Pacific Gas and Electric Company Properly Paid Its Franchise Fees and Surcharges for 2017 but Underpaid the Electric Franchise Fee by $3,283 for 2018

Board of Supervisors

AUDITS DIVISION

February 23, 2021

City & County of San Francisco
Office of the Controller
City Services Auditor

About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that voters approved in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

Team:
Winnie Woo, Senior Auditor

Audit Consultant:
Sjoberg Evashenk Consulting, Inc.

Mark de la Rosa
Acting Director of Audits
Office of the Controller
City and County of San Francisco
(415) 554-7574

For media inquiries, please contact con.media@sfgov.org.

http://www.sfcontroller.org
@sfcontroller
LinkedIn Office of the Controller

Audit Authority

This audit was conducted under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

February 23, 2021

Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear President Walton and Members:

The City Services Auditor (CSA) of the Office of the Controller (Controller) engaged Sjoberg Evashenk Consulting, Inc., (SEC) to audit the payment of franchise fees and surcharge fees by Pacific Gas and Electric Company (PG&E) to the City and County of San Francisco (City) for 2017 and 2018. PG&E pays the City franchise fees to use city streets to transmit, distribute, and supply electricity and natural gas (gas). PG&E is required to report its gross receipts and pay each year franchise fees of 0.5 percent of its gross receipts on the sales of electricity and 1 percent of its gross receipts on the sales of gas. Also, pursuant to the California Public Utilities Code, PG&E must remit to the City surcharge fees PG&E collects from customers who purchase electricity and gas from a third party.

January 2017 Through December 2018	Fees Paid
Franchise Fees	$12,256,628
Surcharge Fees	1,941,880
Total	$14,198,508

The audit found that:

- PG&E accurately reported $1,035,926,557 in gross receipts subject to the franchise fee for 2017 and paid the correct amount for that year. However, for 2018 PG&E underreported its electric sales by $656,656 due to a data entry error, which caused it to underpay the franchise fee by $3,283.
- PG&E collected and remitted the correct amount of surcharge fee revenue.
- SFPUC complied with the requirements in administering the franchise agreement.
- The Controller's Budget and Analysis Division can better monitor PG&E's compliance with the agreement's payment and reporting requirements.

The report makes three recommendations for how the Controller's Budget and Analysis Division can better monitor PG&E's compliance with its payment and reporting requirements. The responses of PG&E, SFPUC, and the Controller's Budget and Analysis Division are attached to this report.

CSA and SEC appreciate the assistance and cooperation of PG&E, SFPUC, and Controller's Budget and Analysis Division staff during the audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Mark de la Rosa
Acting Audits Director

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

Board of Supervisors:

Pacific Gas and Electric Company Properly Paid its Gas and Electric Franchise Fees for 2017 but Underpaid the Electric Franchise Fee by $3,283 for 2018

November 5, 2020

SJOBERG EVASHENK
CONSULTING, INC

455 Capitol Mall • Suite 700 • Sacramento, California • 95814 • Tel 916.443.1300 • Fax 916.443.1350

EXECUTIVE SUMMARY

Purpose of the Audit

As required by the San Francisco Administrative Code, Chapter 11 – *Franchises*, the Office of the Controller (Controller) is required to assess (1) whether Pacific Gas & Electric Company (PG&E) complied with the reporting requirements and payment obligations contained in the chapter and in San Francisco Gas Franchise Fee Ordinance 413 and Electric Franchise Fee Ordinance 414 and (2) whether City and County of San Francisco (City) departments complied with the relevant requirements for administering and monitoring the Gas and Electric Franchise Ordinances.

Highlights

The San Francisco Board of Supervisors may grant a franchise by ordinance to another entity to construct, install, and/or operate facilities in public rights-of-way within the City.

In 1939, PG&E was granted gas and electric franchises authorizing it to use City streets to transmit, distribute, and supply electricity and gas. In consideration for the franchise, PG&E must annually submit statements of gross receipts and gas and electric franchise fee payments to the City.

The Controller's Budget and Analysis Division (Division) is responsible for receiving and reviewing the statements and payments, while the San Francisco Public Utilities Commission (SFPUC) is responsible for administering and reporting on non-financial aspects of the franchise.

