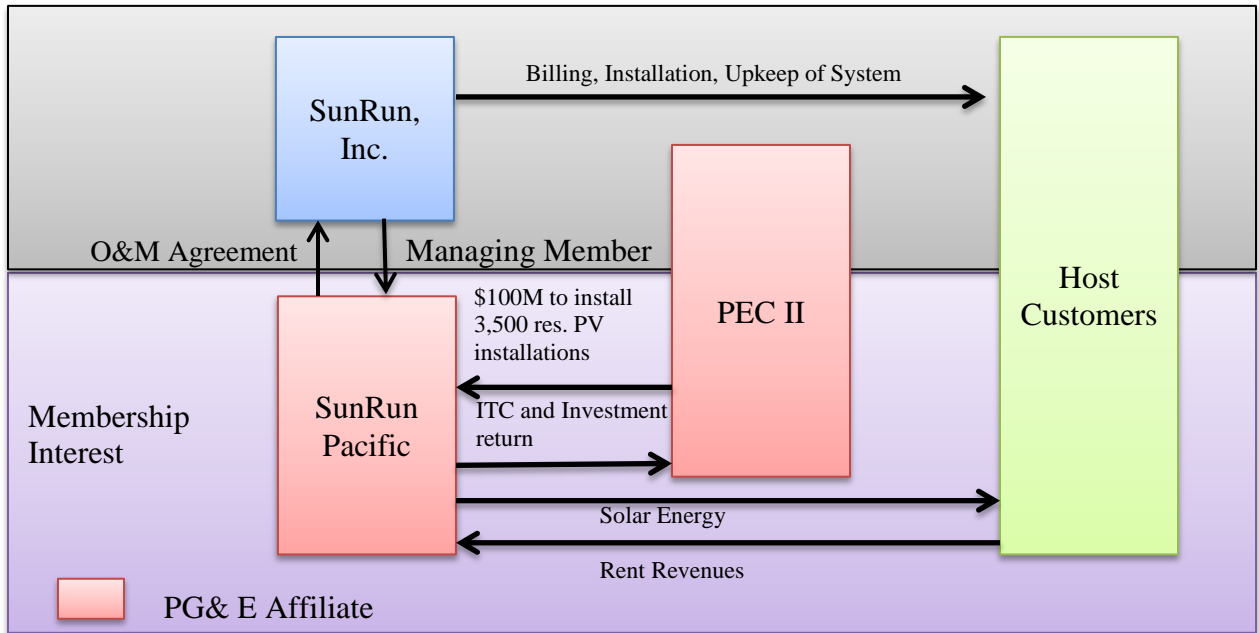
customers receive the energy generated by the projects and those customers who reside in PG&E’s service territory participate in PG&E’s Net Energy Metering Program.²²⁸

On June 23, 2010, PEC I entered a second financing transaction with SolarCity to provide an additional \$17.2 million in capital to fund 4 MW of photovoltaic systems to be installed on Walmart Stores in California and Arizona.²²⁹ This agreement is referred to as “Mini-Sequoia”

PEC I also has a maintenance service agreement with SolarCity, Corp. Host customers work directly with SolarCity employees and agents for billing, installation and upkeep of the PV rooftop systems.²³⁰

Exhibit XI-3 provides an overview of PEC II agreements with SunRun, Inc. and SunRun Pacific. PEC II’s investment in SunRun Pacific is characterized as a “tax equity investment.”

**Exhibit XI-3
PEC II SunRun Agreement**



Source: DR 122, Advice Letter 3141-G/2708-E

On May 25, 2010, PEC II acquired a membership interest in SunRun Pacific Solar (SunRun Pacific). SunRun, Inc. is the management member of SunRun Pacific, which is an affiliate of PG&E. Under SunRun Pacific’s limited liability company agreement, PEC II provided \$100 million in capital for more than 3,500 residential solar energy installations across the nation in 2010 and 2011. As the owner of the installations, SunRun Pacific is entitled to the related host customer payments. PEC II receives a share of the cash flows

228 DR 122, Advice Letter 3182-G/3789-E

229 DR 122, Advice Letter 3182-G/3789-E

230 DR 122, Advice Letter 3182-G/3789-E

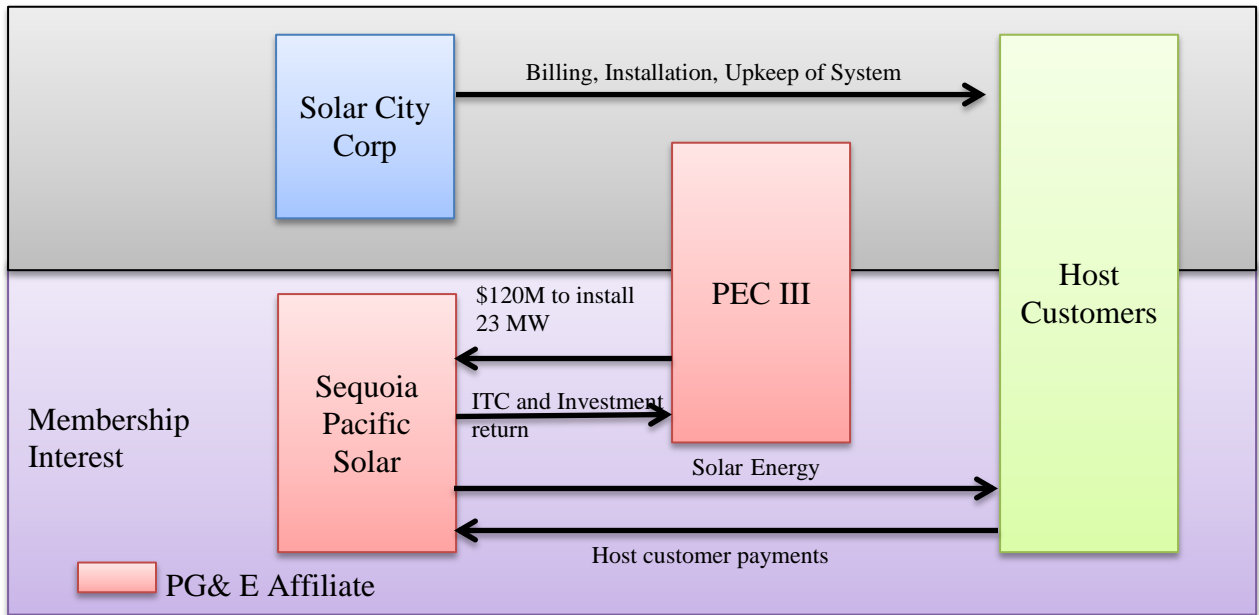
generated by SunRun Pacific as well as federal investment tax credits and other tax benefits.²³¹

The managing member of SunRun Pacific is SunRun, Inc., a provider of residential solar sales, marketing, financing and monitoring services. SunRun, Inc. also managed the solar energy projects. The host customers receive the energy generated by the projects and those customers who reside in Pacific Gas and Electric Company’s service territory participate in Pacific Gas and Electric Company’s Net Energy Metering Program.²³²

SunRun Pacific also has an Operations and Maintenance Agreement with SunRun, Inc., through which host customers will work directly with SunRun employees and partners for billing, installation and upkeep of their PV systems.²³³

Exhibit XI-4 provides an overview of PEC III agreements with SunRun, Inc. and SunRun Pacific. Like PEC II, PEC III’s investment in SunRun Pacific is characterized as a “tax equity investment.”

**Exhibit XI-4
PEC III SolarCity Agreement**



Source: Advice Letter 3170-G/3763-E

PEC III has a membership interest in Sequoia Pacific. The managing member of Sequoia Pacific is Sequoia Pacific Member I, an affiliate of SolarCity Corp., and a provider of residential solar sales, marketing, financing and monitoring services. PEC III invested \$120 million in Sequoia Pacific for approximately 23 MW of residential and commercial solar energy installations within and outside of PG&E’s service territory in 2010 and 2011, thereby

231 DR 122, Advice Letter 3141-G/3708-E

232 DR 122, Advice Letter 3141-G/3708-E

233 DR 122, Advice Letter 3141-G/3708-E

acquiring a membership interest. As the owner of the installations, Sequoia Pacific received the host customer payments. PEC III received a share of the cash flows generated by Sequoia Pacific as well as federal investment tax credits and other tax benefits.²³⁴

Sequoia Pacific Solar has a maintenance services agreement with SolarCity, Corp. Host customers work directly with SolarCity employees and agents for billing, installation and upkeep.²³⁵

Current Status

Exhibit XI-5 shows the operating date for the last systems installed through each PEC investment. The solar roof top systems associated with PEC I and PEC II investments achieved commercial operation during the audit period. For the PEC I master lease transaction with Banyan, the last PV system installed achieved commercial operation on January 28, 2011. This system was in the Southern California service areas. For the “mini-Sequoia” master lease used to finance systems on Walmart stores, the final system was completed December 31, 2010. For PEC II and PEC III, the system completion dates were August 22, 2011 and June 28, 2013, respectively.²³⁶

Exhibit XI-5
Operating Date for the Last System Installed Under each PEC Investment

PG&E Affiliate(s)	Solar Company	Solar Company Subsidiary	Operating Date of Last System Installed
PEC I	SolarCity	Banyan Mini-Sequoia	1/28/2011 12/31/2010
PEC II SunRun Pacific Solar	SunRun	SunRun Pacific Solar	8/22/2011
PEC III Sequoia Pacific Solar	SolarCity	Sequoia Pacific Solar	6/28/2013

Source: DR 282

In addition to the PEC investments, during the audit period PG&E Corporation had warrant rights to acquire an approximate two percent equity interest in SolarCity Corp. On July 8, 2013, PG&E filed Advice Letter 4250-E to notify the CPUC that PG&E Corporation exercised warrant rights to purchase 1,485,010 shares of common stock in SolarCity Corporation on May 8, 2013. On February 10, 2014, the Energy Division approved the advice letter, effective July 8, 2013.²³⁷

²³⁴ DR 122, Advice Letter 3170-G/3763-E

²³⁵ DR 122, Advice Letter 3170-G/3763-E

²³⁶ DR 282

²³⁷ DR 291

Overview of the CSI Program Solar Installation Project Process

The CSI Program is overseen by the CPUC and provides incentives for solar system installations to PG&E, Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E) customers. The CSI Program provides cashback incentives (rebates) for solar systems installed on existing residential homes, as well as existing and new commercial, industrial, government, non-profit, and agricultural properties within the service territories of the utilities. PG&E serves as the project administrator for PG&E customers.²³⁸

At the beginning of the rooftop solar installation project, the Solar Contractor typically completes the incentive Reservation Request Package and submits it to one of the Program Administrators (i.e., PG&E). The Program Administrator then reserves the incentive amount based on the size of the solar project. The timing of the incentive reservation is important as the rebate levels available reduce automatically over the duration of the program based on the volume of MW of solar reservations issued.²³⁹

All solar electric generating systems receiving incentives under the CSI Program must be connected to the local electric utility's distribution system. The system interconnection, operation, and metering requirements for solar energy systems shall be in accordance with the local electric utility rules for customer generating facility interconnections.²⁴⁰ Solar rooftop installations are typically interconnected through a Net Energy Metering (NEM) Agreement with the local electric utility.

Once the system is installed, the Solar Contractor typically will contact the utility for permission to connect the system to its electric grid. After the PV installation is inspected and approved, the Solar Contractor completes the Incentive Claim Form package and submits it to the Program Administrator for payment. Proof of interconnection and parallel operation is required prior to receiving an incentive payment. CSI Incentive payments will not be made until the Program Administrator confirms valid interconnection.²⁴¹

Findings and Conclusions

PG&E had no specific procedures, methods or metrics to ensure compliance with the ATRs for the "non-affiliates" SolarCity and SunRun.

In response to NorthStar's data requests for procedures, methods and metrics to ensure SolarCity and SunRun compliance with the Rules, PGE responded: "SolarCity Corporation and SunRun, Inc. are not affiliates of Pacific Gas and Electric Company and thus are not subject to the ATRs under Rule II.B thereof."²⁴²

PG&E's response does not comply with the Commission's order, as stated in Resolution G-3461: "[W]e take a pragmatic approach to mitigating the risk that PG&E will

²³⁸ DR 147, CSI Handbook

²³⁹ DR 147, CSI Handbook

²⁴⁰ DR 147, CSI Handbook

²⁴¹ DR 147, CSI Handbook

²⁴² DRs 123 and 124.

preferentially treat SolarCity Corp. applications within the CSI program. We are interested in preventing preferential treatment regardless of whether the entity is an affiliate or not.”²⁴³

PG&E’s CSI employees did not receive additional training for affiliate transactions rules other than the annual ATR training.²⁴⁴ NorthStar confirmed that the CSI Program Manager during the audit period completed the standard Rules training in both 2010 and 2011.²⁴⁵ The CSI Program Manager also received one-on-one counseling regarding ATR compliance on several occasions from the PG&E’s Law Department and Corporate Strategy & Development at PG&E Corporation, and was directed by them to send the affiliate rules guidance to his team and to reinforce the rules in team meetings.²⁴⁶

CSI employees received just one email communication reminding them to comply with the Rules during the audit period. In March 2010, shortly after the announcement of the PEC I investment funding rooftop solar installations by SolarCity, the C&E Department sent an email to the CSI employees, explaining that while SolarCity Corp. itself is not an affiliate of Pacific Gas and Electric Company, because of its association with the affiliate (SolarCity’s customers may also be customers of PEC I), the employees should also take care to treat it as they would any other third-party solar market participant, and not offer it any unfair advantage because of this association.²⁴⁷

NorthStar’s Testing of CSI and Interconnection Data

NorthStar analyzed CSI and PG&E data in to determine whether SunRun or SolarCity were given preferential treatment in three areas:

1. CSI Rebate Processing
2. PG&E Interconnection Processing
3. CSI Program Administrator Inspections of rooftop solar installations.

