

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
I.D. # 9677
ENERGY DIVISION
RESOLUTION G-3440
September 2, 2010

R E S O L U T I O N

Resolution G-3440. Pacific Gas and Electric Company (PG&E) seeks to: 1) revise Gas Rule 17 (*Meter Tests and Adjustments of Bills for Meter Error*) to correct a reference to Gas Rule 21, and; 2) amend Gas Schedule G-BAL (*Gas Balancing Service for Intrastate Transportation Customers*) by adding a provision limiting accounting adjustments involving gas imbalance statements to three years.

Proposed outcome: PG&E's proposals are approved. Beginning this year and every three years thereafter, PG&E must audit its records, documents and data used for preparing imbalance statements and accounting adjustments for Core Transport Agents. PG&E may request relief from the auditing requirement if it meets the specified conditions.

Estimated Cost: None

By PG&E Advice Letter (AL) 3033-G, filed on July 10, 2009.

SUMMARY

PG&E's proposal to amend Schedule G-BAL by limiting the duration of imbalance statement accounting adjustments to three years is reasonable and approved. Beginning this year and every three years thereafter, PG&E shall audit its records, data and documents associated with preparing imbalance statements and accounting adjustments for Core Transport Agents (CTA). PG&E may request relief from this auditing requirement pursuant to certain conditions specified herein. PG&E's requested changes to the references in Rule 17 are reasonable and approved.

The Redwood Marketing LLC (Redwood) protest is denied. Redwood did not object to the three-year time limit if it only applies prospectively from the tariff's

effective date. PG&E contends it already restricts imbalance adjustments to a three-year period as a matter of policy, so Redwood's protest is moot.

BACKGROUND

Balancing gas deliveries and usage is an important consideration in order to provide safe and reliable service to its customers.

To provide safe and reliable service, PG&E operates its system with the objective of maintaining the inventory of gas in its pipelines at an acceptable level. This effort involves equating or "balancing" the quantity of gas that customers deliver to the utility with that consumed by end users or sent off-system. Operational problems may occur if gas deliveries and usage do not match (an "imbalance"). PG&E's tariff includes rules and procedures intended to prevent or mitigate imbalances.

Schedule G-BAL specifies the terms and conditions of the balancing service PG&E provides its intrastate transportation customers. Under the schedule, the utility issues monthly statements to customers showing any imbalances they accumulated. These statements may be revised requiring a customer to deliver either more or less gas to PG&E in the future.

Under this schedule, the utility provides incentives for these customers to avoid creating imbalances and describes ways that any accumulated imbalances can be reduced or eliminated.¹ In addition, the schedule states that PG&E will issue customers monthly statements (imbalance statement) showing any imbalances they are responsible to remedy.²

¹ Under normal conditions and with gas inventories within PG&E's prescribed operating limits, customer imbalances are managed on a monthly basis. Customers may carry forward a 5 percent monthly imbalance (positive or negative) into the future month. If a customer's imbalance exceeds the 5 percent tolerance level, the imbalance is to be reduced by trading with other customers or through the use of gas storage. Carryover amounts after the trading period that exceed the 5 percent threshold are "cash-out" with customers paying PG&E for underdeliveries or receiving payments from PG&E for overdeliveries. The cash-out price is determined by market indices. If gas inventories are outside the prescribed operating limits, daily balancing may be instituted and other requirements applied.

² These statements, further described in Schedule G-BAL, include the Cumulative Imbalance Statement for PG&E's noncore customers and the Operating Imbalance Statement for Core Procurement Groups.

Gas delivery and/or usage data previously reported in an imbalance statement may be revised by PG&E as an “accounting adjustment.” Accounting adjustments are due mainly to meter problems and the recovery of missing meter data. Procedures are specified in Schedule G-BAL for reconciling an accounting adjustment. This may involve a customer making additional gas deliveries due to an underdelivery or receiving credit for an overdelivery. If a cashout is involved, there may be a monetary settlement between the customer and PG&E.

PG&E’s tariff does not specify a time limit on imbalance statement accounting adjustments. As a matter of policy, PG&E currently imposes a three year time limit. In contrast, the utility’s tariff rules have time limits for reconciling over- and undercharges caused by billing or meter error. Public Utility (P.U.) Code sections 736-737 also contain time restrictions related to billing matters.

