California Public Utilities Commission

ELECTRIC COST AND NATURAL GAS BALANCING ACCOUNT REVIEWS

Energy Division Balancing Accounts – 2017 Review Summaries

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Acronym Guide

Acronym	Description
AL	Advice Letter
ARRA	American Recovery and Reinvestment Act
BA	Balancing Account
BOE	Board of Equalization
CARE	California Alternate Rates for Energy
CBA	CARE Balancing Account
CBFBA	Core Brokerage Fee Balancing Account
CES-21BA	21st Century Energy & System Balancing Account
CPDCA	Core Pipeline Demand Charge Account
CPIM	Core Procurement Incentive Mechanism
CPUC	California Public Utilities Commission
CRADA	Cooperative Research and Development Agreement
CTC	Competition Transition Cost
DR	Data Request
ED	Energy Division
EDRA	Electric Deferred Revenue Account
EEFP	Energy Efficiency Finance Pilots
EORA	Enhanced Oil Recovery Balancing Account
EPFPBA	Energy Efficiency Finance Programs Balancing Account
ERRA	Energy Resource Recovery Account
FF&U	Franchise Fee & Uncollectible
GL	General Ledger
GRC	General Rate Case
GRSM	Gross Revenue Sharing Mechanism
IOU	Investor Owned Utility
MTCBA	Modified Transition Cost Balancing Account
NTP&S	Non-Tariffed Products and Services
NSBA	Noncore Storage Balancing Account
OBFBA	On-Bill Financing Balancing Account
OBR	On-Bill Repayment
OOR	Other Operating Revenue
OP	Ordering Paragraph
ORA	Office of Ratepayer Advocates
PCCBA	Power Charge Collection Balancing Account
PPP	Public Purpose Program
PUC	Public Utilities Code
R&DBA	Public Interest Research and Development Balancing Account
RF&U	Revenue Fee & Uncollectible
TCAP	Triennial Cost Allocation Proceeding
UAFCB	Utility Audit, Finance and Compliance Branch
VMBA	Vegetation Management Balancing Account

1. EXECUTIVE SUMMARY

This report contains the sixteen electric and gas balancing account reviews completed by the CPUC's Energy Division staff between June 2017 and April 2018. These reviews were conducted in accordance with the requirements set forth in Public Utilities Code (PUC) §792.5.

A Balancing Account is a regulatory accounting method used to ensure the recovery in rates of specified expenditures authorized by the Commission. A balancing account tracks the difference between actual expenditures associated with the balancing account and authorized for recovery by the CPUC, and the revenues collected within customer rates to cover those specific expenses; and to make sure ratepayers do not pay more than they should.

Every balancing account has a Preliminary Statement found in the tariff book of its respective utility detailing that account's purpose, origin, operation, interest calculations, and definitions, among other things. While these details are specific to each balancing account in accordance with the decision that authorized it, the following terminology and traits are common to nearly all of them:

- There are two types of balancing accounts:
  - **Cost**-based accounts record utility spending relative to an authorized amount;
  - **Revenue**-based accounts attempt to match recorded revenue with a revenue target;
- A balancing account has an **overcollection** when its collected revenues exceed authorized expenses; it has an **undercollection** if the collected revenues are less than authorized expenses;
- **One-way** accounts are established to track actual expenses up to an amount authorized for recovery by the CPUC. Typically, a utility is required to refund to customers any difference between the amount authorized for recovery in rates and the actual recorded expense. These accounts tend to exist for defined periods of time.
- **Two-way** accounts track actual expenses compared to an amount authorized for recovery by the CPUC. Typically, these accounts are ongoing, i.e. they do not have a definitive end date. Most balancing accounts are two-way;
- A typical balancing account will generate interest, usually at the three-month commercial paper rate;
- Most utilities file annual advice letters to amortize their accounts and/or make amortization adjustments due to changes in the accounts' statuses due to under- and/or overcollections;
- Balancing accounts may be subject to reasonableness reviews, but only to examine excess costs; authorized amounts and the creation of the account itself are not subject to review.

In March 2014, the State Auditor issued a report[1] which concluded that "the commission lacks adequate processes to provide sufficient oversight of balancing accounts to protect ratepayers from unfair rate increases….To ensure that it efficiently and effectively monitors energy utilities' balancing accounts to protect ratepayers from unfair rate increases, the commission should direct its energy division to perform in-depth reviews of balancing accounts that [ORA] has not reviewed." (emphasis added) In 2016, the state legislature passed AB 2168, thereby codifying in PUC §792.5 the requirement that the CPUC conduct the balancing account reviews as recommended in the report.

Following the issuance of the State Auditor's report and subsequent approval of PUC §792.5, the Energy Division's Electric Costs and Natural Gas sections began reviewing balancing accounts. These examinations have been characterized as "high-level review[s]" verifying "that the utility has appropriate authorization to file for rate recovery" and examining "balances included in a balancing account to assess reasonability of the size of the balance submitted."[2] These examinations are not reasonableness reviews and do not consider whether individual transactions in the accounts are reasonable. Rather, analysts examine whether transactions are placed in the proper cost categories, whether invoices match recorded amounts, and whether costs and revenues add up accordingly. The first round of reviews was completed in March 2015; the second round was completed in December 2015; the third round was completed in June 2017; and this report completes the fourth. The fifth round will commence in July 2018.

As indicated in the State Auditor's report and PUC §792.5, *all* balancing accounts in rates for *all* utilities are subject to review. As such, the Electric Costs and Natural Gas sections are responsible for reviewing accounts from PG&E, Southern California Edison, SDG&E, SoCal Gas, Bear Valley Electric Service, Liberty Utilities, Pacificorp, and Southwest Gas. The number of accounts subject to review can vary on a yearly and even quarterly basis as new accounts are opened and old ones are closed; however, the overall number does not vary wildly. According to the end-of-year reports for 2017 submitted by the utilities, there are a total of 245 balancing accounts in rates for each utility as follows:

Utility	No. of Balancing Accounts
Bear Valley	8
Liberty	16
PacifiCorp	9
PG&E (electric + gas)	60
SCE	32

[1] California State Auditor, CPUC: Improved Monitoring of Balancing Accounts Would Better Ensure That Utility Rates Are Fair and Reasonable, Report 2013-109, March 2014; available at: https://www.bsa.ca.gov/pdfs/reports/2013-109.pdf.

[2] State Auditor's report at p. 11, Table 1. *NOTE:* Energy Division's reviews are *not* audits: the reviews are described as "high-level"; for comparison, the State Auditor deems reviews conducted by ORA to be "in-depth" and "comprehensive," requiring greater detail as well as prepared written testimony describing the results of the review.

SDG&E (electric + gas):	58
SoCal Gas	49
Southwest Gas	13
Total:	**245**

A detailed inventory of all current balancing accounts is available on the CPUC website at http://cpuc.ca.gov/General.aspx?id=6442458033.

ORA reviews balancing accounts as part of the General Rate Case and Energy Resource Recovery Account (ERRA) proceedings, and the Utility Audit, Finance and Compliance Branch (UAFCB) conducts reviews of energy efficiency related accounts under Public Utilities Code section 314.5. Energy Division coordinates with both to make sure its reviews do not overlap with theirs. Once Energy Division (ED) eliminates the accounts reviewed elsewhere, ED staff selects accounts to review from the remainder using criteria that consider an account's volatility, size, known problems, length of time since its last review, and the amount of time until the account closes (the criteria can be found in **Appendix A**). Energy Division endeavors to review as many different accounts as possible, although not all of the 245 accounts have been reviewed yet. The table in **Appendix B** lists every balancing account reviewed by Energy Division since 2014.

Energy Division reviewed the following sixteen balancing accounts in 2017:

Bear Valley Electric	CARE Balancing Account
Liberty	Vegetation Management Balancing Account (VMBA)
PacifiCorp	CARE Balancing Account
PG&E	Power Charge Collection Balancing Account (PCCBA)
PG&E	Modified Transition Cost Balancing Account (MTCBA)
PG&E	Core Brokerage Fee Balancing Account
PG&E	Core Pipeline Demand Charge Account
PG&E	PPP-California Alternate Rates for Energy Account (PPP-CARE)
SCE	Gross Revenue Sharing Mechanism
SCE	Energy Efficiency Finance Programs Balancing Account (EEFPBA)
SDG&E	21st Century Energy System Balancing Account (CES21-BA)
SDG&E	On Bill Financing Balancing Account – Electric (OBFBA)
SDG&E	On Bill Financing Balancing Account – Gas (OBFBA)
SoCal Gas	Enhanced Oil Recovery Account (EORA)
SoCal Gas	Non-Core Storage Balancing Account (NSBA)
Southwest Gas	Public Interest Research & Development Balancing Account (R&DBA)

In fourteen of the sixteen reviews, Energy Division analysts found no significant problems with the balancing accounts and recommended that no further action was necessary. For the remaining two accounts, analysts made the following findings and recommendations:

- **SDG&E 21st Century Energy & System BA (CES-21BA)**: the costs booked to this account violated Ordering Paragraph 13 of D.14-03-029. This violation was reported to SDG&E and, in response, they removed $148,896 in labor related costs from the BA as detailed in a letter sent by SDG&E to the Director of the Energy Division on January 17, 2018 (the letter is on file with Energy Division). Due to this violation as well as other discrepancies, the analyst recommends that UAFCB conduct an audit of CES-21BA.

- **SDG&E (Electric) On-Bill Financing BA (OBFA)**: Due to discrepancies in the documentation of loan calculations, confusing procedures for reversals, and insufficient documentation for loan write-offs, the analyst recommends that the Commission review this account again.

2. PG&E

2.1. *California Alternate Rates for Energy Account (PPP-CARE)*

Balancing Account Review Summary – 2016 Q1 – 2017 Q2
Analyst: Amardeep Assar

A. Account Information: The CARE program provides a monthly discount on energy bills to qualifying low-income residential consumers. This was originally under the Low-Income Ratepayer Assistance (LIRA) Program established by Decisions (D.) 89-07-062 and 89-09-044, and then expanded under D.92-04-024. The program was revised in D.94-12-049 and its name changed to CARE.

The PPP-CARE Balancing Account records shortfalls and administrative expenses associated with the CARE program which provides discounts for gas consumption to qualifying ratepayers (Note: A different account - California Alternate Rates for Energy Account (CAREA) - covers discounts for electric bills). PPP-CARE tracks these expenses against gas surcharges applicable to all non-CARE schedules and contracts under CPUC jurisdiction, except for those specifically excluded from the purview of CARE.

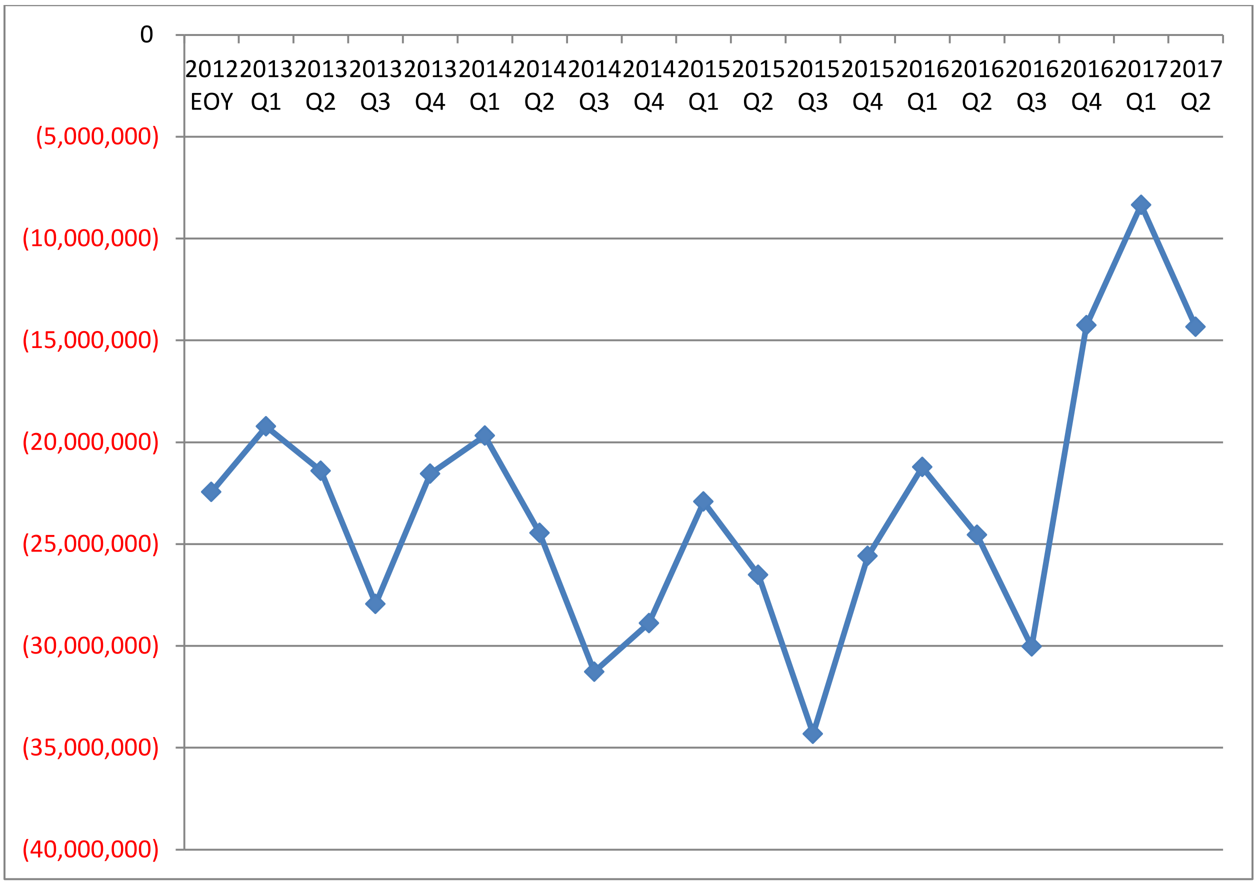
Descriptions of the terms and definitions used in this section are found in Gas Preliminary Statement Part V.

The table below lists the quarter-end balances in the California Alternate Rates for Energy Account (PPP-CARE) for the period reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
PPP CARE Balance	(21,226,598)	(24,548,238)	(30,037,922)	(14,267,977)	(8,350,462)	(14,347,449)

B. Reason for Review: The PPP-CARE account was selected because it is a cost and revenue account, involving large expenditures on the CARE program to reach eligible/qualifying ratepayers, and implementation involves large numbers of vendors. The PPP-CARE account provides subsidies for energy costs to large numbers of ratepayers across the state, including in PG&E's service area. Also, it was not going to be reviewed by ORA. The CAREA account had been reviewed in 2015 for the electric component of CARE, but PPP-CARE for gas had not been reviewed for some years.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period included 2016 and the 1st and 2nd quarter 2017. This period is sufficiently long to allow for picking sample months which reflect variations across the review period.

The table has the chronology of communications with PG&E, including data requests and a meeting scheduled during the review.

Date	Inquiry	Notes
8/7/17	DR-001 sought information about creation of the account, authorizing decisions / citations, account entries, affiliate transactions, results of most recent internal audits (if any), and descriptions of different types of entries in the balancing account covering the review period.	PG&E responded 8/31/17 with the sub-ledgers for 2016 and 2017, and responses to other requested information. Summarizing these responses and affirmations, PPP-CARE is a two-way balancing account. There are no subaccounts. Labor costs and specified administrative costs admissible for the program are recorded to PPP-CARE. However, these are not recovered though any other rate proceeding. Revenue Fee and Uncollectible (RF&U – formerly FF&U) expenses are not recorded to PPP-CARE. PG&E Internal Audit had performed an audit of PPP-CARE in 2011. The subledger is organized in accordance with Gas Preliminary Statement Part V which was included in the responses to DR-001.
9/6/17	Email to PG&E to arrange face-to-face meetings to help understand account structure and details.	PG&E responded 9/6/17, suggesting a 1.5 hour meeting to cover the PPP-CARE Account.
10/6/17	Email to PG&E asking for specific meeting dates.	PG&E responded 10/6/17 with alternative dates, and after further emails, a meeting was scheduled for 10/12/17 to cover PPP-CARE.
10/12/17	Meeting at PG&E to discuss PPP-CARE account.	At the meeting of 10/12/17, PG&E accounting staff provided an overview of the PPP-CARE account and its operation, as per the applicable Gas Preliminary Statement

Date	Inquiry	Notes
		Part V and the accounting procedures therein. Staff also explained the manner in which funding is approved for PPP-CARE, and instances of interim decisions to adopt bridge funding. They clarified that a different unit (Business Finance) would be able to provide details allowing for assessment at the level of specific expenditures and supporting documentation.
10/16/17	Email from PG&E as follow-up to meeting of 10/12/17.	PG&E Staff emailed to suggest that a detailed "Analysis Office" (AO) SAP report be requested. This would list expenditures by month for different cost components. Upon reviewing this, specific items could be selected for which supporting documentation / invoices would then be requested.
10/18/17	Email with DR-002	As suggested by PG&E staff, Analyst emailed requesting a (AO) SAP report for PPP-CARE for January 2016, October 2016 and June 2017.
10/18/17	Email asking for additional clarification for DR-001	Analyst asked for clarifications on items in DR 001-Q01_ATCH1.xlsx which had not been explained in the original email.
10/19/17	PG&E Email with clarifications	PG&E emailed clarifications for items requested.
10/26/17	PG&E Email with additional clarifications	PG&E emailed additional clarifications for items from DR-001.
10/26/17	PG&E response to DR-002	PG&E responded with the requested AO SAP report. For these invoices, allocation of costs to Gas was 19% in January and October 2016, and 20% in June 2017.

Date	Inquiry	Notes
10/30/17	Email with DR-003.	After reviewing the AO SAP reports, specific items were selected. DR-003 was sent, requesting supporting documentation / invoices for the selected items. The due date specified was 11/13/17.
11/01/17	PG&E request for postponement of due date for DR-003.	PG&E requested that the due date be postponed to 11/20/17. PG&E staff also indicated that for the June 2017 items, there appeared to errors in the request sent by Analyst.
11/02/17	Discussion with ED management on due date and response to PG&E.	After discussion with ED management about the request for an extra week, Analyst emailed PG&E to respond by 11/13/17 as originally specified. Analyst reviewed June 2017 items and re-sent those on 11/03/2017.
11/03/17	PG&E request regarding due date.	PG&E emailed to request that June 2017 items be due 10 days from 11/03/17 (i.e., on 11/17/17, past the earlier date of 11/13/17). Analyst reviewed June 2017 items again and found that a few rows in the spreadsheet had run into each other. While most items were correctly specified, some others were wrong due to Analyst error.
11/07/17	Correction sent to PG&E in DR-003 items for June 2017.	Analyst corrected the error and re-sent June 2017 items for DR-003, with a due date (for June items) of 11/21/17.
11/10/17	PG&E response to DR-003	PG&E sent response to DR-003 for January 2016 and October 2016 with supporting documentation and invoices. Analyst reviewed the supporting documentation / invoices for January 2016 and October 2016 and found these were in order.

Date	Inquiry	Notes
11/21/17	PG&E response to DR-003 for June 2017 items.	PG&E sent response to DR-003 for June 2017 with supporting documentation and invoices.
12/07/17		Analyst reviewed the supporting documentation / invoices for June 2017 and found these were in order.

Date	Meeting
10/12/17	Meeting at PG&E with accounting staff assigned to PPP-CARE to discuss structure and details of the PPP-CARE account.

D. Findings: The CARE Program provides a monthly discount on energy bills to qualifying low-income residential consumers. The PPP-CARE account records CARE shortfall and administrative expenses associated with these CARE program discounts for gas consumption (while a different account – CAREA – covers electric bills). PPP-CARE tracks expenses against gas surcharges payable by all non-CARE schedules and contracts, except for those specifically excluded.

PPP-CARE is a two-way balancing account. There are no subaccounts. Labor costs and specified administrative costs admissible for the program are recorded to PPP-CARE. However, these are not recovered though any other rate proceeding. Revenue Fee and Uncollectible (RF&U – formerly FF&U) expenses are not recorded to PPP-CARE.