NorthStar’s testing did not identify any preferential treatment for SunRun or SolarCity.

NorthStar analyzed CSI Program data to determine whether rebate requests from SunRun or SolarCity were given preferential treatment and processed in an expedited manner. Steps in the CSI rebate process are summarized in **Exhibit XI-6**.

²⁴³ Resolution G-3461, p. 19.

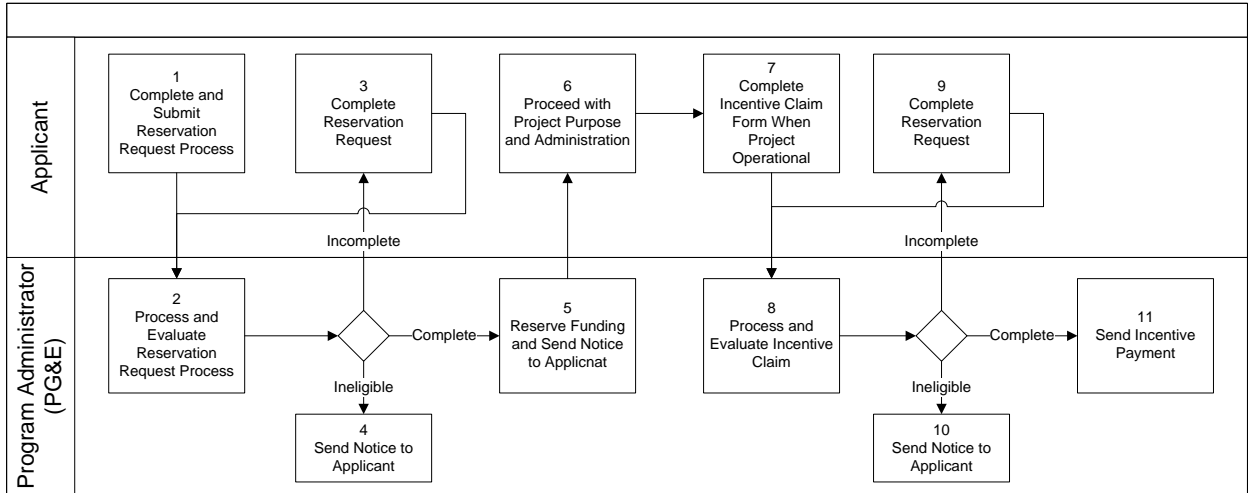
²⁴⁴ DR 184

²⁴⁵ DR 94 and 283

²⁴⁶ DR 283

²⁴⁷ DR 184

Exhibit XI-6 Overview of CSI Rebate Process



Source: DR 147 (CSI Handbook). NorthStar Analysis.

NorthStar compared PG&E’s processing of CSI rebates for SunRun and SolarCity installations to installations not affiliated with SunRun or SolarCity in two areas:

1. The length of time it took PG&E to review the reservation request (once it received all necessary data) and reserve incentive funding (Steps 2 and 5 in Exhibit XI-6). The timing of the incentive reservation is important as the rebate levels reduce automatically over the duration of the program based on the volume of MW of solar reservations issued.
2. The length of time it took PG&E to process the incentive claim (once it received all necessary data) and send incentive funding the incentive payment.

NorthStar analyzed data for applications that were received in 2010 and 2011. A breakdown of the applications is as follows:

Exhibit XI-7 Breakdown of CSI Application Data Tested By NorthStar [Note 1]

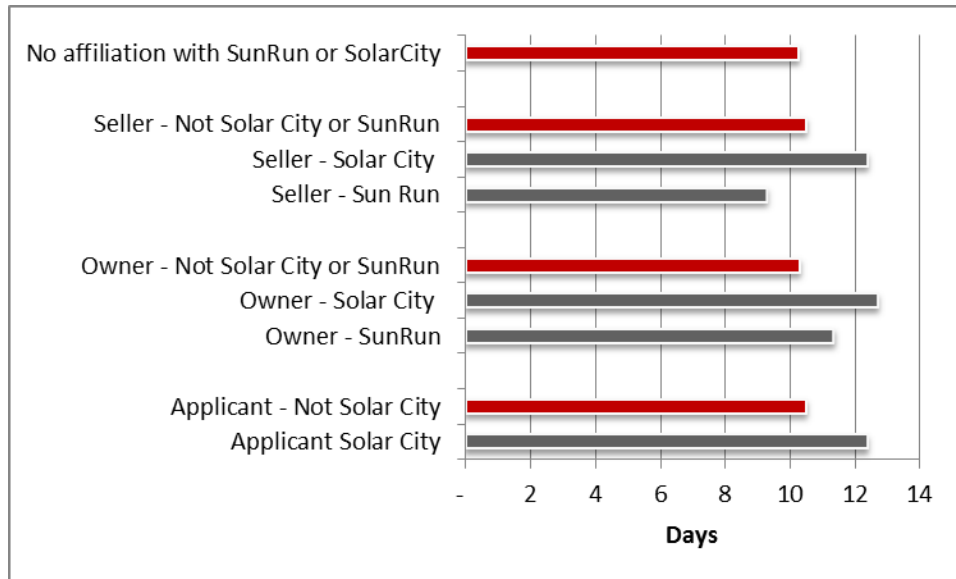
Description	Number of Applications
Total Applications Received in 2010 and 2011	19,905
No affiliation with SolarCity or SunRun	13,504
Seller – Not SolarCity or SunRun	17,369
Seller - SolarCity	2,486
Seller - SunRun	50
Owner - Not SolarCity or SunRun	14,044
Owner - SolarCity or SunRun (and all variations)	5,861
Owner - Sun Run	3,920
Applicant - Not SolarCity or SunRun	17,418
Applicant SolarCity	2,487

Note1: Only included applications which ultimately received a rebate.
 Excluded applications with missing date information.
 Source: DR 241, NorthStar Analysis.

The results of NorthStar’s analysis are shown in **Exhibits XI-8 and XI-9**, and indicate that SunRun and SolarCity did not receive any preferential treatment in the rebate process. The time required for PG&E to process the rebate reservation and incentive payment forms for installations not affiliated with SunRun or SolarCity was generally less than installations associated with SunRun or SolarCity.

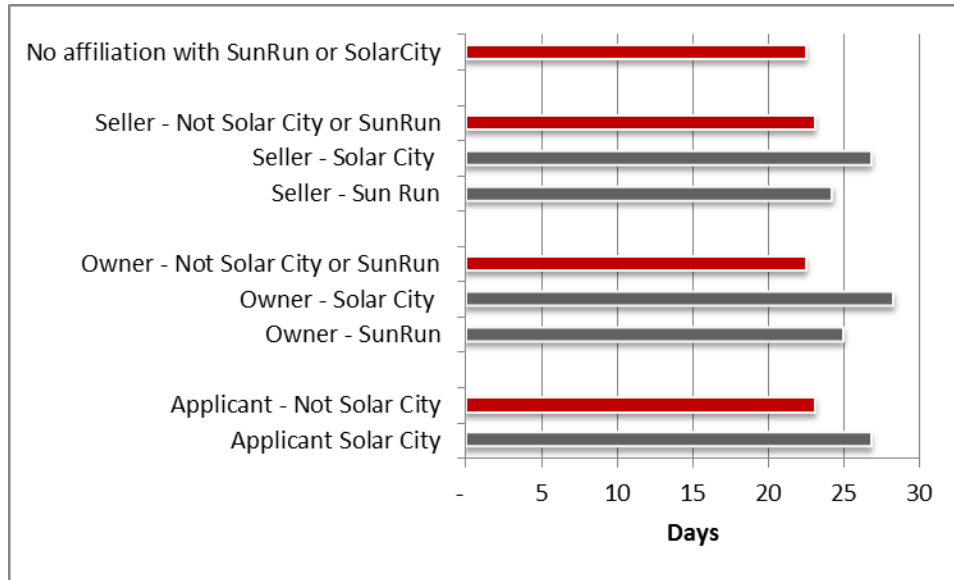
Note that SunRun did not apply for any rebates. While SunRun was identified as the owner and/or seller in many applications, the solar contractors who installed the PV systems applied for the rebate. SolarCity installs the rooftop PV systems and applies for the rebate itself.

Exhibit XI-8
Length of Time Between Receipt of Complete Reservation Request
and Reservation Reserved Date



Source: DR 241, NorthStar Analysis.

Exhibit XI-9
Length of Time Between Receipt of Complete Incentive Claim
and Incentive Payment Date



Source: DR 241, NorthStar Analysis.

NorthStar also examined the length of time it took to process interconnections. The Interconnection Application is a separate, but parallel, process to the CSI rebate application. There are two Net Energy Metering (NEM) programs for rooftop solar:

- **Standard NEM:** A solar and wind energy program for Residential and Small Commercial rate customers whose generator size is 30 kilowatts or less
- **Expanded NEM:** A solar and wind energy program for Agricultural and Demand Rate customers whose generator is of any size and for Residential and Small Commercial rate customers whose generator capacity is over 30 kilowatts

The basic steps in PG&E’s interconnection process are as follows:

1. PG&E enters interconnection applications into ENOS, the work management system, the day they are received, in the order in which they are received. An application package is “anticipated to be” complete if it includes (1) the interconnection application and agreement, (2) an electric single line diagram and (3) a final and approved building permit. If the application package is “anticipated to be” complete, it is placed in a file for processing in the order in which the application was received.
2. If the application is not complete, it is placed in a pending file until any missing items are received.
3. Once the applicant submits all of the required documentation for a previously submitted incomplete application, the customer project is then filed for processing based on the date the final and approved building permit is received. The complete

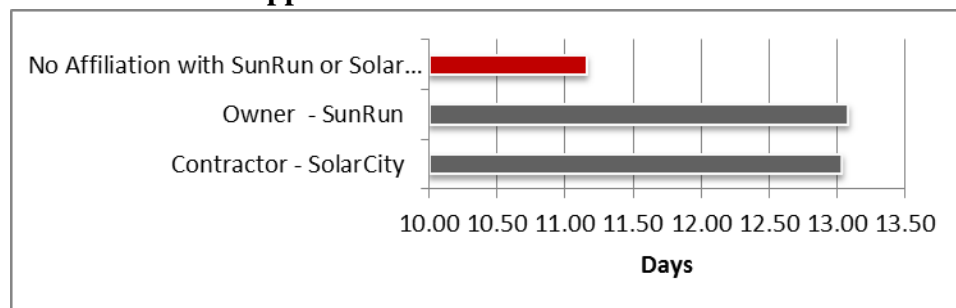
project applications are batched based on the date they are received and, within each batch, in the order received.

4. Applications are processed in chronological order, i.e., when a batch is completed, the next most recent batch is processed, and, within each batch, applications are processed in the order in which complete packages were received. Processing involves entering all of the information into ENOS and making a determination as to whether the needed customer information is complete and accurate. PG&E works with the contractor and customer to resolve any outstanding issues.
5. PG&E then releases the application for engineering review. An engineering review is also performed in the order received by the local engineering office. Engineering review typically takes up to about two business days without complications.
6. Once the project passes the engineering review, the project is released (through ENOS) to the appropriate Field Metering Services where a customer field tag for installation of a bi-directional meter is generated. The tags are by customer address and do not identify the contractor/installer. Field Metering Services then has flexibility to schedule the meter installation based on business efficiencies. Installation typically takes between seven and ten business days.²⁴⁸

NorthStar examined the length of time between PG&E’s receipt of a complete interconnection application (Step 3 above), and the interconnection (Step 6).

As shown in **Exhibit XI-10**, the average processing time for Standard NEM applications with no SunRun or SolarCity connection was about two days shorter than for applications affiliated with SunRun or SolarCity.

Exhibit XI-10
Standard NEM: Length of Time Between Receipt of Completed Application and Interconnection



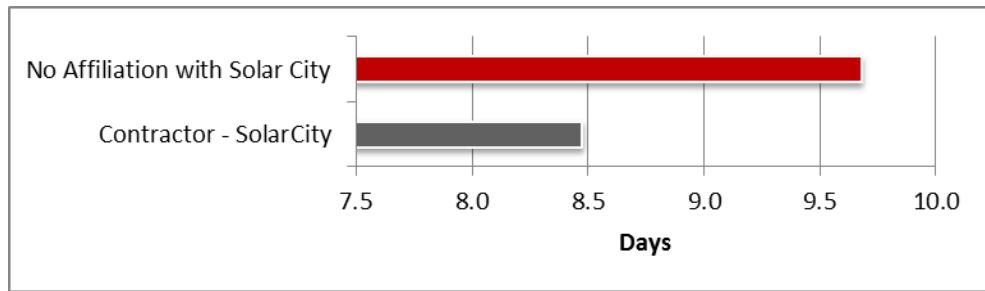
Applicant	Number of Applications
No Affiliation with SolarCity or SunRun	16,422
Owner - SunRun	2,594
Contractor - SolarCity	2,384

Source: DR 202, NorthStar Analysis

²⁴⁸ DR 122

As shown in **Exhibit XI-11**, the average processing time for Expanded NEM applications with no SolarCity connection was about a day longer than for applications affiliated with SolarCity. SunRun was not the owner or contractor for any installations which applied for expanded NEM.²⁴⁹

Exhibit XI-11
Expanded NEM: Length of Time Between Receipt of Completed Application and Interconnection



Applicant	Number of Applications
No Affiliation with SolarCity	426
SolarCity	42

Source: DR 202, NorthStar Analysis

Expanded NEM have additional requirements, including

- All PV systems require an engineering review
- Additional field inspection items.
- Verify installation of AC disconnect and appropriate signage, if applicable
- Check system to ensure built as designed on Single Line Diagram
- Systems over 30 kW or multiple homes may impact the local electric circuit operations; requiring PG&E equipment changes
- Infrastructure changes may require long lead items or construction²⁵⁰

NorthStar also examined the frequency and results of SolarCity CSI installation inspections as compared to other CSI rebate applicants (as noted above, SunRun does not serve as installation contractor and did not apply for CSI rebates). The CSI Program requires PG&E and the other Program Administrators to conduct a system inspection visits for the first two Incentive Claim Forms submitted by each new Applicant to verify that the project is installed as represented in the application, is operational, is interconnected, and conforms to the eligibility criteria of the CSI Program. After the completion of two successful field inspections, each Applicant must have a minimum one in seven of their submitted Incentive Claim Forms selected for an inspection for projects less than 50 kW; for projects 50 kW and larger field inspections may be required, at the sole discretion of the Program Administrator.²⁵¹

²⁴⁹ DR 202

²⁵⁰ http://www.pge.com/includes/docs/pdfs/shared/solar/solareducation/making_interconnection_easier.pdf

²⁵¹ DR 147 CSI Handbook.