PG&E currently maintains a long-established policy to limit accounting adjustments to a three year period.³ Other than the protests to AL 3033-G, PG&E said it was unaware of any customer dissatisfaction with the three year limitation. The utility’s practice is based on PG&E’s tariff rules related to billing matters discussed below.⁴

Rules in PG&E’s tariff contain time limits for reconciling utility bill over- and undercharges caused by billing error (Rule 17) or meter error (Rule 17.1). Under these conditions, a customer would receive a refund or be backbilled for a period not to exceed the applicable time limit. Time limits range from three months to three years. This variation corresponds to the billing matter at issue (i.e., an undercharge or overcharge) and whether it involves residential or nonresidential service.

Another rule (Rule 17.2) applies in cases of unauthorized use and the fraudulent underreporting of gas usage (e.g., meter tampering). This rule does not contain

³ Any un-reconciled gas overages or shortages resulting from invoking the three year time limit are treated by PG&E as lost-and-unaccounted-for (LAUF) gas, which is recovered from all customers through the in-kind shrinkage mechanism.

⁴ PG&E said that its policy is most analogous to Gas Rule 17.1 provision B.1.a., which states the following:

“If either a residential or nonresidential service is found to have been overcharged due to billing error, PG&E will calculate the amount of the overcharge, for refund to the Customer, for a period of three years.”

a time limit and expressly provides for PG&E's full recovery of any resulting undercharges.⁵

Additionally, P.U. Code sections 736-737 specify *inter alia* that the filing of a complaint before the Commission or court of competent jurisdiction seeking the collection of tariff charges is generally within three years of the cause of action.⁶

In AL 3033-G, PG&E seeks to specify in Schedule G-BAL that a three year time limit applies on imbalance statement accounting adjustments. PG&E also wants to correct an erroneous reference in Gas Rule 17.

The utility explained to ED that no other utility had a similar accounting adjustment provision in their tariffs, but that the Commission has long supported a three year time period for reconciling billing errors (see Decision (D.) 86-06-035).⁷ The utility also acknowledged that under its policy customers are not credited for any excess gas resulting from an accounting adjustment going beyond three years after a "cause of action" although a customer's obligation to make-up any shortages is similarly bound.^{8 9} In any event, invoking the three year deadline was said to rarely occur (e.g., a meter malfunction would likely be fixed in less than three years). The Schedule G-BAL revision is intended to provide the public with greater awareness of its existing policy.

⁵ "Where PG&E determines there has been unauthorized use, PG&E shall have the legal right to recover, from the person who benefitted from such unauthorized use, the estimated undercharges for the full period of that person's unauthorized use. The estimated bill shall indicate unauthorized use for the most recent three years and separately, unauthorized use beyond the three-year period as provided by law." (PG&E Gas Rule 17.2, provision A)

⁶ This period may be extended an additional six months under certain conditions.

⁷ PG&E responded to ED's data request on August 24, 2009.

⁸ PG&E said a cause of action may be the discovery of an error by the utility or a CTA through a CTA's monthly balancing statement, a CTA's Monthly Usage for Balancing report, a CTA's initiation of a dispute, or other activity where PG&E and a CTA have notified the other of an error which could result in a balancing accounting adjustment.

⁹ Gas price fluctuations would also impact customers because it affects the value of the gas to be delivered or credited due to an accounting adjustment.

NOTICE

Notice of AL 3033-G was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

On July 30, 2009, Redwood Marketing, LLC (Redwood) filed a protest about implementing PG&E's imbalance statement time limit retroactively if AL 3033-G is approved.

On July 30, 2009, Redwood Marketing, LLC (Redwood) filed a protest. Redwood does not object to the three year time limit if it applies prospectively from the tariff's effective date. However, it opposes retroactive application of the limitation and contends that doing so would be unlawful. Redwood also notes it has a pending dispute with PG&E involving gas the protestant delivered to the utility between 2005 and 2008 for its core transport agent (CTA) accounts which were later transferred to another company named Tiger Natural Gas (which also protested the AL, see below).¹⁰ The protestant is concerned that it would be precluded from resolving this matter if the time limit is imposed retroactively following the AL's approval.