The audit found that PG&E generally complied with its obligations under the gas and electric franchise ordinances and the relevant provisions of the San Francisco Administrative Code; however, a data entry error resulted in an underpayment of $3,283 in PG&E's 2018 electric franchise fees.

The SFPUC and Division generally fulfilled their obligations in administering and monitoring the franchise, though the Division could enhance its oversight practices and better ensure internal procedures are consistently followed each year by developing formal, written policies and procedures.

INTRODUCTION

Audit Authority

The Office of the Controller (Controller) is required under the San Francisco Administrative Code (Administrative Code), Chapter 11, Section 11.44(a) to file a report no less than every two years with the Board of Supervisors analyzing whether each franchisee is complying with the reporting and payment obligations in the chapter and the relevant franchise ordinance.

The City and County of San Francisco (City) also has the right under the Administrative Code, Chapter 11, Section 11.38 to access the books and records of a franchisee to monitor compliance with the chapter, the franchise ordinance, or other applicable law.

Further, the San Francisco Charter provides the Controller's City Services Auditor Division (CSA) with broad authority to conduct audits. Sjoberg Evashenk Consulting, Inc. (SEC) conducted this audit on behalf of CSA under these authorities.

Background

In 1939, the San Francisco Board of Supervisors granted Pacific Gas and Electric Company (PG&E) and its successors two franchises to use City streets to transmit, distribute, and supply electricity and gas. In consideration for the two franchises, PG&E agreed to pay the City annually a percentage of its gross receipts from the sales of electricity and gas in the City.

The electricity and gas franchise ordinances require PG&E to remit to the City, by April 15 of each year, a total of 0.5 percent of PG&E's gross receipts on the sales of electricity and 1 percent of PG&E's gross receipts on the sales of gas. PG&E reports and remits gas and electric franchise fees to the City based on gross revenues that have been reduced by uncollectible accounts and interdepartmental sales. Uncollectible accounts are amounts billed to customers, but not received by PG&E. Interdepartmental sales are PG&E's costs to supply electricity and gas to other PG&E properties it owns in the City. Since PG&E is not compensated for internal use of gas and electricity, no gross receipts are generated by these interdepartmental sales.

PG&E collects electricity and gas surcharge fees pursuant to requirements in the California Public Utilities Code and remits those amounts to the City when it pays its franchise fees. PG&E collects the surcharge fee, which is a municipal surcharge for the use of public lands, from customers who purchase electricity and gas from a third party. The surcharge fee is to replace, but not to increase, franchise fees that would have been collected if not for changes in the regulatory environment.

PG&E also has an Interconnection Agreement with the City to transmit electricity generated by the Hetch Hetchy Project (Hetch Hetchy) inside and outside the City, distribute the electricity within the City, and sell supplemental power to the City. PG&E bills the City for Hetch Hetchy-related services, including transmission and distribution charges, supplemental power charges, demand charges, and other special charges. PG&E includes the transactions for services it provides to the City as part of PG&E's gross receipts from the sales of electricity reported to the City.

However, because the Interconnection Agreement expired in July 2015, the City and PG&E began using PG&E's Wholesale Distribution Tariff (WDT) agreement on July 1, 2015 for the City's Points of Delivery[1] for which the City also requires interconnection to PG&E's Distribution System. The new agreement was filed as "unexecuted" with the Federal Energy Regulatory Commission (FERC) because both parties could not agree on terms, rates, and conditions. FERC has accepted the agreement, though it remains unexecuted. PG&E continues to bill the City for services provided, and includes the revenue as part of its gross receipts.

The San Francisco Public Utilities Commission (SFPUC) is responsible for administering the Interconnection Agreement, WDT agreement, and franchise agreement with PG&E. Administration includes verifying the accuracy of PG&E's monthly billings to the City prior to payment.

The Administrative Code, Chapter 11, designates the SFPUC as the entity responsible for administering and reporting on the City's gas and electric franchises, except

[1] The physical locations where the City provides utility service delivery.

for certain financial aspects which are administered by the Office of the Controller. The Controller's Budget and Analysis Division (Division) is responsible for receiving PG&E's annual statement and collecting franchise fee payment.