NorthStar examined PG&E’s inspection data for CSI applications received in 2010 and 2011. As shown in **Exhibit XI-12**, both the number of inspections performed (inspection rate), and passing rate is comparable to other applicants.

Exhibit XI-12
Comparison of the System Inspections of SolarCity to other CSI Rebate Applicants

Company	Number of Applications	Number of Inspections	Number Passed	Inspection Rate	Passing Rate
SolarCity	2513	198	195	8%	98%

Number of Applications per Company	Number of Companies	Total Number of Applications	Total Number of Inspections	Number Passed	Inspection Rate	Passing Rate
Over 1000	5	7855	574	563	7%	98%
Over 100	33	13,094	933	909	7%	97%
Over 50	61	15,172	1,161	1,121	8%	97%
Over 10	195	18,250	1,440	1,372	8%	95%

Source: DRs 150 and 231, NorthStar Analysis.

ASSESSMENT OF CURRENT AFFILIATE TRANSACTION RULES

In this task, NorthStar assessed the current Affiliate Transaction Rules to identify recommended changes or additions, keeping in mind the following goals identified in R.05-10-030: “(1) to ensure that the utilities meet their public service obligations at the lowest reasonable cost, and (2) to ensure that the utilities do not favor or otherwise engage in preferential treatment of their affiliates.”

Towards the conclusion of its audit fieldwork at PG&E, SCG and SDG&E, NorthStar met with utility personnel responsible for affiliate compliance to discuss possible improvements to the current Affiliate Transaction Rules. Topics included

- Inconsistencies between Rules
- What additional Affiliate Transaction Rules may be needed
- What existing rules may be unnecessary
- What existing rules might be improved to enhance clarity and effectiveness, increase ease of data collection and monitoring methods to improve accuracy of data; and decrease the cost of compliance by the utility.

Our discussions about possible improvements to the Rules identified several underlying objectives, including the following:

- Exclude dated and extraneous language
- Reflect new technology and market changes.
- To the extent practicable, explain the objective behind the rules in order to provide a framework for utility actions..
- Include all Commission decisions, resolutions and other regulatory documents which address the Rules. There should be one reference document which does not require knowledge of anything not referenced specifically in the Rules.
- Reduce administrative burdens and allow more time to implement the rules.

Exhibit XII-1, at the end of this chapter, provides the results of our discussions with the utilities. The Exhibit only contains those sections of the Rules in which we identified possible improvements. Note that the proposed changes and clarifications to the Rules shown in the Exhibit are intended to be catalysts for future discussions, not final recommendations for changes to the Rules.

Recommendations

21. The Commission should hold workshops with interested stakeholders to consider modifications to the Affiliate Transaction Rules.

- Prior to the workshops, CPUC staff or other appropriate personnel should:

- Compile all prior regulatory documents which address affiliate rules and prepare matrix or similar document showing how these documents impact existing rules.
 - CPUC staff should confirm and document the intent of each Rule section to use as a guideline when considering changes and definitions.
 - Review recent Affiliate Transaction Rules audit reports for all utilities to identify significant issues and differences in the utilities' interpretation (and hence, implementation) of the rules.
- Workshop participants should include affiliate compliance personnel from the four California IOUs.
 - The workshops should also address possible changes to the Affiliate Transaction Report Requirements and a standardized reporting format.

Exhibit XII-1
Suggested Modifications to Affiliate Transaction Rules based on NorthStar’s
Discussions with PG&E, SCG and SDG&E

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
Rule I. Definitions	
<p>I.A. "Affiliate" means any person, corporation, utility, partnership, or other entity 5% or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly, either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. For purposes of these Rules, "substantial control" includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of 5% or more by the utility in an entity's company creates a rebuttable presumption of control.</p>	<ul style="list-style-type: none"> • Affiliate -- When does an entity become affiliate for the purposes of the rules? Is an entity subject to the rules when it is in the planning stages? • “Substantial Control” is not well-defined. • It may be possible to have “substantial control” with less than 5% ownership. • How should investments in RD&D be treated? An investment in RD&D over 5% might trigger the Rule.
<p>I.B to I.H – Additional definitions</p> <p>Add additional definitions for terms used throughout the Rules, including:</p> <ul style="list-style-type: none"> ▪ <u>Executive</u> ▪ <u>Marketing</u> ▪ <u>Tariff</u> ▪ <u>Non-Public Information</u> ▪ <u>Energy Marketing</u> 	<ul style="list-style-type: none"> • Definitions should be cleaner and simpler • Definitions should be consistent with FERC and other regulatory agencies Additional terms used in the Rules should be defined to address questions: <ul style="list-style-type: none"> Marketing: 1) what is the difference between marketing and participating? Is the intent of the Rules to preclude joint participation or sponsorship of community events? 2) For a regulated utility, the term “marketing” might refer to activities related to maintaining a relationship with existing customers. Executive: What is an utility executive? Tariff: Does the term “tariff” include tariffs in foreign countries or other states? Non-Public Information: Does this include information filed with the SEC or in an annual report? Energy Marketing: What is and is not considered energy marketing?

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Rule II. Applicability	
<p>II.B. For purposes of a combined gas and electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, unless specifically exempted below. For purposes of an electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses electricity or the provision of services that relate to the use of electricity. For purposes of a gas utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or the provision of services that relate to the use of gas. However, regardless of the foregoing, where explicitly provided, these Rules also apply to a utility’s parent holding company and to all of its affiliates, whether or not they engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity.</p>	<ul style="list-style-type: none"> • “product that uses gas or electricity” need clarification. • Deleted sentences are confusing. Sentences are not necessary, if the applicability of the Rules to the holding company is specifically addressed in separate section, as suggested below.
<p>Suggestion: Following II.B, insert new section to address how Rules apply to holding company.</p>	<p>Include more explicit details about when the Rules apply to the holding company. Section should include:</p> <ul style="list-style-type: none"> • Explanation of when a holding company is considered a II.B affiliate • Cross-references to sections of Rule applicable to holding company

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<p>II.E. These Rules do not apply to the exchange of operating information, including the disclosure of customer information to its FERC-regulated affiliate to the extent such information is required by the affiliate to schedule and confirm nominations for the interstate transportation of natural gas, between a utility and its FERC-regulated affiliate, to the extent that the affiliate operates an interstate natural gas pipeline. These Rules do not apply to transactions between an electric utility and an affiliate providing broadband over power lines (BPL).</p> <p>II.F. Existing Rules: Existing Commission rules for each utility and its parent holding company shall continue to apply except to the extent they conflict with these Rules. In such cases, these Rules shall supersede prior rules and guidelines, provided that nothing herein shall supersede the Commission's regulatory framework for broadband over power lines (BPL) adopted in D.06-04-070 nor shall preclude (1) the Commission from adopting other utility-specific guidelines; or (2) a utility or its parent holding company from adopting other utility-specific guidelines, with advance Commission approval.</p>	<ul style="list-style-type: none"> • Delete Reference to BPL as it is no longer an issue.
<p>Rule III. Nondiscrimination</p>	
<p>III.E. Business Development and Customer Relations. Except as otherwise provided by these Rules, a utility shall not:</p> <ol style="list-style-type: none"> (1) provide leads to its affiliates; (2) solicit business on behalf of its affiliates; (3) acquire information on behalf of or to provide to its affiliates; (4) share market analysis reports or any other types of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates; (5) request authorization from its customers to pass on customer information exclusively to its affiliates; (6) give the appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates; or (7) give any appearance that the affiliate speaks on behalf of the utility. <u>(8) offer or provide customers advice or assistance with regard to its affiliates or other service provider, except as otherwise provided in these Rules.</u> 	<ul style="list-style-type: none"> • Combine with Section IV.E re: Customer Contacts. (Added as (8)). <p>IV.E. Affiliate-Related Advice or Assistance: Except as otherwise provided in these Rules, a utility shall not offer or provide customers advice or assistance with regard to its affiliates or other service providers</p>

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<p>on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. A utility is also permitted to exchange proprietary information on an exclusive basis with its affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V.E. below. The affiliate’s use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission’s right to information under the Public Utilities Code Sections 314 and 581</p>	<ul style="list-style-type: none"> • How long must information be open to public inspection? • D.97-10-031 addressed the release of customer-specific data and the confidential nature of that information The “15/15” rule in D.97-10-031 states that utilities may provide aggregated data for more than 15 customers if any single customer’s load is less than 15% of category
<p>IV.C. Service Provider Information: Except upon request by a customer or as otherwise authorized by the Commission, or another governmental body, a utility shall not provide its customers with any list of service providers, which includes or identifies the utility’s affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities.</p>	<ul style="list-style-type: none"> • Does this mean that if the customer asks, the utility can provide lists? Also, is it okay to posts lists following an event such as an earthquake? Some utilities question whether this section is necessary.
<p>IV.D. Supplier Information: A utility may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier. A utility shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.</p>	<p>Some utilities question whether this section is necessary.</p>
<p>IV.E. Affiliate-Related Advice or Assistance: Except as otherwise provided in these Rules, a utility shall not offer or provide customers advice or assistance with regard to its affiliates or other service providers</p>	<ul style="list-style-type: none"> • Combine with III.E (See Section III.E)

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<p>IV.F. Record-Keeping A utility shall maintain contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions, all discounts, and all negotiations of any sort between the utility and its affiliates whether or not they are consummated. A utility shall maintain such records for a minimum of three years <u>or until the Affiliate Transaction Rules Audit which covers the period addressed by the records is accepted and approved for filing purposes</u>, and longer if this Commission or another government agency so requires. For consummated transactions, the utility shall make such final transaction documents available for third party review upon 72 hours' notice, or at a time mutually agreeable to the utility and third party.</p> <p>If D.97-06-110 is applicable to the information the utility seeks to protect, the utility should follow the procedure set forth in D.97-06-110, except that the utility should serve the third party making the request in a manner that the third party receives the utility's D.97-06-110 requests for confidentiality within 24 hours of service.</p>	<ul style="list-style-type: none"> • If affiliate transaction rules audits are not completed every two years, it is necessary to keep records longer than the current three year requirement. • Is 72 hours necessary? • Define the "third party" • Should determine whether D.97-06-110 is still pertinent, and, if so, explain in general terms what it pertains to.
<p>IV.G. Maintenance of Affiliate Contracts and Related Bids: A utility shall maintain a record of all contracts and related bids for the provision of work, products or services between the utility and its affiliates for no less than a period of three <u>or until the Affiliate Transaction Rules Audit which covers the period addressed by the records is accepted and approved for filing purposes</u>, and longer if this Commission or another government agency so requires.</p>	<ul style="list-style-type: none"> • If affiliate transaction rules audits are not completed every two years, it is necessary to keep records longer than the current three year requirement
Task 5 – Rule V. Separation	
<p>V. A. Corporate Entities: A utility, its parent holding company, and its affiliates shall be <u>separate corporate entities</u></p>	<ul style="list-style-type: none"> • What is the definition of "separate"? Business segments don't always align with corporate entities.
<p>V. B. Books and Records: A utility, its parent holding company, and its affiliates shall keep <u>separate books and records</u>.</p>	<ul style="list-style-type: none"> • Are firewalls and limited access privileges to one SAP system sufficient to "maintain separate books and records"? • What is the intent of this Rule? Is there another way to meet the intent?

