California Public Utilities Commission

ELECTRIC COST AND NATURAL GAS BALANCING ACCOUNT REVIEWS

Energy Division Balancing Accounts - Review Summaries

Energy Division
8/18/2017

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1. EXECUTIVE SUMMARY

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 the wake of this report, the Energy Division's Electric Costs and Natural Gas sections were tasked with 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] 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 the fourth round just commenced.

As indicated in the State Auditor's report, *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, Southwest Gas, and Pacificorp. 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 2016 submitted by the utilities, the number of balancing accounts in rates for each utility is as follows:

- Bear Valley: 8
- Liberty: 13
- PacifiCorp: 9
- PG&E (electric + gas): 60
- SCE: 32
- SDG&E (electric + gas): 60
- SoCal Gas: 46
- Southwest Gas: 15

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[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: ED's 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.

That's a total of 243 accounts subject to review (as of 2016 Q4). ORA reviews balancing accounts as part of the General Rate Case and ERRA proceedings, and the CPUC Audit unit 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. Additionally, the 2016 review included ED's first ever review of balancing accounts that are part of a coordinated effort with the Commission's Safety Division to evaluate a specific Commission-authorized program. Energy Division endeavors to review as many different accounts as possible, although not all of the 243 accounts have been reviewed yet.

Energy Division completed balancing account reviews in 2014, 2015, and 2016, and its 2017 review began in July 2017. Below is a list of every account reviewed as well as those currently being examined for 2017:

Balancing Accounts Reviewed 2014-2017		
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

Balancing Accounts Reviewed 2014-2017		
Utility	**Account**	**Year**
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
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 (OBFBA)	2017
SDG&E	On Bill Financing Balancing Account (OBFBA)	2017
SoCal Gas	Enhanced Oil Recovery Acct (EORA)	2017

Balancing Accounts Reviewed 2014-2017		
Utility	**Account**	**Year**
SoCal Gas	Purchased Gas Account (PGA)	2017
SoCal Gas	Hazardous Substance Cost Recovery Account (HSCRA)	2017
SW Gas	Purchased Gas Cost Account	2017

2. OVERVIEW

In March 2014, the State Auditor issued a report 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 the wake of this report, the Energy Division's Electric Costs and Natural Gas sections were tasked with 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." 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 the fourth round just commenced.

As indicated in the State Auditor's report, *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, Southwest Gas, and Pacificorp. 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 2016 submitted by the utilities, the number of balancing accounts in rates for each utility is as follows:

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That's a total of 243 accounts subject to review (as of 2016 Q4). ORA reviews balancing accounts as part of the General Rate Case and ERRA proceedings, and the CPUC Audit unit 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. Additionally, the 2016 review included ED's first ever review of balancing accounts that are part of a coordinated effort with the Commission's Safety Division to evaluate a specific Commission-authorized program. Energy Division endeavors to review as many different accounts as possible, although not all of the 243 accounts have been reviewed yet.

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2014		
Utility	Account	Reviewer
PG&E	Distribution Revenue Adjustment Mechanism (DRAM)	Leuwam Tesfai
PG&E	New System Generation Balancing Account (NSGBA)	Leuwam Tesfai
PG&E	Non-Tariffed Products and Services Balancing Account (NTBA-E)	Leuwam Tesfai
PG&E	Gas Meter Reading Costs Balancing Account (GMRCBA)	Eugene Cadenasso
PG&E	Gas Hazardous Substance Mechanism Balancing Account (HSM)	Eugene Cadenasso
PG&E	Noncore Customer Class Charge Account (NCA)	Eugene Cadenasso
SCE	California Solar Initiative Program Balancing Account (CSIPBA)	Leuwam Tesfai
SCE	Purchase Agreement Administrative Cost Account (PAACBA)	Leuwam Tesfai
SCE	Self-Generation Program Incremental Cost Memorandum Account (SGPIC)	Leuwam Tesfai
SDG&E	Electric Distribution Fixed Cost Account (EDFCA)	Leuwam Tesfai
SDG&E	Rate Design Settlement Component Account (RDSCA)	Leuwam Tesfai
SDG&E	Self-Generation Program Memorandum Account (SGPMA)	Leuwam Tesfai
SDG&E	CSI Thermal Program Memorandum Account (CSITPMA)	Franz Cheng
SDG&E	Hazardous Substance Cleanup Cost Account (HSCCA)	Franz Cheng
SoCalGas	Pension Balancing Account (PBA)	Belinda Gatti
SoCalGas	Transmission Integrity Management Program (TIMPBA)	Belinda Gatti
SWG	California Alternative Rates for Energy Balancing Account (CAREBA)	Franz Cheng
2015		
BVES	Purchased Power Adjustment Clause Balancing Account (PPAC)	Jaime Gannon
BVES	Solar Initiative Balancing Account (SIBA)	Jaime Gannon
Pacificorp	Demand Side Management Balancing Account (DSMBA)	Jaime Gannon
PG&E	California Alternate Rates for Energy Account (CAREA)	Laura Martin
PG&E	Customer Energy Efficiency Incentive Account (CEEIA)	Laura Martin
PG&E	Demand Response Expenditures Balancing Account (DREBA)	Laura Martin
PG&E	Balancing Charge Account (BCA)	Eugene Cadenasso
PG&E	Revised Customer Energy Statement (RCESBA)	Eugene Cadenasso
PG&E	Affiliate Transfer Fee Account (AFTA)	Jean Spencer
PG&E	Gas Operational Cost Balancing Account (GOBA)	Jean Spencer
SCE	Energy Savings Assistant Program Adjustment Mechanism	Jaime Gannon

	Balancing Account (ESAPAMBA)	
SDG&E	Energy Storage Balancing Account (ESBA)	David Zizmor
SCE	Catalina Island Gas Cost Adjustment Clause (GCAC)	Amardeep Assar
SDG&E	Rewards & Penalties Balancing Account (RPBA)	David Zizmor
SDG&E	Streamlining Residual Account (SRA)	David Zizmor
SDG&E	Advanced Metering Infrastructure Balancing Account (AMIBA)	Franz Cheng
SoCalGas	Backbone Transmission Balancing Account (BTBA)	Greg Reisinger
SoCalGas	TIMPBA (twice in two years because AL 4819 specified it)	Belinda Gatti
SWG	Energy Savings Assistance Balancing Account (ESABA)	Amardeep Assar
2016		
BVES	Energy Savings Assistance Balancing Account (ESABA)	Jaime Gannon
Liberty	Energy Efficiency Balancing Account (EEBA)	Jaime Gannon
Pacificorp	GHG Allowance Costs Sub Balancing Account (GHGCSBA)	James Loewen
PG&E	Gas Leak Survey & Repair Balancing Account (GLSRBA)	Eugene Cadenasso
PG&E	Major Emergency Balancing Account (MEBA)	Laura Martin
PG&E	Mobile Home Park Program Balancing Account [Electric] (MHPPBA)	Laura Martin
PG&E	Mobilehome Park Balancing Account [Gas] (MPBA)	Eugene Cadenasso
SCE	Energy Program Investment Charge Balancing Account - California Energy Commission (EPICBA-CEC)	Maryam Ghadessi/David Zizmor
SCE	Mobilehome Park Master Meter Balancing Account (MMMBA)	Maryam Ghadessi/David Zizmor
SDG&E	California Solar Initiative Balancing Account (CSIBA)	David Zizmor
SDG&E	GHG Balancing Account (GHGBA)	Belinda Gatti
SDG&E	Master Meter BA [Electric] (MMBA)	David Zizmor
SDG&E	Master Meter BA [Gas] (MMBA)	Amardeep Assar
SoCalGas	Advanced Meter Infrastructure Balancing Account (AMIBA)	Jean Spencer
SoCalGas	Master Meter Balancing Account (MMBA)	Belinda Gatti
SWG	Fixed Cost Adjustment Mechanism (FCAM) - Upstream Pipeline Charges Component	Amardeep Assar

In March 2014, the State Auditor issued a report[3] 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*

[3] 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.

that [ORA] has not reviewed." (emphasis added) In the wake of this report, the Energy Division's Electric Costs and Natural Gas sections were tasked with 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."[4] 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 the fourth round just commenced.

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3. PG&E

3.1. *Leak Survey and Repair Balancing Account (GLSRBA)*

Balancing Account Review Summary - 2015Q1 – 2016 Q2
Analyst: Eugene Cadenasso
Reviewer: Eugene Cadenasso

A. Account Information: The creation of this account was authorized by D.14-08-032 and has been revised by various advice letters.[5] [6] The purpose of the GLSRBA is to track and adjust for the difference between authorized and recorded expenses for the following cost categories: 1) Natural Gas Distribution Leak Survey, 2) Leak Survey, 3) Meter Set Leak Repair, 4) Atmospheric Corrosion Inspection and 5) Tee Cap Repair. The GSLRBA excludes costs recovered through the Catastrophic Event Memorandum Account. There is an annual cost cap and unit cost cap imposed on the activities recorded in the account whereby costs incurred in excess of the caps cannot be recovered by the utility from customers.

B. Reason for Review: The GLSRBA 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 GLSRBA was chosen due to the magnitude of monthly balance fluctuations and monthly balances.

C. Review Process: The review period included 2015 and the 1st and 2nd quarter 2016. This timeframe was selected as it provided a suitable base from which a sample of documents could be drawn for further review.

The gas survey and repair work recorded to the balancing account primarily consisted of internal PG&E labor including overhead costs, third-party contracts (e.g., for paving) and material. Source documentation was requested from PG&E based upon a sample selected from the various work categories and entries recorded to the balancing account. The sample involved a broad range of work categories, third-party vendors and PG&E labor. Varying spending amounts (high, medium and low) were also selected for the sample. The requested documentation was provided by PG&E and reviewed by staff. The source documentation for PG&E internal labor consisted of SAP computer generated data output intended to substantiate the entries and invoices were provided for contracted activities such as construction work. Following the receipt

[5] PG&E AL 3518-G, AL 3550-G and AL 3618-G (see 6/27/16 data request)
[6] For the GLSRBA accounting procedures see Preliminary Statement PART DE
http://www.pge.com/tariffs/tm2/pdf/GAS_PRELIM_DE.pdf

of the source documentation, Staff issued a follow-up data request asking for justification for the booking of some costs as well as for clarification.

Staff also asked PG&E about other elements of the balancing account. The utility was questioned about the implementation of a recommendation made by the utility's corporate auditors. PG&E responded that it is currently in process of the instituting the recommendations. Additionally, PG&E explained how the cost caps are applied to the various work categories subject to the balancing account and the application of the labor rates and labor burdens used to record work done by internal PG&E labor.

PG&E also provided the results of an internal audit that was performed were several deficiencies were found and the included remedial actions. The audit report is designated "Confidential."

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
6/27/16	Information about creation of account, affiliate transactions, results of past audits, and description of source documents and entries in the balancing account covering the review period.	PG&E responded 7/22/16 with the requested information stating that there are overhead costs recorded to the account but the amount is not being collected in rates elsewhere. Additionally, the utility provided a confidential report on the account done by corporate auditors that included recommendations. A list of advice letters that created the GLSRBA and which have modified the account over the years was provided. FF&U is not recovered through the account.
9/13/16	Request for more detail concerning the MAT codes and status of implementation of the audit recommendations.	PG&E responded 9/27/16 with a listing of the orders recorded to the account and an explanation of the implementation of the audit recommendations.
11/8/16	Request for source documents associated with the order numbers provided by PG&E in its 9/27/16 data request response and an explanation of the booking of "not-assigned" costs.	PG&E responded 11/27/16 and provided the order detail that could enable a sample of balancing account entries to be taken and explained how not-assigned costs involve work that supports gas leak survey and repair activities.
1/8/17	Requested source documents for the entries sampled by staff that included PG&E labor	PG&E responded 2/9/17 and provided a description of the

Date	Inquiry	Notes
	costs and vendor costs. Also, inquired about PG&E's application of the cost caps, explanation of the labor rates and overhead costs booked to the account, whether the audit recommendations have been implemented.	application of the cost caps, labor rates and overheads, source documentation; the audit recommendations are still being implemented by the utility.
2/21/17	Inquired about the booking of some costs related to meals and for clarification regarding the booking of costs included in a consolidated invoice.	PG&E responded 3/1/17 and explained that the meal costs were employee related costs for a specific job and are not captured in overhead or other cost category. The specific entry on the consolidated bill was highlighted to correspond to the entry requested by staff.
4/11/17	Inquired about reconciling the source documentation provided by PG&E and the ledger entries used for the sampling in the 1/8/17 DR and to explain any discrepancies between the amounts shown on the source documents and ledger.	PG&E responded 4/20/17 with the requested information.

Date	Meeting
8/31/16	Meeting at PG&E with balancing account managers to review 7/22/16 data request response.

D. Findings: Based on the review of the material PG&E provided, it appears that the utility appropriately recorded the costs for the program. Staff questioned receipts for material (waders) and meal costs (totaling $198) that were recorded to the account. However, PG&E provided a plausible explanation stating they were employee related costs for a specific job (see 2/21/17 Data Request). Staff also notes that supporting documentation for PG&E labor costs were screenshots of computer records. Further verification of the accuracy of the labor cost entries (e.g., interview employees) was beyond the scope of the review. Additionally, PG&E noted that recommendations from an internal audit its corporate auditors performed are not yet fully implemented (see 1/18/17 data request).

3.2. *Mobile Home Park Balancing Account Gas – (MHPBA-G)*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analyst: Eugene Cadenasso
Reviewer: Eugene Cadenasso

A. Account Information: The creation of this account was authorized by Decision (D.) 14-03-021 and has been revised by various advice letters.[7] [8] The purpose of the MHPBA-G is to record and recover the actual incurred costs of implementing a voluntary program to convert gas master-meter/submeter service at mobile home parks and manufactured housing communities to direct service by the utilities. The costs associated with the accounting entries in the MHPBA-G include incremental expenses and also "to the meter" and "beyond the meter" costs. Costs recorded to the balancing account are subject to a reasonableness review in the utility's GRC, as specified in Ordering Paragraph 8 of D.14-03-021. "To the meter" and "beyond the meter" construction costs are to be capitalized at the utilities then-current authorized rate of return on rate base. The MHP is a three year pilot program and the Commission will decide whether the program should be extended.

B. Reason for Review: The selection MHPBA-G was selected for review in consideration of the Commission's reasonableness review of the program to decide whether it should continue. The balancing account review can help inform the Commission regarding continuation of the program. Furthermore, there appears to be a significant variance between the utilities' expenditures on the program, as follows.

As of 2016 Q1 quarterly reports, the utilities have accumulated the following balancing:

PG&E	$2,684,399
SoCalGas	$1,960,646
SDG&E	$ 825,036

C. Review Process: The review period included all of 2015 and the 1st and 2nd quarter 2016. This timeframe was selected as it provided a suitable base from which a sample of documents could be drawn for further review. Staff requested ledgers for the MHP gas projects that PG&E completed and converted to utility service as of 9/20/16 from which a sample could be selected for the acquisition of source documents. The MHP projects that were reported completed are the following:

1. Black Butte MHP
2. Crystal MHP

[7] PG&E AL 3473-G/4415-E, AL 3500-G/4466-E, AL 3500-G-A/4466-E-A, 3500-G-B/4466-E-B, AL 3500-G-C/4466-E-C (see 6/17/16 data request)
[8] For the MHPBA accounting procedures see Preliminary Statement PART DB https://www.pge.com/tariffs/tm2/pdf/GAS_PRELIM_DB.pdf

3. Wagon Wheel Estates
4. Capri
5. Walnut
6. Lake Shasta (Gas only)

For each completed MHP project, costs were categorized in the following groups:

1. Engineering and Planning
2. To-The-Meter Permits
3. Beyond-The-Meter Permits
4. Construction
5. Beyond-The-Meter Cost (Construction)
6. System Cut Over

In addition to these cost categories specific to the MHPs, there are also common costs that are related to PG&E's implementation of the program. These program costs are: 1) Outreach and Education, 2) Administration, and 3) Environmental Issues/Remediation.

Source documentation was requested from PG&E based upon a sample selected from each of the completed MHP projects and various cost categories using the entries recorded to the balancing account. In addition, source documents were requested from ledger entries concerning the common program costs. As a result, source documents were obtained from PG&E related to each completed MHP project and cost category.

Some invoices were marked 'Confidential" by the utility.

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
6/27/16	Information about creation of account, affiliate transactions, results of past audits, and description of source documents and entries in the balancing account covering the review period.	PG&E responded 7/22/16 with the requested information stating that there are overhead costs recorded to the account but the amount is not being collected in rates elsewhere. Additionally, the utility stated that an internal audit of the account has not been performed. A list of advice letters that created or modified the balancing account were provided.
9/20/16	Request for list of completed MHP projects and more detail concerning the costs (e.g., description of Outreach & Education activities, allocation of costs between electric and gas) that were recorded to the	PG&E 10/7/16 provided the list of completed MHP projects and associated costs as well as a description of O&E activities. Common electric and gas costs are

Date	Inquiry	Notes
	balancing account.	allocated 50/50.
1/26/17	Request for list of completed MHP projects and more detail concerning the costs (e.g., description of Outreach & Education activities, allocation of costs between electric and gas) that were recorded to the balancing account.	PG&E responded 2/9/17 with the transaction-level detail for the completed MHP projects and noted some corrections to the reported costs.
3/2/17	Request for source documents based on the sample using cost information from the completed MHP projects and explanation of entries that do not have source documents.	PG&E responded 3/14/17 and provided the requested source documentation and explained that recorded costs such as overhead and accrual items do not have source documents.

Date	Meeting
8/31/16	Meeting at PG&E with balancing account managers to review 7/22/16 data request response.

D. Findings: Based on the review of the material PG&E provided, it appears that the utility appropriately reported its costs for the program. PG&E provided an explanation for costs that were reported for which there was no source documentation (see 3/2/17 data request) and for discrepancies between recorded amounts and the source documentation (see annotations on source documents). Additionally, PG&E corrected the cost information it initially provided (see 1/26/17 data request). Common costs are allocated 50/50 to the electric and gas operations (see 9/20/16 data request). Supporting documentation for PG&E labor costs were screenshots of computer records. Further verification of the accuracy of the labor cost entries (e.g., interview employees) was beyond the scope of the review.

3.3. *Major Emergency Balancing Account (MEBA)*

Balancing Account Review Summary - 2015 Q2 – 2016 Q1
Analyst: Laura Martin
Reviewer: Laura Martin

A. Account Information: The MEBA records actual expenses and capital revenue requirements resulting from responding to major emergencies and catastrophic events not eligible for recovery through the Catastrophic Event Memorandum Account (CEMA). The MEBA was authorized and established by PG&E in accordance with Ordering Paragraph (OP) 9 of Decision (D.) 14-08-032.

B. Reason for Review: The MEBA was selected because there were volatile fluctuations in quarter-end balances (i.e. from fairly constant over collections in the last few quarters of 2015 to a significant increase (and undercollection) in Quarter (Q)1 of 2016) as follows:

2015 Q2:	($13,912,449)
2015 Q3:	($16,616,993)
2015 Q4:	($13,044,602)
2016 Q1:	$29,442,698

Also, the MEBA was not expected to be reviewed or audited by either the Office of Ratepayer Advocates (ORA) or the Utility Audits Branch. Q2 through Q4 of 2015 and Q1 of 2016 were the time periods selected for review. Distribution of the MEBA balance is through PG&E's Annual Electric True-Up advice letter filing through the Distribution Revenue Adjustment Mechanism (DRAM), or as otherwise authorized by the Commission.

C. Review Process: The analyst reviewed activity-level cost detail supporting the MEBA (Electric) expenses and capital RRQ reported in the subledger 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 many sample entries. Documentation supporting the transactions included invoices, journal entries, purchase order payment history, and time-reporting system (i.e. SAP) data screenshots. 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
7/25/2016	Data Request (ED-ME_001) requesting general information on	Question 1 Please provide a searchable report, in Excel format, for the Major Emergency Balancing Account (MEBA). Show the ledger entries, transactions, and revenues booked to the account during the following periods: 2015 Q2, 2015 Q3, 2015 Q4, and 2016 Q1. In

Date	Inquiry	Notes
	the account. Sent on 7/6/16. Response requested by 7/25/16.	addition: a. Please color code ledger entries, transactions, and revenues by category of revenue or expense to indicate whether they are overhead, affiliate transactions, outside vendor costs, or capital costs. If none of the entries, transactions, or revenues can be categorized as such, please say so. b. Calculate the total dollar amounts and percentages of total revenue requirements attributable to overheads, affiliate transactions, and capital expenditures booked to each account over the abovementioned four quarters. Answer 1 Attachment 1 to this response includes the MEBA subledger ("SL"), also known as "reconciliation" for the period covering Quarter 2, 2015 through Quarter 1, 2016. File name is "CPUC-BalancingAccountAudit2016_DR_ED-ME_001-Q01_Atch1.xls". a. PG&E does not color code entries to this subledger. The SAP account number for MEBA is 1823619. The MEBA SL is maintained on an Inception-To-Date (ITD) basis, where monthly activities from 01/2014 through 03/2016 are shown by row, and types of activities are shown by column. Tab "Subledger" shows the MEBA activities. Tab "SAP-E" has screenshots of SAP monthly balance for a given year for 2014-2016. Tab "Recon" shows a summary of MEBA per subledger and per SAP. In the "Subledger" tab, the SL columns show expense, capital revenue requirement ("Capital RRQ"), adopted revenue requirement ("Adopted RRQ"), interest, and transfers. This tab also provides the corresponding accounting section number from the Preliminary Statement in row 5 and various notes at the bottom of the worksheet. Please see PG&E's response to Question 6 which also pertains to corresponding accounting section numbers from the Preliminary Statement. For the relevant CPUC decision and advice letters related to MEBA, please see our answer to Question 3. b. There are no affiliate transactions recorded to the MEBA. The dollar amount and percentage of total revenue requirements of utility-allocated costs (i.e., overheads) recorded to the account for 2015 and 1st Quarter 2016 is summarized below: 2015* 2016** Total Overhead 3,915,082 1,007,840 Total RRQ 39,523,236 11,827,226 Percentage 9.9% 8.5% Capital RRQ (2,488,764) 1,051,726

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		Total RRQ 39,523,236 11,827,226 Percentage -6.3% 8.9% * Full year 2015 ** Q1 2016 Note, the capital-related revenue requirements include depreciation expense, the return on rate base, federal and state income taxes (including the benefit from tax repairs deduction), and property taxes. The authorized and recorded capital revenue requirements utilize the same tax depreciation parameters as the adopted Results of Operations model. Question 2 Please provide searchable electronic copies of the most recent PG&E internal audits of the MEBA. If copies are not available, please explain why not. Answer 2 Please refer to the following attachment for the most recent PG&E internal audit report of the MEBA: "CPUC_BalancingAccountAudit2016_DR_ED-ME_001-Q2_Atch1.pdf". PG&E has implemented an action plan to address the issues identified in the internal audit report. Question 3 Please provide the authorizing decisions and page citations that authorized what could be booked in the MEBA. Answer 3 The authorizations and citations to D.14-08-032 and AL 4501-E, including links to the documents, are provided in actual response. Question 4 Energy Division's review of various balancing accounts indicates that some book utility labor costs, allocate overhead costs (e.g. A&G), and include a factor for Franchise Fees and Uncollectibles (FF&U). Since labor costs and costs related to utility assets and infrastructure are typically recovered through a utility's general rate case, Energy Division staff wants to make sure these costs are not double-booked. Please provide the following information for the MEBA: a. Are labor costs booked in the account? If so, please provide citation(s) to the Commission decision(s) or resolution(s) authorizing the booking of these costs. b. Are any other overhead costs allocated to the account? If so,

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		please provide citation(s) to the Commission decision(s) or resolution(s) authorizing the booking of these allocated costs. c. Please provide an affirmation that neither the labor costs booked in the balancing account nor the overhead costs booked in the account are recovered through another rate proceeding so Energy Division can determine that none of these costs are double counted. d. Is a FF&U factor included in the costs? If so, please provide citation(s) to the Commission decision(s) or resolution(s) authorizing the use of the FF&U. Answer 4 a. Yes, labor costs are booked to the MEBA account as these costs are part of the restoration process during major emergencies. See MEBA decision 14-08-032 page 212 and Ordering Paragraph 9. Page 212 states, "We conclude that PG&E's proposal for a balancing account to cover the costs of major emergencies not covered under CEMA is warranted, and approve PG&E's request to implement it." Page 213 states, "In a major emergency, PG&E must spend what is required in order to restore service to all customers, and does not have discretion to avoid spending required to address major emergencies not covered under CEMA. The proposed balancing account mechanism ensures that customers will be protected if PG&E's recorded costs are lower than forecast." Note that the adopted costs for this program include labor and overheads. b. Yes, overhead costs are booked to the MEBA account as these costs are indirect costs and part of the restoration process during major emergencies. See MEBA decision 14-08-032 page 212 and Ordering Paragraph 9. c. Neither the labor costs booked in the MEBA nor the overhead costs booked in the MEBA are recovered through another rate proceeding. d. FF&U is not recorded to MEBA, in accordance with Electric Preliminary Statement Part GJ. Question 5 What is the basis for the interest rates being used on the balances of the MEBA? Please list the interest rates used for each account by month. Answer 5 Electric Preliminary Statement Part GJ for MEBA provides the guideline on recording interest in the ACCOUNTING