On July 30, 2009, a joint protest was filed by Ken Bohn and Tiger Natural Gas (Bohn/Tiger). (Ken Bohn is a consultant to CTAs. Tiger Natural Gas is a gas marketer and CTA.) The protestants took issue with PG&E's policy for reconciling imbalance statement accounting adjustments and recommend that the utility conduct regular audits. Bohn/Tiger later withdrew its protest.

Bohn/Tiger recommended rejecting PG&E's proposed three year accounting adjustment limitation. This recommendation is based on an in-house audit which found that PG&E misidentified some of its bundled core customers as Tiger accounts for more than three years.¹¹ As a result, Tiger said it procured the gas for these customers but was not reimbursed for the purchases. This was

¹⁰ Pursuant to the terms and conditions in PG&E's tariff, third parties known as CTAs may procure gas for the utility's core customers.

¹¹ PG&E procures the gas for its bundled customers and not a CTA.

because PG&E apparently collected and retained the customer's payments consistent with their bundled core status. Bohn/Tiger objected to PG&E's plan to resolve this matter. The protestants claimed that the utility is only offering to credit Tiger with the gas the CTA erroneously procured (an "in-kind" adjustment) rather than pay for the value of the gas at the time of its delivery. Because of an intervening decline in gas prices, Bohn/Tiger argued that the in-kind adjustment gives PG&E a windfall profit while Tiger suffers a loss.

Bohn/Tiger also suggested that if a time limit is adopted, it should only be implemented after PG&E undertakes a full audit of its CTA balancing operations. The protestants also recommended that the Commission or PG&E conduct annual audits thereafter.

On November 10, 2009, Bohn/Tiger withdrew their protest to PG&E AL 3033-G and state that their issues have been resolved.

On August 6, 2009, PG&E replied to the two protests stating that its policy is similar to an existing tariff rule and that some issues are beyond the scope of the AL.

Responding to Redwood, PG&E states that the three year limitation is a longstanding practice of the utility and it is analogous to a provision in Rule 17.1 regarding billing errors. PG&E filed AL 3033-G to gain Commission approval of its existing policy and that the Schedule G-BAL revision provides customers greater clarity about the limitation. The utility indicates that approval of the AL would not result in retroactive application of the limitation. However, PG&E says that the effect is the same because it currently restricts accounting adjustments to a three year period.

Responding to Bohn/Tiger, PG&E reiterated that in the AL it is asking for approval of an existing PG&E policy. PG&E says that some of the protestant's issues exceed the scope of the AL. The utility maintains that it will respond to these extraneous matters later, but this should not delay the approval of the AL.

DISCUSSION

PG&E's three year time limit on imbalance statement accounting adjustments is reasonable.

Based on our review of PG&E's tariff rules, Commission decisions and the benefits discussed below, we find that the utility's three year time limit on imbalance statement accounting adjustments is reasonable. Although later withdrawn, Bohn/Tiger's protest also raised some issues that deserved further consideration.

It is appropriate to evaluate PG&E's accounting adjustment time limit in consideration of the utility's rules related to utility bill over- and undercharges.

Rules 17, 17.1 and 17.2 address utility bill over- and undercharges due to meter error, billing error, or unauthorized usage, respectively. These situations are reconciled by either a refund to a customer or an additional payment made to PG&E. Imbalance statements do not contain charges for utility service. Instead, these statements show a customer's gas deliveries and usage. An accounting adjustment involves a change to data previously reported in an imbalance statement and may require a customer to increase or reduce their future gas deliveries to PG&E.

In contrast to the differences noted above, these similarities between the billing rules and accounting adjustment policy also should be considered. First, gas usage data is needed to calculate the amount of a utility bill (for gas service) as well as imbalances. Second, meter problems are a common cause of both utility bill errors and imbalance statement accounting adjustments. Third, refunds and backbills involve an exchange of funds between a customer and utility. Imbalance statement accounting adjustments may also have financial consequences as a customer may need to increase or reduce future gas deliveries and purchases. A monetary settlement may also be involved due to a cashout. Lastly, as discussed further below, the customer impacts of the time limits on reconciling utility bills and imbalance statements are comparable.