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<p>V. C. Sharing of Plant, Facilities, Equipment or Costs: A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V.E. of these Rules.</p> <p>V. E. Corporate Support. As a general principle, a utility, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its affiliates joint corporate oversight, governance, support systems and personnel, as further specified below. Any shared support shall be priced, reported and conducted in accordance with the Separation and Information Standards set forth herein, as well as other applicable Commission pricing and reporting requirements.</p> <p>Examples of services that may be shared include: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, and pension management. However, if a utility and its parent holding company share any key officers after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized. For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and at its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in each case, any and all officers whose responsibilities are the functional equivalent of the foregoing.</p>	<ul style="list-style-type: none"> • Are utilities and affiliates allowed to share <ul style="list-style-type: none"> - Servers? - IT help desks? - Email systems? • What functions are considered “governance”? • What are the “Separation and Information Standards”? • Consider referencing specific sections of the report that address these issues. Or move the pricing, reporting, and conduct of shared service requirements to this section so that shared services is all addressed in one place. • Distinction between loaned labor and shared services is unclear. See comments in section V.G. • Out-dated language

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<p>Examples of services that may not be shared include: employee recruiting, engineering, hedging and financial derivatives and arbitrage services, gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, and marketing. However, if a utility and its parent holding company share any key officers (as defined in the preceding paragraph) after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.</p>	<ul style="list-style-type: none"> • It is not clear what <i>can</i> be shared. Does the list of services that cannot be shared mean that everything else can be shared? • Out-dated language • Redundant with previous paragraph
<p>V.F. Corporate Identification and Advertising V.F.1 A utility shall not trade upon, promote, or advertise its affiliate's affiliation with the utility, nor allow the utility name or logo to be used by the affiliate or in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the utility name or logo appears that:</p> <p>V.F.1.a. the affiliate “is not the same company as [i.e. PG&E, Edison, the Gas Company, etc.], the utility”;</p> <p>V.F.1.b. the affiliate is not regulated by the California Public Utilities Commission; and</p> <p>V.F.1.c. “you do not have to buy [the affiliate’s] products in order to continue to receive quality regulated services from the utility.”</p> <p>The application of the name/logo disclaimer is limited to the use of the name or logo in California.</p>	<ul style="list-style-type: none"> • Should this language be updated to reflect D.02-02-046? D.06-12-029 does not reflect the revised language. And D.02-02-046 is not cited in the decision. • D.02-02-046 ordered that: Rule V.F.1 of the Affiliate Transaction Rules (Rules) adopted by Decision (D.) 97-12-088, and modified by D.98-08-035 and other decisions, shall be modified to apply to all utilities covered by the Rules as follows: <ul style="list-style-type: none"> 1. A utility shall not trade upon, promote, or advertise its affiliate’s affiliation with the utility, nor allow the utility name or logo to be used by the affiliate or in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the utility name or logo appears that: <ul style="list-style-type: none"> a. The affiliate “is not the same company as [i.e., PG&E, Edison, the Gas Company, etc.], the utility,” and the affiliate “is not regulated by the California Public Utilities Commission.” b. In the case of energy service provider affiliates, the disclaimer will be: <p style="margin-left: 40px;">The affiliate “is not the same company as [i.e., PG&E, Edison, the Gas Company, etc], the utility, and the California Public Utilities Commission does not regulate the terms of [the affiliate’s] products and services.”</p> <p>The application of the name/logo disclaimer is limited to the use of the name or logo in California.</p>

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<p>V.F.4</p> <p>V.F.4.b Except as otherwise provided for by these Rules, a utility shall not participate in any joint activity with its affiliates. The term “joint activities” includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;</p>	<ul style="list-style-type: none"> • The term “joint activity” may be too limiting. Is it meant to preclude an utility and its affiliate working at the same volunteer event? • Could “joint activity” be replaced with “joint marketing”?
<p>V.F.4.c. A utility shall not participate with its affiliates in trade shows, conferences, or other information or marketing events held in California.</p>	<ul style="list-style-type: none"> • “Participate” needs to be defined. Can the utility and affiliate attend the same event?
<p>V.G Employees</p> <p>V.G.1. Except as permitted in Rule V E (corporate support), a utility and its affiliates shall not jointly employ the same employees. This Rule prohibiting joint employees also applies to Board Directors and corporate officers, except for the following circumstances: In instances when this Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or affiliate (but not both) to the extent consistent with Rule V E (corporate support). Where the utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for the affiliates, the prohibition against any board member or corporate officer of the utility also serving as a board member or corporate officer of an affiliate shall only apply to affiliates that operate within California. In the case of shared directors and officers, a corporate officer from the utility and holding company shall describe and verify in the utility’s compliance plan required by Rule VI the adequacy of the specific mechanisms and procedures in place to ensure that the utility is not utilizing shared officers and directors as a conduit to circumvent any of these Rules. In its compliance plan, the utility shall list all shared directors and officers between the utility and affiliates. No later than 30 days following a change to this list, the utility shall notify the Commission’s Energy Division and the parties on the service list of R.97-04-011/I.97-04-012 of any change to this list.</p>	<ul style="list-style-type: none"> • “Jointly employ” needs to be defined. • What is an employee? Does it mean the individual receives a W-2? <p>[ERISA’s nominal definition of “employee” as “any individual employed by an employer,”²⁹ U.S.C. § 1002(6), is completely circular and explains nothing.]²⁵²</p> <ul style="list-style-type: none"> • Can regulated utilities jointly employ the same employee? <ul style="list-style-type: none"> • Should this be moved to Rule VI discussion of Compliance Plan?

²⁵² <http://www.law.cornell.edu/supct/html/90-1802.ZO.html>

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>V.G.2 All employee movement between a utility and its affiliates shall be consistent with the following provisions:</p> <p>V.G.2.b Once an employee of a utility becomes an employee of an affiliate, the employee may not return to the utility for a period of one year. This Rule is inapplicable if the affiliate to which the employee transfers goes out of business during the one-year period. In the event that such employee returns to the utility, such employee cannot be retransferred, reassigned, or otherwise employed by the affiliate for a period of two years. Employees transferring from the utility to the affiliate are expressly prohibited from using information gained from the utility in a discriminatory or exclusive fashion, to the benefit of the affiliate or to the detriment of other unaffiliated service providers.</p>	<ul style="list-style-type: none"> • What is the purpose of this section? To limit the sharing of data, or to limit the utility’s fostering employees to the ultimate benefit of the affiliates? • “Once an employee of a utility” may be read that this Rule is only applicable to employees who start at the utility. • “For a period of one year” -- Why the one year period?
<p>V.G.2.c When an employee of a utility is transferred, assigned, or otherwise employed by the affiliate, the affiliate shall make a one-time payment to the utility in an amount equivalent to 25% of the employee’s base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15%) is appropriate for the class of employee included. In the limited case where a rank and file (non-executive) employee’s position is eliminated as a result of electric industry restructuring, a utility may demonstrate that no fee or a lesser percentage than 15% is appropriate. All such fees paid to the utility shall be accounted for in a separate memorandum ...</p>	<ul style="list-style-type: none"> • Language is unclear. Is payment required each time the employee is employed by the affiliate, or just a single “one-time” payment”? • Restructuring is no longer a relevant issue.
<p>V.G.2.d Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.</p>	<ul style="list-style-type: none"> • Should rules specifically require cell phones and computers be wiped clean when an employee is transferred? • Deactivate emails? • What about access to information on the cloud?

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>V.G.2.e A utility shall not make temporary or intermittent assignments or rotations to its energy marketing affiliates. Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee’s chargeable time in any calendar year) by affiliates not engaged in energy marketing only if:</p>	<ul style="list-style-type: none"> • Need to clarification between 1) temporary assignments 2) shared services, and 3) loaned labor. • It appears that temporary assignments are allowed a broader range of services, e.g., temporary assignment allows engineering, but shared services does not. • Can there be temporary assignments to shared services? • If Human Resources sets up an HR system for an affiliate is it loaned labor or shared service? • Should programs such as PG&Es MBA management rotation program be subject to this Rule? • Is sharing of best practices permissible? If so, what type of information may be shared, and how should employees’ time be charge? Is it possible for the Rules to specifically allow sharing of best practices between other regulated local distribution companies and/or affiliates outside California or the United States?
<p>V.G.2.e.i All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market value. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.</p> <p>V.G.2.e.ii Utility needs for utility employees always take priority over any affiliate requests;</p> <p>V.G.2.e.iii No more than 5% of full time equivalent utility employees may be on loan at a given time;</p> <p>V.G.2.e.iv Utility employees agree, in writing, that they will abide by these Affiliate Transaction Rules; and</p> <p>V.G.2.e.v Affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.</p>	<ul style="list-style-type: none"> • According to SCG and SDG&E, there are inconsistencies between the Sempra merger rules, Resolution G-3238 and the Affiliate Transaction Rules regarding whether the transfer fee should be based on on fully loaded or base labor costs. • None of the three utilities uses fair market value (compensation is considered fair market value)

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>V.H Transfer of Goods and Services</p> <p>To the extent that these Rules do not prohibit transfers of goods and services between a utility and its affiliates, and except for as provided by Rule V.G.2.e., all such transfers shall be subject to the following pricing provisions:</p> <ol style="list-style-type: none"> 1. Transfers from the utility to its affiliates of goods and services not produced, purchased or developed for sale by the utility will be priced at <u>fully loaded cost plus 5% on fully loaded labor.</u> 2. Transfers from an affiliate to the utility of goods and services not produced, purchased or developed for sale by the affiliate will be priced at the lower of fully loaded cost <u>or fair market value.</u> 	<ul style="list-style-type: none"> • Could establish a threshold value for the requirement for comparison to fair market value, say \$50,000?
<p>Rule VI. Regulatory Oversight</p>	
<p>Rule VI.A Compliance Plans No later than June 30, 2007, Each utility shall file a revised compliance plan by advice letter. <u>Each utility shall file a compliance plan annually by advice letter with the Energy Division of the Commission when there is some change in the current compliance plan (i.e., where there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).</u> The compliance plan shall include:</p> <ol style="list-style-type: none"> 1. A list of all affiliates of the utility, as defined in Rule I A of these Rules, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II.B makes these Rules applicable to the affiliate; 2. A demonstration of the procedures in place to assure compliance with these Rules. <p>The utility's compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter where there is some change in the compliance plan (i.e., where there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).</p>	<ul style="list-style-type: none"> • Edits to remove reference to initial issuance of the Rules • Streamline the filing if there are only minor changes to the compliance plan? • Include other compliance plan requirements from elsewhere in the Rules.

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<p>Rule VI.B New Affiliate Compliance Plans. Upon the creation of a new affiliate, the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board website. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission. The advice letter shall state the affiliate’s purpose or activities, whether the utility claims that Rule II B makes these Rules applicable to the affiliate, and shall include a demonstration to the Commission that there are adequate procedures in place that will ensure compliance with these Rules.</p> <p>VI.E Officer Certification</p> <p>No later than March 31 of each year, the key officers of a utility and its parent holding company, as defined in Rule V E (corporate support), shall certify to the Energy Division of the Commission in writing under penalty of perjury that each has personally complied with these Rules during the prior calendar year. The certification shall state:</p> <p>I, [name], hold the office of [title] at [name of utility or holding company], and occupied this position from January 1, [year] to December 31, [year].</p> <p>I hereby certify that I have reviewed the Affiliate Transaction Rules Applicable to Large California Energy Utilities of the California Public Utilities Commission and I am familiar with the provisions therein. I further certify that for the above period, I followed the Rules and am not aware of any violations of them, other than the following: [list or state “none”].</p> <p>I swear/affirm these representations under penalty of perjury of the laws of the State of California.</p> <p>_____ [Signature]</p> <p>Executed at _____ [City], County of _____, on _____ [Date]</p>	<ul style="list-style-type: none"> • What is “immediately”? Should specify the number of days. • Is an Advice Letter filing necessary for changes in affiliate status – name change, mergers, dissolution. Is it sufficient just to update the compliance plan? • The IOUs have modified the language in their filed compliance plan to include the following clarification. <p><i>“This certificate is based upon information and belief and does not include violations, if any, already reported to the Commission and/or publicly posted during the reporting period consistent with the utilities’ CPUC affiliate compliance plans. This certificate also excludes audits or investigations, if any, still in progress at the end of the reporting period. If violations are ultimately found, they will be posted and/or reported consistent with the utilities’ CPUC affiliate compliance plans.”</i></p> • Once the modification is agreement upon consider using a standard form to discourage modifications.
<p><u>VI.F. Each utility shall designate an Affiliate Compliance Manager who is responsible for compliance with these affiliate rules and the utility’s compliance plan adopted pursuant to these rules. Such officer shall also be responsible for receiving, investigating, and attempting to resolve complaints. The Affiliate Compliance Manager may, however, delegate responsibilities to other officers and employees.</u></p>	<ul style="list-style-type: none"> • Moved from VIII.C.2

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>VI.F Utility Actions to Detect, Monitor and Report violations</p> <p>V.F.1. Prior to a violation occurring, the utility must be familiar with applicable laws and regulations. Most critically, the utility must regularly review its own operations to ensure full compliance.</p> <p>V.F.2. The utility must monitor diligently its activities.</p> <p>V.F.3. When the utility is aware that a violation has occurred, the utility must promptly bring it to the attention of the Commission. The precise timetable that constitutes “prompt” will vary based on the nature of the violation. Violations which physically endanger the public must be immediately corrected and thereafter reported to the Commission staff. Reporting violations should be remedied at the earliest administratively feasible time.</p>	<ul style="list-style-type: none"> • Insert (with some modifications) excerpts from Rule VIII that pertain to Utility conduct. <p>VIII.D.2.b.ii.(1) Prior to a violation occurring, prudent practice requires that all public utilities take reasonable steps to ensure compliance with Commission directives. This includes becoming familiar with applicable laws and regulations, and most critically, the utility regularly reviewing its own operations to ensure full compliance. In evaluating the utility’s advance efforts to ensure compliance, the Commission will consider the utility’s past record of compliance with Commission directives.</p> <p>VIII.D.2.b.ii.(2) The Commission expects public utilities to monitor diligently their activities. Where utilities have for whatever reason failed to meet this standard, the Commission will continue to hold the utility responsible for its actions. Deliberate as opposed to inadvertent wrong-doing will be considered an aggravating factor. The Commission will also look at the management’s conduct during the period in which the violation occurred to ascertain particularly the level and extent of involvement in or tolerance of the offense by management personnel. The Commission will closely scrutinize any attempts by management to attribute wrong-doing to rogue employees. Managers will be considered, absent clear evidence to the contrary, to have condoned day-to-day actions by employees and agents under their supervision.</p> <p>VIII.D.2.b.ii.(3) When a public utility is aware that a violation has occurred, the Commission expects the public utility to promptly bring it to the attention of the Commission. The precise timetable that constitutes “prompt” will vary based on the nature of the violation. Violations which physically endanger the public must be immediately corrected and thereafter reported to the Commission staff. Reporting violations should be remedied at the earliest administratively feasible time.</p>