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		PROCEDURE, section 5. Section 5.e) states "An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three-month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor." See the attachments for a copy of the preliminary statement and information on the 2015 and 2016 interest rates used by month (file names are: CPUC-BalancingAccountAudit2016_DR_ED-ME_001-Q5_Atch1.pdf, CPUC-BalancingAccountAudit2016_DR_ED-ME_001-Q05_Atch2.pdf, and CPUC-BalancingAccountAudit2016_DR_ED-ME_001-Q05_Atch3.pdf) Question 6 In order to make clear the relationship between the information in the spreadsheet and MEBA's preliminary statement, please indicate on the spreadsheet where a row or column is attributable to any instruction(s) in the preliminary statement (presumably from the "Accounting Procedures" section). Answer 6 Please refer to the sub-ledger (reconciliation) provided in Question 1, Attachment 1. The Excel file name is "CPUC-BalancingAccountAudit2016_DR_ED-ME_001-Q01_Atch1.xlsx". In the file, please refer to tab "Subledger". In row 5, highlighted in yellow, the section numbers from the "ACCOUNTING PROCEDURE" section of electric preliminary statement part GJ (MEBA) are provided for each column.
8/10/16	Meeting at PG&E to discuss accounting of MEBA and PG&E's DR ED-ME_001 responses	PG&E provided an overview of the MEBA, authorized revenue requirement, expenses, and explanation of entries and notes in the subledger.
8/22/16	Data Request (ED-ME_002) sent on 8/11/16. Response requested by 8/22/16.	Question 1 Please provide the Business Finance report with additional activity-level cost detail supporting the MEBA (Electric) expenses and capital RRQ reported in the subledger tab of Attachment 1 of PG&E's response to Question 1 of the Energy Division's Data Request 1 for the Major Emergency Balancing Account (see PG&E's response to Energy Division's Data Request 1 for the

Date	Inquiry	Notes
		Mobile Home Park Program Balancing Account (Attachment 2 to Question 1 – "Order Costs" tab)). Answer 1 See attachment to the data response for the Business Finance report, Excel file name "CPUC-BalancingAccountAudit2016_DR_ED-ME-002-Q01_Atch1.xlsx". This report supports the expenses recorded to MEBA. For capital, please note capital expenditure numbers are found in the BW RCC order report being provided as part of Question 02 of this data request. In the BW RCC order report, capital orders are in Major Work Category (MWC) 95 while expense orders are in MWC IF. When capital orders become operative, the associated capital expenditures become capital additions, and capital additions (not capital expenditures) are converted into capital revenue requirement (capital RRQ) and recorded to MEBA. The Capital Additions report is attached as Excel file name "CPUC-BalancingAccountAudit2016_DR_ED-ME-002-Q01_Atch2.xlsx". Question 2 Please provide the BW RCC order expense report for the MEBA (Electric) for June 2015, July 2015, and March 2016. Answer 2 Please see 2 Excel files provided. The Excel filenames are "CPUC-BalancingAccountAudit2016_DR_ED-ME_002-Q02_Atch1.xls" for full year 2015 and "CPUC-BalancingAccountAudit2016_DR_ED-ME_002-Q02_Atch2.xls" for Q1 2016. When you open the files, you will see the bottom right corner of data. Capital orders are in Major Work Category 95 and expense orders in MWC IF. Expense orders are in highlighted in light yellow to help separate expense orders from capital orders. There are subtotals for capital and expense at bottom of the file. Please note the capital order amounts are capital expenditure, not necessarily capital additions. When capital orders become operative, they become capital additions. PG&E converts capital additions to capital revenue requirement (capital RRQ) and records capital RRQ to MEBA.
10/4/2016	Data request (ED-ME_003)	Question 1 In response to Energy Division's Question 2 of MEBA Data

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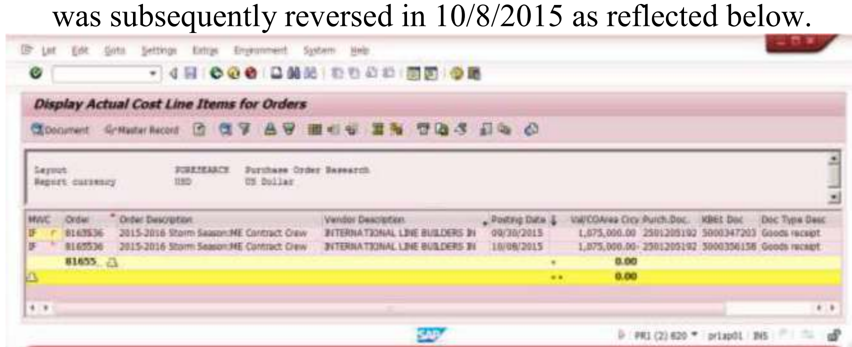
	sent on 9/20/16. Response requested by 10/4/16	Request No. 1, PG&E stated that it has implemented an action plan to address the issues identified in the July 27, 2015 Internal Audit Report of the MEBA. Please provide PG&E's action plan and any other related documentation regarding processes and/or criteria that PG&E developed to verify that costs in the MEBA are appropriately recorded. Answer 1 Attached is a document that describes the corrective actions PG&E is taking to address the issues identified in the internal audit report provided in PG&E's 7/25/16 DR #1 response to Question 2 and the current status of these corrective actions. These items remain in progress. When the action plans are complete, Internal Audit will validate the updated processes and controls. Please refer to the following attachment: CPUC-BalancingAccountAudit2016_DR_ED-ME_003-Q01ATCH01.docx
12/22/16	Internal meeting with ALJ and Energy Division staff	Discuss recovery of costs booked into MEBA that are not eligible for CEMA recovery. If the costs are not eligible for CEMA recovery because the event was not declared a disaster under CEMA guidelines, then these costs only get reviewed as part of the balancing account review and are not subject to "audit" and/or "reasonableness review".
1/4/17	Data request (ED_009-Q01-02) sent on 12/21/16 from Elaine Lau	Question 1 Provide PG&E's internal audit report on the Major Emergency Balancing Account (MEBA). Answer 1 Attachment GRC-2017-PhI_DR_ED_009-Q01Atch01 is PG&E's internal audit report on the MEBA, issued July 27, 2015. Question 2 Provide information on what PG&E has done to address the concerns raised in the internal audit findings on MEBA. Answer 2 PG&E identified the following management actions to address the concerns raised in the internal audit findings: 1. Develop an inventory of MEBA orders and evaluate each record using MEBA charging criteria to validate that costs qualify for the MEBA mechanism. Provide this document to the Internal Audit team; 2. Develop a process flow chart to identify the roles and responsibilities for order approval and review for MEBA

Date	Inquiry	Notes
		orders and costs; and 3. Develop MEBA and Activation Criteria documents, in guidance document format, that provide a record of the changes in each version and allows for changes to be tracked by version number to ensure future audits can apply the correct guidelines at the specific time. To date, PG&E has completed all of the actions identified above. Specifically, the following actions have been taken: • The Electric Emergency Recovery Program (EERP) organization developed a process in collaboration with PG&E's Business Finance organization to review MEBA orders on a monthly basis. This process includes: 1) checking activation thresholds outlined in the Operations Emergency Centers (OECs) activation criteria document; 2) flagging and revising incorrect order naming conventions; and 3) obtaining Emergency Management Manager approval to reclassify MEBA charges to "Routine Emergency" as appropriate. See attachments GRC-2017- PhI_DR_ED_009-Q02Atch01 and GRC-2017-PhI_DR_ED_009-Q02Atch02 for the MEBA Exclusion Process flow chart and the MEBA Exclusions Monthly Audit Process Details document. • The revised MEBA charging guidelines and OEC activation criteria documents were communicated to the Electric Distribution Organization by the Emergency Management Director to clarify appropriate OEC activation and MEBA charging guidelines. • The revised MEBA charging guidelines and OEC activation criteria documents are formalized in PG&E guidance document format and will be assigned formal document numbers and uploaded to the PG&E Technical Information Library (TIL). • The Business Finance organization implemented an annual training in late 2015 for employees who act as finance leads during OEC, Region Emergency Centers and/or Emergency Operations Centers activations. This role is responsible for communicating the MEBA orders and relevant charging guidelines during the event. • The EERP has implemented quarterly workshops with regional field personnel, clerical supervisors, finance leads and others to review and reinforce charging practices during emergencies and answer questions from the field relating to the EERP. • A special accounting code, MAT BHH, was created within routine emergency to capture costs related to public events, such as parades or major sporting events, so these costs are

Date	Inquiry	Notes
		clearly itemized and tracked outside of MEBA. • The EERP was moved under the Emergency Management organization in September of 2016. In PG&E's 2017 GRC opening testimony (pp. 4-11 and 4-19, footnote 20 of Exhibit (PG&E-4)), PG&E discussed the Company's internal audit evaluation of the MEBA and stated that PG&E was in the process of clarifying the MEBA charging standard as well as developing additional controls for recording of costs to MEBA.[1] In January 2017, PG&E issued a data request response stating that it had completed clarification of the criteria used to determine MEBA cost charging and clarification of the criteria used to activate PG&E's OECs, and submitted both of these documents as attachments. In the same response, included herewith as attachments GRC-2017-PhI_DR_ED_009-Q02Atch03-05 (ORA 151 Q1, Attachments 1 & 2),PG&E also noted that it had continued to evaluate the costs recorded to MEBA in 2014 and 2015 and would be removing additional costs incorrectly booked to MEBA in those years. In March 2016, in a data request response included herewith as attachments GRC-2017-PhI_DR_ED_009-Q02Atch06-07 (ORA 198, Q1, Attachment 2), PG&E identified the 2014 and 2015 costs removed from MEBA and transferred to Routine Emergency, in line with the clarification of MEBA cost charging and OEC activation criteria documents provided in ORA 151, Q1. In June 2016, PG&E submitted errata, Exhibit (PG&E-34), pp. 34-54 to 34-67, reflecting these adjustments. In total, PG&E has removed $1.39 million and $2.52 million from MEBA in 2014 and 2015, respectively. [1] Approximately $800,000 was removed at the time PG&E filed its testimony in November 2015. Additional 2014 and 2015 costs were removed as PG&E completed the reviews of the MEBA costs.
2/15/17	Data request (ED-ME_004) sent on 2/2/17. Response requested by 2/16/17.	Question 1 Please provide supporting documentation (e.g. invoices) associated with the highlighted expense transactions (shown in green) on the "2015 Details" and "2016 Details" tabs of PG&E's data response (ED_ME-002) for the MEBA that is attached to this e-mail. Answer 1 Please note, the "2015 Details" and "2016 Details" tabs of PG&E's data response (ED_ME-002) were at a summary level, not at the lowest level of detail. The attachment to this response includes the lowest level of detail for the selected items. PG&E

Date	Inquiry	Notes
		would be happy to provide supporting documentation for requested items from this detail. Please also note, the information provided on the "2015 Details" and "2016 Details" tabs are in thousands of dollars. The detail supporting these amounts on the tabs following are in dollars. See file named: CPUC-BalancingAccountAudit2016_DR_ED-ME_004-Q01Atch01.
2/15/17	Data request (ED-ME_005) sent on 2/2/17. Response requested by 2/16/17.	Question 1 Please provide supporting documentation (e.g. invoices) associated with the highlighted capital order transaction amounts (shown in green) on the "Order Costs Since Inception" tabs of the attached spreadsheets which were provided in PG&E's data response (ED_ME-002) for the MEBA. Answer 1 Please note the highlighted items originally presented in the "Order Costs Since Inception" tabs provided in PG&E's data response (ED_ME-002) were at a summary level, not at a detailed transaction level. The attachment to this response includes the lowest level of detail for the selected items. PG&E would be happy to provide supporting documentation for requested items from this detail. For the transaction level detail associated with 2015 amounts, see file named: CPUC-BalancingAccountAudit2016_DR_ED-ME_005-Q01Atch01. For the transaction level detail associated with 2016 amounts, see file named: CPUC-BalancingAccountAudit2016_DR_ED-ME_005-Q01Atch02
3/24/17	Data request (ED-ME_006) sent on 3/7/17. Response requested by 3/21/17	Question 1 Please provide all supporting documentation (e.g. invoices) associated with the highlighted entries (shown in green) in the "2016 Detail Support_ConstDT" tab of the attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_004-Q01Atch01.xlsx" spreadsheet. Answer 1 Please see "CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q01-Atch01". Question 4 Please provide all supporting documentation (e.g. invoices)

Date	Inquiry	Notes
		associated with the highlighted entries (shown in green) in the "2015 Details Support_Contract" tab of the attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_004-Q01Atch01.xlsx" spreadsheet. Answer 4 The requested information is enclosed in the attachments to this data request as follows: 1. Selected sample found in row 3, document no.159846654, amount $3,113.65 - The total invoice cost of the job is $14,807.00 as shown "CPUCBalancingAccountAudit2016_DR_ED-ME_006-Q04-Atch01". The expense amount that is recorded in the Major Emergency Expense Balancing Account – Electric (MEBA-E) is $3,113.65, as reflected in Line #2 of "CPUCBalancingAccountAudit2016_DR_ED-ME_006-Q04-Atch02". 2. Selected sample found in row 6, document no.159846644, amount $1,515.65 - The total invoice cost of the job is $13,055.43 as shown "CPUCBalancingAccountAudit2016_DR_ED-ME_006-Q04-Atch03". The expense amount that is recorded in the MEBA-E is $1,515.65, as reflected in Line #2 of "CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q04-Atch04". 3. Selected sample found in row 15, document no.159958425, amount $1,075,000.00 - This is an estimated goods receipt accrual that was subsequently reversed in 10/8/2015 as reflected below.  The accrual is entered at the end of the month in order to record the expected costs incurred in that month, prior to receiving the invoices. It is reversed out automatically in the following month. Actual invoices received to replace the accruals are recorded as separate line items in subsequent months. 4. Selected sample found in row 22, document no.159883781, amount $75,537.67 - The total invoice cost of the job is

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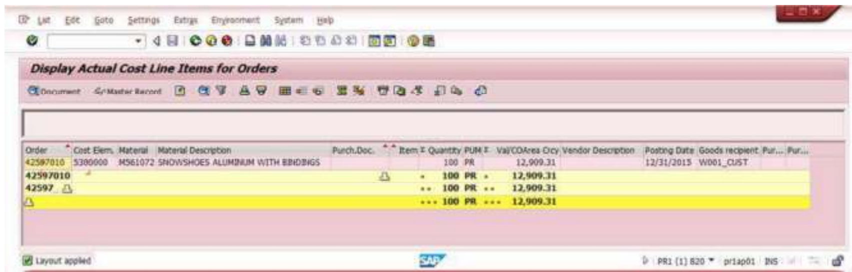
		$ 93,683.17 as shown "CPUCBalancingAccountAudit2016_DR_ED-ME_006-Q04-Atch05". The expense amount that is recorded in the MEBA-E is $75,537.67, as reflected in Line #2 of "CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q04-Atch06". Question 5 Please provide all supporting documentation (e.g. invoices) associated with the highlighted entries (shown in green) in the "2015 Details Support_Haz_Waste" tab of the attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_004-Q01Atch01.xlsx" spreadsheet. Answer 5 The requested information is enclosed in the attachments to this data request as follows: 1. Selected sample found in row 3, document no.158965924, amount $6,393.48 - Please see "CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q05-Atch01". 2. Selected sample found in row 4, document no.158972829, amount $3,329.53 - Please see "CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q05-Atch02". 3. Selected sample found in row 5, document no.901071908, amount $21,747.54 - Please see "CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q05-Atch03". 4. Selected sample found in row 6, document no.901066104, amount $3,300.00 - Please see "CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q05-Atch04".
3/29/17	Data request (ED-ME_006) sent on 3/7/17 (con't). Response requested by 3/21/17	Question 2 Please provide all supporting documentation (e.g. invoices) associated with the highlighted entries (shown in green) in the "2015 Details Support_EST_OH" tab of the attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_004-Q01Atch01.xlsx" spreadsheet. Answer 2 The samples selected in this data request are Overhead Charges calculated as follows: Labor and Overtime Cost, multiplied by Overhead Rates for Estimating, Mapping and Service Planning during the month. The July 2015 Major Event Overhead Rate is 9.62% as shown in "Cell AB9" of tab "Summary" in CPUC-BalancingAccountAudit2016_DR_ED-ME_006-Q02-atch01. Calculations of the Overhead Charges in the selected samples are specified in the response tables.

Date	Inquiry	Notes
		Question 3 Please provide all supporting documentation (e.g. invoices) associated with the highlighted entries (shown in green) in the “2015 Details Support_Material” tab of the attached “Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_004-Q01Atch01.xlsx” spreadsheet. Answer 3 This is a material (snowshoes) charged from PG&E’s inventory under document # 4900879920 as follows:  Below is the calculation of the $12,909.31 as reflected in the sample selected in this data request: Average Moving Price[1] x Quantity Ordered = Cost of Material $129.09 x 100 = $12,909.09 * * Note the slight rounding difference due to SAP system calculation. The $129.09 Average Moving Price is reflected in SAP as follows: [1] Average Moving Price is the average cost of items in stock 
3/29/17	Data request (ED-ME_007) sent on 3/8/17. Response requested by 3/22/17	Question 1 Please provide all supporting documentation (e.g. invoices) associated with the highlighted entries (shown in green) in the “1012995_2015DEC_Support” tab of the attached “Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_005-Q01Atch01.xlsx” spreadsheet.

<table>
<tr><th>Date</th><th>Inquiry</th><th>Notes</th></tr>
<tr><td></td><td></td><td>
Answer 1
The requested information is enclosed in the attachments to this data request as follows:

Selected sample found in row 8, document no.901152622, amount $-23,626.41 - This is a 2% cash discount for Invoice 4115001*04 (See “CPUCBalancingAccountAudit2016_DR_ED-ME_007-Q01-Atch03”). The calculation supporting the $-23,626.41, is shown in CPUCBalancingAccountAudit2016_DR_ED-ME_007-Q01-Atch01”.
Selected sample found in row 67, document no.160356737, amount $1,568,679.59 - Please see “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q01-Atch02”.
Selected sample found in row 68, document no.160356739, amount $1,181,320.41 - The total invoice cost of the job is $1,322,624.64 as shown “CPUCBalancingAccountAudit2016_DR_ED-ME_007-Q01-Atch03”. The $1,181,320.41 amount that is recorded in row 68, under document no.160356739 is reflected in Line #1 of “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q01-Atch04”.
Selected sample found in row 137, document no.409709547, amount $1,771.14 - This is a Capitalized Administrative and General (A&G) Expense allocation calculated as follows:

Applicable Capitalized A&G rate of 13.25%, multiplied by
Transmission and Distribution (T&D) overhead charges of the Estimating and Service Planning Cost, totaling $13,516.58 as reflected below:

<table>
<tr><th colspan="5">AO - December 2015 Amounts for Order</th></tr>
<tr><td></td><td></td><td></td><td></td><td>Dec
Actual</td></tr>
<tr><td>Order</td><td>MVC</td><td>MAT</td><td>Cost Element</td><td>$</td></tr>
<tr><td>Overall Result</td><td></td><td></td><td></td><td>2,732,091.58</td></tr>
<tr><td>1012995</td><td>95</td><td>95A</td><td>[-] Order Reporting Cost Elements</td><td>2,732,091.58</td></tr>
<tr><td></td><td></td><td></td><td>[-] Order Financial Costs</td><td>2,732,091.58</td></tr>
<tr><td></td><td></td><td></td><td>[-] Orders Costs-Directs & Credits</td><td>2,732,091.58</td></tr>
<tr><td></td><td></td><td></td><td>[-] Activity Type Total</td><td>13,516.58</td></tr>
<tr><td></td><td></td><td></td><td>[-] Activity Types</td><td>13,516.58</td></tr>
<tr><td></td><td></td><td></td><td>[-] Activity Types - Internal</td><td>13,516.58</td></tr>
<tr><td></td><td></td><td></td><td>[-] Actv Types - T&D Overheads</td><td>13,516.58</td></tr>
<tr><td></td><td></td><td></td><td>Estimating</td><td>275.85</td></tr>
<tr><td></td><td></td><td></td><td>Service Planning</td><td>13,240.73</td></tr>
</table>
The $19.00 (13.25% x $13,516.58 - $1,771.14) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close.
</td></tr>
</table>

Date	Inquiry	Notes
		5. Selected sample found in row 139, document no.409709547, amount $272.80 - This is an overhead charge related to estimating cost calculated as follows: = Applicable 2015 Actuals effective December 2015 of 0.01% (See Cell AE9 of tab “summary” in “CPUC-BalancingAccountAudit2016_DR_EDME_007-Q01-Atch05”, multiplied by = Contract cost of $2,758,485.96 as shown 6. Selected sample found in row 137, document no.1012995, amount $13,094.33 - This is a Service Planning charge calculated as follows: = Applicable 2015 Actuals effective December 2015 of 0.48% (See Cell AE23 of tab “summary” in “CPUC-BalancingAccountAudit2016_DR_EDME_007-Q01-Atch05”, multiplied by = Contract cost of $2,758,485.96 as shown in item # 5 above. Question 3 Please also provide all supporting documentation associated with the highlighted entries (shown in green) in the “1012995_2016MAR_Support” tab of the attached “Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_005-Q01Atch02.xlsx” spreadsheet. Answer 3 The requested information is enclosed in the attachments to this data request as follows: 1. Selected sample found in row 47, document no.160984195, amount $3,887,158.58 - Please see “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q03-Atch01”. 2. Selected sample found in row 237, document no.1205924134, amount $180,653.17 - This is a Capitalized Administrative and General (A&G) Expense allocation calculated as follows: = Capitalized A&G for Internal Activity Labor Charges at 33% for the period from January to March 2016 (See Cell C8 in tab “Jan-Mar” of “CPUCBalancingAccountAudit2016_DR_ED-ME_007-Q03-Atch03”), multiplied by = Transmission and Distribution (T&D) overhead charges of the Estimating and Service Planning Cost, totaling $547,498.62 as reflected below:

Date	Inquiry	Notes

Order	MWC	MAT	Cost Element	Mar Actual $
Overall Result				13,497,967.86
1012995	95	95A	[-] Order Reporting Cost Elements	13,497,967.86
			[-] Order Financial Costs	13,497,967.86
			[-] Orders Costs-Directs & Credits	13,497,967.86
			[-] Activity Type Total	547,498.62
			[-] Activity Types	547,498.62
			[-] Activity Types - Internal	547,498.62
			[-] Actv Types - T&D Overheads	547,498.62
			Estimating	480,241.25
			Service Planning	67,257.37

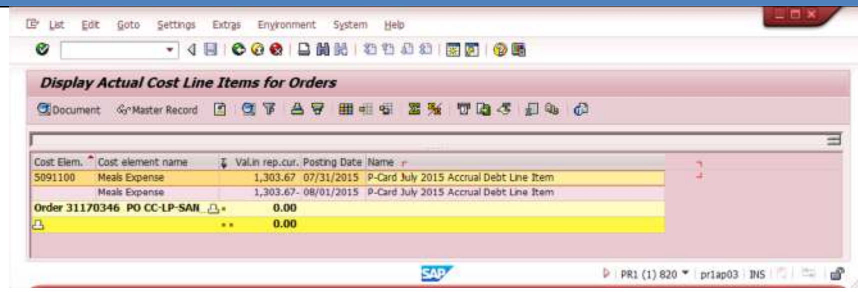
The $21.37 (33% x $547,498.62 - $180,653.17) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close.

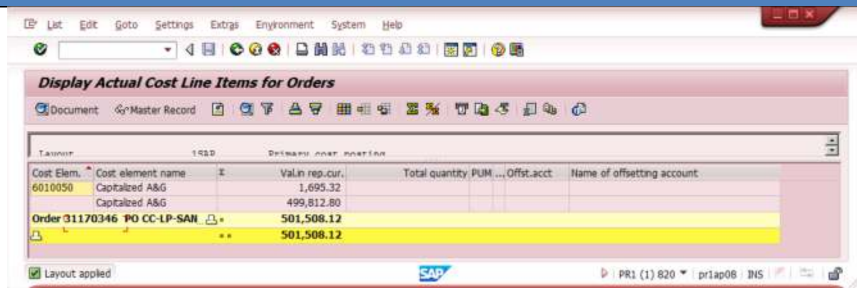
3. Selected sample found in row 239, document no.1205924134, amount, $480,184.43 - This is an overhead charge related to estimating cost calculated as follows:
   - “Jan-16 Estimating Overhead” rate of 4.07% (See Cell AI11 of tab “2016 Plan” in “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q03-Atch02”[1], multiplied by
   - Contract cost of $11,799,539.36 as shown.

