

Proceeding No.: A.12-10-xxx
Exhibit No.: _____
Witness: Gregory D. Shimansky

PREPARED DIRECT TESTIMONY OF
GREGORY D. SHIMANSKY
SAN DIEGO GAS & ELECTRIC COMPANY

*****redacted, public version*****

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

OCTOBER 26, 2012



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1 **II. BACKGROUND**

2 **A. Trigger Mechanism**

3 In accordance with Decision (“D.”) 02-10-062, which implemented the provisions of
4 AB 57, SDG&E’s ERRa is subject to a trigger mechanism that requires the filing of an
5 expedited rate change application when the recorded monthly balance (undercollection or
6 overcollection) exceeds a 4% trigger point and when the balance is forecasted to exceed a 5%
7 threshold. The trigger mechanism considers the relationship between the ERRa balance and the
8 prior year’s recorded electric commodity revenues, excluding the revenues collected for the
9 California Department of Water Resources (“CDWR”) contracts. The statutory and regulatory
10 requirements applicable to the trigger mechanism specify that the required rate change
11 application is to be expedited so as to obtain the Commission’s approval within 60 days from the
12 application’s filing date. The application seeking a rate adjustment should also include a
13 projected account balance in 60 days or more from the date of filing, depending upon when the
14 balance will reach AB 57’s 5% threshold. Finally, the application must propose an amortization
15 period for the balance of not less than 90 days and an allocation of the overcollection or
16 undercollection among customers for rate adjustment based on the existing allocation
17 methodology recognized by the Commission.⁴ As indicated below, my testimony satisfies these
18 requirements.

19 **B. Self-Correction Mechanism**

20 In D.07-05-008, the Commission authorized SDG&E to notify the Commission by advice
21 letter, rather than application, if SDG&E’s forecasts show that a triggered ERRa balance would
22

⁴ D.02-10-062 at p. 65-66.

1 self-correct below the trigger point within 120 days of the filing, thereby obviating the need for a
2 rate change. In such an advice letter, SDG&E is required to provide the necessary
3 documentation supporting its proposal to maintain its rates. As shown in Attachment A of this
4 testimony, SDG&E does not forecast a self-correction below 4% over the next 120 days⁵, and as
5 such, is submitting this Application rather than an advice letter.

6 **C. Current Trigger Amount**

7 Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each year
8 to establish the current year's trigger amount. On March 7, 2012, SDG&E filed Advice Letter
9 ("AL") 2335-E, to report its 2011 electric commodity revenues, excluding CDWR revenue, of
10 \$1,085 million. AL 2335-E was subsequently approved on April 3, 2012, effective March 7, 2012.
11 Thus, based on 2011 revenues of \$1,085 million, the current 4% trigger point is \$43.4 million and
12 the 5% threshold is \$54.2 million. The forecasted trigger amounts described below are based on
13 the current trigger point of \$43.4 million and the trigger threshold of \$54.2 million reflected in
14 AL 2335-E.

15 **D. D.12-08-007: SDG&E's Most Recent, Previous ERRA Trigger Application**

16 On August 2, 2012, in D.12-08-007, the Commission approved SDG&E's most recent
17 trigger application (A.12-04-003). In that Decision, the Commission approved SDG&E's
18 proposal to recover a projected \$49.9 million undercollection from ratepayers beginning no later
19 than September 1, 2012.⁶ Importantly, D.12-08-007 took note of several, then-current
20 assumptions built into the amount of undercollection for which relief was sought, and observed:
21 "Any changes or delays in these assumptions, however, may increase SDG&E's risk of
22

⁵ 120 days from August 31, 2012, the date of the trigger, is December 29, 2012. The forecast for December 31, 2012 was used to represent the 120-day forecast.

⁶ D.12-08-007 Conclusion of Law 3.

1 triggering again in 2012. In particular, the sensitivity surrounding the assumptions... herein can
 2 change the final numbers as the year progresses.”⁷ Thus, D.12-08-007 noted there could be a
 3 further triggering event in 2012.⁸

4 **III. RECORDED/FORECASTED ERRA BALANCES**

5 The following table shows SDG&E’s recorded data for August and September 2012 and
 6 presents, for illustrative purposes, its current ERRA forecast balances for October through
 7 December 2012. For further details regarding SDG&E’s recorded and forecasted balances for
 8 2012, please refer to Attachment A of my testimony.