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>Task 7 — Rule VII. Products and Services</p>	<p>Remove NTP&S from the Affiliate Rules. For Sempra and PG&E, all NTP&S other than Mover Services (i.e., all categories of NTP&S that existed in 1998) are included in the GRC filing. Mover Services has balancing account treatment and is addressed in a separate Advice Letter (?) filing. The process to request approval for new NTP&S would have to be addressed somewhere else.</p>
<p>VII.D Conditions Precedent to Offering New Products and Services. This Rule does not represent an endorsement by the Commission of any particular nontariffed utility product or service. A utility may offer new nontariffed products and services only if the Commission has adopted and the utility has established:</p> <p>VII.D.1 A mechanism or accounting standard for allocating costs to each <u>determining incremental costs for each</u> new product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a nontariffed basis;</p> <p>VII.D.2 A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.</p> <p>VII.D.3 Periodic reporting requirements regarding pertinent information related to nontariffed products and services; and</p> <p>VII.D.4 Periodic auditing of the costs allocated to and the revenues derived from nontariffed products and services.</p>	<ul style="list-style-type: none"> Utilities use incremental costs. The CPUC provided details and guidance to Sempra regarding incremental costs in CPUC Resolution G-3273²⁵³ <p>The fully-loaded overhead costs should include the space occupied by the employee, office supplies, equipment (such as phones, computers, copy machines, office furniture), and any other direct costs incurred in the provision of the service. Using these fully-loaded costs is the appropriate method for tracking the true costs of the program and it prevents cross-subsidization by ratepayers</p> <ul style="list-style-type: none"> Reporting requirements are addressed in VII.H

²⁵³ SCG DR 102

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>VII.H Periodic Reporting of Nontariffed Products and Services</p> <p>Any utility offering nontariffed products and services shall file periodic reports with the Commission’s Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission. The utility shall serve periodic reports on the service list of this proceeding. The periodic reports shall contain the following information:</p> <p>VII.H.3 The costs allocated to <u>incremental cost of</u> and revenues derived from each category; and</p> <p>VII.H.4 Current information on the proportion of relevant utility assets used to offer each category of product and service.</p>	<ul style="list-style-type: none"> • Outdated language • See discussion of VII.D.1
<p>Task 8 – Rule VIII. Complaint Procedures</p>	<p>Re-write the rule to move discussions of utility’s responsibilities to Rule VI.</p>
<p>VIII.C.2 Each utility shall designate an Affiliate Compliance Manager who is responsible for compliance with these affiliate rules and the utility’s compliance plan adopted pursuant to these rules. Such officer shall also be responsible for receiving, investigating, and attempting to resolve complaints. The Affiliate Compliance Manager may, however, delegate responsibilities to other officers and employees. The utility shall investigate and attempt to resolve the complaint.</p> <p>VIII.C.2.a The utility shall investigate and attempt to resolve the complaint. The resolution process shall include a meet-and-confer session with the complainant. A Commission staff member may, upon request by the utility or the complainant, participate in such meet-and-confer sessions and shall participate in the case of a whistleblower complaint.</p> <p>VIII.D.2 Any public utility which violates a provision of these rules is subject to a fine of not less than five hundred dollars (\$500), nor more than \$20,000 <u>\$50,000</u> for each offense. The remainder of this subsection distills the principles that the Commission has historically relied upon in assessing fines and restates them in a manner that will form the analytical foundation for future decisions in which fines are assessed. Before discussing those principles, reparations are distinguished.</p>	<ul style="list-style-type: none"> • Move to Rule VI. (See section VI.F) • As of January 2012, SB 879 increased the penalties from up to \$20,000 per violation to up to \$50,000: “This bill ... increases the penalty per violation from \$20,000 to \$50,000 for violation of statute, commission rules, orders, or other directives.”

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>VIII.D.2.b.ii This factor recognizes the important role of the public utility’s conduct in (1) preventing the violation, (2) detecting the violation, and (3) disclosing and rectifying the violation. The public utility is responsible for the acts of all its officers, agents, and employees:</p> <p>“In construing and enforcing the provisions of this part relating to penalties, the act, omission, or failure of any officer, agent or employee of any public utility, acting within the scope of his [or her] official duties or employment, shall in every case be the act, omission, or failure of such public utility.” Public Utilities Code §2109.</p> <p><u>This factor addresses the utility’s compliance with the Rules, including, but not limited to Rule VI</u></p> <p>VIII.D.2.b.ii.(1) Prior to a violation occurring, prudent practice requires that all public utilities take reasonable steps to ensure compliance with Commission directives. This includes becoming familiar with applicable laws and regulations, and most critically, the utility regularly reviewing its own operations to ensure full compliance. In evaluating the utility’s advance efforts to ensure compliance, the Commission will consider the utility’s past record of compliance with Commission directives.</p> <p>VIII.D.2.b.ii.(2) The Commission expects public utilities to monitor diligently their activities. Where utilities have for whatever reason failed to meet this standard <u>diligently monitor their activities</u>, the Commission will continue to hold the utility responsible for its actions. ...</p>	<ul style="list-style-type: none"> • Edits move description of utility responsibilities to Rule VI. Note that in moving to Rule VI, the nature of the language changes from “commission expectations” and prudent utility actions, to specific requirements.

Suggested Modification (Highlighted terms and edits addressed in Comments)	Comments
<p>IX.C Ring-Fencing</p> <p>Within three months of the effective date of the decision adopting this amendment to the Rules, a utility shall obtain a non-consolidation opinion that demonstrates that the ring-fencing around the utility is sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company. The utility shall promptly provide the opinion to the Commission. If the current ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the utility shall promptly undertake the following actions:</p> <ol style="list-style-type: none"> 1. notify the Commission of the inability to obtain a non-consolidation opinion; 2. propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company; and then 3. obtain a non-consolidation opinion. 	<ul style="list-style-type: none"> • As currently written, this Rule has no requirements. • Should this Rule be updated to obtain a non-consolidation opinion every five (or ten?) years, or when there is a significant change (define significant). • It is not clear what the Commission expects, or what triggers the need for notification. • Should there be an affirmative filing to document that there are no changes?

22. The Commission should enforce the current Rules and issue an Order Instituting Rulemaking (OIR) to amend the Rules.

Appendix A
Pacific Gas and Electric Company
2010 and 2011 Affiliate Transaction Audit Data Request List

1. Provide all utility policies and procedures that pertain to implementation of, and compliance with, the Affiliate Transaction Rules. In addition to current versions of the procedures, please provide the version(s) of the procedures which were in effect during the 2010-2011 audit period.
2. Provide copies of all previous Affiliate Transaction Rules audits.
3. Provide data requests (log, if available) and the responses to all data requests for the ATR compliance audits conducted since 2000.
4. Provide the implementation status of all recommendations from each of the previous Affiliate Transaction Audits since 2000.
5. List all audits completed or planned covering activities in the 2010 - 2011 audit period by internal or external auditors.
6. Provide an indexed list and a web address (electronic copy if not available online) of all Commission rulings and decisions, that are relevant to the utility's affiliate compliance program and affiliate transaction rules.
7. Provide a listing of all corporate policy manuals, plus a table of contents for each, as well as unrestricted access to all manuals.
8. Provide access to the articles of incorporation for all Affiliates created during CY2010 and CY2011.
9. Provide the Board of Directors minutes. (Access to complete set) for calendar years 2010 and 2011.
10. Provide the names of any utility officers that are also officers of the holding company and any affiliates for CY2009 through CY2012. Also provide their respective terms of employment.
11. List all parent company officers' names; titles; office location; responsibilities.
12. Provide year 2010 and 2011 annual reports for the utility, the holding company, and any affiliates.
13. Provide a list of all affiliates and explanation whether they are covered and/or not covered by the Rules. Provide web site addresses for each affiliate.
14. For each affiliate entity that provides/receives services to/from the utility, explain the type of business performed by the affiliate and nature of services provided by/to the utility to/from each affiliate.
15. Provide summary level descriptions of and documentation related to the utility's affiliate entities created during CY2010 and CY2011. Provide the rationale for whether or not these entities are covered by the Rules.
16. Provide current detailed organization charts for the utility and each affiliate which provides/receives services from the utility.
17. Identify any discounts or waivers offered to affiliates by the utility during the audit period.
18. Describe the information kept by the utility if it provides an affiliate a discounted rate, rebate, or other waiver of a charge or fee associated with services provided by the utility. Provide details of each incident.
19. Provide a copy of each tariff under which services are provided to affiliates.
20. Provide all contracts and related bids for work, products or services between the utility and affiliates. For service agreements or contracts between the utility and its affiliates, explain how these were obtained through an open, competitive bidding process.
21. Provide wholesale commodity agreements for electricity and natural gas between the utility and its affiliates and the similar agreement between the utility and a gas/electric marketer to purchase/sell natural gas or electricity.
22. Provide a summary transaction listing and documentation supporting the wholesale natural gas and power transactions between the utility and its affiliates.
23. Provide supporting details (volume, revenues, etc.) to all transactions with affiliates regarding the sale of utility excess interstate pipeline capacity and sale of unbundled utility storage (gas only).
24. Provide affiliate transaction data for physical trades and hub capacity sales in the audit period (gas only).

25. Provide summary lists by counterparty of the number of transactions and commodity quantity that the utility entered into during the audit period for the procurement and sale of electricity, and natural gas for electricity production.
26. List the utility's Energy Marketing Affiliates and where they may be found on the utility's web site and in the compliance plan and in specific policies and procedures related to transactions with the utility.
27. Identify any utility customers assigned to an affiliate during the audit period.
28. Provide an overview of the utility's methodology for processing requests for changes to electric or natural gas provider.
29. Provide access to records for service requests. Include reporting of outages, establishing new service, billing inquiries, requesting ESP lists and discontinuing service.
30. Provide a spreadsheet of customers assigned account representatives. Provide the customer name, the account representative, the electricity provider and the natural gas supplier.
31. Provide the goals and objectives for Commercial/Industrial customer services account managers and their job descriptions.
32. Provide Commercial/Industrial customer services account managers presentations to trade industries during 2010 and 2011.
33. Describe the process which the utility provides access to utility information, services, and unused capacity or supply for all similarly situated market participants.
34. Provide relevant details regarding meetings during the audit period between non-shared utility employees and energy marketing affiliates.
35. Provide a list of energy contracts with affiliates resulting from RFO/RFP/RFQ processes.
36. Provide a description of the utility's direct access program during 2010 and 2011.
37. Describe the nature of customer information that the utility provides to third parties (affiliates and unaffiliated entities). Provide examples.
38. Describe utility techniques to garner affirmative customer written consent to release information to third parties (affiliated and unaffiliated entities). Provide examples.
39. Describe how the utility offers or provides customers advice or assistance with regard to its affiliates or other service providers.
40. Provide access to third-party customer information request forms and summary reports. Also provide sample forms submitted on behalf of end-use customers. Provide available electronic database files.
41. Provide examples (formats) of utility bill statements during the audit period 2010 and 2011.
42. Provide all requests by affiliates for non-customer specific non-public information. For each request, describe how the information requested was made available to other service providers and the public.
43. Provide a description of any non-public Supplier information or data received from suppliers and provided to the utility's affiliates. For all cases, provide written affirmative authorization for the supplier.
44. What codes other than GL Account numbers are used to identify transactions processed in SAP? (for example, internal order number) Please explain the purpose of each such identifier including how they are used to identify affiliate charges.
45. Provide marketing and advertising materials for products or services provided by the utility's affiliates placed in local media in the utility's service territory during the audit period, plus brochures for products and services provided by the utility's covered affiliates.
46. Identify known occurrences where the utility participated in joint advertising or joint marketing with its affiliates.
47. Provide copies of any advertising space provided to affiliates in the utility's billing envelopes or any other form of the utility's customer written communication.
48. Provide copies utility customer bill inserts during the audit period.
49. Provide copies utility marketing/advertising materials distributed during the audit period.
50. Provide an annotated listing (including title, brief description, total budget, project manager, and funding source) of all utility R&D projects open anytime during the audit period.

51. Provide a list of R&D projects funded jointly by the utility and its affiliates.
52. Identify any instances the utility shared or subsidized costs, fees, or payments with its affiliates for R&D activities or investment in advanced technology research.
53. Identify all affiliate payments to the utility for employee transfers to an affiliate, including an identification of the employee, affiliate to which the employee transferred, and base salary of the employee prior to the transfer.
54. Provide a description of the process used by the utility to account for affiliate payments made to the utility for employee transfers.
55. Identify the number and type of work performed by employees that are jointly employed by the utility and its affiliates.
56. List all employee transfers among the utility and affiliates during the audit period, indicating name, title, transfer date, and the department or affiliate 'from and to' location.
57. Identify any utility employees who are/were on temporary or intermittent assignments, or rotations to its affiliates during the audit period. Describe the methodology employed to obtain a temporary employee and the types of records maintained.
58. Provide all reports of labor hours and charges from the utility to any affiliate for temporary or intermittent assignments. Provide an explanation of how the utility manages and controls this activity to comply with Rule V.G.2.e
59. For each person identified at the end of year 2010 and year 2011 who transferred from the utility to an affiliate or from an affiliate to the utility, provide all relevant transfer and termination dates.
60. For each person identified at the end of year 2010 and year 2011 who transferred from an affiliate to the utility, provide information on whether they had previously worked for the utility and in what capacity. For each person who had previously worked for the utility, provide the date of their transfer from the utility to the affiliate.
61. For each utility loaned employee and subsequently transferred to a covered affiliate during the audit period, provide the following information:
 - Name, title, and employee number
 - Originating and final department and company
 - Dates on which the employee was loaned
 - Date on which the transfer was made
 - Dates on which the employee was offered and accepted the transfer
62. Provide the information system access termination documentation.
63. Provide copies of all forms used when an employee transfers into the utility from an affiliate and out of the utility to an affiliate whether the affiliate is covered by the Rules or not.
64. Provide utility time reporting instructions/training materials for new hires
65. Describe the utility's computer system structure including mainframe and distributed systems in operation during the audit period. Also provide documentation and related charts of computer hardware architecture for the audit period.
66. Describe IT security administration procedures governing requests and approvals for obtaining access to all utility computer systems.
67. List affiliate employees with access (employee name, employee title, affiliate company name, application name, application description) to the utility's computer system.
68. Provide a description of computer system access and security for any employees who have remote computer access.
69. List affiliate employees with access to shared service computer systems, describe each shared application, and provide contact information for each application.
70. Provide a list of any affiliates with remote access privileges to utility network/computer systems. Include employee name and company name.