The differences between PG&E's rules and imbalance statement policy are not substantive and are outweighed by the similarities which were identified. Accordingly, we will evaluate PG&E's imbalance statement policy within the context of the utility's billing related rules.

The following table displays the time limits associated with each of the relevant rules.

PG&E Rule 17, 17.1 and 17.2 Over- and Undercharge Time Limits

Rule	Overcharge		Undercharge	
	Residential	Nonresidential	Residential	Nonresidential
Rule 17 (meter error)	6 months	6 months	3 months	3 years
Rule 17.1 (billing error)	3 years	3 years	3 months	3 years
Rule 17.2 (unauthorized use)	No limit	No limit	No limit	No limit

A three year time limit applies predominately in situations involving nonresidential service, which coincides with PG&E’s imbalance statement policy. The service PG&E provides under Schedule G-BAL is a nonresidential service from the standpoint that it is not open to residential customers.

Rule 17.2, applicable to billing adjustments for unauthorized usage, does not include a time limit. Instead, this rule allows PG&E to seek the full recovery of any undercharges resulting from unauthorized use (e.g., meter tampering). This is appropriate since a time limit would restrict PG&E’s collection efforts and serve to reward a customer’s fraudulent behavior.

Customer impacts of PG&E’s time limits for both utility bills and imbalance statements are substantially similar.

Other aspects to examine are the customer impacts resulting from the application of the imbalance statement time limits and those found in Rules 17 and 17.1. PG&E explained that its imbalance statement policy may either favor or disadvantage a customer. This is because over- and underdeliveries occurring beyond a three year period would not be reconciled by PG&E. As such, a customer might avoid being responsible to make additional gas deliveries or receive less credit for excess gas deliveries. The financial consequences of these outcomes depend upon prevailing gas prices, gas quantities involved, and if a cashout occurred. PG&E’s utility bill time limits also produce similar customer impacts as a refund may be reduced or the full amount of an overcharge may remain uncollected.

PG&E’s imbalance statement accounting adjustment policy is consistent with prior Commission decisions.

Resolution G-2571 approved PG&E electric and gas tariff provisions allowing the utility to seek the recovery of all undercharges due to unauthorized use as well

as the billing error time limits currently in Rule 17.1. The resolution states that the tariff provisions were filed in accordance with D.83-11-018. This decision was issued in a complaint case concerning meter tampering and ordered PG&E to modify its existing tariff rules to address this situation. The provisions approved in Resolution G-2571 were basically upheld by the Commission in the more comprehensive tariff review described below.

D. 86-06-035 was issued in an investigation concerning uniform rules for electric and gas utilities regarding the recovery of undercharges. Among the issues addressed was the maximum time period backbilling should extend. To determine this, the Commission looked principally to P.U. Code sections 736 and 737. These statutes set a three year limitation on the filing of a complaint before the Commission or a court for the collection of charges for utility service. The following passages indicate that the Commission based its general approach for setting the time limits adopted in the decision on these statutes.

“Section 736, for example, sets a limitation of three years (which may be extended six months) on filing before either the Commission or a court for recovery by a customer of charges exceeding the tariffed rate. More pertinently, Section 737 requires that when a utility seeks recovery in a court for the “collection of lawful tariff charges,” the complaint must be filed within three years (again with a possible six-month extension). As we have discussed earlier in this decision, our sole concern in backbilling case is ‘the collection of lawful tariff charges.’ When the issue before the court is the recovery of charges authorized under the applicable tariffs, the Legislature has determined that three years is the proper period of limitation. When the same issue is brought before the Commission, we believe that, as a matter of policy, a similar limitation period should apply.” (D.86-06-035, 21 CPUC2d 276 (1986), emphasis added)

The Commission applied this policy to set a three year time limit in these situations.

“As for limitations on the period of refunds for overcharges resulting from billing error, we again note that Section 736 limits recovery of overcharges in complaints filed before the Commission to three years. It is appropriate for the tariffs to contain the same limitation as the statute.” (Id. at p. 278)

“... we see no reason to permit the utilities to backbill for undercharges due to meter error or billing error from more than three years.” (Id.)

“Because billing for commercial customers is usually more complex and involves larger amounts of money, we will continue to permit backbilling for commercial customers for three years.” (Id.)