PROJECTED ERRA UNDERCOLLECTION BALANCES (\$ in millions)	ERRA Ending Balance	Remaining ERRA 2012 Amortization	ERRA Balance Subject to Trigger	Calculated Trigger Percentage
Actual August 31, 2012 ERRA	\$116.787	\$8.527	\$125.314	11.55%
Actual September 30, 2012 ERRA	125.887	(66.695)	59.192	5.46%
FORECASTED October 31, 2012	125.788	(61.864)	63.924	5.89%
FORECASTED November 30, 2012	131.972	(57.372)	74.600	6.88%
FORECASTED December 31, 2012	\$148.962	(\$52.722)	\$96.239	8.87%

9
 10 As of August 31, 2012, SDG&E’s recorded ERRA balance reflects a \$125.314 million
 11 undercollection⁹, or 11.55% of the 2011 electric commodity revenues, excluding CDWR
 12 revenues. Therefore, the ERRA balance exceeds the 4% trigger point and the 5% trigger
 13 threshold. Before filing this Application, SDG&E analyzed whether it would self-correct to a
 14 level below the 4% trigger point within 120 days of being triggered (i.e., by December 29, 2012).
 15 Based on SDG&E’s most recent forecast and assumptions around revenue requirement, sales
 16

⁷ D.12-08-007 at 4.

⁸ Id.

⁹ The recorded September 2012 adjusted balance is \$59.192 million undercollected, or 5.46% of 2011 generation revenues, which is still above the 5% trigger threshold. Because the September balance does not change the ERRA triggered position, this Application will continue to focus on the August 31, 2012 balance, which is the original triggering month.

1 forecasts, and costs of power, SDG&E projects that its ERRA balance will not self-correct below
2 the 4% trigger point within the next 120 days. Accordingly, pursuant to the requirements of
3 California Public Utilities Code 454.5(d)(3) and D.02-10-062, SDG&E must file this expedited
4 Application addressing the disposition of the undercollected ERRA balance.

5 The projected balance at December 31, 2012 is forecasted to reflect an undercollection of
6 \$96.239 million. This projected balance is included in my testimony for illustrative purposes
7 only and addresses the requirement noted above that SDG&E provide a 60-day forecast from the
8 filing date. Because this balance reflects SDG&E's expected December 31, 2012 balance, and
9 because the actual balance on December 31, 2012 may differ from the forecasted amount, and to
10 recognize the sensitivity surrounding assumptions as mentioned above, SDG&E requests that the
11 Commission authorize the amortization of the balance in the ERRA account using the most
12 current balance information to be set forth in the Advice Letter SDG&E will file to implement
13 the Commission's Decision approving this Application. SDG&E proposes to file this Tier 1
14 Advice Letter within 30 days from the date that the Commission approves this Application.

15 The ERRA has a number of components: revenue items, expense items, and adjustments.
16 As such, when the account is over or undercollected during an accounting period, several factors
17 contribute to the ending position. The undercollection that SDG&E has experienced through
18 August 2012 can be attributed to many causes, as was noted in D.12-08-007. Further, in August
19 2012, SDG&E experienced anomalous weather patterns. Specifically, in August and September,
20 50 days out of 61 total days had above-normal temperatures.¹⁰ The significant period of time in
21

¹⁰ Based on temperature data from National Oceanic and Atmospheric Administration (NOAA) for three weather stations (Lindbergh Field, Miramar, and El Cajon), weighted equally to derive the daily weighted average temperature. Normal weather is defined as a 30-year average.

1 which there were above-normal temperatures in SDG&E's service territory caused higher than
2 expected demand which resulted in higher electricity prices for SDG&E's Default Load
3 Aggregation Point ("DLAP").¹¹ In addition to the higher temperatures, SDG&E's DLAP also
4 experienced higher prices in relation to the rest of Southern California pricing points due to
5 constraints in the grid run by the California Independent System Operator ("CAISO"). SDG&E
6 recently confirmed that the CAISO had observed unusual price spikes at SDG&E's DLAP.¹²

7 Based on the information above, SDG&E's trigger event can be attributed primarily to
8 higher than expected temperatures, leading to higher load, satisfied by higher market prices, due
9 at least in part to congestion constraints. It is important to note that as a matter of standard
10 practice, SDG&E's forecasts assume expected conditions. The weather experienced in August
11 was not expected. Therefore, SDG&E's actual expenses deviated from its forecasts in its prior
12 ERRA trigger Application as well as from its internal forecasts. Moreover, although the ERRA
13 has many variable elements, it is important to note that the account is balanced, meaning that the
14 costs and revenues associated with the ERRA are accumulated, but on which no return is earned.