PG&E Internal Audit had performed an audit of PPP-CARE in 2011.This account was not going to be reviewed by ORA.

PPP-CARE is a cost and revenue balancing account, and the amounts involved are large. Quarter-end balances in the PPP-CARE account ranged from an over-collection of just over $30MM in 2016 Q3 to around $8.3MM in 2017 Q1.

In a meeting, PG&E staff explained the operation of the PPP-CARE account and the procedures involved: PG&E uses multiple vendors to communicate with residential customers to explain the CARE program and assess eligibility for discounts. Staff also explained how interim decisions are made by CPUC to adopt bridge funding for continuing benefits. They suggested that analyst request an "Analysis Office" (AO) report done in SAP by a separate unit, the Business Office.

Two cycles of data requests were required to get from aggregated grouping of expenditures to the level of billing detail at which invoices for pairings of vendors and specific expenditures could be obtained. For selected months across the period examined - January 2016, October 2016 and June 2017- invoices were requested for 34 such pairings in a third data request. In response, the number of specific invoices returned by PG&E was very large, and clarifications were provided as requested. No discrepancies were identified.

Based on the review of the material PG&E provided, it appears that the utility appropriately recorded the costs for the program.

E. Conclusion/Recommendations: No further action is necessary.

2.2. *Core Pipeline Demand Charge Account (CPDCA)*

Balancing Account Review Summary – 2016 Q1 – 2017 Q2
Analyst: Amardeep Assar

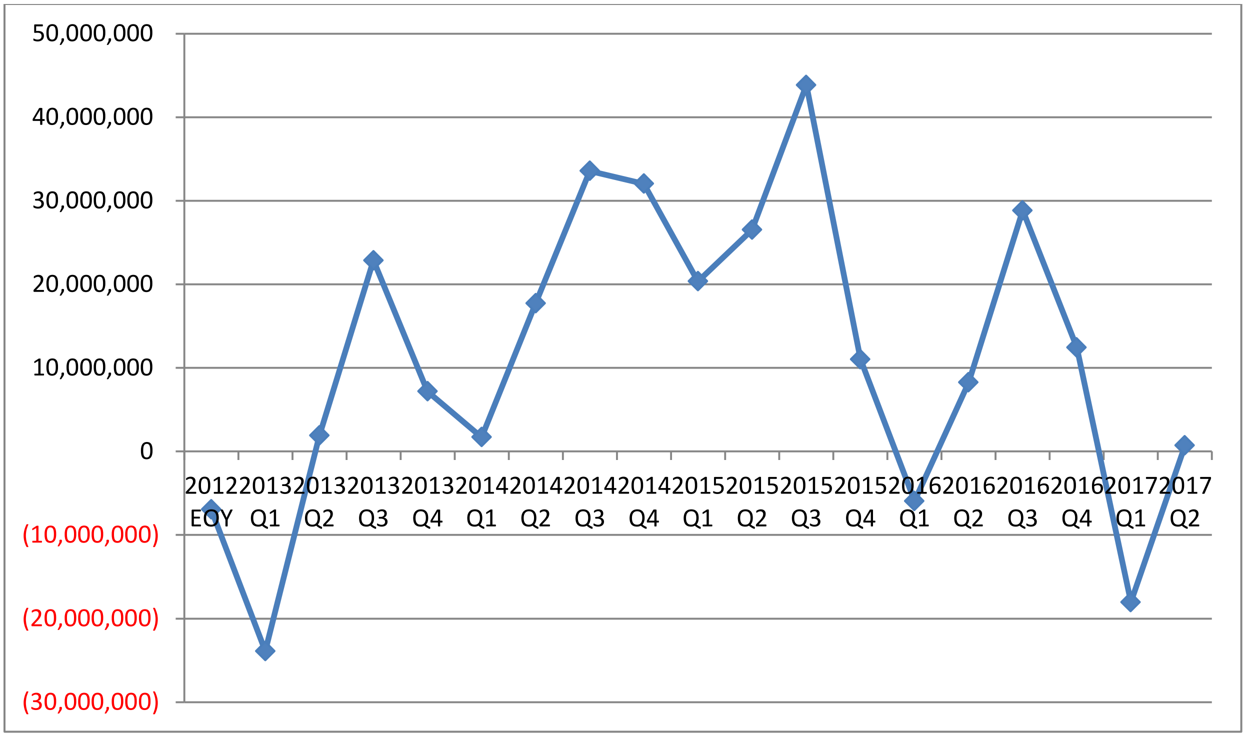
A. Account Information: In compliance with D.95-07-093, PG&E Advice Letter 2024-G dated June 6, 1997, allocated core pipeline costs between core procurement and core transport customers, and provided that these costs would be recorded in the new CPDCA account. The purpose of the CPDCA is to record the costs associated with backbone transmission, interstate capacity, and Canadian capacity for service to core customers taking procurement service from PG&E. Descriptions of the terms and definitions used are found in Preliminary Statement AE along with accounting procedures.

The table below lists the quarter-end balances in the Core Pipeline Demand Charge Account (CPDCA) for the period reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
CPDCA Balance	(5,935,337)	8,245,263	28,838,232	12,436,390	(18,041,965)	714,666

B. Reason for Review: The CPDCA was selected for review because it is a cost account and the amounts involved are large. Further, there is a wide range of variation. In the Jan 2016 – June 2017 period the magnitude of variation was around $49M. The CPDCA was not going to be reviewed by ORA.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period included 2016 and the 1st and 2nd quarter 2017. This period is sufficiently long to allow for picking sample months which reflect variations across the review period.

The table has the chronology of communications with PG&E, including data requests and a meeting scheduled during the review.

Date	Inquiry	Notes
8/7/17	DR-001 sought information about creation of the account, authorizing decisions / citations, account entries, affiliate transactions, results of most recent internal audits (if any), and descriptions of different types of entries in the balancing account covering the review period.	PG&E responded 8/31/17 with the sub-ledger and other requested information, stating that CPDCA is a two-way balancing account and does not have any sub-accounts. There are no labor costs, overheads, FF&U recovery, or capital expenditure transactions recorded to the CPDCA. Total Affiliate transactions are recorded in the single line item CGT - CORE. PG&E Internal Audit had performed an audit of the 2015-2016 Core Procurement Incentive Mechanism year 23, which covers the period November 2015 through October

Date	Inquiry	Notes
		2016 (i.e., part of the period reviewed here for CPDCA). The CPIM Audit analyzes benchmark components including pipeline demand charges but does not address these in any detail in the audit report. The sub-ledger is organized in accordance with Gas Preliminary Statement AE which was included in the responses to DR-001.
9/6/17	Email to PG&E to arrange face-to-face meetings to help understand account structure and details.	PG&E responded 9/6/17, suggesting a 1.5 hour meeting to cover CBFBA and CPDCA.
10/6/17	Email to PG&E asking for specific meeting dates.	PG&E responded 10/6/17 with alternative dates, and after further emails, a meeting was scheduled for 10/20/17 to cover CPDCA.
10/20/17	Meeting at PG&E.	At the meeting of 10/20/17, PG&E staff provided an overview of the CPDCA. Analyst asked for a high–level description of the gas acquisition process including trades and account settlements, and the linkage to account information used as the input for CPDCA. PG&E staff stated those details were the purview of other units within PG&E. The gas acquisition / transactional information feeds into SAP which generates the inputs used by Accounts for CPDCA.
10/26/17	Email with DR-002 requesting an overview of the transaction flow, with visual layout, if possible.	
11/7/17	Email response to DR-002	PG&E responded 11/7/17 with a description of the ENDUR system used for acquisition / transactional processes (used by Core Gas Supply and Fuel Settlements Departments). They added that PG&E did not have a visual layout. They also provided a

Date	Inquiry	Notes
		description linking ENDUR to SAP (for CPDCA costs) and also described the SOGRA (for CPDCA revenues).

Date	Meeting
10/20/17	Meeting at PG&E with accounting staff assigned to CPDCA to discuss structure and details of the account. PG&E staff also provided basic information about how acquisitions, and cost information are linked, but recommended sending a DR for further details to be obtained from other units

D. Findings: The CPDCA records core pipeline costs associated with backbone transmission, interstate capacity, and Canadian capacity for service to PG&E's core customers.

There are no labor costs, overheads, FF&U recovery, or capital expenditure transactions recorded to the CPDCA. Total Affiliate transactions are recorded in the single line item CGT - CORE. PG&E Internal Audit had performed an audit of Core Procurement Incentive Mechanism (CPIM) year 23, which overlapped with part of the period reviewed here. That CPIM audit analyzed benchmark components including pipeline demand charges, but not in any detail. ORA had no plans to review the CPDCA.

The range of variation in the Jan 2016 – June 2017 period was around $50MM which is a large amount.

In a meeting with PG&E, the analyst requested a high-level description of the gas acquisition process including trades and account settlements, and the linkage of these transactions to account information used as the input for CPDCA. PG&E staff stated those details were the purview of other units within PG&E. The gas acquisition/transactional information feeds into SAP which generates the inputs used by Accounts for CPDCA.

PG&E responded 11/7/17 with a description of the ENDUR system used for acquisition / transactional processes (used by Core Gas Supply and Fuel Settlements Departments). They added that PG&E did not have a visual layout. They also provided a description linking ENDUR to SAP (for CPDCA costs).

Based on the review of the material PG&E provided, it appears that the utility appropriately recorded the costs for the CPDCA.

E. Conclusion/Recommendations: No further action is necessary.

2.3. *Core Brokerage Fee Balancing Account (CBFBA)*

Balancing Account Review Summary - 2016Q1 – 2017 Q2
Analyst: Amardeep Assar

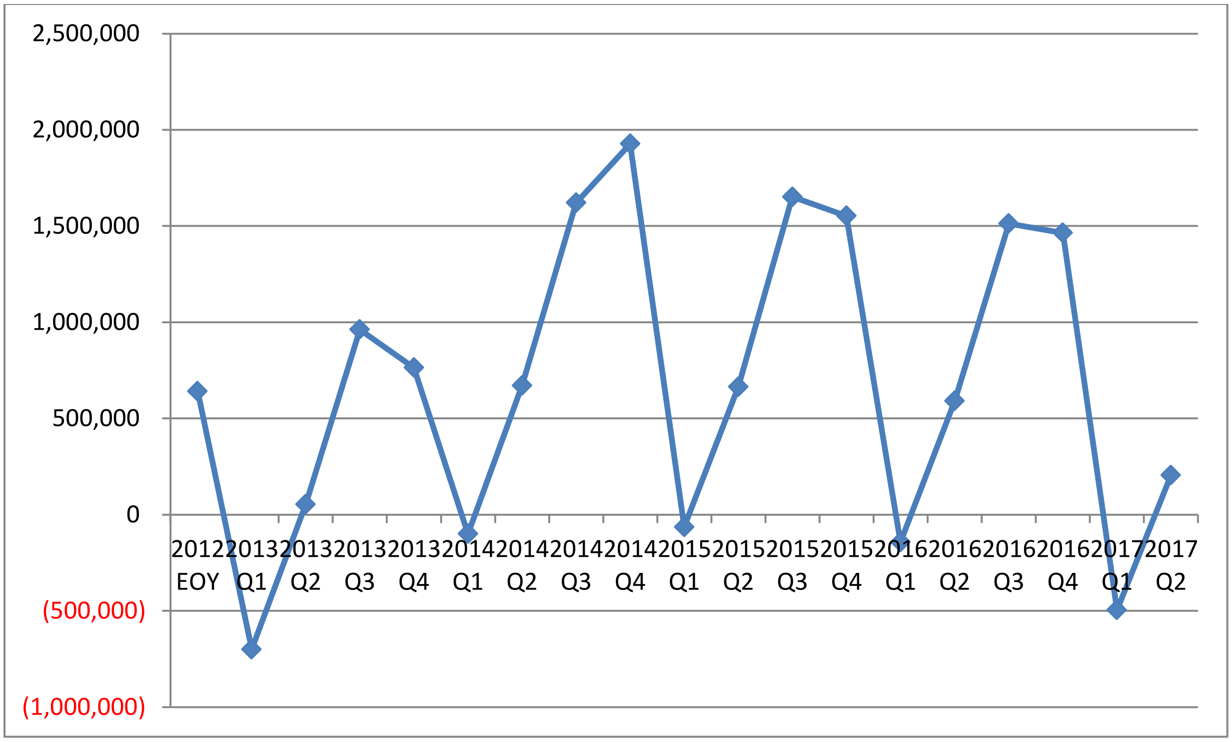
A. Account Information: The Core Brokerage Fee Balancing Account (CBFBA) was adopted in D.95-12-053. The purpose of the CBFBA is to ensure that any variation between the adopted brokerage fee revenue requirement and the brokerage fee revenues collected from core procurement customers flows through core transportation rates in the next Annual Gas True-up of Balancing Accounts. The account is described in Preliminary Statement Part U along with accounting procedures.

The table below lists the quarter-end balances in the Core Brokerage Fee Balancing Account (CBFBA) for the period reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
CBFBA Balance	(142,937)	591,953	1,512,463	1,464,403	(495,950)	205,399

B. Reason for Review: The CBFBA was selected for review because of the emphasis on selecting cost accounts. The costs incurred for brokerage fees are then collected from core procurement customers. While the amounts involved are not large, they vary with the volume of gas, generally leading to over-collection during the winter, and under-collection in the summer. Also, it was not going to be reviewed by ORA.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate overcollections; amounts without indicate undercollections.



C. Review Process: The review period included 2016 and the 1st and 2nd quarter 2017. This period is sufficiently long to allow for picking sample months which reflect variations including seasonality across the review period.

The table has the chronology of communications with PG&E, including data requests and a meeting scheduled during the review.

Date	Inquiry	Notes
8/7/17	DR-001 sought information about creation of the account, authorizing decisions / citations, account entries, affiliate transactions, results of most recent internal audits (if any), and descriptions of different types of entries in the balancing account covering the review period.	PG&E responded 8/31/17 with the sub-ledger and other requested information, stating CBFBA is a two-way balancing account and does not have any sub-accounts. There are no labor costs, overheads, FF&U recovery, capital expenditures or affiliate transactions recorded. Also, PG&E Internal Audit Department had not performed an audit of CBFBA. The subledger is organized in accordance with Gas Preliminary Statement Part U which was included in the responses to DR-001.

Date	Inquiry	Notes
		The tab for Reconciliation in the sub-ledger states in Account Analysis that higher gas volume in winter generally leads to over-collection during the winter and under-collection during the summer. This was the case with monthly balances for CBFBA for 2016 and 2017.
9/1/17	Email of 9/1/17 - A Word file embedded in the subledger could not be opened. PG&E was asked to re-send that.	
9/5/17	Email response.	PG&E emailed the embedded file on 9/5/17. It contained the Account Documentation Package (an account description), PG&E's internal risk assessment and an account reconciliation checklist.
9/6/17	Email to PG&E to arrange face-to-face meetings to help understand account structure and details.	PG&E responded 9/6/17, suggesting a 1.5 hour meeting to cover CBFBA and CPDCA.
10/6/17	Email to PG&E asking for specific meeting dates.	PG&E responded 10/6/17 with alternative dates, and after further emails, a meeting was scheduled for 10/20/17 to cover CBFBA.
10/20/17	Meeting at PG&E.	At the meeting of 10/20/17, PG&E staff clarified that CBF revenue entries were split into Billed and Unbilled categories. These were, respectively, the aggregate amounts that had been billed to actual consumers, versus the amount that was yet to be billed.
10/25/17	Email with DR-002.	Based on the above, DR-002 was sent requesting the split into Billed and Unbilled amounts for the months of May 2016 and January 2017, as a sample for the 18-month period under review.
11/8/17	Email response to DR-002	PG&E responded 11/8/17 with the information requested for May 2016 and January 2017, from the Summary of Gas Revenue Analysis (SOGRA) reports. These matched the Billed and Unbilled Revenue amounts in the response to DR-001.

Date	Meeting
10/20/17	Meeting at PG&E with staff assigned to CBFBA to discuss structure and details of the account. PG&E Analyst also explained the linkage of the revenue report that is used for the inputs to CBFBA and how the CBFBA balances are transferred to the overall PG&E Core Fixed Cost Account.

D. Findings: The CBFBA is a two-way balancing account to track the brokerage fee revenues collected from core procurement customers. The account does not have any sub-accounts. In its response to the first data request, PG&E said there are no labor costs, overheads, FF&U recovery, capital expenditures or affiliate transactions recorded for the CBFBA.

In the Account Documentation package, PG&E provided an internal risk assessment for CBFBA which rated it as being low risk. PG&E Internal Audit had not performed an audit of CBFBA. It was also not going to be audited by ORA.

While the amounts involved are not large, these vary directly with volume of gas and thus exhibit seasonal variation. At a meeting, PG&E staff clarified that revenue entries were classified into billed and unbilled categories.

The second Data Request asked for the split into billed and unbilled categories, and also examined two months, May 2016 and January 2017, on account of the seasonality factor. The total of billed and unbilled CBFBA revenue for May 2016 was $308,679.91, and for January 2017 it was $985,750.88. The billed/unbilled amounts for these months matched the amounts recorded in Summary of Gas Revenue Analysis, from which the CBFBA gets transferred to the PG&E Core Fixed Cost Account, and then into rates.

Based on the review of the material PG&E provided, it appears that the utility appropriately recorded the costs for the CBFBA.

E. Conclusion/Recommendations: No further action is necessary.

2.4. *Power Charge Collection Balancing Account (PCCBA)*

Balancing Account Review Summary – 2016 Q1 – 2017 Q2
Analyst: Dru Dunton

A. Account Information: The creation of the Power Charge Collection Balancing Account (PCCBA) was authorized by D.04-01-028, and approved with modifications by Advice Letter (AL) 2460-E-A and Resolution (Res.) E-3862. D.04-01-028 allocated Department of Water Resources (DWR) 2004 revenue requirements among the large investor-owned utilities (IOUs); Res. E-3862 granted PG&E's request to establish the PCCBA with modifications to AL 2460-E-A, which implemented the decision.

The purpose of the PCCBA is to track the difference between the amounts collected or returned to customers by PG&E on behalf of the Department of Water Resources (DWR) as DWR's agent. A portion of the energy supplied to PG&E's (and SCE's) customers was provided by DWR after the California energy crisis of 2000-1. The contracts that DWR entered into on behalf of PGE and SCE's ratepayers expired in 2015. The IOUs are no longer collecting revenues on behalf of DWR; net negative revenue requirement funds were remitted to PGE customers on behalf of DWR.

The PCCBA is a two-way cost balancing account. It tracks actual costs/revenue to an amount authorized for recovery by the CPUC; overcollections can be credited back to ratepayers, and undercollections can be recovered by the IOU.

