

Docket : A.17-11-009  
Exhibit Number : ORA-21  
Commissioner : C. Rechtschaffen  
ALJ : S. Roscow  
Witness : M. Tan  
W. Wei



**OFFICE OF RATEPAYER ADVOCATES**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**The Office of Ratepayer Advocates’  
Report on  
Pacific Gas and Electric Company’s  
Cost of Service and Rates for Gas  
Transmission and Storage  
Services for the Period 2019 - 2021**

**Chapter 21**  
**Selected Balancing and Memorandum Accounts Review**

San Francisco, California  
June 29, 2018

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1     **CHAPTER 21 – PACIFIC GAS AND ELECTRIC COMPANY’S SELECTED BALANCING**  
2                                   **AND MEMORANDUM ACCOUNTS REVIEW**

3     **I. INTRODUCTION**

4         On November 17, 2017 Pacific Gas and Electric Company (PG&E) filed its Gas  
5     Transmission and Safety (GT&S) Application for the period 2019-2021. On receipt of  
6     the Application, ORA notified PG&E of its intent to audit PG&E’s balancing accounts on  
7     March 23, 2018.

8         ORA generally conducts this periodic review of the utilities’ balancing accounts upon  
9     the filing of major rate cases that may affect their revenue requirements, including the  
10    GT&S Applications.<sup>1</sup>

11        At the time of this GT&S Application filing, PG&E had identified 11 memorandum  
12    and balancing accounts that are related to the GT&S Application.<sup>2</sup> Although PG&E may  
13    not be requesting cost recovery in this GT&S application for all of the funds in each of  
14    the accounts, ORA selected 3 of the 11 accounts to audit based on guidelines specified  
15    in PU Code 792.5.

16    **II. SUMMARY OF RECOMMENDATIONS**

17    **A. Transmission Integrity Management Balancing Account (TIMPBA)**  
18    **Interest Expense Adjustment**

19        PG&E improperly reported interest expenses in TIMPBA in the amount of \$2,253,029  
20    by the year end of 2017<sup>3</sup>. The correct interest expense should be \$0. The commission  
21    should disallow all the interest expense reported in this TIMP balancing account when  
22    PG&E files for its annual gas true-up application. ORA is concerned that the interest  
23    expense calculations in other balancing accounts may have the same or similar

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<sup>1</sup> PUC 792.5(f) recognizes ORA’s auditing as a surrogate to the full commission’s compliance with its audit requirements.

<sup>2</sup> PG&E’s response in excel file “GTS-RateCase2019\_DR\_014-Q03Atch01.xlsx”, Tab “Summary”.

<sup>3</sup> PG&E’s response in excel file “GTS-RateCase2019\_DR\_014-Q03Atch01.xlsx”, Tab 10, Cell P20.

1 calculations leading to ratepayers inappropriately paying interest charges that do not  
2 exist.<sup>4</sup>

3 ORA also recommends that the Commission order PG&E to correct the language  
4 used in its preliminary statement to eliminate room for confusion the language has  
5 caused.

## 6 **B. Timpba Hotel Expenses Adjustment**

7 ORA recommends a 30% reduction to the total hotel lodging expenses to the  
8 Timpba based on the transactions examined. The supporting documents for selected  
9 transactions were either missing or incomplete, and a large portion of invoices  
10 submitted indicated the hotel lodging rate were not reasonable. Total amount of  
11 disallowance is \$323,979.

## 12 **C. Timpba Miscellaneous Expenses Adjustment**

13 ORA recommends disallowance of miscellaneous expenses in the amount of  
14 \$74,776 for lack of proper and valid accounting supports for other land fees, and \$9,134  
15 for Visa prepaid gift card purchases expenses that are not allowable. The combined  
16 total amount of disallowance is \$84,460.

## 17 **D. Recommendation for Continuance of Timp One-Way Balancing** 18 **Account**

19 ORA recommends that the Commission maintain the existing one-way balancing  
20 account for the Transmission Integrity Management Program (Timp). PG&E requests to  
21 change the Timp from one-way balancing account to two-way balancing account  
22 instead. The Commission should deny this request.<sup>5</sup>

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<sup>4</sup> PG&E's response in PDF file "GTS-RateCase2019\_DR\_ORA\_070-Q01.pdf", PG&E stated that "Monthly interest is calculated and recorded in the Timpba expense subaccount based on the average balance regardless if the balance is an under-or over-spent position in accordance with the Timpba Gas Preliminary Statement Part CL item 5.I.d. This is standard practice for all other GT&S balancing accounts as reflected in their Gas Preliminary Statements." Upon further request, PG&E stated that there was only one other one-way balancing account, the interest work paper submitted indicated there was an interest owed to the ratepayers. Due to time constraint, ORA is unable to verify the accuracy of the interest expense calculation owed to the ratepayers.

<sup>5</sup> Please refer to ORA Nusrat Molla's Testimony in Chapter 5.

1 In addition, the Commission should order that PG&E follow the annual cost cap  
2 instead of an aggregate cost cap for the entire rate case cycle.

### 3 **E. Documentation Prepared for Audit**

4 ORA recommends that in future GT&S application filings, PG&E be directed to  
5 provide the following set of basic information as an active Excel spreadsheet pertaining  
6 to each of its balancing and memorandum accounts to facilitate ORA's review:

- 7 1) An itemized list of all balancing and memorandum accounts, including  
8 information on whether or not PG&E is seeking recovery in the GT&S application;  
9 whether or not PG&E is making changes or proposing disposition of the account;  
10 and the dates of last audit performed by the Commission or ORA.
- 11 2) The decision that authorized the account, including the page reference to the  
12 actual language.
- 13 3) Location reference in the Company's Preliminary Statement where the account  
14 can be found.
- 15 4) Identify any other Commission proceedings or PG&E filings that have modified or  
16 sought to modify the existing balancing account, or may impact or affect the  
17 account.
- 18 5) Dollar amount of costs incurred since the last Commission or ORA review and  
19 the associated dates, broken down by month, and grouped by the cost  
20 categories as adopted in the decision. All the expenses recorded should be listed  
21 as debit entries, and the adopted expense as credit entries. There should also be  
22 separate line items for interest rate and interest expense calculation for each  
23 month based on the balance of debit and credit entries. The complete table  
24 should be presented in Excel with all the formulas preserved.
- 25 6) A general ledger report showing all order details made to the account since the  
26 last Commission or ORA review.
- 27 7) List any associated expense accounts and the expense account ledgers.

28 The above documentation list will facilitate ORA's review and reduce the amount of  
29 time required for discovery by ORA, as well as for responses by PG&E.

1 **III. DISCUSSION**

2 **A. Gas Transmission and Storage Memorandum Account - (GTSMA)**

- 3 1) Summary: The purpose of the Gas Transmission and Storage Memorandum  
4 Account (GTSMA) is to track the difference between the adopted revenue  
5 requirement in PG&E's 2015 GT&S Application 13-12-012 and placeholder  
6 revenue requirements incorporated effective January 1, 2015. The difference  
7 represents the under collection from 2015 GT&S delayed decision which  
8 recorded in the GTSMA, and is amortized into rates over a 36-month period  
9 which ends in July 2019. The GTSMA excludes the Revenue Fees and  
10 Uncollectible (RF&U) accounts expense.
- 11 2) Start Date: This account was filed July 1, 2016 to be effective August 1, 2016  
12 according to its preliminary statement DD.
- 13 3) Audit Procedures taken:
- 14 a. ORA Reviewed PG&E's application, testimony, and data request responses.
  - 15 b. Reviewed applicable advice letters and Commission Decisions.
  - 16 c. Reviewed monthly entries, including reviews of monthly balances recorded for  
17 each tariff line items.
  - 18 d. Reviewed monthly interest rates and interest expense calculations.
  - 19 e. Verified mathematical accuracy of accounting worksheets and reviewed  
20 supporting documentation
  - 21 f. Examined selected tariff line items in details and traced those items to its  
22 supporting documents
- 23 4) Audit Conclusion: ORA found that the GTSMA account balance is correctly  
24 stated. PG&E proposes to close this account after the balance has been fully  
25 amortized. ORA does not oppose the request to close the account.

26 **B. Critical Documents Program Memorandum Account - (CDPMA)**

- 27 1) Summary: The purpose of the account is to record and track the actual expense  
28 incurred during the 2015 GT&S rate case cycle related to updating existing  
29 station documents or creating new documentation to meet the Utility Standard  
30 TD-4551S for all Measurement & Control facilities, Compression and Processing  
31 facilities built on or before December 31, 1955.