However, the Commission did not adopt a three year time limit in all cases. For example, a deviation from the standard three year period was approved for overcharges involving residential service, as explained below.

“We believe a three-month limitation period for backbilling residential customers is sufficient in view of the utilities’ assertion that they have procedures to detect billing and meter errors promptly.” (Id.)

It is apparent from D.86-06-035 (issued in a proceeding involving a comprehensive assessment of utility backbilling procedures) that the Commission is inclined to set time limits consistent with the three year statute of limitations found in P.U. Code sections 736 and 737. This preference is evident from the fact that three years is frequently specified as the time limit in PG&E’s rules, as shown in the table above. Our review also reveals that the Commission is not compelled to impose a three year time limit in every case or even set a time limit at all. Time limits of other durations were adopted as circumstances dictate (e.g., residential service). We do not find any factor specific to imbalance statement accounting adjustments indicating that a three year limit would not be appropriate.

We conclude that PG&E’s three year time limit on imbalance statement accounting adjustments is consistent with the utility’s existing tariff rules and Commission decisions we reviewed.

On balance, PG&E’s imbalance statement policy is fair to its customers, and will reduce administrative burdens.

PG&E says that the primary benefit of its policy is that an accounting adjustment will not extend beyond a defined period of time. With the time limit, customers know that their exposure to any liability (e.g., need to purchase and deliver additional gas to PG&E) related to an accounting adjustment is capped. If left

unbound, the magnitude of this liability would tend to increase over time.¹² However, to be shielded from this impact, customers forfeit any credit that they would receive for overdeliveries occurring after the deadline. As discussed above, these impacts are not unlike those resulting from PG&E's rules regarding utility bill over- and undercharges.

Another benefit PG&E says its policy provides is that it will lessen the administrative burden customers could face researching accounting adjustments that could be many years in duration. We find this assertion to be logical and further support the approval of PG&E's imbalance statement accounting adjustment policy.

To minimize the potential for errors involving CTAs, we will require PG&E to audit its records, data, and all documents related to the utility's preparation of imbalances statements and accounting adjustments for CTAs on a three year cycle.

The protests describe an apparent longstanding situation whereby PG&E mistakenly assigned some of its bundled core customers to the core procurement group of the CTAs. Bohn/Tiger said that they discovered the error through an in-house audit. Responding to this situation, PG&E explained that CTAs are provided with information enabling them to verify the accuracy of their imbalance statements and identify the core customers that they are responsible to procure gas for.

While it may be a sound business practice for CTAs to routinely check their imbalance statements and related documents, PG&E ultimately bears the responsibility to ensure that this material is free from error. The situation that prompted the protests may either be an isolated matter or is indicative of a more pervasive problem. In any event, it raises concerns about PG&E's administration of its program related to balancing matters involving CTAs. To address this issue, Bohn/Tiger recommends that PG&E or the Commission conduct annual audits of the utility's CTA related records.

¹² The extent of this liability depends upon the gas volumes involved and gas price fluctuations.

At this point, we do not find that the situation warrants audits on the frequency Bohn/Tiger recommends. However, we believe that some action must be taken to prevent a recurrence of the problems discussed in the protests as well as any other documentation errors.

Accordingly, it is reasonable to require PG&E to fully audit all of its CTA imbalance statements, accounting adjustments and related records (i.e., core procurement group assignments to CTAs, CTA imbalance statements and accounting adjustments, and all related documents and data) on a three year cycle. This is an appropriate length of time between audits because it coincides with PG&E's imbalance statement policy and would minimize the potential that an accounting adjustment would invoke the three year deadline, possibly to the detriment of a CTA. This task should not be overly burdensome for PG&E (the utility said that an annual audit would involve several employees 2 to 3 weeks full time) and we expect that the utility would develop new procedures over time to enhance the effectiveness and efficiency of this effort. PG&E shall permit Commission staff to observe these audits in progress upon request.

No later than 30 days following the completion of each audit, PG&E shall issue a written report to the Director of the Energy Division describing all errors that were found and what, if any, preventative measures were taken in response.¹³

PG&E may request relief from the audit requirement if certain conditions intended to prevent CTA related imbalance statement errors are met.