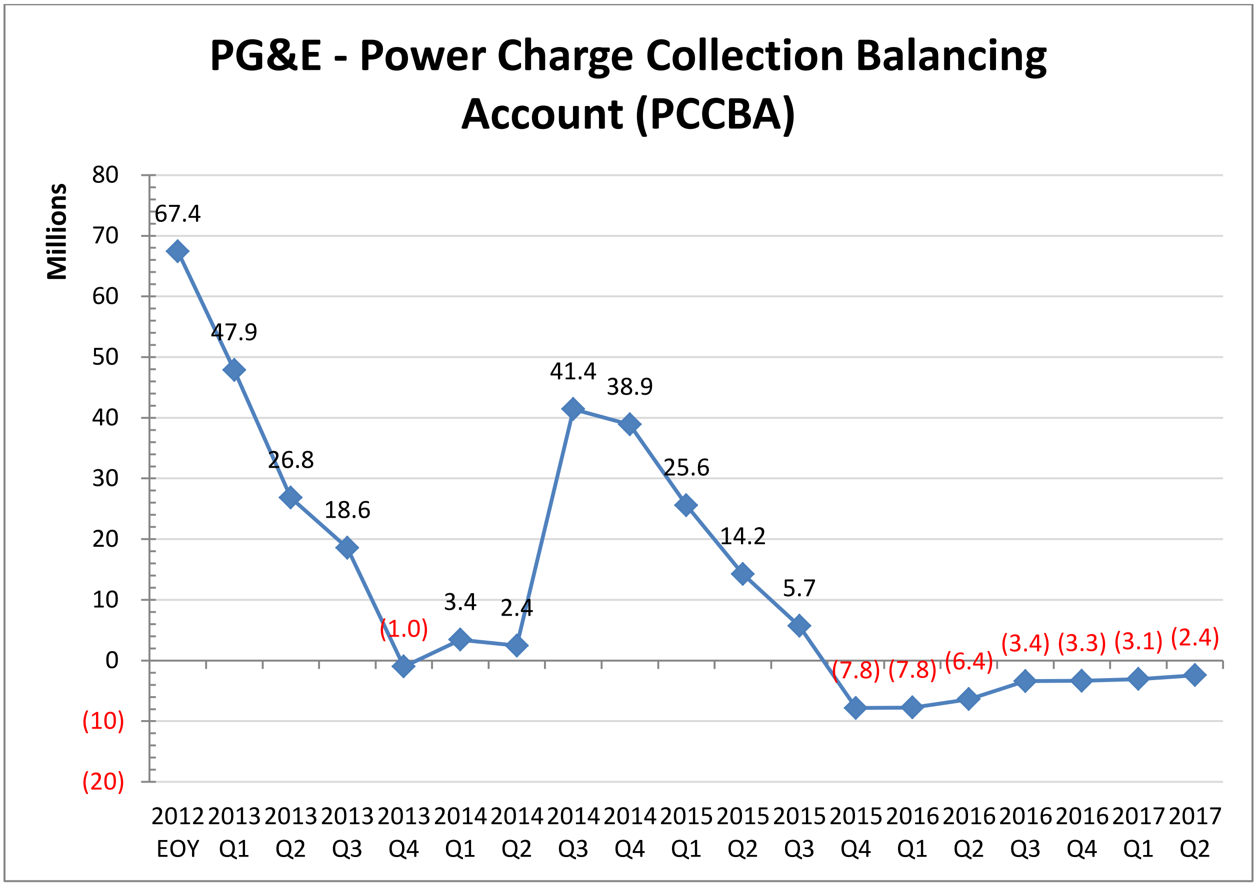
The PCCBA allowed PG&E to set a rate component based on a forecast of the portion of energy expected to be provided by DWR, and then to true-up the balance in the account annually in order to ensure that PG&E is not over or undercollecting (from its bundled customers) for the energy that PG&E supplied due to variances in the portion of energy supplied by DWR.

The table below lists the quarter-end balances in the PCCBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
PCCBA Balance	$(7,752)	$(6,377)	$(3,402)	$(3,350)	$(3,054)	$(2,422)

B. Reason for Review: The PCCBA was selected for review because (1) it met risk-based account selection criteria, (2) the PCCBA had not been reviewed by the Energy Division or other CPUC Divisions, and (3) the PCCBA is an account with a high value of overcollection, large fluctuations in the balance over time, and a current downward trend in the balance beginning in 2016 Q3.

Below is a graph showing quarterly account balances since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period spanned 2016 Q1 through 2017 Q2. This time period was deemed appropriate given the availability of data.

The following is a chronology of the communications with PG&E and the data requests issued to them in the course of the review.

Date	Inquiry	Notes
7/28/17 DR #1	Initial request for ledger entries, transactions, and revenues booked to the account for six calendar quarters.	8/16/17: PGE responds with one ledger and a series of text-based answers. Compliant.
8/31/17 DR #2	Request for documentation of credit entries and explanation of type of documentation available.	9/8/17: PGE responds with Rate Schedule summary (Prelim. Statement) and a list of interest rates. Compliant.
10/2/17 DR #3	Request for the ledger and subledger for 2010, and subledger for 2016.	10/10/17: PGE sends two workbooks comprising the requested ledgers. Appears insufficient.
10/9/17 DR #4	Request for detailed explanation of determination of line item 5c in the	11/6/17: PGE sends back text explanation of line 5c that is less detailed

Date	Inquiry	Notes
	ledger and how uncollectible revenue is calculated by 10/31/17).	than the complex explanation provided on the phone on 10/9/17. Response is late and insufficient.
11/16/17 DR #5	Request PGE provide workpapers showing the derivation of all numbers in row 5c of the original account ledger by 11/27.	11/27/17: PGE sends two workbooks containing worksheets from the SERRA reports. Workbooks contain links to files (not provided) that tie the numbers in row 5c to their source.
12/22/17 DR #6	Request PGE explain the meaning of columns H and J in one of the workpapers submitted in response to the data request of 11/16/17.	1/4/18: PGE responds that the "current unbilled represents the current month unbilled accrual, and the "prior unbilled" represents the reversal of the previous month unbilled accrual. Compliant.

Date	Meeting
9/15/17	Phone meeting with Angelia Lim and April Potesta to discuss follow up questions to a data request of 8/31, answered on 9/8.
10/9/17	Phone meeting with Angelia Lim and April Potesta to discuss the items in email of 10/2/17

D. Findings: PG&E did not conduct an internal audit of the PCCBA. PG&E complied with all CPUC data requests. However, their responses were sometimes insufficient and/or tardy, and PG&E would only respond to inquiries via pre-arranged teleconference or in writing. PG&E did provide sufficient documentation to account for the processing of the various line items. Staff questioned the meaning of the accounting terms in the ledger PG&E provided because of the nature of the balancing account and the fact that since November 2015 (the end of the DWR energy contracts), DWR has been returning revenue (net negative revenue requirement) to ratepayers via the utilities. Funds received from DWR are shown as credits, whereas PG&E's disbursements of the credit to ratepayers via its authorized rate component are shown as debits. Based on the review of the responses and workpapers that PG&E provided, it appears that the utility appropriately recorded the net negative revenues from DWR to be returned to customers. Staff also verified the interest rates applied, and the Preliminary Statement documenting the rate component.

E. Conclusion/Recommendations: No further action is necessary.

2.5. *Modified Transition Cost Balancing Account (MTCBA)*

Balancing Account Review Summary - 2015 Q4 – 2017 Q1
Analyst: Laura Martin

A. Account Information: The MTCBA records ongoing transition costs associated with procurement (Decisions (D.) 02-11-022, 03-04-030 and 03-07-028), and other costs as authorized by the Commission as defined by the Public Utilities Code Section 367(a)(1)-(6), known as the statutory method. Pursuant to D.06-12-018, PG&E is authorized to consolidate the ongoing Competition Transition Cost (CTC) subaccounts for bundled and direct access customers (DA), municipal departing load (MDL), and customer generation departing load (CGDL).

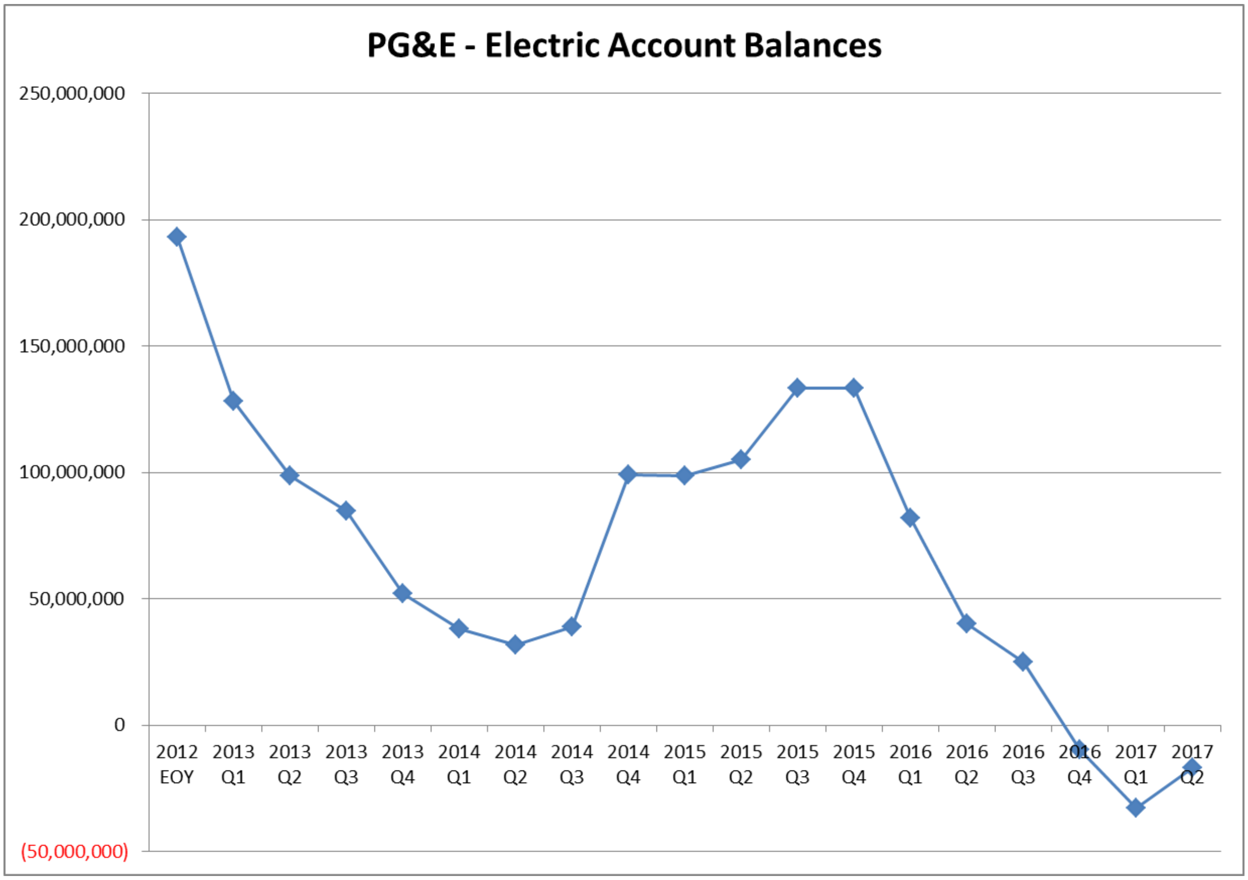
The table below lists the quarter-end balances in the MTCBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
MTCBA Balance	$133,385,933	$82,098,938	$40,142,108	$25,088,875	$(9,782,644)	$(32,786,204)

B. Reason for Review: The MTCBA was selected because the quarter-end balances in the account are consistently declining (i.e. from decreasing under collections to increasing over collections).

Also, the MTCBA was not expected to be reviewed or audited by either the Office of Ratepayer Advocates (ORA) or the Utility Audits Branch. Q1 through Q4 of 2016 and Q1 through Q2 of 2017 were the time periods selected for review. Distribution of the MTCBA balance is through PG&E's Annual Electric True-Up advice letter filing.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The analyst reviewed transaction-level detail supporting the MTCBA expenses and revenue reported in the sub-ledger tab of Attachment 1 of PG&E's response to Question 1 of the Energy Division's Data Request (shown below). From that, the analyst requested and verified supporting documentation associated with entries recorded for January 2016 and May 2017. Documentation supporting the transactions included workpapers with calculations and invoices for contract payments. Most of the materials provided in PG&E's responses contain confidential material protected under D.06-06-066 and/or General Order 66-C and thus were submitted under Public Utilities Code Sections 454.5(G) and 58.

The following is a chronology of the communications with PG&E and the data requests issued to them in the course of the review.

Date	Inquiry	Notes
Sent on 8/14/17 Response requested by 8/28/17 Response received on 8/24/17	Data Request #1 – summary of recorded activity in the balancing account during the review period, results of any internal audits, authorizing documentation, and specific information of costs/revenues booked into the account.	PG&E provided 1) a spreadsheet with monthly totals of revenues and costs recorded in this balancing account for the review period, 2) statements that there are no affiliate related transactions, overhead, labor, outside vendor, or capital costs in the MTCBA, booked revenues and costs are net of Franchise Fees and Uncollectibles (FF&U), and that no internal audits have been performed, 3) copies of some relevant advice letters and a resolution, and 4) a discussion of the interest rates. (See Response ED_024-Q001w/atch-Q006)
10/5/17	PG&E monthly ERRA reports filed with CPUC to substantiate journal entries that appear in the months January 2016 – June 2017.	James Loewen (Energy Division) provided a link to a couple of compliance reports. Costs of Ongoing Competition Transition Charge (CTC) above the market benchmark for June 2016 and June 2017 reconciled with corresponding amounts reported in PG&E's spreadsheet provided in DR#1 response.
10/9/17	Market Price Benchmark (MPB) adopted for PG&E in 2016 and 2017 Energy Resource Recovery Account (ERRA) forecast proceedings.	Scarlett Liang-Uejio (Energy Division) provided workpapers supporting the 2016 and 2017 MPB amounts filed in PG&E's November Update testimony which were approved in Decision (D.) 15-12-022 and D.16-12-038, respectively.

Date	Inquiry	Notes
Sent on 9/13/17 Response requested by and received on 9/27/17	Data Request #2 – Follow-up question to response to DR #1 regarding the inclusion of "PG&E owned generation" and transaction level detail for revenues/costs for ongoing Competition Transition Charge.	PG&E clarified that there are no costs associated with "PG&E owned generation" and provided a confidential spreadsheet with the transaction level detail for all costs booked into the MTCBA for tariff line item 5.f. PG&E also provided supporting usage data to support billed and unbilled revenue entries. (See Response ED_024-Q01-Q03_Supp01 with attachments)
Sent on 10/10/17 Response requested by 10/25/17 Response received on 10/27/17	Data Request #3 – Confirmation of a correction to PG&E DR response #2 and documentation to support the monthly generation amounts and procurement costs for January 2016 and May 2017.	PG&E confirmed corrections of the prior references and provided confidential attachments with supporting documentation. (See Response ED_024-Q01-Q03_Supp02 with attachments)
11/3/17	Supplement to PG&E DR response #3.	PG&E provided confidential invoices from December 2015 and April 2017 that were inadvertently excluded from its 10/27 response.
Sent on 11/30/17 Partial response on 12/5/17	Explain credit on one of the December 2015 purchased power invoices PG&E sent in response to Data Request #3 and provide designated invoices missing from the April 2017 file.	PG&E provided explanation of the situation leading to the debit. Will follow-up with request for missing invoices.
12/21/17	Missing purchased power invoices.	PG&E provided confidential invoices from April 2017 that were missing from its 11/3 submittal.

D. Findings: In response to the first data request, PG&E confirmed that costs recorded in the MTCBA are strictly procurement-related costs and there are no affiliate-related transactions nor any labor, overhead, outside vendor, or capital costs booked in this account. Also, PG&E responded that it had not recently conducted an audit of this balancing account. PG&E also provided links to some but not all of the authorizing decisions and/or tariffs. The analyst researched other relevant documents to confirm that costs being booked to the MTCBA are authorized.

The analyst issued a second data request to clarify of PG&E's first data request responses and to request transaction level detail for costs booked to the MTCBA. In its response, PG&E provided sufficient explanations and supporting transaction level data for costs in monthly ERRA workpapers. The analyst also independently obtained the Market Price Benchmark (MPB) for the Ongoing CTC from ERRA Forecast proceeding testimony and sought out Energy Division Compliance Reports to confirm the reported costs for Ongoing CTC above the MBP reconcile with the amounts stated in PG&E's workpapers.

In a third data request, the analyst requested confirmation of corrections for a couple of minor referencing errors and requested additional documentation (i.e. contracts and invoices) to support cost entries made in the months of January 2016 and May 2017. PG&E's answers were responsive and PG&E provided most of the invoices for the requested months. The analyst reviewed 110 invoices for December 2015 and 65 invoices for April 2017 and confirmed that they matched the entries made in the MTCBA for January 2016 and May 2017, respectively.

The analyst had a few follow-up questions concerning a credit/debit on one of the invoices and requested that PG&E provide the invoices that were missing from the April 2017 package submittal. PG&E answered the questions and provided the 11 missing invoices. The analyst reviewed the response and confirmed that the remaining invoices matched the outstanding entries in the MTCBA for May 2017.

Based upon verification that the invoices reconcile with the expenditure amounts recorded in the MTCBA for the selected months, the analyst concluded the remainder of the expenditures recorded in the MTCBA are appropriately recorded and incurred.

E. Conclusion/Recommendations: No further action is necessary.

3. SCE

3.1. *Energy Efficiency Finance Programs Balancing Account - (EPFPBA)*

Balancing Account Review Summary – 2016 Q1 – 2017 Q2
Analyst: Jonathan Wardrip, Michael Conklin

A. Account Information: The purpose of this account is to record Commission-authorized On Bill Financing (OBF) loan funding, Energy Efficiency (EE) Finance Pilots, and the American Recovery and Reinvestment Act (ARRA) Program Credit Enhancements; the corresponding OBF loan re-payment proceeds and the return of EE Finance Pilots and ARRA Program Credit Enhancements. The EEFPBA is established in accordance with the following decisions: D.09-09-047, D.12-11-015, D.14-10-046 and through various advice letters. The EEFPBA was previously referred to as the On Bill Financing Balancing Account (OBFBA) and was modified upon Commission approval of Advice Letter 3150-E.

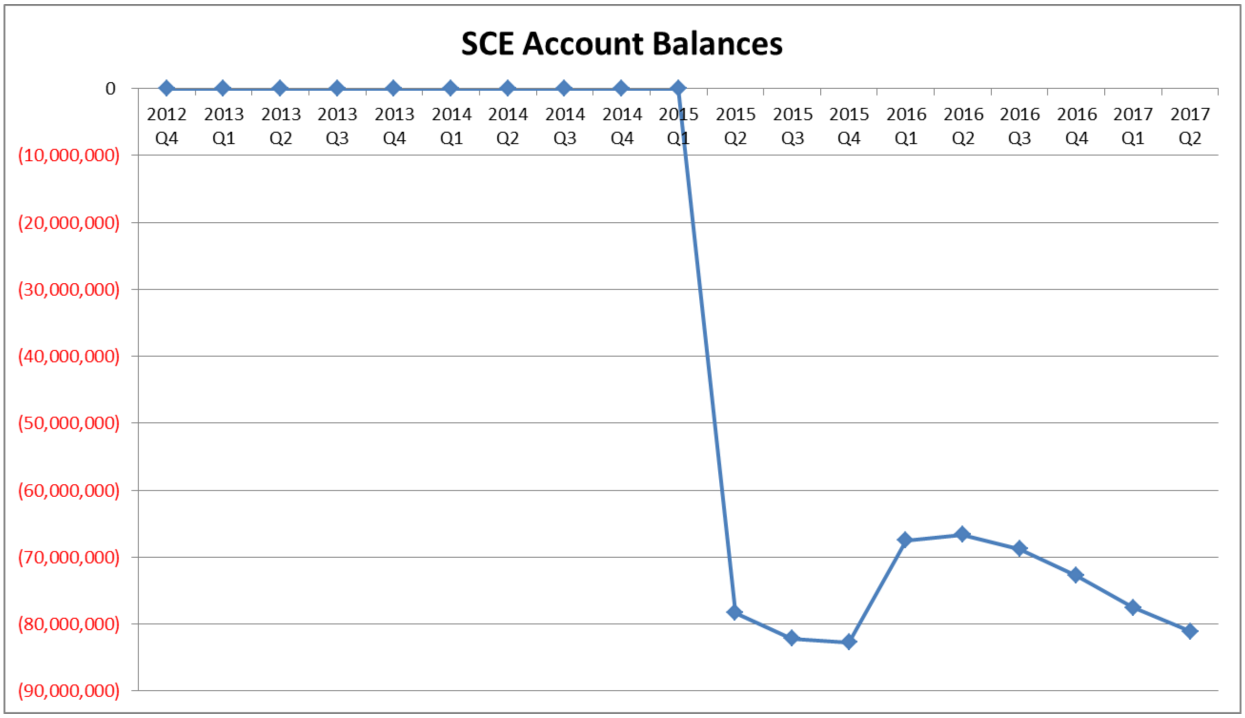
The OBF programs provide interest-free loans to business customers seeking to make approved Energy Efficient capital improvements. The EEFPBA records (among other items) the funds authorized in rates to provide the OBF loans, the disbursement of OBF loans made by SCE to customers, and amounts collected by SCE from OBF loan re-payments.