1 2) Start Date: This account was established in February 2017 with an effective date  
2 of January 1, 2017.

3 3) Audit Procedures taken:

4 a. ORA requested detailed general ledger for this memorandum account for the  
5 period of January 2015 through January 2017 in ORA's Data Request (DR)  
6 #28 on March 23, 2018, and received the actual ledger approximately one  
7 month later on April 17, 2018.

8 b. Due to delays in receiving information on this account, ORA focused on its  
9 review of TIMPBA, and deferred the thorough review of this account to a later  
10 date.<sup>6</sup>

11 **C. Transmission Integrity Management Program Memorandum Account**  
12 **(TIMPMA)**

13 1) Summary: The purpose of this account is to track the **difference** between costs  
14 associated with any new transmission integrity management statues or rules  
15 effective after January 1, 2015 and the cost cap adopted by the commission in D.  
16 16-12-010.

17 2) Start Date: The account was established on December 9, 2016 with an effective  
18 date of January 1, 2017 according to its preliminary statement (AL 3788-G).<sup>7</sup>

19 3) Audit Procedures Taken:

20 a. ORA requested and received order details report for the period from January  
21 2015 to March 2017, and sample selected some transactions for review of  
22 appropriate accounting supports.

23 b. ORA also requested and reviewed the PG&E's interest expense calculation  
24 work paper.

25 4) Audit Findings:

26 a. Interest Expense

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<sup>6</sup> See ORA's recommendation D(6) above, this information should be provided to ORA as basic requirement in future filings.

<sup>7</sup> PG&E stated that the TIMPBA was first established in 2011 GT&S Rate Case, Gas Accord V Decision D.11-04-031 in its response to ORA\_Oral006-Q01 oral request.

1           TIMPBA is a one-way balancing account that “tracks the **difference**  
2 between the actual TIMP expenses incurred and the TIMPBA cost cap  
3 adopted by the Commission over the full rate case period.”<sup>8</sup>

4           In general, the balancing accounts have two sides, a debit side and a  
5 credit side. Differences between the two sides being matched accumulate in  
6 the balancing account, which usually accrue interest. A one-way balancing  
7 account either matches expenditures with a spending target or recorded  
8 revenue with a revenue target.

9           In this case, the actual expenses incurred in TIMP is recorded to the debit  
10 side, which will be matched to the adopted annual cost caps as authorized in  
11 D. 16-12-010 on the credit side.

12           As a one-way balancing account, the only time the TIMPBA account will  
13 accrue interest is when the actual expenses are less than the adopted cost  
14 caps. The interest accrued on the underspent portion should be refunded to  
15 the ratepayers, along with the underspending portion.

16           The assessment of interest expense accrued on the one way balancing  
17 account is to compensate the ratepayers for the time value of money  
18 collected by PG&E through the rate yet not spent on the intended program  
19 purpose. When the actual expenses incurred exceeds the adopted cost caps,  
20 PG&E cannot recover the amount overspent, and should not be compensated  
21 for the time value of money they overspent either.

22           It took ORA several attempts to obtain the interest expense calculation  
23 from PG&E.<sup>9</sup> Table 21-1 and 21-2 below are PG&E’s demonstration of  
24 interest calculation for the period from 2015 to 2016.

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<sup>8</sup> PG&E’s response to ORA\_Oral006-Q01.

<sup>9</sup> ORA requested PG&E to provide “source document ... and calculation of actual interest expense of \$1,176,688.30” in its Data Request #28 on 3/23/18. PG&E responded on 4/6/18 without providing the calculation, all PG&E submitted was a re-submission of DR-014 Tab10, and A.2f which is an internal memo showing the 3-month commercial paper interest rate for the period from December 2016 to December 2017. ORA and PG&E engaged in a few telephone conversations on 4/19/18 and 4/20/18 for PG&E to finally agree to submit an Excel work paper to show how the \$1,176,688.30 was derived. ORA eventually got the interest expense calculation work paper on 4/27/18 as a supplement to its response to ORA’s Data Request #28. Therefore, ORA recommends the commission to mandate the requirement for PG&E to submit

(continued on next page)



**Table 21-1: PG&E's TAMPBA Interest Expense Calculation (2015-2016)-Step 1<sup>10</sup>**

Interest calculation -actual expense									
Year	Month	Actual expense	\$25M adjustment applied to 2015 straightline <sup>1</sup>	Total Actual expense (a)	Shareholder portion <sup>2</sup> (b)	Net total actual expense (a+b)	Interest	Interest rate	Cumulative interest + Principal
2015									
	Jan	4,408,954.03	2,093,211.04	6,502,165.07	-	6,502,165.07	352.20	0.13%	6,502,517.27
	Feb	8,803,858.90	2,093,211.04	10,897,069.94	-	10,897,069.94	1,195.11	0.12%	17,400,782.32
	Mar	7,188,786.90	2,093,211.04	9,281,997.94	(98,468.01)	9,183,529.93	2,199.25	0.12%	26,586,511.50
	Apr	8,568,503.25	2,093,211.04	10,661,714.29	(85,571.53)	10,576,142.76	2,921.84	0.11%	37,165,576.10
	May	5,428,662.36	2,093,211.04	7,521,873.40	(81,408.67)	7,440,464.73	3,407.15	0.10%	44,609,447.98
	Jun	7,246,888.29	2,093,211.04	9,340,099.33	(259,758.56)	9,080,340.77	4,914.96	0.12%	53,694,703.71
	July	9,770,618.19	2,093,211.04	11,863,829.23	(2,211,607.40)	9,652,221.83	6,827.43	0.14%	63,353,752.97
	Aug	10,892,121.18	2,093,211.04	12,985,332.22	(1,213,949.27)	11,771,382.95	7,500.94	0.13%	75,132,636.86
	Sept	10,636,663.72	2,093,211.04	12,729,874.76	(1,324,592.24)	11,405,282.52	12,125.29	0.18%	86,550,044.67
	Oct	12,276,569.14	2,093,211.04	14,369,780.18	(2,105,909.79)	12,263,870.39	16,991.70	0.22%	98,830,906.76
	Nov	13,317,055.06	2,093,211.04	15,410,266.10	(1,545,893.78)	13,864,372.32	15,864.46	0.18%	112,711,143.54
	Dec	18,535,126.01	2,093,211.04	20,628,337.05	(553,756.93)	20,074,580.12	20,458.07	0.20%	132,806,181.73
		117,073,807.03	25,118,532.48	142,192,339.51	(9,480,916.18)	132,711,423.33	94,758.40		
2016									
	Jan	7,788,067.76		7,788,067.76	(87,725.75)	7,700,342.01	40,996.91	0.36%	140,547,520.65
	Feb	10,077,239.28		10,077,239.28	(665,358.07)	9,411,881.21	56,890.94	0.47%	150,016,292.80
	Mar	14,387,380.59		14,387,380.59		14,387,380.59	61,573.91	0.47%	164,465,247.30
	Apr	13,676,455.91		13,676,455.91		13,676,455.91	67,093.86	0.47%	178,208,797.07
	May	11,051,588.78		11,051,588.78		11,051,588.78	73,493.84	0.48%	189,333,879.68
	Jun	10,214,941.44		10,214,941.44		10,214,941.44	77,776.54	0.48%	199,626,597.67
	July	14,334,828.83		14,334,828.83		14,334,828.83	84,440.89	0.49%	214,045,867.38
	Aug	19,733,352.62		19,733,352.62		19,733,352.62	85,833.14	0.46%	233,865,053.15
	Sept	18,715,356.23		18,715,356.23		18,715,356.23	101,342.80	0.50%	252,681,752.18
	Oct	20,227,199.40		20,227,199.40		20,227,199.40	116,067.95	0.53%	273,025,019.53
	Nov	76,012,401.97	(25,118,532.48)	50,893,869.49		50,893,869.49	144,261.44	0.58%	324,063,150.46
	Dec	18,290,501.33		18,290,501.33		18,290,501.33	172,157.67	0.62%	342,525,809.47
		234,509,314.14	(25,118,532.48)	209,390,781.66	(753,083.82)	208,637,697.84	1,081,929.89		
			Grand total	351,583,121.17	(10,234,000.00)	341,349,121.17	1,176,688.30		

(1) Adjustment of \$25.118M was charged to TAMP expense order in 2016 that applies to 2015 for Strength testing.

