



Examination of NRG, Inc. Compliance with Electric Vehicle Infrastructure Settlement

July 20, 2021



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Independent Accountants' Report

California Public Utilities Commission
San Francisco, California

We have examined NRG, Inc.'s (NRG, dba EVgo) compliance with the Requirements listed below included in a legal settlement between the California Public Utilities Commission (CPUC) and certain NRG, Inc. affiliates (NRG, formerly Dynegy Power Marketing, Inc., El Segundo Power, LLC, and Long Beach Generation, LLC) which the Federal Energy Regulatory Commission (FERC) approved on November 5, 2012 and which came into effect on December 5, 2012 (FERC Docket Number EL02-60-010, hereafter referred to as the Settlement Agreement) for the examination period of December 6, 2016 through December 5, 2020. Our responsibility is to express an opinion on NRG's compliance based on our examination.

Freedom Station Settlement Agreement Requirements

1. Section 4(a)(i)
2. Section 4(a)(ii)
3. Section 4(a)(iii)
4. Section 4(a)(iv)
5. Section 4(a)(v)
6. Section 4(a)(vi)(1), (3A), (3B), (3C) and 4
7. Section 4(a)(vii)
8. Section 4(b)

Make-Readies Settlement Agreement Requirements

1. Section 4(c)(i)
2. Section 4(c)(ii)(1), (2A), (2B), and (2C)
3. Section 4(c)(iii)
4. Section 4(c)(iv)
5. Section 4(c)(v)
6. Section 4(c)(vi)(1B), (1C), (2A), and (2B)
7. Section 4(c)(vii)(1) and (3)

Other Settlement Agreement Requirements

1. Section 1
2. Section 4(d)(i)
3. Section 4(d)(ii)
4. Section 4(e)
5. Section 4(g)
6. Section 4(i)
7. Section 4(j)
8. Section 4(l)
9. First Amendment
10. Second Amendment

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether NRG complied, in all material respects, with the specified Settlement Agreement Requirements referenced above. An examination involves performing procedures to obtain evidence about whether NRG complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our adverse opinion.

Our examination does not provide a legal determination on NRG's compliance with specified requirements.¹

Our examination disclosed the following material noncompliance with Settlement Agreement Requirements applicable to NRG during the period from December 6, 2016 through December 5, 2020, as described in the Findings and Recommendations section of the report as findings 1, 2, 3 and 4. NRG failed to demonstrate compliance with:

Finding 1. Section 4(c)(ii)(2)(C), 1(ooo), and 1(fff) of the Settlement Agreement. Specifically, EVgo reported 433 Make-Ready Stubs that were not compliant with the Settlement Agreement. Consequently, EVgo should reduce its stub count by 433 from 6,909 to 6,476 and correspondingly reduce its reported Make-Ready spend by \$1,299,000, or \$3,000 per stub.

Finding 2. Section 4(e)(ii) of the Settlement Agreement. EVgo provided a list of Make-Ready Sites with stub counts for each site, which listed a total of 1,204 stubs at the 128 Make-Ready Sites that Crowe randomly selected for site visits. Specifically, of the 128 sampled Make-Ready Sites, surveyors observed that 13, or 10 percent, had a different Make-Ready Stub count than EVgo reported, resulting in a net overreporting of 6 stubs, or 0.5 percent of the sample. Consequently, EVgo should further reduce its stub count by 0.5 percent, or 32, from 6,476 to 6,444 and also further reduce its reported Make-Ready spend by \$96,000.

Finding 3. Sections 1(ppp), 4(c)(vi)(A), and 4(c)(vii)(2) of the Settlement Agreement. Specifically, EVgo did not comply with construction related requirements included in the Settlement Agreement for certain Make-Ready Sites resulting in a reduction of \$956,121 to allowable Make-Ready Costs.

Finding 4. Section 1(vv) of the Settlement Agreement. EVgo could not substantiate evidence that costs were properly approved resulting in unique questioned costs totaling \$884,372 from 12/6/2016 (beginning of Settlement Year 5) to 3/15/2020 (date of Revised Program Summary).

In our opinion, because of the effect of the noncompliance described in the preceding paragraphs, NRG has not complied with the aforementioned Settlement Agreement Requirements for the examination period.

The results of our examination procedures also disclosed four instances of noncompliance which are described in the Findings and Recommendations section of this report as findings 5, 6, 7, and 8. These findings merit inclusion in the report but do not rise to the level of Findings 1, 2, 3 and 4. Our opinion is not modified with respect to the matters reported in findings 5, 6, 7 and 8.

NRG's responses to the findings identified in our examination are described in the accompanying Findings and Recommendations section of the report. NRG's responses were not subjected to the procedures applied in the examination of the compliance with the requirements described above, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the CPUC and NRG and is not intended to be and should not be used by anyone other than these specified parties.

San Francisco, CA
July 20, 2021

Crowe LLP
Crowe LLP

¹ Our adverse opinion is based on conducting our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants, as discussed in the preceding paragraph.

NRG Electric Vehicle Infrastructure Settlement Agreement Compliance

California Public Utilities Commission
NRG Inc.
Electric Vehicle Infrastructure Settlement Compliance Examination

Executive Summary

The California Public Utilities Commission (CPUC, or Commission) contracted with Crowe LLP (Crowe) to conduct an examination on NRG Inc.'s (NRG, also referred to as NRG EV Services LLC, or EVgo²) compliance with the rules, regulations, and requirements (Requirements) specified in a legal settlement between NRG (formerly Dynegy Power Marketing, Inc., El Segundo Power, LLC, and Long Beach Generation LLC) and the California Public Utilities Commission (CPUC) approved by the Federal Energy Regulatory Commission (FERC) on November 5, 2012 (FERC Docket EL02-60-010, referred to as the Settlement Agreement) for the examination period.

The Settlement Agreement requires NRG to expend \$122.5 million, including \$102.5 million in the form of electric vehicle charging infrastructure and pilot programs in California. NRG is required to build two types of infrastructure: (1) public electric vehicle charging stations ("Freedom Stations" and "Charging Plazas")³ and (2) Make-Ready Stubs⁴ and Make-Ready Arrays⁵. NRG is also required to expend funds for technology demonstration projects as well as projects that enhance appreciation of the social benefits of electric vehicles. The Settlement Agreement and subsequent amendments outline detailed technical and performance specifications for each of these projects and infrastructure types, as well as targeted dates for completing the infrastructure.

During the performance of our procedures, we noted eight (8) findings related to NRG's compliance with the Settlement Agreement as described in the Findings and Recommendations section of this report. In total, the findings resulted in NRG overstating its Settlement Expenditures by \$2,525,684 and our identification of an additional amount of \$884,372 in questioned Settlement Expenditures in addition to interim audit finding 4 (\$421,939 of questioned costs) and interim audit finding 6 (\$1,309,247). The following is a summary of our findings:

Finding 1: EVgo failed to demonstrate compliance with Sections 4(c)(ii)(2)(C), 1(ooo), and 1(fff) of the Settlement Agreement. To encourage broad distribution, Settlement Agreement Section 4(c)(ii)(2)(C) limits the total number of Make-Ready Stubs to a maximum of forty (40) stubs allowed at a given Make-Ready Site, subject to certain building, parking lot, and parking space configurations which are described within our report.⁶ Specifically, EVgo reported a total of 433 Make-Ready Stubs that were installed in excess of the maximum number allowed per site in three categories as follows:

- a. 86 stubs were installed in excess of the maximum number allowed at their respective sites based on the requirement of one building and one parking lot or garage for every ten stubs or fraction thereof.
- b. 41 stubs, located at three different sites, were installed in excess of the maximum number allowable because they did not meet the Settlement Agreement specification that a Make-Ready Site must have at least one parking lot or parking garage for every ten stubs.

² EVgo is the company which executes settlement obligations on NRG's behalf. Originally a subsidiary of NRG, it was sold in 2016 (see Introduction section for more detail). NRG retains legal responsibility for the settlement and reimburses EVgo for settlement-related expenses.

³ The Settlement Agreement requires NRG to spend \$50.5 million on installing publicly available fast charging stations.

⁴ Make-Ready Stub" means collectively, a Charging Station Fixture, electrical conduit and electrical wiring from the charging station junction box to the fixture, and signage indicating that the parking spaces are "Ready for EV."

⁵ "Make-Readies Array" means a group of connected Make-Ready Stubs, together with the Electric Service Infrastructure necessary to support each Make-Ready Stub in such group.

⁶ These per site maximum installation limits, together with quotas for both region and site type, were intended to ensure that Make-Ready Stubs were not concentrated but rather equitably distributed among Make-Ready Sites and throughout California.

California Public Utilities Commission
NRG Inc.
Electric Vehicle Infrastructure Settlement Compliance Examination

- c. 306 stubs were installed in excess of the maximum of forty stubs per site; these stubs were at locations where EVgo incorrectly reported the stubs as associated with multiple separate Make-Ready Sites at that location (effectively dividing the location into multiple sites which allowed EVgo to meet the 40 stubs per site definition) when per the Settlement Agreement these stubs should have been associated with only a single Make-Ready Site at that location. These sites were located on large college or corporate campuses.

Consequently, EVgo should reduce its reported Make-Ready Stub count by 433 from 6,909 to 6,476 and correspondingly reduce its reported Make-Ready spend by \$1,299,000, or \$3,000 per stub.

Finding 2: EVgo failed to demonstrate compliance with Section 4(e)(ii) of the Settlement Agreement. Specifically, of the 128 sampled Make-Ready Sites, surveyors observed that 13, or 10%, of these sites had a different Make-Ready Stub count than EVgo reported, with four (4) sites having more stubs than EVgo reported and nine (9) sites having fewer stubs than EVgo reported. While EVgo reported that together these 128 sampled Make-Ready Sites had 1,204 stubs, surveyors observed only 1,198 stubs, which is six (6), or 0.5 percent, less than EVgo claimed to have installed. Consequently, EVgo should further reduce its reported Make-Ready Stub count by 0.5 percent, or 32, from 6,476 to 6,444 and also further reduce its reported Make-Ready spend by \$96,000.

Finding 3: EVgo failed to demonstrate compliance with Section 4(c) of the Settlement Agreement. Specifically, EVgo reported completed Make-Ready Stubs that did not fully comply with the construction requirements in the Settlement Agreement. We observed three categories of construction-related non-compliance with the 1,198 Make-Ready Stubs surveyed:

- 310, or 26 percent, did not have fixtures⁷ installed as of their operational date
- 45, or 4 percent, could not be connected to an EVSE without additional electrical labor/materials costs (e.g., wiring not pulled to concrete pad, stub mounted on ceiling)
- 812, or 68 percent, did not have “Ready for EV” signage or an EVSE⁸ installed as of their operational date.

In the details for Finding 3 presented later in the report, we provide support for our calculation of the cost impact of EVgo not meeting these construction-related Settlement Agreement requirements. Based on our analysis, EVgo should further reduce its reported Make-Ready spend by \$956,121 to account for failure to comply with these construction-related requirements.

The cumulative impact of Findings 1 through 3 on EVgo’s actual Make-Ready spend is shown in **Table ES-1** on the next page:

⁷ A fixture is a bracket or post that allows an EVSE to be securely mounted. Wall-mounted stubs do not require a fixture since an EVSE can be fastened directly to the wall, therefore they are not included in this amount. For stubs where the initial installation included a bollard-style ground-mounted EVSE (making the installation of a separate fixture unnecessary), Crowe did not penalize EVgo for not including a fixture in the initial installation.

⁸ As the purpose of “Ready for EV” signage is to communicate that a stub is available for EVSE installation, the requirement that a stub have “Ready for EV” signage is met once an EVSE is installed at that stub.

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Table ES-1 Make-Ready Findings Overview/Impact	
EVgo Reported Actual Make-Ready Spend	\$28,830,491
Finding 1 - Excess Make-Ready Stubs Reported	(\$1,299,000)
Finding 2 - Observed Make-Ready Stub Counts Varied from Reported Stub Counts	(\$96,000)
Finding 3 - Make-Ready Stubs Non-Compliant with Construction Specifications	(\$956,121)
Subtotal Crowe Adjustments (Findings 1-3)	(\$2,351,121)
EVgo Actual Make-Ready Spend with Crowe Adjustments	\$26,479,370
Make-Ready Spend Requirement per Settlement	\$27,500,000
Variance of Actual Spend to Required Spend	(\$1,020,630)

While our calculations for Findings 1 through 3 in Table ES-1 show an overall underspend of \$1,020,630, the Settlement Agreement (Section 4(g)(ii)(7)) specifies a cash-out formula which is equal to the greater of the following two calculations:

- Calculation 1 - EVgo's Make-Ready underspend (\$1,020,630) plus interest (\$406,512)⁹, totaling \$1,427,142, or
- Calculation 2 - \$1,000 multiplied by the number of Incomplete Make-Ready Stubs (3,035), defined as the Minimum Make-Ready Stubs Count (6,875) plus the Minimum Make-Readies Array Count (1,000) minus the number of compliant/complete Make-Ready Stubs (4,110) and Make-Ready Arrays which meet the Make-Ready Viability Criteria (730), totaling \$3,035,000.

Our conclusion is that EVgo should remit \$3,035,000 to the CPUC based on the results of Calculation 2 above.

Finding 4: EVgo failed to demonstrate compliance with Section 1(vv) of the Settlement Agreement. Specifically, EVgo failed to retain complete documentation for expenses, which would have provided evidence that reviews and approvals of costs were occurring prior to being charged to the Settlement Agreement account; that purchases were authorized prior to costs being incurred; and that costs were appropriately accumulated to the project based on the presence and use of the identified project account. Consequently, Crowe identified unique questioned costs totaling \$884,372¹⁰ from 12/6/2016 (beginning of Settlement Year 5) to 3/15/2020 (date of Revised Program Summary) such that certain transactions having multiple exceptions are not double counted.

Finding 5: EVgo failed to demonstrate compliance with Section 4(e)(ii)(2) of the Settlement Agreement. Specifically, EVgo lacked sufficient documentation such as host site contracts, as-built plans, and close-out documents to substantiate installation at various sites. The result of insufficient documentation led to Findings 2 and 3 but does not have additional cost consequences.

⁹ Interest compounded quarterly using average quarterly prime rate from 11/5/2012 (settlement approval date) to 6/30/2021, according to FERC requirements.

¹⁰ The combined dollar amount of Findings 1 through 3 (\$3,035,000) is separate from and does not include the dollar amount of Finding 4 from this report (\$884,552), nor does it include interim audit Finding 3 (\$421,939) or interim audit finding 6 (\$1,309,247).

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Finding 6: EVgo failed to demonstrate compliance with the Extension Amendment to the Settlement Agreement. Specifically, EVgo's most recent quarterly report to the CPUC, as of March 5, 2020, lists twenty-two (22) Charging Plazas which were either operational or in the process of being constructed. Of these twenty-two Charging Plazas, three, or fourteen percent, were operational by June 5, 2019, and nineteen, or eighty-four percent, were not. As of June 15, 2021, two of the twenty-two Charging Plaza sites were not operational. The Extension Amendment to the Settlement Agreement, dated February 7, 2019, states: "The Parties agree that the Installation Period applicable to the Make-Ready Stubs and Charging Plazas is hereby extended through June 5, 2019."

Finding 7: EVgo failed to demonstrate compliance with Section b(2)(f) of the Second Amendment to the Settlement Agreement. Specifically, for the single Freedom Station site that was upgraded to a High Power Charging Plaza, EVgo did not allocate the entire cost of that site (the original Freedom Station installation and equipment costs along with High Power Charging Plaza upgrade costs) to the Redirected Amount (i.e., High Power Charging Plaza spend) and did not add back the original Freedom Station installation and equipment costs to the Freedom Station Amount. The Second Amendment to the Settlement Agreement required EVgo to account for any upgrades of Freedom Stations to High Power Charging Plazas so that the original cost of the Freedom Station was counted towards the Redirected Amount (i.e., High Power Charging Plaza Spend). Consequently, EVgo should reduce the Freedom Station spend by \$160,000 and increase the High Power Charging Plaza spend by \$160,000.

Finding 8: EVgo failed to demonstrate compliance with Section 4(e)(ii)(2) of the Settlement Agreement. Specifically, EVgo mis-reported expenditures related to credit card kiosks and miscategorized other expenditures. Consequently, EVgo should reduce its reported Freedom Station spend by \$212,968 and increase its reported High Power Charging Plaza spend by \$182,592.

In total, Crowe calculated an overall reduction in the value of reported Settlement Expenditures of \$2,381,497, based on our findings for Phase II of the examination to a total of \$103,396,592 spent in Settlement Years 5 through 8 (December 6, 2016 through December 5, 2020). The CPUC should determine how to treat the \$884,372 (i.e., related to Finding 4) in questioned costs where, because of lack of documentation provided by EVgo, Crowe could not draw definitive conclusions as to the validity of these transactions.

We have issued an adverse opinion for this examination due to the aggregation and pervasive nature of the material noncompliance identified within findings 1, 2, 3, and 4. Though findings 5, 6, 7, and 8 were not deemed instances of material noncompliance, we deemed that it was appropriate to report these instances of noncompliance to users of this report.¹¹

Throughout this examination, Crowe met with NRG management to communicate interim progress and preliminary findings and observations. We also conducted an exit conference on completion of our fieldwork to communicate the examination procedure results and to review each of the findings (including Questioned Costs) and recommendations.

Another purpose of this examination was to determine if EVgo remediated the twelve (12) previously reported findings from the July 2018 examination report. Of the twelve (12) findings from the prior examination, we observed five (5) repeat findings and seven (7) remediated findings. **Exhibit 1** provides the status of remediation on each prior finding. We provide detailed responses to each Finding from EVgo in **Appendix B**.

¹¹ Findings 5, 6, 7 and 8 were not significant to rise to the level of modifying our opinion.

California Public Utilities Commission
NRG Inc.
Electric Vehicle Infrastructure Settlement Compliance Examination

Exhibit 1
Status of Findings Reported in Previous Examination

Description	Recommendation(s)	Status
1. NRG Settlement Agreement Reports Include \$1,465,000 in Charger Costs that NRG Could Eventually Use for Non-Settlement Installations	NRG should reduce the total amount of charger costs reported for Settlement Years 1 through 4 by \$1,465,000. NRG should discontinue the approach NRG uses to include advanced charger purchases for all Settlement and non-Settlement installations.	Remediated – consistent with the recommendation, EVgo reduced expenditures and accounted for purchases at the time they were implemented rather than in advance of implementation.
2. NRG Settlement Agreement Reports Include \$1,640,814 in Non-Allowable Electricity Charges Charged by Utilities	NRG should reduce the total amount of Freedom Station Fixed Operation Costs Reported in its Annual Reports for Settlement Years 1 through 4 by \$1,640,814. NRG should develop policies and procedures to allocate the basic monthly ongoing electricity charges to other business activities and not to reported Settlement Expenditures.	Remediated – EVgo removed non-allowable electricity charges from total expenditures reported.
3. NRG Settlement Agreement Reports Include \$421,939 in Labor Costs for Salaries Paid in Excess of Comparable Salaries	NRG should reduce the total amount of Direct Labor Costs by \$421,939 for Settlement Years 1 through 4. In addition, NRG should begin reporting Direct Labor Costs based on market-based salaries in future Annual Expenditure Reports. NRG also should use actual salaries paid as a basis for determining Direct Labor Costs for Settlement Agreement purposes rather than the average annual salary estimating methodology used for Settlement Years 1 through 4.	Remediated for the Phase II period – Crowe found no issue related to labor costs during second phase of the audit. While we made a reduction of \$421,939 to the total EVgo spend, as identified in EVgo's Management Responses this finding in the Interim Audit, EVgo continues to refute the validity of the \$421,939 reduction.
4. NRG Settlement Agreement Reports Include \$520,626 in Freedom Station Fixed Operating Costs In Excess of the \$3,000,000 Spending Requirement	NRG should reduce the total amount of Freedom Station Fixed Operation Costs by \$516,626 for Settlement Years 1 through 4. NRG should not include Fixed Operation Costs above the \$3,000,000 amount required in the Settlement Agreement. NRG should develop policies and procedures so as not to include Fixed Operating Costs above \$3,000,000 in its reporting.	Remediated – EVgo only included the maximum allowed Fixed Operating Cost amount of \$3,000,000 in total expenditures reported.
5. NRG Settlement Expenditure Reports Include \$78,700 in Non-Allowable Travel Costs	NRG should reduce the total amount of travel costs reported for Settlement Years 1 through 4 by \$78,700. In future Settlement Years, NRG should implement a process and procedures for management to review allocations of non-Settlement Agreement travel costs to confirm they are allocated to other businesses.	Remediated – EVgo removed this amount from total expenditures reported.
6. NRG Was Unable to Provide Complete Documentation to Substantiate \$1,309,247 in Expenses Reported in Settlement Expenditure Reports	NRG should provide supporting documentation to substantiate the \$1,309,247 in expenses reported during Settlement Years 1 through 4.	Repeat Finding – Questioned costs are additive to current Finding 4.
7. Of the Make-Ready Sites Visited, a Minimum of 15 Percent Failed to Comply with Make-Ready Specification Requirements	NRG should provide documentation to verify the entire population of Make-Ready Stubs that are non-compliant with the Settlement Agreement based on the above-identified categories.	Repeat Finding – see current Findings 1, 2 and 3

California Public Utilities Commission
 NRG Inc.
 Electric Vehicle Infrastructure Settlement Compliance Examination

Description	Recommendation(s)	Status
8. NRG Settlement Agreement Reports Include \$180,273 in Overhead Costs for California Business Alliance Participation and Government Affairs Expenses	NRG should reduce the amount of Settlement Expenditures reported for Settlement Years 1 through 4 by \$180,273 or seek clarification as to whether these costs are allowable in accordance with the Settlement Agreement cost definitions.	Repeat Finding – These questioned costs, identified in the Interim Audit, have not been removed from total expenditures reported.
9. NRG Did Not Adequately Document the Evaluation Criteria and Outcomes, Including Evaluation of Vendor Preferences, for 15 Settlement Agreement Procurements	NRG should clarify in writing its policies and procedures related to the requirement to document and retain documentation to substantiate evaluations and outcomes of its Settlement Agreement competitive bidding process.	Repeat Finding - Similar issues remained until EVgo transitioned to a new procurement system. Crowe found that EVgo's procurement process improved towards the end of the examination period.
10. NRG Did Not Competitively Bid Services with 11 Vendors with Contracts Worth More than \$100,000 totaling \$4,208,563	NRG should follow Settlement Agreement requirements related to soliciting competitive bids for contracts above \$100,000.	Repeat Finding – Similar issues remained until EVgo transitioned to a new procurement system. Crowe found that EVgo's procurement process improved towards the end of the examination period. ¹²
11. NRG Complied with 7 of 9 Freedom Stations Equipment Installation Requirements, But Did Not Install Customer Service Interfaces that Include a Communications Device for Single-Use Charging Services and Did Not Install Way Finding	NRG should follow the Freedom Station installation requirements for these two items as specified in the Settlement Agreement.	Partially Remediated for Phase II – Crowe found Freedom Station installations for Phase II met specifications within the Settlement Agreement. However, while the CPUC requested written proof from Evgo from a site host when that host elected to waive the way finding requirement, EVgo was not able to always furnish written proof that the site waived the way finding requirement. ¹³
12. NRG Has Not Yet Met the Low-Income PUMA Area Installation Requirements in the LA Basin and Can Better Document Efforts Used to Reach this Requirement in its Reporting	NRG should increase the number of low-income PUMA installations in the LA Basin in subsequent Settlement Years such that NRG installs at least 20 percent of the Freedom Stations in the LA Basin in low-income PUMA	Remediated – EVgo has met the low-income PUMA requirements.