The Table below lists quarter-end balances in the EEFPBA as presented by SCE for the time frame under review. The balances in parentheses indicate an overcollection; balances without indicate an undercollection (dollars in thousands):

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
EEFPBA Balance	$(67,480)	$(66,645)	$(68,809)	$(72,791)	$(77,501)	$(81,091)

B. Reason for Review: The EEFPBA was selected for review in consideration of the risk-based balancing account selection criteria. The EEFPBA was chosen due to quarterly balances that have been accumulating larger and larger over-collected amounts. For example, the over-collection balance in the EEFPBA has grown each quarter since Q2, 2016.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: Staff's review of the EEFPBA occurred during Q3 and Q4 2017. Staff chose to review SCE's entries in the EEFPBA for the period of Q4 2015 through Q2 2017. This timeframe was selected as it provided very recent data and a suitable base from which a sample of documents could be drawn from.

Staff review of the EEFPBA consisted primarily of conducting discovery through data requests (DR) and analyzing SCE's data request responses. Initially, SCE provided the general ledger (GL) entries for the EEFPBA from Q1 2016-Q2 2017. The majority of entries in the EEFPBA over this period were entries representing the authorized amount collected in rates, the loan disbursements, and the loan repayments. SCE provided citation to Commission language substantiating the monthly amount authorized in rates (see DR SCE-002).

Staff also conducted a judgment-based sample of source documentation from OBF loans disbursed during the month of May 2016. The sample requested involved the supporting loan agreements for the generally larger loan amounts listed by SCE as disbursed in May 2016. Staff examined the source documentation loan agreements provided by SCE, verified the accuracy of the general ledger recorded loan amounts, and conducted a basic internet search to verify the existence of the business-borrowers listed on the loan agreements.

Staff analysis showed the EEFPBA over-collection balance increased by an average of 8.6% each quarter from Q2 2013 to Q3 2015, while Q4 2015 increased only .72% and Q1 2016 *decreased* by 18.45%. Staff determined the main cause of the aberration to be two unexplained entries: a debit entry for $18,902,272 in Q1 2016 and a debit entry for $11,504,515 in Q4 2015. SCE provided sufficient evidence that explained an errant transfer of funds for $9,451,136 was booked as a debit instead of a credit in Q4 2015. Thus, a correcting entry of double that amount ($18,902,272) needed to be made when the error was discovered in Q1 2016. (see DR SCE-002).

SCE also explained the debit for $11,504,515 in Q4 2015 was an authorized transfer to the Procurement Energy Efficiency Balancing Account (PEEBA) for On-Bill Repayment (OBR) IT related costs and cited to AL 3259-E. (see Supplemental response to DR SCE-003)

SCE also responded that no recent internal audit has been performed on the EEFPBA. (see Data Request SCE-001).

The following is a chronology of the communications with SCE and the data requests and email issued to them during the course of the review.

Date	Inquiry	Notes
7/12/17	SCE-001 requested information regarding the type of entries in the account, affiliate transactions, results of past audits, and a list of GL entries from Q1 2016 through Q2 2017.	SCE responded 7/26/17 stating that there are no overhead costs, labor costs, affiliate transactions, FF&U, or capital expenditures recorded to the EEFPBA. In addition, SCE indicated that a recent internal audit has not been performed on the EEFPBA. SCE also provided the requested GL entries in the account from Q1 2016 through Q2 2017.
9/29/17	SCE-002 requested SCE explain and provide authorization for an unexplained outlier GL entry for $18,902,272 in Q1 2016, requested SCE cite to Commission-authorization for monthly adopted amounts shown in GL entries, and requesting an explanation for a $4,644,207 entry in May 2016.	SCE responded 10/10/17 explaining and providing evidence the $18,902,272 was a correction for an incorrect $9,451,136 in Q4 2015. SCE cited to AL 3319-E-A for adopted OBF funding, and also explained with evidence the $4,644,207 entry was composed of multiple loans made in May 2016.
10/25/17	SCE-003 requested GL sub-account entries for Q1-Q4 in 2015 in order to: 1) Validate SCE's explanation of the Q4 error entry, and 2) Explain why Q3 and Q4 2015 balance comparison bucked historical trend. Also, requested sample source documents associated with OBF loans made in May 2016, and SCE to explain why some loans were under the $5,000 minimum. Also requested SCE state the outstanding, uncommitted over-	SCE responded 11/20/17 and provided Q1-Q4 2015 accounting details. Showed an unexplained Q4 2015 entry for $11,504,515 staff sent follow-up email (see below). SCE provided source documents for requested sample loans, and provided support that loans less than $5,000 are allowed as bundled loans for governmental type groups. SCE stated the *unspent/uncommitted*

Date	Inquiry	Notes
	collected balance in the EEFPBA for the record.	over-collected balance is $34.77 million as of Q2 2017.
11/20/17	Emailed SCE-003 (Supplemental) question- Requested explanation for $11,504,515 debit entry in Q4 2015 that shifted funds to the PEEBA.	SCE responded 12/4/17 and explained that $11,504,515 was transferred to PEEBA in Q4 2015 to cover OBR IT work and cited to AL 3259-E and subsequent D.15-10-028 for authorization.

D. Findings**:** Based on the review of the material SCE provided, it appears that the utility has appropriately recorded the balance in the EEFPBA as of Q2 2017. Staff performed analytical procedures which identified two outlier entries. However, through staff discovery efforts, SCE provided evidence that these two entries were justified: One being an error correction for an authorized amount used to reduce revenue requirement (see response to DR SCE-002), and the other being an authorized transfer of funds to the PEEBA for OBR IT costs (see Supplemental response DR SCE-003). Staff also conducted judgment-based sampling of loan OBF loan documentation to verify the accuracy and existence of loans recorded in the general ledger. Further verification of the existence of the loans (e.g., interviewing borrowers) was beyond the scope of the review.

E. Conclusion/Recommendations: No further action is necessary.

3.2. *Gross Revenue Sharing Mechanism Balancing Account - (GRSM)*

Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Michael Zelazo

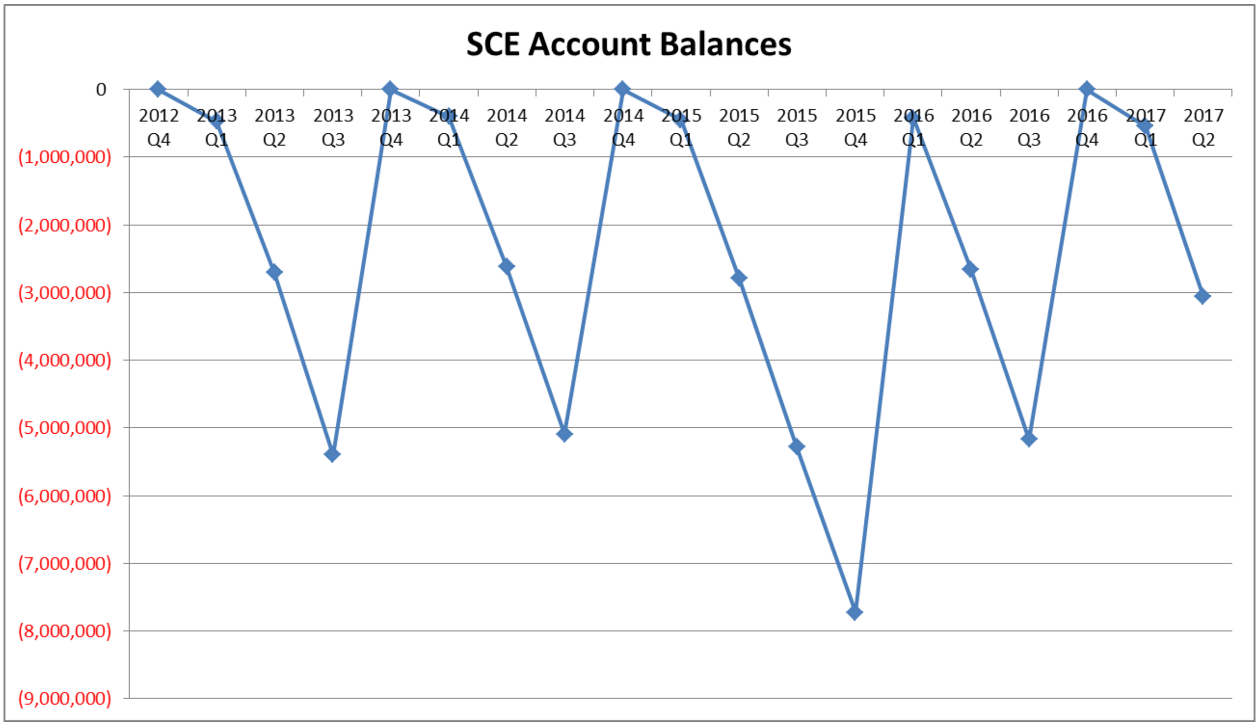
A. Account Information: The purpose of the Gross Revenue Sharing Mechanism (GRSM) is to record the customers' share of certain Other Operating Revenue (OOR) pursuant to Decision 99-09-070.

The table below lists the quarter-end balances in the GRSM for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
GRSM Balance	$(624,878)	$(1,117,362)	$(1,244,861)	$(1,135,889)	$(804,178)	$(1,136,146)

B. Reason for Review: The GRSM was selected due to the consistent growth of monthly revenues prior to the transfer of the balance to the Electric Deferred Revenue Account (EDRA) resulting in fluctuations in the balance after the transfer occurs (see Balancing Account Risk-Based Criteria for Review III.A.2 and III.A.6). In addition, entries in the GRSM involve non-tariffed products and services (NTP&S) that have received attention by the Administrative Law Judges (ALJ) assigned to the 2018 General Rate Case (GRC). Since the criteria are more appropriate for expense accounts, application of the criteria to the GRSM should not be the determining factor in choosing the account for review, given that this account tracks revenue.

The table below lists the quarter-end balances in the GRSM for the review period (parentheses indicate an overcollection; no parentheses indicate an undercollection):



C. Review Process: The balancing account review process began in earnest in July of 2017 when review team members selected their accounts. I discussed the selection of the GRSM with other staff members who agreed that it should be reviewed despite not being an ideal candidate per the risk-based criteria. After selection, the preliminary statement was reviewed and a list of prior Commission Decisions, Resolutions, and advice letters was developed. The GRSM has not been reviewed by the Energy Division or the Office of Ratepayer Advocates (ORA) in recent history, although the components of OOR do receive attention and scrutiny by ORA and intervening parties in GRCs.

The GRSM is linked to operation of the EDRA, however this review focuses on the requirements of the GRSM only. The GRSM was established in D.99-09-070 when the Commission approved a revenue sharing settlement agreement between ORA and SCE.

Date	Inquiry	Notes
7/27/2017	Data Request #1 sent to SCE and responded in full on 8/10/2017	SCE provided a collection of Excel worksheets with 2016 and 2017 revenue data. SCE stated the account is neither one-way or two-way and that labor and FF&U factors do not apply. The main finding is that the response follows the preliminary statement.

Date	Inquiry	Notes
10/13/2017	Discussion with SCE to walk-through Excel files and answer follow-up questions.	SCE discussed the data presented in their response. ED followed up with a data request.
10/13/2017	Data Request #2 sent and responded in full on 10/25/2017.	SCE provided the general ledger information for a selection of activities for the month of Dec. 2016.
11/27/2017	Data Request #3 sent. Response to Q2 received on 12/1/17. SCE responded in full on 12/15/17.	The activity in the GRSM is within a margin of error equal to about 0.03% compared to the annual NTPS report. Line items were supported by documents.
11/28/2018	Data Request #4 sent. Response to Q1 received on 12/1/17. SCE responded in full on 12/12/17.	SCE validated several numerical factors used within the GRSM and the use of the 90-day nonfinancial CPR for the interest rate.

D. Findings: The preliminary statement for the GRSM (Preliminary Statement G) is in compliance with D.99-09-070. The response to Data Request 1 shows that SCE is categorizing its OOR as either active or passive. The categories for the types of OOR in the account match the Product or Service Category in the preliminary statement. The revenue in excess of the OOR Threshold is shared according to the preliminary statement and interest accrues at the specified rate. SCE has filed an advice letter (AL 3552-E) to transfer the 2016 year-end balance to the Electric Deferred Refund Account (EDRA) as instructed in the preliminary statement. The information presented in this review is the same as that provided in AL 3552-E for 2016.

SCE has recorded transactions in its general ledger (for the Dec. 2016) period that appear to comply with the active or passive designation and product or service category groupings as listed in the preliminary statement and verified by the annual NTP&S report filed pursuant to D.06-12-029. SCE provided adequate documentation to support a selection of general ledger items. The annual report shows total revenues at $81.766 million and the activity in the GSRM shows total revenues at $81.745 million, a difference of 0.03%. The ratepayer portion of the revenue excludes services previously provided by Edison ESI, a regulated subsidiary of SCE that terminated operations in 2013. The allocation of FERC settlement proceeds complies with prior Commission orders. Interest is calculated correctly using the 90-day nonfinancial commercial paper rate.

E. Conclusions/Recommendations: The operation of the GRSM is in compliance with Preliminary Statement G and no further action is necessary.

4. SDG&E

4.1. *(Gas) On-Bill Financing Balancing Account (OBFBA)*

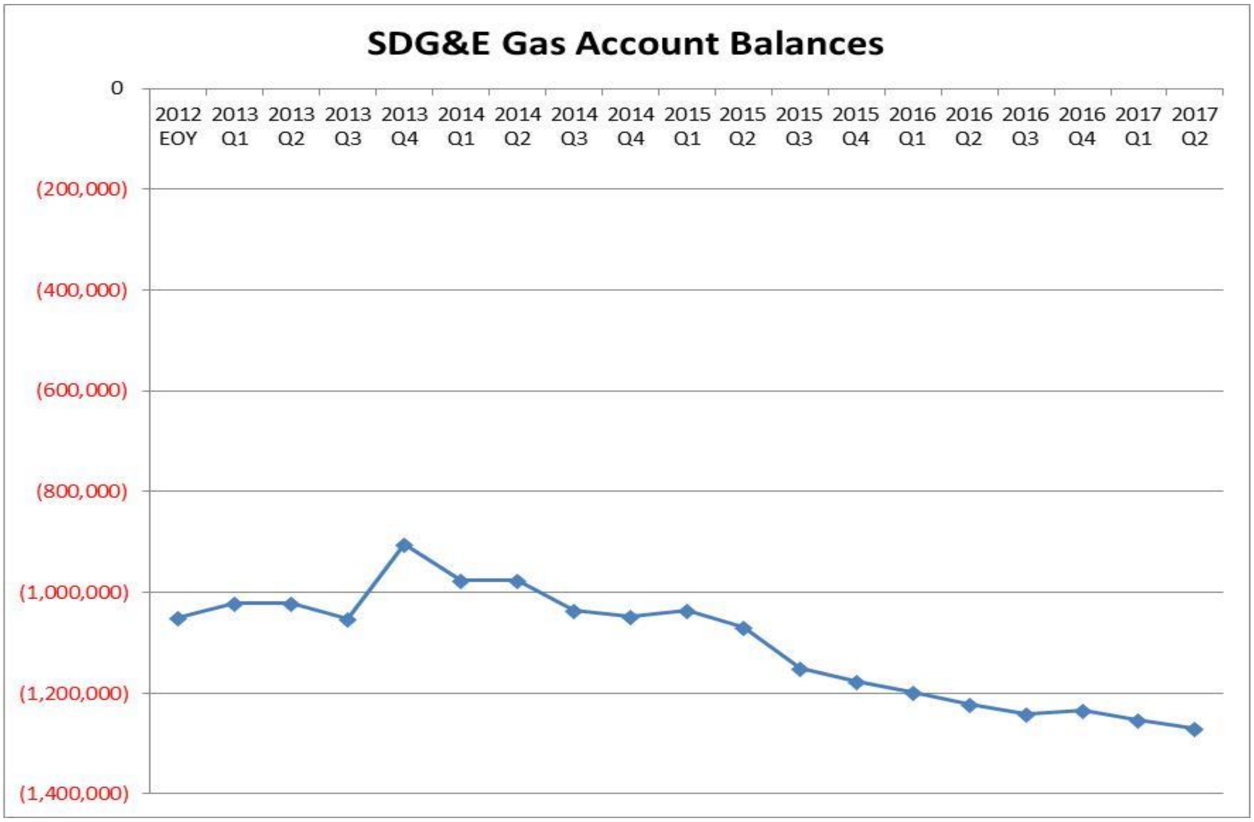
Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Carlos Velasquez

A. The gas On-Bill Financing Balancing Account (OBFBA) is an interest-bearing balancing account that is incorporated into SDG&E's financial statements. The purpose of the gas OBFBA is to record the difference between ratepayer funded On-Bill Financing ("OBF") program loans and the actual loans provided to customers participating in SDG&E's OBF program, as authorized via Decision (D.) 09-09-047. Other program costs associated with the OBF program are recorded in the Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA). The gas OBFBA balance is amortized, as necessary, in order to recover any under collections associated with actual loan funding that is above the authorized annual funding requirements embedded in rates. After the repayment of all loans and termination of the OBF Program, the disposition of any over collection balance in the gas OBFBA is refunded to ratepayers in connection with SDG&E's annual regulatory account balance update filing or as addressed in SDG&E's next energy efficiency proceeding.

The table below lists the quarter-end balances in the OBFBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
OBFBA Balance	$(1,198,587)	$(1,221,184)	$(1,242,037)	$(1,234,122)	$(1,254,133)	$(1,270,629)

B. Reason for Review: The gas OBFBA was selected for review due to the fact that the Audit Services group has not performed an audit of SDG&E's gas OBFBA regulatory account during the last three years. The gas OBFBA was selected for review in accordance with the risk-based criteria used for selecting balancing accounts and the cost-based prioritization afforded to the gas OBFBA relative to other accounts. Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period for this account was from 2016 Q1 through 2017Q2. This timeframe was selected since it provided a suitable period from which a sufficient sample of documents could be drawn.

The following is a chronology of the communications with SDG&E and the data requests issued to them in the course of the review.

Date	Inquiry	Notes
7/19/17	Energy Division staff sent data request #1	Energy Division staff sent their first data request to SDG&E staff regarding the gas OBFBA account requesting further details pertaining to the following information for the January 2016 through June 2017 timeframe: • Ledger entries, transactions, and revenues booked to the gas OBFBA account. • Overhead, affiliate transactions, outside vendor costs and capital costs booked to the gas OBFBA account. • Whether FF&U factor included in the gas OBFBA account. • The basis for the monthly interest rates being used on the balances of the gas OBFBA account.
8/18/17	SDG&E's response to Energy Division staff's data request #1	SDG&E provided 2016 data for over- and under-collections in the On Bill Financing Balancing Account OBFBA (Gas)
10/4/17	Energy Division staff sent data request #2	2017 Loan Payments – Gas Below are the follow-up questions asked via a follow-up data request: 1) How come the line items in the Loan Payments file and Loan Disbursements file do not correspond to the monthly SAP entries? Can you add a column to the Loan Payments and Loan disbursements files to indicate the month the entry corresponds on the monthly SAP account summary? 2) What is an OBF Write-off? Under what situation would there be a write-off? Also, can you provide details for the write-offs in Feb 2016 ($6,680) and October 2016 ($24,305) (e.g. how were they incurred, why was there a write-off? Are there any invoices or documentation supporting the write-off? If so, please provide.) 3) Can you provide me detailed invoices supporting: a. OBF Loan ($507,663.23)? b. OBF Loan ($317,846.31)? c. OBF Loan ($335,257.25)?

<table>
<tr><td></td><td></td><td>d. OBF Loan ($289,885.07)?

e. OBF Loan ($204,089.14)?

(These are listed in the OBFBA Loan Disbursements file.)</td></tr>
<tr><td>11/16/17</td><td>Conference call held between SDG&E staff and Energy Division staff</td><td>Energy Division staff held a phone conference call with SDG&E staff regarding the gas OBFBA follow-up data request. SDG&E staff explained to the Energy Division staff that there was only once entry (in 2016) as it related to a gas distribution of the gas OBFBA account</td></tr>
<tr><td>11/16/17</td><td>Energy Division staff sent data request #3</td><td>A second, follow-up data request was sent to SDG&E staff asking them to provide additional documentation for several OBFBA entries.</td></tr>
<tr><td>11/29/17</td><td>1st portion of answer to: Energy Division staff sent data request #3</td><td>Subject: SDG&E Response to Energy Division’s Data Request Regarding SDG&E OBFBA Gas Disbursement and Payment

“Enclosed please find SDG&E’s response to Energy Division’s data request regarding SDG&E OBFBA gas disbursement and payment, dated November 17, 2017, questions 1 and 2.