(2) TAMP expenses adjusted by -\$10.234M for Safety Program penalty reductions per Phase II 2015 GT&S Decision (D.16-12-011), appendix G table 1

2

3 As can be seen in Table 21-1, PG&E accrued \$1,176,688.30 in interest by  
4 the end of 2016 by multiplying one-twelfth of the 3-month commercial paper  
5 interest rate and the average of beginning and ending (debit side only)  
6 balance of each month.<sup>11</sup>

(continued from previous page)

this basic information in its future GT&S Application as mentioned above in ORA's summary of recommendation section D(5).

<sup>10</sup> PG&E's response file "GTS-RateCase2019\_DR\_ORA\_028-Q02Atch07.xlsx", Tab "3-Interest calc-actual".

<sup>11</sup> For example, PG&E's calculated February 2015's interest on actual expense =  $(\$6,502,517.27 + \$17,400,782.32) / 2 * 0.12\% / 12 = \$1,195.11$ .

1 PG&E explained that as a second step to the interest expense calculation,  
 2 PG&E repeated the same interest expense calculation based on the adopted  
 3 expense (credit side) balance of each month as seen in Table 21-2 below.<sup>12</sup>

4 **Table 21-2: PG&E’s TIMPBA Interest Expense Calculation (2015-2016)-Step 2<sup>13</sup>**

Interest calculation -adopted expense					
Year	Month	Adopted Expense	Interest	Interest rate	Cumulative interest + Principal
2015					
	Jan	(5,335,750.00)	(289.02)	0.13%	(5,336,039.02)
	Feb	(5,335,750.00)	(800.39)	0.12%	(10,672,589.41)
	Mar	(5,335,750.00)	(1,334.05)	0.12%	(16,009,673.46)
	Apr	(5,335,750.00)	(1,712.11)	0.11%	(21,347,135.57)
	May	(5,335,750.00)	(2,001.25)	0.10%	(26,684,886.82)
	Jun	(5,335,750.00)	(2,935.28)	0.12%	(32,023,572.09)
	July	(5,335,750.00)	(4,047.34)	0.14%	(37,363,369.43)
	Aug	(5,335,750.00)	(4,336.72)	0.13%	(42,703,456.15)
	Sept	(5,335,750.00)	(6,805.70)	0.18%	(48,046,011.85)
	Oct	(5,335,750.00)	(9,297.55)	0.22%	(53,391,059.39)
	Nov	(5,335,750.00)	(8,408.84)	0.18%	(58,735,218.23)
	Dec	(5,335,750.00)	(10,233.85)	0.20%	(64,081,202.08)
		(64,029,000.00)	(52,202.08)		
2016					
	Jan	(6,567,170.00)	(20,209.44)	0.36%	(70,668,581.52)
	Feb	(6,567,170.00)	(28,964.60)	0.47%	(77,264,716.12)
	Mar	(6,567,170.00)	(31,548.08)	0.47%	(83,863,434.20)
	Apr	(6,567,170.00)	(34,132.58)	0.47%	(90,464,736.78)
	May	(6,567,170.00)	(37,499.33)	0.48%	(97,069,406.11)
	Jun	(6,567,170.00)	(40,141.20)	0.48%	(103,676,717.31)
	July	(6,567,170.00)	(43,675.46)	0.49%	(110,287,562.77)
	Aug	(6,567,170.00)	(43,535.61)	0.46%	(116,898,268.37)
	Sept	(6,567,170.00)	(50,075.77)	0.50%	(123,515,514.14)
	Oct	(6,567,170.00)	(56,002.94)	0.53%	(130,138,687.08)
	Nov	(6,567,170.00)	(64,487.43)	0.58%	(136,770,344.51)
	Dec	(6,567,170.00)	(72,361.20)	0.62%	(143,409,875.71)
		(78,806,040.00)	(522,633.63)		
	Grand total	(142,835,040.00)	(574,835.71)		

5

<sup>12</sup> For example, PG&E’s calculated February 2015’s interested on actual expense =  $(\$5,336,039.02 + \$10,672,589.41) / 2 * 0.12\% / 12 = \$800.43$ , with \$0.04 possible rounding difference.

<sup>13</sup> PG&E’s response file “GTS-RateCase2019\_DR\_ORA\_028-Q02Atch07.xlsx”, Tab “2-Interest calc-adopted”.

1 At the end of the two-step process, PG&E netted the two amounts of  
 2 \$1,176,688.30 and negative \$574,835.71 to arrive at a total interest expense  
 3 of \$601,852.59.

4 PG&E claimed that “this two-step process of calculating interest on actual  
 5 expenses and adopted expenses and then netting the amount together  
 6 arrives at the same total interest as if PG&E had calculated interest on the net  
 7 balance in the account.”<sup>14</sup>

8 However, PG&E disregarded the fact that as a one-way balancing  
 9 account, PG&E cannot recover any expenses spent above the adopted cap.  
 10 When PG&E overspent, the maximum amount they could record is the  
 11 adopted cap amount. When PG&E recorded the cap amount as actual  
 12 expense, the balance between max expense recorded and adopted cap  
 13 amount is zero, therefore, the interest expense would be zero as well.

14 **Table 21-3: ORA Audited TIMPA Interest Expense (2015-2016)**

Interest calculation -actual expense

Year	Month	Net actual expense	1/12th of Annual Adopted	ORA Audited Interest	PG&E's Calculated Interest	PG&E's Calculated Interest	PG&E Reported Interest
		Debit Entry	Credit Entry		Debit Side	Credit Side	Dr+Cr
2015							
	Jan	6,502,165.07	5,335,750	-	352.20	(289.02)	
	Feb	10,897,069.94	5,335,750	-	1,195.11	(800.39)	
	Mar	9,183,529.93	5,335,750	-	2,199.25	(1,334.05)	
	Apr	10,576,142.76	5,335,750	-	2,921.84	(1,712.11)	
	May	7,440,464.73	5,335,750	-	3,407.15	(2,001.25)	
	Jun	9,080,340.77	5,335,750	-	4,914.96	(2,935.28)	
	July	9,652,221.83	5,335,750	-	6,827.43	(4,047.34)	
	Aug	11,771,382.95	5,335,750	-	7,500.94	(4,336.72)	
	Sept	11,405,282.52	5,335,750	-	12,125.29	(6,805.70)	
	Oct	12,263,870.39	5,335,750	-	16,991.70	(9,297.55)	
	Nov	13,864,372.32	5,335,750	-	15,864.46	(8,408.84)	
	Dec	20,074,580.12	5,335,750	-	20,458.07	(10,233.85)	
		132,711,423.33	64,029,000	-	94,758.40	(52,202.08)	
			Note 1				
2016							
	Jan	7,700,342.01	6,567,167	-	40,996.91	(20,209.44)	
	Feb	9,411,881.21	6,567,167	-	56,890.94	(28,964.60)	
	Mar	14,387,380.59	6,567,167	-	61,573.91	(31,548.08)	
	Apr	13,676,455.91	6,567,167	-	67,093.86	(34,132.58)	
	May	11,051,588.78	6,567,167	-	73,493.84	(37,499.33)	
	Jun	10,214,941.44	6,567,167	-	77,776.54	(40,141.20)	
	July	14,334,828.83	6,567,167	-	84,440.89	(43,675.46)	
	Aug	19,733,352.62	6,567,167	-	85,833.14	(43,535.61)	
	Sept	18,715,356.23	6,567,167	-	101,342.80	(50,075.77)	
	Oct	20,227,199.40	6,567,167	-	116,067.95	(56,002.94)	
	Nov	50,893,869.49	6,567,167	-	144,261.44	(64,487.43)	
	Dec	18,290,501.33	6,567,167	-	172,157.67	(72,361.20)	
		208,637,697.84	78,806,000	-	1,081,929.89	(522,633.63)	
			Note 1				
		<b>341,349,121.17</b>	<b>142,835,000</b>	<b>-</b>	<b>\$ 1,176,688.30</b>	<b>\$ (574,835.71)</b>	<b>\$601,852.59</b>

Note 1: Annual Adopted Cap from D. 16-12-010, Appendix I: Table 1 (Updated)

<sup>14</sup> PG&E's response file "GTS-RateCase2019\_DR\_ORA\_070-Q01", page 3, footnote 1.

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As can be seen in Table 21-3, PG&E’s recorded actual expense in each and every month for the period from January 2015 to December 2016 exceeded 1/12 of the annual adopted cap, therefore PG&E did not accrue any interest expense for future recovery. Ratepayers simply would not pay PG&E for its overspending portion, and do not owe PG&E interest on the overspent portion either.