Objectives and Scope

The objective of the audit was to determine whether PG&E complied with the reporting requirements and payment obligations contained in Administrative Code Chapter 11 – *Franchises*, Gas Franchise Ordinance 413-39, and Electric Franchise Ordinance 414-39 (collectively referred to as the franchise agreements), as well as whether City departments complied with the relevant requirements for administering and monitoring the franchise for the audit period of calendar years 2017 and 2018.

Specifically, the audit determined whether:

1. PG&E correctly reported all revenues from the sale of electric and gas sales within City limits, including Hetch Hetchy, under the terms of San Francisco Electric Franchise Ordinance 414-39 and Gas Franchise Ordinance 413-39;
2. PG&E properly calculated and supported any adjustments from gross receipts;
3. PG&E correctly calculated and paid the City the proper franchise fees under the terms and deadlines specified in the franchise agreements; and
4. The SFPUC and the Division complied with applicable requirements in administering and monitoring the franchise agreements such as the San Francisco City Charter of 1996 and Chapter 11 of the Administrative Code.

Methodology

To conduct the audit, the audit team reviewed the applicable provisions of Chapter 11 of the Administrative Code and the franchise agreement as well as conducted interviews of PG&E, SFPUC, and Division management and staff.

Additionally, to understand the environment, the audit team reviewed the applicable provisions of the franchise ordinances and tested, on a sample basis, selected PG&E

revenue components with amounts that materially impact the franchise fees payable to the City.

To determine whether PG&E correctly reported its annual gross receipts, the audit team:

- Compared the amounts PG&E reported to the City to the amounts PG&E recorded in its monthly summary reports, financial systems, and monthly detailed reports, including, but not limited to, underlying reports of gas and electric sales from its customer billing system, uncollectable accounts, and revenue derived from natural gas vehicle sales, Hetch Hetchy Wheeling, and Hetch Hetchy streetlights.
- Compared PG&E's system-wide uncollectable rate to the uncollectable rate for the City to determine whether a large variance between the rates existed.
- Reviewed the reasonableness of PG&E's collection and write-off processes.
- Analyzed historical franchise fees and surcharges over a five-year period to identify variances and reasons for any variances identified.
- Reviewed the reasonableness of electricity and gas surcharge fees collected by PG&E.
- Tested a sample of PG&E Customer Invoices from several gas and electric rate categories to ensure amounts were included in total revenue receipts.
- Assessed PG&E's internal controls over franchise requirements and systems used to calculate franchise fees.
- Performed high level tests of the completeness of PG&E's customer data set.
- Verified PG&E's internal reconciliation between its financial system and customer billing system.

The audit team's review of the Hetch Hetchy invoices consisted of verifying the amounts reported by PG&E to supporting monthly billing reports. The audit team did not test the accuracy of the detailed billings to the City because SFPUC staff is responsible for reviewing the billings to ensure they are accurate before paying PG&E; however, the audit team compared actual invoices to monthly system billing reports.

To assess whether PG&E correctly calculated and paid the City the proper franchise fee under the terms and deadlines specified in the franchise agreement, the audit team reviewed Division date stamps on PG&E's annual statements of gross receipts and franchise fee payments; confirmed that the statements of gross receipts were duly verified (i.e., signed and dated); and checked each calculation in PG&E's computation of its franchise fee to ensure mathematical accuracy.

To evaluate SFPUC's and Division's compliance with all applicable requirements and practices in administering and monitoring the franchise agreement, the audit team reviewed the most recent compliance report that SFPUC submitted to the Board of Supervisors and the tools used by the Division to track and review franchise fee reports and payments.

Statement of Auditing Standards

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

AUDIT RESULTS

Summary

For the period of January 1, 2017, through December 31, 2018, PG&E generally adhered to the terms and deadlines specified under the franchise agreement; however, in 2018 PG&E underreported its electric gross receipts subject to the franchise fee by $656,656 and underpaid the City by $3,283, or 0.06 percent.

SFPUC and the Division generally complied with most of their requirements for administering and monitoring the franchise, but the Division did not always follow its internal procedures. Opportunities exist to better ensure PG&E complies with franchise deadlines and reporting requirements.