The audit requirement we impose today is appropriate because we do not know the propensity for errors to occur in PG&E's preparation of imbalance statements and accounting adjustments for CTAs. However, after we have reviewed several audit reports, it may be evident that such an undertaking is not necessary and an unproductive use of PG&E's resources.

Therefore, PG&E may request relief from the auditing requirement by either an AL or application. In its request, PG&E must demonstrate that it has developed, implemented and will continuously observe documented procedures designed to prevent CTA related imbalance statements and accounting adjustment errors.

¹³ At minimum, PG&E shall also include in the reports the audit timeframe and describe in sufficient detail the material that was audited.

The utility may confer with CTA's in the development of these procedures such as protocols (electronic or other method) to facilitate the error free transfer of necessary information. Additionally, PG&E shall pledge in its request that it will not revise these procedures unless the change will improve their effectiveness or yield efficiencies without compromising the utility's ability to produce accurate CTA related imbalance statements and accounting adjustments.

PG&E shall not submit such a request until it has completed at least two audits (the initial audit and first audit thereafter) under the requirements of this resolution and has submitted the associated reports to ED. If PG&E's request is filed by AL, ED may approve or reject the AL without need for a resolution based on ED's assessment of its reasonableness and if a protest meeting the requirements of General Order 96-B was not filed.

PG&E shall not use the authorization provided in this resolution to request discontinuing any other current or future audit(s) the utility is or may be required to conduct.

If such relief is granted, PG&E will continue to remain subject to the Commission's authority to impose the same or any other auditing requirement in the future.

If the audit reports indicate a change in the frequency of the audits is needed, ED is to issue a draft resolution for public review and comment with its recommended audit cycle adjustment.

PG&E's current practice already is to limit imbalance adjustments to 3 years. The approval of this resolution will not result in retroactive adjustments. Redwood's protest is moot and is denied.

Redwood argues that, if AL 3033-G is approved, PG&E should not be allowed to implement the tariff provision retroactively. In reply, PG&E said that it does not intend to do so, but the effect is the same because it currently maintains a three year time limit. Therefore, the approval of this resolution will not result in retroactive adjustments.

PG&E's proposal to change references in Section D of Gas Rule 17 is reasonable.

PG&E seeks to change a reference in a section of Rule 17 concerning billing adjustments caused by meter error. Currently, the section refers to a provision in Gas Rule 21 involving nominations of customer-owned gas. It would be replaced by a citation to section B.5 of Gas Rule 21 and Schedule G-BAL. The proposed references are directly related to gas imbalances. This matter was not protested.

The subject matter of this Resolution is outside the scope of Rulemaking (R) 10-05-005, which is examining utility backbilling of small business customers.

In R.10-05-005, the Commission is considering whether the utilities' tariff rules regarding the period of time small business customers can be backbilled should be changed.¹⁴ That issue is unrelated to the subject matter of this Resolution as Schedule G-BAL only addresses imbalance statements and is also not open to small business customers.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. PG&E currently maintains a three year time limit on reconciling imbalance statement accounting adjustments.

¹⁴ We also note that Assembly Bill 1879 also addresses this issue.

2. PG&E's Rules 17 and 17.1 contain provisions that limit the period of time for refunding overcharges and backbilling to three years for nonresidential customers.
3. PG&E's Schedule G-BAL is not applicable to the utility's residential customers.
4. Under Rule 17.2, PG&E is not limited from collecting the full amount of any undercharges due to unauthorized use, such as meter tampering.
5. The lack of a time limit related to collections of charges for unauthorized use is not an adequate reason to reject PG&E's time limit on imbalance statement accounting adjustments.
6. Maintaining a time limit on imbalance statement accounting adjustments serves to cap the liability a customer may face from an accounting adjustment.
7. Customer impacts from the time limits for reconciling utility bills in PG&E rules and reconciling imbalance statement accounting adjustments are substantially similar.
8. Limiting imbalance statement adjustments to three years eliminates the risk of loss customers may experience from imbalances occurring more than three years in the past, but also eliminates the possibility for credits occurring more than three years in the past.
9. PG&E's time limit on imbalance statement accounting adjustments will lessen the administrative burden on the utility as well as its customers to research and resolve imbalance statement accounting adjustments going back more than three years.
10. Protestants to AL 3033-G allege that PG&E made errors in imbalance statements the utility prepared for CTAs.
11. On balance, PG&E's three year time limit on imbalance statement accounting adjustments is reasonable.
12. Requiring PG&E to audit its records, documents and data related to its preparation of imbalance statements and accounting adjustments for CTAs every three years will minimize the potential that a CTA may be harmed by PG&E's three year time limit on imbalance statement accounting adjustments.
13. It is reasonable to relieve PG&E from requiring it to formally audit its records, documents and data related to its preparation of imbalance statements and accounting adjustments for CTAs if it can demonstrate that it has documented procedures in place which will result in accurate imbalance statements and accounting adjustments for CTAs.
14. PG&E bears the responsibility to ensure that the imbalance statements and accounting adjustments it prepares and issues to customers are accurate.