Although credit entries have been made in 2017, PG&E continued to add the cumulative balance to inflate its debit entry figure, and at the same time, accrue new interest on its overspending portion, causing the monthly interest to remain high and wrong.

Aside from the interest expense calculation error mentioned above, ORA would like to point out that PG&E’s preliminary statement has several mistakes that need to be addressed. Paragraph 1 and 3 of the preliminary statement seem to imply that PG&E does not have to follow annual cap in any given year, so long as the cumulative total expense does not exceed the “aggregated adopted expenses” for the entire rate case cycle.

This implication contradicts Paragraph 5.I (a) where the accounting procedure instructs PG&E to record credit entries at **one-twelfth** of the **annual** adopted expenses to match with its monthly actual expense.

In addition, PG&E will not be able to conduct Annual Gas True-Up filings as mentioned in its Paragraph 3 if the actual expenses were to match with the “aggregated adopted expenses” for the entire rate case cycle.

The Commission should require PG&E on a forward going basis to use the Annual Adopted Expense rather than “Aggregated” Adopted Expense when the decision for GT&S Application is approved so that PG&E could actually conduct its Annual Gas True-Up filing.

b. PG&E’s proposal for a Two-way Balancing Account

The Commission should deny PG&E’s request to switch TIMP to a two-way balancing account, and keep the account one-way as it is. For more discussion, see ORA-05, Nusrat Molla’s testimony of Transmission Pipeline.

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c. Lodging Expenses

PG&E recorded \$899,484<sup>15</sup> for the period from January 2015 to December 2016, and \$180,446<sup>16</sup> for the first 3 months of 2017 in lodging expenses. ORA selected a few transactions for sample review. Among the limited transactions sampled, ORA has identified both recordkeeping and reasonableness issues with the lodging expenses.

- Recordkeeping issue

ORA observed that many of PG&E’s journal entries are linked to a scanned file of over one hundred pages of invoices that were not cross-referenced between the journal entries and invoices. In order to locate a specific invoice, the staff has to scan through the entire document, which is a very time consuming task. Sometimes the staff was unable to pull the invoices to substantiate the reported expense or reconcile the journal entry expense amount with the associated invoice file.<sup>17</sup>

For the hotel lodging bills selected, ORA found out many of them were for long term stay. PG&E employees made multiple partial payments during its stay. For example, employees made weekly payments or sometimes a seemingly random amount, such as \$1,000, \$9,999 or \$19,998.

It is possible that the hotel has required periodic payments for long term hotel stays. However, the practice of making multiple partial payments has created a series of problems for accounting and auditing purposes.

First, instead of one accounting entry to record the entire hotel stay, the company has made multiple entries to record each reimbursement claim;

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<sup>15</sup> Summed from PG&E’s excel file “GTS-RateCase2019\_DR\_ORA\_028-Q02Atch06.xlsx”, tab “Non-PO Invoices”.

<sup>16</sup> Summed from PG&E’s excel files “GTS-RateCase2019\_DR\_ORA\_028-Q02Atch03.xlsx”, “GTS-RateCase2019\_DR\_ORA\_028-Q02Atch04.xlsx”, “GTS-RateCase2019\_DR\_ORA\_028-Q02Atch05.xlsx”, tab “Non-PO Invoices”, \$42,760.39+\$49,867.77+\$87,817.40=\$180,445.56.

<sup>17</sup> As of the time ORA drafted the testimony, PG&E was still researching to find certain hotel invoices, see GTS-RateCase2019\_DR\_ORA\_062-Q02Atch01. There was also one transaction where the invoice amount did not trace to the journal entry amount (\$2,312.64), e.g GTS-RateCase2019\_DR\_ORA\_050-Q01Atch04\_Redacted.pdf.

1 unless the entire hotel stay was selected, the complete hotel bill could not be  
2 easily reviewed. Alternatively, if multiple segments of the stay were selected,  
3 the same invoice could be presented more than once for different part of the  
4 stay.<sup>18</sup> Technically each invoice should be presented for reimbursement only  
5 once to avoid potential duplicate reimbursement claims.

6 ORA recommends PG&E adopt better accounting practices to keep track  
7 of the employees' lodging expenses. If employees are required to make  
8 multiple reimbursement claims for their long term hotel stay, a summary of the  
9 entire hotel stay (i.e. information on periods of entire of stay, partial payment  
10 amounts that add up to total payment amount) along with the complete hotel  
11 statement should be kept together for future audit. Efforts should be made to  
12 cross reference the journal entry and its corresponding invoices.

13 In addition, when multiple crew members are sent to stay at hotels,  
14 corporate card should be used to pay for the entire stay for all members to  
15 facilitate future review.

- 16 • Reasonableness issue

17 Among the limited hotel bills selected, ORA has found that the hotel daily  
18 rate ranges from \$93<sup>19</sup> to \$459<sup>20</sup> per night. Many of these hotel stays were  
19 more than one month in duration, and some were even more than 4 or 5  
20 months long.<sup>21</sup>

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<sup>18</sup> For example, PG&E's GTS-RateCase2019\_DR\_ORA\_050-Q01Atch06\_Redacted.pdf, the partial invoice presented for reimbursement did not support the entire amount claimed. It is possible the other half invoice was used in another claim. The bottom half of page 2 could be used in yet another reimbursement claim.

<sup>19</sup> See PG&E's GTS-RateCase2019\_DR\_ORA\_050-Q01Atch01\_Redacted.pdf, page 5 of 7.

<sup>20</sup> See PG&E's GTS-RateCase2019\_DR\_ORA\_062-Q02Atch07\_Redacted.pdf, pages 4 and 5 of 8.

<sup>21</sup> For example, PG&E's GTS-RateCase2019\_DR\_ORA\_062-Q02Atch07\_Redacted.pdf, the earliest arrival date was December 28, 2015, and the checkout date was April 25, 2016. The actual date of arrival could be even earlier than December 28, 2015 because each time the tenant made a partial payments, the hotel statement page would show a newer arrival date. In PG&E's GTS-RateCase2019\_DR\_ORA\_062-Q02Atch08\_Redacted.pdf, the duration of stay is from 1/11/16 to 5/9/16; GTS-RateCase2019\_DR\_ORA\_062-Q02Atch09\_Redacted.pdf, duration is from 12/7/15 to 6/2/16; GTS-RateCase2019\_DR\_ORA\_062-Q02Atch10\_Redacted.pdf, duration is from 1/11/16 to 4/11/16. Actual stay could be even longer than the partial invoice presented.

1           When ORA asked PG&E what action it has taken to ensure the hotel  
2 lodging expenses are prudent and reasonable, PG&E submitted a list of  
3 preferred hotels with the low and peak seasonal rates with sources of these  
4 rates unknown, and stated that “employees can access the list to obtain  
5 corporate rates for their business travel needs.”<sup>22</sup> The highest seasonal rate  
6 listed were over \$350 in New York, followed by \$349 per night at Hyatt  
7 Regency in San Francisco. A hotel daily rate of \$459 in Milpitas would  
8 definitely top the highest seasonal rate listed for New York and San  
9 Francisco.

10           In addition, PG&E has not explained why other options, such as short-  
11 term apartment leasing was not considered as an alternative. A one to three-  
12 bedroom apartment lease in the Milpitas area would cost only about \$2,500  
13 per month.<sup>23</sup> As an example of PG&E’s practices, PG&E provided a  
14 document demonstrating that a 6 month lease was obtained in Arizona at a  
15 much cheaper monthly rate of \$2,000.<sup>24 25</sup> In contrast, spending around  
16 \$1,500 to over \$3,200 per week at a hotel in Milpitas seems neither prudent  
17 nor reasonable.<sup>26</sup>

18           Based on the spending patterns, the accounting deficiencies pointed out  
19 above, and the fact that PG&E did not act prudent in considering cheaper  
20 short-term leasing option, ORA recommends a 30% reduction to the total  
21 lodging expense reported. The amount of reduction is \$323,979.<sup>27</sup>

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<sup>22</sup> See PG&E’s GTS-RateCase2019\_DR\_ORA\_062-Q02.pdf, page 3, and GTS-  
RateCase2019\_DR\_ORA\_062-Q02Atch03.pdf.

<sup>23</sup> See Appendix IV for apartment rental rate as of June 2018 in Milpitas area.

<sup>24</sup> See GTS-RateCase2019\_DR\_ORA\_050-Q01Atch03.pdf.

<sup>25</sup> For example, at the minimum hotel rate of \$209, and 30 days per month, there would be  
\$6,270 in monthly charges for the 4-month stay took place in GTS-  
RateCase2019\_DR\_ORA\_062-Q02Atch07\_Redacted.pdf. A lease may therefore provide  
significant cost savings, even at the lower end of the seasonal hotel rates.