While PG&E Generally Met Deadlines for Submitting Statements and Paying Franchise Fees, It Slightly Underpaid its 2018 Electric Franchise Fee

For the period January 1, 2017 through December 31, 2017, PG&E accurately reported $1,035,926,557 in total gross electricity and gas sales receipts to the City and remitted the franchise fees by the due dates as stipulated by the franchise agreement. For calendar year 2018 PG&E reported and paid within the specified deadlines but it underreported electric gross electric sales by $656,656 resulting in an underpayment of $3,283 in franchise fees as shown in the Exhibit 1 below.

EXHIBIT 1: Gross Receipts Reported and Franchise Fees and Surcharge Fees Paid January 1, 2017 Through December 31, 2018

Year	Type	Gross Receipts[1]	Franchise Fees[2]	Surcharge Fees[3]	Over/(Under) Paid
2017	Electricity	$792,240,163	$3,961,201	$628,799	$0
	Gas	$243,686,394	$2,436,864	$217,231	$0
Subtotal		*$1,035,926,557*	*$6,398,065*	*$846,030*	*$0*
2018	Electricity	$712,965,967	$3,564,830	$974,208	($3,283)
	Gas	$229,373,329	$2,293,733	$121,642	$0
	Subtotal	*$942,339,296*	*$5,858,563*	*$1,095,850*	*($3,283)*
	Total	**$1,978,265,853**	**$12,256,628**	**$1,941,880**	**($3,283)**

Notes:

[1] Gross receipts reported by PG&E are net of uncollectable accounts, interdepartmental sales, and reflect updated customer information adjustments.

[2] Franchise fee rates are 0.5 percent of electricity receipts and 1 percent of gas receipts.

[3] PG&E billed and collected electricity and gas franchise surcharge fees based on the formula specified in state law from its customers who purchased electricity and gas from a third party.

Source: PG&E Certification of Gross Receipts

PG&E Underreported Revenues Due to a Data Entry Error

In a letter to the City's City Services Auditor Division on July 24, 2020, PG&E informed the City that PG&E had underreported its 2018 electric franchise revenues and underpaid its 2018 electric franchise fee due to a Microsoft Excel formula data entry error that inadvertantly assigned Hetch Hetchy Streelight revenues in three months—May, September, and October 2018—to another jurisdiction. The audit concurs with PG&E's statement and found that PG&E owes the City an additional $3,283 in electric franchise fees for 2018.

To ensure better accuracy of data and reporting, and reduce the risk of human error, PG&E began a process improvement initiative to replace the use of Micosoft Excel formulas with automated macros.[2]

SFPUC Issued Its Statutorily Required Franchise Compliance Report

SFPUC is required by the Administrative Code, Chapter 11, Article 5, Section 11.44(b), to file a report with the Board of Supervisors (Board), no less than every two years, analyzing whether each franchise grantee is complying with all provisions of the chapter and its franchise, except for those addressed by the Controller's report.[3] SFPUC issued a compliance report to the Board dated September 24, 2020. In its compliance report, SFPUC indicated that no formal complaints were filed and reported seven concerns raised by the City that PG&E was not meeting its obligations under Section 7 of its franchise agreement with the City.[4] Key complaints include:

- Three unresolved third-party agreement disputes between three separate contractors and PG&E resulting from PG&E's asserted failure to pay invoices for work undertaken by those contractors to satisfy PG&E's franchise obligation. The City is working with PG&E and the contractors to resolve these disputes.

- PG&E allegedly failed to remove and relocate an underground streetlight conduit conflicting with the City's

[2] A macro is an action or a set of actions that a Microsoft Office user can automate to run indefinitely. When a user creates a macro, the macro records the user's mouse clicks and keystrokes. After the macro is created, the user can edit it to make minor changes to the way it works.

[3] Controller's Report refers to the report requirement under the Administrative Code, Chapter 11, Article 5, Section 11.44(a), analyzing whether each person owing a franchise fee is complying with the audit, reporting, and payment obligations contained in the Chapter.

[4] Section 7 of the gas and electric franchise agreements requires that the franchise grantee pay the City on demand the cost of all repairs to public property made necessary by the grantee's operations and remove or relocate any facilities installed, used, and maintained under the franchise, without expense to the City.

installation of a sand trap interceptor at 17th and Folsom Streets. The delay is impacting the City's ability to complete the project.