¹² Many of the contracts Crowe initially reviewed were still active during Phase II of the audit.

¹³ In discussions with EVgo, they indicated that many Freedom Station sites did not want signage. EVgo suggested that users generally don't have issues with finding Freedom Stations because the infrastructure is visible and clearly looks like a charging station.

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In total, based on our findings Crowe calculated a reduction of \$2,803,436 to the \$105,778,089 in reported Settlement Agreement expenditures resulting in a total spend for the entirety of the Settlement Agreement of \$102,974,653. **Exhibit 2** provides details on each of the current findings and the one finding from the interim audit as well as the corresponding calculated reductions to EVgo spend. **Exhibit 3** provides the total budgeted, reported, and validated expenditures for each budget category. **Exhibit 4** shows the total number of required, reported, and validated Freedom Stations, High Powered Charging Plazas, and Make-Ready Sites. EVgo installed more Freedom Stations and High Powered Charging Plazas than required, but fell short of the Make-Ready installation requirement.

**Exhibit 2
Combined Interim Audit and Phase II Examination Results**

Finding	Amount
Adjustments to Settlement Expenditures	
1. EVgo reported 433 Make-Ready Stubs that were not compliant with the Settlement Agreement.	(\$1,299,000)
2. Of the 128 sampled Make-Ready Sites, surveyors observed that 13, or 10 percent, had a different Make-Ready Stub count than EVgo reported.	(96,000)
3. EVgo reported Make-Ready Stubs that did not comply with construction requirements outlined in the Settlement Agreement.	(956,121)
7. EVgo did not allocate the entire cost of Charging Plazas (the original Freedom Station installation and equipment costs along with Charging Plaza upgrade costs) to the Redirected Amount nor did EVgo add back the original Freedom Station installation and equipment costs for such sites to the Freedom Station Amount (net zero effect on total spend).	-
8. EVgo mis-reported certain expenditures for Freedom Stations and Charging Plazas.	(30,376)
Finding 3 from Interim Audit: EVgo Salaries in Excess of Comparable Salaries	(421,939)
Total Reduction to EVgo Reported Settlement Agreement Expenditures	(\$2,803,436)
Total EVgo Reported Settlement Agreement Expenditures	\$105,778,089
Less Total Reduction to EVgo Reported Settlement Agreement Expenditures	(\$2,803,436)
Total Adjusted Settlement Agreement Expenditures	\$102,974,653

**Exhibit 3
Total Reported Expenditures and Crowe Adjustments by Category**

Expenditure Type	Budget	Total Reported	Crowe Adjustments	Total w/Crowe Adj.	Variance
Freedom Station	\$50,500,000	\$50,424,013	(\$794,907)	\$49,629,106	(\$870,894)
High Power Charging Plaza	12,500,000	14,150,617	342,592	\$14,493,209	\$1,993,209
EV Opportunity	4,000,000	4,426,162	-	\$4,426,162	\$426,162
Make-Ready	27,500,000	28,830,491	(\$2,351,121)	\$26,479,370	(\$1,020,630)
Technology Demonstration	5,000,000	4,946,805	-	\$4,946,805	(\$53,195)
Fixed Operating Costs	3,000,000	3,000,000	-	\$3,000,000	\$0
Total	\$102,500,000	\$105,778,089	(\$2,803,436)	\$102,974,653	\$474,652

California Public Utilities Commission
 NRG Inc.
 Electric Vehicle Infrastructure Settlement Compliance Examination

**Exhibit 4
 Site Type Counts**

Site Type	Required Count	Total Reported	Crowe Adjustment	Total w/ Crowe Adjustment	Variance
Freedom Station	200	218	0	218	18
High Power Charging Plaza	10	20	0	20	10
Make-Ready	6,875	6,909	465	6,444 ¹⁴	(431)

Introduction

In February 2002, the CPUC filed a complaint against sellers of long-term contracts, including one of NRG’s subsidiaries, alleging that the rates, terms, and conditions of certain long-term contracts were unjust and unreasonable within the meaning of the Federal Power Act. The parties entered into settlement discussions and in 2012, the CPUC entered into a legal settlement (the “Settlement Agreement” or “Settlement”) with NRG, Inc. (formerly Dynegy Power Marketing, Inc., El Segundo Power, LLC, and Long Beach Generation LLC) in regards to the legal claims the CPUC had raised against one of NRG’s subsidiaries. On April 27, 2012, the CPUC and NRG agreed to terms of the Settlement. The Settlement was approved by the Federal Energy Regulatory Commission (FERC) on November 5, 2012 (FERC Docket EL02-60-010) and became effective December 5, 2012.¹⁵ For purposes of determining NRG compliance with the Settlement Agreement, the December 5, 2012 date represents the “Settlement Effective Date” as defined by the Settlement Agreement.¹⁶

The Settlement Agreement requires NRG to expend \$122.5 million, including \$102.5 million in the form of electric vehicle charging infrastructure and pilot programs in California. NRG is required to build two types of infrastructure: (1) installation of public electric vehicle charging stations (“Freedom Stations” and “Charging Plazas”) and (2) installation of Make-Ready Stubs and Make-Ready Arrays. NRG is also required to expend funds for technology demonstration projects as well as projects that enhance appreciation of the social benefits of electric vehicles. The Settlement Agreement and subsequent amendments outline detailed technical and performance specifications for each of these projects and infrastructure types, as well as targeted dates for completing the infrastructure.

NRG’s Electric Vehicle (EV) Charging Station Project provides for:

1. Installation of at least 200 fast-charging Freedom Stations and at least 10 Charging Plazas available for use by the general public;
2. Installation of infrastructure to support 6,875 privately-owned Make-Ready Stubs at multi-family, workplace, or public-interest sites (e.g., public universities); and
3. Development, funding, and implementation of electric vehicle related technology pilot programs and electric vehicle programs for underserved communities.

¹⁴ For explanation of Crowe’s adjustment on EVgo’s reported stub count from 6,909 to 6,444, see Findings 1 and 2.

¹⁵ The December 5, 2012 *Joint Explanatory Statement* related to the First Amendment to Settlement Agreement, indicated that FERC approved the Settlement Agreement on November 5, 2012 and the Settlement Agreement became effective on December 5, 2012 (Section 1, first paragraph, last sentence, page 2).

¹⁶ Source: Settlement Agreement Section 6(c)).

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On November 2, 2015, the CPUC and NRG jointly filed with FERC the First Amendment to the Settlement Agreement (First Amendment), which included ten technical amendments to the Settlement Agreement. On February 24, 2016, FERC issued an order approving this First Amendment. The purpose of the First Amendment was to increase the public benefits of the Settlement Agreement, preserve market balance for all electric vehicle charging market participants, and remove impediments to the implementation of the EV Charging Station Project identified by the Parties during the first two and one-half years of its implementation.¹⁷

On June 17, 2016, NRG closed the sale of a controlling interest in NRG EV Services LLC (EVgo) to EV Holdings Investment, Inc., an investment vehicle of Vision Ridge Partners, LLC. As of 2016, NRG retained a significant minority investment in EVgo. NRG retains the legal and financial obligation to meet the terms of the CPUC Settlement Agreement and will continue to execute its obligations under the Settlement Agreement through EVgo. In connection with the sale, NRG EV Services LLC changed its legal name to EVgo Services LLC.¹⁸

On February 22, 2017, the CPUC and NRG jointly approved the Second Amendment to the Settlement Agreement (Second Amendment).¹⁹ The purpose of the Second Amendment was to further extend the public benefits of the Settlement Agreement and more effectively bring the benefits of electric vehicles to the multi-family segment through the redirection of funds from the Make-Ready program to the Charging Plaza program.²⁰

On February 7, 2019, the CPUC and NRG jointly approved the Extension Amendment to the Settlement Agreement (Extension Amendment). The purpose of the Extension Amendment was to extend the installation/expenditure period for Freedom Stations, Make-Readies, Charging Plazas, Technology Demonstration, and EV Opportunity Programs to June 5, 2019. On December 20, 2019, LS Power announced that it had signed an agreement to acquire EVgo from Vision Ridge Partners.²¹ The acquisition was completed on January 16, 2020.²² NRG no longer owns any portion of EVgo.²³ On January 22, 2021, EVgo announced plans to become a publicly listed company in Q2 2021 through a reverse merger with a special purpose acquisition company called Climate Change Crisis Real Impact I Acquisition Corporation.²³ In connection with the reverse merger, the company will be renamed from EVgo Services LLC to EVgo Inc.²³

The Settlement Agreement, section 4(e)(iii), specifies that:

- At the conclusion of Settlement Year 2, an independent third-party auditor shall “audit” and verify NRG’s compliance with performance obligations under the Settlement Agreement.
- At such time that NRG believes that it has completed performance of its commitments under the Settlement Agreement to implement the EV Charging Station Project and to spend the full amount of the funds committed by NRG under this Agreement, an independent third-party auditor shall “audit” and verify NRG’s compliance with its commitments.
- This Phase II examination is intended to respond to the second of these two requirements. Crowe completed its Phase I examination to meet the first of these two requirements on July 11, 2018.

¹⁷ Source: FERC *Joint Explanatory Statement* related to First Amendment, page 3.

¹⁸ According to NRG’s Year 4, Quarter 2 public progress report to the CPUC (for the period of March 6, 2016 through June 5, 2016),

¹⁹ First Amendment Section D(2.) allows the CPUC and NRG to jointly make further changes to the Settlement Agreement without FERC approval “provided they do not materially reduce the aggregate dollar amount of NRG’s commitment to the EV Charging Station Project”.

²⁰ Source: Second Amendment Recitals, section D.

²¹ See <https://www.lspower.com/ls-power-announces-acquisition-of-evgo/>. Accessed on 2/12/2021.

²² See <https://www.evgo.com/about/news/ls-power-completes-acquisition-of-evgo/>. Accessed on 2/12/2021.

²³ See <https://www.evgo.com/about/news/evgo-an-ls-power-company-and-leader-in-u-s-electric-vehicle-fast-charging-to-publicly-list-through-business-combination-with-climate-change-crisis-real-impact-i-acquisition-corporation/>. Accessed on 2/12/2021.

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As required by the Settlement Agreement, section 4(e)(2), NRG submits Quarterly and Annual Status Reports summarizing progress with meeting Settlement Agreement requirements. In its Quarterly and Annual Status Reports, NRG includes Settlement Agreement Expenditure reports which provide a listing of Settlement Expenditures (referred to hereafter as “Settlement Expenditure Reports”). For expenditure reporting purposes from Settlement Year 2 onward, in order to better align with monthly accounting cycles, NRG captured Settlement Agreement expenditures using a December 1 through November 30 reported period.²⁴ **Exhibit 5** shows the time period covered by each Settlement year. **Exhibit 6** summarizes total reported Settlement Expenditures through December 5, 2020. In total, NRG reported expenditures of \$105,778,089 for Settlement Agreement activity. **Exhibit 7** shows expenditures subject to this Phase II examination, or Settlement Years 5-8 ending December 5, 2020.

**Exhibit 5
 Settlement Year Time Periods**

Settlement Year	Time Period
5	December 6, 2016 to December 5, 2017
6	December 6, 2017 to December 5, 2018
7	December 6, 2018 to December 5, 2019
8	December 6, 2019 to December 5, 2020

**Exhibit 6
 EVgo Reported Settlement Agreement Expenditures as of 12/05/2020**

Expenditure Type	Total	Budget	Variance
Freedom Stations	\$50,424,013	\$50,500,000	(\$75,987)
High Power Charging Plaza	14,150,617	12,500,000	1,650,617
EV Opportunity	4,426,162	4,000,000	426,162
Make-Ready	28,830,491	27,500,000	1,330,491
Technology Demonstration	4,946,805	5,000,000	(53,195)
Fixed Operating Costs	3,000,000	3,000,000	-
Total	\$105,778,089	\$102,500,000	\$3,278,089

The CPUC requested that Crowe conduct this work as a compliance “examination” under American Institute of Certified Public Accountants (AICPA) attestation standards, with some procedures performed under AICPA consulting standards to cover aspects of the Settlement Agreement which cannot readily be performed using compliance examination procedures. The objective of the compliance examination portion of the work is to provide the CPUC with Crowe’s opinion on NRG’s compliance with Settlement Agreement requirements.

²⁴ For expenditure reporting purposes in Settlement Year 1, the CPUC allowed NRG to capture start-up related Settlement Agreement expenditures which NRG could have incurred from the Settlement Agreement effective date of April 27, 2012, through November 30, 2013.

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**Exhibit 7
 Settlement Agreement Expenditures subject to Phase II of this Examination**

Category	Phase II Spend
Time Period	December 6, 2016 to December 5, 2020
Freedom Station Install Costs	\$14,688,702
Make-Ready Costs	14,150,617
Tech Demonstration	4,426,162
High Power Charging Plazas	16,210,518
EV Opportunity	4,946,805
Totals	\$54,422,805

**This exhibit includes expenditures from December 6, 2016 through December 5, 2020. Due to timing differences, some of these expenditures have yet to have been included in EVgo's required recent formal quarterly or annual reports submitted to the CPUC.*

Examination Engagement Process

The CPUC identified three (3) primary goals with eighteen (18) supporting objectives for this project. Crowe added an additional goal with six (6) supporting objectives, for a total of four (4) primary goals with twenty-four (24) supporting objectives. These goals and objectives are based on the requirements of the Settlement Agreement :

Goal 1: Evaluate NRG's Freedom Station investments to determine if NRG has met all requirements of the Settlement Agreement, including, but not limited to, the following elements:

- Determine whether NRG has met the Freedom Station annual installation targets as set forth in the Settlement Agreement. The evaluation should determine the date that each station was completed and obtain customer feedback data from NRG to determine if the station was in working order since its completion.
- Determine that all Freedom Stations meet the technical requirements as described in the Settlement Agreement. The Settlement Agreement lists specific technical requirements that each station must meet. The evaluation should determine whether each station meets all of these requirements.
- Determine whether all Freedom Station infrastructure is in working order and accessible to electric vehicle drivers in compliance with the performance and accessibility requirements listed in the Settlement Agreement.
- Evaluate NRG's labor and equipment procurement processes to determine that competitive processes were used and that labor/technical expenses were reasonable.
- Evaluate whether NRG has met the standards requirements that require all Freedom Stations to be updated to meet both the CHAdeMO and CCS coupler standards per the terms of the Settlement Agreement.
- Determine whether the infrastructure cost less than the original projections and estimate how much additional infrastructure NRG could build with the remaining funding.

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Goal 2: Evaluate NRG's Make-Ready charging stub investments to determine if NRG has met all requirements of the Settlement Agreement, including but not limited to the following elements:

- Determine whether NRG has met its Make-Ready charging stub annual targets (for both facility targets and total stubs target).
- Validate that NRG's public information related to the exclusivity period for the Make-Ready charging infrastructure is accurate and accessible to the public.
- Determining that all Make-Ready charging infrastructure is in working order and accessible to electric vehicle drivers, per the performance and accessibility requirements listed in the Settlement Agreement. The Settlement Agreement lists specific technical requirements that each "Make-Ready" site must meet. The evaluation should determine whether each site meets all of these requirements and has met those requirements during the time that a given site has been operable.
- Evaluate NRG's labor and equipment procurement processes to determine that competitive processes were used and that labor/technical expenses were reasonable.
- Evaluate NRG's outreach effort to determine whether or not NRG has made satisfactory efforts to complete its obligations.
- Evaluate NRG's process for determining whether sites were eligible to participate to determine whether NRG has made just and reasonable efforts to complete its goals.
- Determine whether the infrastructure cost less than the original projections and estimate how much additional infrastructure NRG could build with the remaining funding.

Goal 3: Evaluate NRG's Charging Plaza investments to determine if NRG has met requirements of the Settlement Agreement as amended by the Second Amendment, including, but not limited to, the following elements:

- Determine whether NRG has completed the Charging Plaza installations as set forth in the Settlement Agreement. The evaluation should determine the date that each station was completed and obtain customer feedback data from NRG to determine if the station was in working order since its completion.
- Determine whether Charging Plazas meet the technical and geographic requirements as described in the Second Amendment, which lists specific requirements for Charging Plazas.
- Determine whether Charging Plaza infrastructure is in working order and accessible to electric vehicle drivers in compliance with the performance, accessibility, and pricing requirements listed in the Settlement Agreement.
- Evaluate NRG's labor and equipment procurement processes to determine that competitive processes were used and that labor/technical expenses were reasonable and in compliance with Settlement Agreement requirements.
- Determine whether NRG engaged with a research partner in compliance with the requirements in the Second Amendment.
- Determine adjustment to Make-Readies Amount and Minimum Make-Ready Stub Count based on the amount NRG spent on Charging Plazas. Determine whether the infrastructure cost less than the original projections and estimate how much additional infrastructure NRG could build with the remaining funding.

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Goal 4: Determine if NRG has met all the additional requirements under the Settlement Agreement:

- Determine whether all projects are underway as part of the Technology Development and Opportunity programs and are meeting the spending and performance targets.
- Evaluate if NRG has complied with the grants prohibition term that prevents NRG from applying for grants related to the infrastructure categories identified in the Settlement Agreement.
- Determine whether NRG has made ‘just and reasonable efforts’ to meet its infrastructure requirements, including the evaluation of its customer outreach efforts.
- Evaluate NRG’s spending to determine that all cited spending relates to the outcomes of the Settlement Agreement and represents reasonable efforts to spend funds efficiently and effectively.
- Ensure that NRG’s procurement of services and equipment meets the Settlement Agreement’s requirement that competitive processes be used to avoid unfair favoritism toward suppliers and ensure that competitively priced services and equipment are purchased.