<sup>26</sup> See PG&E’s GTS-RateCase2019\_DR\_ORA\_062-Q02Atch07\_Redacted.pdf.

<sup>27</sup> As another example, see PG&E’s GTS-RateCase2019\_DR\_ORA\_062-  
Q02Atch14\_Redacted.pdf for a list of no show charges on pages 1,2,5,9, and 18 of 44 pages.

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**Table 21-4  
Lodging Expenses for 2015-2017**

Description (a)	PG&E Reported (b)	ORA Adjusted (c)	Amount PG&E>ORA (d=b-c)
		With 30% reduction	
Lodging Expenses			
2015 and 2016	\$899,484	\$629,639	\$269,845
2017	\$180,446	\$126,312	\$54,134
Total	\$1,079,930	\$755,951	\$323,979

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d. Miscellaneous Expenses

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ORA sampled a few “Other Land Fees”, “Automotive-Fuel Expenses” and several “Customer Gift Card” purchases. From the transactions sampled, ORA has found that many of the accounting supports PG&E kept and provided are either not valid proof of purchase, or are for unallowable expenses.

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- Other Land Fees

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Among all the “Other Land Fees” transactions selected by ORA, none of them had any accompanying invoices from the payees; the accounting system only stored the internal check request document with the amount of check identified and the name of the person who approved the check.<sup>28</sup> These internal check request documents do not constitute appropriate support for the expense claimed. In order for ORA to verify the existence of the expense, outside sources should be provided, such as a legitimate invoice, contract or agreement made with the private property owners that document the agreed upon price, copy of paid check image, bank statement, etc. ORA recommends a disallowance of all the “Other Land Fees” expenses sampled in the amount of \$74,775.89 for lack of sufficient accounting support.

<sup>28</sup> See PG&E’s GTS-RateCase2019\_DR\_ORA\_050-Q01Atch32.pdf to GTS-RateCase2019\_DR\_ORA\_050-Q01Atch34.pdf as an example for PG&E’s support for \$4,500 Other Land Fees.



1                   • Automotive-Fuel Expense

2                   ORA's review of the "Automotive-Fuel" transactions sampled showed that  
3 both purchases were made by the same employee.<sup>29</sup> Supports provided for  
4 these purchases indicated that the particular employee had made prepaid  
5 purchases of fuels in the amount of \$25, \$240, \$140, \$200 and \$350 in this  
6 one reimbursement request presented. The prepaid receipts indicated that  
7 the "Final purchase amount receipt with full transaction detail available  
8 inside".

9                   Gas stations allow people to make a prepaid amount of fuel purchase;  
10 however, the prepaid authorization is not the actual receipt. The credit card  
11 will be charged the actual amount of fuel after the transaction is completed.  
12 The unspent amount will be refunded to the credit card. It seems the  
13 employee used his own credit card for the purchases. It is unknown if the  
14 employee was filling a rental, company or personal vehicle as the company's  
15 reimbursement form that identifies such information was not attached.<sup>30</sup>

16                   Although ORA is not recommending a disallowance at this time, PG&E  
17 should require submittal of actual transaction receipts for reimbursement and  
18 future auditing purposes.

19                   • Unallowable Visa Pre-paid Card Expenses

20                   ORA also found entries totaling \$9,134 that were noted as customer gift  
21 cards. Accounting support provided by PG&E only showed the receipts<sup>31</sup>  
22 were for Visa Prepaid Card purchases made by its employees. The  
23 company's Utility Standard FIN-2210S: Employee Business Expenses and  
24 Travel Standard<sup>32</sup> clearly states that gift card purchases are not  
25 reimbursable. Since PG&E's own policy clearly states that gift card purchases

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<sup>29</sup> See PG&E's GTS-RateCase2019\_DR\_ORA\_050-Q01Atch01\_Redacted.pdf.

<sup>30</sup> See PG&E's GTS-RateCase2019\_DR\_ORA\_050-Q01Atch04\_Redacted.pdf, page 13 of 21 for an example of acceptable reimbursement claim.

<sup>31</sup> See PG&E's GTS-RateCase2019\_DR\_ORA\_050-Q01Atch59\_Redacted.pdf for example gift card purchase support.

<sup>32</sup> See PG&E's GTS-RateCase2019\_DR\_ORA\_050-Q01Atch23.pdf, page 25 of 31.

are not reimbursable, and ORA agrees that gift card purchases are not reimbursable or allowable expense, the entire amount of \$9,134 should be disallowed.

Table 21-5 is a list of the questionable transactions ORA has found, and recommended elimination of these expenses for lack of appropriate accounting supports and for not allowable expenses.

**Table 21-5  
Disallowed Transactions List**

Source Document	Vendor		Reason for Disallowance	\$ Amount
DR028-Q02Atch03	1031820	Other Land Fees	Without acceptable invoice, proof of payment	18,222
DR028-Q02Atch03	1109588	Other Land Fees	Without acceptable invoice, proof of payment	1,000
DR028-Q02Atch03	1107264	Other Land Fees	Without acceptable invoice, proof of payment	5,250
DR028-Q02Atch03	1008190	Other Land Fees	Without acceptable invoice, proof of payment	1,804
DR028-Q02Atch03	1113960	Other Land Fees	Without acceptable invoice, proof of payment	3,000
DR028-Q02Atch03	1110936	Other Land Fees	Without acceptable invoice, proof of payment	2,000
DR028-Q02Atch03	1113928	Other Land Fees	Without acceptable invoice, proof of payment	3,000
DR028-Q02Atch04	1114010	Other Land Fees	Without acceptable invoice, proof of payment	1,000
DR028-Q02Atch04	1113998	Other Land Fees	Without acceptable invoice, proof of payment	4,500
DR028-Q02Atch04	1106405	Other Land Fees	Without acceptable invoice, proof of payment	2,500
DR028-Q02Atch04	1106405	Other Land Fees	Without acceptable invoice, proof of payment	2,500
DR028-Q02Atch04	1113987	Other Land Fees	Without acceptable invoice, proof of payment	2,500
DR028-Q02Atch04	1006369	Other Land Fees	Without acceptable invoice, proof of payment	5,000
DR028-Q02Atch04	1113997	Other Land Fees	Without acceptable invoice, proof of payment	4,500
DR028-Q02Atch05	1096686	Other Land Fees	Without acceptable invoice, proof of payment	12,000
DR028-Q02Atch05	1108925	Other Land Fees	Without acceptable invoice, proof of payment	6,000
			<b>Subtotal of Other Land Fees</b>	<b>\$ 74,775.89</b>
DR028-Q02Atch06	U000115811	CUSTOMER GIFT CARD	Unallowable gift card purchases	105.95
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	312.00
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	161.00
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	55.00
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	212.00
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	106.00
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	318.00
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	1,624.00
DR028-Q02Atch06	U000223291	CUSTOMER GIFT CARD	Unallowable gift card purchases	424.00
DR028-Q02Atch06	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	155.95
DR028-Q02Atch06	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	714.85
DR028-Q02Atch06	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	204.95
DR028-Q02Atch06	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	106.00
DR028-Q02Atch06	U000219709	CUSTOMER GIFT CARD	Unallowable gift card purchases	109.90
DR028-Q02Atch06	U000115685	CUSTOMER GIFT CARD	Unallowable gift card purchases	635.70
DR028-Q02Atch06	U000115685	CUSTOMER GIFT CARD	Unallowable gift card purchases	317.85
DR028-Q02Atch06	U000116757	CUSTOMER GIFT CARD	Unallowable gift card purchases	54.95
DR028-Q02Atch06	U000119148	CUSTOMER GIFT CARD	Unallowable gift card purchases	223.80
DR028-Q02Atch06	U000223412	CUSTOMER GIFT CARD	Unallowable gift card purchases	504.95
DR028-Q02Atch05	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	815.45
DR028-Q02Atch05	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	105.95
DR028-Q02Atch05	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	155.95
DR028-Q02Atch05	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	155.95
DR028-Q02Atch05	U000116810	CUSTOMER GIFT CARD	Unallowable gift card purchases	15.00
DR028-Q02Atch05	U000233362	CUSTOMER GIFT CARD	Unallowable gift card purchases	217.85
DR028-Q02Atch05	U000233362	CUSTOMER GIFT CARD	Unallowable gift card purchases	1,215.45
DR028-Q02Atch05	U000233362	CUSTOMER GIFT CARD	Unallowable gift card purchases	105.95
			<b>Subtotal of Gift Card Purchase</b>	<b>\$ 9,134</b>
			<b>Total amount of Miscellaneous Expense Disallowance</b>	<b>\$ 84,460</b>

**WITNESS QUALIFICATIONS OF M. TAN**

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My name is Michael Tan. I am responsible for the review of Gas Transmission and Storage Memo Account (GTSMA). My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Office of Ratepayer Advocates (ORA) as a Public Utilities Financial Examiner III in the Energy Cost of Service and Natural Gas Branch. I have a Bachelor of Arts Degree in Economics and Bachelor of Arts Degree in Sociology from University of California, Davis. Prior joining the Commission in 2013, I was working at California State Board of Equalization as sale tax auditor. Primary worked on various sale tax audits.