In accordance with Decision ("D.") 16-08- 024 to demonstrate that the confidential information ("Protected Information") provided in Ql of the OBFBA Gas Disbursement and Payments Request submitted concurrently herewith and as described in specificity in Attachment A, is within the scope of data protected as confidential under applicable statutory provisions including, but not limited to, PUC § 583, Gov. Code § 6254(k), and/or specific provisions of General Order ("GO") 66-C.

If you have any questions, please contact me. Sincerely, /signed Michelle Somerville Regulatory Business Manager.”</td></tr>
<tr><td>11/29/17</td><td>2nd portion of answer to: Energy Division staff sent data request #3</td><td>SDG&E Responded:

1. Supporting documentation has been provided for the sole 2016 gas loan disbursement.

In accordance with Decision ("D.") 16-08- 024 to demonstrate that the confidential information ("Protected Information") provided in Q1 of the OBFBA Gas Disbursement and Payments Request submitted concurrently herewith and as described in specificity in</td></tr>
</table>

		Attachment A, is within the scope of data protected as confidential under applicable statutory provisions including, but not limited to, PUC § 583, Gov. Code § 6254(k) and/or specific provisions of General Order ("GO") 66-C. Files were included containing the requested documents. The invoice submitted lists a total project cost of $167,000. Engineering, however, only approved a project cost of $162,112, which was the cost used to calculate the loan amount. An incentive of $27,308.25 was also approved upon completion of installation.…A brief summary of the calculations is provided below. • **$162,112** (approved project cost) **- $27,308.25** (approved incentive amount) **= $134,803.75** (total loan amount) • **$134,803.75** (total loan amount) **x 16%** (percentage of gas savings) = **$21,568.60** (gas loan disbursement) Person Responsible for the Response: Zachary Shumake / Laurie Gomez 2. For the two Loan Payments dated 5/1/17 and 3/2/16 For Loan Payments see attached "Gas Loans – Copy of Bills" Person Responsible for the Response: Eric Dalton"

D. Findings: The justification that SDG&E staff provided to Energy Division staff via the three OBFBA related data request responses and the conference call justify the distribution and payment entries that were recorded in SDG&E's gas OBFBA from the first quarter of 2016 through the second quarter of 2017. No discrepancies were found in the data provided by SDG&E staff to Energy Division staff as it relates to the gas OBFBA.

E. Conclusion/Recommendations: No further action is necessary.

4.2. *21st Century Energy & System Balancing Account (CES-21BA)*

Balancing Account Review Summary - 2013 Q1 – 2017 Q2
Analysts: Alejandra Pineda

A. Account Information: In D.14-03-029, a total of $35 million was authorized, to Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), for the purpose of cyber security and grid integration over the period of five years. SDG&E is responsible for 9% (roughly $3 million) of the cost of the research project.

The purpose of the 21st Century Energy & System Balancing Account (CES-21BA) is to record the difference between actual costs and the authorized revenue requirement associated with a Cooperative Research and Development Agreement (CRADA) between SDG&E and Lawrence Livermore National Laboratories (LLNL) pursuant to Decision (D.) 14-03-029.

This CES-21BA is a "one-way" balancing account, meaning the utility is authorized to collect a certain amount – here, $3.017 million – in rates, and if the utility spends less than the authorized amount, then the difference, as recorded in the balancing account, is credited back to ratepayers; but if the utility overspends the authorized amount, then there is no recovery of the excess amount for shareholders. The CES-21BA records debit entries detailing SDG&E's monthly recorded research program expenses against a monthly credit entry of $50,287.[3] Interest is applied to the average monthly balance in the account.

The table below lists the quarter-end balances in the CES-21BA for the timeframe reviewed (parentheses indicate an overcollection; no parentheses indicate an undercollection):

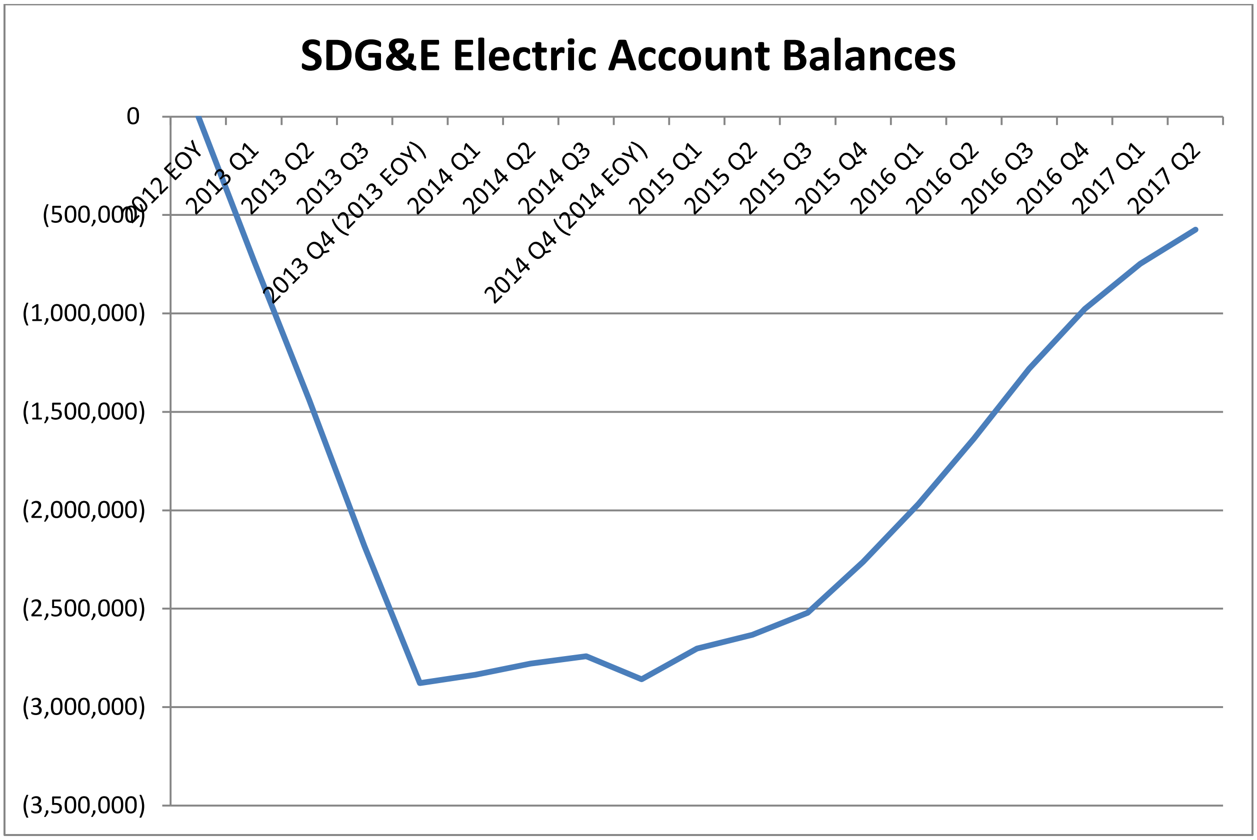
CES-21BA Balance	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2
CES-21BA Balance	$(730,448)	$(1,437,677)	$(2,181,777)	$(2,878,189)	$(2,834,785)	$(2,779,406)
	2014 Q3	**2014 Q4**	**2015 Q1**	**2015 Q2**	**2015 Q3**	**2015 Q4**
CES-21BA Balance	$(2,741,265)	$(2,857,790)	$(2,703,067)	$(2,633,127)	$(2,520,262)	$(2,261,321)
	2016 Q1	**2016 Q2**	**2016 Q3**	**2016 Q4**	**2017 Q1**	**2017 Q2**
CES-21BA Balance	$(1,967,945)	$(1,637,198)	$(1,281,199)	$(976,872)	$(748,282)	$(574,042)

[3] The $3.017 million authorization spread evenly over five years, i.e. $3,017,210 ÷ 60 months = $50,287 per month.

B. Reason for Review: The CES-21BA was selected for review in accordance with the Risk-Based Criteria for balancing account selection and the prioritization of cost balancing accounts. Specifically:

- Under criterion III.A.8, the CES-21BA has not been reviewed by Energy Division, or any other units within the California Public Utility Commission (the Commission) such as ORA or UAFCB. No review has been performed on the CES-21BA to date, and SDG&E began booking to the account on January 1, 2013.
- The Commission has a limited amount of time to review the CES-21BA. According to D.14-03-029, the CES-21 research program was authorized for five years. Since SDG&E began booking to the account on January 1, 2013, the authorized five-year timeline would start on January 1, 2013 and end on December 31, 2017; therefore, the Commission will not have the ability to review the CES-21BA during future balancing account reviews.

Below is a graph showing the balance of the account since January 1, 2013, when SDG&E began recording to the account. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The balancing account review process began in July 2017, when the CES-21BA was selected for review. After selecting the CES-21BA for review, the preliminary statement, Commission Decisions, and Advice Letters were reviewed. The review period for this account was from first quarter (Q1) 2013 through second quarter (Q2) 2017. This timeframe was selected to provide a suitable period from which a sufficient sample of documents could be drawn. In addition, the timeframe covers the majority of the five years authorized for the research and development project.

The following is a chronology of the communications with SDG&E and the data requests issued to them in the course of the review.

Date	Inquiry	Notes
8/1/2017	Data Request #1 sent to SDG&E. SDG&E requested an extension to 8/25/17. Partial response on 8/25/17. Responded in full on 8/28/17.	SDG&E provided a spreadsheet with details of the recorded activity from the CES-21BA; informed us that no internal audit had been performed on this account; provided citations to relevant decisions and advice letters; stated that labor and overhead costs are booked in this account; stated that no franchise fees and uncollectibles (FF&U) factors are included in the costs; and confirmed relevant interest rates.
10/9/17	Data Request #2 sent. Data Request #2 resubmitted on 10/11/17. SDG&E requested an extension to 10/20/17. Second extension requested to 10/27/17. Responded on 10/25/17. Response rescinded and submitted on 10/27/17.	SDG&E informed us that the CES-21BA is considered a "one-way" balancing account; the program duration is from October 2, 2014 to October 1, 2019; and technical work expenses incurred by SDG&E between April 2013 and December 2014 were booked to CES-21BA. In D.12-12-031, dated December 20, 2012, and D.14-03-029, dated April 3, 2014, Ordering Paragraph (OP) 8 and OP 13, respectively, states that the Cooperative Research and Development Agreement (CRADA) must be in place and approved through a Tier 3 advice letter prior to expending any funds authorized by this decision. The Tier 3 advice letter, containing the revised research and development project and the CRADA, became effective on October 9, 2014. Costs incurred prior to the final approval date are not eligible to be included in the CES-21BA.
11/9/17	Phone conference with SDG&E representatives.	To seek clarification from SDG&E, regarding costs incurred prior to the final approval date of the revised research and development project and the CRADA, the Energy Division requested a phone conference. SDG&E was not fully aware of the specific concern the Energy Division had regarding the date SDG&E started booking to the CES-21BA, so SDG&E were not

Date	Inquiry	Notes
		prepared for the phone conference. The conference call was rescheduled for a later date.
11/17/17	Phone conference with SDG&E representatives.	During the phone conference, it was determined that the 2013 and 2014 bookings made to the CES-21BA, by SDG&E, were in violation of OP 13, D.14-03-029. The Energy Division will determine the best course of action needed to memorialize the findings and send a request to SDG&E at a later date.
11/20/17	Request for follow-up letter for phone conference held on 11/17/17. Resubmitted letter request on 11/28/17. SDG&E acknowledged email on 11/28/17. Request for status update sent 1/3/18. Request for follow-up letter sent to Brian Prusnek on 1/9/18. Responded on 1/17/18.	To memorialize the findings of improper inclusion of funds into the balancing account, and that SDG&E has now removed the funds from 2013 and 2014, the Energy Division requested a letter from SDG&E directed to the Energy Division's director Edward Randolph. On January 17, 2018, SDG&E's Director, Clay Faber, submitted a letter to Edward Randolph with the follow up to Energy Division's review of CES-21BA. In the letter, SDG&E agree with Energy Division's guidance and has made the necessary adjustments to CES-21BA. A total of $148,896 in labor related costs were incurred by SDG&E prior to the CRADA being signed; therefore, SDG&E has removed these costs from the CES-21BA.
11/30/17	Data Request #3 sent. SDG&E requested an extension to 12/28/17. Second extension requested to 1/11/18. Partial response sent 1/4/18. Responded in full on 1/11/18.	This data request asked SDG&E to provide invoices/documentation for a variety of individual transactions listed in the spreadsheets provided in response to Data Request #1, which SDG&E previously provided. SDG&E provided invoices/documentation for all transactions requested. Also, SDG&E informed us that catering service costs booked to the CES-21BA were for technical meetings, related to the research and development project, hosted by SDG&E; and that the dates of travel with car rental and the dates of travel with mileage reimbursement do not overlap.

D. Findings: In response to the first data request, SDG&E affirmed that no FF&U factor were associated with costs in the CES-21BA, that labor and overhead costs are booked in this account, and that it had not conducted an audit of this balancing account.

- The preliminary statement for the CES-21BA (Preliminary Statement II) is in compliance with D.14-03-029. Total funding of $3,150,100 is authorized for SDG&E's portion of the five-year CES-21 program, per D.14-03-029.
- In SDG&E's response to the second data request, the Energy Division determined that the 2013 and 2014 costs booked to the CES-21BA were in violation of OP 13, D.14-03.029. SDG&E agreed to make necessary adjustments and remove $148,896 ($146,514 operation and maintenance expense and $2,382 interest amount) in labor related costs from the CES-21BA.

Numerous invoice transactions were acquired for review in response to the third data request. The analyst compared these invoices with the transactions listed in SDG&E's spreadsheet. The analyst found the following: various dollar amounts on invoices did not match the entries in the spreadsheet by 100%; the dollar values of various invoices were divided into two or three similar dollar amounts on the entries in the spreadsheet; a few of the requested invoices for 2016 were not provided during the review period; the program manager's hotel expenses averaged $300 per night, with a low of $120 and a high of $888; and some group meals, expensed by the program manager, might not be appropriate for inclusion into the CES-21BA. It should also be noted that SDG&E began booking to the CES-21BA in 2013; however, PG&E and SCE, the joint utilities, did not open their CES-21 balancing accounts until 2015.

Based on the information reviewed by the analyst and the information provided by SDG&E, the Energy Division recommends SDG&E's CES-21BA be further reviewed by an accountant within the Commission's ORA or UAFCB units.

E. Conclusion/Recommendations: Based on the information reviewed by the analyst and the information provided by SDG&E, the Energy Division recommends SDG&E's CES-21BA receive further review by an accountant within the Commission's ORA or UAFCB units.

4.3. *(Electric) On-Bill Financing Balancing Account (OBFBA)*

Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Elaine Lau

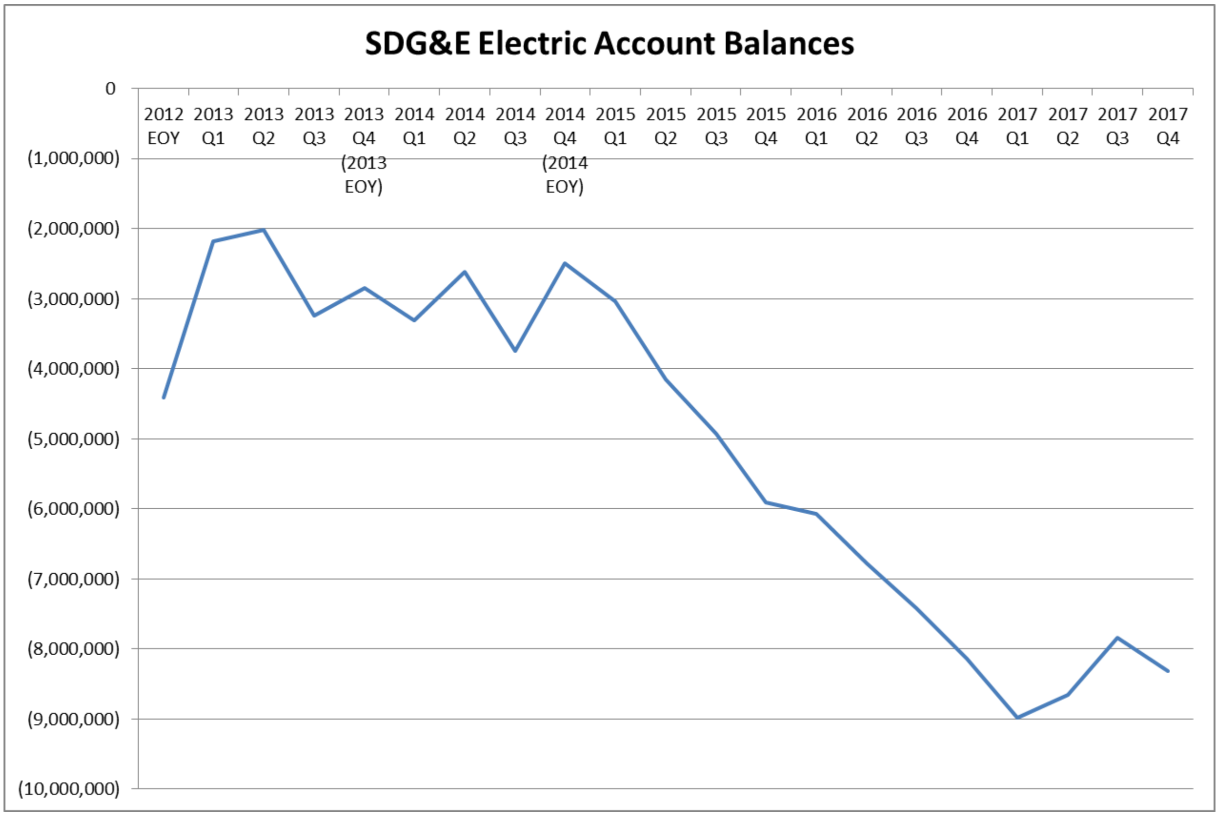
A. Account Information: The purpose of the account is to record the difference between ratepayer funding and actual loans provided to customers participating in SDG&E's On-Bill Financing ("OBF") program, which was authorized in Decision (D.)09-09-047. This account is an interest-bearing balancing account that is recorded on SDG&E's financial statements. The balance in this account will be amortized as necessary to recover any under collections. After repayment of all loans and termination of the OBF Program, the disposition of the over collection balance in the OBFBA will be refunded to ratepayers through SDG&E's annual regulatory account balance update filing or SDG&E's next energy efficiency proceeding.

The table below lists the quarter-end balances in the OBFBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection:

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
OBFBA Balance	$(6,071,590)	$(6,776,074)	$(7,419,580)	$(8,133,994)	$(8,983,030)	$(8,647,876)

B. Reason for Review: The OBFBA was selected for review in consideration of the risk based balancing account selection criteria and the priority to analyze cost balancing accounts. Additionally, accounts that were subject to review by other CPUC departments were excluded from further consideration. Given the selection parameters, the balancing account database was screened for cost accounts and the OBFBA was chosen because it had a large credit balance that continued to grow over time, from a credit of $2.5M in 2014 to a credit of $9M in 2017.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period included 2016 and the 1st and 2nd quarter 2017. This timeframe was selected as it provided a suitable base from which a sample of documents could be drawn for further review.

The expenses recorded in the OBFBA consist of On-Bill Financing (OBF) loans to customers, customer repayments on their OBF loans, customer loan defaults, interests on the account and any Commission authorized amortization of the account. Staff reviewed the monthly journal entries of the account, a list of loan disbursements, and a list of loan payments that were recorded from January 2016 through June 2017. Staff reconciled the monthly journal balance with the monthly balances of the loan disbursements and loan payments recorded in the account during the review period. Staff selected a few random journal entries, loan payments, and loan disbursements of larger than average magnitude and asked SDG&E for documentation of those entries. First, staff reviewed documentation for two large loan write-offs recorded in the account. Next, staff reviewed the customer invoices for five loan disbursements that are of larger than average magnitude. Lastly, staff reviewed customer bills documenting two large loan payments and documentation for a loan reversal.