To achieve these 24 objectives, we examined whether NRG complied with the Settlement Agreement compliance requirements shown in **Exhibit 8**.²⁵

**Exhibit 8
 NRG Electric Vehicle Infrastructure Settlement Agreement
 Compliance Requirements**

Settlement Agreement Area	Settlement Agreement Reference	General Description
Freedom Station	4(a)(i)	Freedom Station Installation Contribution in an amount equal to \$50.5 million.
	4(a)(ii)	Freedom Station Installation Period; Amount; Locations. Requirement to install 200 Freedom Stations over four (4) years as follows: <ul style="list-style-type: none"> • 110, or 60%, in LA Basin • 55, or 27.5%, in SF Bay Area • 15, or 7.5%, in San Joaquin Valley • 20, or 10% in San Diego County For each of the four locations above, installation of 20% of the sites must be in the lowest 1/3 among all the Public Use Microdata Areas ²⁶ .
	4(a)(iii)	Freedom Station Implementation Schedule. Requirement to install Freedom Stations as follows: <ul style="list-style-type: none"> • First Settlement Year – 20% • Second Settlement Year – 30% • Third Settlement Year – 30% • Fourth Settlement Year – 20%
	4(a)(iv)	Installation of Infrastructure; Allocation. Guidance for a <i>Freedom Station Savings Event</i> if expenditures fall below the Freedom Station Costs amount for the minimum installation requirement.
	4(a)(v)	Freedom Station Ownership. Requirement for NRG to retain ownership through Fixed Operating Cost Period.

²⁵ We did not rely on other related guidance outside of the Settlement Agreement compliance terms listed in **Exhibit 5** for our examination.

²⁶ Public Use Microdata Area” means a statistical geographic area defined by the United States Census Bureau for the tabulation of decennial census and “American Community Survey Public Use Microdata Sample data.”

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Settlement Agreement Area	Settlement Agreement Reference	General Description
	4(a)(vi)(1) ²⁷	Freedom Station Scope. Specifies equipment requirements which include: (A) one (1) DC Fast charger (B) either one (1) Level 2 charger or an additional DC Fast charger (D) at NRG's option, in addition to the equipment specified above NRG may also install either (I) a Freedom Station Stub or (II) a Level 2 Stub (E) to the extent not already present at a location, adequate ambient lighting and other security elements; (G) the electrical equipment necessary to fully service all the included equipment; (H) each Freedom Station shall be compatible with the CHAdeMO Standard and CCS. Freedom Stations may also include batteries and related energy storage equipment per Second Amendment section A(2).
	4(a)(vi)(3)(A), (B), (C)	Bids; Contracting Practices; Employment Practices. Specifies bid evaluation criteria, preference requirements for contractors, and preference requirements for employees.
	4(a)(vi)(4)	Charging Standards. Requirements for compatibility with CHAdeMO and CCS.
	4(a)(vii)	Freedom Station Operation and Maintenance. Requirements for NRG to maintain Freedom Stations through the Fixed Operating Period.
	4(b)(i)	Freedom Station Fixed Operating Cost NRG Contribution. Requirement to expend \$3.0M on fixed operating costs and definition of allowable operating costs.
	4(b)(ii)	Single-Use Scope of Access. Requirement to provide open access to subscribers and non-subscribers during Fixed Operating Cost Period.
	4(b)(iii)	Payment of Customer Charges During NRG Fixed Operating Cost Period. Applicable requirements for subscribers and single-use customers.
Make Readies	4(c)(i), Second Amendment B(4)	Make Readies NRG Contribution in an amount equal to \$40.0 million, subject to reduction of up to \$12.5 million provided that amount is spent on Charging Plazas (per the Second Amendment).
	4(c)(ii)(1), Second Amendment B(4)	Make Readies Installation Period; Amount; Distribution. Requirement to install 10,000 Make-Ready Stubs at a minimum of 1,000 Make-Readies Arrays. The requirement of 10,000 Make-Ready Stubs may be reduced by one for every \$4,000 spent on Charging Plazas (per the Second Amendment).
	4(c)(ii)(2A), (2B), (2C), First Amendment B(2)	Sixty percent of the Make-Ready Stub Count is distributed geographically according to the percentages implied in Settlement Agreement 4(a)(ii), and the remaining forty percent of the Make-Ready Stub count is installed at geographic locations within California reasonably determined by NRG. Required stub distribution by site type is as follows: ²⁸ <ul style="list-style-type: none"> • Workplace sites – 15% • Public interest sites – 10% • Remaining to be distributed across multi-family, workplace, and public interest sites – 75%

²⁷ EVgo was granted relief from Settlement Agreement sections 4(a)(vi)(1)(C) and 4(a)(vi)(1)(F) via a CPUC relief letter dated 3/29/2019.

²⁸ The CPUC and NRG agreed to the Second Amendment to the Settlement Agreement, dated February 22, 2017. This Second Amendment allows NRG an extension of the Make-Ready Stub installation deadline to December 5, 2018, allows for NRG to redirect \$12,500,000 of the \$40,000,000 Make Readies expenditure requirement to installation of Charging Plazas, and reduces the number of required Make-Ready Stub installations by one for each \$4,000 redirected to Charging Plazas. The Second Amendment eliminated the Multi-Family Housing Site minimum installation requirement.

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Settlement Agreement Area	Settlement Agreement Reference	General Description
		The Settlement permits a maximum of forty stubs per Make-Ready Site.
	4(c)(iii), Second Amendment B(5), Extension Amendment B	Make-Readies Implementation Schedule. Requirement to install Minimum Make-Readies Stub Count by June 5, 2019. ²⁹
	4(c)(iv)	Make-Readies Costs Savings. Guidance for a <i>Make-Readies Savings Event</i> if expenditures fall below the Make Readies Cost amount for the Minimum Make-Ready Stubs Count.
	4(c)(v), First Amendment section B(4)	Make-Readies Ownership; Start-Up Period. Requirement that ownership vest with property owner. ³⁰
	4(c)(vi)(1B), (1C)	Make-Readies Installation; Bids. Requirements include for NRG to maintain a publicly available website and requirements for EVSE installation without a subscription during the Start-Up Period.
	4(c)(vi)(2A), (2B), First Amendment B(5)	Bids; Contracting Practices; Employment Practices. Specifies bid evaluation criteria, preference requirements for contractors, and preference requirements for employees.
	4(c)(vii), First Amendment B(6)	Make-Readies Arrays Utilization and Access. Requirement for host agreements, compatibility with third party Level 2 chargers, and limitations on Make-Readies subscriptions during Start-Up period. ³¹
	Second Amendment 2(a)	Maximum budget of \$12,500,000 eligible to be redirected from the \$40,000,000 Make-Ready program budget to construct a minimum of ten Charging Plazas.
	Second Amendment 2(b), (c)	Charging Plaza Minimum Requirements. At least 3 DC Fast Chargers, support for CHAdeMO and CCS, and minimum DCFC power rating of 50kW. Optional equipment includes 2000A 480V power capacity, level 2 charging capability, and any Freedom Station equipment listed in Settlement Agreement section 4(a)(vi)(1).
	Second Amendment 2(d)	Charging Plazas must be distributed throughout California but only in top 50% of PUMAs ranked by percentage of residents in multi-family housing, with 20 percent of Charging Plazas in PUMAs where the median income is in the bottom third of the region or state.
Charging Plazas	Second Amendment 2(e), (j)	Bidding and contracting practices in Settlement agreement sections 4(b)(vi)(3) and 4(c)(vi)(2) also apply to Charging Plazas. Data and accounting provisions in Settlement Agreement Section 4(e) also apply to the Charging Plazas.
	Second Amendment 2(f)	Up to five Freedom Stations may be upgraded to Charging Plazas provided they meet certain requirements.
	Second Amendment 2(g)	Charging Plaza Operating Period extends through the later of December 5, 2020 or two years following the completion of the Charging Plazas.
	Second Amendment	Single-use customer price restrictions based on charger power rating in kW.

²⁹ Settlement Agreement section 4(c)(iii) originally specified a four-year installation period for the Make-Readies extending through Settlement year 4. Second Amendment section B(5) extended the Make-Readies Installation Period through December 5, 2018. Extension Amendment section B further extended the Make-Readies Installation Period through June 5, 2019.

³⁰ First Amendment section B(4) rescinded NRG's 18-month exclusivity period at Make-Ready Stubs.

³¹ Settlement Agreement section 4(c)(vii) was extensively modified by first Amendment section B(6).

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Settlement Agreement Area	Settlement Agreement Reference	General Description
	2(h)	
	Second Amendment 2(i)	Requirement for NRG to fund a research study to determine the extent to which Charging Plazas are serving the multi-family segment.
Other Guidance	First Amendment 1C	Definitions
	4(d)(i)	Technology Demonstration Program.
	4(d)(ii)	EV Opportunity Program.
	4(e), First Amendment B(7)	Data and Accounting. Requirements for sharing of usage data, reporting, and audits.
	4(g), Second Amendment B(5), Extension Amendment B	Performance. Requirements if Minimum Freedom Station or Make Readies Counts not met.
	4(i)	Consultation. Requirements for using reasonable efforts to consult with state agencies and to consult with and review data provided by interest groups.
	4(j)	Contractors. Requirements for contractors to be licensed, local, and for contractors to use generally accepted practices.
	4(l)	Use of Grants. Requirements not to be recipient of grants directly related to Settlement Agreement obligations unless certain conditions are met.

Scope

Our Phase II examination covered the period of December 6, 2016 through December 5, 2020. The population consisted of all Settlement Expenditures included in NRG’s annual Settlement Expenditure reports submitted to the Commission. These included expenditures incurred by NRG over the 4-year Phase II examination period. We selected a sample of Settlement Expenditures for testing.

The scope also included determining NRG compliance with Freedom Station and Make-Ready Stub specifications and various other requirements included in the Settlement Agreement. We selected a sample of Freedom Stations, High Power Charging Plazas, Equal Access Charging Hubs, and Make-Readies for field visits and testing.

Risk Based Approach

Crowe utilized a risk-based approach for conducting this examination. As part of this risk-based approach, we assessed transactional and internal control specific risks during the planning phase and re-assessed risks throughout the examination. As such, our planning activities included establishing and documenting an overall examination strategy, developing a detailed written examination plan, and determining the extent of involvement of professionals with specialized skills. Based on the risks identified, we designed and implemented overall responses to address our assessed risks of material non-compliance with the requirements of the Settlement Agreement and we performed examination procedures whose nature, timing, and extent were based on, and are responsive to, the assessed risks of non-compliance.

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Examination Procedures

Our procedures performed for this engagement are provided in more detail in **Appendix A – Procedures Performed**.

Sampling Methodology

Our sampling methodology for this examination was based on guidance from the American Institute of Certified Public Accountants – Government Auditing Standards and Single Audits -Audit Guide – Chapter 11: Audit Sampling Considerations of Uniform Guidance Compliance Audits. Sampling is the application of an examination procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class. In other words, sampling may provide the accountant an appropriate basis on which to conclude a characteristic of a population based on examining evidence regarding that characteristic from a subset of the population.

It is important to note that sampling is one of many techniques designed to provide sufficient examination evidence to support the accountant’s compliance opinion. We often do not solely rely on the results of any single type of procedure to obtain sufficient appropriate evidence on compliance. Rather, our conclusions are based on evidence obtained from several sources and by applying a variety of testing procedures. Combined evidence obtained from the various types of procedures is used to determine whether there is sufficient appropriate evidence to provide an opinion on compliance.

Our sampling methods used a combination of both random and judgmental sampling. Judgmental sampling was utilized to test individually important items. Specifically, we used judgment and experience in examining a population for risky or unusual transactions that were selected for testing. These individually important items were selected based on our risk assessment and based on the data analysis procedures completed during the examination.

When sampling is used to test transactions, sampling risk exists. Sampling risk represents the risk that the sample is not representative of the population. In other words, that the evaluation of a population based on a sample is different from what it would be if the entire population were tested. Based on a statistically valid sample, our sampling methodology is designed to provide a high level of assurance (90 – 95%) in accordance with the AICPA Audit Guide’s guidance on sampling.

Findings and Recommendations

In planning and performing our examination of NRG’s compliance with the Settlement Agreement requirements for the Phase II examination period, we noted eight (8) findings, as noted above, that we considered reportable to the CPUC’s management. This section of our report provides a listing of these findings.

Our consideration of internal control was for the limited purpose of designing examination procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the carrier’s compliance but not for the purpose of expressing an opinion on the effectiveness of NRG’s internal control. Accordingly, we do not express an opinion on the effectiveness of NRG’s internal control. Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified four (4) deficiencies in internal control that we consider to be material weaknesses and four (4) deficiencies in internal control we consider significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected,

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on a timely basis. We consider the deficiencies in NRG's internal controls identified in findings 1, 2, 3 and 4 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in NRG's internal controls identified in findings 5, 6, 7, and 8 to be significant deficiencies. **Exhibit 9** summarizes the total impact of Crowe's findings from inception of the Interim Audit on NRG reported Settlement Expenditures. **Exhibit 10** summarizes total expenditures compared to each budget category.

Exhibit 9
Summary of Recommended Reductions to NRG Reported Settlement Expenditures
(Settlement Years 5 through 8)

Finding	Amount
Adjustments to Settlement Expenditures	
1. EVgo reported 433 Make-Ready Stubs that were not compliant with the Settlement Agreement.	(\$1,299,000)
2. Of the 128 sampled Make-Ready Sites, surveyors observed that 13, or 10 percent, had a different Make-Ready Stub count than EVgo reported.	(96,000)
3. EVgo reported Make Ready stubs that did not comply with construction requirements outlined in the Settlement Agreement.	(956,121)
6. EVgo did not allocate the entire cost of Charging Plazas (the original Freedom Station installation and equipment costs along with Charging Plaza upgrade costs) to the Redirected Amount nor did EVgo add back the original Freedom Station installation and equipment costs for such sites to the Freedom Station Amount (net zero effect on total spend).	-
8. EVgo mis-reported certain expenditures for Freedom Stations and Charging Plazas.	(\$30,376)
Finding 3 from Interim Audit: EVgo Salaries in Excess of Comparable Salaries	(\$421,939)
Total Reduction to EVgo Reported Settlement Agreement Expenditures	(\$2,803,436)
Total EVgo Reported Settlement Agreement Expenditures	\$105,778,089
Less Total Reduction to EVgo Reported Settlement Agreement Expenditures	(\$2,803,436)
Total Adjusted Settlement Agreement Expenditures	\$102,974,653
Questioned Costs (Phase II)	
4. NRG Was Unable to Provide Complete Documentation to Substantiate \$884,372 in Expenses Reported in Settlement Expenditure Reports	(\$884,372)
Questioned Costs (Interim Audit)	
6. NRG Was Unable to Provide Complete Documentation to Substantiate \$1,309,247 in Expenses Reported in Settlement Expenditure Reports	(1,309,247)
Total Questioned Costs	(\$2,193,619)
Other Findings	
5. EVgo lacked sufficient documentation to substantiate installation of various sites.	N/A
6. EVgo did not comply with Charging Plaza completion target date.	N/A
7. EVgo upgraded a Freedom Station to a Charging Plaza but did not allocate costs to the Charging Plaza spend.	N/A

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Exhibit 10
Total Reported Expenditures and Crowe Adjustments by Category

Expenditure Type	Budget	Total Reported	Crowe Adjustments	Total w/Crowe Adj.	Variance
Freedom Station	\$50,500,000	\$50,424,013	(\$794,907)	\$49,629,106	(\$870,894)
High Power Charging Plaza	12,500,000	14,150,617	\$342,592	\$14,493,209	\$1,993,209
EV Opportunity	4,000,000	4,426,162	-	\$4,426,162	\$426,162
Make-Ready	27,500,000	28,830,491	(\$2,351,121)	\$26,479,370	(\$1,020,630)
Technology Demonstration	5,000,000	4,946,805	-	\$4,946,805	(\$53,195)
Fixed Operating Costs	3,000,000	3,000,000	-	\$3,000,000	\$0
Total	\$102,500,000	\$105,778,089	(\$2,947,623)	\$102,830,465	\$474,652

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Finding 1. Excess Make-Ready Stubs Reported

Material Weakness in Internal Control and Material Noncompliance

Condition

EVgo reported 433 of 6,909 Make-Ready Stubs which do not meet the requirements of the Settlement Agreement related to the Minimum Make-Ready Stub Count. Crowe identified three categories of non-compliance including: (1) 41 stubs were installed in excess of the maximum number allowed at their respective sites based on the requirement of one building and one parking lot or garage for every ten stubs or fraction thereof; (2) 86 stubs were installed in excess of the maximum of forty stubs per Make-Ready Site and were reported by EVgo as comprising one Make-Ready Site; and (3) 306 stubs were installed in excess of the maximum of forty stubs per Make-Ready Site but were reported by EVgo as multiple separate Make-Ready Sites. Together these three categories make up 433 stubs, or 6% of the population of 6,909 Make-Ready-Stubs that EVgo reported (see **Exhibits 11 to 13** below for more detail).

Exhibit 11

Make-Ready Sites with more than ten stubs per building and parking lot/garage

Property Name	Total Stubs Reported	Allowable Stubs	Excess Stubs
iHerb	20	10	10
Sudberry – QF West Park Buildings A & B	40	20	20
Vici Apartments; Amo Apartments, (both owned by H.G. Fenton Company)	21	10	11
Totals	81	40	41

Exhibit 12

Make-Ready Sites with more than forty stubs reported as one site:

Property Name	Total Stubs	Allowable Stubs	Excess Stubs
Elan at River Oaks	80	40	40
Equity - City Gate	80	40	40
Equity - Park Place	46	40	6
Totals	206	120	86

Exhibit 13

Make-Ready Sites with more than forty stubs reported as multiple separate Make-Ready Sites

Property Name	Total Stubs	Allowable Stubs	Excess Stubs
Sony Pictures Studios	50	40	10
General Atomics Poway Campus	110	40	70
UC Santa Barbara	136	40	96
UC San Diego	170	40	130
Totals	466	160	306

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Criteria

EVgo is required to demonstrate compliance with the requirements specified in the following sections of the Settlement Agreement:

1(ooo) “Make-Readies Site” means a Multi-Family Housing Site, Public Interest Site or Workplace Site.’

1(uuu) “Multi-Family Housing Site” means a housing campus, complex or facility consisting of at least ten (10) separate dwellings; *provided* that, for the avoidance of doubt, the presence of retail or commercial business in or contiguous with such campus, complex or facility shall not affect the Multi-Family Housing Site status of such campus, complex or facility.’

1(ffff) “Public Interest Site” means a site owned or controlled by (1) a non-profit hospital; or (2) a governmental entity, including without limitation schools, colleges and universities, hospitals, parks, fairgrounds, museums, and parking facilities; *provided* that publicly owned and nonprofit owned campuses, complexes and facilities not classifiable as Public Interest Sites may otherwise qualify as a Make-Readies Site to the extent each such campus, complex, or facility otherwise meets the definition of Multi-Family Housing Site and/or Workplace Site, as applicable.’

1(ddddd) “Workplace Site” means an office, business, factory or industrial campus, complex or facility; *provided* that a campus, complex or facility whose primary business is retail focused (e.g., a retail mall) or hospitality focused (e.g., a hotel complex) is not classifiable as a Workplace Site.’

4(c)(ii)(2)(C) “Make-Readies Site Maximum. The Minimum Make-Ready Stub Count shall be distributed such that at each Make-Readies Site there is a maximum of forty (40) Make-Ready Stubs; *provided* that in order to qualify for the placement of more than ten (10) Make-Readies Stubs, a Make-Readies Site must have more than one (1) building and parking lot and/or parking garage; in order to qualify for the placement of more than twenty (20) Make-Readies Stubs, a Make-Readies Site must have more than two (2) buildings and parking lots and/or parking garages; in order to qualify for the placement of more than thirty (30) Make-Readies Stubs, a Make-Readies Site must have more than three (3) buildings and parking lots and/or parking garages. In each case the applicable parking lot(s) and/or garage(s) must have more than ten (10) parking spaces.”

Cause

EVgo did not follow a strict interpretation of the Make-Readies Site Maximum definition and Make-Ready Site types definition outlined in the Settlement Agreement. These requirements, together with the limitation of no more than ten stubs per array and the quotas for both region and site type, were intended to ensure that Make-Ready Stubs were not concentrated but rather equitably distributed among Make-Ready Sites and throughout California.

EVgo expressed in its quarterly and annual reports that it had difficulty meeting the Minimum Make-Ready Stubs Count due to an immature market, competing investments from utilities, and significant resistance to the dedicated charging requirement. However, these concerns were mitigated by the First Amendment, which removed the dedicated charging requirement, the 18-month exclusivity period, and the maximum of four Make-Ready Arrays per site. The First Amendment also relaxed the Public Interest Site requirement by allowing any government-controlled sites to be classified as Public Interest Sites (initially only community colleges, public/non-profit hospitals, and CSU campuses were eligible). In addition, the Second Amendment removed the Multi-Family Housing Make-Ready Stub quota, extended the Make-Ready Installation Period by two years, and effectively reduced the Minimum Make-Ready Stub Count by 3,125, or 31 percent, from 10,000 to 6,875. Finally, the Extension Amendment dated February 2, 2019 extended the Make-Ready Installation Period by an additional six months.