15 On July 16, 2012, the Commission issued D.12-07-006, which approved SDG&E's 2012
16 ERRA revenue requirement forecast. In accordance with AL 2396-E, dated August 30, 2012
17 effective September 1, 2012, SDG&E implemented the rate change from that decision on
18 September 1, 2012, finally enabling SDG&E to record updated revenues to match the costs that
19 were being incurred. While SDG&E's 2012 ERRA Forecast Application was pending
20 Commission approval,¹³ SDG&E continued to book revenues collected under the approved 2011

¹¹ According to the CAISO Tariff Section 27.2, the DLAP price is the price "at which all Demand shall Bid and be settled." The CAISO Tariff can be accessed from the CAISO's website:
http://www.caiso.com/Documents/CombinedConformedTariff_2012-04-18.pdf.

¹² Email from CAISO to SDG&E on October 24, 2012: "the prices of both the individual nodes and the DLAP are actually driven by congestion defined on different transmission constraints.... The SDG&E area has been particularly constrained in recent months."

¹³ A.11-09-022.

1 revenue requirement forecast in accordance with D.11-07-041. As noted in that application, the
2 revenue requirement for 2012 is higher than the revenue requirement for 2011. For every month
3 that SDG&E booked revenues collected under the 2011 revenue requirement instead of 2012, the
4 undercollection continued to grow. SDG&E's most recent ERRA trigger assumed the 2012
5 forecast revenues would be implemented by July 1, 2012 instead of September 1, 2012 as stated
6 in the decision.

7 SDG&E also recorded higher undercollections because of energy costs in the months
8 leading up to August 2012, in part because the San Onofre Nuclear Generation Station
9 ("SONGS") was offline earlier in 2012 and because sales volumes were below forecast through
10 August. These are additional factors contributing to the current undercollection.

11 **A. 2012 Year-end Balances**

12 SDG&E continues to comply with D.09-04-021,¹⁴ which directs SDG&E to include
13 balances below the 5% trigger threshold in rates on January 1 of the following year. Given the
14 uncertainties noted above, SDG&E cannot state at this time that its ERRA balance will in fact be
15 under the 5% trigger threshold at year's end, and, therefore, will not put any of the amortization
16 in rates inside of the Electric Regulatory Account Update filed in October 2012 (for inclusion in
17 January 1, 2013 rates). Assuming this Application will be approved by year-end (within 60
18 days), SDG&E respectfully requests that the most recent ERRA undercollection as of the
19 decision will be reflected in rates beginning on January 1, 2013 rates through a 12-month
20 amortization.

21

¹⁴ Ordering Paragraph 2 of D.09-04-021, approved April 16, 2009.

1 **B. Greenhouse Gas (“GHG”) Auction**

2 Beginning in November 2012, SDG&E expects to participate in the California Air
3 Resources Board GHG auction.¹⁵ The December 31, 2012 projection in the Application does not
4 include the impact of GHG costs nor GHG revenues that may result from the November 2012
5 auction. The amount paid in that auction will be booked to the ERRA in the month that the
6 auction takes place.¹⁶ Although the associated GHG-related expenses will add to the
7 undercollected amount in the November and December ERRA balances, SDG&E is proposing to
8 exclude the actual recorded GHG compliance costs from recovery in this Application because of
9 the uncertainty around the November auction results and the treatment of allowance revenues,
10 which are currently being addressed in GHG Order Instituting Rulemaking (R.11-03-012).¹⁷
11 Including GHG costs from the auction without corresponding revenues could increase the ending
12 December 31, 2012 balance projection and increase the amortization SDG&E would need in this
13 Application.

14 **C. 2013 Expectations**

15 Given the current assumptions and proposed amortization, SDG&E cannot determine at
16 this time whether its ERRA balance will stay within the trigger band in 2013 to avoid another
17 trigger situation. Considering the uncertain level of expenses for complying with RPS and
18 AB 32¹⁸, and other factors noted above, SDG&E may experience a further trigger situation.

19

¹⁵ The Direct Testimony of Ryan A. Miller in A.12-10-002 explains this auction and its impact on ERRA.

¹⁶ “In compliance with OP 10 of D.12-04-046, which addressed Track 1 and Track III of the LTPP, SDG&E was granted authority to update its ERRA balancing account to record “costs incurred for the GHG compliance instrument transactions” for cost recovery.”; Advice Letter 2387-E filed July 20, 2012.