There were no internal audits that SDG&E conducted on this account.

The following is a chronology of the communications with SDG&E and the data requests issued to them in the course of the review.

Date	Inquiry	Notes
8/2/2017	Analyst sent a data request to SDG&E on 8/2/2017 for 1) quarterly account summaries from the first quarter of 2016 through the second quarter of 2017; 2) reports of the internal audits conducted on the account; 3) authorizing decisions that established the account; 4) information about any subaccounts in the account; 5) whether it is one-way or two-way balancing account; 6) information on how labor costs, overhead costs, and franchise fees and uncollectible expenses are recorded in the account; and 7) the interest rates used on the account.	SD&E responded on 8/18/2017. In its response, SDG&E indicated that 1) all transactions in the account are loan disbursements and loan payments; 2) no internal audits were performed on the account; 3) the account was authorized by D.09-09-047; 4) the account is a two-way balancing account; 5) labor costs, overhead costs, franchise fees and uncollectible expenses are not booked into the account; and 6) interest rates are based on three-month commercial paper for the previous month as reported in the Federal Reserve Statistical Release. In addition to the response, SDG&E provided the loan disbursements and loan payments schedule for 2016 and 2017 on the account and the interest rates charged to the account.
9/11/2017	Analyst requested additional information from SDG&E. Specifically, the analyst requested that SDG&E provide monthly journal ledger entries documenting the credits and debits to the account from Jan 1, 2016 through June 30, 3017.	SDG&E responded on 9/18/2017 and provided the summaries and details of the journal entries to the account for the requested period, delineated by gas and electric expenses.
10/4/2017	Analyst sent a second data request with three questions. For Question 1 (Q1), analyst requested that SDG&E update the loan payments and loan disbursement schedules to correspond to the journal entries recorded in the SAP account. For Question 2 (Q2), analyst requested additional details to two instances of account write-offs. For Q3, analyst requested detailed invoices pertaining to five large loan disbursements.	SDG&E responded in two phases. First, SDG&E provided answers to Q2 and Q3 on 10/13/2017. Second, SDG&E provided responses to Q1 on 10/20/2017. In this set of responses, SDG&E provided documentation of the loan write-offs and detailed documentation of the five large loan disbursements we previously requested.
11/16/2017	Analyst sent a third data request for supporting documentation to three loan payments, one of which is a reverse loan payment.	SDG&E provided details for these loan payments on 11/30/2017.
12/6/2017	During a telephone meeting on December 5, 2017, SDG&E realized that it sent the wrong customer bill.	SDG&E sent the correct customer bill on 12/6/2017.

Date	Inquiry	Notes
12/6/2017	Staff asked SDG&E two questions for clarification: 1) whether the negative balance means that there is $9 million available to loan out to customers, and 2) why is there a discrepancy in the loan calculations for one of the larger loan disbursements?	SDG&E sent a response to answer Q1 on 12/6/2017. SDG&E spoke with staff on 12/7/2017 over the telephone to discuss their response to Q2.

Date	Meeting
11/16/16	SDG&E and analysts had a teleconference to discuss how the On-Bill Loan Financing Program works and how has SDG&E been administering the program. We also discussed responses provided in the second data request, including reviewing the customer invoices of the five larger than average loan disbursements.
12/5/2017	SDG&E and analysts had a teleconference to discuss responses provided in the third data request, including the reviewing the customer bills documenting two large loan payments and reviewing the documentation for a loan reversal.
12/7/2017	SDG&E spoke with staff on 12/7/2017 over the telephone to discuss their response to staff's inquiry on a discrepancy in the loan calculations for one of the larger loan disbursements.

D. Findings: Based on the review of the material SDG&E provided, it appears that the utility appropriately recorded the costs for the program. Based on reviewing a random sampling of credit and debit entries to the account, customer invoices substantiated the loan disbursements, and customer bills substantiated the loan payments.

Staff reviewed a large loan of approximately $824,000 given to a customer for two projects. SDG&E provided an overview to staff on how the terms for the loan were determined and how the loan amount was calculated. Within the limited constraints of this review, the loan amount seemed appropriately determined. But, staff found some errors or discrepancies in the documentation of the loan calculations, which SDG&E later explained in a telephone meeting. Hence, staff recommends that the Commission provide a more thorough review or audit of whether SDG&E is administering the On-Bill Loan Financing program appropriately, including whether SDG&E is giving out loans and determining the terms of the loans appropriately.

Staff notes that there have been a few OBF loan write offs. SDG&E did not provide any substantial documentation of these write-offs, other than providing records of customer defaults, one of which resulted from a customer bankruptcy.

Also, of note, there are some OBF reverse loan payments in the credit entries. Staff reviewed documentation for one of the OBF reverse loan payments and found that the reversal is due to administrative error. Upon reviewing documentation for the reversal, staff found that the procedures followed in reversing an error to be very convoluted and illogical. This is one of the reasons staff recommends that the Commission perform a more thorough audit of SDG&E's administration of the program.

In conclusion, staff recommends that the Commission perform a thorough review of SDG&E's On-Bill Financing Program, including whether the program costs granted to SDG&E are appropriate and how SDG&E has administered the program. This account holds a negative balance of approximately $9 million, which means that approximately $9 million is available to loan out to customers. This negative balance has been increasing over the past three years, yet the account has not been audited by the Commission or SDG&E. During the review period, there have been consistently more customer loan repayments than loan disbursements. Staff recommends that the Commission review the On-Bill Financing Program to consider whether to direct SDG&E to refund a portion of this $9 million balance to ratepayers and whether SDG&E is appropriately managing and administering the program.

E. Conclusion/Recommendations: Due to discrepancies in the documentation of loan calculations, confusing procedures for reversals, and insufficient documentation for loan write-offs, the analyst recommends that the Commission review this account again.

5. SOCALGAS

5.1. *Enhanced Oil Recovery Balancing Account (EORA)*

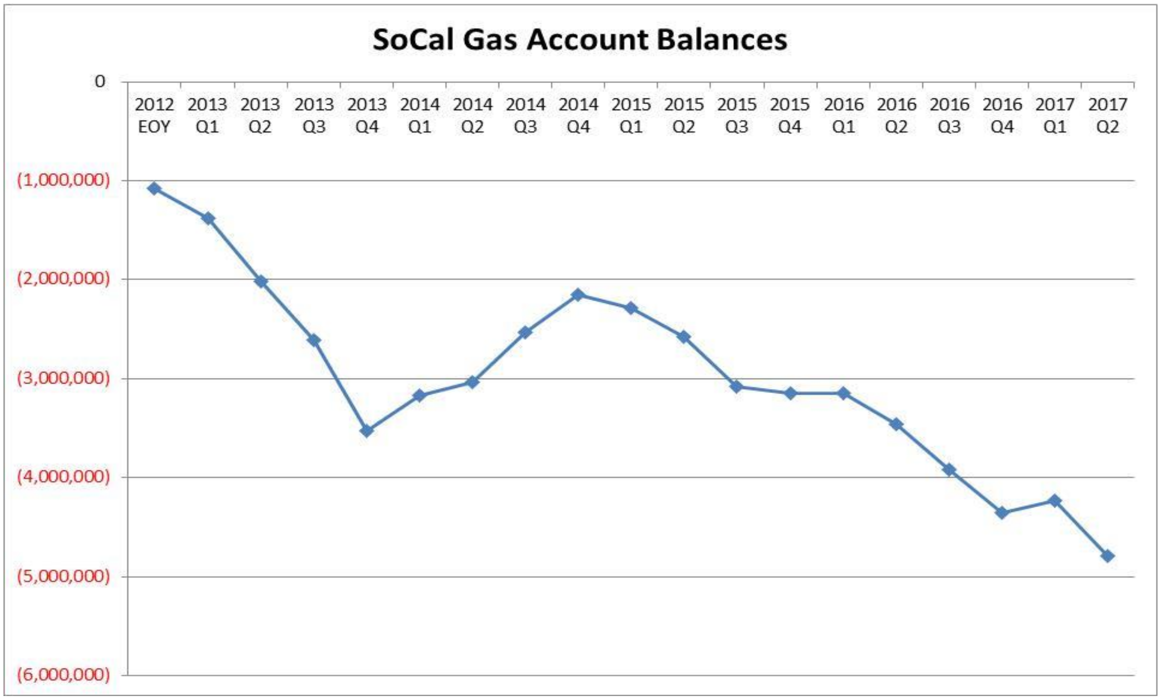
Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Carlos Velasquez

A. The Enhanced Oil Recovery Account (EORA) revenue requirement is set to cover the costs associated with the Enhanced Oil Recovery (EOR) market and other non-gas costs that are allocated to the EOR market. As such, the EORA records the difference between the authorized revenue requirement and its actual costs. The EORA excludes the transmission revenue requirement and Backbone Transportation Service (BTS) revenue requirement. The EORA is an interest bearing "two-way" balancing account that is recorded on SoCalGas' financial statements; the EORA does not incorporate sub-accounts. In accordance with Advice Letter 4177-A, filed pursuant to D.07-08-029, D.10-09-001, and Resolution G-3489, the EORA is credited for the EOR's allocation of the System Modification Fee charged to California Producers in order to offset the system modification costs which have been incorporated in base rates in connection with SoCalGas' 2012 General Rate Case.

The table below lists the quarter-end balances in the EORA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection:

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
EORA Balance	$(3,151,371)	$(3,457,330)	$(3,921,265)	$(4,360,461)	$(4,234,254)	$(4,793,980)

B. Reason for Review: The EORA was selected for the following three reasons: 1) the Audit Services group has not performed an audit of SoCalGas' EORA regulatory account during the last seven years – seven years is SoCalGas' retention period for audit reports and work papers; 2) to ensure that recorded transactions are supported by appropriate documentation in accordance with the risk-based criteria for selecting balancing accounts; and 3) to observe the cost-based prioritization afforded to the EORA relative to other accounts. Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period included 2016 and the 1st and 2nd quarter 2017. This timeframe was selected as it provided a suitable base from which a sample of documents could be drawn for further review.

Date	Inquiry	Notes
7/19/17	Data Request #1 sent on July 19, 2017; SoCalGas responded on August 11, 2017	SoCalGas provided monthly EORA balance totals for period January 2016 through June 2017. SoCalGas informed us that: • The EORA does not record actual expenses related to overheads, affiliate transactions, outside vendor costs, or capital costs. • The EORA records an authorized margin, which represents the margin cost allocated to Enhanced Oil Recovery customers. • These authorized margins are not based on costs including overhead, affiliate transactions, and capital expenditures specifically attributable to the EOR customer class or unbundled storage program. Instead, in SoCalGas' Triennial Cost Allocation Proceeding (TCAP), the Commission approves the methodology to allocate total margin costs between customer classes including the unbundled storage cost. The total margin cost used in the EORA is based on the costs approved in SoCalGas' General Rate Case. • Every three years SoCalGas files a TCAP with the Commission. As part of that proceeding, any cost and revenue transactions recorded in various SoCalGas' regulatory accounts – including the EORA – are subject to audit for compliance with Commission authorization (as described in SoCalGas' Preliminary Statements for each respective regulatory account). In addition, SoCalGas updates the Preliminary Statements for its regulatory accounts for

Date	Inquiry	Notes
		new and revised accounting mechanisms or processes as authorized by the Commission. • The transactions authorized to be recorded in the EORA did not change with the 2017 TCAP; as such, the basis for the transactions recorded in the EORA for the period covering 2016 and the first six months of 2017 is Resolution G-3489 and AL 4177-A when the EORA was updated to record System Modification Fees. • Labor costs are not recorded in the EORA. • Overhead costs are not recorded in the EORA • The monthly interest rate used to calculate interest for recording in the EORA is based on the 3-month non-financial commercial paper rate published in the H.15 version of the Federal Reserve Statistical Release.
10/3/17	1st Phone call with SoCalGas staff	Energy Division staff held a phone call with SoCalGas staff regarding the EORA account's cost input data. SoCalGas staff explained to ED staff that the EORA is a "fixed cost account" and therefore none of the costs entered in the EORA are invoice-based. At the end of this 10/3/17 call, a follow-up call was scheduled for October 10, 2017 in order to discuss the "Company Use Fuel" and the "Unaccounted for Gas" entries in greater detail using the underlying spreadsheets that demonstrate how these monthly costs were allocated.
10/20/17	SoCalGas forwarded an email with EORA "Company Use Fuel" and "Unaccounted for Gas" monthly allocation percentages.	Following up on our 10/11/17 phone call SoCalGas, on 10/20/17 sent two spreadsheets via email. SoCalGas provided spreadsheets showing the allocation of Company Use Fuel and Unaccounted for Gas costs recorded in the EORA.

D. Findings – The explanations provided to Energy Division staff via the two phone calls, the written explanations and spreadsheets that were emailed to Energy Division staff, justify the cost allocation amounts included as expense entries in the EORA spreadsheets provided on July 19, 2017. No discrepancies were found.

E. Conclusion/Recommendations: No further action is necessary.

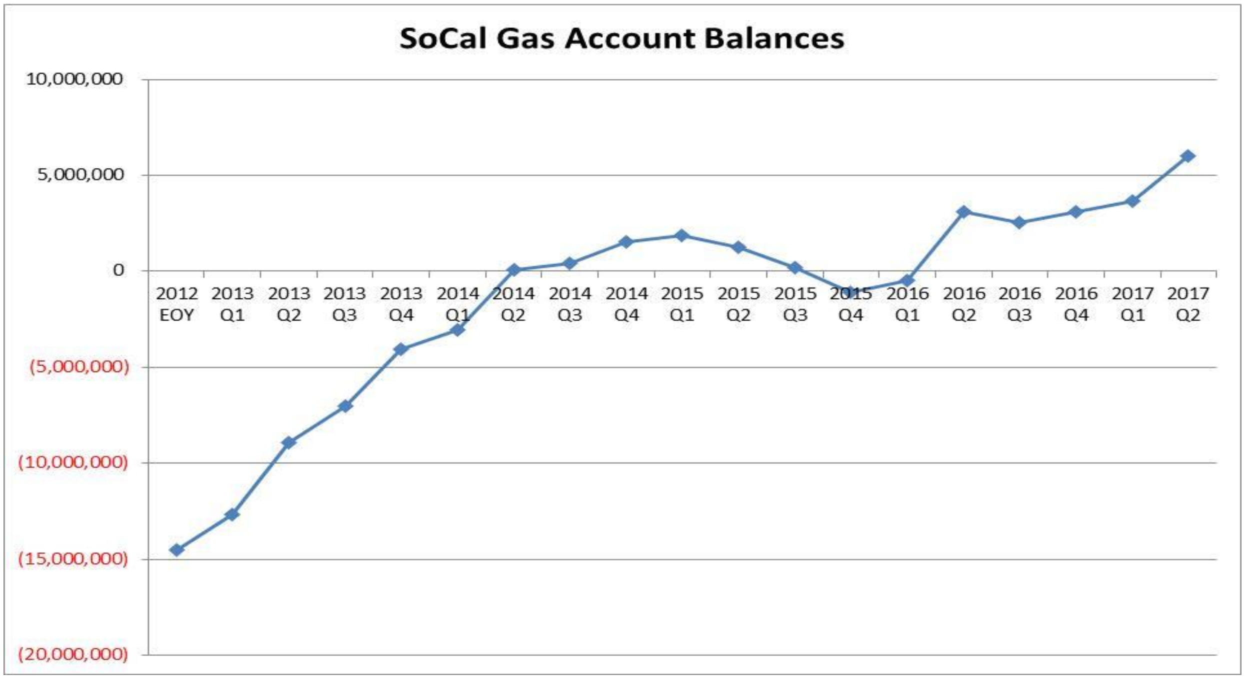
5.2. *Noncore Storage Balancing Account (NSBA)*

Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Carlos Velasquez

A. Account Information: The Noncore Storage Balancing Account (NSBA) is a two-way balancing account which does not incorporate subaccounts. Two-way balancing accounts such as the NSBA track actual expenses and authorized revenues. The expenses included in the NSBA were authorized in SoCalGas' 2016 Triennial Cost Allocation Proceeding (TCAP) Phase 1 decision, D.16-06-039; these expenses are subject to revision in future cost allocation proceedings. Revenues tracked by the NSBA correspond to reservation revenues collected from customers who contract for storage service under the unbundled storage program. Net revenues collected from hub services under SoCalGas' G-PAL (Operational Hub Services) tariff, approved pursuant to D.07-12-019, are also treated as unbundled storage revenues. The table below lists the quarter-end balances in the NSBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection.

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
NSBA Balance	$(463,978)	$3,114,422	$2,526,416	$3,094,187	$3,655,449	$6,020,501

B. Reason for Review: The NSBA was selected for review due to the fact that the Audit Services group has not performed an audit of SoCalGas' NSBA regulatory account during the last seven years. The NSBA was selected for review in accordance with the risk-based criteria used for selecting balancing accounts and the cost-based prioritization afforded to the NSBA relative to other accounts. Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period included 2016 and the 1st and 2nd quarter 2017. This timeframe was selected as it provided a suitable base from which a sample of documents could be drawn for further review.

Date	Inquiry	Notes
7/19/17	Data Request #1 sent on July 19, 2017; SoCalGas responded on August 11, 2017	SoCalGas provided monthly NSBA balance totals for period January 2016 through June 2017. SoCalGas staff informed Energy Division staff that: • The NSBA does not record actual expenses related to overheads, affiliate transactions, outside vendor costs or capital costs. • The NSBA records an authorized margin, which represents the margin cost allocated to the unbundled storage program. • These authorized margins are not based on costs including overhead, affiliate transactions, and capital expenditures specifically attributable to the unbundled storage program. Instead, in SoCalGas' Triennial Cost Allocation Proceeding (TCAP), the Commission approves the methodology to allocate total margin costs between customer classes including the unbundled storage cost. • Every three years SoCalGas files a TCAP with the Commission. As part of that proceeding, any cost and revenue transactions recorded in various SoCalGas' regulatory accounts – including the NSBA – are subject to audit for compliance with Commission authorization (as described in SoCalGas' Preliminary Statements for each respective regulatory account). In addition, SoCalGas updates the Preliminary Statements for its regulatory accounts for new and revised accounting mechanisms or processes as authorized by the Commission. • The basis for the transactions recorded in the NSBA for the

Date	Inquiry	Notes
		period covering 2016 and the first six months of 2017 is D.16-06-039, Phase 1 of the 2016 TCAP, and Advice Letter 4996. • Labor costs are not recorded in the NSBA. • Overhead costs are not recorded in the NSBA • The monthly interest rate used to calculate interest for recording in the NSBA is based on the 3-month non-financial commercial paper rate published in the H.15 version of the Federal Reserve Statistical Release.
10/3/17	1st Phone call with SoCalGas staff	Energy Division staff held a phone conference with SoCalGas staff regarding the NSBA account's cost input data. SoCalGas staff explained to Energy Division staff that the NSBA is a "fixed cost account" and that, therefore, none of the costs entered in the NSBA had corresponding invoices. At the end of this October 3, 2017 call a follow-up call was scheduled for October 11, 2017 in order to further discuss how the monthly NSBA costs (i.e. "Authorized Margin") and revenue entries were calculated and allocated into this account.
10/11/17	2nd phone call with SoCalGas staff	During the 2nd phone call SoCalGas staff explained in detail how the monthly adopted cost allocation methodology applied to, and was incorporated into, the NSBA account; SoCalGas staff referred to spreadsheet entries SoCalGas maintains which are used by SoCalGas to create data entries and tables that are incorporated into SoCalGas' Cost Report. During this call Energy Staff confirmed that all cost and revenue entries that were made into the NSBA account were accurate, as authorized by the CPUC.

D. Findings: The justification that SoCalGas staff provided to Energy Division staff via the written descriptions, two phone calls, emailed spreadsheets, and spreadsheets that were sent as links, verify that SoCalGas' NSBA entries are consistent with the Cost Allocation methodology that was adopted in D.16-06-039, Phase 1 of SoCalGas' 2016 Triennial Cost Allocation Proceeding, and further implemented via Advice Letter 4996. No discrepancies were found in the underlying calculations and allocation methodology that were incorporated into the NSBA account for the 2016 Q1 through 2017 Q2 timeframe.