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Effect

Make-Ready Sites, with more Make-Ready Stubs than allowed by the Settlement Agreement, will benefit to the degree they utilize their excess Make-Ready Stubs. Potential Make-Ready Sites where EVgo could have installed the excess 433 Make-Ready Stubs did not receive the benefit of the Make-Ready Stub installations. If those Potential Make-Ready Sites later decide to install electric vehicle charging stations in the future, they will have to pay for the equivalent of the Make-Ready Stub installation cost (e.g., wiring, panel upgrades, transformers) which would have been paid for with Settlement funds had they been selected as a Make-Ready Site.³²

Assuming construction costs of \$3,000 per stub, costs to install these 433 excess Make-Ready Stubs equaled \$1,299,000.

Recommendation

Crowe recommends the following:

- Reduce EVgo's reported stub count by 433 from 6,909 to 6,476, which is less than the Minimum Make-Ready Stubs Count of 6,875.
- Reduce EVgo's reported Make-Ready spend by \$1,299,000 to remove expenses for the 433 Make-Ready Stubs it installed at certain Make-Ready Sites in excess of the Make-Readies Site Maximum.
- Reduce EVgo's reported count of 797 Make-Ready Stubs installed at Public Interest Sites by 186, as 186 of the 433 excess stubs were installed at Public Interest Sites. Implementing this recommendation would mean EVgo falls short of the Settlement requirement that at least 688 Make-Ready Stubs, or ten percent of the Minimum Make-Ready Stub Count, be installed at Public Interest Sites.

Settlement Party Response

The response is included on page 4 of NRG / EVgo response letter related to Finding 1 (the complete management response is included in **Appendix D**) which reads "First, Crowe contends that NRG exceeded the cap on Make-Ready Stubs at a particular site, largely attributable to NRG's deployment of Make-Ready Stubs at two University of California campuses, UC San Diego and UC Santa Barbara (for example, UCSD reports 182 Level 2 charging ports on campus a single "Make-Ready Site" is only permitted forty Make-Ready Stubs under the Settlement). However, NRG disputes Crowe's interpretation that an entire UC campus constitutes a single Make-Ready Site. Crowe's interpretation is overly rigid, ignores the public benefits associated with the Make-Ready Stub deployments that occurred at those campuses and should be rejected. Any disallowance proposed by Crowe should be disregarded to the extent it relies on this rationale."

Crowe Rebuttal

Crowe maintains its position that the Settlement Agreement is clear when defining a single Make-Ready site, which includes, among other definitions, section 1(f) "Public Interest Site" means a site owned or controlled by (1) a non-profit hospital; or (2) a governmental entity, including without limitation schools, colleges and universities, hospitals, parks, fairgrounds, museums, and parking facilities...".

³² For example, the Make-Ready site host at 625 Alluvial Avenue in Fresno was seeking to have ten additional Make-Ready Stubs installed on a separate property but did not have them installed because EVgo had already met its Make-Ready quota.

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Finding 2. Observed Make-Ready Stub Counts Varied from Reported Stub Counts

Material Weakness in Internal Control and Material Noncompliance

Condition

Of the 128 sampled Make-Ready Sites, surveyors observed that 13, or 10%, had a different Make-Ready Stub count than EVgo reported, with four (4) sites having more stubs than EVgo reported and nine (9) sites having fewer stubs than EVgo reported. While EVgo reported that together these 128 sampled Make-Ready Sites had 1,204 stubs, surveyors observed only 1,198 stubs, six (6), or 0.5 percent, less than EVgo claimed to have installed.

Criteria

EVgo is required to demonstrate compliance with the requirements specified in the following sections of the Settlement Agreement:

4(e)(ii)(1)(B) “Quarterly. Beginning at the completion of the first quarter of Settlement Year 1 and for each quarter thereafter of the NRG Fixed Operating Cost Period, NRG shall provide a high-level short written report to the CPUC within one (1) month of the end of the quarter (as determined from the Settlement Effective Date) summarizing NRG’s progress in implementing the EV Charging Station Project in the prior quarter (the “Quarterly Status Report”). Each Quarterly Status Report shall be in a form to be mutually agreed upon by the Parties and shall include at a minimum: ... (B) The number, geographic location and site-type of Make-Readies Sites and number of Make-Ready Stubs installed at each such Make-Readies Site in such quarter”

Cause

EVgo verified stub installations by requiring its contractors to submit a close-out document for each site including photos, permits, and as-built documentation. For the 13, or 10%, of sampled sites where the number of stubs Crowe observed differs from the number of stubs EVgo reported, the close-out document is incorrect, incomplete, or missing, and EVgo reported installing the number of stubs listed in the Ready for EV (REV) Agreement, as-built document, or close-out document, whichever was most recent. In effect, EVgo assumed that these installations went as planned or as reported, which did not account for mistakes or changes contractors made while installing stubs, nor did it account for errors in as-built or close-out documentation.

Effect

Assuming construction costs of \$3,000 per stub for the 6 surveyed Make-Ready Stubs, or 0.5 percent of Crowe’s sample, that Crowe determined should not have been included in EVgo’s stub count, the total cost to install those stubs is \$18,000.

Because Crowe’s sample is random, representative, and sufficiently large, it is reasonable to assume that EVgo overstated the completed stub count of not only the sample but also the population. Assuming that 0.5 percent of EVgo’s adjusted stub count, or 32 Make-Ready Stubs, were either never installed or were installed incorrectly and have repair costs that equal or exceed their installation budget, the total cost to install those 32 Make-Ready Stubs is \$96,000.

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Recommendation

Crowe recommends the following:

- Reduce EVgo's adjusted stub count of 6,476 by 0.5 percent, or 32, to 6,444, which is 431 less than the Minimum Make-Ready Stubs Count of 6,875.
- Reduce EVgo's reported Make-Ready spend by \$96,000 to remove costs to install the 32 Make-Ready Stubs in the population that Crowe estimates were either never installed or were installed incorrectly.

Settlement Party Response

The response is included on page 4 of NRG / EVgo response letter related to Finding 2 (the management response is included in Appendix D) which reads "Crowe proposes a disallowance factor based on the mis-reporting of six Make-Ready Stubs (about one half of one percent of the total deployment). NRG asserts that such a variance in data is de minimis and does not warrant a disallowance."

Crowe Rebuttal

Crowe agrees that on its own this Finding would be considered de minimis, however when combined with Findings 1 and 3, this finding is considered significant and therefore is reported.

Finding 3. Make-Ready Stubs Non-Compliant with Construction Specifications

Material Weakness in Internal Control and Material Noncompliance

Condition

We observed three categories of non-compliance with the 1,198 Make-Ready Stubs we surveyed:

- 310, or 26 percent, did not have fixtures³³ installed as of their operational date
- 45, or 4 percent, could not be connected to an EVSE without additional electrical labor/materials costs (e.g., wiring not pulled to concrete pad, stub mounted on ceiling)
- 812, or 68 percent, did not have “Ready for EV”³⁴ signage or an EVSE³⁵ installed as of their operational date.

For illustrative photos of these three non-compliant stub categories, see Appendix C.

Criteria

EVgo failed to demonstrate compliance with the Make-Ready Stub construction requirements specified in the following sections of the of the Settlement Agreement:

1(ppp): “Make-Ready Stub” means collectively, (A) a Charging Station Fixture, (B) electrical conduit and electrical wiring (capable of supporting at least one 208-240V, 30A capacity circuit to each designated parking space where the EVSE will be installed) from the Charging Station Junction Box to the Charging Station Fixture and (C) signage indicating that the parking spaces where the Make-Ready Stubs are installed as “Ready for EV.”

1(q): “Charging Station Fixture” means a mounting fixture that affixes one or more EVSEs to the wall, post, ceiling, floor or equivalent of the property, together with any supporting concrete pad and protective bollards.’

4(c)(vi)(A): “The installation of the Make-Ready Stubs at each Make-Readies Array shall include... Charging Station Fixtures, and ... installation of all signage...”

4(c)(vii)(2): “NRG EV Services shall construct each Make-Readies Array in such a way as to ensure that the Make-Ready Stubs are reasonably expected to be compatible with Level 2 Chargers that are commercially available as of the date of the Make-Readies Array installation so that at the conclusion of each such Start-Up Period, alternative electric vehicle charging service providers can reasonably be expected to utilize the Make-Ready Stubs with minimal modifications.”

Cause

EVgo management indicated that the Settlement Agreement gives them the right (but not the obligation) to install fixtures and “Ready for EV” signage at Make-Ready Stubs. EVgo management assumed that the installation of fixtures and signage was contingent on host interest, and that fixtures, signage and the 18-month exclusivity period were all intended to support its Ready for EV business, a now-defunct Level 2 charging subscription service. EVgo management further noted that having a proprietary EVgo fixture was inconvenient for some Make-Ready Site hosts since it only fit EVgo-style chargers, and many hosts were either uninterested in Ready for EV signs or unwilling to advertise the Make-Ready Stubs because

³³ A fixture is a bracket or post that allows an EVSE to be securely mounted. Wall-mounted stubs do not require a fixture since an EVSE can be fastened directly to the wall, therefore they are not included in this amount. For stubs where the initial installation included a bollard-style ground-mounted EVSE (making the installation of a separate fixture unnecessary), Crowe did not penalize EVgo for not including a fixture in the initial installation.

³⁴ The “Ready for EV” signage requirement for Make-Readies is separate from the way finding signage requirement for Freedom Stations.

³⁵ As the purpose of “Ready for EV” signage is to communicate that a stub is available for EVSE installation, the requirement that a stub have “Ready for EV” signage is met once an EVSE is installed at that stub.

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they weren't planning to install chargers on the stubs³⁶.

Crowe reviewed a sample of EVgo's Ready for EV (REV) Charging Station Agreements with site hosts and found that from 2013 on, EVgo altered the Make-Ready Stub definition in these agreements by omitting the Ready for EV signage requirement. In agreements dated from 2015 to 2019, EVgo further altered the Make-Ready Stub definition by removing the Charging Station Fixture requirement and the requirement that electrical conduit and wiring terminate in a fixture. **Exhibit 14** below includes various Make-Ready Stub definitions from Ready for EV (REV) Agreements with site hosts. EVgo could not verify CPUC authorization for any of these changes via a Letter Agreement, which is required by the First Amendment section D(2).

Exhibit 14
Changes in EVgo's Make-Ready Stub Definition

Source Document	Effective Date	Make-Ready Stub Definition
Settlement Agreement	4/27/2012	"Make-Ready Stub" means collectively, (A) a Charging Station Fixture, (B) electrical conduit and electrical wiring (capable of supporting at least one 208-240V, 30A capacity circuit to each designated parking space where the EVSE will be installed) from the Charging Station Junction Box to the Charging Station Fixture and (C) signage indicating that the parking spaces where the Make-Ready Stubs are installed as "Ready for EV".
REV Agreement for 1595 Pacific Ave Apt 100, San Francisco	6/27/2013	" <u>Make-Ready Stub</u> " means, collectively (A) a Charging Station Fixture and (B) electrical conduit and wiring (capable of supporting at least one 208-240 V, 30A capacity circuit to each Designated Space where the Charging Station will be installed) from the Charging Station Junction Boxes to the Charging Station Fixtures'
REV Agreement for 2575 Yorba Linda Blvd, Fullerton	8/13/15	
REV Agreement (Amended) for 457 Acalanes Drive, Sunnyvale (Amended)	10/19/15	'Each "Make-Ready Stub" need not include a mounting fixture, but instead the electrical conduit and wiring may terminate in an appropriate outlet or junction box, as mutually agreed by the parties.'
REV Agreement (Amended) for 1010 16th St, San Francisco	11/18/2016	
REV Agreement for 902 St Louis Ave, Long Beach	10/28/2015	'A "Make-Ready Stub" consists of electric infrastructure, including without limitation conduit, wire, circuit breakers, and junction boxes, as applicable, to support one circuit capable of supporting electric vehicle service equipment'
REV Agreement for 550 W Date St, San Diego	3/22/2019	

³⁶ The Settlement Agreement states that "forty (40) percent of the Minimum Make-Ready Stub Count will be installed in the State of California at geographic locations reasonably determined by NRG based upon electric vehicle ownership and subscriber demand and potential property host interest." For the remaining 60% of stubs, EVgo was not required to consider electric vehicle ownership and subscriber demand when selecting locations for make-readies. The Settlement Agreement also does not require that Make-Ready Site hosts must intend to install EVSEs, only that they own/operate the site and that they enter into a charging station agreement with EVgo.

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Effect

The total estimated costs for Make-Ready Stubs which are lacking Ready for EV signage or have an inadequate or noncompliant electrical circuit are summarized and described in further detail in **Exhibit 15**.

**Exhibit 15
Stub Non-Compliance Categories in Sample and Population with Estimated Costs**

Stub Non-Compliance Category	Sample			Adjusted Population (extrapolated)	
	Stub Count	Percentage	Amount	Stub Count	Amount
No Fixture	310	26%	\$0	1,667	\$0
Needs Ready for EV Signage	434	36%	\$129,275	2,334	\$695,286
Wire Missing or not pulled (CHP Sites)	24	2%	\$3,653	203	\$31,051
Entire Installation Deficient (EDD Sites)	10	1%	\$25,834	20	\$48,984
Ceiling-Mounted Stubs (Hub and Spoke)	21	2%	\$33,600	113	\$180,800
Total Questioned Costs			\$192,362		\$956,121

1. Fixtures

The lack of fixtures at 310, or 26 percent, of the 1,198 surveyed Make-Ready Stubs as of the initial installation date reduced both installation and equipment costs for EVgo. Most EVSEs that were installed by site hosts after EVgo's initial installation are not compatible with the fixtures EVgo installed because they have a proprietary fixture (wall or pedestal mount) or a built-in fixture (floor mount). At almost three quarters of stubs where EVgo's initial installation included a fixture but not an EVSE and the site host subsequently installed an EVSE, site hosts removed the fixtures EVgo installed in order to install EVSEs with proprietary or built-in fixtures, even though it would have been less expensive to mount an EVSE to the fixture EVgo installed³⁷. Therefore, the lack of fixtures at stubs also reduced future EVSE installation costs for site hosts who install EVSEs, since historically speaking site hosts are about three times more likely to remove an EVgo fixture than to use it³⁸. Based on this historical tendency, Crowe did not include the lack of fixtures as part of our Finding.

2. Signage

Of the 812, or 68 percent, of surveyed Make-Ready Stubs whose initial installation did not include an EVSE or any signage indicating "Ready for EV", 207 currently have EVSEs installed and therefore do not require Ready for EV signage, and 342 are installed in pairs which could be served by one Ready for EV sign per stub pair, or 171 Ready for EV signs. This leaves 434 36 percent, of surveyed stubs which still need Ready for EV signage. Of these, 140 need a post-mounted Ready for EV sign because their circuits terminate on the floor or in the ground, and 294 need a wall-mounted sign because their circuits terminate on the wall or the ceiling. Assuming an equipment/labor/materials cost of \$715 to install a post-mounted Ready for EV sign at the 140 stubs which terminate in the ground and \$99 to install a wall-mounted

³⁷ EVSEs that mount to a fixture or a wall typically cost hundreds of dollars (e.g., Webasto TurboDX, Clipper Creek HCS-50, ChargePoint Home Flex) whereas EVSEs that mount to a concrete pad or pedestal typically cost thousands of dollars (e.g., ChargePoint CT4021, Bosch EV800, Schneider Electric EV230PSR).

³⁸ Of the 246 stubs which had no EVSEs installed as of their initial installation date but had an EVSE installed as of their site visit date, 53, or 22 percent, had fixtures as of their initial installation date. As of their site visit date, 37 of the 51 EVSEs, or 73 percent, had built-in or proprietary fixtures, meaning the fixture that EVGo initially installed had been removed. The other 16 EVSEs, or 27 percent, were designed to be wall-mounted but were instead mounted on the proprietary EVgo blue metal fixture cover that EVgo initially installed.

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Ready for EV sign at the 294 stubs which terminate on the wall or ceiling, the total estimated cost to install Ready for EV signage at those Make-Ready Stubs in the sample which currently need signage is \$129,275.

Under the assumption that 2,334 Make-Ready Stubs, or 36 percent of the adjusted total population of 6,444 Make-Ready Stubs, are non-compliant due to missing Ready for EV signage, with 753 requiring a pole-mounted sign and 1,581 requiring a wall-mounted sign, and assuming an equipment/labor/materials cost of \$715³⁹ for each pole-mounted sign and \$99⁴⁰ for each wall-mounted sign, the total estimated cost to install Ready for EV signage at those Make-Ready Stubs in the population which currently need signage is \$695,286.

The lack of signage at the majority of Make-Ready Stubs potentially reduced stub visibility and utilization, because Make-Ready Stubs without signage are easily mistaken for standard electrical infrastructure and are not readily recognizable as capable of supporting EVSEs. This is especially true of stubs which terminate in a junction box on the wall or a concrete pad in the ground. In the absence of Ready for EV signage, those who live or work at a Make-Ready Site are less likely to learn that the stubs exist or to inquire about their purpose. In addition, the host property's knowledge about its Make-Ready installation tends to decline over time due to changes in site ownership and staffing, resulting in a significant number of Make-Ready Stubs which may be unused and forgotten.

3. Circuit

Crowe noted three categories of stubs which could not be connected to an EVSE without additional electrical labor/materials costs; a) California Highway Patrol (CHP) sites that were missing wiring or had wiring which was not pulled to the future charging station location, b) sites with ceiling-mounted Make-Ready Stubs, and c) Employment Development Department (EDD) sites whose installations were deficient enough that EVgo paid for a second contractor to fix them.

a. CHP Sites

The Make-Ready Stub definition specifies that both conduit and wiring must terminate at a fixture, and the Charging Station Fixture definition specifies that any supporting concrete pad installed for the stub is considered part of the fixture, implying that the stub's conduit and wiring should terminate at the concrete pad if EVgo installed one. For stub installations which did not include a fixture, the wiring should still terminate at the point where the EVSE would be installed in the future, i.e., at the concrete pad.⁴¹ Approximately 30 percent of the Make-Ready Stubs installed at CHP sites were either missing wiring or had wiring which was only pulled to the Christy box⁴² and not to the concrete pad.

Under the assumption that 30 percent, or 24 of the 83 Make-Ready Stubs installed at CHP sites in Crowe's sample, required additional labor and/or materials to be ready for EVSE, and assuming an average cost of \$152 per stub, the total estimated questioned costs to pull or install electrical wiring at the CHP sites in Crowe's sample is \$3,653.

Under the assumption that 30 percent, or 204 of the 681 Make-Ready Stubs installed at CHP sites in the Make-Ready population, required additional labor and/or materials to be ready for EVSE, and assuming an average labor/materials cost of \$152 per stub, the total estimated questioned costs to pull or install

³⁹ Crowe's construction cost estimate of \$715.15 for a post-mounted Ready for EV sign includes labor (six hours at regional prevailing wage), materials (sign, metal sign post, mounting hardware, and concrete mix), equipment (rental of tractor and posthole auger attachment), 10% standard mark-up, 5% contingency cost, and regional sales tax.

⁴⁰ Crowe's construction cost estimate of \$99.20 for a wall-mounted Ready for EV sign includes labor (one hour at regional prevailing wage), materials (sign and mounting hardware), 10% standard mark-up, 5% contingency cost, and regional sales tax.

⁴¹ If EVgo does not install wiring all the way to a future charger location, the site host must hire an electrician to do this prior to installing a charger. At 16301 Butterfield Ranch Road in Chino Hills, where the Make-Ready Site host installed breakers, conduit, and wiring and EVgo subsequently installed fixtures, EVgo facilitated future installation of its own chargers by specifying in the Charging Station Agreement that the conduit needed to run from the electrical panel to the car charging locations and the wiring needed to extend five feet beyond the conduit termination point.

⁴² A Christy box is an in-ground electrical junction box which, at CHP sites, is typically located between one and ten feet from where the Make-Ready conduit terminates. Conduit typically terminates in a 2' by 2' concrete pad which also serves as a mounting location for charging stations.