The $56.82 (4.07% x $11,799,539.36 - $480,184.43) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close.

4. Selected sample found in row 241, document no.1205924134, amount $67,249.42 - This is an overhead charge related to service planning cost calculated as follows:
   - “Jan-16 Service Planning Overhead” rate of 0.57% (See Cell AI25 of tab“2016 Plan” in “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q03-Atch02”[2], multiplied by
   - Contract cost of $11,799,539.36 as shown in item # 5 above.
   - The $7.95 (0.57% x $11,799,539.36 - $67,249.42) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close.
5. Selected sample found in row 249, document no.1205924134, amount $139,102.94 - This is a Capitalized Administrative and General (A&G) Expense allocation calculated as follows:
   - Capitalized A&G for Internal Activity Labor Charges at 25.41% (See Cell C23 in tab “Jan-Mar” of “CPUC-

Date	Inquiry	Notes
		BalancingAccountAudit2016_DR_EDME_007-Q03-Atch03") for the period from January to March 2016, multiplied by = The Transmission and Distribution (T&D) overhead charges of the Estimating and Service Planning Cost, totaling $547,498.62 as reflected in item #2 above. = The $16.45 (25.41% x $547,498.62 - $139,102.94) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close. 6. Selected sample found in row 251, document no.1012995, amount $249,301.38 - This is an Operational Management & Support Expense allocation calculated as follows: = Operational Management & Support for Internal Activity Labor Charges at 45.54% (See Cell C30 in tab "Jan-Mar" of "CPUCBalancingAccountAudit2016_DR_ED-ME_007-Q03-Atch03") for the period from January to March 2016, multiplied by = The Transmission and Distribution (T&D) overhead charges of the Estimating and Service Planning Cost, totaling $547,498.62 shown in Item #2 above. = The $29.49 (45.54% x $547,498.62 - $249,301.38) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close. [1] The "Jan-16" Estimating Overhead Rate of 4.07% is used through March 2016 [2] The "Jan-16" Service Planning Overhead Rate of 0.57% is used through March 2016
3/31/17	Data request (ED-ME_007) sent on 3/8/17 (con't). Response requested by 3/22/17	Question 2 Please provide all supporting documentation (e.g. invoices) associated with the highlighted entries (shown in green) in the "31170346_2015JUL_Support" tab of the attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-ME_005-Q01Atch01.xlsx" spreadsheet. Answer 2 1. Selected sample found in row 4, document no.159620025, amount $1,303.67 - This is an estimated accrual that was subsequently reversed in 08/01/2015 as reflected below.

Date	Inquiry	Notes
		 The accrual is entered at the end of the month in order to record the expected costs incurred in that month, prior to receiving the invoices. It is reversed out automatically in the following month. Actual invoices received to replace the accruals are recorded as separate line items in subsequent months. 2. Selected samples of Material Charges - The selected samples found in the following rows are cost of materials drawn from PG&E's inventory: Row No. — Document No. — Amount a) 44 — 159527603 — $ 6,023.93 b) 159 — 159543686 — $ 3,827.01 c) 257 — 159521701 — $ 19,979.10 d) 297 — 159550465 — $ 1,455.58 e) 317 — 159550537 — $ 6,884.75 f) 375 — 159550740 — $ 1,080.07 The supporting documents of these material charges are detailed in "CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q02-Atch03" 3. Selected sample found in row 386, document no.409443733, amount $86,059.15 - This is an overhead charge related to Material Burden calculated as follows: • 2015 Actual - Burden Rate of 21.5% (See Cell J9 of tab "July" in "CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q02-Atch01"), multiplied by • Material related expenses of $400,393.08 as shown. The $21.36 (21.55% x $400,393.08 - $86,059.15) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close. 4. Selected sample found in row 388, document no.409443733, amount $499,812.80 - This is one of the two line items of Capitalized Administrative and General (A&G) Expense allocation recorded in SAP and reflected as follows:

Date	Inquiry	Notes
		 The calculation of the total $501,508.12 is as follows: • Applicable Capitalized A&G rate of 13.25% (See Cell L9 of tab “July” in “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q02-Atch01”), multiplied by • Total Contractor and Overhead Costs of $3,784,966.91 ($3,455,137.16 + $329,829.75) as reflected. 5. Selected sample found in row 390, document no.409443733, amount $3,425.24 - This is an overhead charge related to Material related expenses calculated as follows: = Applicable “Sourcing – Electric” overhead rate effective July 2015 of 0.85% (See Cell H31 of tab “summary” in “CPUCBalancingAccountAudit2016_DR_ED-ME_007-Q02-Atch02”, multiplied by = Material related expenses of $403,610.61 as shown The -$5.45 (0.85% x $403,610.61 - $3,425.24) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close. 6. Selected sample found in row 392, document no.409443733, amount $309,967.84 - This is an overhead charge related to estimating cost calculated as follows: • Applicable overhead rate effective July 2015 of 9.62% (See Cell H9 of tab “summary” in “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q02-Atch02”, multiplied by • Highlighted Cost of $3,231,673.89 as shown below: The $919.19 (9.62% x $3,231,673.89 - $309,967.84) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close. It was subsequently posted on 8/3/2015 as reflected.

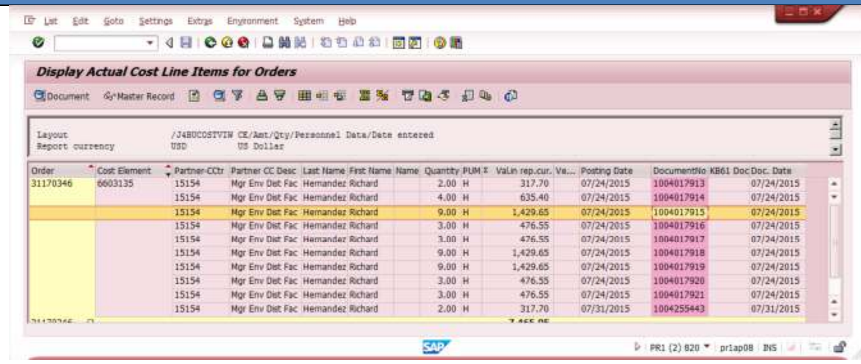
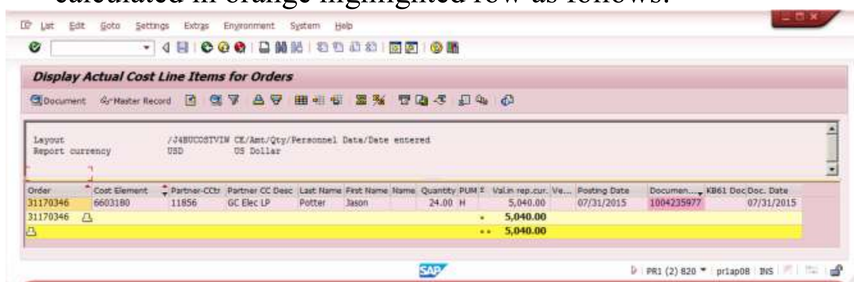
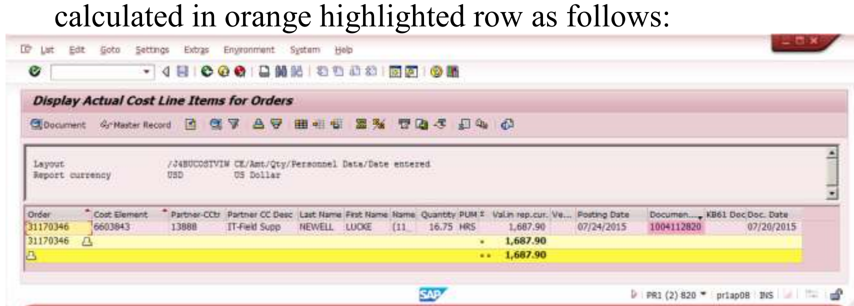
Date	Inquiry	Notes

	A	B	C	D	E	F	G	H	I	J
1										
2	Order	Order Description	Cost Elem.	Cost element name	Per	Year	DocumentNo	Quantity	ValCOArCur	Doc. Date
3										
4	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	5091100	Meals Expense	7	2015	159620025		1,303.67	7/31/2015
44	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	5300000	Matl Not Othr Class	7	2015	159527603		6,023.93	7/20/2015
257	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	5300140	Electrical Specialt	7	2015	159521701		19,979.10	7/20/2015
297	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	5300170	Chem. Clnrs. Compds	7	2015	159550465		1,456.58	7/21/2015
317	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	5300180	Poles, Insulators	7	2015	159550537		6,884.75	7/20/2015
375	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	5300270	Fabricated Structure	7	2015	159550740		1,080.07	7/21/2015
386	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6010000	Material Burden	7	2015	409443733		86,059.15	7/30/2015
388	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6010050	Capitalized A&G	7	2015	409443733		499,812.80	7/30/2015
390	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6010074	Sourcing	7	2015	409443733		3,425.24	7/30/2015
391	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6010076	Estimating	7	2015	409463618		919.19	8/3/2015
392	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6010076	Estimating	7	2015	409443733		309,967.84	7/30/2015
394	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6010078	Service Planning	7	2015	409443733		15,466.17	7/30/2015
2013	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6603064	Warehouse Services	7	2015	1003958342	18.5	1,974.88	7/23/2015
2187	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6603135	Environmtl Compl Svc	7	2015	1004017915	9	1,429.65	7/24/2015
3203	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6603180	Const Doubletime Svc	7	2015	1004235977	24	5,040.00	7/31/2015
5567	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6603843	Client Cmptg Support	7	2015	1004112820	16.75	1,687.90	7/20/2015
5704	31170346	PO CC-LP-SAN LUIS OBISPO-7/19/2015-LIGH	6608175	Helicopter Contract	7	2015	1004196731	10,450.00	10,450.00	7/30/2015
5709										
5710										
5711										

7. Selected sample found in row 394, document no.409443733, amount $15,466.17 - This is an overhead charge related to estimating cost calculated as follows:
   - Applicable overhead rate effective July 2015 of 0.48% (See Cell H23 of tab "summary" in "CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q02-Atch02", multiplied by
   - Highlighted Cost of $3,231,673.89 as shown in item #11 above
   - The $45.86 (0.48% x $3,231,673.89 - $15,466.17) difference is due to timing between preliminary and actual overhead charges calculated during month end accounting close.
8. Selected sample found in row 2013, document no.1003958342, amount $1,974.88 - This is a labor charge for an employee calculated in orange highlighted row as follows:

Order	Cost Element	Partner-CCtr	Partner CC Desc	Last Name	First Name	Name	Quantity	PUM	Val.in rep.cur.	Ve...	Posting Date	DocumentNo	KB61 Doc	Doc. Date
31170346	6603064	11658	MFS South	Panoo	Melissa		8.00	H	854.00		07/27/2015	1004052879		07/27/2015
		11658	MFS South	Bautista	Pedro		2.00	H	213.50		07/23/2015	1003958286		07/23/2015
		11658	MFS South	Bautista	Pedro		16.75	H	1,788.06		07/23/2015	1003958287		07/23/2015
		11658	MFS South	Bautista	Pedro		0.75	H	80.06		07/23/2015	1003958288		07/23/2015
		11658	MFS South	Lopez	Augustine		14.00	H	1,494.50		07/23/2015	1003958319		07/23/2015
		11658	MFS South	Lopez	Augustine		1.50	H	160.13		07/23/2015	1003958320		07/23/2015
		11658	MFS South	Cook	Brian		18.50	H	1,974.88		07/23/2015	1003958342		07/23/2015
		11658	MFS South	Cook	Brian		2.00	H	213.50		07/23/2015	1003958343		07/23/2015
		11658	MFS South	Gomez	Salvador		16.00	H	1,708.00		07/23/2015	1003958347		07/23/2015
		11658	MFS South	Gomez	Salvador		2.00	H	213.50		07/23/2015	1003958348		07/23/2015

9. Selected sample found in row 2187, document no.1004017915, amount $1,429.65 - This is a labor charge for an employee calculated in orange highlighted row as follows:

Date	Inquiry	Notes
		 10. Selected sample found in row 3203, document no.1004235977, amount $5,040.00 - This is a labor charge for an employee calculated in orange highlighted row as follows:  11. Selected sample found in row 3203, document no.1004112820, amount $1,687.90 - This is a labor charge for an employee calculated in orange highlighted row as follows:  12. Selected sample found in row 5704, document no.1004196731, amount $10,450.00 - Please see “CPUC-BalancingAccountAudit2016_DR_ED-ME_007-Q02-Atch04” for supporting document of this sample.

D. Findings: The analyst verified that the expense amounts agree to supporting documentation and that the expenditures appear to be appropriately recorded and incurred. Also, the analyst reviewed the information PG&E provided regarding steps it has taken to address the concerns raised in the internal audit findings, and concluded that PG&E has implemented corrective actions and criteria to validate that costs qualify for the MEBA mechanism.

3.4. *Mobile Home Balancing Account Electric (MEBA-E)*

Balancing Account Review Summary - 2015 Q2 – 2016 Q1
Analyst: Laura Martin
Reviewer: Laura Martin

A. Account Information: The MHPBA-E records costs incurred by PG&E to implement a voluntary program to convert the electric master-meter/submeter service at mobile home parks and manufactured housing communities to direct service by PG&E, pursuant to Decision (D.) 14-03-021.

B. Reason for Review: The MHPBA-E was selected for review because it has never been reviewed. It is a new account (2014) and does not have a long track record to weigh against the criteria. Rather, this account was selected as part of a collective effort by the Electric Costs and Gas Sections to assist the Safety and Enforcement Division (SED) in evaluating the Master Meter pilot program. Although the Master Meter balancing accounts do not fit into the criteria set out in the review procedures, there are legitimate reasons why we should take a look at them. The Commission (D.14-03-021) authorized a three year pilot program starting Jan 2015 for the utilities to convert master-meter/submeter service for mobile home parks. The utilities are required to file status reports and comprehensive accounting every February. Only one report has been filed so far and accounting figures are rather vague. The decision allows the Commission to end the program early or continue the program through a Tier 2 AL within 45 days of the second annual status report (Feb 2017). While SED is the primary lead on evaluating the program, an in-depth review of the accounts across the board would provide additional information on whether the Commission should continue the program. Although it may not be a full blown audit, we might be able to shed additional light on the program. There also seems to be quite a variance between the costs for each utility.

In addition, staff does not expect PG&E's MHPBA-E to be reviewed or audited by either the Office of Ratepayer Advocates (ORA) or the Utility Audits Branch. Quarter (Q) 2 through Q4 of 2015 and Q1 of 2016 were the time periods selected for review. Distribution of the MHPBA-E balance is determined in PG&E's Annual Electric True-Up, or as otherwise authorized by the Commission.

C. Review Process: Between June 1, 2014 and June 30, 2016, PG&E completed conversion of master-metered electricity to direct service at five mobile home parks. In one of its data responses (shown below), PG&E provided a spreadsheet with the total costs for each of the completed parks, broken down into the following cost categories: Outreach and Education, Administration, Environmental Issues/Remediation, Engineering and Planning, Permits, Construction, and System Cutover. The Energy Division analyst then requested transaction-level cost detail for each mobile home park for those categories with the largest total expenses, and transaction-level cost detail for all for Outreach and Education, Administration, and Environmental Issues/Remediation activities. The analyst requested supporting documentation for transactions that were either very large (compared to other costs in the category), not subsequently reversed, or appeared anomalous. This sample included 3 entries for Black Butte MHP System Cut Over, the only entry for Crystal MHP To-The-Meter Permits, a summary sheet for the line time shown for Wagon Wheel Estates Beyond-The-Meter Construction, 5 entries for Capri MHP Construction, 3 entries for Walnut MHP Engineering and Planning, 5 entries for Outreach and Education, 3 entries for Environmental Issues/Remediation, and 6 entries for Administration. Documentation supporting the transactions includes invoices, journal entries, purchase order payment history, and time-reporting system (i.e. SAP) data screenshots. 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
7/25/2016	Data Request (ED-MHE_001) requesting general information on the account sent on 7/6/16. Response requested by 7/25/16.	Question 1 Please provide a searchable report, in Excel format, for the Mobile Home Park Program Balancing Account - Electric (MHPBA-E). Show the ledger entries, transactions, and revenues booked to the account during the following periods: 2015 Q2, 2015 Q3, 2015 Q4, and 2016 Q1. In addition: a. Please color code ledger entries, transactions, and revenues by category of revenue or expense to indicate whether they are overhead, affiliate transactions, outside vendor costs, or capital costs. If none of the entries, transactions, or revenues can be categorized as such, please say so. b. Calculate the total dollar amounts and percentages of total revenue requirements attributable to overheads, affiliate transactions, and capital expenditures booked to each account over the abovementioned four quarters. Answer 1 See Attachment 1 to this response for the MHPBA subledger (“SL”), also known as “reconciliation” for the period covering Quarter 2, 2015 through Quarter 1, 2016. File name is “CPUC-BalancingAccountAudit2016_DR_ED-MHE_001-Q01_Atch1.xls”. a. PG&E does not color code entries to this subledger. MHPBA Electric and Gas accounts are reconciled in the same Excel file. The SAP account number for Electric MHPBA is 1823345, and 1823350 for Gas. The MHPBA SL is maintained on an Inception-To-Date (ITD) basis, where monthly activities from 06/2014 through 03/2016 are shown by row, and types of activities are shown by column.

Date	Inquiry	Notes
		Tab “SL-Electric” shows the Electric MHPBA activities. Tab “SAP-E” has screenshots of SAP monthly balance for a given year for 2014-2016. Tab “Reconciliation” shows a summary of Electric and Gas MHPBA per sub-ledger and per SAP. In the “SL-Electric” tab, the SL columns show expenses, To-The-Meter capital revenue requirement (“TTM Capital RRQ”), Beyond-The-Meter regulatory asset revenue requirement (“BTM Reg Asset RRQ”), interest, and transfers. This tab also provides the corresponding accounting section number from the Preliminary Statement in row 5 and various notes at the bottom of the worksheet. Please see PG&E’s response to Question 6 which also pertains to corresponding accounting section numbers from the Preliminary Statement. For the relevant CPUC decision and advice letters related to MHPBA, please see our reply to Question.3. b. There are no affiliate transactions recorded to the MHPBA. The requested information is summarized in the table below, which shows the 2015 year-end expenses and the expense for Q1 of 2016. Additional detail supporting further breakdown of these costs into the categories listed below is included in Attachment 2 to this response titled “CPUC-BalancingAccountAudit2016_DR_ED-MHE_001-Q01_Atch2.xlsx.” Question 2 Please provide searchable electronic copies of the most recent PG&E internal audits of the MHPBA-E. If copies are not available, please explain why not. Answer 2 PG&E’s Internal Audit department has not audited MHPBA. PG&E’s Internal Audit department determined that other audits (including other balancing account audits) had a higher priority than the MHPBA. Question 3 Please provide the authorizing decisions and page citations that authorized what could be booked in the MHPBA-E. Answer 3 The authorizations and citations, including links to the documents,

Date	Inquiry	Notes
		are provided in actual response. Question 4 Energy Division's review of various balancing accounts indicates that some book utility labor costs, allocate overhead costs (e.g. A&G), and include a factor for Franchise Fees and Uncollectibles (FF&U). Since labor costs and costs related to utility assets and infrastructure are typically recovered through a utility's general rate case, Energy Division staff wants to make sure these costs are not double-booked. Please provide the following information for the MHPBA-E: a. Are labor costs booked in the account? If so, please provide citation(s) to the Commission decision(s) or resolution(s) authorizing the booking of these costs. b. Are any other overhead costs allocated to the account? If so, please provide citation(s) to the Commission decision(s) or resolution(s) authorizing the booking of these allocated costs. c. Please provide an affirmation that neither the labor costs booked in the balancing account nor the overhead costs booked in the account are recovered through another rate proceeding so Energy Division can determine that none of these costs are double counted. d. Is a FF&U factor included in the costs? If so, please provide citation(s) to the Commission decision(s) or resolution(s) authorizing the use of the FF&U. Answer 4 a. Yes, labor costs are recorded to the account. Decision 14-03-021 Ordering Paragraph 8 provides: actual, prudently incurred program costs[1] shall be entered in a balancing account for recovery in the first year following cut over of service; "to the meter" construction costs must be capitalized based on actual (not forecast) expenditures at the utility's then-current authorized return on rate base; "beyond the meter" construction costs must be capitalized based on actual (not forecast) expenditures and consistent with their status as a regulatory asset, these costs must be amortized over ten years at a rate equivalent to the utility's then-current authorized return on rate base. b. Yes, overhead costs are recorded to this account. See response to question 4.a. for relevant language from Decision 14-03-021 Ordering Paragraph 8 and Joint Testimony submitted in Rulemaking 11-02-018. c. Neither the labor costs booked in the balancing account nor the

Date	Inquiry	Notes
		overhead costs booked in the account are recovered through another rate proceeding. d. FF&U is not utilized for the entries recorded to MHPBA-Electric, in accordance with Preliminary Statement Part GH [1] Joint Testimony submitted by PG&E and the other parties ("joint parties") to Rulemaking 11-02-018 provides that program management costs include the estimated cost of the program managers including benefits and payroll burdens and overheads. See page 2-13 of Joint Testimony submitted on October 5, 2012 in Rulemaking 11-02-018. Question 5 What is the basis for the interest rates being used on the balances of the MHPBA-E? Please list the interest rates used for each account by month. Answer 5 Electric Preliminary Statement Part GH for MHPBA-Electric provides the guideline on recording interest in the "ACCOUNTING PROCEDURE", section 5. Section 5.e) states "[a]n entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three-month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor." (See the attachments for a copy of the preliminary statement (file name is "CPUC-BalancingAccountAudit2016_DR_ED-MHE_001-Q05_Atch1.pdf" and information on the 2015 and 2016 interest rates used by month.) Question 6 In order to make clear the relationship between the information in the spreadsheet and MHPBA-E's preliminary statement, please indicate on the spreadsheet where a row or column is attributable to any instruction(s) in the preliminary statement (presumably from the "Accounting Procedures" section). Answer 6 Please refer to the sub-ledger (reconciliation) provided in Question 1, Attachment 1. The Excel file name is "CPUC-BalancingAccountAudit2016_DR_ED-MHE_001-Q01_Atch1.xlsx". In the file, please refer to tab "SL-Electric". In row 5, highlighted in yellow, the section numbers from the

Date	Inquiry	Notes
		"ACCOUNTING PROCEDURE" section of electric preliminary statement part GH are provided for each column.
8/10/16	Meeting to discuss accounting of MHPBA-E and PG&E's DR ED-MHE_001 responses	PG&E provided an overview of the MHPBA-E, authorized revenues and costs, and the organization of the subledger.
8/22/16	Data Request (ED-MHE_002) sent on 8/11/16. Response requested by 8/22/16.	Question 1 Please provide the BW RCC order expense report for the MHPBA-E for 2014, 2015, and 2016. (Note: In follow-up e-mails, PG&E explained Energy Accounting did not have the BW RCC order expense report for 2104 and thus will provide 2015 through Q1 2016 only). Answer 1 BW RCC Order Expense reports for the full year 2015 and Q1 2016 are provided in the following attachments: The Excel file name for the full year 2015 is "CPUC-BalancingAccountAudit2016_DR_ED-MHE_002_Q01_Atch1". The Excel file name for Q1 2016 is "CPUC-BalancingAccountAudit2016_DR_ED-MHE_002_Q01_Atch2". Please note, in each Excel file, electric orders are highlighted in light yellow to help separate electric orders from gas orders. In addition, subtotals for electric orders and gas orders are provided at bottom of the spreadsheet.
8/31/16	Meeting with ED analysts assigned to other mobile home BA reviews and Sunil Shori from SED	Discuss what we need for the balancing account reviews and get insight from Sunil on the pilot program to make sure we can assist with SED's needs. David Zizmor from ED to draft a master data request for the team to use.
10/7/2016	Data request (ED-MHE_003) sent on 9/20/16. Response requested by 9/30/16	Question 1 As you are aware, the final decision (D.14-03-021) in R.11-02-018 set up a three-year pilot program with the goal of incentivizing the voluntary conversions of "mobilehome parks and manufactured housing communities" from master-metered natural gas and electricity to transfer to direct utility service. Please provide a list of all mobilehome parks and manufactured housing communities whose conversion was completed through the pilot program approved in D.14-03-021 between June 1, 2014 and June 30, 2016.