- In April 2017, the City requested PG&E relocate residential service lines as part of the City's 33 Stanyan Pole Replacement and Overhead Reconstruction Project along 18th Street, between Mission Street and Market Street. PG&E did not relocate the service lines until March 2019. The delay caused by PG&E reportedly impacted the City's project schedule and costs, including $773,000 in delay claims filed by the City's contractor and an estimated $160,000 in City administrative costs. The City is currently seeking to recover the additional costs incurred on the project related to the delays from PG&E. In addition, the City asserts that a PG&E gas line duct bank interfered with its original pole installation planned at the site; as a result, the City had to adjust its plans costing the City an additional $190,000.

- The City and PG&E are in a dispute related to whether PG&E's removal of deactivated pipelines should be covered by the agreement between the City and PG&E concerning the Support, Work Around, and Protection of Underground Utility Facilities Plan (SWAPP) and whether PG&E followed the process required by the SWAPP agreement when the City issued the Notice of Intent.

- In 2018 and 2019, the City advised PG&E that it needed to remove and relocate wires that conflicted with several City projects. The City indicated that PG&E was either unresponsive or did not respond timely to its requests. As a result, the City stated it had to revise its construction design plans.

- The City and PG&E disagree on costs related to PG&E re-installing six historic streetlight poles that were removed in 2014. PG&E is proposing the City pay PG&E $268,107 for the reinstallation of the lights. The City asserts that PG&E is responsible for these costs under both the franchise and the parties' prior agreement.

The Division Generally Fulfilled Its Administrative Requirements but Did Not Consistently Follow Internal Procedures; Oversight Could Be Enhanced

The Division generally fulfilled its administrative requirements; but did not always follow its internal procedures. The audit found that opportunities exist for the Division to improve its oversight of PG&E's payment and reporting requirements.

The Division is responsible for ensuring PG&E complies with the following agreement obligations:

- Franchise fee is correctly calculated;
- Franchise fee payment submitted by due date; and
- Annual statement submitted by due date and duly verified.

The Division utilized a spreadsheet to track key dates and payments and also conducted data analyses to identify variances greater than 10 percent between expected franchise fee and surcharge revenue receipts and actual revenue receipts.

For the 2018 statement and fee payment, the Division did not appear to follow any steps in its process for reviewing the annual statement. Specifically, there was no indication of review, such as checkmarks or reviewer signature, on the 2018 statement. Further, although the Division's data analysis identified variances greater than 10 percent between expected franchise fee and surcharge revenue receipts and actual revenue receipts for both 2017 and 2018, the Division did not contact PG&E to determine the cause for the variances indentified.

The Division stated that a combination of employee attrition, the supervisor being on leave, and lack of formal, written policies and procedures resulted in internal procedures not being followed. In addition, management indicated that while its process is to identify variances between projected and actual revenue receipts, the audit team asserts the process should be updated to assess actual receipts against multi-year trends to better identify any significant aberrations in franchise fees and surcharges paid.

Recommendations

The Controller's Budget and Analysis Division should:

1. Bill and collect from PG&E for the underpayment of $3,283 in electric franchise fees owed to the City.

2. Formalize and document its policies and procedures to ensure consistent procedures are followed each year, including verifying the accuracy of the franchise fee due calculation.

3. Update its variance analysis review of franchise fees and surcharges to include an assessment of actual receipts against multi-year trends to better identify any unusual fluctuations.

ATTACHMENT A: DEPARTMENT RESPONSES

San Francisco Public Utilities Commission

San Francisco Water Power Sewer
Services of the San Francisco Public Utilities Commission

Audit and Compliance
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102
T 415.554.1670
F 415-554-1662

December 18, 2020

Mark de la Rosa
Acting Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Management's Response to San Francisco Public Utilities Commission:

Energy Center San Francisco LLC Paid the Correct Franchise Fees for 2017 and 2018 but Paid Its 2017 Fee Months Late and Did Not Always Meet Reporting Requirements

Pacific Gas and Electric Company Properly Paid Its Franchise Fees and Surcharges for 2017 but Underpaid the Electric Franchise Fee by $3,283 for 2018

Dear Mr. de la Rosa,

Thank you for providing us the opportunity to review the results of the two above mentioned audit reports prepared by the Controller's Office City Services Auditor and Sjoberg Evashenk Consulting.