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electrical wiring at all CHP sites is \$31,051.

b. Ceiling-mounted Stubs (Hub-and-Spoke model)

A total of 21, or 1.7 percent, of the 1,198 surveyed stubs terminated in a ceiling-mounted junction box or receptacle as of EVgo's initial installation. EVgo should not have installed ceiling-mounted stubs even when they were requested by a site host because they do not align with the Settlement Agreement requirement that "alternative electric vehicle charging service providers can reasonably be expected to utilize the Make-Ready Stubs with minimal modifications". The Veloz case study of the hub-and-spoke installation at the Diamond Terrace condominiums, described by EVgo as an "illustrative case", lists a cost of approximately \$1,600 to run a "spoke" (i.e., conduit, wiring, and other equipment) from a "hub" (i.e., ceiling-mounted junction box) to a resident's parking space⁴³. This cost cannot reasonably be classified as a minimal modification because it is more than half of the typical construction cost for a Make-Ready Stub. Until late 2015, Ready for EV (REV) agreements for sites with hub-and-spoke style installations specified that EVgo would pay for spoke installation at Make-Ready Sites, but only for EVgo subscribers, so it is likely that this arrangement ceased when EVgo's charging subscription service ceased operations in late 2015. Beginning in late 2015, REV agreements for sites with hub-and-spoke style installations do not specify that EVgo will pay for spoke installation, which leaves the site host or end user responsible for the cost of installing a spoke.

Assuming an equipment/labor/materials cost of \$1,600 to install spokes at the 21 stubs which terminated in a ceiling-mounted junction box or receptacle as of their initial installation date, the total estimated questioned cost to provide conduit and wiring at these Make-Ready Stubs is \$33,600. Under the assumption that 1.7 percent of the adjusted total population of 6,444 Make-Ready Stubs, or 113 Make-Ready Stubs, are non-compliant due to having ceiling-mounted junction boxes or receptacles as of their initial installation date, and assuming an equipment/labor/materials cost of \$1,600 to install spokes at each of these stubs, the total estimated questioned cost for these Make-Ready Stubs is \$180,800.

c. Employment Development Department (EDD) Sites with questioned installation costs

For the EDD Make-Ready Site at 130 E Ortega St. in Santa Barbara, EVgo paid [REDACTED] \$30,000 in December 2017 and paid [REDACTED] \$25,834 in November 2018, in both cases for installation costs. Because this site was part of Crowe's sample, EVgo provided Crowe with close-out documents from both [REDACTED] and [REDACTED]. Based on emails from the site contact as well as information from the close-out documents and site visit, we determined that EVgo paid [REDACTED] to fix issues with [REDACTED] initial installation. According to the EDD site contact, EVgo did not visit EDD sites to inspect the Make-Ready installations, so the issues were discovered approximately one year later by [REDACTED] the contractor that EDD hired to install EVSEs on its Make-Ready Stubs. This is also the case for an unsampled EDD Make-Ready Site, 4540 W Century Blvd. in Inglewood for which EVgo paid [REDACTED] \$30,000 in January 2018 and paid [REDACTED] \$23,150 in December 2018, in both cases for installation costs. While EVgo did not provide Crowe with close-out documents for 4540 W Century Blvd. because it was not sampled, the EDD site contact verified via email that [REDACTED] initial installation at that site was deficient and was fixed by [REDACTED]. In addition, the site host, contractors, dollar amounts, cost categories, and payment timing of the two sites are substantially similar so we determined that [REDACTED] fixed [REDACTED] deficient installations at both 4540 W Century Blvd. and 130 E Ortega St. The total questioned costs for these two sites are \$48,984, equal to the sum of the two amounts EVgo paid to [REDACTED] to fix [REDACTED] deficient installations, which should have been discovered by EVgo shortly after construction completion but were discovered by the site host's contractor roughly one year after construction completion, and should have been corrected by EVgo's original contractor [REDACTED] at no cost but were corrected by the site host's contractor [REDACTED] for additional costs that were included in the Make-Ready Program spend.

⁴³ To prepare a ceiling-mounted stub for use costs \$1,600 (according to EVgo's illustrative case), as opposed to a stub with a compliant circuit like the one in Appendix C section 3 bottom left photo, which is ready for immediate use with no additional cost.

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Recommendation

Crowe recommends that EVgo reduce its reported Make-Ready spend by \$956,121 to make up for costs it should have incurred for Make-Ready Stub construction. Combined with the \$1,299,000 related to Finding 1 and the \$96,000 related to Finding 2, this amounts to a \$2,351,121 reduction in EVgo's reported Make-Ready spend. Reducing EVgo's reported Make-Ready spend of \$28,830,491 by \$2,351,121 results in an adjusted Make-Ready spend of \$26,479,370, or \$1,020,630 less than the required Make-Ready spend of \$27,500,000 as shown in **Exhibit 16** below.

Exhibit 16
Make Ready Findings Overview/Impact

Description	Amount
EVgo Reported Actual Make-Ready Spend	\$28,830,491
Finding 1 - Excess Make-Ready Stubs Reported	(\$1,299,000)
Finding 2 - Observed Make-Ready Stub Counts Varied from Reported Stub Counts	(\$96,000)
Finding 3 - Make-Ready Stubs Non-Compliant with Construction Specifications	(\$956,121)
Subtotal Crowe Adjustments (Findings 1-3)	(\$2,351,121)
EVgo Actual Make-Ready Spend with Crowe Adjustments	\$26,479,370
Make-Ready Spend Requirement per Settlement	\$27,500,000
Variance of Actual Spend to Required Spend	(\$1,020,630)

The Settlement Agreement (Section 4(g)(ii)(7)(A) and (B)) specifies that the Make-Ready cash-out formula shall be equal to the greater of the following two calculations:

- Calculation 1 - In accordance with Settlement Agreement section 4(g)(ii)(7)(A), NRG pays the CPUC \$1,427,142, which is the amount of EVgo's Make-Ready underspend (\$1,020,630) plus interest (\$406,512)⁴⁴, or
- Calculation 2 - In accordance with Settlement Agreement section 4(g)(ii)(7)(B), NRG pays the CPUC \$3,035,000, which is \$1,000 multiplied by the number of Incomplete Make-Ready Stubs (3,035), defined as the Minimum Make-Ready Stubs Count (6,875) plus the Minimum Make-Readies Array Count (1,000) minus the number of compliant/complete Make-Ready Stubs (4,110) and Make-Ready Arrays which meet the Make-Ready Viability Criteria (730).

Crowe calculated based on the Settlement Agreement cash-out formula that NRG owes the CPUC \$3,035,000 in total for Findings 1, 2, and 3 in accordance with the above cash out formula. This represents the greater of the two calculated amounts identified above.

Settlement Party Response

The response is included on pages 4 and 5 of the NRG / EVgo response letter related to Finding 3 and the cash out recommendation (the management response is included in Appendix D) which reads "Crowe proposes discounting the Make-Ready program expenditures by calculated costs to bring sites into compliance. This discounting of costs is largely driven by the cost to install Ready for EV signage at Make-Ready stubs. As alluded to above, NRG/EVgo have raised the signage issue over the years with CPUC staff, contending that there is little to no utility from a public policy perspective for such signage

⁴⁴ Interest compounded quarterly using average quarterly prime rate from 11/5/2012 (settlement approval date) to 6/30/2021, according to FERC requirements.

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and that resources would be better spent elsewhere. Giving credit to NRG for Make-Ready Stubs that may not have had the specific signage means that NRG satisfied the build-out requirement for Make-Ready Stubs and avoids the issue of the Cash Out remedy advocated by Crowe.

Cash Out Remedy - In the Draft Report, Crowe recommends that the CPUC seek a payment from NRG in the amount of \$3,035,000 based on the purported deficiency in deployment of Make-Ready Stubs and applying Cash Out Formula B. NRG opposes this recommendation. As described below, Cash Out Formula B has been incorrectly calculated and applied.

Incorrect Calculation of Cash Out - NRG and EVgo contend that Crowe has incorrectly interpreted the definition of Cash Out Formula B and, as applied by Crowe, incorrectly overstated the calculated pay out by \$270,000 through the inclusion of Make Ready Arrays.

The Settlement states that: “an amount equal to one-thousand dollars (\$1,000) multiplied by the number of Incomplete Make Ready Stubs. For purposes of this Section 4(g)(ii)(7)(B) of the Settlement, “Incomplete Make-Ready Stubs” means the Minimum Make-Ready Stubs Count, minus the number of (I) completed Make-Ready Stubs, (II) Make-Ready Arrays that meet the MR Viability Criteria and (III) Incomplete Make-Ready Stubs for which the CPUC has already elected to receive and been paid a cash-out payment.

The tables below demonstrate the differing formulas for the Cash Out before any other adjustments to inputs have been modified.

Cash Out Formula B		
	6,875	(I) Minimum Make-Ready Stubs Count within Settlement Agreement
+	1,000	Minimum Make-Readies Arrays Count
-	4,110	(II) Completed Make-Ready Stubs (Ready for EV Signage or Initially Installed EVSE)
-	730	Completed Make-Readies Arrays
-	0	Make-Readies Arrays that meet the MR Viability Criteria
-	0	(III) Incomplete Make-Ready Stubs for which the CPUC has already elected to receive and been paid a cash-out payment
=	3,035	Incomplete Make-Ready Stubs (no Ready for EV signage)
1000	\$3,035,000	Total cash out for option B

Table 2. Crowe Cash Out Formula B

Cash Out Formula B		
	6,875	(I) Minimum Make-Ready Stubs Count within Settlement Agreement
+	1,000	Minimum Make Readies Arrays Count
-	4,110	(II) Completed Make-Ready Stubs (Ready for EV Signage or Initially Installed EVSE)
-	730	Completed Make-Readies Arrays
-	0	Make-Readies Arrays that meet the MR Viability Criteria
-	0	Incomplete Make-Ready Stubs for which the CPUC has already elected to receive and been paid a cash-out payment
=	2,765	(III) Incomplete Make-Ready Stubs (no Ready for EV signage)
1000	\$2,765,000	Total cash out for option B

Table 3. NRG and EVgo corrected Cash Out Formula B

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Application of Cash Out Remedy - A substantial portion of the Cash Out payment is based on disallowing every Make-Ready Stub that did not include signage. However, the intent of the Settlement was fully recognized through the actual deployment of the Make-Ready Stubs. As NRG/EVgo have articulated over the years, the signage requirement should be deemed an ancillary requirement, the benefits of which are not nearly important as the deployment of the actual infrastructure. To completely disallow all expenditures for a Make-Ready Stub because of the lack of signage is overly draconian and fails to acknowledge the recognition of the spirit and goals behind the Settlement.

In combination, the disallowance of Make-Ready Sites with additional stubs and “Ready for EV signage”, leaves only 59%, or 4,110 Make-Ready Stubs as the input for the Cash Out Formula B. After discussion with Crowe, aside from the strict interpretation of these two elements, Crowe concluded that only 2% of sampled Make-Ready Stubs (21 of 1,198), ceiling-mounted stubs, did not meet the minimum viability criteria. Applying this alternate input reduces the Cash Out Formula B by nearly \$2.5 million when used with the corrected Cash-Out Formula in Table 3. Given the significant actual over-expenditure by NRG under the Settlement and the relatively small Cash Out figure after correctly applying the formula, NRG submits that the Commission should determine that the Draft Report supports a finding that NRG (and EVgo) have satisfied the terms of the Settlement.”

Crowe Rebuttal

The Settlement Agreement is clear in defining a Make-Ready in section 1(ppp): “Make-Ready Stub” means collectively, (A) a Charging Station Fixture, (B) electrical conduit and electrical wiring (capable of supporting at least one 208-240V, 30A capacity circuit to each designated parking space where the EVSE will be installed) from the Charging Station Junction Box to the Charging Station Fixture and (C) signage indicating that the parking spaces where the Make-Ready Stubs are installed as “Ready for EV.” Crowe maintains that without signage a Make-Ready site is incomplete based on the requirements of the Settlement Agreement.

With regard to the Cash Out formula, Crowe understands NRG / EVgo’s argument that the Settlement Agreement did not include the 1,000 Make-Ready Arrays in the formula. However, the formula outlined in the Settlement Agreement yields a result of negative 1,000 Incomplete Make-Ready Stubs in the case where EVgo completed exactly the number of stubs in the Minimum Make-Ready Stubs Count (6,875) at exactly the number of arrays in the Minimum Make-Readies Array Count (1,000).

Additionally, the Minimum Make-Ready Arrays Count is included in the preceding cash-out formula for Settlement Agreement section 4(g)(ii)(7)(A), but not section 4(g)(ii)(7)(B). Crowe maintains that the formula included in this report is accurate for purposes of calculating the cash out option.

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**Finding 4. NRG Was Unable to Provide Complete Documentation to Substantiate
\$884,372 in Expenses Reported in Settlement Expenditure Reports**

Material Weakness in Internal Control and Material Noncompliance

Condition

Management failed to retain complete documentation for expenses, which would have provided evidence that reviews and approvals of costs were occurring prior to being charged to the Settlement Agreement account; that purchases were authorized prior to costs being incurred; and that costs were appropriately accumulated to the project based on the presence and use of the identified project account. Further, 25 documents were not provided that were needed to assess eligibility (i.e., invoice copies, payment support, and/or transaction support clearly identifying the link between the incurred cost and the Settlement Agreement requirements). A material amount of costs (\$884,372) is in question as a result of these matters. These documents were not furnished to Crowe in a reasonable timeframe afforded to NRG, but NRG should have retained them within their accounting system. Specific findings included:

- Inadequate supporting documentation provided to determine whether expenses were Settlement eligible for 7 of 94 sample selections amounting to unsupported transactions of \$50,230.
- Project type (e.g., Freedom Station, Make-Ready, Tech Demo) was not readily identifiable, limiting the determination of whether the expense was allowable. The lack of control over the allocation, by project, for 2 of 94 selections amounted to \$44,747.
- No purchase order was provided for 13 of 94 selections in the total amount of \$738,999.
- No invoice was provided for 4 of 94 selections in the total amount of \$16,415.
- No payment documentation (pay stub, batch file) was provided for 8 of 94 selections in the total amount of \$212,350.
- Lack of support demonstrating evidence of management's review for 46 of 94 selections in the total amount of \$454,839.
- No supporting documentation was provided to determine the nature of the transaction for 7 of 94 selections in the total amount of \$156,753.

The initial sample included 142 transactions, some random and some risk based. The dollar amounts and counts of missing documentation in the findings above exclude 48 Make-Ready transactions with questioned costs totaling \$720,730. These were excluded to avoid any overlap between questioned costs and the adjustments to Make-Ready Spend outlined in Findings 1-3.

Criteria

Section 1(vv) of the Settlement Agreement defines "Freedom Station Costs" as Public Charging Ecosystem costs incurred by NRG or its affiliates that are eligible to count against the expenditure of the full Freedom Station Amount which includes all "out of pocket costs" to install and implement the Public Charging Ecosystem (e.g., (A) actual costs to procure, install, and connect the Freedom Stations comprising the Public Charging Ecosystem, (B) all related intellectual property costs, (C) the costs to identify, evaluate, negotiate and reach agreement with host locations (including all permitting costs (including signage permitting costs), location and site assessment costs, costs to obtain landlord and/or tenant consents, and any costs related to filings or litigation related to the protection of NRG's or its affiliates' legal rights at the host locations *but* excluding (1) any incentive or bonus payments made to a host to obtain access or consent and (2) any litigation costs incurred as a result of NRG's or its affiliates' negligence in the installation or operation of the Public Charging Ecosystem), (D) lease, rent or similar payments incurred by NRG during the NRG Fixed Operating Cost Period (excluding, for the avoidance of doubt, costs associated with the acquisition of real property rights, including easements) and (E) all related Capitalized Development Costs *but* excluding any costs related to the initial acquisition of real property rights needed to install a Freedom Station at a given location). For the avoidance of doubt, all costs associated with the installation, operation and maintenance of Freedom Stations and incurred with respect to compliance with the reporting, consultation, bidding, contracting

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and employee hiring requirements of the Settlement Agreement, including those requirements set forth in Section 4(a)(vi)(3), Section 4(e), Section 4(g) and Sections 4(h) through (k), shall in each case be eligible Freedom Station Costs.

Section 1(mmm) defines “Make-Readies Costs” as Make-Ready Stub and Make-Readies Array costs incurred by NRG or its affiliates that are eligible to count against the expenditure of the Make-Readies Amount and shall include all “out-of-pocket costs” to install the Make-Ready Stubs and Make-Readies Arrays (e.g., (A) actual costs to procure, install, and connect the Make-Ready Stubs and Electric Service Infrastructure comprising the Make-Readies Arrays, (B) all related intellectual property costs, (C) the costs to identify, evaluate, negotiate and reach agreement with host locations (including all permitting costs (including signage permitting costs), location and site assessment costs, costs to obtain landlord and/or tenant consents, and any costs related to filings or litigation related to the protection of NRG’s or its affiliates’ legal rights at the host locations *but* excluding (1) any incentive or bonus payments made to a host to obtain access or consent and (2) any litigation costs incurred as a result of NRG’s or its affiliates’ negligence in the installation or operation of the Make-Readies Arrays), and (D) all related Capitalized Development Costs *but* excluding any costs related to the initial acquisition of real property rights needed to install a Make-Readies Array at a given host location). For the avoidance of doubt the costs associated with the development and maintenance of the Make-Readies Array website described in Section 4(c)(vi)(1)(B), and all costs associated with the installation, operation and maintenance of Make-Readies Arrays and incurred with respect to compliance with the reporting, consultation, bidding, contracting and employee hiring requirements of the Settlement Agreement, including those requirements set forth in Section 4(a)(vi)(3), Section 4(e), Section 4(g) and Sections 4(h) through (k), shall in each case be eligible Make-Readies Costs.

Cause

NRG did not have a written policy to maintain supporting expenditure documentation related to the Settlement Agreement. In some cases, NRG did not retain all of the source documents we requested, particularly for the early stages of the Settlement Agreement. NRG changed accounting systems in 2017 from SAP to Intacct, so some original supporting documents may not have been transferred from the old accounting system into the new accounting system. Further, some supporting documents resided within legacy NRG corporate systems, which the EVgo staff did not have ready or timely access to (e.g., for employee expense reimbursements) and thus EVgo staff was unable to furnish.

Effect

Crowe identified a unique questioned cost amount of \$884,372 from the beginning of Settlement Year 5 to March 15, 2020 (date of Revised Program Summary) such that certain transactions having multiple exceptions were not double counted. Questioned costs identified in the Interim Audit are captured in Crowe’s beginning balance for Phase II examination and are reflected in Exhibit 10.

Recommendation

While NRG has indicated that this supporting documentation from its accounting system is available, we afforded NRG ample time to produce the documentation. Therefore, we conclude that NRG does not have evidence supporting the \$884,372 in expenses reported during Settlement Years 5 to the present. The CPUC could consider allowing additional time to produce this documentation. However, in the case where NRG is unable to furnish the documentation, the CPUC should reduce the spend amount reported in Settlement Years 5 through the present by the amount for which NRG cannot provide full supporting documentation.

Settlement Party Response

NRG / EVgo did not address this finding specifically in their response letter found in Appendix D of this report.

Crowe Rebuttal

None.

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Finding 5. Lack of Installation Documentation

Significant Deficiency – Noncompliance

Condition

Crowe requested host site contracts, as-built plans, and close-out documents for each sampled site. Of the 128 sampled sites, four (4) were missing contracts, 71 were missing as-built documents, and 26 were missing close-out documents, for a total of 101 missing documents. Additionally, four Charging Plazas and eight Freedom Stations were missing close-out documents. While the missing documents are construction-related, language on the standard EVgo close-out document suggests EVgo should have required close-out documents to verify project completion as a prerequisite for payment.

Crowe requested the following background documentation for each sampled Make-Ready Site, Freedom Station, High Power Charging Plaza, and Equal Access Charging Hub:

- As-built construction documents,
- Host site contract,
- Project close-out to verify completion, and
- Permits.

Exhibit 17 lists missing documents by document type and site type. The majority of missing documents are construction-related Make-Ready documents (i.e., as-builts and close-outs).

**Exhibit 17
 Missing Documents**

Missing Documents	Site Contracts	Permits	As-Built	Close-Out	Totals
Charging Hub	0	0	0	0	0
Charging Plaza	0	0	0	4	4
Freedom Station	0	1	0	8	9
Make-Ready	4	0	71	26	101
Totals	4	1	71	38	114

Criteria

The Settlement Agreement states “Beginning at the completion of Settlement Year 1 and for each year thereafter of the NRG Fixed Operating Cost Period, NRG shall provide a written report to the CPUC within three (3) months of the completion of the Settlement Year detailing NRG’s progress in implementing the EV Charging Station Project in the prior Settlement Year (the “*Annual Status Report*”). Each Annual Status Report shall be in a form to be mutually agreed upon by the Parties and shall include at a minimum: ... (D) corresponding cost information supporting expenditures incurred by NRG in the performance of this Agreement, including cost information broken down by the cost categories with respect to Freedom Station Costs, Freedom Station Fixed Operating Cost Amount, Make-Readies Costs, costs incurred with respect to the Technology Demonstration Program and costs incurred with respect to the EV Opportunity Program” (Settlement Agreement section 4(e)(ii)(2)).