Date	Inquiry	Notes
		NOTE: Only include completed parks/communities; parks/communities whose conversion was ongoing as of June 30, 2016 should not be listed. Answer 1 Below are the projects whose electric conversion was completed through the pilot program between June 1, 2014 and June 30, 2016. Mobile Home Park City BLACK BUTTE MHP ORLAND CRYSTAL MHP GRASS VALLEY WAGON WHEEL ESTATES CASTRO VALLEY CAPRI MHP WEST SACRAMENTO WALNUT MHP SAN JOSE Question 2 Section 4.3.2 of D.14-03-021 describes the different components of the pilot program under the following headings: Outreach and Education, Initial Application, Determination of Preliminary Eligibility, Detailed Application, MHP Conversion Program Agreement, Environmental Issues/Remediation, Engineering and Planning, Permits, Construction, and System Cutover. Using the list created in response to Q1, please create an itemized Excel spreadsheet containing the following for each completed mobilehome park/manufactured housing community: 1. Total costs of Outreach and Education; 2. Total costs of Administration (i.e. the total costs for Initial Application, Determination of Preliminary Eligibility, Detailed Application, and MHP Conversion Program Agreement); 3. Total costs of Environmental Issues/Remediation; 4. Total costs of Engineering and Planning; 5. Total costs of Permits; 6. Total costs of Construction; 7. Total costs of System Cutover; and 8. For each of the above entries (where applicable), include a line identifying a subtotal for “beyond the meter costs.” Answer 2 Please see tab “Q2 Electric” on the attached file referenced below: CPUC-BalancingAccountAudit2016_DR_ED-MHE_003-Q02_Q03_Q04Atch01.xlsx

Date	Inquiry	Notes
		Question 3 If portions of the costs listed in Q.2, parts 1-8 (especially the Outreach and Administration categories), are attributed to the entire pilot program rather than to individual parks/communities, please provide a separate entry in the spreadsheet showing the amounts applied program-wide. Answer 3 Please see tab "Q3 Electric" on the attached file referenced below: CPUC-BalancingAccountAudit2016_DR_ED-MHE_003-Q02_Q03_Q04Atch01.xlsx Question 4 To the extent possible, please break down the spreadsheet entries for Construction to indicate costs for individual units and for common areas. Answer 4 Please see tab "Q4 Electric" on the attached file referenced below: CPUC-BalancingAccountAudit2016_DR_ED-MHE_003-Q02_Q03_Q04Atch01.xlsx Question 5 For Outreach and Education costs, please describe what activities are involved, the timeline for Outreach and Education activities, and whether those activities are ongoing or complete and, if complete, as of what dates? Answer 5 The outreach and education activities are ongoing and will continue while projects are in construction. Below are the education and outreach activities: Residential Bulletin • Distributed with MHP Owners Welcome Packet • Posted in park's public area by manager or owner Open House #1 – Prior to Initial Design • MHP Owner and PG&E schedule date once application is signed • MHP Owner to send invites to residents 2 weeks prior to event • On-site MHP Manager Training Open House #2 – Prior to Final Design • Schedule prior to targeted Final Design

Date	Inquiry	Notes
		• PG&E to send invites to residents 2 weeks before event Prior to Construction Notification and Canvassing • Send letter 2 weeks prior to project mobilization • Canvas with door hangers 1 week to 2 days prior to project mobilization • Send pre-letter to impacted neighbors 2 weeks prior to project mobilization • Customer Satisfactory Survey and Smart Meter Opt out tailboards for residents at Mobile Home Park site • Project Signage and On-site Customer Interactions, Day of Mobilization • Hang project signs and remove at project demobilization • Contractor representative on-site to answer questions Question 6 Please explain how electric and gas costs are separated/differentiated in the balancing accounts. Answer 6 Expenses: PG&E created separate expense orders to record electric-related expenses and gas-related expenses. Electric-only expenses are allocated 100% to electric expense orders. Gas-only expenses are allocated 100% to gas expense orders. “Common” expenses are allocated to Electric and Gas at 50/50 ratio. At month-end, the monthly totals of electric expense orders and gas expense orders are recoded to the electric and gas Mobile Home Park (MHP) Balancing Accounts respectively. To-The-Meter (TTM) capital costs and revenue requirement: PG&E created one electric TTM capital order and one gas TTM capital order for each MHP. Each MHP is assigned a unique TTM capital order number (electric and/or gas) and costs are allocated appropriately per design. As the construction progresses, PG&E allocates the TTM capital costs in the same manner as expenses. “Common” capital costs are allocated to electric and gas based upon the ratio identified on the Joint Trench Participation Form (Form B). Project costs related to electric only assets are allocated 100% to electric TTM capital orders while project costs related to gas only assets are allocated 100% to gas TTM capital orders. Upon a park becoming operative (conversion completed), the accumulated balances of the electric and gas TTM capital orders

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		are added to the electric and gas MHP plant balances respectively. Each month, PG&E's Capital Recovery and Analysis department (CRA) identifies the electric and gas TTM capital additions (new additions to the plant balances) by a specific Maintenance Activity Type (MAT) code used only for MHP electric TTM capital and another used only for MHP gas TTM capital. CRA then prepares separate TTM capital revenue requirement models for electric and gas using the capital addition amounts as inputs to the model, and provides the models to Energy Accounting (EA). Based upon the models provided, EA records the monthly electric and gas TTM capital revenue requirement to electric and gas MHP Balancing Accounts respectively. Beyond-The-Meter (BTM) costs and revenue requirement: Similar to TTM capital order creation, PG&E created one electric BTM order and one gas BTM order for each MHP. Each MHP is assigned its own unique BTM order number (electric and/or gas). Upon a park becoming operative (conversion completed), PG&E reimburses the park owner for the BTM work. Based on the BTM construction data submitted by the park owner or engineer, procure, construct (EPC) representative who has a "Power of Attorney" agreement with the park owner, PG&E allocates the BTM costs in the same manner as expenses. "Common" costs are allocated to electric and gas based upon the ratio identified on the Joint Trench Participation Form (Form B). Project costs related to electric only assets are allocated 100% to electric BTM orders while project costs related to gas only assets are allocated 100% to gas BTM orders. Once the reimbursement is made to the park owner, the amounts of electric and gas BTM work are charged to the corresponding electric and gas BTM orders for the park. Reimbursement amounts charged to electric and gas BTM orders settle to electric and gas MHP Non-Current Regulatory Asset accounts in SAP (PG&E's accounting system). For this purpose, PG&E created an electric BTM Regulatory Asset Non-Current account in SAP for electric and a gas BTM Regulatory Asset Non-Current account in SAP for gas. Each month, CRA prepares separate BTM regulatory asset revenue requirement models for electric and gas based on the amounts of monthly BTM electric and gas reimbursement amounts that settle to the electric and gas MHP Non-Current Regulatory Asset accounts. CRA then provides the separate electric and gas BTM regulatory asset revenue requirement models to EA. Based upon the models provided, EA records the monthly electric and gas BTM regulatory revenue

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		requirement to electric and gas MHP Balancing Accounts respectively.
1/26/17	Conference call with PG&E	Discuss MHPBA-E data responses.
2/09/17	Data request (ED-MHE_004) sent on 1/26/17. Response requested by 2/9/17.	Question 1 Please provide transaction-level detail associated with the costs highlighted on the attached spreadsheet (see tabs Q2 Electric and Q3 Electric). (Note: this spreadsheet was originally provided in response to "CPUC-BalancingAccountAudit2016_DR_ED-MHE_003-Q2"). As we discussed on our conference call this morning, I will then select specific entries from PG&E's response and follow-up with a request for all supporting source documents (e.g. invoices) associated with these transactions. Answer 1 Attached please find the transaction-level detail associated with the costs highlighted on the spreadsheet originally provided in response to "CPUC-BalancingAccountAudit2016_DR_ED-MHE_003-Q2". For the transaction level detail associated with tab "Q2", please see the file named: CPUC-BalancingAccountAudit2016_DR_ED-MHE_004-Q01Atch01. For the transaction level detail associated with tab "Q3", please see the file named: CPUC-BalancingAccountAudit2016_DR_ED-MHE_004-Q01Atch02. Please note, PG&E makes the following corrections to its response to CPUC-BalancingAccount Audit2016_DR_ED-MHE_003-Q2, which are noted in the attachments to this response: PG&E's original response showed total Administration costs of $3.065 million. The correct total administration costs are $2.622 million. The revised amount is lower because in the initial response, PG&E inadvertently included a gas design engineering order when providing the data for the original response. Amounts were properly recorded within the electric and gas balancing accounts; thus no adjustment to SAP was necessary. For reference, the first tab labeled "Q3 Electric" in Attachment 2 of this response is a copy of the data PG&E initially provided in response to CPUC-BalancingAccountAudit2016_DR_ED-MHE_003-Q2. Question 2

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		In response to CPUC-BalancingAccountAudit2016_DR_ED-MHP_002, PG&E included gas costs for “Beyond-The-Meter Permits”. Are there electric costs associated with this category? If not, please explain why not? If so, please provide a breakdown of costs by MHP, similar to that provided in the gas data response, and also provide the additional detail for this category (as requested in question 1 above). Answer 2 There are currently no electric costs associated with “Beyond-The-Meter Permits”. However, in responding to this data request, PG&E received additional guidance that it had misinterpreted Housing and Community Development’s (HCD) “Mobilehome Park Utility Upgrade Program Inspection and Installation Guidelines regarding “Permit Requirements for HCD Enforced Parks”. As a result, there were $30,000 in costs related to the HCD 50 permit that were originally reported as electric “To-The-Meter Permits” that should have been reported as electric “Beyond-The-Meter Permits”. PG&E is correcting its past records and will ensure the costs are appropriately assigned as of February 1, 2017. Please note, there were no changes to the total amount recorded within the balancing account. This simply represents a reclassification from TTM to BTM.
2/23/17	Conference call with PG&E	Discuss MHPBA-E data responses
3/17/17	Data Request (ED-MHE_005) sent on 2/28/17. Response requested by 3/14/17.	Question 1 Please provide all supporting documentation (e.g. invoices) associated with the highlighted entries (shown in green) in the “Black Butte System Cut Over”, “Capri Construction”, and “Walnut Engineering & Planning” tabs of the attached “Copy of CPUC-BalancingAccountAudit2016_DR_ED-MHE_004-Q01Atch01.xlsx” spreadsheet. Answer 1 The requested information is enclosed in the attachments to this data request as follows: 1. Black Butte System Cut Over • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch01 - SAP print screen of labor cost totaling $774.72 2. Capri Construction • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch02

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		-Explanation of the transactions that relate to the green highlighted selected samples of $128,797.00 (Row 15, Column N) and $596,813.00 (Row 114, Column N). • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch03 -Final Payment invoice from Cupertino Electric Inc. that shows the $596,813.00 and $66,313.00 as explained in the first bullet point above. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch04 - Canus Invoice Number E59041 of $5,892.81. The 5th line in the supporting Labor, Material and Expense Detail shows the $1,912.21 amount related to Electric MHP Construction. Please note, PG&E has redacted contractor hours information from the invoice so as not to reveal the vendors rate information which they consider to be business confidential. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch05 - Energy Experts International Invoice Number 760001 of $14,642.32. The 5th line in the supporting Breakdown Page shows the $4,927.54 amount related to Electric MHP Construction. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch06 - SAP print screen of labor cost totaling $569.79 3. Walnut Engineering & Planning The Electric MHP Construction Design Cost of Walnut Engineering & Planning is $35,024.00. The invoices that supports the amounts presented above are included in this data response as follows: • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch07 - Westvalley Construction Invoice 114156 of $29,014 indicating “Initial Design-Electric”. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch08 - Westvalley Construction Invoice 114156 of $11.2017 indicating “Initial Design-Electric & Gas”. The 2nd line of “Payment Request-MHP Utility Upgraded Program” indicated the $6,010.00 related to Design E Joint– Final (26-50 meters)”

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		Question 2 Please provide relevant section of the vendor invoice containing the $2,510.00 transaction for the permit cost noted on the "Crystal TTM Permits" tab of attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-MHE_004-Q01Atch01.xlsx" spreadsheet. Answer 2 Please find the following attachments included in this data response: • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q02-Atch01 provides a guidance of how the invoices and supporting documents in attachment 2,3 and 4 of this response relate to each other. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q02-Atch02 is the Bill Material from Cupertino Electric Inc. of which the yellow highlighted line indicated $2,510.00 is the permit cost. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q02-Atch03 is the Project Pricing from Cupertino Electric Inc., whereby the net value of the contract for the TTM Construction is $146,947. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q02-Atch04 is the invoice from Cupertino Electric Inc., whereby the electric portion is $118,559. Question 3 Please provide summary sheet for the $182,458.00 line item shown in the "Wagon Wheel Estates BTMConst" tab of the attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-MHE_004-Q01Atch01.xlsx" spreadsheet. Answer 3 The $182,458.00 amount was an accrual that was reversed and replaced by the actual invoice cost of $158,997.02 as reflected in CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q03-Atch01. The supporting invoice of $158,997.02 is included in this data request as CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q03-Atch02.
3/20/17	Data Request (ED-MHE_005) sent on	Question 4 Please provide all supporting documentation associated with the highlighted entries (shown in green) on the "Outreach and Education", "Environmental Issues", and "Administration" tabs of

Date	Inquiry	Notes
	2/28/17. Response requested by 3/14/17.	the attached "Copy of CPUC-BalancingAccountAudit2016_DR_ED-MHE_004-Q01Atch02.xlsx" spreadsheet. Answer 4 The requested information is enclosed in the attachments to this data request as follows: 1. Outreach and Education • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch01 -SAP print screen of labor cost totaling $23,790.06 • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch02 -Zip file of the accounting transactions and invoices relating to the following sample selection. The $179,530.94 selection is shown in cell K53 of "MorSports Invoice Explanation" excel spreadsheet in this attachment. The selection represents 50% of the total $359,061.87 shown on cell K48. The other 50% of the total was allocated to Mobile Home Park Balancing Account – Gas (MHPBA-G) (See cell K54). Those costs were posted in December 2015. Please note that the total invoice amount was later adjusted to $310,259.78 (see cell E68). In the March 2017 close, the final amount recorded to the electric and gas Mobile Home Park Balancing Accounts (the MHPBA-E and the MHPBA-G), will be adjusted to $155,129.89 each, to reflect 50% of the final invoices received of the total. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch03 - SAP print screen of labor cost totaling $15,462.73. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch04 - Extract of the internal PG&E records that reflects the relevant work pertaining to reprographic' s cost of $33,928.50. Reprographics is a PG&E internal printing service. Cost of jobs is directly charged to the respective projects through internal orders tracked in SAP. Total cost of the job in this sample selection is $67,857.00, of which $33,928.50 (50/50) is charged to electric and gas. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch05 - SAP print screen of labor cost totaling $13,868.80.

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		2. Environmental Issue • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch06 - SAP print screen of labor cost totaling $ $371.95. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch07 - SAP print screen of labor cost totaling $111.59. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch08 - SAP print screen of labor cost totaling $ $101.29. 3. Administration • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch09 - Canus Invoice Number E57671 of $7,781.80. The 2nd line in the supporting Labor, Material and Expense Detail shows the $1,899.72 amount related to Electric MHP Construction. Please note, PG&E has redacted contractor hours information from the invoice so as not to reveal the vendors rate information which they consider to be business confidential. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch10 - SAP print screen of labor cost totaling $11,104.36. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch11 - SAP print screen of labor cost totaling $364,791.44. • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch12 - Energy Experts International Invoice Number 760000 of $12,498.29. • Please note, the following sample selection for $4,550.24 (Row 305 below) is part of the total amount included in Energy Experts International Invoice Number 760000 of $12,498.29 (CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch12.). Therefore, it was subsequently reversed (Row 306 below). • CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04-atch13 - Energy Experts International Invoice Number 760007 of $26,995.43. Question 5 Please provide explanations for all transactions (on both of the attached spreadsheets) for which PG&E has no supporting

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		documentation. Answer 5 PG&E has provided supporting documentation for all transactions, except for a transaction explained in "CPUC-BalancingAccountAudit 2016_DR_ED-MHE-005-Q04". It was an accounting debit of $4,550.24 that was subsequently reversed in the same period.
4/20/17	Data request (ED-MHE_005-Q01Supp01) sent on 4/13/17	Question 1 I think an incorrect invoice was included in PG&E's response CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01-Atch04 (i.e. Canus Invoice #E58141 is included instead of #E59041 that was discussed in PG&E's written response). Can you please look into this and send the correct supporting documentation for the $1,912.21 entry? Answer 1 As noted in the question, PG&E did submit an incorrect invoice in its response to CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01. PG&E apologizes for the inadvertent error. As requested, the Canus Invoice Number E59041 of $5,892.81 is included in this data response as "CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q01Supp01-atch". The 5th line in the supporting Labor, Material and Expense Detail shows the $1,912.21 amount related to Electric MHP Construction. Please note, PG&E has redacted contractor hours information from the invoice so as not to reveal the vendors rate information which they consider to be business confidential.
5/1/17	Data request (ED-MHE_005-Q04Supp01) sent on 4/27/17	Question 1 PG&E provided an explanation and invoices in DR_CPUC-BalancingAccountAudit2016_DR_ED-MHE_005-Q04Atch02.zip that lists invoices for Dec-15 that add up to $359,061.87, and explains that 50% of this amount is allocated to electric which reconciles with the $179,530.94 transaction amount that I requested documentation for. However, the invoices provided in that attachment are not for the Dec-15 entries. I understand that the total invoice amount was later adjusted to $310,259.78 (and the invoices you provided add up to this amount) but can you explain how the 10 entries were made without invoices? Or, if invoices were submitted, can you please provide them for these 10 entries? Answer 1 The amount totaling $359,061.87 recorded in December 2015 were cost accrued for work performed by the vendor, Morsports & Events, prior to the receipt of actual invoices.

Date	Inquiry	Notes
		Actual invoices billed for the entire project, and received by PG&E was finalized in March 2017. The total of these invoices provided in PG&E's attachment 02 response to ED's data request in "Audit2016_DR_ED-MHE_005-Q04" was $310,259.78. PG&E accordingly made the adjustments in its MHPBA records to reflect the cost true-down in SAP.

D. Findings: The analyst verified that the reviewed expense amounts agree to supporting documentation and that the expenditures appear to be appropriately recorded and incurred.

4. SCE

4.1. *Program Investment Charge Balancing Account - CEC (EPICBA-CEC))*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: Maryam Ghadeesi / David Zizmor
Reviewer: David Zizmor

A. Account Information: SCE collects funding from customers for Electric Program Investment Charge (EPIC) programs and then passes that funding through to the CEC which then administers various EPIC programs: nearly 80% of SCE's Annual EPIC funding is transferred to the CEC to administer its share of the EPIC program, SCE retains about 20% for its own share, and the CPUC receives 0.5% for oversight purposes (see SCE Advice Letter 2747-E, page 3, June 25, 2012). The purpose of the EPIC Balancing Account – California Energy Commission (EPICBA-CEC) is to record the difference between the authorized administrative and program EPICBA-CEC revenue requirements and authorized administrative and program payments to the CEC. 9 This balancing account was established in accordance with Ordering Paragraph No. 7 of D.12-05-037 through Advice Letter 2747-E with funding authorized from January 1, 2012 through December 31, 2020.

B. Reason for Review: EPICBA-CEC was selected for review because quarterly balances showed a growing overcollection from 2012 Q4 through 2014 Q4, overcollections declined from 2014 Q4 through 2015 Q3; and then the overcollections began to grow again between 2015 Q3 and 2016 Q2 (see Balancing Account Risk Based Criteria for Review III.A.2 and III.A.6). Additionally, the EPICBA-CEC was chosen due to the magnitude of its balance – over $100 million – in 5 of the 6 quarters under review (see Balancing Account Risk Based Criteria for Review III.A.3).

C. Review Process

Date	Inquiry	Notes
7/1/2016	Data Request #1 sent on July 1, 2016 and responded to on July 18, 2016	SCE provided a pdf with details of the recorded activity in this balancing account. The primary finding from SCE's response was that this account does not incur expenses; it instead collects funding from customers and then passes

[9] SCE noted in data request set 1, response 4.1.d, that while Franchise Fees and Uncollectibles (FF&U) expenses are not recorded in the EPICBA-CEC, the account's authorized funding level "is collected in the Public Purpose Programs Charge, which includes a gross up for FF&U." That FF&U arrangement with this balancing account is detailed in the preliminary statement for the Public Purpose Programs Adjustment Mechanism.

Date	Inquiry	Notes
		the money through to the CEC. Collection of FF&U was confirmed. SCE also confirmed it had not recently audited this account.
9/20/2016	E-mail with SCE	Confirmed that EPICBA-CEC does not incur expenses
1/24/2017	E-mail with Maria Sotero of Energy Division	Discussed EPIC CEC programs and received 2015 EPIC spending reports detailing CEC's EPIC solicitation activities.
4/16/2017	Discussion with Maria Sotero of Energy Division	Confirmed receipt of new 2017 EPIC spending report from SCE and 2015 CEC report.

D. Findings: In response to the first data request, SCE affirmed that EPICBA-CEC "does not incur expenses. SCE collects the CPUC-authorized funding levels from all customers through the Public Purpose Programs Charge and passes that money back to the CEC to pay for approved projects and quarterly administrative fees. No expenditures are incurred for overhead, affiliate transactions, outside vendor costs, or capital…." Since the EPIC funds collected by SCE are passed through to the CEC and it is the CEC that ultimately spends them on EPIC programs, SCE has no spending records to review. Pursuant to D.12-05-037 and D.13-11-025, the CEC submits an annual report to the Commission detailing the EPIC administrator's program activities for the prior calendar year including information on the status of each funded project, EPIC funds encumbered for each project, and EPIC funds spent for each project. The annual reports submitted by the CEC (as well as the IOUs) can be found in the docket for A.14-04-034. Additionally, EPIC feedback, general EPIC-CEC information, and active, anticipated, and closed EPIC-CEC solicitations are available on the CEC's website at http://www.energy.ca.gov/contracts/epic.html.

4.2. *Mobilehome Park Master Meter Balancing Account (MPMMBA)*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: Maryam Ghadeesi / David Zizmor
Reviewer: David Zizmor

A. Account Information: In D.14-03-021, the Commission approved the Mobile Home Park Conversion Program, a 3-year pilot program intended to incentivize "mobile home parks and manufactured housing communities…with master-metered natural gas and electricity to transfer to direct utility service[.]" Ordering paragraph #8 from that decision authorized the creation of SCE's Mobilehome Park Master Meter Balancing Account (MPMMBA) for the purpose of recording the incremental costs associated with the conversion of master-metered service to direct utility service. Finding of Fact (FOF) #36 details how "to the meter" and "beyond the meter" costs should be recovered in the balancing account. The balancing account was officially created with the approval of advice letters 3072-E and 3072-E-A, effective August 8, 2014.

Consistent with the FOF #36 and Ordering Paragraph #8 of D.14-03-021, SCE established the MPMMBA. The incremental costs recorded in the account include the revenue requirement associated with "to the meter" costs capitalized and placed in service upon system cutover to direct utility service, including incremental O&M start-up costs such as customer outreach, administration, and other ongoing costs, all for the purpose of implementing the 3-year pilot program. The MPMMBA also records the incremental revenue requirements for the amortization of the regulatory asset balance associated with "beyond the meter" costs which are amortized in rates over a ten year period at SCE's current authorized rate of return on ratebase.

According to section 2.d. of the MPMMBA's preliminary statement, the balance of the account is transferred to the "distribution sub-account of the Base Revenue Requirement Balancing Account [BRRBA]" every year on December 31st. A credit entry appears in the MPMMBA spreadsheet indicating this transference. The analyst did not conduct a review of the BRRBA sub-account.

B. Reason for Review: The MPMMBA was selected for two reasons. The first reason, in accordance with the risk-based criteria for balancing account selection and the prioritization of cost balancing accounts, was based on criterion III.A.8 – this account had never been reviewed.

The second reason relied partly on the first: since, as a new account (2015), the MPMMBA (1) had never been reviewed and (2) did not have a long track record to weigh against the criteria, it was selected as part of a collective effort by the Electric Costs and Gas Sections to assist SED in evaluating the Master Meter pilot program. While SED is the lead in evaluating the program, it was determined that an in-depth review of the various related balancing accounts could provide additional information on whether the Commission should continue the program. Energy Division management approved the coordinated review of SDG&E's, PG&E's, SCE's, and SoCal Gas' Master Meter accounts.

C. Review Process: The review period for this account was from 2015 Q1 through 2016 Q2. This timeframe was selected since it provided a suitable period from which a sufficient sample of document could be drawn.