E. Conclusion/Recommendations: No further action is necessary.

6. OTHER UTILITIES

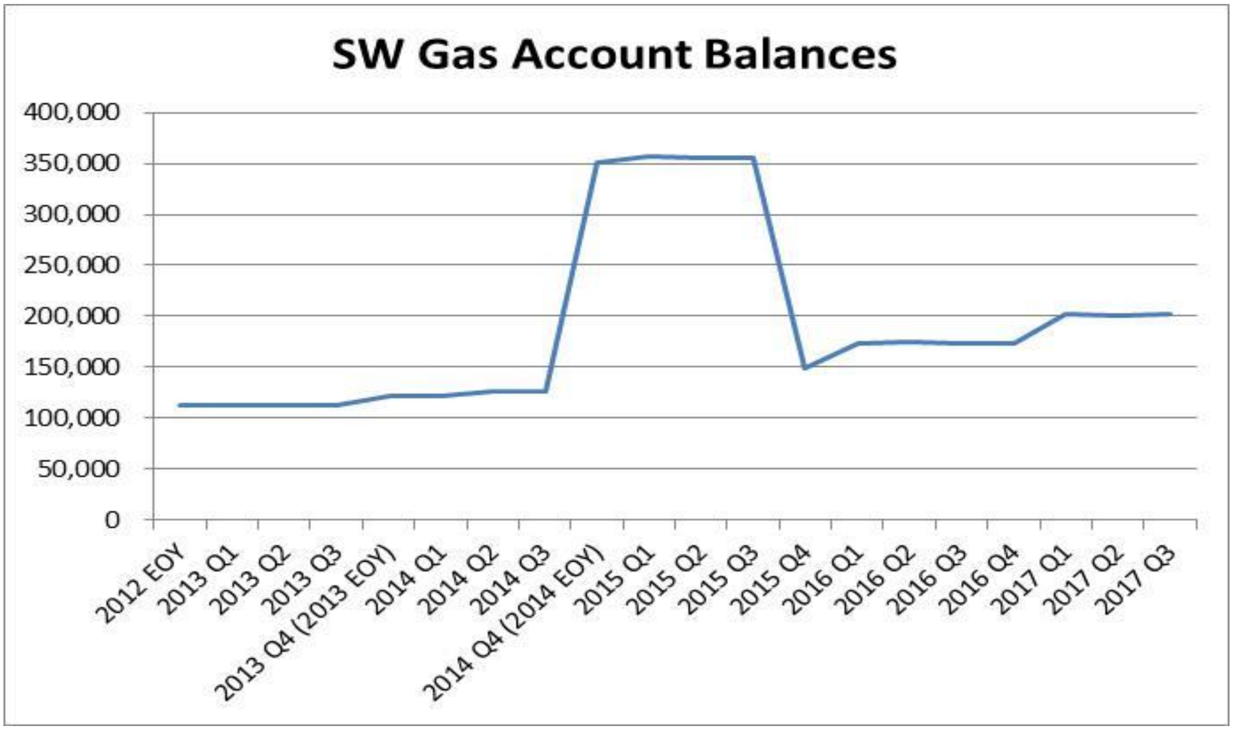
6.1. *Southwest Gas - Public Interest Research and Development (R&DBA)*

Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Carlos Velasquez

A. Account Information: The Public Interest Research and Development Balancing Account (R&DBA) is a two-way balancing account that balances Southwest Gas' allocated share of the State's annual R&D budget – including any Commission and Board of Equalization (BOE) administrative costs – with the PPP Surcharge revenue that Southwest Gas collects to recover these R&D costs. The R&D portion of the PPP Surcharge revenues that is collected by Southwest Gas is remitted to the BOE; the BOE distributes these revenues to the R&D project administrator. The balance in the R&DBA is amortized into Southwest Gas rates by dividing the balance in the account at the end of the most recent available month by the three-year average (consecutive 36-month period) based upon the most recently available billed gas volumes. The table below lists the quarter-end balances in the R&DBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection:

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
R&D BA Balance	$173,238	$174,631	$174,063	$173,420	$202,047	$201,211

B. Reason for Review: The R&DBA was selected for review due to the fact that the Audit Services group has not performed an audit of Southwest Gas' R&DBA regulatory account during the last three years. The R&DBA was selected for review in accordance with the risk-based criteria used for selecting balancing accounts and the cost-based prioritization afforded to the R&DBA relative to other accounts. Southwest Gas staff informed the Energy Division staff that the R&DBA has not performed an internal audit of this account. Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period included 2016 and the 1st and 2nd quarter 2017. This timeframe was selected as it provided a suitable base from which a sample of documents could be drawn for further review.

Date	Inquiry	Results/Notes
10/18/17	Energy Division staff sent data request #1	Energy Division staff sent a data request Southwest Gas staff requesting further details pertaining to the following R&DBA related information for the January 2016 through June 2017 timeframe: • Ledger entries, transactions, and revenues booked to the R&DBA account. • Overhead, affiliate transactions, outside vendor costs and capital costs booked to the R&DBA account. • Whether FF&U factor included in the R&DBA account. • The basis for the monthly interest rates being used on the balances of the R&DBA account.
10/27/17	Southwest Gas staff submitted responses to data request #1	Southwest Gas staff provided monthly R&DBA balance totals for the January 2016 through June 2017 period. Southwest Gas staff also provided Energy Division staff with the following detail/explanation: • There are no expenses related to overhead costs, affiliate transactions, outside vendor costs or capital costs that were recorded in the R&DBA. • Southwest Gas has not performed an internal audit of the R&DBA Account. • The Commission authorizations, listed below, relate to the R&DBA activities for January 2016 through June 2017:

Date	Inquiry	Results/Notes
		○ Compliance with OP 13 of D.04-08-010 required Southwest Gas to revise language it previously filed in Advice Letter 683 and Advice Letter 683-A, in order to establish a one-way balancing account for Low-Income Energy Efficiency (LIEE) program expenditures and a two-way balancing account for California Alternative Rates for Energy (CARE) program expenditures. Advice Letter 683 and Advice Letter 683-A were withdrawn and replaced in their entirety with Advice Letter 718 and Advice Letter 718-A. ○ Advice Letters 718 and 718-A, effective December 8, 2005 were filed to comply with Ordering Paragraphs 13 and 25 of D.04-08-010, regarding the administration of Southwest Gas' Public Purpose Program (PPP) Surcharges. ○ Advice Letter 811, effective January 1, 2009, updated language to note the separation of accounts for Southwest Gas' service areas. ○ The R&DBA is a "two-way" balancing account which does not incorporate sub-accounts. ○ Southwest Gas does not book labor costs in the R&DBA. ○ Southwest Gas does not book overhead costs in the R&DBA. ○ Southwest Gas does not include the FF&U factor in the costs of the R&DBA. ○ Southwest Gas does not calculate interest on the R&DBA.
11/17/17	Energy Division staff sent the following email to SW Gas regulatory affairs staff	"Hi Valerie – if by chance you are still in the office I'd like to ask a few questions regarding the spreadsheet provided for the R&DBA. My questions regarding Q1/Spreadsheet answers. Feel free to call me…"
11/20/17	Southwest Gas staff's emailed response	"I apologize I was out of the office…. Would it be possible for you to provide your questions in an email? The individual that provided the response to the question is out of the office for the next couple of weeks and I need to find a replacement who can address any questions. Thanks, Valerie"
11/21/17	Conference call held between Southwest Gas and Energy Division staff	The relevant Southwest Gas staff was out of the office on Friday November 17, 2017. Southwest Gas staff and Energy Division gas staff, however, arranged a call for November 21, 2017. During the November 21, 2017 phone conference call Southwest Gas staff explained to Energy Division staff that Southwest Gas collected R&D surcharge by three territorial Divisions located within its service territory: 1) the Southern California Division; 2) the Northern California Division; and 3) the South Lake Tahoe Division. Southwest Gas staff further explained that the R&D surcharge collections are remitted to the BOE on a quarterly basis.

Date	Inquiry	Results/Notes
		Spreadsheets were provided of the R&D surcharge amounts collected by Southwest Gas during the second quarter of 2017, which represents one of the six quarters for which such information was provided to the Energy Division staff via “Attachment 1” of Southwest Gas’ October 27, 2017 data request response.
11/21/2017	Data request made during the 11/21/17 phone conference	Energy Division staff requested underlying data that supported the entries included for all six quarters that were included in Attachment 1.
11/21/2017	Southwest Gas email response was provided	Southwest Gas provided the 4th Quarter 2016 and 2nd Quarter 2017 Board of Equalization remittance forms and CPUC Gas Surcharge Claim forms.
11/21/2017	2nd phone call with Southwest Gas staff	After submitting its “4th Quarter 2016 and 2nd Quarter 2017 Board of Equalization remittance forms and CPUC Gas Surcharge Claim forms” to the Energy Division, Southwest Gas staff called Energy Division staff in order to explain how the R&D surcharge collection amounts that were included in the Board of Equalization remittance forms related to the information on the spreadsheets provided on October 27, 2017.

D. Findings: Based on the review of the material BVES provided, it appears that the utility appropriately recorded the costs for the CARE program during the review period. BVES was able to quickly and adequately respond to all inquiries about the account, and provided assistance whenever it was required.

E. Conclusion/Recommendations: No further action is necessary.

6.2. *Bear Valley Electric Services (BVES) - California Alternative Rates for Energy (CARE) Balancing Account (BA)*

Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Jonathan Wardrip

A. Account Information: The purpose of the California Alternative Rates for Energy Balancing Account (CBA) is to track the Public Purpose Program Surcharge (PPP Surcharge) funds produced by the PPC-OLI Tariff allocable to CARE, and CARE program costs. The CARE Program provides a discounted rate for eligible CARE ratepayers and non-profit group living facilities. The table below lists the quarter-end balances in the CARE account for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection:

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
CARE BA Balance	$12,788	$365,492	$375,163	$379,079	$381,603	$392,016

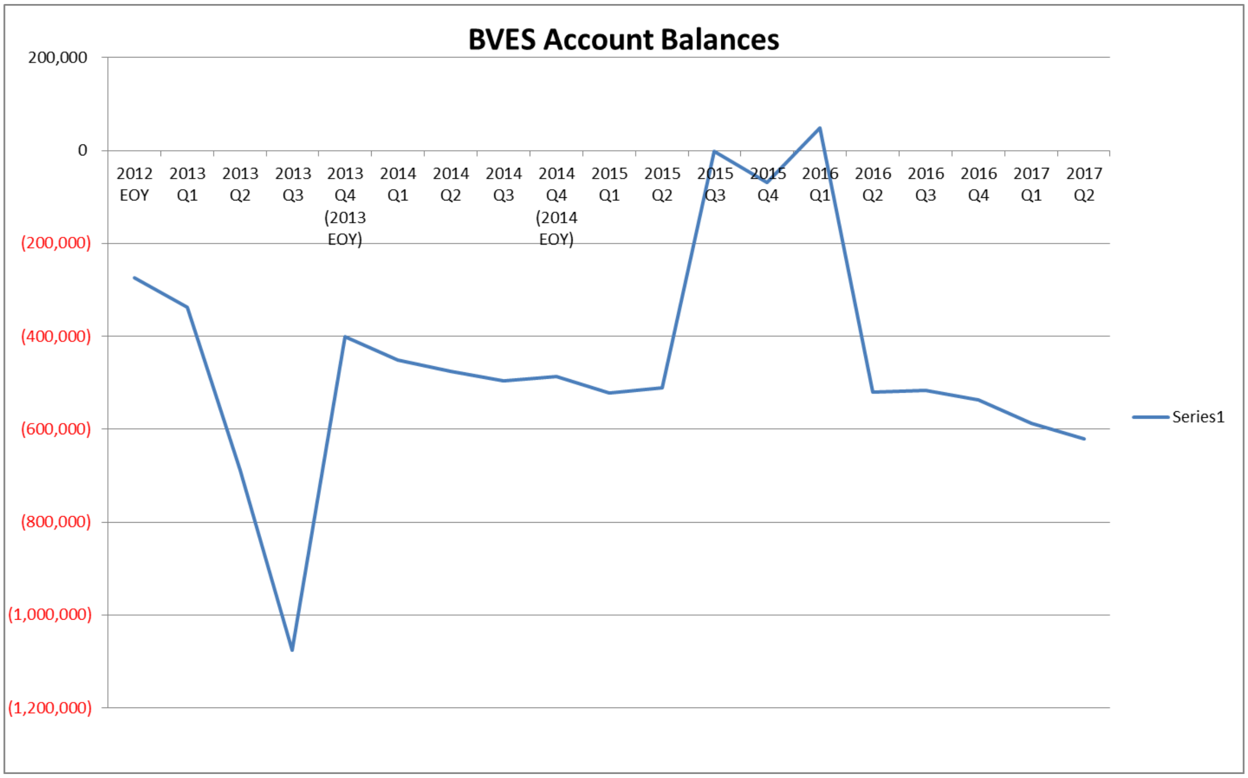
B. Reason for Review: A risk-based criteria guidance document, created by Energy Division was used in selecting the CBA account for review. The account was selected primarily due to the fact that it had not yet been reviewed, and because it had a significant history of being under-collected.

The CBA was reviewed for the period spanning Q1 2016 through Q2 2017. Judgmental samples of 15 transactions were selected for verifying transactions/expenses through invoices, receipts and other documentation. The selected transactions ranged from expenditures on CARE outreach, customer billing support, related travel and other expense items.

As of June 2017, the last month in the review period, the cumulative under-collection was $392,016. The year-to-date under-collection in June 2017 was $12,938. For this account, the negative balance in the account indicates that the account is under-collected, and that expenses are exceeding revenues. The CBA has been under-collected at least as far back as the EOY 2012. The most recent spike in under-collection occurred in Q2 2016, and has continued to be under-collected each quarter since then.

The authority to create balancing account comes from two areas. 1) Decision 08-12-019 approved a $240,620 budget for Bear Valley's CBA in 2011. Decision 12-09-026 adopted month-to-month bridge funding for this account (among others). The CBA's monthly budget is $22,758. 2) Advice letter 229-E, effective 6-1-2009, implemented the Public Purpose Program (PPP) surcharge (detailed in preliminary statement K) which includes ESA cost recovery.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: Staff submitted a series of data requests to BVES in order to obtain the information necessary to review the balancing account. Below is a summary of the communications that were exchanged between BVES and ED staff.

Date	Inquiry	Results/Notes
July 26, 2017 request	Data Request #1, response August 11, 2017	Bear Valley provided answers to DR1 questions, as well as a ledger of transactions booked to the account, and additional documentation showing, on a monthly basis for the review period, the costs to run the program including the discount given to CARE recipients and Administrative costs. The company also provided information regarding the authorizing decisions, history of internal audits on the account (none), and explored the types of costs booked to the account.
September 07, 2017	Conference call with Bear Valley accounting reps	Discussed the meaning of the various codes used in the ledger, their meaning, and importance; walked staff through the Balancing Sheet, and pointed out the important metrics.
September 08, 2017 request	Data Request #2, response September 09, 2017	BVES provided receipts for judgmentally sampled line items from ledger. 15 receipts were provided in all.

October 12, 2017 request	Data Request #3, response October 13, 2017	Staff inquired further about 3 provided receipts. BVES provided justification and further proof for the expense items.

D. Findings**:** Based on the review of the material BVES provided, it appears that the utility appropriately recorded the costs for the CARE program during the review period. BVES was able to quickly and adequately respond to all inquiries about the account, and provided assistance whenever it was required.

E. Conclusion/Recommendations: No further action is necessary.

6.3. *Liberty Utilities - Vegetation Management Balancing Account (VMBA)*

Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: David Zizmor

A. Account Information: In D.12-11-030, Liberty was authorized to collect vegetation management expenses and other fixed costs in a one-way balancing account associated with the costs to comply with Safety of Electric Utility Infrastructure Rulemaking (R.)08-11-005. The decision in that rulemaking adopted regulations to reduce fire hazards associated with overhead power lines and communication facilities. The Vegetation Management Balancing Account (VMBA) was created to record the difference between the Commission-authorized revenue requirement for Liberty's vegetation management program expenses and Liberty's recorded vegetation management program expenses. In the most recent update to the preliminary statement for this account, the three-year revenue requirement (i.e. 2016 – 2018) for the vegetation management program is $7.569 million as authorized in Liberty's General Rate Case (GRC) Decision (D.)16-12-024.

This VMBA is a "one-way" balancing account, meaning the utility is authorized to collect a certain amount in rates – here, $7.569M – and if the utility spends less than the authorized amount, then the difference as recorded in the balancing account is credited back to ratepayers; but if the utility overspends the authorized amount, then there is no recovery of the excess amount for shareholders. The VMBA records debit entries detailing Liberty's monthly recorded vegetation management program expenses against a monthly credit entry of $210,250.[4] Interest is applied to the average net balance in the account based on the rate of three-month Commercial Paper as reported in the Federal Reserve Statistical Release.

The table below lists the quarter-end balances in the VMBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection:

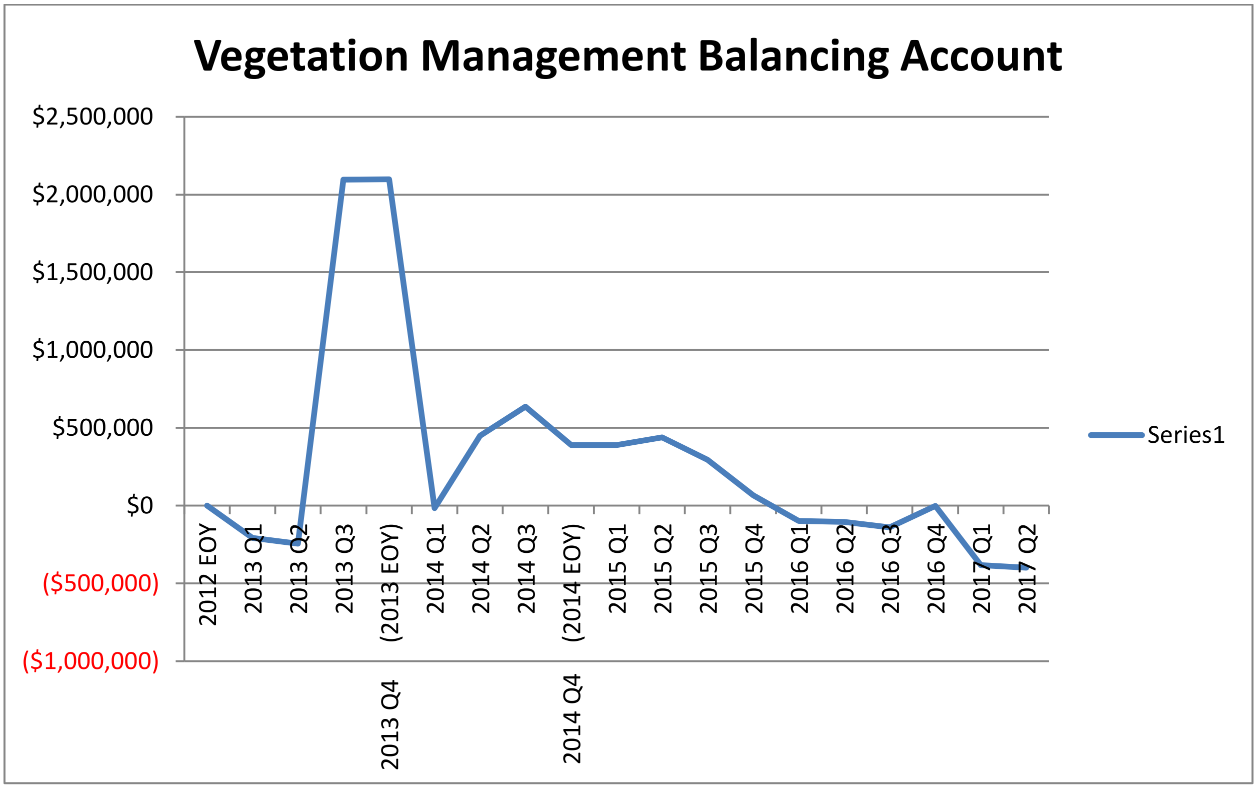
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
VMBA Balance	$(98,867)	$(105,187)	$(139,385)	$(1,374)	$(381,817)	$(399,697)

B. Reason for Review: The VMBA was selected for review in accordance with the risk-based criteria for balancing account selection and the prioritization of cost balancing accounts. Specifically:

[4] The $7.569M authorization spread evenly over three years, i.e. 7,569,000 ÷ 36 months = $210,250 per month.