71. Provide a list, project description, and identifying number of any shared software development services projects that are in process or completed during the audit period.
72. Provide one listing of all purchasing manuals, a table of contents for each, as well as unrestricted access to all manuals. Identify policies that deal with affiliate transactions. Note any revisions during the audit period.
73. Summarize all joint purchasing arrangements between the utility and affiliates including a listing of joint purchases during the audit period.
74. List all office and work facilities occupied by the utility and its affiliates. Include the address, type of use, square footage, ownership (specify if owned or leased by the Company, or an affiliate), and cost per square foot.
 - List facilities occupied solely by the utility.
 - List facilities occupied by a covered affiliate.
 - List facilities jointly occupied by the utility and affiliates
75. List of persons with dedicated space or telephone extensions housed within utility facilities who are employees of the utility's affiliates and/or parent company. Provide name, title, office location, employer, and a brief description of responsibilities.
76. Provide any service agreements or contracts, between the utility and its affiliates.
77. List all property transfers involving the utility and any covered affiliate, including date, value, and reason for the transaction (Sec 851) during the audit period.
78. List all asset transfers from the utility to any covered affiliate, including date, value, and reason for the transaction during the audit period.
79. Provide access to a complete chart of accounts for the utility and the holding company. Provide an explanation of the structure of GL Account numbers.
80. Provide the utility's trial balance for each month during the audit period.
81. Please provide the Annual Affiliate Transactions Reports that report transactions occurring during calendar years 2010 and 2011. Please provide all associated appendices.
82. Provide a list of accounting manuals, a table of contents for each, and unrestricted access to all manuals. Highlight any significant changes made during the audit period.
83. Explain how the utility calculates the fully loaded costs of services provided to affiliates. Note any revisions for the audit period.
84. Provide an overview of how affiliate charges are identified, accumulated, assigned, and allocated. Note any revisions during the audit period.
85. Provide the corporate cost allocation manual and all associated allocation factors for the audit period used between the utility and affiliates.
86. Describe the process and forms for billing time and expense from affiliates to the utility. Provide an overview of all application systems, transaction flow analyses, and related documentation.
87. Describe the utility's approach to the maintenance of contemporaneous records documenting transactions with its affiliates and vice-versa.
88. Provide a description of time reporting by the utility, affiliates and its parent.
89. Provide a list of shared service cost centers and allocation percentages for each cost center.
90. Provide current Sarbanes Oxley, Section 404 compliance documentation of accounting process related to affiliated company transactions from internal and external audits.
91. Explain the capital project allocations process and the treatment of depreciation allocations across the corporate enterprise.
92. Provide any lists of energy service providers provided by the utility. Includes any used at call centers, trades shows, community workshops etc.
93. Provide a list of procedures and process descriptions related to affiliate costs or billing activities which are currently available and/or were in use in 2010-2011. Please indicate the dates each procedure was in effect.

94. Provide the utility's Affiliate Transaction Rules training matrix, and training materials. Include training logs and reports and associated policies and procedures on the administration of the training program.
95. Provide any professional ethics letters, memorandums, or affidavits to management employees. Include the approximate number of employees who receive the annual ethics letter or other related information and the approximate number and type of employees required to complete any ethics affidavit.
96. Provide all officer certifications submitted in compliance with Rule VI
97. Provide copies of the utility's Affiliate Compliance Plan and associated guidelines, policies and procedures. Provide the current Affiliate Compliance Plan and the Plan(s) in effect in the 2010 - 2011 audit period.
98. Provide an overview of the process to update/edit the affiliate compliance plan.
99. Provide a list of organizations/business units and contact personnel involved in the update of the affiliate compliance plan.
100. Provide an overview of the process for notifying the Affiliate Compliance Manager of the creation of a new affiliate.
101. Provide documentation that demonstrates that the affiliate list shown on the utility's website was updated for the creation of each new affiliate.
102. List all non-tariffed products and services offered by the utility. Identify the year the offering began.
103. Describe how affiliate and utility webpage compliance is controlled.
104. Provide NTP&S reports filed by the utility with the CPUC covering NTP&S activities in 2010, 2011, and 2012.
105. Please provide the excel spreadsheets and other electronic versions of work papers supporting the NTP&S reports for the years 2010 and 2011.
106. Provide advertising materials for NTP&S used by the utility during the audit period. Also, itemize the costs by NTP&S type associated with developing and distributing these materials.
107. Describe the process to determine NTP&S incremental costs. Provide any procedures, guidelines or other documentation regarding this topic.
108. Describe the methodology in determining what portions of utility assets are utilized for providing NTP&S.
109. For each NTP&S offered in 2010 and 2011:
 - Identify the organizational entity responsible for the NTP&S.
 - Describe the business service or product offered, including its mission statement and operational market goals.
 - Describe each market into which each NTP&S is being sold, including discussions of the size of the market and of the competitors in this marketplace.
 - Description of how its entry into the market has affected the relevant marketplace.
110. Provide Advice Letters filed for each NTP&S offering.
111. Describe the NTP&S sharing mechanism and the accounting associated with the shared NTP&S costs and revenues, e.g., are the amounts recorded in a balancing account? Who records the costs and revenues in the general ledger?
112. Provide the Commission Decision/Resolution regarding the NTP&S sharing mechanism.
113. Provide CPUC Advice Letters or other filings regarding the NTP&S sharing mechanism for NTP&S activities in 2010 and 2011.
114. Provide any NTP&S training materials and provide a list of employees who received NTP&S training in 2010 and 2011.
115. Identify the name, location and telephone number of the Affiliate Compliance Manager.
116. Describe the responsibilities of the Affiliate Compliance Manager.
117. Provide information on Affiliate Transaction Rules violations or potential violations that have come to the attention of the utility during the audit period. Include the rule, relevant facts and resolution.
118. List all affiliate transaction non-compliance complaints during the audit period.
119. Provide the utility's policies & procedures for investigation, reporting and remediation of complaints.

120. Provide a description of each manner (e.g., 24 hour hotline, internet, email, telephone, internal/external correspondence etc.) in which the affiliate compliance department is contacted for affiliate transaction compliance issues.
121. Provide the Rule IX Reports submitted to the CPUC.
122. Commission Resolution G-3461 and all other CPUC Orders, Applications and Advice Letters, regulatory filings and testimony (including interveners') regarding the affiliate status of SolarCity Corporation and SunRun, Inc.
123. Procedures to ensure compliance with the ATRs for the "non-affiliates" SolarCity and SunRun in each year, 2010, and 2011
124. Methods and metrics to ensure "non-affiliates" SolarCity and SunRun were compliant with the ATRs in each year, 2010, and 2011
125. Provide copies of all advice letters to the CPUC providing notification of the creation of a new affiliate.
126. Provide a description of the procedures used by the utility to immediately notify the CPUC that a new affiliate has been created. Provide documentation for each new affiliate supporting that said notification has been made.
127. Provide documentation supporting timely posting on the utility's website for 2010 and 2011 of notices of Provision of Supply, Capacity, Services or Information to an affiliate.
128. Please provide documentation supporting timely posting on the utility's website for 2010 and 2011 of notices of Provision of Non-Customer Specific, Non-Public Information.
129. Please provide documentation supporting timely posting on the utility's website for 2010 and 2011 of notices of discounts, rebates, tariff deviation and Fee Waiver.
130. Please provide the process utilized by the utility to make offering of excess capacity and supply.
131. Please provide an overview of the utility's GCIM hedging program (Gas only).
132. Please provide the database of all GCIM financial transactions during 2010 and 2011 (gas only).
133. Access to call center scripts, procedures, talking points and other training materials.
134. Scripts of all bill messages during the audit period.
135. Provide a list of labor hours charged by the utility to any affiliate for rotational assignments as described in the Affiliate Billing presentation dated 8/8/13.
136. Provide a list of labor hours charged by the utility to any affiliate for direct services as described in the Affiliate Billing presentation dated 8/8/13
137. Provide work papers supporting Internal Audit's review of Affiliate Rules Compliance (preferably during the week of September 9, 2013).
138. Provide lists of all internal audits performed in 2010 and 2011.
139. Provide the cited internal audits in the 2010 and 2011 ATR reports: Audit of Intercompany Accounting/Affiliate Transactions (2/2010); Audit of Fuelco, LLC (2/2010);
140. Provide records of joint purchases reported to the C&E in 2010 and 2011 as specified in Compliance Plan and the Affiliate Company Transactions Procedures.
141. Provide the Compliance and Ethics Helpline database for 2010 and 2011 cited in DRs 118 and 120 (re complaints). If this is unduly burdensome, we can review database on site.
142. Listing and rationale for II.B classification for all affiliates created since 1/1/2006. In addition, please provide: 1) Organization charts showing personnel resources, 2) Description of all projected projects and services and a description of all actual products and services, 3) Articles of Incorporation.
143. Provide access to PG&E Intranet to review 1) Articles of Incorporation (per DR 3); 2) Affiliate Listings (per DR 13); 3) Board Minutes (per DR 9); Affiliate services provide not described in Advice Letter (per DR 14).
144. With Reference to DR 16, provide org charts for 2010 and 2011.
145. List participants in Executive MBA Program in 2010 and 2011. List name, title, PG&E duties, MBA Program activities and duties, temporary labor agreement, charges summary for 2010 and 2011 by month.
146. Annual budget by affiliate for each affiliate II.B and not II.B for CY 2010 and CY 2010.

147. Provide the California Solar Initiative Handbook in use during the audit period, and any modifications to "codify" its practices of treating all applicants fairly and without discrimination as stated in PG&E's filing re: Resolution G-3461, dated April 26, 2012.
148. PG&E Policies and Procedures manual regarding administration of the solar rebate program.
149. Any audits performed for PG&E's processing of CSI reservation requests, incentive claims, and inspection program (including rate of inspection).
150. List of CSI project inspections in 2010 and 2011. Include Applicant/Solar Contractor name and inspection results. If there were routing reports issued, please provide the report, in excel or word if available.
151. Provide an Excel or Access data file that contains all charges to affiliate orders during 2010 and 2011. Data for each charge should include all the identifying information from SAP. (Supplement 10/14/2013)
152. Copies of all brochures, promotional materials, etc. advertising the Smarter Energy Line or providing its phone number during the 2010-11 audit period.
153. Copies of all SunRun Pacific Solar, LLC, Sequoia Pacific Solar I, LLC and Solar City marketing, advertising, and promotional materials during the 2010-11 audit period. Please provide the same information for any subsidiary companies of SunRun Pacific Solar, LLC, Sequoia Pacific Solar I, LLC and Solar City that deal more directly with customers.
154. Copies of communications issued to employees telling them to comply with rule V.F. Please provide a list of training classes and attendees.
155. Provide any internal audits of NTP&S
156. Provide a copy of the Compliance and Ethics Helpline database for 2010 and 2011
157. Work papers supporting the costs included in ATR reports Section E. TRANSFERS OF TANGIBLE ASSETS for 2010 and 2011.
158. Please identify any transaction with affiliates by PG&E's Real Estate, Facilities, and Fleet Services groups during the 2010/2011 audit period. Please provide descriptions of the procedures used by Real Estate & Facilities and Fleet Services to maintain of contemporaneous records documenting transactions with affiliates.
159. Provide a description of which areas of utility facilities are restricted for employees of covered affiliates. List any restrictions on PG&E Holding Company employees, covered and non-covered affiliates.
160. Please give the office location of each holding company employee in 2010 and 2011.
161. Please give the office location of each II.B affiliate employee in 2010 and 2011
162. Provide the list of permitted joint purchases at the website: <http://pgeatwork/Compliance/Pages/AffiliateRules.aspx>, as cited in the Compliance Plan (we do not have access to PG&E's intranet)
163. Provide the Rule 21 Interconnection Tariff in effect during the audit period. Explain when it changed from a serial to a cluster process and what types of interconnection customers this change affected.
164. As discussed with Steve Knaebel et al. provide a list of all nonutility employees or contractors who had access to any utility applications or computer data during the audit period. For each such person, provide the dates of access and the applications and data bases each person had access to. Consider access to SAP for transactions for affiliates as a separate application than SAP for the utility.
165. As discussed with Steve Knaebel et al. provide a list of all utility employees or contractors who had access to any affiliate applications or computer data during the audit period. For each such person, provide the dates of access and the applications and data bases each person had access to. Consider access to SAP for transactions for the utility as a separate application than SAP for affiliates. (Supplemented 12/23/2013)
166. As discussed with Steve Knaebel et al. During the audit period did utility employees have access to a company address book that included affiliate employees and if they did, did the address book provide self-populating of email address fields. For example if the user typed "Darr" might they system complete the address as Darrell.Smith@PGEAffiliate.com
167. As discussed with Steve Knaebel et al. Provide the report of recorded capital structure, as described by Dick Patterson on 9/9, for each month of the audit period.