Date	Inquiry	Notes
6/28/2016	Data Request #1 sent on June 28, 2016 and responded to on July 18, 2016	SCE provided a spreadsheet with details of the recorded activity in this balancing account, copies of relevant decisions and advice letters, informed us that incremental labor costs are recorded in the account, but not overhead; no FF&U factors are included in the costs, and provided a link confirming relevant interest rates.
9/20/2016	Data Request #2 sent on Sept. 20th; responded to on October 4th	SCE provided a spreadsheet that broke down the costs for categories including outreach, administration, engineering planning and construction, also split into To-The-Meter (TTM) and Beyond-The-Meter, for mobile home parks where the work in the pilot project had already been completed.
1/30/2017	E-mails between David Zizmor, James Loewen, and Belinda Gatti	David Zizmor agreed to take over the review of the balancing account
1/31/2017	Phone call with Mary Beth Quinlan of SCE	Discussed the spreadsheet we received in response to Data Request #2 and issues we had with how it was organized.
1/31/2017	Data Request #3 sent on Jan. 31st; responded to on Feb. 9th	SCE provided an updated spreadsheet that detailed program costs associated with their mobile home park conversion program.
2/1/2017	Phone call with Mary Beth Quinlan of SCE	Discussed Data Request #3 – sent the previous day – and how to refine it for the quickest response time.
2/13/2017	Phone call with Mary Beth Quinlan and Rachel Lupo of SCE	The Response to DR #3 arrived on the 9th; this call was intended to clarify that response so that we could eventually make a data request selecting invoices for review.
2/14/2017	E-mail with Mary Beth Quinlan and Rachel Lupo of SCE	Following up the Feb. 13th phone call, this e-mail followed up on Data Request #3 by asking SCE to send a spreadsheet expanding on the one they sent, this time listing individual transactions for specific outreach and administrative categories.
3/2/2017	E-mail with Mary	Received response to Feb. 14th e-mail with individual

Date	Inquiry	Notes
	Beth Quinlan of SCE	transactions in SCE's spreadsheet
3/6/2017	E-mail with Mary Beth Quinlan of SCE	March 2nd response had a few minor issues, including the data being locked for editing; this e-mail response included an unlocked version of the spreadsheet.
3/10/2017	Data Request #5 sent on March 10th; responded to on March 24th and 30th	SCE provided requested invoices
4/28/2017	E-mail with Mary Beth Quinlan of SCE	Clarifications requested for 5 invoices

D. Findings: During the reviewed time period, SCE completed conversions to direct service at five mobile home parks. Invoices for 13 transactions were acquired for review in response to data request #5. The analyst selected these invoices for review by taking one from each category, typically the largest amount in said category, in order to examine every type of expense. The analyst compared these invoices with the transactions listed in the spreadsheet as well as the descriptions of authorized costs in the MPMMBA Preliminary Statement. Five invoices required additional explanation from SCE. All transactions reviewed, including the five which required explanations, 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 MPMMBA is needed based on the transactions reviewed.

Also, as mentioned earlier, section 2.d. of the MPMMBA's preliminary statement requires the balance of the account to be transferred to the BRRBA on December 31st; a credit entry should appear in the MPMMBA spreadsheet indicating this transfer. The analyst reviewed the spreadsheets provided by SCE and noted the appropriate credit entries reflecting the required transfers at the beginning of 2015 and 2016. As such, no adjustment to the MPMMBA is needed.

5. SDG&E

5.1. *California Solar Initiative Balancing Account (CSIBA)*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: David Zizmor
Reviewer: David Zizmor

A. Account Information: The California Solar Initiative (CSI) is the state's solar rebate program for customers of IOUs. The purpose of the CSIBA is to record the costs and corresponding revenue requirement associated with the CSI for SDG&E as ordered in D.06-08-024 (January 2006). Sub-accounts for Performance Based Incentives (PBI) and the CSI Thermal Program were subsequently added pursuant to D.06-12-033 and D.10-01-022 respectively.

The primary programs funded through the CSI are the Single-family Affordable Solar Homes (SASH) and Multi-family Affordable Solar Housing (MASH) programs, which were authorized for up to $251 million in total funding per D.11-12-019 and D.12-12-018, and an additional $11 million per D.15-01-027, for a total of $262 million from 2006 through 2021. The CSIBA records debit entries against the authorized funding for the CSI program costs including contract payments to the California Center for Sustainable Energy, marketing, contract administration, regulatory reporting, program evaluation, customer incentives/rebates, research, development, and demonstration, incremental capital costs, and expenses associated with the CSI program.

Performance Based Incentive Sub-Account
In the CSI program, PBIs are intended to encourage installation of solar photovoltaic systems by making them more economical for customers through monthly payments based on the solar power produced. The PBI sub-account in the CSIBA separately records the PBI payments for all completed solar projects receiving PBI "to ensure fund security for the duration of the PBI contract incentive periods." SDG&E pays the PBI for approved solar projects, with payments made monthly over a five year period based on the actual energy (kWh) produced by each individual's solar photovoltaic system. The incentive rate is constant for the entirety of the five year term. With respect to the CSIBA, however, the PBI sub-account is only a tracking account and is not booked to the general ledger since the primary purpose of the sub-account is to facilitate "quarterly reporting [by the] Energy Division on the percent of incentives committed or paid on a PBI basis. [10]
" As mentioned above, individual PBI incentive/rebate payments are recorded as debits in the general ledger.

CSI Thermal Program Sub-Account
The CSI Thermal Program offers cash rebates of up to $4,366 on solar water heating systems for

[10] D.06-12-033, p. 13.

single-family residential customers; up to $800,000 to multi-family and commercial properties for solar water heating systems; and up to $500,000 for eligible solar pool heating systems. SDG&E's solar thermal program is administered by the Center for Sustainable Energy. The sub-account records debit entries reflecting recorded expenses for incentive payments to customers or contractors for services rendered associated with the sub-account, debit entries for marketing and outreach, and debit entries equal to the recorded expenses for program administration. The sub-account is ultimately integrated into the CSIBA.

B. Reason for Review: CSIBA 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.2, the balances in the account consistently grew higher: from 2014 Q4 through 2016 Q1, quarterly balances grew from a $934,670 under-collection to a $16,848,480 over-collection.
- Under criterion III.A.3, the magnitude of this account (over-collected by $20.7 million as of 2016 Q2) was the 4th highest out of 33 SDG&E-electric balancing accounts.
- Under criterion III.A.6, there were volatile fluctuations in the account: in 2012 Q4, CSIBA was $23,379,815 over-collected, then it swung to $6,925493 under-collected in just one year (2013 Q4), and then it reversed course to become $16,848,480 over-collected as of 2016 Q1. Additionally, its over-collection has been growing rapidly: it grew by 76% from 2015 Q1 to Q2; 50% from Q2 to Q3; 40% from Q3 to Q4; and 46% from 2015 Q4 to 2016 Q1.
- Under criterion III.A.8, this account had not previously been reviewed by Energy Division, nor other units within the Commission such as ORA or Audits.

C. Review Process: The review period for this account was from 2015 Q1 through 2016 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 SDG&E and the data requests issued to them in the course of the review.

Date	Inquiry	Notes
6/24/2016	E-mail with SDG&E	Contacted SDG&E to let them know the balancing account review process was underway and that a data request would be sent the following week.
6/28/2016	Data Request #1 sent on June 28, 2016 and responded to on June 15, 2016	SDG&E provided a spreadsheet with details of the recorded activity in this balancing account, copies of relevant decisions and advice letters, informed us that no labor or overheads are allocated in this account; no FF&U factors are included in the costs, and provided a link confirming relevant interest rates.
8/11/2016	Phone call with Eric Dalton of SDG&E	Phone call to clarify information in the spreadsheet we received in response to the first data request.

Date	Inquiry	Notes
8/15/2016	E-mail with Sarah Kamins of Energy Division	James Loewen previously worked on CSI and recalled an audit on the program from a few years ago. I contacted Sarah on his suggestion to find out where that audit report was located and she provided a copy.
9/23/2016	E-mail with Eric Dalton of SDG&E	Upon reviewing the CSIBA spreadsheet, analyst noticed that separate tabs for the sub-accounts were missing; contacted SDG&E to ask them to send an updated spreadsheet with sub-accounts included.
9/27/2016	E-mail with Eric Dalton of SDG&E	Received spreadsheet for PBI sub-account.
10/3/2016	E-mail with Eric Dalton of SDG&E	Received spreadsheet for Thermal program sub-account; asked questions clarifying information in Thermal program spreadsheet.
1/25/2017	Phone call with Eric Dalton of SDG&E	Phone call to update Eric on status of reviews, ask questions about next steps, and clear up a few issues in order to write a more focused data request.
1/25/2017	Data Request #3 sent on Jan. 25th; response received on Feb. 9th	This data request asked for 16 invoices selected by the analyst. All invoices were supplied as requested. NOTE: Data Request #2 only contained questions regarding another SDG&E balancing account under review which is why this one lists only #1 and #3.
2/17/2017	E-mail with Eric Dalton of SDG&E	One page of the invoice for "Row 3" from the 2016 O&M expenses tab of the CSIBA spreadsheet was blurry so the analyst asked for a clearer copy
2/22/2017	E-mail with Eric Dalton of SDG&E	Eric responded that a clearer copy of the page was not available. Since this was not critical to the review, there was no follow up.

D. Findings: In response to the first data request, SDG&E affirmed that no FF&U factor was associated with costs in the CSIBA, nor was there any labor or overhead allocated to this account. SDG&E also affirmed that it had not recently conducted an audit of this balancing account. However, Energy Division staff discovered that the California State Auditor conducted an audit of the CSI program in February 2015.[11] That audit concluded that while the program would install enough solar energy systems to reach its 2016 goal for installed capacity, other goals – e.g. pollution reduction benefits, research and development results, and installation of solar water-heating systems through the Thermal Program – were more uncertain. The audit did not discuss the CSI balancing account and, in any case, nearly the entire audit was conducted prior to the 2015-2016 timeframe examined in this review.

Invoices for sixteen transactions were acquired for review in response to data request #3. The analyst selected these invoices by first finding the months in 2015 and 2016 with the most

[11] California's Alternative Energy and Efficiency Initiatives, Report 2014-124, February 10, 2015; *available at* https://www.bsa.ca.gov/pdfs/reports/2014-124.pdf.

expenses (July 2015 and January 2016), and then choosing one invoice from each category in order to cover every type of expense. The analyst compared these invoices with the transactions listed in the spreadsheet as well as the descriptions of authorized costs in the CSIBA Preliminary Statement. All transactions reviewed for July 2015 and January 2016 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 CSIBA is needed based on the transactions reviewed.

The analyst also reviewed the authorized revenue requirement for the CSIBA. As stated previously, $251 million in total funding was authorized for the CSI program per D.11-12-019 and D.12-12-018, with an additional $11 million authorized in D.15-01-027, for a total of $262 million from 2006 through 2021. These amounts were also listed in section 4.a. of the CSIBA Preliminary Statement with yearly allocations. The amounts allocated for 2015 and 2016 – $29.67 million and $31.42 million respectively – were properly accounted for (with adjustments for under/over-collections from the prior year) in the CSIBA spreadsheet provided by SDG&E. Since the authorized revenue requirement was properly recorded in accordance with section 4.a. of the preliminary statement, no adjustment to the CSIBA is needed.

5.2. *Electric Master Meter Balancing Account (MMBA)*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: David Zizmor
Reviewer: David Zizmor

A. Account Information: In D. 14-03-021, the Commission approved the Mobile Home Park Conversion Program: a 3-year pilot program intended to incentivize "mobile home parks and manufactured housing communities…with master-metered natural gas and electricity to transfer to direct utility service[.]" Ordering paragraph #8 from that decision authorized the creation of SDG&E's Master Meter Balancing Account (MMBA) for the purpose of recording the incremental costs associated with the conversion of master-metered service to direct utility service. Finding of Fact (FOF) #36 details how "to the meter" and "beyond the meter" costs should be recovered in the balancing account. The balancing account was officially created with the approval of advice letter 2601-E/2292-G, effective June 8, 2014.

Consistent with the FOF #36 and Ordering Paragraph #8 of D.14-03-021, SDG&E established the MMBA. For the purpose of implementing the 3-year pilot program, the incremental costs recorded in the account include the revenue requirement associated with "to the meter" costs capitalized and placed in service upon system cutover to direct utility service: this consists of incremental O&M start-up costs such as customer outreach, administration, and other ongoing costs. The MMBA also records the incremental revenue requirements for the amortization of the regulatory asset balance associated with "beyond the meter" costs which are amortized in rates over a ten year period at SDG&E's current authorized rate of return on ratebase.

B. Reason for Review: The MMBA was selected for two reasons. The first reason, in accordance with the risk-based criteria for balancing account selection and the prioritization of cost balancing accounts, was based on criterion III.A.8 – this account had never been reviewed.

The second reason relied partly on the first: since, as a new account (2015), the MMBA (1) had never been reviewed and (2) did not have a long track record to weigh against the criteria, it was selected as part of a collective effort by the Electric Costs and Gas Sections to assist SED in evaluating the Master Meter pilot program. While SED is the lead in evaluating the program, it was determined that an in-depth review of the various related balancing accounts could provide additional information on whether the Commission should continue the program. Energy Division management approved the coordinated review of SDG&E's, PG&E's, SCE's, and SoCal Gas' Master Meter accounts.

C. Review Process

The review period for this account was from 2015 Q1 through 2016 Q2. This timeframe was selected since it provided a suitable period from which a sufficient sample of documents could be drawn.

Date	Inquiry	Notes
6/24/2016	E-mail with SDG&E	Contacted SDG&E to let them know the balancing account review process was underway and that a data request would be sent the following week.
6/28/2016	Data Request #1 sent on June 28, 2016 and responded to on June 15, 2016	SDG&E provided a spreadsheet with details of the recorded activity in this balancing account, copies of relevant decisions and advice letters, informed us that incremental labor and overhead are allocated in this account; no FF&U factors are included in the costs, and provided a link confirming relevant interest rates.
8/11/2016	Phone call with Eric Dalton of SDG&E	Phone call to clarify information in the spreadsheet we received in response to the first data request.
8/31/2016	Meeting between Energy Division and SED	ED analysts reviewing Master Meter BAs met with Sunil Shori from SED to discuss ways in which our reviews could help inform their analysis of the Master Meter program.
9/12/2016	E-mail with Sunil Shori from SED	Sunil sent an e-mail providing the categories of information we would include in a data request to the utilities.
9/23/2016	E-mail with Eric Dalton of SDG&E	Upon reviewing the CSIBA spreadsheet, analyst noticed that separate tabs for the sub-accounts were missing; contacted SDG&E to ask them to send an updated spreadsheet with sub-accounts included.
9/20/2016	Data Request #2 sent on Sept. 20th; responded to on October 12th	SDG&E provided a spreadsheet that broke down the costs for categories including outreach, administration, engineering planning and construction, also split into To-The-Meter (TTM) and Beyond-The-Meter, for mobile home parks where the work in the pilot project had already been completed.
9/27/2016	E-mail with Eric Dalton of SDG&E	Received spreadsheet for PBI sub-account.
1/27/2017	E-mail with Michelle Somerville/Elizabeth Baires of SDG&E	Asked follow up question on Data Request #2 regarding addresses of the mobile home parks.
2/10/2017	E-mail with Michelle Somerville/Elizabeth Baires of SDG&E	Asked follow up question on Data Request #2 regarding whether the spreadsheet made any distinctions between electric costs and gas costs.
2/13/2017	E-mail from Elizabeth Baires of SDG&E	Reply to Jan. 27th e-mail providing requested addresses.
2/14/2017	Data Request #4 sent on Feb. 14th; supplement sent on Feb. 17th; responded	SDG&E provided requested invoices

Date	Inquiry	Notes
	to on February 28th	
2/16/2017	Phone call with Elizabeth Baires	SDG&E staff clarified that the expenditures on items shown in previous spreadsheets were of two types: (1) those for which documentation including invoices could be provided, and (2) items for which overhead allocations were done by other groups in SDG&E, and for which rationale / bases for allocation and actual documentation was not available directly. These allocations could be obtained but the process of doing so would require a long time. SDG&E returned the lists for Electric and Gas expenditures, indicating for each ledger entry item whether documentation would be available.
3/3/2017	E-mail with Elizabeth Baires of SDG&E	Analyst had several questions about the invoices which needed clarification; supplemental data request 4B was sent
3/8/2017	E-mail from Yvette Tsang of SDG&E	SDG&E provided responses that cleared up confusion about the contents of several invoices

D. Findings: During the reviewed time period, SDG&E completed conversions to direct service at five mobile home parks. Due to the volume of transactions for those five parks, the analyst narrowed the review to two, selecting the parks with the highest and lowest average cost per unit. Invoices for 25 transactions were acquired for review in response to data requests #4 and #4B (a supplement to the original). The analyst selected these invoices for review by taking one from each category, typically the largest amount in said category, in order to examine every type of expense. The analyst compared these invoices with the transactions listed in the spreadsheet as well as the descriptions of authorized costs in the MMBA Preliminary Statement. Five invoices required additional explanation from SDG&E. All transactions reviewed, including the five which required explanations, 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 MMBA is needed based on the transactions reviewed.

5.3. *Gas Master Meter Balancing Account (MMBA)*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: Amardeep Assar
Reviewer: Amardeep Assar

A. Account Information: The SDG&E Mobilehome Master Meter Balancing Account - Gas records costs incurred for conversion of gas service in mobile home parks from master meters owned by the park to direct utility metering, under a three-year pilot program which was to be assessed by SED (Note: The SDG&E Mobilehome MMBA – Electric account covers electric costs separately. Please see Section C, Review Process, for more details). These costs include those for program development and implementation, as well as O&M and capital costs for infrastructure changes and additions for the actual cutover to utility service. The costs are separated into those incurred "to the meter (TTM)," and others "beyond the meter (BTM)."

The account was established pursuant to D. 14-03-021 which adopted a three-year "living pilot" program (Program) to incentivize voluntary conversions of master-metered service at mobilehome parks (MHP). The program directs SDG&E to convert approximately 10% of the spaces within its service territory over the pilot's three-year term. D.14-03-021 authorizes the creation of a balancing account for recording actual MHP program costs.

Specifically, D.14-03-021 requires that:

> Reasonable incremental expenses for program development and administration, not otherwise recovered in rates, should be entered as incurred for annual recovery in the utility's pilot program balancing account.

Furthermore, D.14-03-021, in Finding of Fact (FOF) No. 36 and Ordering Paragraph (OP) No. 8, details how "to the meter" and "beyond the meter" costs are to be recovered by utilities as described below.

On June 25, 2014, Energy Division approved SDG&E Advice Letter 2601-E / 2292-G, effective June 8, 2014. Therein, SDG&E had sought approval from the CPUC to revise its electric and gas Preliminary Statements to establish the Master Meter Balancing Account (MMBA) to record and recover costs associated with the conversion of master-metered service in compliance with Ordering Paragraph (OP) 8 of Decision (D.) 14-03-021.

Consistent with the FOF No. 36 and OP No. 8 of D.14-03-021, incremental costs include the revenue requirement associated with "to the meter" costs capitalized and placed in service upon system cutover to direct utility service, including incremental O&M start-up costs such as customer outreach, administration and other ongoing costs to implement the 3-year pilot program. The MMBA also records the incremental revenue requirements for the amortization of the regulatory asset balance associated with "beyond the meter" costs which is amortized in rates over a ten year period at SDG&E' current authorized rate of return on ratebase.

B. Reason for Review: In selecting the balancing accounts to be reviewed, those involving costs are given primary consideration and invoice level review is performed. Electric and Gas Master Meter Balancing Accounts were considered for review in order to help provide a basis to SED in its assessment of continuation of the pilot program. SDG&E MMBA (Gas) was among these. Further, this account was not going to be reviewed by ORA or Water and Audits Branch in 2016, and there would be no duplication.

C. Review Process: This review is for the Gas component. After initial review of the account, separate data requests were sent by two analysts to SDG&E to understand the entries in the account for Gas and Electric components. However, SDG&E's responses to the early DRs provided combined spreadsheets with separate tabs for the Gas and Electric components. In light of this, the analysts did joint calls with SDG&E to cover Gas and Electric components. The responses received were reviewed and many follow up data requests and phone calls became necessary as detailed below.

Date	Inquiry	Notes
7/1/2016	Data Request DR was sent to Parikh, Parina P. PParikh@semprautilities.com requesting 2015 – 2016 (for part of 2016, as available) annual accounting summary for SDG&E's Master Meter BA [Gas] (MMBA) Balancing Account, and pertinent decisions and advice letters.	SDGE replied on 7/5/16 to confirm receipt of DR 1. On 7/18/16, SDG&E sent the response, attaching a spreadsheet with the MMBA account information, and relevant CPUC decision (D.14-03-021), preliminary statement and advice letters. This included details of MMBA for both electric and gas conversion programs (i.e., from Mobile Home park owner metering to Utility metering).
7/18/2016	E.D. Analyst found that the spreadsheet could be opened, but not saved. E.D. IT / Webmaster looked into the issue, and concluded the problem was probably that SDG&E needed to grant permissions for access. E.D. Analyst emailed the Sempra regulatory contact to check the spreadsheet.	On 7/19/16, Sempra sent a revised spreadsheet and the problem was resolved.
2/1/2017	A second data Request (DR 2) was sent to SDGE Regulatory Contact	

Date	Inquiry	Notes
	<Michelle Somerville @semprautilities.com>. This was based on the MMBA data request template developed after discussion with SED, and intended for use of all ED analysts working with MMBA accounts. DR 2 was to obtain a breakdown of costs for a set of categories of costs including, for example, outreach, administration, engineering planning and construction, also split into To-The-Meter (TTM) and Beyond-The-Meter (BTM), for mobile home parks where the work in pilot project had been completed (i.e., after cutover to utility service). This was for Gas costs, and a similar DR was sent by the assigned ED analyst handling the Balancing Account for the electric costs in the MM pilot program.	
2/8/2017		Elizabeth D. Baires (<EBaires@semprautilities.com>) at Sempra replied with the breakdown of costs for Jan 2015 – Jun 2016, in response to for DR2. However, these were aggregates as of 9/20/17 that had been sent by Sempra to analyst handling the Electric component (David Zizmor), in response to his DR. This was for two parks for which the work had been completed.
2/8/2017	ED Analyst emailed to SDGE for more detail on information in their previous spreadsheet of 9/2016 in order to understand it. Also indicated that details for	

Date	Inquiry	Notes
	expenditures for Gas pilot would be required, including separating BTM and TTM expenses.	
2/10/2017	After discussion with David Zizmor, an email was sent by him to SDG&E to clarify how expenses for the different categories were split between Electric and Gas pilots for the same mobile home park, and that these would be required at the level of ledger entries.	
2/13/2017		SDG&E replied to David Zizmor's email with spreadsheet with expenditures by category, and detailing separately for Electric and Gas. This obviated a separate data request pertaining to Gas items.
2/15/2017	DR.4 was sent requesting documentation for 25 ledger entry items for Gas service (Note there was no DR.3. This was labeled DR.4 to be consistent with analyst handling electric component). The set of items was a judgement sample covering Gas items for the two parks, and including categories of TTM / BTM, Outreach and Education, Administration, engineering and Planning, and System Cutover.	
2/16/2017	A call was scheduled with SGD&E and ED analysts - D. Zizmor, A. Assar.	In this call SDG&E staff clarified that the expenditures on items shown in previous spreadsheets were of two types: (1) Those for which documentation including invoices could be provided by their group, and (2) Items which for which overhead allocations were done by other groups in SDG&E, and for which rationale / bases for allocation and actual documentation was not available directly. These allocations could be

Date	Inquiry	Notes
	In light of this, ED Staff decided to modify the list of ledger entries for which documentation had been requested, to exclude all those which were calculated with overhead allocations.	obtained but the process of doing so would require a long time. SDG&E returned the lists for Electric and Gas expenditures, indicating for each ledger entry item whether documentation would be available, or it was an overhead allocation.
2/17/2017	Analyst sent a revised DR.4 to SDG&E with ledger entries for all of which supporting documentation would be available, dropping those entries that were calculated with overhead allocations.	
2/28/2017		SDG&E sent a link to access the documentation responsive to revised ledger entry list.
3/3/2017	David Zizmor had a call with E. Baires on clarifications on Electric invoices.	
3/7/2017	ED Analyst requested more information for 19 of 25 invoices, as per specific queries (in 2017.03.17 SDGE MMBA Clarification_GAS.doc).	
3/20/2017		SDGE replied with supplemental information addressing the clarifications sought for 19 invoices.
3/21/2017	ED Analyst confirmed to SDG&E that supplemental information had been reviewed, and that all previous questions had been clarified / explanations were sufficient.	

D. Findings: Staff reviewed SDG&E MMBA - Gas which was part of the pilot program for MMBA. For two mobile-home parks that were part of the pilot program, data was received which was broken into electric and gas but also some entries which were joint costs for both electric and gas such as the outreach program. The analyst reviewed the data from January 2015 to June 2016. Following this, at the level of ledger entries, a sample of expenses was selected and reviewed and SDG&E was asked to provide associated invoices / documentation for these.

Based on the information provided by SDG&E for this sample data set, staff did not find any improper entries in the manner these were recorded.