Since joining the Commission in 2013, my responsibilities have included reasonableness review, advice letter reviews and other gas procurement matters.

This completes my prepared testimony.

**WITNESS QUALIFICATIONS OF W. WEI**

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My name is Wenli Wei. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Office of Ratepayer Advocates (ORA) as a Public Utilities Financial Examiner IV in the Energy Safety and Infrastructure Branch.

I received a Master’s Degree in Business Administration with concentration in Accounting from California State University of Hayward. I also hold an active CPA license in the State of California.

Prior to joining the Commission, I worked 9 years for California Department of Health Care Services, conducting rate setting audits for the statewide Medi-Cal program. I joined the Office of Ratepayer Advocates - Water Branch in June 2015, and the Energy Safety and Infrastructure Branch in December 2017. My experience at the Commission includes responsibility for the reports on O&M and A&G Expenses for proceeding A.15-07-001, Operating Revenue, Rate Design and Special Request for proceeding A.16-07-002, District Operating Expenses for proceeding A.17-07-010.

This concludes my prepared testimony.

# **APPENDICES**

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**Appendix I**  
**TIMBPA Work Paper from PG&E**  
**GTS-RateCase2019\_DR\_ORA\_014-Q03Atch01.xlsx**  
**Tab 11**

TIMBPA		Dec-16	Jan-17	Feb-17	Dec-17	2017 YTD Only
<b>EXPENSE SUBACCOUNT</b>	<b>DESCRIPTION</b>					
Principal		-	198,514,081.17	198,509,157.29	122,864,047.00	
Interest		-	601,852.59	724,639.23	2,124,646.48	
<u>Prelim statement CL</u>						
5.1.a	credit entry -one twelfth of the annual adopted integrity mgmt exp	(142,835,040.00)	(9,260,083.00)	(9,260,083.00)	(9,260,083.00)	(253,956,036.00)
5.1.b	debit entry-actual integrity mgmt expenses	341,349,121.17	9,255,159.12	9,439,614.88		367,560,000.00
5.1.c	debit entry-transfer the balance to other accounts for refund					
5.1.d	Interest- adopted	(574,835.71)				
	- actual	1,176,688.30				
	<b>Total interest</b>	<b>601,852.59</b>	<b>122,786.64</b>	<b>132,882.37</b>	<b>128,382.56</b>	<b>2,253,029.04</b>
<u>Ending balance</u>						
Principal		198,514,081.17	198,509,157.29	198,688,689.17	113,603,964.00	
Interest		601,852.59	724,639.23	857,521.60	2,253,029.04	
<b>Ending balance -expense sub</b>		<b>199,115,933.76</b>	<b>199,233,796.52</b>	<b>199,546,210.77</b>	<b>115,856,993.04</b>	
<b>CAPITAL SUBACCOUNT (a one time entry at the end of GT&amp;S cycle if actual CAPEX are less than the adopted CAPEX)</b>						
Principal		-	-	-	-	
Interest		-	-	-	-	
5.2.a	credit entry -one twelfth of the annual RRQ	-	-	-	-	-
5.2.b	debit entry-actual RRQ	-	-	-	-	-
5.2.c	debit entry-transfer the balance to other accounts for refund	-	-	-	-	-
5.2.d	Interest	-	-	-	-	-
<u>Ending balance</u>						
Principal		-	-	-	-	
Interest		-	-	-	-	
<b>Ending balance-capital sub</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ENDING BALANCE CAPITAL AND EXPENSE</b>		<b>199,115,933.76</b>	<b>199,233,796.52</b>	<b>199,546,210.77</b>	<b>115,856,993.04</b>	<b>-</b>
Interest rate			0.74%	0.80%	1.28%	

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This table was extracted from PG&E’s response “GTS-RateCase2019\_DR\_ORA\_014-Q03Atch01.xlsx”, due to the width of the table, ORA used Excel’s “hide columns” feature for March to November 2017 columns. In the original table submitted by PG&E, PG&E used the same “hide columns” feature to hide December 2016’s column, but it is not clear why PG&E used the feature to hide this starting column.

1 In an attempt to figure out how PG&E derived \$1,176,688.30 in “actual”  
2 interest at the end of December 2016, ORA sent Data Request #28, Question 2.f  
3 and requested:

4 “Please provide the **source document** for the adopted interest expense of  
5 \$574,835.71 (in cell C18) and **calculation** of actual interest expense of  
6 \$1,176,688.30 (in cell C19).”  
7

8 As response, PG&E stated the following  
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10 “Interest is not an adopted amount. Actual interest is calculated and recorded  
11 to the account based on the three-month, non-financial commercial paper  
12 rate as shown in Attachment GTS-RateCase2019\_DR\_ORA\_028-  
13 Q02Atch02, tab “A.2f.” See Gas preliminary statement part CL, accounting  
14 procedure 5.1.d. for  
15 additional information regarding interest calculation.”

16 PG&E’s response did not provide the calculation of how the actual interest  
17 expense of \$1,176,688.30 was arrived; instead, it simply re-submitted the Excel  
18 work sheet above in the Appendix I, and PG&E’s memo showing the 3 month  
19 commercial interest rate below in Appendix II below.

20 **Appendix II**  
21 **TIMBPA Work Paper from PG&E DR 028 Response**  
22 **GTS-RateCase2019\_DR\_ORA-Q02Atch02.xlsx**  
23

The screenshot shows an email distribution list with the following content:

Date: December 5, 2017 File #:  
To: Various  
From: Energy Accounting  
Subject: Interest on Balancing Accounts and Customer Deposits

DISTRIBUTION LIST:

The interest rate applicable for balancing accounts and customer deposits under CPUC jurisdiction is 1.28 percent for December 2017. A summary of the applicable interest rates for the past 13 months is provided below:

Month	Interest Rate
December 2016	0.62%
January 2017	0.74%
February	0.80%
March	0.77%
April	0.87%
May	0.92%
June	0.95%
July	1.10%
August	1.17%
September	1.18%
October	1.18%
November	1.21%
December 2017	1.28%

This figure is taken from the three-month, non-financial commercial paper rate as published in the Federal Reserve Statistical Release, H-15, and is pursuant to company tariffs and CPUC Decision No. 91269.

Jay Yoo  
222-5810

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1 Interest calculation involves multiplying a base or principle amount with an  
 2 interest rate, simply submitting the interest rate alone without showing the base  
 3 or principle amount will not lead us to the interest expense amount. Accordingly  
 4 PG&E likely has another work paper utilized to calculate the interest expense of  
 5 \$1,176,688.30, but PG&E did not provide it in its response to ORA's discovery  
 6 request.

7 PG&E ultimately agreed to provide the interest expense calculation in  
 8 Excel, except it was not in the same work paper as presented in Appendix I and  
 9 requested by ORA, but as two separate work papers as shown in Appendix III-1  
 10 and III-2.