- Under criterion III.A.2, the balances in the account consistently grew higher: from 2014 Q3 through 2017 Q2, quarterly balances grew from a $635,517 under-collection to a $399,697 over-collection.
- Under criterion III.A.3, the magnitude of this account (over-collected by $399,697 as of 2017 Q2) was the 2nd highest out of Liberty's 16 balancing accounts.
- Under criterion III.A.8, this account had not previously been reviewed by Energy Division, nor any other units within the Commission such as ORA or Audits.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period for this account was from 2016 Q1 through 2017 Q2. This timeframe was selected since it provided a suitable period from which a sufficient sample of documents could be drawn.

The following is a chronology of the communications with Liberty and the data requests issued to them in the course of the review.

Date	Inquiry	Notes
7/25/2017	E-mail with Alain Blunier of Liberty	Contacted Liberty to let them know the balancing account review process was underway and that a data request would be sent the following week.
7/26/2017	E-mail from Dan Marsh of Liberty	Dan Marsh contacted me to let me know that he would be the primary contact for this review.
7/28/2017	Data Request #1 sent on July 28, 2017 and responded to on August 10, 2017	Liberty provided a spreadsheet with details of the recorded activity in this balancing account, informed us that no formal audit had been performed on this account recently, provided citations to relevant decisions and advice letters, informed us that the VMBA is considered a "one-way" balancing account; stated that labor and overhead costs are booked in this account; stated that no FF&U factors are included in the costs, and confirmed relevant interest rates.
9/1/2017	E-mail with Dan Marsh of Liberty	Contacted Dan in order to set up a phone meeting to explain the content of the spreadsheet included in the response to Data Request #1.
9/5/2017	Phone meeting with Dan Marsh, Mary Johnson, and Jeff Kjanka.	Because the format of the spreadsheet was unfamiliar, the analyst set up this meeting with Liberty in order to receive a detailed explanation on how to read the spreadsheet and interpret the data.
9/8/2017	Data Request #2 sent on September 8, 2017 and responded to on September 23, 2017	This data request asked Liberty to provide invoices/documentation for 27 individual transactions listed in the spreadsheets provided in response to Data Request #1, which Liberty subsequently provided.
10/23/2017	Data Request #3 sent on September 23, 2017 and responded to on September 25, 2017	This data request sought clarification regarding a variety of issues found with 6 of the invoices sent in response to Data Request #2.

D. Findings: In response to the first data request, Liberty affirmed that no FF&U factor was associated with costs in the VMBA, that labor and overhead costs are booked in this account, and that it had not recently conducted an audit of this balancing account.

Invoices for 27 transactions were acquired for review in response to data request #2. The analyst selected these invoices by first finding the quarter in 2016 with the most expenses, and the most recent quarter in 2017, and then choosing several invoices from each account category in order to cover every type of expense. The analyst compared these invoices with the transactions listed in Liberty's spreadsheet. All transactions reviewed for Q3 2016 (July, August, and September) and Q2 2017 (April, May, and June) were accounted for by the presence of an invoice and the amounts on the invoices matched the entries in the spreadsheet. As the costs reviewed appeared to be appropriately recorded and incurred, no adjustment to the VMBA is needed based on the transactions reviewed.

The analyst also reviewed the authorized revenue requirement for the VMBA. As stated previously, $7.569 million in total funding was authorized for Liberty's vegetation management program per D.16-12-024 for 2016, 2017, and 2018. This amount was also listed in sections A and D.2. of the VMBA Preliminary Statement, with rates listed in section C. The authorized amount was properly accounted for (with adjustments for under/over-collections from the prior year) in the VMBA documentation provided by Liberty. Since the authorized revenue requirement was properly recorded in accordance with the preliminary statement, no adjustment to the VMBA is needed.

E. Conclusion/Recommendations: No further action is necessary.

6.4. *PacifiCorp CARE Balancing Account (CARE)*

Balancing Account Review Summary - 2016 Q1 – 2017 Q2
Analysts: Eric Greene

A. Account Information: In 1988, Senate Bill 987 amended the Public Utilities Code No. 739, mandating that a baseline quantity of energy be priced below other residential energy consumption. A surcharge was authorized by the CPUC in Decision D.89-09-044 to fund the mandated California Alternate Rates for Energy (CARE) program.

The CARE surcharge applies to all bills for service under certain rate schedules and certain special rate contracts for electric service subject to the jurisdiction of the CPUC.

The purpose of CARE balancing account (CAREBA) is to reflect in rates, through application of the CARE surcharge, the revenue shortfall or overage, and administrative and general costs associated with administering the CARE program.

The CARE program costs are the sum of: 1) CARE benefits, which are equal to the difference between revenues billed pursuant to the CARE residential service Schedule No. DL-6, the CARE General Service Schedule No. AL-6, and revenues that would have been billed under the standard tariff; and 2) incremental and general expenses associated with administering the CARE program including an allowance for Franchise Fees and Uncollectible amounts on administrative costs. However, PacifiCorp does not include overhead, franchise fees, un-collectibles, and A&G in the revenue requirement for the CARE program.

PacifiCorp maintains a CAREBA that tracks the credit and debit entries for its CARE program. Interest is recorded monthly based on the average of the balance in the account at the beginning of the month at a rate equal to one-twelfth the interest rate on three-month Commercial paper as reported in the Federal Reserve Statistical Release H.15.

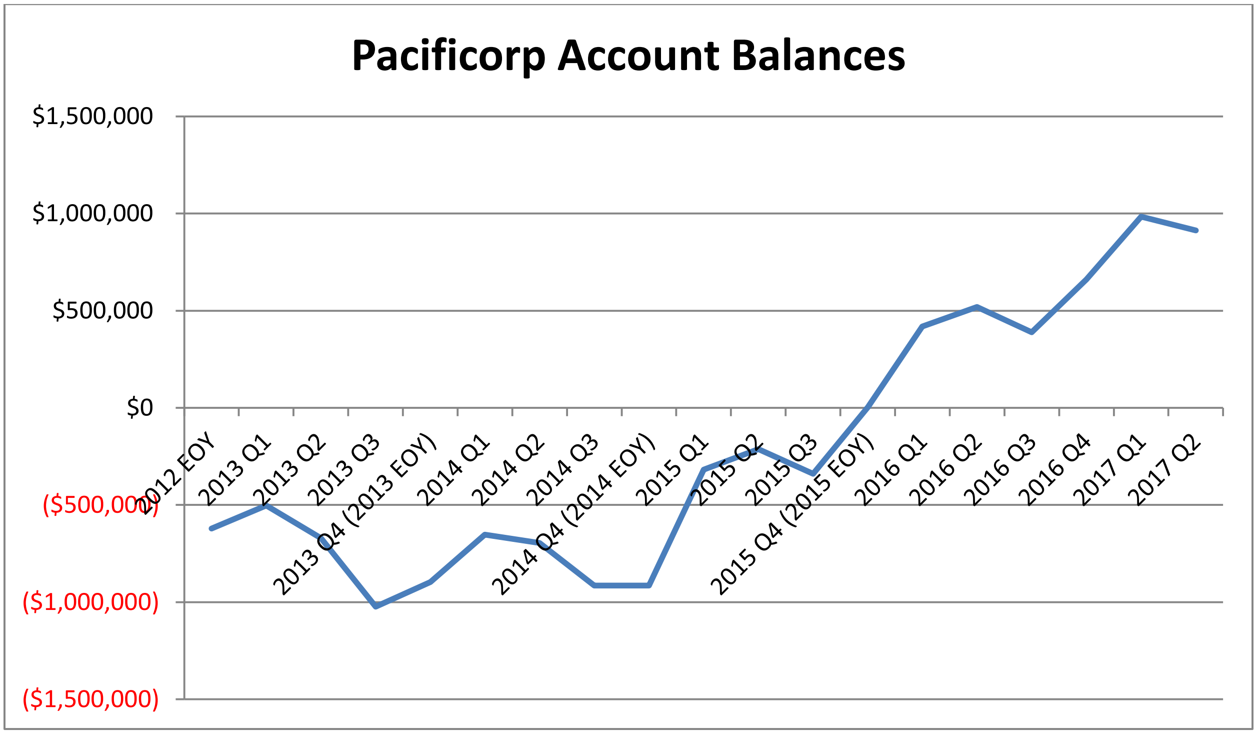
The table below lists the quarter-end balances in the CAREBA for the timeframe reviewed. The balances in parentheses indicate an overcollection; balances without indicate an undercollection:

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
PCBA Balance	$418,765	$518,827	$388,456	$660,564	$984,199	$913,234

B. Reason for Review: In the process of selecting accounts to be reviewed in 2016, accounts were screened out if they were already being reviewed by the Office of Ratepayer Advocates or the Division of Water and Audits, per the list of balancing accounts (BA) provided to staff at the start of the 2016 review. From the remaining eligible accounts, and pursuant to the BA review guidelines, this account was selected because:

- It has never been reviewed by Office of Ratepayer Advocates, Department of Water and Audits, or Energy Division (ED).
- It experienced continuous under-collection from 2015 Q4 continuously increasing (debt) through 2017Q1. At its peak in April 2017 the under-collection (debt) amounted to $1,005,884. By June 2017, the under-collection (debt) balance was reduced to $913,234.

Below is a graph showing the balance of the account since the end of 2012. Dollar amounts in parentheses indicate an overcollection; amounts without indicate an undercollection.



C. Review Process: The review period for this account was from January 2016 through June 2017. ED submitted an initial round of data requests on August 9, 2017, and the company supplied responses on August 24, 2017, as detailed in the table below. This review examined the methodology for entries to the account, the calculations themselves, as well as documentation verifying that the data used in the calculations were based on valid entries. The company provided spreadsheets and tables, which showed the entries in the CAREBA are correct and accurate.

Date	Inquiry	Results/Notes
8/09/2017 request	Data Request #1; Response August 24, 2017.	PacifiCorp provided ledger entries, transactions, and revenues booked into the CARE account 186100 by quarters and years from January 2016 through June 2017.

Date	Inquiry	Results/Notes
8/09/2017 request	Data Request #2; Response August 24, 2017.	PacifiCorp explained that it has not performed an internal audit specifically addressing review of the CARE balancing account.
8/09/2017 request	Data Request #3; Response August 24, 2017.	PacifiCorp provided a copy of the authorizing decision for what is currently booked into the CARE account D.14-05-004, dated May 1, 2014. The resulting Advice Letter 545-E, filed October 31, 2016, was also provided.
8/09/2017 request	Data Request #4; Response August 24, 2017	PacifiCorp explained that the balancing account, which represents the cumulative activities of the CARE program at any point in time, can be in a debt or a credit balance position.
8/09/2017 request	Data Request #5; Response August 24, 2017.	PacifiCorp explained that labor expenses and labor overhead related to the CARE program are included within the General Administration cost category, which is allocated to the CARE account. These expenses are not recovered through any other proceeding.
8/09/2017 request	Data request #6; Response August 24, 2017.	PacifiCorp provided a table showing the monthly interest rates used during the period January 1, 2016 through June 30, 2017. These are based on one-twelfth of the Federal Reserve three-month Commercial Paper rate H.15.

D. Findings: The amounts collected and recorded by PacifiCorp into the CAREBA are complete and accurate. PacifiCorp has been properly administering the account. The peak under-collections (debt), which were increasing since the latter part of 2015 and peaked in April 2017, have been turned around and are now trending down toward a zero balance. This trend indicates the account is being properly monitored and maintained. No issues were observed, and the account appears to be appropriately monitored and managed.

E. Conclusion/Recommendations: No further action is necessary.

7. APPENDICES

7.1. *Appendix A*

RISK-BASED CRITERIA
I. PURPOSE
A. To meet California State Auditor's requirement to implement a risk-based approach for reviewing Balancing Accounts to ensure that recorded transactions are for allowable purposes and are supported by appropriate documentation, such as invoices.
II. APPLICABILITY
A. All Balancing Accounts reviewed by the Energy Division.
1. Compile a list of all Balancing Accounts by individual utility.
i. Separate the list into subcategories of cost and revenue Balancing Accounts.
2. Obtain the following updated information from the individual energy utilities for each Balancing Account on a periodic basis (quarterly or other consistent time period).
i. Purpose
ii. Date the Balancing Account is to be trued-up and /or adjusted.
iii. Method the Balancing Account is to be trued-up and/or adjusted.
iv. Major categories of expenses and revenue included in the Balancing Account.
v. Affiliated transactions included in the Balancing Account, if any.
vi. Quarterly utility allocated revenue and expenses in the Balancing Account, if any.
vii. Commission authorized revenue and expense recovery amounts with references by Decision, Resolution and Advice Letter, if any.
viii. Total quarterly recorded charges and total monthly recorded revenue.
ix. Quarter-end balances for each quarter in the reporting period.
x. Identify newly authorized Balancing Accounts with the information identified in above items i. thorugh x.
III. CRITERIA
A. The following *risk-based criteria* shall be used in deciding which Balancing Accounts should be selected for Energy Division review:
1. Quarter-end balances that are **10%** or more of the utility's last authorized revenue requirement (ratio of balance to authorized revenue requirement).
2. Quarter-end balances that are consistently growing higher monthy and/or quarterly.
3. Magnitude of recorded costs debited to the Balancing Account.
4. Affiliate charges that exceed **10%** of Balancing Account recorded charges and affiliate revenues that exceed **10%** of recorded revenues.
5. Utility allocated quarterly charges that exceed **10%** of quarterly Balancing Account recorded charges and utility allocated quarterly revenues that exceed **10%** of quarterly recorded revenues.
6. Volatile fluctuations in charges, revenues, and balances.
7. Category of expenses and/or revenues that do not appear to be appropriate.
8. Time elapsed since the last review of the account. (Three years or more).
B. Exclude from review all Balancing Accounts that meet the above identified risk-based criteria that are expected to be reviewed or audited by the Office of Ratepayer Advocates, another Division of the Commission, or by independent auditors.
C. Apply informed judgment to select which and how many Balancing Accounts should be reviewed (at least one is required for each utility) for Balancing Accounts meeting the above risk-based criteria not expected to be reviewed or audited by another Division or entity,
D. If an energy utility has no Balancing Account meeting the above risk-based criteria, then the Energy Division shall select for review that utility's Balancing Account with the largest outstanding balance.

7.2. *Appendix B*

Balancing Accounts Reviewed 2014-2018		
Utility	**Account**	**Year**
PG&E	Distribution Revenue Adjustment Mechanism (DRAM)	2014
PG&E	New System Generation Balancing Account (NSGBA)	2014
PG&E	Non-Tariffed Products and Services Balancing Account (NTBA-E)	2014
PG&E	Gas Meter Reading Costs Balancing Account (GMRCBA)	2014
PG&E	Gas Hazardous Substance Mechanism Balancing Account (HSM)	2014
PG&E	Noncore Customer Class Charge Account (NCA)	2014
SCE	California Solar Initiative Program Balancing Account (CSIPBA)	2014
SCE	Purchase Agreement Administrative Cost Account (PAACBA)	2014
SCE	Self-Generation Program Incremental Cost Memo Account (SGPIC)	2014
SDG&E	Electric Distribution Fixed Cost Account (EDFCA)	2014
SDG&E	Rate Design Settlement Component Account (RDSCA)	2014
SDG&E	Self-Generation Program Memorandum Account (SGPMA)	2014
SDG&E	CSI Thermal Program Memorandum Account (CSITPMA)	2014
SDG&E	Hazardous Substance Cleanup Cost Account (HSCCA)	2014
SoCalGas	Pension Balancing Account (PBA)	2014
SoCalGas	Transmission Integrity Management Program (TIMPBA)	2014
SWG	California Alternative Rates for Energy Balancing Account (CAREBA)	2014
BVES	Purchased Power Adjustment Clause Balancing Account (PPAC)	2015
BVES	Solar Initiative Balancing Account (SIBA)	2015
Pacificorp	Demand Side Management Balancing Account (DSMBA)	2015
PG&E	California Alternate Rates for Energy Account (CAREA)	2015
PG&E	Customer Energy Efficiency Incentive Account (CEEIA)	2015
PG&E	Demand Response Expenditures Balancing Account (DREBA)	2015
PG&E	Balancing Charge Account (BCA)	2015
PG&E	Revised Customer Energy Statement (RCESBA)	2015
PG&E	Affiliate Transfer Fee Account (AFTA)	2015
PG&E	Gas Operational Cost Balancing Account (GOBA)	2015
SCE	Energy Savings Assistant Program Adjustment Mechanism Balancing Account (ESAPAMBA)	2015
SDG&E	Energy Storage Balancing Account (ESBA)	2015
SCE	Catalina Island Gas Cost Adjustment Clause (GCAC)	2015
SDG&E	Rewards & Penalties Balancing Account (RPBA)	2015
SDG&E	Streamlining Residual Account (SRA)	2015
SDG&E	Advanced Metering Infrastructure Balancing Account (AMIBA)	2015
SoCalGas	Backbone Transmission Balancing Account (BTBA)	2015
SoCalGas	TIMPBA (twice in two years because AL 4819 specified it)	2015
SWG	Energy Savings Assistance Balancing Account (ESABA)	2015
BVES	Energy Savings Assistance Balancing Account (ESABA)	2016
Liberty	Energy Efficiency Balancing Account (EEBA)	2016
Pacificorp	GHG Allowance Costs Sub Balancing Account (GHGCSBA)	2016

Balancing Accounts Reviewed 2014-2018		
Utility	**Account**	**Year**
PG&E	Gas Leak Survey & Repair Balancing Account (GLSRBA)	2016
PG&E	Major Emergency Balancing Account (MEBA)	2016
PG&E	Mobile Home Park Program Balancing Account [Electric] (MHPPBA)	2016
PG&E	Mobilehome Park Balancing Account [Gas] (MPBA)	2016
SCE	Energy Program Investment Charge Balancing Account - California Energy Commission (EPICBA-CEC)	2016
SCE	Mobilehome Park Master Meter Balancing Account (MMMBA)	2016
SDG&E	California Solar Initiative Balancing Account (CSIBA)	2016
SDG&E	GHG Balancing Account (GHGBA)	2016
SDG&E	Master Meter Balancing Account [Electric] (MMBA)	2016
SDG&E	Master Meter Balancing Account [Gas] (MMBA)	2016
SoCalGas	Advanced Meter Infrastructure Balancing Account (AMIBA)	2016
SoCalGas	Master Meter Balancing Account (MMBA)	2016
SWG	Fixed Cost Adjustment Mechanism (FCAM) - Upstream Pipeline Charges Component	2016
BVES	CARE Balancing Account	2017
Liberty	Vegetation Management Balancing Account (VMBA)	2017
PacifiCorp	CARE Balancing Account	2017
PG&E	Power Charge Collection Balancing Account (PCCBA)	2017
PG&E	Modified Transition Cost Balancing Account (MTCBA)	2017
PG&E	Core Brokerage Fee Balancing Account	2017
PG&E	Core Pipeline Demand Charge Account	2017
PG&E	PPP-California Alternate Rates for Energy Account (PPP-CARE)	2017
SCE	Gross Revenue Sharing Mechanism	2017
SCE	Energy Efficiency Finance Programs Balancing Account (EEFPBA)	2017
SDG&E	21st Century Energy System Balancing Account (CES21-BA)	2017
SDG&E	On Bill Financing Balancing Account – Electric (OBFBA)	2017
SDG&E	On Bill Financing Balancing Account – Gas (OBFBA)	2017
SoCal Gas	Enhanced Oil Recovery Account (EORA)	2017
SoCal Gas	Non-Core Storage Balancing Account (NSBA)	2017
SW Gas	Public Interest Research & Development Balancing Account (R&DBA)	2017