5.4. *Greenhouse Gas Revenue Balancing Account (GHG)*

Balancing Account Review Summary - 2016 Q1 – 2016 Q4
Analysts: Belinda Gatti
Reviewer: Belinda Gatti

A. Account Information: Pursuant to D.14-12-040, the Greenhouse Gas (GHG) Balancing Account is a two-way, interest bearing account that tracks and records costs incurred to comply with the California Air Resource Board's (CARB) natural gas supplier Cap and Trade Program costs, company facility GHG compliance costs, and the revenues received from consignment of natural gas supplier allowances for auction under the ARB Program. Pursuant to D.15-10-032, the GHG Balancing Account will also separately identify and record GHG compliance costs associated with Lost and Unaccounted for gas. Administrative costs associated with the GHG program are held in another account. As of the 2015 Q4 quarterly report, SDG&E had accumulated $2,875,909 in the account.

B. Reason for Review: In accordance with the risk-based criteria for balancing account selection and the prioritization of cost balancing account, this account was selected because it has never been reviewed.

C. Review Process: SDG&E stated that two line item entries were corrected in the GHG Balancing Account for calendar year 2015: 1) an amount of $2,350.06 was inadvertently balanced in this account which should have been in the NERBA and the transfer would be made to NERBA in August 2016; 2) an amount of $100 was applied to overheads in January 2015 but was credited in March 2015 as a correction.

Date	Inquiry	Notes
6/29/2016	Data Request #1 sent on June 29, 2016 and responded on August 3, 2016	SDG&E provided authorizing decisions and advice letters approving its Greenhouse Gas Balancing Account. SDG&E also provided a monthly summary of O&M costs for the period January 2015 through December 2015. No capital expenditures were included in this account. SDG&E verified that costs were not recovered through another account. No SDG&E internal audit has been performed. No FF&U costs are included. No labor or other overhead costs are included in this balancing account.
11/1/2016	Data Request #2 sent on November 1, 2016 and responded on December 1, 2016	Supporting documents for the five of the line entries were requested. The five line items were randomly selected from SDG&E's monthly summary of O&M costs for calendar year 2015. The Cap-and-Trade program is an electronic exchange and auction board run by ARB. Supporting documents include screen shots, spreadsheets and email documenting SDG&E's participation and results from the auction.

D. Findings: All transactions reviewed equaled and matched entries in the monthly Summary of Costs provided in the authorizing Advice Letters (i.e. SDG&E AL 2523-G) and the quarterly reports. The reviewed costs recorded by SDG&E to the GHG Balancing Account were appropriately recorded and incurred. No discrepancies were found.

6. SOCALGAS

6.1. *California Solar Initiative Balancing Account (CSIBA)*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: Belinda Gatti
Reviewer: Belinda Gatti

A. Account Information: SoCalGas' Master Meter Balancing Account (MMBA) is an interest bearing account used to record the incremental costs associated with the conversion of master-metered service (i.e. Mobile Home Park Conversion Program) at mobile home parks and manufactured housing communities to direct utility service. The Commission authorized a three year pilot program beginning January 2015 to incentivize the conversion of master-meter/sub-meter service to direct utility service (D.14-03-021, Ordering Paragraph 8). Finding of Fact #36 details how "to the meter" and "beyond the meter" costs should be recovered in the balancing account. The incremental costs recorded in the account include the revenue requirement associated with "to the meter" costs capitalized and placed in service upon system cutover to direct utility service, including increment O&M start-up costs such as customer outreach, administration, and other ongoing costs, all for the purpose of implementing the three year pilot. The balancing account was officially created with approval of Advice Letter 4643, effective June 8, 2014. As of the 2016 Q1 quarterly report, SoCalGas had accumulated $1,960,646 in the account.

B. Reason for Review: In accordance with the risk-based criteria for balancing account selection and the prioritization of cost balancing account, this account was selected because it is a new account and has never been reviewed. It was also selected as part of a collective effort to assist the Safety Enforcement Division in evaluating the Master Meter pilot program. While SED is the lead CPUC division for evaluating the program, it was determined that an in-depth review of the various related balancing accounts could provide additional information on whether the commission should continue the program.

C. Review Process:

Date	Inquiry	Notes
6/29/2016	Data Request #1 sent on June 29, 2016 and responded on August 1, 2016	SoCalGas provided monthly totals for period October 2015 through March 2016, including O&M and capital. SoCalGas verified that costs were not recovered through another account. No SoCalGas internal audit has been performed. No FF&U costs are included in the MMBA. Consistent with D.14-03-021, SoCalGas is authorized to include labor and overhead costs incremental to the mobile home conversion program.
8/29/2016	Follow-up questions to Data Request #1 sent on August 29, 2016 and responded on September 12, 2016	In accordance with General Capitalization Policy, contributions (labor and non-labor) which result in a capital asset should be capitalized. Additional spreadsheet provided by individual Mobile Home Park.
1/25/2017	Data Request #3 sent on January 25, 2017 and responded on February 15, 2017	SoCalGas provided an itemized spreadsheet containing the following for Blue Dude Mobile Home Park and Mt. Slover Trailer Village: a. Total costs of Outreach and Education; b. Total costs of Administration; c. Total costs of Environmental Issues/Remediation; d. Total costs of Permits; e. Total costs of Construction; f. Total costs of System Cutover; g. Subtotal for "beyond the meter" costs. SoCalGas provided documents for the line entries in the spreadsheet, such as transaction documents, invoices, etc.
5/25/2017	Conference call with SoCalGas: Joe Mock, Joe Velasquez, Yvette Tsang, Hector Moreno	Purpose of conference call was to reconcile total balances from September data response to January data response. September data only include costs accumulated up to March 2016. Data Response # 3 included total costs to end of January 2017. Costs contained in individual Mobile Home park transaction worksheet were reviewed. Both O&M and Capital costs were included. "Grouping" column included: administration, construction, BTM (Beyond the Meter) and outreach. Administration costs which include in-house meter installation are included in Capital.

D. Findings – Invoices reviewed matched entries in the monthly Summary of Costs provided in the authorizing Advice Letters (i.e. SCG AL 5054) and the quarterly reports. The reviewed costs recorded by SoCalGas to the MMBA were appropriately recorded and incurred. No discrepancies were found.

6.2. *Metering Infrastructure Balancing Account (AMIBA)*

Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: Jean Spencer
Reviewer: Jean Spencer

Please see the confidential addendum.

7. OTHER GAS PROVIDERS

7.1. *Bear Valley Electric Services (BVES) - Energy Savings Assistance (ESA) Balancing Account (BA)*

Balancing Account Review Summary - 2016 Q1 – 2016 Q4
Analysts: Jaime Rose Gannon
Reviewer: Jaime Rose Gannon

A. Account Information: The purpose of the Energy Savings Assistance Balancing Account (ESA BA), formerly called Low Income Energy Efficiency BA (LIEEBA), is to track the Public Purpose Program funds allocable to Low-Income Energy Efficiency Program and Program costs. This is an interest-bearing one-way balancing account where over-expenditures are not recovered.

The ESA BA was reviewed for the following period: Q1 2014 to Q1 2016. Within this period a random sample of 47 transactions were selected for verifying transactions/expenses with supporting documentation (invoices).

Quarter 1 2016 end balance of $47,820 is 20% more than the last authorized revenue requirement of $229,652. This is the ratio of the balance to authorized revenue requirement. The positive balance in the account signifies that the account is under-collected which mean expenses are exceeding the revenues being recovered. In addition to being never being reviewed, this balancing account has been over collected since the fourth quarter of 2012.

Authority to create Balancing Account:
In D.08-12-019, an annual program budget of $229,625 was approved for the ESA program, with a budget cycle of 2009-2011. This budget was extended on a month-to-month ($19,135 monthly) basis in D.12-09-026, until the Commission issues a final decision on a future budget cycle.

Advice letter 229-E, effective June 1, 2009, implemented the Public Purpose Program (PPP) surcharge (detailed in preliminary statement K) which includes ESA cost recovery.

Preliminary statement H was created for the LIEEBA (now known as “ESABA”) to track the PPP funds allocable to the LIEE programs and the LIEE program costs. The LIEEBA is an interest bearing, one-way account where over expenditures are not recovered. During the review of this account, the analyst requested that BVES update preliminary statement H to reflect the new program name, ESA, instead of the old program name, LIEE.

Prior Audits of Balancing Account:
Golden State Water Company (BVES’ parent company) Internal Audit performs a risk

assessment of the company annually. Internal Audit department's annual audit plan is based upon this risk and cost/benefit analysis; i.e. not all areas can be audited and therefore the focus is based upon areas of highest risk. Based upon the risk assessment, the ESA balancing account risk is comparatively low relative to other accounts within the company and therefore it was not selected for audit during the years in question.

BVES did a CARE & ESA report at the end of June 2016. The report details the work, successes and areas of improvement for both ESA and CARE. The following chart was taken from this report. The expenditures reported here are consistent with the quarterly balance trends observed (*see* graph on page 7).

Year	Homes Treated	Goal	% of Goal	Expenditures	% of Authorized
2016-May 31	**42	*400	11%	$45,562	20%
2015 Year-End	287	*400	71%	$295,574	128%
2014 Year End	103	210	49%	$149,193	64%
2013 Year End	126	210	60%	$133,313	58%

Notes: *Deploying catch-up plan with increased annual goal of 400 homes
**Experiencing low numbers in Spring 2016 due lo frequent turnover of contractor's assessors

B. Reason for Review: A risk based criteria guidance document, created by Energy Division, was used in selecting the Energy Savings Assistance (ESA) account for review. This account was selected primarily due to the fact that it has never been reviewed by Office of Rate payer Advocates, Department of Water and Audits, or Energy Division.

C. Review Process: A record of communication was kept during the review process. A total of seven data responses were received from 7/29/16-10/24/16. This record of communication along with the data files provided can be found here: https://cs.cpuc.ca.gov/otcs/livelink.exe?func=ll&objId=165561074&objAction=browse&viewType=1

A summary of this record of communication is provided below:

Date	Inquiry	Notes
Initial data request sent: 6/28/2016 Data response received: 7/29/2016	1. Please provide account summaries, in Excel format, for the **Power Purchase Adjustment Clause Balancing Account**. Please show each accounts ledger entries, transactions, and revenues booked to the accounts during the following periods: 2013 Q4 to 2014 Q4. In the account	

Date	Inquiry	Notes
	summarizes please provide the following specifications:	
	a. Color coded ledger entries, transactions, and revenues by category of revenue or expense: overhead, affiliate transactions, outside vendor costs, capital costs. (if none of the entries can be categorized please say so)	Please see attached spreadsheet " Copy of ESA Q1 2014 – Q1 2016"
	b. Total dollar amount and percentage of total revenue requirements of utility-allocated costs (i.e., overheads) and affiliate transactions booked to the account for the specified period.	Response: None
	c. Copies of the most recent utility internal audits of the balancing account (if available—please explain if not).	Response: GSWC Internal Audit performs a risk assessment of the company annually. Internal Audit department's annual audit plan is based upon this risk and cost/benefit analysis; i.e. not all areas can be audited and therefore the focus of audits is based upon areas of highest risk. Based upon the risk assessment, the ESA balance account risk is comparatively low relative to other accounts within the company and therefore was not selected for audit for the given year in question.
	d. Authorizing decision with page citation indicating what is authorized to be booked in the account. Electronic copies of Advice letters and decisions pertinent to this account	Response: Please see attached D.08-12-019. See PP 35-36 and p 37, see also Ordering Paragraph No. 24 Also please see attached Advice Letter 229-EA
	2. Our review of various balancing accounts indicates that some accounts book utility labor costs, allocate overhead costs (e.g. A&G) and include a factor for	

Date	Inquiry	Notes
	Franchise Fees and Uncollectibles (FF&U). Since labor costs and costs related to utility assets and infrastructure are recovered typically through a utility's general rate case, Energy Division staff wants to make sure that there is no double booking of these costs. Please provide the following information for the balancing accounts listed above:	
	a. Are labor costs booked in the account? If so, please provide page citation to a Commission decision or resolution authorizing the booking of these costs.	Response: No. There are no labor costs booked in the ESA account.
	b. Are any other overhead costs allocated to the account? If so, please provide page citation to a Commission decision or resolution authorizing the booking of these allocated costs.	Response: No. There are no overhead costs allocated to the ESA account.
	c. Please provide an affirmation that neither the labor costs booked in the balancing account nor the overhead costs booked in the account are recovered through another rate proceeding so Energy Division can determine that there is no double counting of any of these costs.	Response: yes, no labor costs are booked in the ESA balancing account nor the overhead expenses.
	d. Is FF&U factor included in the costs? If so, please provide citation to a Commission decision or resolution authorizing the use of the FF&U.	Response: We are still searching for the Commission decision or resolution authorizing FF&U. In the mean time I have attached the Preliminary Statements from SCE and PG&E that contain the same FF&U language.
Supplemental Requested sent: 8/2/2016 Data response received: 8/2/2016	As discussed, Can you please provide definitions of each header on the "Transactions Query" sheet. Also please explain: • What is subsidiary 341? • What is subsidiary 35? • What is PPAC Allocation?	341 is the sub-account set up in JDE to track the surcharges collected from the customers for low income energy efficiency (LIEE); 35 is the sub-account set up in JDE to track the costs spent on LIEE program Under the rate tariff, surcharge for LIEE is part of the rate

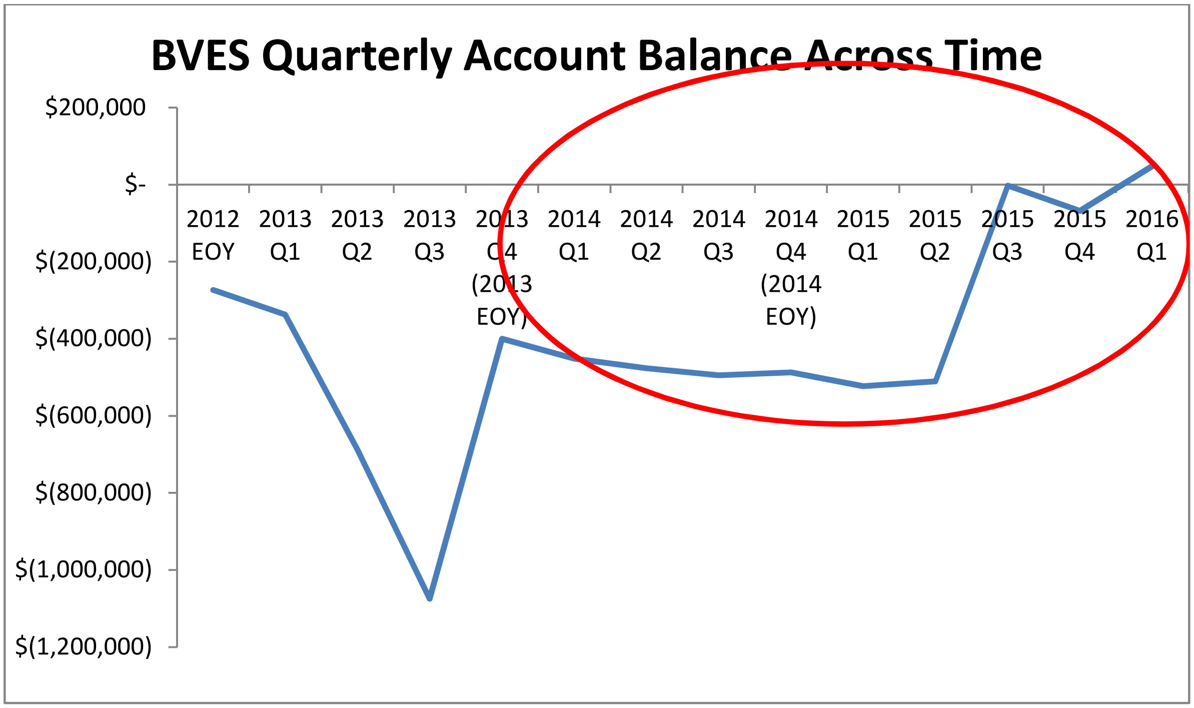
Date	Inquiry	Notes
		component under Public Purpose Program Surcharge ("PPP Surcharge"). In details, you can refer to the preliminary statement for Public Purpose Program Adjustment Mechanism ("PPPAM") under this decision A.12-02-013, exhibit H. Per statement, the surcharges collected from the customers for the LIEE program are allocated based on the percentage of LIEE program to the total Public Purpose Programs (CARE, LIEE, R&D, Renewables, Energy Efficiency and Solar initiative). You can disregard the description for "PPAC allocation" due to limit space in our journal entry, instead of fully spell out the public purpose program adjustment mechanism, our accountant uses PPAC allocation.
Supplemental Requested sent: 8/2/2016 Data response received: 8/2/2016	Thanks for these clarifications Sally. Will you also be providing the definitions from the "Transactions Query" sheet? Also I would like to understand the four different document types so that I can filter out what document will not contain transactions and invoices. Can you provide these definitions as well?	Hi Gannon, Here're the definitions for the following doc types: • JE is a manual journal entry • BE is no different from JE doc type, except keep the original transaction fields such as PO number, invoice number. It is also a manual journal entry with more details fields. BE can be a reclass from OV, PV or JE doc types. • OV is a 3 ways invoice match such as PO number, item receipts and invoices from vendor • PV is a regular AP vendor invoice voucher without PO number nor receiving record
Second data request sent: 8/16/2016 Data response received: 8/23/2016	I have selected a random sample of transactions for this account.(Please see my selection attached in the excel document.) Can you please provide invoice level data for each of these transactions?	The requested invoices pertaining to the attached "Random Sample BVES ESA Account" spreadsheet are too large to send via email so I have sent everything by Certified Mail and you should be receiving it shortly. The

Date	Inquiry	Notes
		package includes a CD ROM with the original spreadsheet and hyperlinks to each invoice, as well as hard copies of each for your reference.
Supplemental Requested sent: 9/9/2016 Data response received: 9/13/2016	Danielle, Thank you. On the invoices that I am able to match up to line item, I am noticing that the invoice amount don't match the ledger amounts (probably because there is a percentage split that I cannot see) I will need to see the split so that I can verify the transaction. Also many of the invoices (mainly the broadcasting, and advertising invoices) do not appear to have any detail related to services/goods rendered for ESA. Is there further documentation that provides these details?	I will be sending you a PDF in a separate email (it is about 5 MB) with the scanned invoices in order of the spreadsheet. The invoice number should correspond to the numbers listed in the added column. On each invoice, I included the amount and/or percentage as to what was charged to the ESA budget as well as the details regarding what these charges were for. Per my previous email, please find the scanned PDF included in the attached with all the invoices requested from the ESA Budget Random Sample.
Supplemental Requested sent: 9/14/2016 Data response received: 9/21/2016	I have reviewed the invoices and have additional follow up requests and questions. Please see my requests and questions below. • Please provide me with a description of each vendors services/goods provided. • Please provide me the expense type for each invoice /vendor (i.e. program administrator, advertising, ext.) • Where are the percentage breakdowns for cost allocation to ESA determined? Is there a formula BVES uses? • Most of the invoices for KBHR-FM and BEAR VALLEY BROADCASTING do not indicate the what the service/good was for how it relates to ESA. Do you have any other back up documentation for these invoices. If you want I can list	Please find BVES' response to the ESA Budget Data Request included in the attached. I'll also be sending separate emails with Attachments 1-5, as referenced in the response, so you can review them as needed.

Date	Inquiry	Notes
	them. (There are a bunch) • Invoice number 1480000013 and 1490000013 (excel line 6 and 10) appear to be for a service that were rendered in the August and September 2014. However the billing GL date reflects February 2015. Why is there such a large lag? • Invoice number 1620001253 and 1530000586 (excel line 34 and line 48) numbers don't add up. On invoice 1620001253you say at the top of these documents that the invoice included 31 spots at $12 a spot. This would be $372. Which is not equal to what is listed in the ledger $585.60. Please explain? The same is the case for invoice 1530000586. You say at the top that the invoice is for 30 spots and each spot is $12. This would equal $360 not $259.20 which is listed in the ledger. Additionally the invoice only reflect 27 spots for both ESA and CARE (30 is not possible). • Invoice 261141215C (excel line 33) says this invoice is for CARE but payment is requested from ESA. Please explain.	
Supplemental Requested sent: 10/12/2016 Data response received: 10/24/2016	Can you please update preliminary statement H, so that it reflects the updated name of the ESA program? Preliminary statement H is currently called LIEEBA. It should be updated to be ESA BA.	Golden State Water Company hereby submits Advice Letter No. 318-E for its Bear Valley Electric Service Division. SUBJECT: Revisions of Preliminary Statements to reflect the new name of Bear Valley Electric Service's Low Income Energy Efficiency Program

D. Findings: The graph below shows the quarterly balance in this account over the following period: EOY 2012 to Q1 2016. Positive values reflect under collections and negative values reflect over collections. Beginning in the third quarter of 2013, the account began increasing towards a zero balance. It slightly declined from Q4 2013 to Q2 2015, and then made two increases from Q2 to Q3 2015 and Q4 2015 to Q1 2016. The balance in the account as of Q1 2016 was $47,820.

The review period for transactions and invoices is circled in the graph below (Q1 2014 to Q1 2016).



Transaction and Invoice Review Summary:
In reviewing the random sample of transactions and invoices (supporting documentation), the analyst used BVES's preliminary statement H, expense description on invoice, and company name to determine if the expenses being charged to the account belonged in the account. A total of 47 invoices[12] totaling $118,860 were reviewed. The invoices were billed from a total of 9 counterparties. A description of the products and or services provided by each counterparty is provided below.

Counterparty (invoice)	Product and or Service rendered	Aggregate Invoice amount reviewed	Expense Category
Bear Valley Broadcasting	Local television advertisements	$ 1,175.00	Program Marketing and Outreach
Big Bear Grizzly	Local newspaper advertisements	$ 3,157.20	Program Marketing and Outreach
Community Action Partnership of San	Implementation services	$ 9,943.90	Program Implementation

[12] This was a random sample of invoices covering the selected period.

Counterparty (invoice)	Product and or Service rendered	Aggregate Invoice amount reviewed	Expense Category
Bernardino County			
Infosend	Printing and mailing services	$ 333.33	Program Marketing and Outreach
KBHR	Radio advertisements	$ 3,794.40	Program Marketing and Outreach
O'Reilly Public Relations	Strategic planning and message development	$ 120.96	Program Management and Amin.
Proforma	Printing and mailing services	$ 2,587.99	Program Administration
Proteus	Implementation services	$ 97,419.44	Program Implementation
Strategic Communications	Advertisement development	$ 328.49	Program Marketing and Outreach

D. Findings: All the transactions for the selected period of review appeared to be appropriately recorded pursuant to the Commissions approved tariff of the ESABA.

Challenges/Flags during the invoice review process:
During the review, the analyst encountered an issue with the preliminary statement associated with this balancing account. The name in the tariff was the old name of the program, Low Income Energy Efficiency BA (LIEEBA). The analyst requested that BVES update its preliminary statement H with the revised name, "Energy Service Assistant BA," and BVES did as requested.

7.2. *Liberty Utilities (aka-CalPeco)- Energy Savings Assistance (ESA) Balancing Account (BA)*

Balancing Account Review Summary - 2014 Q1 to 2016 Q1
Analysts: Jaime Rose Gannon
Reviewer: Jaime Rose Gannon

A. Account Information: The purpose of the EE BA is to record the difference between the aggregate 3-year revenue requirement of $1,094,397 for the energy efficiency programs expense, the Commission authorized in Decision 12-11-030[13], and CalPeco's recorded energy efficiency programs expense.

The programs that were approved to be recovered in the EE BA include: residential and small commercial audit program, energy star lighting program, refrigerator recycling program, commercial incentive program, & public schools incentive program. The annual budget of $364,799 is allocated between the programs as needed to meet annual programs demands (approved budget did not specify budget by program. Liberty rolls carryover funds to future years and reduces budgets to account for overspending in a single year. The table below details the initial budgets for 2014-2016 and the requested settlement budget for the 2016-2018 EE program cycle.

[13] Energy Efficiency program funds were authorized as part of CalPeco's General Rate Case (GRC) Decision 12-11-030, which specifically adopted an annual revenue requirement $364,799, with an overall aggregated 3-year budget of $1,094,397.