We appreciate the time your staff dedicated to this work and are pleased it was noted that the SFPUC complied with its reporting requirements to the Board of Supervisors. We do not concur with the recommendation for the SFPUC to amend the agreement to add a late payment penalty provision. We wanted to clarify the Controller's Office is responsible for the financial aspects of the agreement and the SFPUC is responsible for the operational aspects. It is recommended this issue be reserved for inclusion in the next agreement or future amendment.

The Power Enterprise is committed to strengthening its administration and reporting on non-financial aspects of the franchise, creating efficiencies, and enhancing policies and procedures where possible.

If you have any questions or need additional information, please contact me at (415) 554-1600.

Sincerely,

Michael Carlin
Acting General Manager

cc: Barbara Hale, AGM Power Enterprise
Eric Sandler, AGM Business Services/CFO
Charles Perl, Deputy Chief Financial Officer

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

December 4, 2020

Mr. Mark de la Rosa
Acting Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: 2017 and 2018 PG&E franchise fee and surcharge audit

Dear Mr. de la Rosa,

Thank you for the opportunity to review the audit of franchise fees and surcharges remitted to the City by Pacific Gas and Electric for 2017 and 2018. We agree with the findings and do not note any errors or omissions.

Sincerely,

/S/

Michelle Allersma
Director, Budget & Analysis Division

CITY HALL • 1 DR. CARLTON B. GOODLETT PLACE • ROOM 316 • SAN FRANCISCO, CA 94102-4694
PHONE 415-554-7500 • FAX 415-554-7466

RECOMMENDATIONS AND RESPONSES

For each recommendation, the responsible agency should indicate in the column labeled ***Agency Response*** whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
The Controller's Budget and Analysis Division should:		
1. Bill and collect from PG&E for the underpayment of $3,283 in electric franchise fees owed to the City.	☒ Concur ☐ Do Not Concur ☐ Partially Concur When the final audit report is published, we will bill PG&E for the underpayment.	☒ Open ☐ Closed ☐ Contested
2. Formalize and document its policies and procedures to ensure consistent procedures are followed each year, including verifying the accuracy of the franchise fee due calculation.	☒ Concur ☐ Do Not Concur ☐ Partially Concur In April of each year, we publish our 9-Month report. In our report folder, we created a checklist of things we needed to do around that time, including checking PG&E paid its fee, verify we received the statement, and checked the accuracy of the calculations. Completed.	☐ Open ☒ Closed ☐ Contested
3. Update its variance analysis review of franchise fees and surcharges to include an assessment of actual receipts against multi-year trends to better identify any unusual fluctuations.	☒ Concur ☐ Do Not Concur ☐ Partially Concur The next time we project revenues will be in January 2021. At that time, we will add a step in our projection process that includes a straight-line projection based on previous years' actual receipts. Will complete by January 31, 2021.	☒ Open ☐ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

ATTACHMENT B: PG&E'S RESPONSE

Pacific Gas and Electric Company

Customer Operations & Enablement
Revenue & Statistics
77 Beale Street
San Francisco, CA 94105

January 28, 2021

Mark de la Rosa
Acting Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Response to Audit Report of franchise fees and franchise fee surcharges for 2017 and 2018

Dear Mark de la Rosa,

Thank you for providing Pacific Gas and Electric Company (PG&E) with an opportunity to comment on your draft report on the audit of PG&E's franchise fees and surcharges for 2017 and 2018. We find the report comprehensive and acceptable in form. We are pleased that you have concluded that PG&E has properly reported and calculated the 2017 franchise fees and 2017 and 2018 surcharges and agree with the conclusion that PG&E has underpaid the 2018 electric franchise fees by $3,283.

As recommended in the draft report, PG&E will remit payment once invoiced for the underpayment from the Controllers Budget and Analysis Division. Due to the current shelter in place, we ask that the Controllers Budget and Analysis Division email the invoice directly to Jaime McBroom at jaime.mcbroom@pge.com.

It was a pleasure working with the professionals at Sjoberg Evashenk Consulting and appreciate their time in performing this audit.

Sincerely,

Cecilia Guiman
Pacific Gas and Electric Company