168. As discussed with Steve Knaebel et al., provide copies of any waivers applied for under Rule IX of the Affiliate Transaction Rules during the audit period or related to the audit period.
169. As discussed with Steve Knaebel et al., provide a copy of the ring fencing opinion provided to the CPUC after passage of the modified Affiliate Transaction Rules containing Rule IX and any changes to that opinion since it was originally issued.
170. As discussed with Steve Knaebel et al., provide a copy of the ring fencing opinion provided to the CPUC after passage of the modified Affiliate Transaction Rules containing Rule IX and any changes to that opinion since it was originally issued.
- Calaska Energy Company
 - Standard Pacific Gas Line Incorporated
 - Pacific California Gas System, Inc.
 - Eureka Energy Company
 - Pacific Gas Properties Company
 - Natural Gas Corporation of California
 - NGC Production Company
 - Alaska Gas Exploration Associates
 - PG&E CalHydro, LLC
 - Midway Power LLC
 - PG&E National Energy Group, Inc.
 - PG&E Capital, LLC
171. Referring to the same list of entities listed in DR 170, please provide an explanation of whether or not they were included in utility rates during CY2010 or CY2011.
172. Referring to the same list of entities listed in DR 170, please provide an explanation of how they are subject to rates and regulation by the CPUC.
173. Referring to the same list of entities listed in DR 170 that were included in utility rates in CY2010 or CY2011, please provide the amount of electric or gas rates attributable to each and specific reference to work papers submitted to the CPUC or GRC filing documentation demonstrating their inclusion.
174. Referring to the same list of entities listed in DR 170, please provide a list of all officers of the entity during CY2010 and CY2011.
175. For those employee transfers requested in DR 53 and directed to Section H of the Affiliate Transactions Report (for the years 2010 and 2011), please provide the voucher number (or transaction control number) and the date that each transfer fee was paid to the utility. Provide documentation for verification during the week of October 21, 2013 while NorthStar CPA auditors are on site.
176. For each of those employee transfers requested in DR 53 and directed to Section H of the Affiliate Transactions Report (for the years 2010 and 2011), please provide documentation for verification of the fee calculation during the week of October 21, 2013 while NorthStar CPA auditors are on site.
177. Please provide an electronic copy of the affiliate entity materials provided by Doreen Ludemann 9-10-2013.
178. Please provide copies of PG&E BOD minutes pages 297 – 305 for CY2010.
179. Please provide copies of PG&E BOD minutes pages 431 – 432 for CY2011
180. Please confirm the number of employees working in each of the PG&E “subsidiary” entities and affiliate entities shown on page A.3-1 in the 2010 and 2011 Annual Report on Affiliate Transactions.
181. Please provide a listing of all counterparties and associated volumes for wholesale natural gas transactions executed by PG&E during 2010 and 2011.
182. Please provide a listing of all counterparties and the number of transactions by type (swap, swing etc.) of financial transactions for natural gas executed by PG&E during 2010 and 2011.
183. Please provide a list of CSI program managers for 2010 and 2011.
184. Please provide a copy of the additional online training for affiliate transaction rules provided to CSI program managers.
185. Please provide records of completion for the online affiliate transaction training for CSI program managers.

186. Please provide the number of executed contracts by year for each of PG&E's solar marketing partners, SunRun and all its subsidiaries, holding companies, affiliates, and partners, SolarCity and all its subsidiaries, holding companies, affiliates and partners, and Sequoia and all its subsidiaries, holding companies, affiliates and partners.
187. Please arrange for the records of third party customer information requests (all customer segments) for years 2010 and 2011 (some are archived at PG&E's Geneva Facility) to be on site during NorthStar's next visit. (Supplemented 12/20/2013)
188. Please amend DR 40 to include the Excel tracking databases for 2010 and 2011 as discussed with Tasi Barton.
189. DR 96 does Attachment 6 does not include the certifications as indicated in the response to DR 96. Please provide the attachments.
190. Rule VI.E defines key officers as, "For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in each case, any and all officers whose responsibilities are the functional equivalent of the foregoing." Please define for 2010 and 2011, who are the functional equivalents for Pacific Gas and Electric Company chief executive officer, Pacific Gas and Electric Company chief regulatory officer and Pacific Gas Electric Corporation chief regulatory officer.
191. Please explain why and under what authority, PG&E modified the officer certification text required in Rule VI.E to include a footnote exempting previously reported violations and violations under investigation.
192. In reference to natural gas procurement for electric generation, please provide a list of counterparties from which PG&E procured natural gas in 2010 and 2011.
193. In reference to interview with Roger Graham and Allen DeBrum, please provide a list of all counterparties where PG&E entered into storage and backbone pipeline system contracts during 2010 and 2011.
194. In reference to interview with Aparna Narang, please provide a list of all counterparties where PG&E had physical and financial trades during 2010 and 2011.
195. Please provide copies of all Compliance and Ethics Department periodic memoranda distributed to PG&E Corporation and its subsidiaries during 2010 and 2011 as referenced on page 1 of the 2011 Affiliate Compliance Plan.
196. Please provide copies of all documents in data responses that direct NorthStar to a PG&E intranet site.
197. Please provide copies of all documents in the PG&E compliance plans that direct employees to the PG&E intranet site.
198. Please provide copies of the 2010 and 2011 annual communications issued to Utility, PG&E Corporation and affiliates referenced on page 7 of the 2011 Affiliate Compliance Plan.
199. With reference to DR 107, please provide the "Non-tariffed Products and Services Process Manual."
200. Follow-up to 9/12 interview with William Chung and Angie Wong. Please provide Excel or Access database listing all interconnection applications with SunRun or SolarCity as the contractor which were completed in 2010 and 2011. Please provide rate type for each application. (Supplemented 12/12/13)
201. Follow-up to 9/12 interview with William Chung and Angie Wong. Please provide Excel or Access database listing all Standard NEM interconnection applications completed in 2010 and 2011. Please provide the following information:
- Contractor
 - Application Received Date
 - Whether Initial Application was Incomplete
 - PTO Date (**Supplemented 12/12/13**)
202. Follow-up to 9/12 interview with William Chung and Angie Wong. Please provide Excel or Access database listing all **Expanded NEM** interconnection applications completed in 2010 and 2011. Please provide the following information:
- Contractor
 - Application Received Date
 - Whether Initial Application was Incomplete

- Whether Fast Track or Required Supplemental Review
 - Contract Issuance Date
 - Contract Receipt Date
 - PTO Date (**Supplemented 12/12/13**)
203. Follow-up to 9/11 interview with Andrew Yip. Please provide a list of fields and a description of each field in the CSI rebate application tracking tool. Please provide information in Excel or Word (not a pdf file).
204. Follow-up to 9/11 interview with Andrew Yip. Please provide a list of meetings with contractors in 2010 and 2011 to discuss possible changes to the CSI program.
205. Follow-up to 9/9 interview with J. Toy and Eric Wirth. Please provide Excel database with NTP&S cost and revenue data for the years 2010 and 2011. Any questions, please call Liz Lemkul @510-384-5697.
206. The information copied from genref by Angela Anderson during the 9/12/13 session with Michele Williams (not yet received).
207. A DVD of the Compliance and Ethics training video. Provide all similar videos or training courses in effect in 2010 and 2011.
208. Solar call guide
209. Recordings of the following calls reviewed during the 9/11 Call Center site visit (as reviewed with Laurie Armstrong)
- a. Call 610420004431622 7/19 11:46am rep 50068.
 - b. 610247003544890 5/16/13 7:17 pm 10267. Solar City call.
 - c. 610421003226638 2/4/13 3:25 pm 2565c3. Solar City call.
 - d. 610420004783475 Sun Run
 - e. 61042005207726. Solar Company vendor call
210. The following materials obtained from the call center on 9/11/13 (attached):
- a. Extracts of information copied from gen ref
 - b. List of call center phone numbers
 - c. Call monitoring/handling evaluation forms (2 pages)
 - d. Skill Groups
 - e. Solar Bid Comparison Worksheet
211. Referring to the call monitoring/evaluation performed during 2010 and 2011 (as discussed in the 9/11 call center meeting with Laurie Armstrong), please provide monthly report results which roll up to yearly stats by CCO, for all items under the CPUC Compliance section of the basic evaluation form (by question) and for the Customer Authentication question. If prior surveys included a question addressing the prohibition on recommending a vendor/supplier, please also provide the monthly results for that question.
212. Current Code of Conduct and any prior versions in effect in 2010 and 2011.
213. Any SEL or Solar Line call monitoring checklists in place from 2010 to the present with dates in effect.
214. Any regular call center phone line (e.g., billing, general inquiry, service) call monitoring checklists in place from 2010 to the present with dates in effect.
215. Any procedures, training, portions of genref or other materials that discuss whether a CSR (Solar, SEL, or regular) can provide customer usage information over the phone, the level of detail that can be provided, and the associated authentication requirements. Please include the requirements that address the instance where a solar contractor (or other third party) initiate the call, hand the phone (or initiate a conference call) to the customer for authentication. Indicate whether usage information can then be provided to the solar or other vendor.
216. Listing of any and all joint sales or marketing meetings, press conferences or other announcements between PG&E (utility) or PGE Corp or any of the PEC Companies and PG&E's affiliates either SunRun Pacific Solar LLC or Sequoia Pacific Solar I, LLC. Please provide the same information with respect to the subsidiaries of SunRun Pacific Solar LLC or Sequoia Pacific Solar I, LLC that install solar panels.
217. Provide a list of respondents to the direct access auctions during 2010 and 2011. Please provide the date and time the respondent responded to the auction. Indicate those who were accepted into the program.
218. Please provide proof of internet posting of the provision of customer information to an affiliate.

219. All actions/improvements undertaken in response to the 2011 Internal Audit Review of Affiliate Rules Compliance.
220. Provide copies of all policies and procedures specifically addressing Rule III.E.4 and III.E.7 – no references were found in the prior data responses.
221. Provide copies of (and not access to) the following policies referenced in the screen shots provided in response to DR 7. Provide current versions and those in effect in 2010 and 2011.
- a. Charitable Contributions Policy
 - b. Communications and Advertising Policy
 - c. Utility Name and Identity Policy
 - d. Local Government and Community Relations Policy
 - e. Political and Public Service Policy
 - f. Risk Management Policy
 - g. List of all Customer Care Policies – screen shot had heading but no list
222. Provide copies of (and not access to) the following guidance documents referenced in the screen shots provided in response to DR 7. Provide current versions and those in effect in 2010 and 2011
- a. Customer Relations – CR
 - b. Conduct – CDT
 - c. Customer Care – CUST
223. The 2006 Code of Conduct in effect until April 2010 included the following statement: “There are restrictions on the flow of non-public information between PG&E’s lines of business, although non-public information may be shared freely with the holding company. For more information on this subject, review the Affiliate Rules section of this handbook and the compliance booklet, Interactions in the Corporate Family: An Overview of Affiliate Rules.” (DR 95) This statement was not present in the April 2010 Revision to the Code of Conduct. Regarding this, please provide the following:
- a. Provide a copy of the Compliance Booklet, Interactions in the Corporate Family: An Overview of Affiliate Rules
 - b. Please indicate how this booklet was disseminated and to whom.
 - c. Please explain why the statement regarding the “restrictions on the flow of non-public information between PG&E’s lines of business” and the associated booklet were eliminated in the April 2010 revision to the Code of Conduct.
224. Attachment 7 to DR 95 indicates that bargaining unit employees were not required to take the annual PG&E Employee Code of Conduct Questionnaire and Certification course. Did this apply to the call center and if so, please explain why they were not required to take the annual training?
225. Please provide documentation demonstrating that a communication was issued to employees of PG&E Corporation and the utility’s affiliates (as opposed to just the utility) directing them to comply with the Affiliate Rules, as reference in PG&E’s Compliance Plans, for the following rules. Please also provide a copy of the “communication” or clarify that the Code of Conduct Communication referred to in DR 95 was the referenced communication.
- a. III.E.
 - b. IV.E.
 - c. V.F.
226. Please provide a calendar and copies of any bill envelope messages for 2010 and 2011. DR 48 included bill envelope messages for only one year.
227. Provide samples of all parent and affiliate business cards (front and back) used in 2010 and 2011.
228. The following items were referred to in the prior PG&E affiliate audits performed by Vantage. Please provide copies of the referenced checklists/guidelines (or similar documents) in effect in 2010 and 2011. If checklists or other documents are no longer used, please so indicate and explain why.
- a. Trade Shows and Other Marketing Events Affiliate Rules Q&A, last updated May 31, 2002
 - b. Advertisements, Publications, and Marketing Materials Verification List which was updated 1/8/02
 - c. Guidelines for news releases, updated 5/31/02

- d. To maintain consistency and establish guidelines for Corporate Identification and
229. Please provide copies of (not access to) the following brand guidelines, and any prior versions or guidelines in effect during 2010 and 2011.
- a. <http://www.pgebrandguidelines.com/>
 - b. <http://pgeweb/corporateaffairs/cr/Pages/AdRequest%20Form.aspx>
230. Provide any other policies and procedures, handbooks or checklists addressing Rule V.F
231. Please provide copies of any corporate newsletters sent to retirees in 2010 and 2011.
232. All signs, banners, posters, brochures, printed material or collateral used by the utility, parent company or affiliates at trade shows, conferences, workshops, industry association meeting, roundtables, fairs or similar events in California.
233. Provide all utility and parent (anywhere in the US), and affiliate (in CA) promotional materials, giveaways, trinkets and other tangible objects (anything with a logo) and their packaging, including, but not limited to: golf balls, tees, bag tags and ball markers, awards, coolers, lights, clocks, post-its, pads of paper, notebooks, mouse pads, pens and pencils, holders, glassware and mugs, pins, stuffed animals, figurines or other decorative items, key chains, knives, tote bags clothing, candy, alcohol or other similar items.
234. Provide all direct mail marketing materials issued by the parent company or an affiliate in California in 2010 and 2011.
235. Copies of agendas or rosters from industry events attended by PG&E employees, the parent or affiliates.
236. Copies of all parent company and affiliate job ads/postings in California in 2010 and 2011.
237. Copies of all affiliate press releases to the media in 2010 and 2011.
238. Please provide recordings of customer calls to both the regular lines and the solar lines during the following time periods:
- a. February 8, 2010 08:10 – 08:15
 - b. April 14, 2010 09:20 – 09:25
 - c. June 24, 2010 10:30 – 10:35
 - d. August 3, 2010 11:40 – 11:45
 - e. October 12, 2010 12:50 - 12:55
 - f. December 22, 2010 13:00 – 13:05
 - g. January 7, 2011 14:05 – 14:10
 - h. March 16, 2011 15:15 – 15:20
 - i. May 26, 2011 16:25 – 16:30
 - j. July 18, 2011 17:35 – 17:40
 - k. September 13, 2011 09:45 – 09:50
 - l. November 17, 2011 13:55 – 14:00
239. List of CSI audits of project costs 2010 and 2011 as specified in the CSI handbook. Include Applicant/Solar Contractor name and audit results. If there were routine reports issued, please provide the reports, in excel or word if available.
240. NTP&S Mover Services Balancing Accounts Treatment and 50/50 Revenue Sharing Statement and Supporting Work Papers (I would like to go over these documents with appropriate individual the week of 10/21 - IR 54)
241. Follow-up to 9/11 interview with Andrew Yip and DR 203. Please provide data from the CSI rebate application tracking tool for the fields highlighted on the attached spreadsheet (203_CSI_RebateApplicationTracking_Atch01 EAL) for rebates issued in 2010 and 2011.
242. As a follow up to DR151, please provide the same type of data for all charges by the holding company to each affiliate including PG&E the utility. (Supplemented 2/9/2014)
243. Please provide transaction-level supporting documentation of the transactions listed in the attached files PGE Sample 2010.xlsx and PGE Sample 2011.xlsx. (Addendum 10/21/2013)
244. Please provide the transaction level detail of charges from PG&E to Standard Pacific Gas Lines.
245. Please provide any special waivers or decisions concerning the Affiliate Transaction Rules from the CPUC concerning Standard Pacific Gas Lines.