	2014	2015	2016	2016-2018
Energy Efficiency	**Budget**	**Budget**	**Budget**	**If GRC is approved as Settlement is Drafted**
Energy Education	$ -	$ -	$ -	
Residential Energy Audits	$ 94,799	$ 110,234	$ 95,000	**$115,000.00**
Small Commercial Energy Audits	$ 40,000	$ 65,000	$ 19,325	**$34,000.00**
Energy Star Lighting	$ 25,000	$ 10,000	$ 10,000	**$39,000.00**
Refrigerator Recycling	$ 25,000	$ 25,000	$ 35,000	**$33,000.00**
Commercial Incentive Program	$ 128,231	$ 103,000	$ 95,000	**$140,000.00**
Public Schools Incentive Program	$ 60,000	$ 57,000	$ 55,000	**$60,000.00**
Eval, Measurment& Verification Report	$ 30,000	$ 30,000	$ 25,000	**See note below: $50,000.00**
Total Budget for Year	**$ 403,030**	**$ 400,234**	**$ 334,325**	**$471,000.00**
2014 Carryover Unspent Dollars from 2013 Included in Total	$ 38,231			
2015 Carryover Unspent Dollars from 2014 Included in Total		$ 35,435		
2016 Overspend Dollars from 2015 decreased from Total			$ (30,474)	

Base budget for all years approved at $364,799

Note: proposal removed EM&V Study and replaced with an Appliance Rebate Program

Authority to create Balancing Account:
Decision 12-11-030 adopted a settlement agreement that includes the annual EE program budget for the funding cycle of January 2013 to December 2016 (3 year budget cycle). Section 4.13. of the settlement agreement specifically states: "The Settling Parties agree to energy efficiency expenditures for Test Year 2013 of $364,799, with the 3-year aggregate authorization of $1,094,397 subject to a 'one-way' balancing account." Preliminary statement 19 EE BA, posted on Liberty's website, reflects the adopted EE program budget and balancing account accounting procedures.

In Liberty's most recent GRC (A.15-05-008) for test year 2016, the Commission approved (D.16-12-024) an annual EE budget of $471,000.

Prior Audits of Balancing Account:
Liberty Utilities Internal Audits provides and an annual review of Liberty Utilities' operations, including a review of the EEBA. Liberty states that the annual reviews have not resulted in the need for a specific and detailed audit of the balancing account. Thus, there is nothing that can be provided that relates specifically to the EEBA.

B. Reason for Review: A risk based criteria guidance document created by Energy Division was used in selecting the EE BA for review. This account was selected primarily due to the fact that it has never been reviewed by Office of Rate payer Advocates, Department of Water and Audits or Energy Division.

In addition to never being reviewed, the quarterly (Q) balance in the account reflects a continuous upward trend for four consecutive quarters. Q1 2014 to Q4 2014 there was a continuous increase in the balance of this account. Moving from $220,509 over collected to $42,967 under collected. The Q1 2016 end balance reflects the account as being $9,056.07 over-collected.

The EE BA was reviewed for the following period: Q1 2014 to Q1 2016

C. Review Process: A record of communication was kept during the review process. A total of 4 data responses were received from 6/30/16-9/28/16.

A summary of this record of communication is provided below:

Date	Inquiry	Notes
Initial data response sent: 6/30/2016 Data response received: 7/14/2016	Question 1. 1. Please provide account summaries, in Excel format for the Energy Efficiency (EE BA). Please show ledger entries, transactions, and revenues booked to the account during the following period: 2014 Q1 to 2016 Q1. In the account summary please provide the following specifications:	
	a. Color coded ledger entries, transactions, and revenues by category of revenue or expense: overhead, affiliate transactions, outside vendor costs, capital costs. (if none of the entries can be categorized please say so)	1a.Please see attached Excel Document titled “2014 Q1 through Q1 2016 JE’s .xlsx”.
	b. Total dollar amount and percentage of total revenue requirements of utility-allocated costs (i.e., overheads) and affiliate transactions booked to the account for the specified period.	1b.Liberty Utilities does not have any overheads or affiliate transaction costs booked to the Energy Efficiency Balancing Account (EEBA). Liberty Utilities utilizes outside consultants to manage and oversee the successful completion of its EE program goals and objectives. For the most part, Internal Regulatory Staff do not charge time to the EE program, and all overheads associated with the Internal Regulatory Staff are recovered in general

Date	Inquiry	Notes
		rates.
	c. Copies of the most recent utility internal audits of the balancing account (if available—please explain if not).	1c. While an Internal Audits annual review of Liberty Utilities' operations includes a review of the EEBA, thus far such annual reviews have not resulted in the need for a specific and detailed audit of the balancing account. Thus, there is nothing that can be provided that relates specifically to the EEBA.
	d. Authorizing decision with page citation indicating what is authorized to be booked in the account. Electronic copies of Advice letters and decisions pertinent to this account	1d.The authorizing citation and decision for the EEBA is D.12-11-030, Exhibit D. Please see also attached tariff page 52, summarizing the accounting process for the EEBA.
	2. Our review of various balancing accounts indicates that some accounts book utility labor costs, allocate overhead costs (e.g. A&G) and include a factor for Franchise Fees and Uncollectibles (FF&U). Since labor costs and costs related to utility assets and infrastructure are recovered typically through a utility's general rate case, Energy Division staff wants to make sure that there is no double booking of these costs. Please provide the following information for the balancing accounts listed above:	
	a. Are labor costs booked in the account? If so, please provide page citation to a Commission decision or resolution authorizing the booking of these costs.	2a. Yes, Liberty Utilities booked a nominal amount ($1,007) of labor costs in the EEBA. The amount was associated with overtime charges associated with Internal Regulatory Staff pulling usage data needed to perform EE audits (all other labor-related costs are recovered in general rates). The same authority described in

Date	Inquiry	Notes
		response to Question 1.d authorizes the booking of these costs as the overtime was specific to the energy efficiency program.
	b. Are any other overhead costs allocated to the account? If so, please provide page citation to a Commission decision or resolution authorizing the booking of these allocated costs.	2b. No, overhead costs are generally not allocated to the account. However, in 2014, $21.47 was inadvertently allocated to the EEBA. In 2015, $14.36 of the original 2014 allocated amount was reversed and a commensurate credit was issued to the EEBA. The remaining $7.11 will also be reversed and a commensurate credit issued to the EEBA.
	c. Please provide an affirmation that neither the labor costs booked in the balancing account nor the overhead costs booked in the account are recovered through another rate proceeding so Energy Division can determine that there is no double counting of any of these costs.	2c. The 2013 General Rate Case Operations and Maintenance budget did include overtime associated with general operations, however the nominal overtime charges to the EEBA was specific to gathering usage data to allow the EE program to operate and so are not a double-counting of labor costs.
	d. Is FF&U factor included in the costs? If so, please provide citation to a Commission decision or resolution authorizing the use of the FF&U.	2d. No, Liberty Utilities does not charge Franchise Fees and Uncollectibles (FF&U) to the EEBA.
Supplemental data request sent: 7/18/2016 Data response received: 7/18/2016	• My questions are just on data. Would you be able to supply the pivot table source data so that I can look at the expenses by month? I see the revenuer transactions are provided this way but the expenses are aggregated by year. (Or is this info already in the excel sheet? I did not see it.)	I will send you the original downloads from the GL. Jaime, Here is the download by year.
Supplemental data request sent: 8/15/2016 Data	Alain, Can you please pass this request on to Denis? I would like definitions for all the source document acronyms in the excel	Hello Jaime, We have pulled and scanned all the requested invoices and placed them upon a CDROM. The Fed Ex package should arrive around

Date	Inquiry	Notes
response received: 9/7/2016	sheet. (GJ, PMTRX, RECVG, ext.)	10am tomorrow. Please advise if you have any questions.
Supplemental data request sent: 9/22/2016 Data response received: 9/28/2016	Hi Dennis, Thanks for taking the time to talk with me today. As discussed below is a list of follow up invoice questions. Please shoot me an email if you have any questions. 1. Please provide me with a detailed description of the services and goods provided by each vendor listed. Also provide the EE program(s) the vendor services. 2. Line item 14. please describe what this invoice is for? 3. There are no invoices for 40 and 43 (These are two Tri-sage consulting entries ($58.50 and $351). Please provide these invoices. 4. What good is invoice 48 providing and how is it related to the EDSM EE program. 5. Provide any EE reports that have been done internally or externally for any of the EE programs that utilize this account. 6. Provide me with details of the approved EE program budget(s) that would be relevant to 2014-2016. 7. Line item 4 does not include sales tax, why? 8. Provide a list of and description of all EE programs whose costs are recorded in this account. 9. Explain invoice 38, the reference "Accrued Tri-sage reversed in 2015.	1. See attached word document. 2. This contractor, Dennis Lipnisky, worked to reconcile GL entries within the Liberty system and Energy Efficiency invoicing for reporting needs. 3. Copies of these two Invoices are provided. 4. This company provides a variety of Liberty Utilities Logo items for use by the auditors at events which include in this case LED lighted keychains as demonstration of LED technology. These keychains are offered at events to engage customers into conversation about energy savings and to entice them to sign up for free home energy audits. 5. The following EE reports are attached: • 2014 – Annual Energy Efficiency Report 2014 Program Year • 2014- Evaluation Measurement and Verification Report for the 2014 Energy Efficiency Programs • 2015 – Annual Energy Efficiency Report 2015 Program Year • 2015- Evaluation Measurement and Verification Report for the • 2015 Energy Efficiency Programs- Not available; currently in progress and available upon request in October 2016. 6. The total budget approved for all years 2014-2016 is $364,799; Liberty allocates this total amount between programs as needed to meet program demands annually as approved budget did not specify budget by program. Liberty rolls carryover to future years and reduces budgets to account for overspending in a single year. See the

Date	Inquiry	Notes
		initial budgets for each year and the requested settlement budget for the 2016 – 2018 cycle. 7. Accrual posting (enclosed) was for the 2 lines items only against the energy efficiency account (no sales tax was accrued), the invoice posting (enclosed) included sales tax, when the invoice was received it was posted against the energy efficiency account and incorrectly against the sales tax account. 8. *Energy Education - has been incorporated into all programs and is no longer a stand-alone program. • *Residential Energy Audit Program – provides free home energy audits to residential customers and installs energy saving measures such as light bulbs, water heater wraps, pipe insulation, low flow shower heads. • *Small Commercial Energy Audit Program- provides free business energy audits to commercial customers and installs energy saving measures such as light bulbs, water heater wraps, pipe insulation, low flow shower heads. Provides targeted direct installation programs to commercial customers. Provides technical assistance to small commercial customers for the installation and upgrade of equipment. • *Energy Star Lighting Program- provides energy efficient lighting(CFLs and some LEDs) to customers through employer distributions, customer service distributions, event distributions, and other outreach offerings. • *Refrigerator Recycling Program – collects and recycles second refrigerators and freezers from customers and provides the

Date	Inquiry	Notes
		customer a $35 rebate to eliminate these units from the grid. • *Commercial Incentive Program- offers incentives to customers who upgrade their equipment and permanently save electrical energy through the project; also offers incentives to new construction projects who install more efficient equipment than required by codes. • *Public Schools Incentive Program- provides energy benchmarking and evaluation services to schools to entice them to upgrade to more efficient equipment; also provides technical support for project prioritization, project planning, equipment selection as well as assistance with project installation and implementation. Provides incentives to schools for completed projects that permanently save electrical energy. • *Evaluation, Measurement and Verification – provides a third party review of programs and verifies reported results. Liberty has requested to eliminate this study in the current GRC filing 9. This invoice was accrued against the program in late 2014 and this accrual was reversed when the invoice was paid in January of 2015.

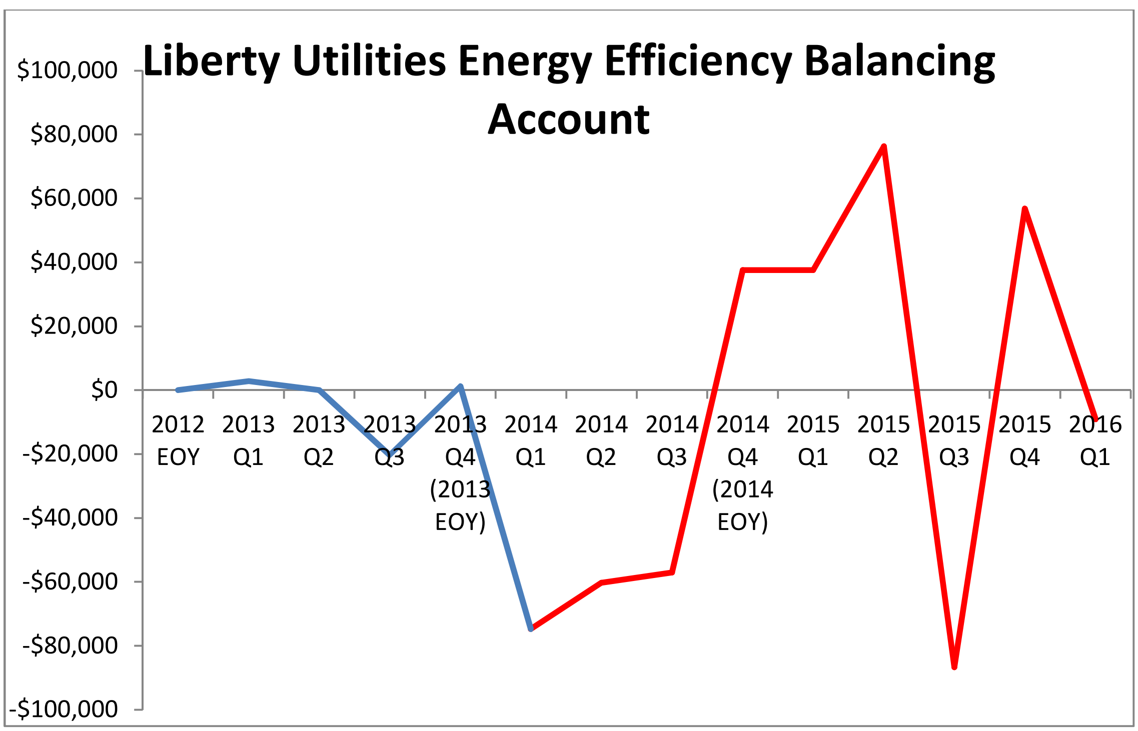
D. Findings:

Analysis of the Balance reported in the account:
The graph below shows the quarterly balance in this account over the following period: Q4 2012 to Q1 2016. The EE BA was reviewed for the following period: Q1 2014 to Q1 2016. This period is colored in red. Within this time period a total of 46 transactions were randomly selected for verifying transactions/expenses with supporting documentation (invoices). Positive values reflect under collected and negative values reflect over collected.

During the first three quarters of 2014 the balance in the EEBA shows the account was over collected. Beginning in Q4 the account begins to show under collection until Q3 2015. In Q3 2015 the balance in the account falls from an under collected balance of 76,000 to an over collected balance of 86,000. The balance then jumps back up to an under collected balance of 56,000 in Q4 2015.

Analysis of the Balance reported in the account:
The graph below shows the quarterly balance in this account over the following period: Q4 2012 to Q1 2016. The EE BA was reviewed for the following period: Q1 2014 to Q1 2016. This period is colored in red. Within this time period a total of 46 transactions were randomly selected for verifying transactions/expenses with supporting documentation (invoices). Positive values reflect under collected and negative values reflect over collected.

During the first three quarters of 2014 the balance in the EEBA shows the account was over collected. Beginning in Q4 the account begins to show under collection until Q3 2015. In Q3 2015 the balance in the account falls from an under collected balance of 76,000 to an over collected balance of 86,000. The balance then jumps back up to an under collected balance of 56,000 in Q4 2015.



Transaction and Invoice Review Summary:
In reviewing the randomly selected transactions and invoices (supporting documentation), the following documents were used: preliminary statement 19, expense description on invoice, company name to determine if the expenses being charged to the account belonged in the

account. A total of 46 invoices[14] totaling $170,269.07 were reviewed. Table 1 below provides a breakdown of these invoices by expense type. The invoices were billed from a total of 20 counterparties. A description of the products and/or services provided by each counterparty is provided in Table 2 below.

Expense Type	2014	2015	2016	Grand Total
EDSM Energy Program	$ 10,796.28	$ 14,829.03	$ 21,077.78	$ 46,703.09
Energy Audits	$ 23,260.95	$ 23,845.65	$ 16,741.45	$ 63,848.05
Rebate	$ 5,163.98	$ 36,714.95		$ 41,878.93
Refrigerator Recycling	$ 1,398.00	$ 7,216.50	$ 9,224.50	$ 17,839.00
Internal	$ -	$ -	$ -	$ -
Grand Total	$ 40,619.21	$ 82,606.13	$ 47,043.73	$ 170,269.07
Sample size as a % of total $	10%	20%	77%	19%

Table 1 Random Sample Invoice totals by year

Invoice Paid To	Service/Product	Programs
V & K Food Corp (Kentucky Fried Chicken SLT)	Commercial customer rebate	Commercial Incentive Program
Tahoe Rental Connection	Commercial customer rebate	Commercial Incentive Program
Stanford Sierra Camp	Commercial customer rebate	Commercial Incentive Program
CVS Pharmacy	Commercial customer rebate	Commercial Incentive Program
DMB Highlands Group-	Commercial customer rebate	Commercial Incentive Program
Granlibakken Management Co	Commercial customer rebate	Commercial Incentive Program
Heavenly Mountain Resort	Commercial customer rebate	Commercial Incentive Program
Martis Camp Lodge	Commercial customer rebate	Commercial Incentive Program
North Tahoe Public Utility District	Commercial customer rebate	Commercial Incentive Program
Rubicon Pizza	Commercial customer rebate	Commercial Incentive Program
Sierra Community Church	Commercial customer rebate	Commercial Incentive Program
South Tahoe Public Utility District	Commercial customer rebate	Commercial Incentive Program
West Shore Market and Deli	Commercial customer rebate	Commercial Incentive Program
AutoCell Electronics	Lightbulb supplier	Residential and Small Commercial Audit Programs
Clearesult	Program implementation	Commercial Incentive Program., Public Schools program

[14] A total of 46 invoices were randomly selected for the Q1 2014- Q1 2016 review period

Invoice Paid To	Service/Product	Programs
Sierra Energy and Water Conservation	Program Audits, inspections, verifications, education, & lightbulbs	Residential and Small Commercial Audit Programs., Energy Star Lighting Program, Commercial Incentive Program
Lipnisky	Accounting administration	EDSM program
Tri Sage Consulting	Program management	All Programs
Truckee Tahoe Hometown Sears		Refrigerator Recycling Program
W & T Graphix	Logo merchandise	Residential and Small Commercial Audit Programs and Commercial Incentive Program

Table 2 Company name and service/product rendered

D. Findings: All the transactions for the selected period of review appeared to be appropriately recorded pursuant to the Commissions approved tariff of the EE BA.

7.3. *PacifiCorp Greenhouse Gas Allowance Costs Sub-Balancing Account*

Balancing Account Review Summary – 2015 Q1 – 2015 Q4
Analysts: Clover Sellden / James Loewen
Reviewer: James Loewen

A. Account Information: In complying with PU Code Section 748.5 and with Senate Bill 32 (2012), the Commission issued D.12-12-033, laying out the requirements for investor owned utilities. In compliance with that decision, PacifiCorp filed Advice Letter 484-E on January 22, 2013, establishing two greenhouse gas (GHG) related accounts. The GHG Allowance Costs Sub-balancing Account, which is the subject of this review, tracks costs associated with GHG emissions which PacifiCorp customers will pay for in rates. The GHG Allowance Revenue Balancing Account, which is not the subject of this review, tracks the revenues associated with the sale of emission credits which are allocated to PacifiCorp customers. There were no protests, and the advice letter was approved.

Interest on the sub-balancing account accrues at 1/12 of the interest rate on Commercial Paper for the previous month, as published in the Federal Reserve Statistical Release, H.15. The outstanding balance in the GHG Allowance Costs Sub-balancing Account, including accrued interest, must be amortized over a reasonable period so that all deferred costs are distributed within 24 months.

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 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 Rate payer Advocates, Department of Water and Audits, or Energy Division (ED).
- It experienced continuous under-collection from 2013 Q1- 2015 Q4, 12 quarters continuously. At its peak in 2014 Q1 the under-collection amounted to $8,925,120. More recently, in 2015 Q1, it over collected by $176,843.

C. Review Process: Initially, the review period for this account was from 2015 Q1 through 2016 Q2. Upon reviewing the information submitted pursuant to Energy Division's data requests, and determining that the data were most coherently reviewed as annual aggregations, the time review frame was reduced to calendar 2015. ED submitted several rounds of data requests, and the company supplied responses, 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, verified by a third party provider, that showed the carbon emissions for 2015 for which PacifiCorp retail customers were responsible for paying the externality fee as overseen by the ARB.

Date	Inquiry	Results/Notes
6/23/2016 request	Data Requests #1, #2, and #3; response July 18, 2016.	PacifiCorp provided entries booked to the GHG ACSBA from January 1, 2015 through June 30, 2016. PacifiCorp also provided regulatory history of the account.
8/1/2016 request	Data Request #4; response August 9, 2016.	PacifiCorp provided additional documentation showing, for each month, the deferral (accrued compliance obligation), the amortization (amount collected in rates), interest, and balance.
3/1/2017 request	Data Request #5, #6, #7, and #8; response March 14, 2017.	PacifiCorp provided further explanation of the deferral amount calculations. The amount of California sales (MWh) is converted to the amount of carbon equivalents (MT) using system emission factors (the average amount of carbon per unit of energy consumed, based on PacifiCorp's own generation and its purchases). The carbon emissions are then multiplied by the weighted average cost of carbon credits to determine the financial obligation. PacifiCorp also provided the records of the four quarterly (for 2015) purchases of carbon credits.
6/2/2017	James conference call with PacifiCorp.	James sought documentation for data provided in DR #5.
6/7/2017	Data Response #5-1, #5-2, and #5-3, June 7, 2017.	PacifiCorp provided documentation sought. This included: • A copy of the Excel workbook for "Electric Power Entities" provided annually to the California Air Resources Board (ARB), which is verified by a third party. • A copy of the Excel workbook for "Multijurisdictional Retail Providers" provided annually to the ARB and verified by a third party. • A copy of the "GHG Verification Report" provided by GHD Services, Inc.

D. Findings: The credits for these emissions were properly covered through four quarterly auctions in 2015. Furthermore, the company has shown its monthly entries for this sub-account, including initial balance, additional monthly accruals (called, "deferrals"), amounts collected from rates, interest calculations, and resulting balances. No issues were observed, and the account appears to have been correctly handled.

7.4. *Southwest Gas Fixed Cost Adjustment Mechanism (Upstream Pipeline and Storage Costs)- Balancing Account – SWG FCAM*

Balancing Account Review Summary - 2015 Q1 – 2016 Q4
Analysts: Amardeep Assar
Reviewer: Amardeep Assar

A. Account Information: Southwest Gas (SWG) Fixed Cost Adjustment Mechanism (Upstream Pipeline and Storage Costs) Balancing Account records fixed intrastate and interstate transportation costs and storage costs. These are separated for Southern California (SCA) and Northern California (NCA) service areas. The account involves calculation of monthly entries for the two service areas, for interest, accruals, and amounts recovered in base tariff rates, multiplied by actual sales (less Non-core therms). SWG provided these calculations which were reviewed, and compared to entries for the totals for 2015 Q1 to 2016 Q4. SWG was asked for clarifications about changes in components recorded post-May 2016 for NCA, and these queries were satisfactorily resolved.

D.94-12-022 issued in A.94-01-021, SWG's TY 1995 General Rate Case authorized SWG to establish the Core Fixed Cost Adjustment Mechanism (CFCAM).

> A Core Fixed Cost Adjustment Mechanism shall be established for both divisions to balance fixed intrastate and interstate transportation and all storage costs. An Intrastate Transportation Cost Adjustment Mechanism shall be established for SWG's Southern California Division to balance upstream intrastate variable transportation costs (D. 94-12-022 OP 6).

As per the Preliminary Statement in SWG's AL 946 (of July 11, 2014), the purpose of the FCAM is to balance the difference between authorized levels of SWG Margin, recorded Upstream Storage Charges, and Interstate Reservation / Firm Access Charges with recorded revenues intended to recover these costs.

In D.08-11-048 (November 21, 2008), in SWG TY 2009 GRC (A.07-12-022), the then existing core fixed cost adjustment mechanism ("CFCAM") and the non-core fixed costs adjustment mechanism ("NFCAM") were combined into a single fixed cost adjustment mechanism ("FCAM") for each rate jurisdiction.

B. Reason for Review: In selecting the balancing accounts to be reviewed, those involving costs are given primary consideration and an invoice level review is performed. This account was selected because neither ORA nor Division of Water and Audits were going to review this account. Another reason for selecting this account was that the FCAM (Upstream Pipeline and

Storage Costs) Balancing Account had a large change in balance over the period being reviewed. From undercollection of approximately $4.5MM in Q4, 2014, the account went to overcollection of approximately $3 MM in Q1, 2016. The FCAM (Margin Balancing) Account, although large, was at a zero balance in Q1, 2016. The other SWG accounts available for review had small balances.

C. Review Process: After initial review of the account, a number of data requests were sent to SWG to understand the entries in the account. The responses received were reviewed and many follow up data requests and phone calls became necessary as detailed below.