**Appendix III-1**  
**TIMBPA Work Paper from PG&E DR 028 Response**  
**GTS-RateCase2019\_DR\_ORA-Q02Atch07.xlsx**  
**Tab 3-Interest calc-actual**

Interest calculation -actual expense									
Year	Month	Actual expense	\$25M adjustment applied to 2015 straightline <sup>1</sup>	Total Actual expense (a)	Shareholder portion <sup>2</sup> (b)	Net total actual expense (a+b)	Interest	Interest rate	Cumulative interest + Principal
2015									
	Jan	4,408,954.03	2,093,211.04	6,502,165.07	-	6,502,165.07	352.20	0.13%	6,502,517.27
	Feb	8,803,858.90	2,093,211.04	10,897,069.94	-	10,897,069.94	1,195.11	0.12%	17,400,782.32
	Mar	7,188,786.90	2,093,211.04	9,281,997.94	(98,468.01)	9,183,529.93	2,199.25	0.12%	26,586,511.50
	Apr	8,568,503.25	2,093,211.04	10,661,714.29	(85,571.53)	10,576,142.76	2,921.84	0.11%	37,165,576.10
	May	5,428,662.36	2,093,211.04	7,521,873.40	(81,408.67)	7,440,464.73	3,407.15	0.10%	44,609,447.98
	Jun	7,246,888.29	2,093,211.04	9,340,099.33	(259,758.56)	9,080,340.77	4,914.96	0.12%	53,694,703.71
	July	9,770,618.19	2,093,211.04	11,863,829.23	(2,211,607.40)	9,652,221.83	6,827.43	0.14%	63,353,752.97
	Aug	10,892,121.18	2,093,211.04	12,985,332.22	(1,213,949.27)	11,771,382.95	7,500.94	0.13%	75,132,636.86
	Sept	10,636,663.72	2,093,211.04	12,729,874.76	(1,324,592.24)	11,405,282.52	12,125.29	0.18%	86,550,044.67
	Oct	12,276,569.14	2,093,211.04	14,369,780.18	(2,105,909.79)	12,263,870.39	16,991.70	0.22%	98,830,906.76
	Nov	13,317,055.06	2,093,211.04	15,410,266.10	(1,545,893.78)	13,864,372.32	15,864.46	0.18%	112,711,143.54
	Dec	18,535,126.01	2,093,211.04	20,628,337.05	(553,756.93)	20,074,580.12	20,458.07	0.20%	132,806,181.73
		117,073,807.03	25,118,532.48	142,192,339.51	(9,480,916.18)	132,711,423.33	94,758.40		
2016									
	Jan	7,788,067.76		7,788,067.76	(87,725.75)	7,700,342.01	40,996.91	0.36%	140,547,520.65
	Feb	10,077,239.28		10,077,239.28	(665,358.07)	9,411,881.21	56,890.94	0.47%	150,016,292.80
	Mar	14,387,380.59		14,387,380.59		14,387,380.59	61,573.91	0.47%	164,465,247.30
	Apr	13,676,455.91		13,676,455.91		13,676,455.91	67,093.86	0.47%	178,208,797.07
	May	11,051,588.78		11,051,588.78		11,051,588.78	73,493.84	0.48%	189,333,879.68
	Jun	10,214,941.44		10,214,941.44		10,214,941.44	77,776.54	0.48%	199,626,597.67
	July	14,334,828.83		14,334,828.83		14,334,828.83	84,440.89	0.49%	214,045,867.38
	Aug	19,733,352.62		19,733,352.62		19,733,352.62	85,833.14	0.46%	233,865,053.15
	Sept	18,715,356.23		18,715,356.23		18,715,356.23	101,342.80	0.50%	252,681,752.18
	Oct	20,227,199.40		20,227,199.40		20,227,199.40	116,067.95	0.53%	273,025,019.53
	Nov	76,012,401.97	(25,118,532.48)	50,893,869.49		50,893,869.49	144,261.44	0.58%	324,063,150.46
	Dec	18,290,501.33		18,290,501.33		18,290,501.33	172,157.67	0.62%	342,525,809.47
		234,509,314.14	(25,118,532.48)	209,390,781.66	(753,083.82)	208,637,697.84	1,081,929.89		
				Grand total	351,583,121.17	(10,234,000.00)	341,349,121.17	1,176,688.30	

(1) Adjustment of \$25.118M was charged to TIMP expense order in 2016 that applies to 2015 for Strength testing.

(2) TIMP expenses adjusted by -\$10.234M for Safety Program penalty reductions per Phase II 2015 GT&S Decision (D.16-12-011), appendix G table 1

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**Appendix III-2**  
**TIMBPA Work Paper from PG&E DR 028 Response**  
**GTS-RateCase2019\_DR\_ORA-Q02Atch07.xlsx**  
**Tab 2-Interest calc-adopted**

Interest calculation -adopted expense					
Year	Month	Adopted Expense	Interest	Interest rate	Cumulative interest + Principal
2015					
	Jan	(5,335,750.00)	(289.02)	0.13%	(5,336,039.02)
	Feb	(5,335,750.00)	(800.39)	0.12%	(10,672,589.41)
	Mar	(5,335,750.00)	(1,334.05)	0.12%	(16,009,673.46)
	Apr	(5,335,750.00)	(1,712.11)	0.11%	(21,347,135.57)
	May	(5,335,750.00)	(2,001.25)	0.10%	(26,684,886.82)
	Jun	(5,335,750.00)	(2,935.28)	0.12%	(32,023,572.09)
	July	(5,335,750.00)	(4,047.34)	0.14%	(37,363,369.43)
	Aug	(5,335,750.00)	(4,336.72)	0.13%	(42,703,456.15)
	Sept	(5,335,750.00)	(6,805.70)	0.18%	(48,046,011.85)
	Oct	(5,335,750.00)	(9,297.55)	0.22%	(53,391,059.39)
	Nov	(5,335,750.00)	(8,408.84)	0.18%	(58,735,218.23)
	Dec	(5,335,750.00)	(10,233.85)	0.20%	(64,081,202.08)
		(64,029,000.00)	(52,202.08)		
2016					
	Jan	(6,567,170.00)	(20,209.44)	0.36%	(70,668,581.52)
	Feb	(6,567,170.00)	(28,964.60)	0.47%	(77,264,716.12)
	Mar	(6,567,170.00)	(31,548.08)	0.47%	(83,863,434.20)
	Apr	(6,567,170.00)	(34,132.58)	0.47%	(90,464,736.78)
	May	(6,567,170.00)	(37,499.33)	0.48%	(97,069,406.11)
	Jun	(6,567,170.00)	(40,141.20)	0.48%	(103,676,717.31)
	July	(6,567,170.00)	(43,675.46)	0.49%	(110,287,562.77)
	Aug	(6,567,170.00)	(43,535.61)	0.46%	(116,898,268.37)
	Sept	(6,567,170.00)	(50,075.77)	0.50%	(123,515,514.14)
	Oct	(6,567,170.00)	(56,002.94)	0.53%	(130,138,687.08)
	Nov	(6,567,170.00)	(64,487.43)	0.58%	(136,770,344.51)
	Dec	(6,567,170.00)	(72,361.20)	0.62%	(143,409,875.71)
		(78,806,040.00)	(522,633.63)		
Grand total		(142,835,040.00)	(574,835.71)		

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PG&E explained that it took a two-step approach in calculating the interest expense: in step 1, it calculated the interest expense based on the average balance of the debit side, or the actual expenses recorded, which exceeded the one-twelves of annual adopted expense in each and every month for the period from January 2015 to December 2016; in step 2, it calculated the interest expense based on the average balance of the credit side, or the adopted

1 expenses. At the end of this two-step process, PG&E then netted the two  
2 amounts together to arrive at the total accrued interest of \$601,852.59 as of  
3 December 31, 2016.

4 PG&E further claimed that this two-step process described above led  
5 PG&E to “the same total interest **as if** PG&E had calculated interest on the net  
6 balance in the account.”<sup>33</sup>

7 However the two-step process PG&E described above does not equate  
8 the same result as described in the preliminary statement attached below in  
9 Appendix IV. PG&E continuously disregards the fact that as a one-way balancing  
10 account, PG&E can recover expense amount no more than the adopted annual  
11 cap, which serves as the principal portion in PG&E’s interest expense  
12 calculation. When PG&E spent more than the adopted cost cap, PG&E can only  
13 record up to the cost cap amount, and cannot record more than the cap, the  
14 difference between the actual expense which is the debit side, and the adopted  
15 cost cap which is the credit side, is zero; therefore, the balance of the account is  
16 zero. Regardless of interest rate, when the principal amount is zero, the interest  
17 is zero.

18 ORA later issued another data request #70 explaining that as a one-way  
19 balancing account, PG&E cannot recover expense amount spent over the cap,  
20 and thus should not accrue any interest on the amount spent over the cap either.

21 In its response, PG&E claimed that interest expense is accrued  
22 “regardless if the (account) balance is an under-or-over-spent position in  
23 accordance with the TIMPBA Gas Preliminary Statement Part CL item 5.I.d. This  
24 is standard practice for all other GT&S balancing accounts as reflected in their  
25 Gas Preliminary Statements.”<sup>34</sup>

26 The intended purpose of the interest expense calculation is to compensate  
27 ratepayers for the time value of the amount of money collected in the rate yet not  
28 spent by PG&E on the Transmission Integrity Management Program. In addition,  
29 PG&E is restricted to recover only up to the adopted annual cap, not anything

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<sup>33</sup> PG&E’s response file “GTS-RateCase2019\_DR\_ORA\_070-Q01”, page 3, footnote 1.