246. Please provide the work papers supporting Schedules C, D, and H from the 2010 and 2011 Annual Reports of Affiliate Transactions.
247. Please provide the “Annual Affiliate Transaction Inquiry” for 2010/2011 and 2013 as discussed with Patti Williams.
248. Please provide copies of all Affiliate Transaction Reports (if none a blank form) executed in 2010 and 2011 as discussed on page 21 of the 2011 Affiliate Transaction Compliance Plan.
249. Please provide a description of the roles and responsibilities of the Training Governance Committee. Please list all committee members and their associated LOBs. Please provide the schedule of training and where affiliate transaction training is scheduled.
250. Please provide the February 2010 and 2011 monthly reports to the CPUC disclosing negotiated terms under Schedules G-NFT, G-NFTOFF, G-NAA, G-NAAOFF, G-NFS, G-NAS, G-NT and G-EG. If there were no negotiated terms in these months please provide a month where there were negotiated terms.
251. Please provide a copy of CPUC D.96-11-017.
252. Please provide the “story board” of the web-based code of conduct training provided to employees in 2010 and 2011. Please also provide who was required to take the training and proof that the training was completed.
253. Please provide a sample of the packet of host customer financial data sent to PG&E (or PEC I, II, or III) for review for SunRun and SolarCity as discussed in the 10/22 interview with Walt Campbell.
254. As discussed in 10/22 interview with Walt Campbell, provide a description of the true-up mechanism for each agreement (leases and partnerships) between PG&E and SolarCity (or Banyon Solar City or Sequoia Pacific Solar) and SunRun (or SunRun Pacific Solar). Provide the agreements associated with true-up economics and describe how the true-up process would reduce any incentives to show favoritism to SunRun and SolarCity.
255. As discussed in 10/22 interview with Walt Campbell, provide documentation relating to PG&E's payment to SunRun in February 2012 as part of the true-up process and explain the need for such payment. Provide documentation and explain any other transactions used to "true-up" PG&E's investment return (such as the provision of additional systems to PG&E).
256. According to DR 73, PG&E Corporation Support Services and PG&E Corporation Support Services II are the only affiliates with employees. Please describe how these affiliate employees are supplied with office supplies, computers, furniture, phones, and copiers. What organization is responsible for procurement of these items for the affiliate employees? Are these items procured through joint purchasing agreements with PG&E? If so, please provide a list of joint purchasing agreements.
257. Follow-up to DR 165: Interviews with employees of the utility who perform shared services reveal that those employees had access to SAP for the affiliates. Please review the initial response to DR165 and list all employees who had access to any affiliate applications or computer data, including SAP, during the audit period.
258. Please provide the work paper packets supporting Sections C and D of the Affiliate Transactions Reports for 2010 and 2011 (Similar to the Packet for Section E provided in DR 157)
259. Please provide the workpaper packets supporting Section H of the Affiliate Transactions Reports for 2010 and 2011 (Similar to the Packet for Section E provided in DR 157)
260. As discussed in 10/23 interview with Doreen Lundeman, Annette Lee, et al., please list the utility organizations located in 1 Market during the 2010 - 2011 audit period, and the dates they were at that location, and the floor(s) they occupied. Also identify any holding company employees that were located on the 4th floor of 1 Market during that period.
261. What employees/organizations were in One Market Plaza Suite 3639 in the period 2010 - 2011 other than Margery Neis, Allan Tang, and Tim Distler?
262. Please state the start date of the lease date for One Market Plaza Suite 3639 and indicated where Tim Distler was located prior to the lease date.
263. Follow-up to DR 158, Attachment 2. Please identify the Employees, Organizations and Business Entities associated with utility charges to corporations and affiliates. Provide updates to information provided in DR 75 as appropriate

264. Please provide PG&E Corporates Support Service II costs (Labor, facility, and other non-labor) for the years 2010 and 2011 and describe and demonstrate the distribution of these costs to the utility, holding company and affiliates. Describe the products and services provided to the utility, holding company and any affiliates.
265. GRC testimony which discusses the treatment of NTP&S costs and revenues that are not subject to a revenue sharing mechanism.
266. Please provide a description of the labor adders applied to NTP&S costs in 2010 and 2011. What is included in these adders? Are these costs included as allocated or indirect costs in the SAP system? Are these adders used for billing to external parties?
267. NTP&S transaction testing. Please see the attached excel workbooks: 2010 PGE NTP&S Testing.xlsx and 2010 PGE NTP&S Testing.xlsx. The first worksheet in each book asks specific questions. Data for selected NTP&S products is from DR 105; transaction-level detail from DR 205.
268. As discussed in 10/24 interview with Vic Villar and Casey Loew, please provide a description of PG&E's e-procurement system, including which companies and affiliates have access to that system, and how each entity is charged for its purchases.
269. As discussed in 10/24 interview with Vic Villar and Casey Loew, create a matrix listing the Joint Purchases identified DR 164, and indicate 1) whether the product/service is purchased through e-procurement; 2) if not e-procurement, then how it is procured; and 3) the vendor for the product/service.
270. Please list the PG&E Corporates Support Service II (DC office) employees and whether each was a holding company, utility or affiliate employee in the in 2010 and 2011.
271. Please provide the job descriptions in the GRC for Dinyar Mistry and Kent Harvey as discussed in the 8/8 interview with Dinyar Mistry.
272. Per the compliance plan, Pacific Gas and Electric Company elected not to share key officers under Rule V.E. and notified the Commission of this election in a letter. Please provide this letter.
273. Explain the meaning of "N/A" and why it is used in the response to DR 62.
274. Provide the names of individuals as requested in DR 70.
275. Please list the CFOs for PG&E Corporation and PG&E Company during the audit period and the specific dates each individual held that position.
276. Provide PG&E's job description for a Service Representative in the Call Center Efficiency Operations Division.
277. Rule 5 testing backup materials that PG&E (Fawn) provided 10-23-2013 in electronic format. Includes all employee transfer data and supporting docs.
278. Provide information reviewed 10-23-2013 on Allan Tang temporary assignment time and transaction charge information in electronic format.
279. With respect to NTP&S 2011 Mover Services: Please explain the differences in Costs and Revenues booked to the Non-Tariffed Products Balancing Account (per DR 240) and used as the basis for the CPUC report in the annual NTP&S Report (DR 205).
- NTBA Total Expense = \$536,177 (DR 240, workpaper C)
- NTP&S Report Expense (without adders) = \$508,612 (DR 205, sum of D8 thru G8)
- NTBA Total Revenue = \$1,593,426 (DR 240, workpaper C)
- NTP&S Report Revenue = \$2,133,372 (DR 205 and DR 105)
280. Provide a cross-reference between ENOS ID and PG&E CSI Application number for interconnection applications.
281. With reference to DR 200, 201, and 202 - Please update matrices to provide information the owner company name (similar to that provided in DR 241). Also, please provide an update to DR 201 (Standard NEM interconnection applications completed in 2010 and 2011) to include all fields provided in DR 200. Please define the terms "EP Passed" and "FMS Passed."

282. Dates at which PEC I, II, and III were "fully-subscribed". For PEC I, the date when all of the PV systems it rents with its \$61M investment had been assigned to host customers, and the date when the 4MW of installations on Wal-Mart stores was complete. For PEC II, the date when the 3,500 residential PV systems to be installed with PG&E's \$100M investment had been assigned to host customers. For PEC III, the date when the 23 MW to be installed with PG&E's \$120M investment had been assigned to host customers.
283. With reference to Advice Letter 3182-G/3789-E, Advice Letter 3182-G/3789 and Advice Letter 3170-G/3763-E, please provide the 1) all communication to CSI employees re: the PECs and Solar City or SunRun; 2) print-outs of on-line and other compliance training materials regarding affiliate rules compliance with respect to solar energy company relationships and evidence that employees managing CSI completed this training, 3) a description of the one-on-one compliance counseling and a listing of employees who received this counseling.
284. Regarding Alaska Gas Exploration Associates, shown on the legal Entity Structure Chart dated 12/31/2010 as 50% owned by PG&E. In an interview Doreen Ludemann identified the owner of the 50% not owned by PG&E, as Sempra/SoCal Gas. Research has found the following information:
- Alaska Gas Exploration Associates (AGEA) was a corporate partnership between the Atlantic Richfield Company (ARCO) and Pacific Lighting Gas Development (PLGD) – (an affiliate of SoCalGas) under the funding agreement of North Alaska Funding Adjustment (NAFA) was incorporated in 1979.
 - Confirm whether PG&E or any of its affiliates owns or owned a portion of Alaska Gas Exploration Associates and who owns the portion not currently owned by PG&E or its affiliates.
285. Please provide supporting documents from your response to DR 243. Specifics are attached in follow up to DR243.docx
286. DR 105 requests Advice Letters filed for each NTP&S offering, but did not provide anything. For each NTP&S offering in 2010 and 2011, please provide the initial Advice Letter describing the NTP&S offering and requesting CPUC approval, and any associated Resolutions.
287. Please provide the details of the true-up methodology for affiliate billing labor loaders such as PBOP surcharge, Insurance and Casualty Surcharge, and A&G Overhead.
288. Follow-up to DR 267 - NTP&S Testing. See attached file DR - Follow-up to DR 267
289. Please clarify whether Walt Campbell is a "joint employee" of PG&E, PG&E Corp, and/or an affiliate based upon W-2 reported employer of record.
290. As described in the 10/22 interview, Walt Campbell reviews host customer financial data and the true-up mechanisms for PEC I, II, and III. Please describe how his time is charged for these activities and any other activities he performs for PEC I, II, and III and any of the investments in SunRun and SolarCity (please describe). Please provide transaction-level detail showing any charges of his time among PG&E and the affiliates.
291. PG&E's Advice Letter 4250-E notified the Commission that PG&E Corp exercised all of its warrants to buy shares of SolarCity Corporation. Please describe the current status of this Advice Letter, provide any protests received, any PG&E responses to protests, and any other regulatory filings or communications related to this Advice Letter from PG&E and all other parties.
292. Has PG&E made any material changes to its ring fencing provisions since its non-consolidation opinion was filed? If so, please provide copies of any notice provided to the CPUC of such changes.
293. Please identify the CPUC NTP&S products that are managed or supported by the New Revenue Development Group and provide a description of NRD's involvement with NTP&S offerings. Identify the employees (or employee positions) responsible for each NTP&S product, and state whether the employee's salary is included in rate base. Provide supporting documentation for rate base treatment.
294. Describe any management oversight of NRD's CPUC NTP&S activities. State whether any oversight costs are included in rate base and provide supporting documentation for the rate base treatment.
295. Please provide the organizational charts for PG&E Corporation Support Services entity.
296. Please provide the organizational charts for PG&E Corporation Support Services II entity.

297. Please provide a description of all products/services/functions provided by PG&E Corporation Support Services entity.
298. Please provide a description of all products/services/functions provided by PG&E Corporation Support Services II entity.
299. Please explain why PG&E Corporation Support Services is covered by Rule II.b of the affiliate rules and PG&E Corporation Support Services II is not covered by Rule II.B.
300. Please identify the name and position of the Affiliate Compliance Manager(s) during the 2010 - 2011 audit period.
301. Please list the positions in the Compliance & Ethics department during the audit period.
302. Please describe the process for expensing costs to shareholders.
303. Please provide the internal order demonstrating that the 2010/2011 Affiliate Transaction Audit will be paid for by the shareholders.
304. If the costs of the 2006 Affiliate Transaction Audit are recorded “above the line”, please provide the work papers demonstrating where the 2006 Affiliate Transaction Audit was eliminated from the revenue requirement in the subsequent rate case.
305. As a follow-up to DR 285, Attachment 4, please provide a list of all attendees (PG&E and other) and their corporate affiliation at the meeting attended by Fong Wan on February 4, 2010.
306. As a follow-up to DR 285, Attachment 4. Please provide all materials provided, minutes of the meeting and the agenda that occurred on February 4, 2010 and attended by Fong Wan.