15. Requiring PG&E to conduct audits every three years of its CTA related imbalance statement and accounting adjustment material should not be unduly burdensome to the utility.
16. It is reasonable to delegate to ED the authority to approve or reject an AL filed by PG&E requesting that it be relieved from auditing its records, documents and data related to its preparation of imbalance statements and accounting adjustments for CTAs without a resolution provided a valid protest to the AL was not filed.
17. PG&E's requested changes to Rule 17 in AL 3033-G are reasonable and will correct an existing error.

THEREFORE IT IS ORDERED THAT:

1. PG&E AL 3033-G is approved and effective today.
2. PG&E shall audit each record, document, and all data related to preparing and issuing imbalance statements and accounting adjustments to CTAs. The first audit shall be completed by PG&E within 6 months of the effective date of this Resolution. Each successive audit shall be completed by PG&E every three years on the anniversary date of the completion of the first audit. PG&E shall permit Commission staff to observe the audits in progress upon request.
3. No later than 30 days after the completion of each audit referred to in Ordering Paragraph 2, PG&E shall issue a written report to the Director of the Energy Division containing the information specified herein.
4. PG&E may request relief from the requirements of Ordering Paragraphs 2 and 3 using the procedure specified herein.
5. The protest of Redwood is denied.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 2, 2010; the following Commissioners voting favorably thereon:

Paul Clanon
Executive Director

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 29, 2010

RESOLUTION G-3440
September 2, 2010 Commission Meeting
ID # 9677

TO: Parties to Pacific Gas and Electric Company (PG&E) Advice
Letter (AL) 3033-G

Enclosed is draft Resolution G-3440 of the Energy Division. It will be on the agenda at the next Commission meeting which is at least 30 days after the mailing date of this letter. The Commission may then vote on this Resolution or it may postpone a vote until later.

The draft resolution approves PG&E's proposal to amend Schedule G-BAL to include a three year limitation on imbalance statement accounting adjustments as well as correct an erroneous reference in Gas Rule 17. It also orders PG&E to audit imbalance statement data related to Core Transport Agents on a three year cycle.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution. An original and two copies of the comments, with a certificate of service, should be submitted to:

Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2200

A copy of the comments should also be submitted **in electronic format** to:

Eugene Cadenasso and Richard Myers
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, Ca 94102
e-mail: cpe@cpuc.ca.gov and ram@cpuc.ca.gov

Any comments on the draft Resolution must be received by the Energy Division by August 23, 2010. Those submitting comments must also serve a copy of their comments on the: 1) the entire service list attached to the draft Resolution, 2) all Commissioners, 3) the Chief Administrative Law Judge, 4) the General Counsel, and 5) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to fifteen pages in length plus a listing of the recommended changes to the draft Resolution and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft Resolution will not be accepted.

/s/ Richard A. Myers

Richard A. Myers, Program and Project Supervisor
Energy Division

Enclosure: Certificate of Service and Service List

CERTIFICATE OF SERVICE

I certify that I have served a true copy of Draft Resolution G-3440 on the attached service list via electronic mail.

Dated July 29, 2010 at San Francisco, California.

/s/ Honesto Gatchalian

Honesto Gatchalian

NOTICE

Parties should notify the Energy Division, Public Utilities
Commission, 505 Van Ness Avenue, Room 4002
San Francisco, CA 94102, of any change of address to

insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

**RESOLUTION G-3440
SERVICE LIST**

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
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