<sup>34</sup> PG&E’s response “GTS-RateCase2019\_DR\_ORA\_070-Q01.pdf”, page 2.

1 beyond the cap. It does not make sense for PG&E to be awarded time value of  
2 money on the amount PG&E overspent.

3 In conclusion, PG&E's interest calculation for the period of 2015-2016 and  
4 2017 are both incorrect. The correct interest expense amount should be \$0  
5 because PG&E spent more than the 1/12<sup>th</sup> of annual adopted cap as described in  
6 its preliminary statement in all month period, except in the month of January  
7 2017. Technically for the month of January 2017, some interest expense should  
8 accrue to the benefit of the ratepayers, but the amount would be insignificant.  
9 ORA is not recommending additional interest expense to be refunded to the  
10 ratepayers. However, the Commission should deny any interest expense claim  
11 from PG&E when it conducts annual true-up proceeding. In addition, the  
12 Commission should order PG&E to submit interest expense calculation work  
13 paper for all other balancing accounts for review.

**Appendix IV**

**PG&E's TIMPBA Preliminary Statement-with ORA's recommendation for revision**

**Note-**Additions in underline, Removals in strikeout



**Pacific Gas and Electric Company**

U 39

San Francisco, California

Revised Cal. P.U.C. Sheet No. 33081-G  
 Cancelling Revised Cal. P.U.C. Sheet No. 32802-G

**GAS PRELIMINARY STATEMENT PART CL** Sheet 1 (T)  
 TRANSMISSION INTEGRITY MANAGEMENT PROGRAM  
 BALANCING ACCOUNT (N)  
 CL. Transmission Integrity Management Program Balancing Account (TIMPBA) (N)

1. PURPOSE: The purpose of the Transmission Integrity Management Program Balancing Account (TIMPBA) is to track the difference between actual Transmission Integrity Management Program (TIMP) expenses and capital expenditures incurred during the 2015 Gas Transmission and Storage (GT&S) rate case cycle (2015 through 2018), up to and the total expense and capital expenditure amounts, adopted in D.16-12-010. ~~The actual expenses and capital expenditures tracked in this account will not exceed the adopted amounts of \$367.560 million and \$228.260 million, respectively.~~ (T)

Actual costs of safety-related programs and projects identified in Appendix G, Updated Tables 1 and 2 of D.16-12-010 recorded in the Shareholder-Funded Gas Transmission Safety Account (SFGTSA), Gas Preliminary Statement Part DK, that are also programs tracked in this account will not be recorded in TIMPBA. (T)

2. APPLICABILITY: The TIMPBA will apply to all customer classes, except for those specifically excluded by the Commission. (T)

3. REVISION DATES: If the actual amounts incurred are less than the annual adopted total expense for each of the year from 2015 to 2018 ~~the 2015-2018 aggregated adopted expenses of \$367.560 million and capital expenditures of \$228.260 million at the end of the rate case cycle~~, PG&E will refund the revenue requirements associated with the unspent expenses and capital expenditures to customers through the Annual Gas True-Up filing. (T)

4. RATES: The TIMPBA does not have a separate rate component.

5. ACCOUNTING PROCEDURE: The TIMPBA consists of two subaccounts:

For TIMP expenses, the "Expense Subaccount" tracks the difference between actual integrity management expenses spent for the program and adopted program costs listed in Appendix I, Table 1(Updated), PG&E will refund the unspent funding along with interest to customers. ~~tracks the integrity management expenses for the programs listed in Appendix I, Table 1 (Updated), up to the adopted 2015-2018 aggregated amount of \$367.560 million. If the aggregated expenses incurred at the end of the GT&S rate case cycle are less than the adopted amount, PG&E will refund the unspent funding to customers.~~

(Continued)

Advice	3788-G	Issued by	Date Filed	December 9, 2016
Decision	16-12-010	<b>Robert S. Kenney</b>	Effective	January 1, 2017
		Vice President, Regulatory Affairs	Resolution	



**GAS PRELIMINARY STATEMENT PART CL**  
**TRANSMISSION INTEGRITY MANAGEMENT PROGRAM**  
**BALANCING ACCOUNT**

Sheet 2

5. ACCOUNTING PROCEDURE: The TIMPBA consists of two subaccounts (Cont'd)

For TIMP capital expenditures, PG&E will maintain a sub ledger to track the monthly capital expenditures as recorded in its accounting system of record for the programs listed in Appendix I, Table 2 (Updated), up to the adopted 2015-2018 aggregated amount of \$228.260 million. If the aggregated capital expenditures incurred at the end of the GT&S rate case cycle are less than the adopted amount of \$228.260 million, the "Capital Subaccount" will record the entries described in 5(II)(a) through 5(II)(d), to refund to customers, the revenue requirement associated with unspent capital expenditures. (T)  
I (T)

I. Expense Subaccount

The following entries will be made to the account each month or as applicable:

- a) A credit entry equal to one-twelfth of the annual adopted integrity management expenses.
- b) A debit entry equal to the actual integrity management expenses incurred, including benefits burden, up to ~~annual adopted total expenses \$367.560 million.~~ (T)
- c) A debit entry to transfer the balance to other accounts for refund to customers.
- d) An entry equal to the interest on the average credit balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of 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.

(Continued)

<i>Advice</i>	3788-G	<i>Issued by</i>	<i>Date Filed</i>	December 9, 2016
<i>Decision</i>	16-12-010	<b>Robert S. Kenney</b>	<i>Effective</i>	January 1, 2017
		<i>Vice President, Regulatory Affairs</i>	<i>Resolution</i>	



**GAS PRELIMINARY STATEMENT PART CL**  
**TRANSMISSION INTEGRITY MANAGEMENT PROGRAM**  
**BALANCING ACCOUNT**

Sheet 3

5. ACCOUNTING PROCEDURE: The TIMPBA consists of two subaccounts (Cont'd)

II. Capital Subaccount

If the ~~aggregated~~ actual capital expenditures incurred at the end of the GT&S rate case cycle are less than the annual adopted amount ~~of \$228.260 million~~, the following entries will be made to the "Capital Subaccount":

- a. A credit entry equal to the revenue requirement associated with the ~~aggregated~~ 2015 through 2018 annual adopted capital expenditures ~~of \$228.260 million~~, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense. (T)
- b. A debit entry equal to the revenue requirement associated with the actual capital expenditures incurred, excluding RF&U, not to exceed the credit amount recorded in entry a. above. Capital-related revenue requirements include depreciation expense, the return on investment, federal and state income taxes, and property taxes associated with the costs.
- c. An entry to transfer the balance to other accounts for refund to customers.
- d. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of 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.

Advice 3848-G  
Decision 17-05-013

Issued by  
**Robert S. Kenney**  
Vice President, Regulatory Affairs

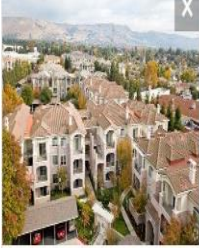







Date Filed June 12, 2017  
Effective January 1, 2017  
Resolution \_\_\_\_\_

**Appendix V**  
**Short-term Apartment Price in Milpitas**  
**(Data dated 6/12/2018)**

← Results Menu Español Apartments.com Sign Up / Sign In Add a Listing

Milpitas, CA

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 <p>The Crossing at Montague \$2,375 - \$3,475   1-3 Bed ★★★★☆</p> <p>Contact Property</p>	 <p>Furnished Studio - San Jose - Milpitas - M... \$2,520   1 Bed ★★★★☆</p> <p>Contact Property</p>	 <p>Furnished Studio - San Jose - Milpitas \$2,310   1 Bed ★★★★☆</p> <p>Contact Property</p>	 <p>1841 Landess Ave \$2,690   Townhome for Rent ☆☆☆☆☆</p> <p>Contact Property</p>
 <p>Mill Creek \$2,318 - \$3,596   1-3 Bed ★★★★★</p> <p>Contact Property</p>	 <p>555 Apartments \$2,295 - \$3,245   1-3 Bed ★★★★☆</p> <p>Contact Property</p>	 <p>Apex \$2,279 - \$3,612   Studio - 3 Bed ★★★★★</p> <p>Contact Property</p>	 <p>Parc West \$2,250 - \$2,850   1-2 Bed ★★★★☆</p> <p>Contact Property</p>