While the missing documents are construction-related, language on the standard EVgo close-out document indicates that EVgo required contractors to submit a close-out form with supporting documents to verify project completion as a prerequisite for payment.

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Cause

- The four Charging Plaza sites which were missing close-out documentation were still being constructed at the time Crowe requested close-out documentation, and thus EVgo would not have such documentation.
- The eight Freedom Station sites which were missing close-out documentation were completed at the time of the audit and the cause of the lack of close-out documentation is unknown.
- For Make-Readies, Crowe could not determine if EVgo ever received the 71 missing as-built documents or 26 missing close-out documents.

Effect

The lack of a comprehensive process for documenting Make-Ready construction led to an inaccurate stub count (see Finding 2 - Make-Ready Stub Counts in Sample) and deficient Make-Ready installations (see Finding 3 - Make-Ready Construction). It also left site hosts responsible for fixing deficient installations before they could install EVSEs.

Recommendation

Because the effects of the lack of installation documentation (inaccurate stub count and deficient Make-Ready installations) were reported in Finding 2 and Finding 3 there is no recommendation associated with this finding.

Settlement Party Response

NRG / EVgo did not address this finding specifically in their response letter found in Appendix D of this report.

Crowe Rebuttal

None.

Finding 6. Charging Plaza Completion Date Requirement Not Met

Significant Deficiency – Noncompliance

Condition

The Extension Amendment to the Settlement Agreement extended the Installation Period for the Charging Plazas to June 5, 2019. EVgo's most recent quarterly report to the CPUC, as of March 5, 2020, lists twenty-two (22) Charging Plazas which were either operational or in process. Of these twenty-two charging plazas, three, or fourteen percent, were operational by June 5, 2019, and nineteen, or eighty-four percent, were not. As of June 15, 2021, two of the twenty-two Charging Plaza sites were not yet operational.

Criteria

The Extension Amendment to the Settlement Agreement, dated February 7, 2019, states: "The Parties agree that the Installation Period applicable to the Make-Ready Stubs and Charging Plazas is hereby extended through June 5, 2019."

Cause

EVgo's Y6Q3 Report states that "the site development processes for these sites [Charging Plazas] have been considerably more difficult than traditional Freedom Stations given their increased footprint and power needs in high-density multi-dwelling populations. The site development on high power charging plazas represent the culmination of 18+ months of exploration of sites with local governments or commercial real estate partners and shepherding projects through city and utility planning offices while there had heretofore not been a template for this kind of development."

Effect

The installation timeline has been slower than planned, delaying the availability of charging services for multi-family housing residents. However, due to a Charging Plaza Savings Event, as of June 15, 2021 the number of currently operational chargers (20) is twice the number planned.

Recommendation

EVgo should provide updates to CPUC when the remaining installations of Charging Plazas are completed and operational.

Settlement Party Response

NRG / EVgo did not address this finding specifically in their response letter found in Appendix D of this report.

Crowe Rebuttal

None.

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Finding 7. Freedom Station Upgraded to Charging Plaza but Costs Not Allocated to Charging Plaza Spend

Significant Deficiency – Noncompliance

Condition

The Second Amendment required EVgo to account for any upgrades of Freedom Stations to Charging Plazas in a certain way so that the original cost of the Freedom Station was counted towards the Redirected Amount (i.e., High Power Charging Plaza Spend).

Criteria

Section b(2)(f) of the Second Amendment to the Settlement Agreement states, "NRG may, at its option, create up to five (5) Charging Plazas by upgrading existing Freedom Station Sites to satisfy the Charging Plaza requirements. In such case, NRG shall allocate the entire cost of such sites (the original Freedom Station installation and equipment costs along with Charging Plaza upgrade costs) to the Redirected Amount and shall add back the original Freedom Station installation and equipment costs for such sites to the Freedom Station Amount. Only Freedom Station sites meeting these Criteria shall be eligible: (1) site shall be located in the top 25% of California Public Use Microdata Areas ranked by percentage of residents in multi-family housing; and (2) the Freedom Station site must have above average utilization compared to all Freedom Stations.

Cause

EVgo presumed they spent well above the minimum budget allotted for Freedom Stations and thus did not find it necessary to account for the upgrade of one site from Freedom Station to Charging Plaza in the manner prescribed by the Settlement Agreement.

Effect

Freedom Station Program spend was overstated by approximately \$160,000 (average cost of Freedom Station during settlement years 1-4). High Power Charging Plaza Program spend was understated by approximately \$160,000.

Recommendation

In accordance with Second Amendment section b(2)(f), EVgo should allocate the entire cost of one Freedom Station to the Redirected Amount, i.e., High Power Charging Plaza Program, and should also add back the \$160,000 of estimated original installation and equipment costs to the Freedom Station Amount of \$50,500,000. In addition, EVgo should submit an updated Settlement spend report to the CPUC that reflects these changes.

Settlement Party Response

NRG / EVgo did not address this finding specifically in their response letter found in Appendix D of this report.

Crowe Rebuttal

None.

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Finding 8. Misreported Freedom Station and High Powered Charging Plaza Costs

Significant Deficiency – Noncompliance

Condition

EVgo's Revised Program Summary includes a line item of \$160,271.30 for 70 credit card kiosks costing \$2,289.59 each, all located at Freedom Station sites. EVgo-provided support for this line item lists a unit cost of \$2,730.14, or \$440.55 greater than the unit cost listed in the program summary. It appears that the initial unit cost of \$2,289.59 listed in the program summary was calculated as \$721.53 times three plus \$125 ($(\$721.53 \times 3) + \125) based on purchase order #4501674178, which lists three separate credit card kiosk line items (all with a unit price of \$721.53) and one shipping (crating) line item (unit price \$125). EVgo-provided support explains that for sites with ABB chargers, the credit card kiosk consists of a credit card reader, a keypad, a modem, and an enclosure, but for sites with BTC chargers, only the modem is needed.

EVgo's support workbook includes an Allocation by Site sheet which specifies the brand and quantity of chargers installed at those Freedom Stations which EVgo reports having either credit card kiosks or modems installed. Crowe corrected this list by 1) fixing incorrect formulas within EVgo's support workbook which omitted \$8,080 of Freedom Station expenses, 2) removing \$22,672 in expenses which EVgo double counted by including them in both the program summary and the support calculation for this line item, and 3) reallocating \$46,498 from Freedom Station spend to High Power Charging Plaza spend for an adjusted amount of \$101,146, or \$59,125 less than the amount from the program summary. Crowe also found various other errors in EVgo's program summary:

- Ten equipment cost transactions for charging station sites which were not included on the lists of installed sites provided to Crowe (EVgo internal site ID numbers P6698, P6921, and P7512). Of these ten transactions, six, totaling \$9,597.72, were for Freedom Station sites P6698 and P6921, and four, totaling \$8,151, were for High Power Charging Plaza P7512. EVgo confirmed that these transactions were reported in error as the equipment in question was not deployed to those sites or any other CPUC sites.
- One adjusting entry in the amount of -\$144,215.97 that EVgo confirmed was categorized High Power Charging Plaza but should have been categorized Freedom Station instead.
- Two transactions totaling \$28.78 for the Freedom Station located at 8000 W Sunset Blvd, Los Angeles, which should have been categorized as High Power Charging Plaza instead.

These misreported amounts are summarized in **Exhibit 18** and **Exhibit 19** below.

**Exhibit 18
 Misreported Freedom Station Costs**

Description	Amount
Credit Card Kiosk	(\$59,125.38)
Equipment Cost Transactions	(\$9,597.72)
Reallocated from HPCP to FS	(\$144,215.97)
Reallocated from FS to HPCP	(\$28.78)
Total	(\$212,968)

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Exhibit 19
Misreported High Power Charging Plaza Costs

Description	Amount
Credit Card Kiosk	\$46,498.02
Equipment Cost Transactions	(\$8,151.00)
Reallocated from FS to HPCP	\$28.78
Reallocated from HPCP to FS	\$144,215.97
Total	\$182,592

Criteria

“Annual. Beginning at the completion of Settlement Year 1 and for each year thereafter of the NRG Fixed Operating Cost Period, NRG shall provide a written report to the CPUC within three (3) months of the completion of the Settlement Year detailing NRG’s progress in implementing the EV Charging Station Project in the prior Settlement Year (the “*Annual Status Report*”). Each Annual Status Report shall be in a form to be mutually agreed upon by the Parties and shall include at a minimum: ... (D) corresponding cost information supporting expenditures incurred by NRG in the performance of this Agreement, including cost information broken down by the cost categories with respect to Freedom Station Costs, Freedom Station Fixed Operating Cost Amount, Make-Readies Costs, costs incurred with respect to the Technology Demonstration Program and costs incurred with respect to the EV Opportunity Program” (Settlement Agreement section 4(e)(ii)(2)).

Cause

It is possible that whoever entered this line item in the program summary thought that the BTC Power Credit Card Kiosk line item from PO 4501674178 was a standalone item, rather than an enclosure which contained parts from multiple vendors. The cause of the other misreported transactions is unknown, though EVgo confirmed that they were misreported.

Effect

EVgo over-reported Freedom Station spend associated with these transactions by \$212,968 and under-reported High Power Charging Plaza spend associated with these transactions by \$182,592 for a net over-reporting of \$30,376.

Recommendation

EVgo should reduce its reported Freedom Station spend by \$212,968 and increase its reported High Power Charging Plaza spend by \$182,592.

Settlement Party Response

NRG / EVgo did not address this finding specifically in their response letter found in Appendix D of this report.

Crowe Rebuttal

None.

Appendix A – Procedures Performed

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List of Records Obtained

Records obtained for our testing procedures included:

- Eight (8) Settlement Years of confidential and public annual reports, and public quarterly reports, submitted by NRG to the CPUC
- Audited NRG EVgo financial statements for 2017 and 2018
- Program summary of all settlement-related expenses from Settlement Year 5 onward
- Master lists of Freedom Stations, Make-Readies, Charging Plazas, and Equal Access Charging Hubs
- List of initially installed chargers
- Historic pricing at public charging stations
- Charge event logs for single-use customers including revenue
- Installation documents for all site types, including construction services agreements, as-built plans, permits, and close-out documents
- Freedom Station usage data
- Depreciation schedule for all public charging sites (Freedom Stations, Charging Plazas, and Equal Access Charging Hubs)
- NRG and EVgo supply chain policies
- Documentation to support expenditure transaction testing for Settlement Years 5 through 8 including approval records, purchase orders, invoices, and payment records
- Procurement and contracting documents and policies (including RFPs, RFQs, and contracts)
- Sample of sole source contracts
- Technology demonstration program proposals and CPUC approvals
- Information about grants EVgo obtained that are directly related to the Settlement Agreement
- List of change orders
- Documentation of outreach to cities and government agencies
- EVgo employee job list and descriptions
- Vendor list
- Response to recommendations in interim report

Summary of Procedures Applied

Our examination was divided into two phases. The first phase consisted of off-site data analysis and review of documentation. The second phase consisted of an on-site desk review to perform additional testing and compliance procedures.

In Phase I (data analysis) of the examination, Crowe issued the Examinee a material request letter describing the documentation needed to complete our testing procedures. The material request letter encompassed general examination and planning documentation, revenue calculations and supporting documents and included the files needed to support our samples for testing. Crowe analyzed data provided by NRG to identify initial risk indicators.

In Phase II (desk review) of the examination, which covers the period from 12/6/2016 to 12/5/2020, Crowe conducted an entrance conference with the Examinee to confirm the scope and extent of our procedures and to request additional documentation. Crowe conducted an on-site visit to EVgo's headquarters in Los Angeles, CA from 12/16/2020 to 12/20/2020 to gather additional information and interview NRG representatives. Crowe then examined the data and supporting documentation provided by NRG and conducted a series of tests to analyze the data. Phase II resulted in the findings and recommendations identified in the Findings and Recommendation section of this report.

Finally, throughout the examination, Crowe met with NRG management to communicate interim progress and preliminary findings and observations. We conducted an exit conference, on June 29, 2021, upon completion of our fieldwork to communicate the examination procedure results and to review each of the findings (including questioned costs) and recommendations.

The CPUC specified key goals and objectives for evaluating NRG's compliance with the Settlement Agreement. Crowe added an additional goal with supporting objectives pertaining to the Charging Plazas. Below, we provide a summary of these objectives and our approach to meet these objectives as part of our testing procedures. The procedures we performed were based on a sample of items.

Goal 1: Evaluate NRG's Freedom Station investments to determine if NRG has met all requirements of the Settlement Agreement

Objective Number 1: Determine whether NRG has met the Freedom Station annual installation targets as set forth in the settlement. The evaluation should determine the date that each station was completed and obtain customer feedback data from NRG to determine if the station was in working order since its completion.

Approach

We obtained multiple sources of documentation from NRG showing the completion timing and location of actual Freedom Station installations. We sampled Freedom Stations and obtained verification of installation completion dates (e.g., using close out packages, as-built plans, permits, timing of when the Freedom Station began to transfer customer usage data between the Freedom Station site and NRG headquarters). We compared this actual data with required installation locations in the Settlement Agreement within the four (4) regions of the LA Basin, San Francisco Bay Area, San Joaquin Valley, and San Diego County. We also compared the quantities completed, by reporting year, with minimum Settlement Agreement installation quantity requirements.

We also assessed whether actual installation locations met minimum Public Use Microdata Area (PUMA) requirements within each of the four regions. We reviewed Quarterly Status Reports and Annual Reports that NRG submitted to the CPUC to determine whether NRG documented its efforts to identify, evaluate, pursue, and install twenty (20%) of the minimum Freedom Station count in PUMA.

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Objective Number 2: Determine that all Freedom Stations meet the technical requirements as described in the settlement. The settlement lists specific technical requirements that each Freedom Station must meet. The evaluation should determine whether each station meets all of these requirements.

Approach

We obtained multiple sources of documentation from NRG showing technical specifications (e.g., close out packages, as-built plans, permits). We sampled Freedom Stations and conducted on-site visits to verify installations matched technical specifications required by the Settlement Agreement. Using a combination of documentation review and site visits, we compared actual installation specifications with the following Freedom Station requirements:

- One DC fast charger
- One (1) Level 2 charger, or alternatively one (1) additional DC fast charger for a total of two (2) DC fast chargers
- Installation of an additional Freedom Station stub or Level 2 stub
- To the extent not already present at a location, adequate ambient lighting and other security elements
- The electrical equipment necessary to fully service all the included equipment
- Freedom Station is compatible with the CHAdeMO Standard and SAE Standard as provided in the Settlement Agreement

Objective Number 3: Determine whether all Freedom Station infrastructure is in working order and accessible to electric vehicle drivers in compliance with the performance and accessibility requirements listed in the settlement.

Approach

We obtained multiple sources of documentation from NRG showing technical specifications (e.g., close out packages, as-built plans, permits). We sampled Freedom Stations and conducted on-site visits to verify that installations were in working order at the time of our visit. We also reviewed reports of statistical usage data, by individual charger, to evaluate whether Freedom Stations were continuously available to customers. We also conducted follow-up data requests, and discussions with NRG operations personnel, to understand the basis for chargers that may have been inoperable during the reporting period.

Objective Number 4: Evaluate NRG's labor and equipment procurement processes to determine that competitive processes were used and that labor/technical expenses were reasonable.

Approach

We obtained documentation from NRG and conducted interviews with NRG personnel involved with procurement and contracting to assess whether NRG established a process and procedure for soliciting, evaluating, and awarding competitive bids for the provision of third-party services and equipment. We requested and reviewed a sample of NRG procurement and contracting files (including solicitation documents, bids, and bid tabulations) associated with use of third-party services and equipment for Freedom Station installations. We reviewed procurement documentation to assess whether in soliciting, evaluating, and awarding contracts for work on the Public Charging Ecosystem, NRG's RFO Process provided required preferences for contractors.

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Objective Number 5: Evaluate whether NRG has met the standards requirements that require all Freedom stations to be updated to meet both the CHAdeMO and Society of Automotive Engineers (SAE) coupler standards per the terms of the settlement.

Approach

We obtained multiple sources of documentation from NRG showing charger installation specifications (e.g., close out packages, as-built plans, permits). We sampled Freedom Stations and conducted on-site visits to verify that chargers supported both CHAdeMO and Society of Automotive Engineers (SAE) coupler standards, i.e., CCS, required by the Settlement Agreement.

Objective Number 6: Determine whether the infrastructure cost less than the original projections and estimate how much additional infrastructure NRG could build with the remaining funding.

Approach

We tested the Examinee's detailed expenditures, internal accounting records, and supporting financial documentation to determine Settlement Agreement expenditures. We compared internal accounting reports with the reported Settlement Agreement expenditures to reconcile reported with actual expenditures. Where we determined significant amounts of expenditures did not meet the definition of Allowable Costs in the Settlement Agreement, we reported these differences as findings. We also determined the extent to which the infrastructure cost less than the original projections and estimated how much additional infrastructure could be built with remaining funding.

Goal 2: Evaluate NRG's Make-Ready charging stub investments to determine if NRG has met all requirements of the Settlement Agreement

Objective Number 7: Determine whether NRG has met its Make-Ready Charging Stub annual targets

Approach

We obtained multiple sources of documentation from NRG showing the completion timing, type, and location of actual Make-Ready installations. We sampled Make-Ready installations and obtained verification of installation completion dates and types (e.g., host agreements, as-built plans, permits). We compared this actual data with required installation locations and quantities in the Settlement Agreement within the four (4) required regions of the LA Basin, San Francisco Bay Area, San Joaquin Valley, and San Diego County as well as the stubs installed in other regions of California. We compared this actual data with required installation types in the Settlement Agreement for multi-family, workplace, and public interest sites.

Objective Number 8: Validate that NRG's public information related to the exclusivity period for the Make-Ready charging infrastructure is accurate and accessible to the public.

Approach

We obtained documentation to determine whether NRG has a publicly available website that identified each installed Make-Ready Array's location and the Start-Up Period expiration date and assessed whether the website was updated at a minimum on a quarterly basis. We also determined the frequency of website updates.

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Objective Number 9: Determine that all Make-Ready charging infrastructure is in working order and accessible to electric vehicle drivers, per the performance and accessibility requirements listed in the settlement. The settlement lists specific technical requirements that each 'Make-Ready' site must meet. The evaluation should determine whether each site meets all of these requirements and has met those requirements during the time that a given site has been operable.

Approach

We obtained multiple sources of documentation from NRG showing technical specifications (e.g., host agreements, as-built plans, permits). We sampled Make-Readies and conducted on-site visits to verify installations matched technical specifications required by the Settlement Agreement. Using a combination of documentation review and site visits, we compared actual installation specifications with the following Make-Ready requirements (e.g., maximum of 40 Make-Ready Stubs per site, maximum of one Make-Ready Array per parking lot and building at each site, and minimum of 10 percent of stubs at Public Interest sites).

Objective Number 10: Evaluate NRG's labor and equipment procurement processes to determine that competitive processes were used and that labor/technical expenses were reasonable.

Approach

We obtained documentation from NRG and conducted interviews with NRG personnel involved with procurement and contracting to assess whether NRG established a process and procedure for soliciting, evaluating and awarding competitive bids for the provision of third-party services and equipment. We requested and reviewed a sample of NRG procurement and contracting files (including solicitation documents, bids, and bid tabulations) associated with use of third-party services and equipment for Make-Ready installations. We reviewed procurement documentation to assess whether in soliciting, evaluating and awarding contracts for work on the Public Charging Ecosystem, NRG's RFO process provided required preferences for contractors.

Objective Number 11: Evaluate NRG's outreach effort to determine whether or not NRG has made satisfactory efforts to complete its obligations.

Approach

We interviewed NRG management and requested supporting data to identify outreach efforts NRG made to complete its obligations.

Objective Number 12: Evaluate NRG's process for determining whether sites were eligible to participate to determine whether NRG has made just and reasonable efforts to complete its goals.

Approach

We interviewed NRG management and analyzed Make-Ready site lists to determine whether NRG constructed any Make-Readies at sites that were not eligible, e.g., retail or hospitality focused.

Objective Number 13: Determine whether the infrastructure cost less than the original projections and estimate how much additional infrastructure NRG could build with the remaining funding.

Approach

We tested the Examinee's detailed expenditures, internal accounting records, and supporting financial documentation to determine Settlement Agreement expenditures. We compared internal accounting reports with the reported Settlement Agreement expenditures to reconcile reported with actual expenditures. Where we determined expenditures did not meet the definition of Allowable Costs in the Settlement Agreement, we reported these differences as findings. We also determined the extent to which the infrastructure cost less than the original projections and estimated how much additional infrastructure can be built with remaining funding.

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Goal 3: Determine if NRG has met all the additional requirements under the Settlement Agreement.

Objective Number 14: Determine that all projects are underway as part of the Technology Development and Opportunity programs and are meeting the spending and performance targets.