Date	Inquiry	Notes
7/1/2016	DR 1 to Valerie Ontiveroz (Regulatory Manager/California, valerie.ontiveroz@swgas.com), requesting 2015 – 2016 (for part of 2016, as available) annual accounting summary for SWG FCAM, and pertinent decisions and advice letters.	SWG responded on 7/21/2016, and provided the accounting summary for 2015 through June 2016, separately tabulated for Southern California (SCA) and Northern California and Lake Tahoe (NCA). SWG stated that the FCAM did not include any labor costs, overhead costs, or FF&U factor. Also, SWG had not performed a recent audit of FCAM, though it was included in the 2016 scheduled audits. SWG provided the monthly totals for FCAM in the tabulated annual summary for the period Jan 2014 through June 2016, and broken down into Interest, Accruals , and Recoveries SWG provided copies of decisions and advice letters relevant to FCAM.
1/31/2017	DR 2 – SWG was asked for the following: Subcategories / Line items, particularly for Accruals and Recoveries, with amounts broken out by months and SCA, NCA service areas.	
2/2/2017		In a call, the SWG staff member handling the details of FCAM (Upstream Pipeline and Storage Costs) Balancing Account clarified that it did not involve invoices. The account involves calculating entries for interest, accruals and recoveries.
2/8/2017		SWG response dated January 31, 2017 (received on 2/8/17) included:

Date	Inquiry	Notes
	For the response to DR 2, SWG was asked to clarify the following: a. Why the second workbook for (CFCAM), Unrecovered Purchased Gas Costs, was included, and the connection to FCAM. b. Confirm whether Core and Non-Core components had been combined into a single FCAM. c. Schedule a call for the above.	(1) Spreadsheet for FCAM Balancing Account by month (Jan 2015 – December 2016) for SCA and NCA, and (2) Workbook for Account No. 19102233 (CFCAM), Unrecovered Purchased Gas Costs worksheet, with separate tabs / spreadsheets by month (January 2015 – December 2015) for SCA and NCA, which had calculations for interest, accruals, and amount recovered in base tariff rates.
2/10/2017		In a call on 2/10/17, SWG regulatory contact realized that the information they'd sent before was for FCAM – Margin Balancing component, not Upstream Pipeline Charges, and that mislabeled / wrong files had been sent in previous responses to DRs. SWG said they will send corrected information by 2/13/17.
2/13/2017	ED Analyst emailed to ask for clarifications as follows: a. Why the updated sheets received for FCAM were LABELED as Unrecovered Purchased Gas Cost Balance Report. b. The explanation sent with corrected spreadsheets was not clear. c. Requested scheduling another call.	SWG re-sent updated spreadsheets with totals and also calculations for details of monthly entries for FCAM Upstream Pipeline Balancing Account for Jan 2015 – December 2016, revised as of 2/13/17.

Date	Inquiry	Notes
2/14/2017	After the call on 2/14/17 a.m., ED Analyst emailed to ask for clarifications as follows. a. The details of calculations for monthly entries (interest, accruals, and amount recovered in base tariff rates) were checked, and compared to the totals in the master spreadsheet. d. For May-December 2016 2016, NCA included two additional components of costs. e. An interest calculation was not clear – as shown in the "roadmap," that component was calculated FROM the total interest amount, and also was included IN the interest amount. This was recursive, and not clear.	In a call on 2/14/17, SWG clarified the explanation sent in email of 2/13/17.
2/17/2017	Following review of the revised workbook, SWG was requested to clarify: Some labels for components of the NCA sheet were not clear. Changes made to the monthly interest calculations were not clear, and appeared to be substantially the same as the previous version.	SWG responded to questions of 2/14/17 with additional explanations to clarify components that had been added in. They also acknowledged there was a problem of presentation that suggested recursion, and therefore SWG revised the calculation of Average Balance in the monthly detail. Month-end amount was replaced by Pre-interest amount. The Average Balance was recalculated, and then interest was computed. SWG sent a revised workbook, replacing the previous version.
2/22/2017		In response, SWG re-sent a revised "roadmap" graphic showing the recalculation of Average Balance. They also provided for the first time, a detailed list with line-by-line labels for components in the spreadsheets with Monthly Details showing the differences for SCA, NCA (Through April

Date	Inquiry	Notes
		2016), and revised for NCA (For May 2016 onwards).
2/24/2017	Follow-up call for issues from previous communications.	In another phone call, the addition of two new components (Lines 3, 4) for NCA post-May 2016 was clarified as follows: (a)These two new components were applicable for three transportation customers only. (b)Prior to May 2016, these components were not being accounted for. (c)SWG also stated that the Monthly Details pages were labeled "Unrecovered Purchased Gas Cost Balance Report" even though the information pertained to Upstream Pipeline Balancing Account. SWG staff said was because their Accounts function had NOT corrected the labels, adding that "all users knew what the account actually was."
3/7/2016		SWG sent a more detailed explanation covering the different treatment of NCA from May 2016, on account of adding in components of costs applicable to three transportation customers. ALL updated spreadsheets and workbooks were re-sent.
3/23/2017	ED Analyst confirmed to SWG that information provided had been reviewed and that all previous questions had been clarified / explanations were sufficient.	

D. Findings: This account does not involve any invoices of payments / disbursements to any vendors. Based on the information provided for the components reviewed, staff did not find any improper entries in the manner these were recorded.

8. CONFIDENTIAL

8.1. *Advanced Metering Infrastructure Balancing Account (AMIBA)*

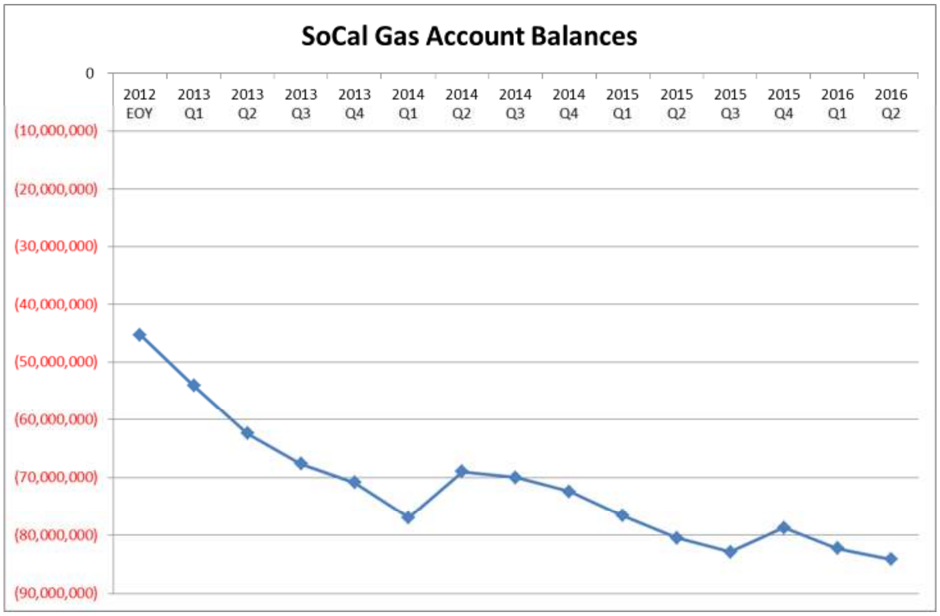
Balancing Account Review Summary - 2015 Q1 – 2016 Q2
Analysts: Jean Spencer
Reviewer: Jean Spencer

A. Account Information: The purpose of the AMIBA is to record the costs and corresponding revenue requirement associated with the Advanced Metering Infrastructure (AMI) project. SoCalGas is authorized to spend up to $1.0507 billion on AMI gas meters and supporting communication networks during a seven-year period beginning in 2010. Any unused funds can be carried over from year to year up to the maximum limit. If spending exceeds the $1.0507 billion limit by up to $100 million, the excess costs will be split 50-50 between shareholders and ratepayers. If spending exceeds $1.1507 billion, SoCalGas can seek to recover the additional costs through a reasonableness review. If spending is less than $1.0507 billion, shareholders receive 10% of the difference between the maximum and actual spending.

The AMIBA is an interest-bearing account, and the AMI authorized revenue requirement is included in gas transportation rates. Any remaining balance at the end of seven years will be amortized in SoCalGas' Annual Regulatory Account Balance Update filed in October of each year.

The AMIBA was authorized in Decision (D.) 10-04-027. Advice Letter 4110 established the AMIBA and updated the AMI revenue requirement to be collected in rates from January 1, 2012, through December 31, 2017.

B. Reason for Review: The AMIBA was chosen for balancing account review because it recorded large overcollections that became consistently higher over time. Overcollections grew from $45.3 million in 2012 to $84.2 million in mid-2016.



C. Review Process: The following is a chronology of the communications with SoCalGas and the data requests issued to them in the course of the review.

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For the information discussed in the below portions of the AMIBA review, SoCalGas provided declarations to the CPUC invoking claims of confidentiality under General Order 66-C (now 66-D). This information has been redacted from this review while the confidentiality claims receive further examination.

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Date	Inquiry	Notes
data request 1 sent: 7/21/2016 response received: 7/20/2016	2015-16 annual accounting survey with monthly totals.	Provided.
	Color coded ledger entries, transactions, and revenues by category of revenue or expense.	Provided.
	Dollar amount and percentage of total revenue requirements of utility-allocated costs (i.e., overheads) and affiliate transactions booked to the account in 2014-15.	Not provided.
	Copies of the most recent utility internal audits of the balancing account, if available.	No internal audit has been conducted.

Date	Inquiry	Notes
	Electronic copies of the decisions and advice letters pertinent to this account. Is labor, overhead, or FF&U included in the costs?	Provided. Labor and overhead costs are recorded in the AMIBA. Since this is an incremental project, the authorized spending amount and corresponding revenue requirement in rates included various costs such as labor, materials, and overhead costs. These costs recorded in the AMIBA specifically relate to the AMI project and are not recovered through another rate proceeding. FF&U is not recorded in the AMIBA.
data request 2 sent: 11/3/2015 response received: 11/21/2016	Asks for clarification regarding various cells in the spreadsheets provided in response to Data Request 1. Asks why some costs are negative.	Provided. In general, monthly costs that show as negative amounts are usually a result of over-accruals. SoCalGas follows the accrual method of accounting where expenses are recorded when incurred even though payment of the expense can occur in the subsequent month. Over-accruals occur when the actual cost is lower than the accrued expense… In addition, as costs are reviewed, adjustments can result from misclassification between cost elements (e.g., cost recorded under one cost element (CE) should have been classified under a different CE, so the cost is removed from the original CE resulting in a negative cost for the month while being added to the correct

Date	Inquiry	Notes
		CE), misclassification between O&M and capital internal orders (e.g., cost should have been recorded to an O&M internal order instead of being recorded to a capital internal order), or a correction between projects (cost should have been recorded to another project).
	In the 2016 Advanced Meter Semiannual Report it seems to say both that the AMI project is on schedule and that it won't be done in the timeframe outlined in D.10-04-027. Is the AMI project on schedule, or will its completion be delayed?	The statement from the August 2016 Advanced Meter Semi-Annual Report intends to emphasize that although the project is currently on budget and on schedule with its major milestones, there are a few areas of our network build that are **at risk** of not being constructed by the end of the project in 2017 due to challenges imposed by the local jurisdictions of some cities and counties. As of the August 2016 Semi-Annual Report, approximately 3% of our planned Data Collector Units (DCUs) were at risk of not being constructed. As of November 2016, approximately 2% (or 100 DCUs out of 4,600) are at risk of not being constructed by the end of the project. …despite extensive engagement, select municipalities continue to require SoCalGas to secure discretionary permits… This discretionary permitting process provides municipalities the unilateral right to significantly modify the planned location or design of the DCUs and even precludes the installation of DCUs by the utility.

Date	Inquiry	Notes
		Although there has been progress made in getting the DCUs constructed, by continuing to assert their position municipalities are considerably delaying or preventing the network installation timeline. The inability to deploy the necessary infrastructure in these jurisdictions will likely result in SoCalGas having to maintain separate meter reading, communications, data processing and billing systems functions for longer than was anticipated in D.10-04-027; this will negatively impact expected customer, safety, operational and conservation benefits for the customers in these areas.
	If it is delayed, are the overcollections in the AMIBA related to the delays?	With exception of the network construction risk mentioned in response 4.a., the overall AMI deployment is scheduled to be completed on time; however, during the early stages of the project, particularly in the years 2012 through 2013, the completion of some of SoCalGas' capital assets was delayed. As a result, the AMIBA recorded lower actual capital-related costs on these capital assets (e.g., depreciation) than compared with the amount authorized in the annual revenue requirement thereby contributing to the overcollected balance in the AMIBA.
	Were any affiliate transactions recorded in this account?	By affiliate transactions, SoCalGas understands this question to mean whether any costs from affiliate companies

Date	Inquiry	Notes
		are recorded in SoCalGas' AMIBA. The answer is yes. SoCalGas tracks costs incurred by its affiliate company SDG&E for work that is attributable to SoCalGas' AMI project and balances the costs in the AMIBA.
	Provide a spreadsheet that includes monthly data by cost element for capital expenditures.	Provided.
data request 3 sent: 12/16/2016 response received: 1/23/2017	The seven-year deployment period anticipated in Advice Letter 4110 is set to end in April 2017. What will happen to the balance in the AMIBA if the deployment is not completed by next April as originally anticipated?	Pursuant to SoCalGas Advice Letter 4110 dated May 10, 2010, SoCalGas indicated the "estimated" deployment period of April 2010 through April 2017. In accordance with the above Advice Letter 4110, SoCalGas filed Advice Letter 5075 on December 29, 2016, which includes an AMI revenue requirement for 2017. In addition, in the 2016 GRC, SoCalGas received authorization in D.16-06-054 to extend the AMIBA past the project deployment period until the next GRC. SoCalGas will be filing an advice letter in 2017 to implement this extension.
	Provide an explanation of how the interest rates in the "AMIBA_Jan 2015 to June 2016," was determined.	You are correct in that the H.15 release has replaced the G.13 version of the Federal Reserve Statistical Release. Unfortunately, SoCalGas has inadvertently overlooked updating Section J. Interest in its Preliminary Statement, Part 1, for this change. The monthly interest rates used to calculate interest for recording in the AMIBA is based on the 3-Month Non-

Date	Inquiry	Notes
		Financial Commercial Paper Rate published in the H.15 version of the Federal Reserve Statistical Release.
	Provide all the relevant data and calculations for determining the December 2015 Actual Calculated O&M Benefits.	Provided. Matches total in original spreadsheet.
	Provide the complete, unabbreviated name and all contracts, invoices, and any other relevant materials for the listed cost elements.	In a number of instances there are several hundred transactions which make up the total monthly cost by CE. As a result, SoCalGas is providing the details of all of these transactions (total over 1800) in the attached response. Upon further request, SoCalGas can sub-select a number of transactions from the total monthly cost for each CE for their review of the AMIBA.
data request 4 sent: 1/25/2017 response received: 2/24/2017	Requested complete, unabbreviated name for each cost category.	Provided.
data request 5 sent: 2/2/2017 response received: 2/24/2017	Does the interest rate used by SoCalGas lag one month behind the Federal Reserve Board's H.15 Three-Month Non-Financial Commercial Paper Rate?	Yes.
	Provide invoices for listed cost elements. (*See Appendix A for complete list.*)	Provided 10 of the 35 invoices requested. Two did not match the numbers recorded on corresponding cost elements.
data request 6 sent: 2/27/2017 response received: 3/3/2017	Requested clarification on two mismatched invoices.	Provided. Further clarification required.
data request 7 sent: 3/3/2017 response received: 3/10/2017	Requested further clarification on two mismatched invoices.	Provided.
data request 5 sent: 2/2/2017 response received:	Provide invoices for listed cost elements.	Responses for 13 of the remaining 25 cost elements provided. Information, but not

Date	Inquiry	Notes
3/10/2017		invoices, was provided regarding salaries and overheads. For overheads, SoCalGas states: "These Cost Elements (CE) and other similar CE (identified as 9-series cost elements (e.g. 9xxxxxx)) are referred to as overheads and are applied to an internal order as such costs represent (1) the additional indirect costs associated with salaries paid to employees or (2) the costs that indirectly support the business operations of the utility (e.g., purchasing). Overheads are systematically applied to projects by allocating portion of the function's (e.g. pension and benefits) cost basis. No invoices exist to support these cost transactions as they are system-generated and charged to internal orders." For salaries, SoCalGas states, "Costs identified under CE 6110020 represent labor costs paid to employees; as such, there are no supporting invoices for such charges. In the attached excel file, there are separate worksheets for each line item identifying the employee(s), the hours worked, and the amount charged per employee. In the worksheets for line items 445 and 446, the total cost for all of the employee's labor charges is allocated between a capital charge and an O&M charge."
data request 5 sent: 2/2/2017 response received:	Provide invoices for listed cost elements.	Provided responses for 10 of the remaining 12 cost elements. Further clarification required for

Date	Inquiry	Notes
3/28/2017		five cost elements.
data request 8 sent: 3/28/2017 response received: 5/1/2017	8.1: Requests clarification for Cost Element 12/2015 Capital Line 663. 8.2 For 12/2015 Capital Line 726: a. Please explain what types of consulting services were performed and why the majority of the costs should be counted as capital and not O&M expenses. b. The total for consulting services was [redacted]. Of this, [redacted] was allocated to capital. How was that allocation determined?	8.1: Explanation provided. 8.2(a): The response described the services provided as follows: [redacted] No explanation was given for why the majority of these costs should be counted as capital and not O&M. 8.2(b): SoCalGas indicated it was still working on a response.
	8.3 For 12/2015 O&M Line 56: a. For the summary tab, please explain why accruals and adjustments of [redacted] were added. b. For the summary tab, please explain how these costs were allocated between capital and O&M. c. For Batch C, Line 18: Was an invoice for [redacted] mistakenly included in this batch? On the spreadsheet it says [redacted], but the invoice	8.3(a): The net total of [redacted] comprises accruals for [redacted] offset by credits of [redacted]. As part of SoCalGas' year-end accounting procedures, SoCalGas routinely records accruals in compliance with the accrual method of accounting. SoCalGas recorded two accruals totaling [redacted] based on the expectation of costs for hotel charges applicable to the AMI project which would be paid in the subsequent year. The accruals were reversed in January 2016. In addition,

Date	Inquiry	Notes
	is for [redacted]. On Line 21 is another mention of [redacted], which correctly matches an invoice for [redacted]. d. For Batch C, Line 19: Was an invoice for [redacted] mistakenly included in this batch? On Line 19 the expense is attributed [redacted], but the invoice is for [redacted]. On Line 26 there is another mention of [redacted], which correctly matches an invoice for [redacted].	SoCalGas recorded two adjusting (credit) entries totaling [redacted] to reverse the recording of two invoices incorrectly charges to the AMI project. 8.3(b): SoCalGas indicated it was still working on a response. 8.3(c-d): The name in the excel spreadsheet is incorrect – a typo error was made …
	8.4 For 6/2016 Capital Line 433: The invoice doesn't match the amount recorded in the spreadsheet, and the explanation provided is insufficient. [redacted]	8.4: [redacted] [redacted]

Date	Inquiry	Notes
		[redacted]
	8.5 For 6/2016 O&M Line 39: Please provide an invoice for MSA Design 95, which shows the per-unit cost of $752.22.	8.5: There is no specific invoice for the MSA Design 95 which shows the per-unit cost of $752.22. As explained in the

Date	Inquiry	Notes
		prior response, the unit cost for the fittings and materials for each MSA design is based on the cost of materials purchased by SoCalGas. Given the large scale of the AMI project, SoCalGas has routinely purchased such small fittings and materials over the years. The unit cost for the MSA design 95 is based on a number of small fitting and materials including cap screws, bolts, gasket, plugs, tees, several types of nipples, flanges, etc. These small fittings and materials were not purchased all together at one time as part of the MSA design 95 from a specific vendor. These small fittings and materials were obtained from SoCalGas' supplies that were previously purchased as part of its gas operations. As these small fittings and materials were used and charged to the AMI project, SoCalGas was reimbursed for these supplies.
data request 5 sent: 2/2/2017 response received: 4/24/2017	Provide invoices for listed cost elements.	Provided responses for the two remaining cost elements. One response remains incomplete. The second, for freight, includes an invoice for the products purchased but not for the freight cost. SoCalGas states: "As part of SoCalGas' electronic goods receipts system, an approved PO is established and recorded in the system. As goods are delivered, SoCalGas examines the goods and confirms to the PO that the appropriate goods are received. Once confirmed, receipt of the goods is recorded in the goods receipt system

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		thereby granting approval for electronic payment to the vendor for the associated freight charges. As a result, there is no actual invoice for this freight cost."
data request 8 sent: 3/28/2017 response received: 5/12/2017	8.2 For 12/2015 Capital Line 726: b. The total for consulting services was [redacted]. Of this, [redacted] was allocated to capital. How was that allocation determined?	8.2(b): As SoCalGas establishes and implements new projects, SoCalGas prepares one or more Work Order Authorizations (WOA). When SoCalGas implemented the AMI project, SoCalGas prepared a WOA identifying the purpose of the project and the estimated total cost segregated between capital expenditures and operating & maintenance expenses. The WOA was approved by the appropriate management. The total project cost was estimated at $1,055.5 million with capital expenditures estimated at $881.2 million (83.5% of the total cost) and O&M expenses estimated at $174.3 million (16.5%). For the consulting service charge of [redacted], [redacted] (or 83.5%) was allocated as a capital cost.
	8.3 For 12/2015 O&M Line 56: b. For the summary tab, please explain how these costs were allocated between capital and O&M.	8.3(b): As explained above in response 2.b), a WOA was established to identify the allocation of costs between capital expenditures and O&M expenses. The line item cost selection of [redacted] represented the O&M cost portion of the total charge (i.e., 16.5% of the total cost of [redacted]).
data request 5 sent: 2/2/2017 response received:	Provide invoices for listed cost elements.	In a previous data request response, SoCalGas provided all invoices but one for the hotel

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5/12/2017		costs recorded on line 56 of the December 2015 O&M costs spreadsheet. In this last data request, SoCalGas states that one invoice for [redacted] could not be found.

For some cost elements for which invoices are available, ED staff is unable to verify whether costs are correctly attributed to capital vs. operations and maintenance (O&M). In particular, the explanation for the cost element identified as "12/2015 Capital Line 726" is unsatisfying. There are several invoices within this cost element. [redacted]

When ED staff asked SoCalGas to explain what services these invoices were for, the following explanation was given: [redacted]

When ED staff asked SoCalGas to explain the rationale behind how these costs were allocated between capital and O&M, SoCalGas stated that when it implements new projects, it prepares Work Order Authorizations that identify the purpose of the project and the estimated total cost segregated between capital and O&M expenditures. In this case, the split was estimated to be 83.5% capital and 16.5% O&M. Those percentages were then applied to the invoices in question to determine how much should be allocated to capital and how much to O&M.

ED staff are not trained accountants and do not know whether this is an accepted technique. However, [redacted] do not sound like capital projects. Allocating costs that may or may not be capital costs based on a pre-ordained estimated percentage strikes ED staff as a questionable practice.

There were several cost elements for which invoices were not available including overheads, salaries, and freight costs. For overheads, the numbers are generated by SoCalGas' internal systems. Similarly, freight costs are processed electronically through SoCalGas' goods receipt system. Without a view into these internal systems, ED staff has no way to verify whether these costs were correctly accounted for.

ED staff also has no way to verify the costs recorded for the cost element identified as "6/2016 O&M Line 39." SoCalGas provided a table that includes the "per-unit cost" for each item but no invoices. When asked for an invoice for one of the items listed (MSA Design 95) that would support the per-unit cost, SoCalGas stated: “There is no specific invoice for the MSA Design 95 which shows the per-unit cost of $752.22. As explained in the prior response, the unit cost for the fittings and materials for each MSA design is based on the cost of materials purchased by SoCalGas. Given the large scale of the AMI project, SoCalGas has routinely purchased such small fittings and materials over the years. The unit cost for the MSA design 95 is based on a number of small fitting and materials including cap screws, bolts, gasket, plugs, tees, several types of nipples, flanges, etc. These small fittings and materials were not purchased all together at one time as part of the MSA design 95 from a specific vendor. These small fittings and materials were obtained from SoCalGas’ supplies that were previously purchased as part of its gas operations. As these small fittings and materials were used and charged to the AMI project, SoCalGas was reimbursed for these supplies.”

ED staff interprets this response to mean that the item MSA Design 95 is a collection of small items that have been purchased in advance from different vendors and stored by SoCalGas. ED staff remains unclear how the very specific per-unit cost of $752.22 for the 25 units of MSA Design 95 used in the AMI project was determined.

This balancing account was chosen for review due to its large overcollections. SoCalGas explained the overcollections as follows: “…during the early stages of the project, particularly in the years 2012 through 2013, the completion of some of SoCalGas’ capital assets was delayed. As a result, the AMIBA recorded lower actual capital-related costs on these capital assets (e.g., depreciation) than compared with the amount authorized in the annual revenue requirement thereby contributing to the overcollected balance in the AMIBA.”

In summary, most of the expenses for which there are invoices could be verified by ED staff. However, even when invoices were provided, it was not readily apparent that some expenses had been correctly attributed to capital vs. O&M. Expenses without invoices are opaque to ED staff and cannot be verified in a review of this nature.