Approach

As part of our on-site work at NRG offices, we obtained and reviewed documentation from NRG supporting project selection, status, and expenditures. We obtained documentation to evaluate expenses incurred by NRG over the NRG Fixed Operating Cost Period. We compared actual amounts NRG expended with the Settlement Agreement requirement of \$5,000,000 over NRG Fixed Operating Cost Period and reported differences.

Objective Number 15: Evaluate if NRG has complied with the grants prohibition term that prevents NRG from applying for grants related to the infrastructure categories identified in the settlement.

Approach

As part of our on-site work at NRG offices, we obtained and reviewed documentation from NRG supporting types and levels of grant funding received and uses of grant monies. We reviewed available documentation from NRG related to grant funds received from Settlement Year 5 onward. We interviewed NRG management/staff, to assess whether NRG and its affiliates met the requirement that it cannot be a recipient of a grant or cash equivalent from any governmental authority to the extent that such grant or cash equivalent is directly related to the Dynege Parties' specific performance obligations under the Settlement Agreement to implement the EV Charging Station Project unless such grant/award meets the criteria specified in the Settlement Agreement.

Objective Number 16: Determine whether NRG has made 'just and reasonable efforts' to meet its infrastructure requirements, including the evaluation of its customer outreach efforts.

Approach

We obtained documentation supporting the extent of NRG customer outreach efforts through such areas as advertisements, website materials, collateral marketing material, marketing events, alignment with car dealerships, and internet marketing.

Objective Number 17: Evaluate NRG's spending to determine that all cited spending relate to the outcomes of the settlement and represent reasonable efforts to spend funds efficiently and effectively.

Approach

We tested the Examinee's detailed expenditures, internal accounting records, and supporting financial documentation to determine Settlement Agreement expenditures. Where we determined expenditures did not relate to Settlement Agreement outcomes or did not represent effective/efficient use of funds, we reported these differences as findings.

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Objective Number 18: Ensure that NRG's procurement of services and equipment meets the settlement's requirement that competitive processes be used to avoid unfair favoritism toward suppliers and ensure that competitively priced services and equipment are purchased.

Approach

We obtained documentation from NRG and conducted interviews with NRG personnel involved with procurement and contracting to assess whether NRG established a process and procedure for soliciting, evaluating, and awarding competitive bids for the provision of third-party services and equipment. We requested and reviewed a sample of NRG procurement and contracting files (including solicitation documents, bids, and bid tabulations) associated with use of third-party services and equipment for Freedom Station installations. We reviewed procurement documentation to assess whether in soliciting, evaluating, and awarding contracts for work on the Public Charging Ecosystem, NRG's RFO process provided required preferences for contractors.

Objective Number 19: Determine whether NRG has completed the Charging Plaza installations as set forth in the Settlement Agreement. The evaluation should determine the date that each station was completed and obtain customer feedback data from NRG to determine if the station was in working order since its completion.

Approach

We obtained multiple sources of documentation from NRG showing the completion timing and location of actual Charging Plaza installations. We sampled Charging Plaza and obtained verification of installation completion dates (e.g., using close out packages, as-built plans, permits). We compared this actual data with required installation locations in the Settlement Agreement within northern and southern California. We also compared the Charging Plaza completion dates with Settlement Agreement installation period requirements.

We also assessed whether actual installation locations met minimum Public Use Microdata Area (PUMA) requirements within each of the four regions. We reviewed Quarterly Status Reports and Annual Reports that NRG submitted to the CPUC to determine whether NRG documented its efforts to identify, evaluate, pursue, and install all Charging Plazas in PUMAs that met Settlement requirements.

Objective Number 20: Determine whether Charging Plazas meet the technical and geographic requirements as described in the Second Amendment, which lists specific requirements for Charging Plazas.

Approach

We obtained multiple sources of documentation from NRG showing technical specifications (e.g., close out packages, as-built plans, permits). We sampled Charging Plazas and conducted on-site visits to verify installations matched technical specifications required by the Settlement Agreement and Second Amendment. Using a combination of documentation review and site visits, we compared actual installation specifications with the following Charging Plaza requirements:

- At least three DC fast chargers, all with power ratings greater than or equal to 50kW
- Support for the CHAdeMO Standard and SAE Standard (CCS)

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Objective Number 21: Determine whether Charging Plaza infrastructure is in working order and accessible to electric vehicle drivers in compliance with the performance, accessibility, and pricing requirements listed in the Settlement Agreement.

Approach

We obtained multiple sources of documentation from NRG showing technical specifications (e.g., close out packages, as-built plans, permits). We sampled Charging Plazas and conducted on-site visits to verify whether installations were in working order at the time of our visit.

Objective Number 22: Evaluate NRG's labor and equipment procurement processes to determine that competitive processes were used and that labor/technical expenses were reasonable and in compliance with Settlement Agreement requirements.

Approach

We obtained documentation from NRG and conducted interviews with NRG personnel involved with procurement and contracting, to assess whether NRG established a process and procedure for soliciting, evaluating, and awarding competitive bids for the provision of third-party services and equipment. We requested and reviewed a sample of NRG procurement and contracting files (including solicitation documents, bids, and bid tabulations) associated with use of third-party services and equipment for Charging Plaza installations. We reviewed procurement documentation to assess whether in soliciting, evaluating and awarding contracts for work on the Charging Plazas, NRG's RFO Process provided required preferences for contractors.

Objective Number 23: Determine whether NRG engaged with a research partner in compliance with the requirements in the Second Amendment.

Approach

We verified via NRG payment records and the third-party website of its research partner that NRG engaged with a research partner in compliance with the requirements in the Second Amendment.

Objective Number 24: Determine adjustment to Make-Readies Amount and Minimum Make-Ready Stub Count based on amount NRG spent on Charging Plazas. Determine whether the infrastructure cost less than the original projections and estimate how much additional infrastructure NRG could build with the remaining funding.

Approach

We validated NRG's settlement spend through invoice testing and determined whether NRG expended \$12.5 million on Charging Plazas which would allow it to reduce the Make Readies Amount and the Minimum Make-Ready Study Count.

Appendix B – NRG Responses to Interim Audit

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Status of Findings Reported in Previous Examination

ACTIONS TAKEN IN RESPONSE TO INTERIM AUDIT RECOMMENDATIONS

Finding 1—NRG Settlement Agreement Reports Included \$1,465,000 in Charger Costs that NRG could eventually use for non-settlement installations.

Recommendation: NRG should reduce the total amount of charger costs reported for Settlement Years 1 through 4 by \$1,465,000. NRG should discontinue the approach NRG uses to include advanced charger purposes for all Settlement and non-Settlement installations.

NRG Actions Taken In Response to Finding 1

As noted in NRG’s written response to the interim audit report, NRG and EVgo were able to leverage bulk purchases of charging equipment to gain more competitive pricing. As a result, NRG and EVgo built 561 fast chargers under the settlement, more than twice the compliance target originally anticipated by NRG and the CPUC. In response to the Interim Audit, NRG shifted its reporting standard to reflect costs directly attributed to a specific installation rather than report all costs at the time of bulk purchase.

As a result of feedback from auditors, NRG and EVgo have re-examined the capital allocation for the charger costs previously reported in the period covered by the interim audit, Settlement Years 1-4, as well as other Settlement Years impacted by bulk purchases, including Settlement Year 5 and a portion of Settlement Year 6. In order to reconcile this reevaluation with the shift in reporting standard to specific attribution allocation, NRG and EVgo reduced the reporting from the bulk charger purchase referenced in Finding 1 by \$1,432,562 of the \$1,465,000 amount identified in the Interim Audit. As applied, this adjustment results in an overall reduction in charger costs of just \$32,438, as the adjusted accounting and reporting methodology merely shifts dollars spent between Settlement Years to align with when the assets were designated to a specific Settlement location.

As noted above, in response to the interim audit, EVgo’s procurement of Settlement Agreement chargers and NRG’s accounting thereof was done on an attribution to a specific installation, ensuring that Settlement and non-Settlement Agreement equipment purchases were tracked and managed separately.

Additionally, please find specific documentation on EVgo procurement policies/training in response to B41.

Finding 2—NRG Settlement Agreement Reports Include \$1,640,814 in Non-Allowable Electricity Charges Charged by Utilities

Recommendation: NRG should reduce the total amount of Freedom Station Fixed Operation Costs Reported in its Annual Reports for Settlement Years 1 through 4 by \$1,640,814. NRG should develop policies and procedures to allocate the basic monthly ongoing electricity charges to other business activities and not to reported Settlement Expenditures.

NRG Actions Taken In Response to Finding 2

As noted in NRG’s written response to the Interim Audit, NRG rejects the conclusion that reporting actual electricity costs is an issue of non-compliance. NRG and EVgo expended well over the \$3,000,000 compliance obligation in electricity costs on settlement activity and reported that amount as a way of

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sharing information with the CPUC. Even netting out the \$1,640,814 in non-electricity demand and meter charges, NRG exceeded the required \$3,000,000 spend on Freedom Station Fixed Operating Costs by the end of Settlement Year 4. However, out of deference to the Interim Audit's conclusion, NRG has modified reporting to present only eligible electricity costs up to the \$3,000,000 maximum. Since NRG exceeded the required \$3,000,000 spend by the end of Settlement Year 4, NRG has not reported additional electricity cost spend in subsequent reporting years¹.

Finding 3—NRG Settlement Agreement Reports Include \$421,939 in Labor Costs for Salaries Paid in Excess of Comparable Salaries

Recommendation: NRG should reduce the total amount of Direct Labor Costs by \$421,939 for Settlement Years 1 through 4. In addition, NRG should begin reporting Direct Labor Costs based on market-based salaries in future Annual Expenditure Reports. NRG also should use actual salaries paid as a basis for determining Direct Labor Costs for Settlement Agreement purposes rather than the average annual salary estimating methodology used for Settlement Years 1 through 4.

NRG Actions Taken In Response to Finding 3

As noted in NRG's written response to the Interim Audit, the Settlement did not mandate particular salary bounds for NRG personnel. NRG and EVgo continue to pay competitive salaries while still keeping overall costs efficient enough to deliver hundreds of chargers more than that originally anticipated under the Settlement. With regard to specific actions, subsequent to the Interim Audit, NRG began using actual salaries in reporting labor costs to the CPUC. As also noted in NRG's written response to the Interim Audit and acknowledged in the auditor's rebuttal, since April 2017, the revised process for tracking actual direct labor costs involves monthly timesheets in which site developers, project managers, and program managers log how many hours they have worked on the various Settlement programs (e.g. Freedom Station, Make Ready, High Power Charging Plazas, Tech Demo, EV Opportunity) and non-CPUC work.

Finding 4—NRG Settlement Agreement Reports Include \$520,626 in Freedom Station Fixed Operating Costs In Excess of the \$3,000,000 Spending Requirement

Recommendation: NRG should reduce the total amount of Freedom Station Fixed Operation Costs by \$516,626 for Settlement Years 1 through 4. NRG should not include Fixed Operation Costs above \$3,000,000 amount required in the Settlement Agreement. NRG should develop policies and procedures so as not to include Fixed Operating Costs above \$3,000,000 in its reporting.

NRG Actions Taken In Response to Finding 4

As noted in NRG's written response to the Interim Audit, NRG met its compliance obligation of \$3,000,000 spent on Fixed Operating Costs. Additionally, NRG's obligation to continue operating the chargers through the entirety of the Fixed Operating Period, amended to December 2020, necessarily includes incurring additional Fixed Operating Costs. However, based on the Interim Audit's

¹ For example, see Appendix E of the 2018 Annual Report to the CPUC on Settlement Year 6.

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recommendation and in order to avoid confusion in reporting, NRG has updated its reporting and does not report Fixed Operating Costs beyond the \$3,000,000 compliance obligation in with the Freedom Station budget.²

Finding 5—NRG Settlement Expenditure Reports Include 78,700 in Non-Allowable Travel Costs

Recommendation: NRG should reduce the total amount of travel costs reported for Settlement Years 1 through 4 by \$78,700. In future Settlement Years, NRG should implement a process and procedures for management to review allocations of non-Settlement Agreement travel costs to confirm they are allocated to other businesses.

NRG Actions Taken In Response to Finding 5

NRG has not only reduced reported travel costs for Settlement Years 1 through 4 by \$78,700 but also undertook additional diagnostic research to identify and further reduce reporting of another \$12,875 in costs that should not be and are no longer reflected in reported qualified spend. Additionally, EVgo has implemented “Certify”, an expense reimbursement management tool, to help improve reimbursement processes. Within Certify, all Settlement expenses are clearly identified by project designation and are reviewed and approved by the employee’s supervisor and then subsequently by the accounting department. This process introduces both clarity and multiple layers of approval to reduce the risk of erroneously attributing non-Settlement expenditures into Settlement reporting.

Specific EVgo travel reimbursement procedures and other Certify documentation is included as an attachment with this response.

Finding 6—NRG Was Unable to Provide Complete Documentation to Substantiate \$1,309,247 in Expenses Reported in Settlement Expenditure Reports

Recommendation: NRG should provide supporting documentation to substantiate the \$1,309,247 in expenses reported during Settlement Years 1 through 4. NRG should reduce the amount reported in Settlement Years 1 through 4 by the amount for which NRG cannot provide full supporting documentation. In future Settlement Years, NRG should maintain complete documentation to support Settlement Agreement expenditures. NRG also should:

- *Issue written reminders to procurement personnel regarding the expectation that NRG retain purchase orders until the conclusion of the applicable records retention period and also reiterate the instances in which purchase orders are required*
- *Issue a written reminder to personnel with approval responsibilities regarding the expectation for approvals, methods and means of documenting approvals, and significance of the approval process.*

NRG Actions Taken In Response to Finding 6

² For example, see Appendix E of the 2018 Annual Report to the CPUC on Settlement Year 6.

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As noted in the written response to the Interim Audit, NRG provided additional written documentation to substantiate the \$1,309,247 in Freedom Station and Make Ready expenses in Settlement Years 1 through 4. Subsequent to Settlement Year 4, EVgo began using Intacct Accounting Software and ProCore (introduced, July 2018) for construction management software. Procore serves as the system of record for EVgo's construction-related documentation (engineered drawings, budget, schedule, permit, inspection record, photographs, close-out records and logged notes from Project Managers) as well as finance related documentation (bid packages, purchase orders, invoices, and change orders) for construction projects. Procore's implementation included cross-departmental training of EVgo's project management and finance and purchasing team to define and to establish expectation for construction documentation and for purchasing, including the workflow outlined in Finding 41_PO and Invoicing Workflow. Intacct and ProCore, in combination with a more robust usage and training, enabled the procurement, construction, and accounting teams to retain and access records related to Settlement expenditures.

Additionally, NRG has spent well beyond the compliance obligation levels in the Make Ready category—more than \$1.7M over the course of the Settlement—as well as \$480k in additional expenditures beyond the Freedom Station requirement. As it relates to document retention, EVgo uses commercially reasonable efforts to save all records pertinent to the CPUC settlement, through a combination of uploading relevant documents to Salesforce, Procore, Microsoft SharePoint, and other cloud-based storage systems. As the Auditors know, this recommendation was issued in an interim report in 2018, and EVgo is still in the process of formalizing its document retention policy.

Finding 7—Of the Make-Ready Sites Visited, a Minimum of 15 Percent Failed to Comply With Make-Ready Specification Requirements

Recommendation: NRG should provide documentation to verify the entire population of Make-Ready Stubs that are non-compliant with the Settlement Agreement based on the above-identified categories. NRG also should provide documentation prior to the final compliance examination to demonstrate that NRG has corrected the inadequacies associated with these Make-Ready Stubs in order to be in compliance with the Settlement Agreement definition of a Make-Ready Stub.

NRG Actions Taken In Response to Finding 7

NRG and EVgo have examined every single one of the Make-Ready Stubs identified in the Interim Audit, beginning with desktop research and extending to visiting sites in person. During the course of that follow-on activity, NRG and EVgo found a number of discrepancies with the conclusions reached in the Interim Audit. For example, and as noted in the written reply to the Interim Audit, the auditors identified the Firebaugh High School Make-Ready site as one that was NOT ready for EVSE, yet NRG and EVgo contacted the property owner directly to confirm that three of the Make-Ready Stubs had operational chargers installed and dispensing, and the remaining seven pads were ready to install Level 2 chargers if and when the school decided to do so.

Attached to this response are a series of communications with site hosts and other documentation to reinforce that these Make Ready stubs are indeed "Ready for EV" or already dispensing as level 2 EV chargers.

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Finding 8—NRG Settlement Agreement Reports Include \$180,273 in Overhead Costs for California Business Alliance Participation and Government Affairs Expenses

Recommendation: NRG should reduce the amount of Settlement Expenditures reported for Settlement Years 1 through 4 by \$180,273 or seek clarification as to whether these costs are allowable in accordance with the Settlement Agreement cost definitions.

NRG Actions Taken In Response to Finding 8

As noted in the written response to the Interim Audit, NRG acknowledged the incorrect reporting and has restated Settlement Expenditures without the \$180,273 identified. Additionally, as noted in Finding 5, EVgo implemented Certify as the expense reimbursement software solution in order to reduce the risk of non-Settlement expenditures being included in Settlement Agreement reporting.

Finding 9—NRG Did Not Adequately Document the Evaluation Criteria and Outcomes, Including Evaluation of Vendor Preferences, for 15 Settlement Agreement Procurements

Recommendation: NRG should clarify in writing its policies and procedures related to the requirement to document and retain documentation to substantiate evaluations and outcomes of its Settlement Agreement competitive bidding process. NRG should maintain well-organized and comprehensive procurement and contracting files.

NRG Actions Taken In Response to Finding 9

In response to the Interim Audit, NRG and EVgo have implemented new procedures to vet vendors based on specific requirements, including through issuing RFPs through the aforementioned ProCore construction software management program. Each bid sheet issued through ProCore included explicit reference to EVgo preference for women, minority and disabled veteran owned business enterprises as well as best value contracting. All bid documents and other procurement and contracting files are retained in Procore and/or Salesforce on a site-specific basis.

Please find attached an example of a bid sheet documenting vendor preferences, which are retained in ProCore.

Finding 10—NRG Did Not Competitively Bid Services with 11 Vendors with Contracts Worth More than \$100,000 totaling \$4,208,563

Recommendation: NRG should follow Settlement Agreement requirements related to soliciting competitive bids for contracts above \$100,000. Additionally, while not considered non-compliance with the Settlement Agreement, NRG also should follow its own required policies and procedures related to soliciting competitive bids for contracts above \$50,000 (there were four such contracts, with a value above \$50,000 and below \$100,000, which had a total Settlement Agreement cost of \$322,608).

NRG Actions Taken In Response to Finding 10

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NRG and EVgo's shared commitment to maximizing value for Californians has resulted in nearly double the fast chargers being installed under the Settlement as originally contemplated. In response to the Interim Audit, NRG and EVgo have implemented policies to competitively bid all Settlement-related contracts above \$5,000. Documentation of these competitive bids is retained in ProCore, EVgo's construction management software, including the limited instances when exceptions were necessary. Additional information, including an example of an exception to a competitive bid process, is included in the response to item 41.

Finding 11—NRG Complied with 7 of 9 Freedom Stations Equipment Installation Requirement, But Did Not Install Customer Service Interfaces that Include a Communications Device for Single Use Charging Services and Did Not Install Way Finding

Recommendation: NRG should follow the Freedom Station installation requirements for these two items as specified in the Settlement Agreement. Alternatively, NRG, should seek relief from these two installation requirements. In cases where the Freedom Station site host did not want these two installation requirements on its site, NRG should provide documentation supporting this determination from the site host to the CPUC prior to the final examination.

NRG Actions Taken In Response to Finding 11

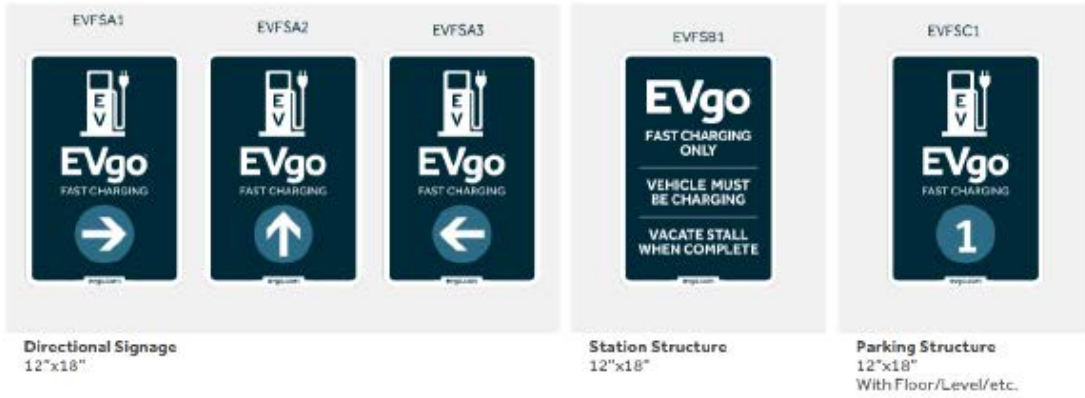
NRG and EVgo recognize and appreciate the importance of delivering reliable and accessible charging to single use charging customers. Accordingly, every Freedom Station—and HP Charging Plaza/EACH site—includes a credit card reader as well as the opportunity to pay by phone or for a session through the EVgo app without an EVgo membership. In recognition of industry best practice and in the interest of cost efficiency, NRG requested, and the CPUC, granted relief from the requirement to install a two-way communications device at each Freedom Station. Documentation of that relief is attached herein.

Regarding "Way Finding" signage, in consultation with the CPUC staff, NRG and EVgo undertook a comprehensive process to propose (or re-propose) signage to existing operational property hosts and then install additional Way Finding signage where hosts did not object. In some instances, partners determined that signage would require additional permitting and often that was a deterrent to the partners' interest in new signage. Of the 64 site hosts contacted, EVgo was able to install Way Finding signs at 107 operational Freedom Station sites for 40 site hosts, including custom signs for a number of properties. Examples of communications from hosts declining Way Finding signage are included as attachments.

Going forward, EVgo's standard procedure is to include Way Finding signage at new installations unless hosts object.

Illustrative Examples of EVgo Way Finding signage:

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EVgo Brand Guidelines for Wayfinding Signage



Example of EVgo Wayfinding Signage directing traffic toward DCFC

Finding 12—NRG Has Not Yet Met the Low-Income PUMA Area Installation Requirements in the LA Basin and Can Better Document Efforts Used to Reach this Requirement in its Reporting

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Recommendation: NRG should increase the number of low-income PUMA installations in the LA Basin in subsequent Settlement Years such that NRG installs at least 20 percent of the Freedom Stations in the LA Basin in low-income PUMA....NRG should provide the percent low-income PUMA completion rates, by region, in its quarterly and annual reporting (not just in total for all regions). NRG should also document, within its Quarterly and Annual reports, its efforts to evaluate, pursue and install 20 percent of Freedom Stations in the LA Basin with low-income PUMA areas.

NRG Actions Taken In Response to Finding 12

NRG and EVgo have always been committed to meeting the low-income PUMA obligations under the Settlement Agreement. Over the course of the balance of the Settlement following Year 7, NRG funded the installation of 218 Freedom Stations, 46 of which are in low-income PUMAs. Detail on the distribution of Freedom Stations is below:

<i>Geography</i>	Minimum Build Obligation	Projected Final	Actual PUMA Sites	PUMA %
LA Basin	110	110	22	20%
SF Bay Area	55	69	15	22%
San Joaquin Valley	15	15	4	27%
San Diego County	20	21	5	24%
Other Counties	-	3	-	-
CA- all	200	218	46	21%

Recommendation: NRG should increase the number of low-income PUMA installations in the LA Basin in subsequent Settlement Years such that NRG installs at least 20 percent of the Freedom Stations in the LA Basin in low-income PUMA....NRG should provide the percent low-income PUMA completion rates, by region, in its quarterly and annual reporting (not just in total for all regions). NRG should also document, within its Quarterly and Annual reports, its efforts to evaluate, pursue and install 20 percent of Freedom Stations in the LA Basin with low-income PUMA areas.

NRG Actions Taken In Response to Finding 12

NRG and EVgo have always been committed to meeting the low-income PUMA obligations under the Settlement Agreement. Over the course of the balance of the Settlement following Year 7, NRG funded the installation of 218 Freedom Stations, 46 of which are in low-income PUMAs. Detail on the distribution of Freedom Stations is below:

<i>Geography</i>	Minimum Build Obligation	Projected Final	Actual PUMA Sites	PUMA %
LA Basin	110	110	22	20%
SF Bay Area	55	69	15	22%
San Joaquin Valley	15	15	4	27%
San Diego County	20	21	5	24%
Other Counties	-	3	-	-
CA- all	200	218	46	21%

Appendix C – Make-Ready Stub Photographs

Non-Compliant Stub Categories

We observed three categories of non-compliance with the 1,198 Make-Ready Stubs we surveyed:

1. 310, or 26 percent, did not have fixtures installed as of their operational date

The bottom left photo shows a concrete pad which supports a fixture (the white metal post) that supports two stubs, each of which terminates in an electrical receptacle (grey boxes on either side of the post). Crowe considers these two stubs to be compliant except for missing “Ready for EV” signage. The bottom right photo shows a concrete pad with wiring in the adjacent pull box but no fixture (non-compliant).



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2. 45, or 4 percent, could not be connected to an EVSE without additional electrical labor/materials costs (e.g., wiring not pulled to concrete pad, stub mounted on ceiling)

The top left photo shows stub wiring that terminates in a pull box rather than at the concrete pad where a future EVSE would be installed.⁴⁵ The top right photo shows stub wiring pulled all the way to the concrete pad which facilitates future stub installation. The bottom two photos show ceiling mounted stubs.



⁴⁵ The Make-Ready Stub definition specifies that both conduit and wiring must terminate at a fixture, and the Charging Station Fixture definition specifies that any supporting concrete pad installed for the stub is considered part of the fixture, implying that the stub's conduit and wiring should terminate at the concrete pad if EVgo installed one.

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3. 812, or 68 percent, did not have “Ready for EV” signage or an EVSE installed as of their operational date

The bottom left photo shows a stub which is compliant since it meets the following three requirements:

- “Ready for EV” signage – the phrase “Future EV Charging” meets the spirit of this requirement because it has a similar meaning to “Ready for EV”,
- Fixture (the white metal post),
- Circuit/wiring – the wiring at this stub extends all the way to the fixture (the wiring ends in a grey electrical receptacle the bottom half of which is visible below the letters “EV”);

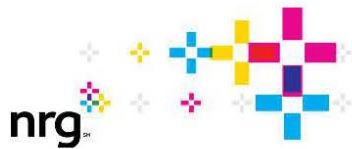
The middle photo shows a complete stub which has had a third party EVSE installed on it.

The right photo shows a stub which has a fixture and compliant circuit/wiring but lacks “Ready for EV” signage.



Appendix D - NRG / EVgo Management Response

California Public Utilities Commission
NRG Inc.
Electric Vehicle Infrastructure Settlement Compliance



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July 14, 2021

Via Email (aaron.coen@crowe.com)

Crowe LLP
575 Market Street, Suite 3300
San Francisco, CA 94105

To Whom it May Concern:

NRG Energy, Inc. (“NRG”) appreciates the opportunity to respond to the draft final report (“Draft Report”) prepared by Crowe LLP with respect to performance under the Long-Term Contract Settlement and Release of Claims Agreement by and among the California Public Utilities Commission (“CPUC”) and the Dynegy Parties¹, entered into on April 27, 2012 (“Settlement”). While NRG wishes it had more than eleven business days to review and respond to the Draft Report, NRG nonetheless has a few high-level comments on the audit results reflected in the Draft Report.

The Settlement has been a demonstrable success in public policy, jumpstarting an industry, and delivering electric vehicle (“EV”) charging infrastructure well beyond requirements set in the Settlement, as new technologies evolved. Through what was initially an NRG subsidiary which was subsequently spun off to new owners during the Settlement term, EVgo Services LLC (“EVgo”) deployed the first urban fast charger, the first 150kW charger, and the first 350kW charger in the United States, and was one of the first to deploy power-sharing EV service equipment (“EVSE”) at scale, a technology key to serving the current and next generation of EVs and medium- and heavy-duty (MHD) fleets with increasing demands for electricity. As of Q1 2021, more than 850,000 EVs have been sold in California,² and the available charging infrastructure is a key factor in those sales to date and their continued growth.

Across the state, 40% of sites deployed by EVgo under the Settlement are in low-income communities as measured by AB 1550. Additionally, more than 20% of sites deployed under the Settlement are located in disadvantaged communities as measured by the CalEPA, California Communities Environmental Health Screening Tool 2.0 (CalEnviroScreen).³ Today, more than 80% of California residents live within a 15-minute drive of an EVgo fast charger. More than 250,000 EV drivers enjoy consistent, reliable charging with EVgo. As the largest public Direct Current Fast Charging (DCFC) network provider in the United States, EVgo’s charging network spans more than 800 DCFC locations with more than 1,500 DCFC chargers and more than 1,100

¹ The “Dynegy Parties” refers to Cabrillo Power I LLC, El Segundo Power, LLC, Long Beach Generation LLC and Dynegy Power Marketing, LLC, each of which executed the Settlement. The first three entities are subsidiaries of NRG. NRG has entered into an agreement with Dynegy Power Marketing, LLC to administer compliance with the Settlement. Per Recital I of the Settlement, it was understood that NRG would be performing the Dynegy Parties’ obligations under the Settlement.

² <https://www.veloz.org/sales-dashboard/>

³ The CalEnviroScreen is a tool designated by CalEPA to help identify California communities that are disproportionately burdened by multiple sources of pollution. Disadvantaged communities are defined as the top 25% scoring areas from CalEnviroScreen.

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Level 2 chargers nationwide. EVgo has over a decade of experience owning and operating its public EV charging network and maintains an average network uptime of 98%.

Under the Settlement, EVgo installed a total of 561 DC fast chargers across 250 sites, more than twice the originally specified 259 DC fast chargers under the Settlement, and constructed greater than 6,875 Make-Ready Stubs for Level 2 objectives. This substantial increase in DC fast charger installations above the initial targets contemplated by the Settlement was made possible through cost efficiencies and an emphasis on larger footprint sites located in or near high concentrations of multi-unit dwellings (MUDs) where EV drivers are less likely to have access to home charging or onsite parking with EV charging infrastructure.

Since the Settlement was first signed, the EV industry has rapidly evolved. The CPUC, NRG, and EVgo helped jumpstart an industry, and the whole sector has been able to learn from EVgo's experience, including shifting toward larger footprint and higher power chargers, integrating new software solutions, and moving to new generations of charging equipment itself. NRG appreciates the CPUC's partnership and willingness to amend the Settlement over the years to reflect changing conditions, for example, the amendment to add the High Power Charging Plaza program.

While NRG and EVgo do not fully agree with the findings by Crowe, EVgo and NRG note that Crowe attests that NRG has complied with all material requirements of the Settlement with the exception of two areas where Crowe contends NRG is out of compliance: (1) for purportedly overbuilding Make-Ready Stubs, predominately at University of California campuses (UC San Diego and UC Santa Barbara)⁴; and (2) for lack of "Ready for EV" signage on Make-Ready Stubs, a topic long discussed with CPUC staff during the course of compliance under the Settlement term and which NRG has consistently advocated offers little to no value to EV users. Additionally, despite proposed disallowances associated with these perceived deficiencies, with which NRG does not agree, Crowe's final assessment concludes that NRG expended \$102,974,653 under the Settlement, more than \$400,000 in excess of the \$102.5 million required by the Settlement for spend on EV infrastructure. Crowe's assessment of final spend excludes NRG operating costs which were reported in the interim audit conducted by Crowe to be well above the Settlement's total obligation of \$3,000,000 for such expenses.⁵ In other words, the Settlement obligated NRG to spend \$102.5 million to build 259 fast chargers and install 6,875 Make-Ready Stubs, and NRG actually spent upwards of \$110 million to support the deployment of 561 fast chargers and install 6,909 Make-Ready Stubs.

The working relationship between NRG/EVgo and the CPUC has been extraordinarily constructive in recognizing the dynamic nature of the EV charging business, while remaining focused on maximizing positive impact from the Settlement on the public interest. The experiences gained under the Settlement are foundational in California's EV landscape and provide valuable learning for the years of EVSE investment still to come to bring California's EV vision to fruition. Moreover, the Settlement provides many lessons learned that contribute to the market for away-from-home charging for electric vehicles, yielding real air-quality benefits. In three years, 2018-2020, the network of EV chargers deployed through the Settlement has

⁴ This conclusion depends upon Crowe's own interpretation of Settlement provisions addressing caps on Make-Readies at particular locations.

⁵ NRG's total spend on operating costs is not included in the final report, because Crowe contended in the interim audit that reporting any costs in excess of those mandated by the Settlement was actually a violation of the Settlement.

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translated into greater than 127.7 million electrified miles of vehicle use and greater than 29,800 metric tons of greenhouse gas emissions reductions across California.

Response to Findings

As a preliminary matter, NRG and EVgo are grateful for the productive dialogue with Crowe and the CPUC throughout the Settlement term and more specifically during the audit process.

The companies note that delays occurred in the delivery of both audit reports, the interim audit report and the Draft Report. With respect to the interim audit report, it was delivered so late into the Settlement term that any opportunity for NRG to adjust its actions so as to ensure final compliance with perceived deficiencies was ultimately lost.

As an example of the adverse impacts associated with the delayed release of the interim audit, the table below demonstrates the reported stub count reported by year. By the time the interim audit was released in 2018, a significant additional deployment had occurred beyond the period covered by the interim audit (Years 1-4), making it impossible to consider the results of the interim audit for a large portion of the Make-Ready deployment after Year 4.

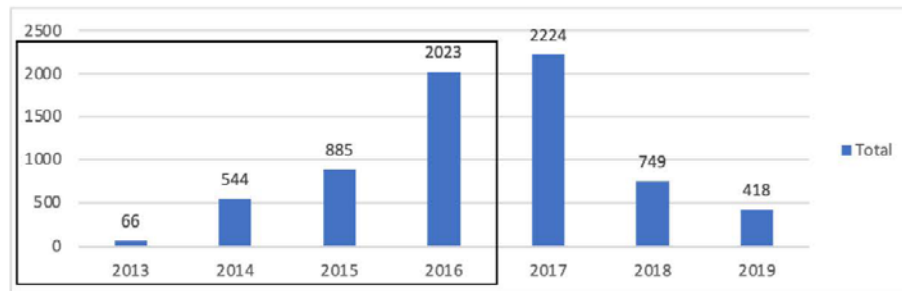


Table 1. Make-Readies Delivered by Year

With respect to the Draft Report, those draft findings were only very recently delivered by Crowe, on Monday, June 28th, 2021, and provided only eleven business days to review and respond to the draft findings amidst a national holiday. Further exacerbating the short turnaround for comments on the Draft Report, Crowe’s offices were closed for the entire week of July 5th in observance of the Fourth of July holiday. Based on the very short time to review and analyze Crowe’s findings in the Draft Report, NRG has provided only very limited comments which focus on the larger ticket items raised in the Draft Report.

Make-Ready Disallowance

In the Draft Report, Crowe proposes to disallow NRG’s Make-Ready expenditures by \$1,020,630. Crowe arrived at this disallowance through a combination of factors.

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First, Crowe contends that NRG exceeded the cap on Make-Ready Stubs at a particular site, largely attributable to NRG's deployment of Make-Ready Stubs at two University of California campuses, UC San Diego and UC Santa Barbara (for example, UCSD reports 182 Level 2 charging ports on campus;⁶ a single "Make-Ready Site" is only permitted forty Make-Ready Stubs under the Settlement). However, NRG disputes Crowe's interpretation that an entire UC campus constitutes a single Make-Ready Site. Crowe's interpretation is overly rigid, ignores the public benefits associated with the Make-Ready Stub deployments that occurred at those campuses and should be rejected. Any disallowance proposed by Crowe should be disregarded to the extent it relies on this rationale.

Second, Crowe proposes a disallowance factor based on the mis-reporting of six Make-Ready Stubs (about one half of one percent of the total deployment). NRG asserts that such a variance in data is de minimis and does not warrant a disallowance.

Third, Crowe proposes discounting the Make-Ready program expenditures by calculated costs to bring sites into compliance. This discounting of costs is largely driven by the cost to install Ready for EV signage at Make-Ready stubs. As alluded to above, NRG/EVgo have raised the signage issue over the years with CPUC staff, contending that there is little to no utility from a public policy perspective for such signage and that resources would be better spent elsewhere. Giving credit to NRG for Make-Ready Stubs that may not have had the specific signage means that NRG satisfied the build-out requirement for Make-Ready Stubs and avoids the issue of the Cash Out remedy advocated by Crowe.

Cash Out Remedy

In the Draft Report, Crowe recommends that the CPUC seek a payment from NRG in the amount of \$3,035,000 based on the purported deficiency in deployment of Make-Ready Stubs and applying Cash Out Formula B. NRG opposes this recommendation. As described below, Cash Out Formula B has been incorrectly calculated and applied.

Incorrect Calculation of Cash Out

NRG and EVgo contend that Crowe has incorrectly interpreted the definition of Cash Out Formula B and, as applied by Crowe, incorrectly overstated the calculated pay out by \$270,000 through the inclusion of Make Ready Arrays.

The Settlement states that: "an amount equal to one-thousand dollars (\$1,000) multiplied by the number of Incomplete Make Ready Stubs. For purposes of this Section 4(g)(ii)(7)(B) of the Settlement, "Incomplete Make-Ready Stubs" means the Minimum Make-Ready Stubs Count, *minus* the number of (I) completed Make-Ready Stubs, (II) Make-Ready Arrays that meet the MR Viability Criteria and (III) Incomplete Make-Ready Stubs for which the CPUC has already elected to receive and been paid a cash-out payment.

The tables below demonstrate the differing formulas for the Cash Out before any other adjustments to inputs have been modified.

⁶ <https://transportation.ucsd.edu/commute/ev-stations.html>

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Cash Out Formula B		
	6,875	(I) Minimum Make-Ready Stubs Count within Settlement Agreement
+	1,000	Minimum Make-Readies Arrays Count
-	4,110	(II) Completed Make-Ready Stubs (Ready for EV Signage or Initially Installed EVSE)
-	730	Completed Make-Readies Arrays
-	0	Make-Readies Arrays that meet the MR Viability Criteria
-	0	(III) Incomplete Make-Ready Stubs for which the CPUC has already elected to receive and been paid a cash-out payment
=	3,035	Incomplete Make-Ready Stubs (no Ready for EV signage)
1000	\$3,035,000	Total cash out for option B

Table 2. Crowe Cash Out Formula B

Cash Out Formula B		
	6,875	(I) Minimum Make-Ready Stubs Count within Settlement Agreement
+	1,000	Minimum Make-Readies Arrays Count
-	4,110	(II) Completed Make-Ready Stubs (Ready for EV Signage or Initially Installed EVSE)
-	730	Completed Make-Readies Arrays
-	0	Make-Readies Arrays that meet the MR Viability Criteria
-	0	Incomplete Make-Ready Stubs for which the CPUC has already elected to receive and been paid a cash-out payment
=	2,765	(III) Incomplete Make-Ready Stubs (no Ready for EV signage)
1000	\$2,765,000	Total cash out for option B

Table 3. NRG and EVgo corrected Cash Out Formula B

Application of Cash Out Remedy

A substantial portion of the Cash Out payment is based on disallowing every Make-Ready Stub that did not include signage. However, the intent of the Settlement was fully recognized through the actual deployment of the Make-Ready Stubs. As NRG/EVgo have articulated over the years, the signage requirement should be deemed an ancillary requirement, the benefits of which are not nearly important as the deployment of the actual infrastructure. To completely disallow all expenditures for a Make-Ready Stub because of the lack of signage is overly draconian and fails to acknowledge the recognition of the spirit and goals behind the Settlement.

In combination, the disallowance of Make-Ready Sites with additional stubs and “Ready for EV signage”, leaves only 59%, or 4,110 Make-Ready Stubs as the input for the Cash Out Formula B. After discussion with Crowe, aside from the strict interpretation of these two elements, Crowe concluded that only 2% of sampled Make-Ready Stubs (21 of 1,198), ceiling-mounted stubs, did not meet the minimum viability criteria. Applying this alternate input reduces the Cash Out Formula B by nearly \$2.5 million when used with the corrected Cash-Out Formula in Table 3. Given the significant actual over-expenditure by NRG under the Settlement and the relatively small Cash Out figure after correctly applying the formula, NRG submits that the Commission should determine that the Draft Report supports a finding that NRG (and EVgo) have satisfied the terms of the Settlement.

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NRG and EVgo are proud of what was accomplished through diligent execution of the Settlement. NRG and EVgo look forward to discussing Crowe's final report on the Settlement with the CPUC and arriving at a mutually-agreeable resolution of any issues or questions pertaining to satisfaction of the obligations owed under the Settlement.

Sincerely,



Bruce Chung
Senior Vice President
NRG Energy, Inc.

cc (via email):

Audrey Neuman – CPUC
Sarah Thomas – CPUC
Bert Nuehring – Crowe
Erik Nylund – Crowe
Jonathan Levy – EVgo
Catharine Brookes – EVgo
Cleve Lancaster - NRG