¹⁷ The Direct Testimony of Ryan A. Miller in A.12-10-002 on p.RAM-2, line 7 states a decision in R.11-03-012 “is expected by the end of 2012.”

¹⁸ According to the California Air Resources Board’s website, AB 32, also known as the Global Warming Solutions Act of 2006, set the 2020 greenhouse gas emission reduction goal into law (<http://www.arb.ca.gov/>).

1 Furthermore, SDG&E believes it is possible, based on past ERRA forecast proceedings, that
2 there could be a delay in implementing its 2013 ERRA forecast revenues to cover 2013
3 expenses, making it difficult to stay within the trigger band. In particular, the sensitivity
4 surrounding the assumptions related to the 2013 revenue requirement implementation, customer
5 sales, gas and electric market prices, the amortization proposal, and SONGS with respect to
6 outages herein can change the final numbers in the future.

7 **IV. PROPOSED DISPOSITION**

8 As noted above, in an effort to minimize the overall number of potential rate changes,
9 SDG&E proposes to make this trigger amortization effective January 1, 2013. SDG&E also
10 proposes to include this amortization in rates over a 12-month period from January 1, 2013 to
11 December 31, 2013, as opposed to over 90 days. If the recovery of the undercollection is not
12 implemented beginning January 1, 2013, SDG&E then proposes to implement a 12-month
13 amortization beginning with the next available rate change or along with the implementation of
14 the 2013 ERRA forecast revenues, expected in or around April 2013.

15 **V. CONCLUSION**

16 In compliance with D.02-10-062, SDG&E hereby notifies the Commission that the
17 recorded adjusted balance in the ERRA of \$125.314 million undercollected as of
18 August 31, 2012 has exceeded the 5% trigger threshold and will not self-correct under 4% within
19 the next 120 days. SDG&E requests that the Commission authorize the amortization of the
20 balance in the ERRA account using the most current balance information in the Advice Letter
21 implementing this Application. For illustrative purposes, the December 31, 2012 forecasted,

1 adjusted undercollected balance is \$96.239 million.¹⁹ SDG&E requests the amortization of the
2 balance to be recorded in the ERRRA in rates over a 12-month period beginning January 1, 2013.

3 SDG&E welcomes the opportunity to work collaboratively with the Commission and
4 parties to resolve any questions, including holding a workshop.

5 This concludes my prepared testimony.

6

¹⁹ December 31, 2012 is the date that SDG&E would expect would follow from the Commission's 60-day, expedited review.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Gregory D. Shimansky. I am employed by San Diego Gas & Electric
3 Company (SDG&E), as the Regulatory Accounts and Financial Services Manager in the Financial
4 Analysis Department. My business address is 8330 Century Park Court, San Diego, California
5 92123. My current responsibilities include managing the process for the development,
6 implementation, and analysis of regulatory balancing and memorandum accounts as well as
7 supervising the treasury function at SDG&E. I assumed my current position in July 2010.

8 I have been employed with SDG&E and Sempra Energy since June 30, 2003. In addition
9 to my current position in Regulatory Affairs, I served as the Financial Planning Manager for
10 Sempra Energy Corporate (Parent), the Regulatory Reporting Manager at SDG&E and from June
11 2003 through August 2008, I worked for SDG&E in utility planning. I earned a Bachelors of
12 Science degree in Economics from the University of California, Los Angeles in June 1993. I also
13 earned a Masters of Science in Management, with concentrations in Finance and Marketing, from
14 Purdue University in May 1998.

15 I have previously provided written testimony to the Commission.

ATTACHMENT A

*****redacted, public version*****

ERRA Forecast (\$Million)

(Energy Resource Recovery Account)

	Seasonal Rates:												
	winter Recorded Jan-12	winter Recorded Feb-12	winter Recorded Mar-12	winter Recorded Apr-12	summer Recorded May-12	summer Recorded Jun-12	summer Recorded Jul-12	summer Recorded Aug-12	summer Recorded Sep-12	summer res Forecast Oct-12	winter Nov-12	winter Dec-12	
ERRA Revenue and Costs													
Revenue													
1													
2													
3													
4													
5													
6													
7													
8													
9													
11													
12	Net ERRA revenue	(43)	(41)	(39)	(36)	(47)	(62)	(65)	(73)	(89)	(84)	(69)	(64)
	Expense												
13													
14													
15													
16													
17													
18													
19													
20													
21													
22													
23	Net expense	57	66	57	44	46	57	90	123	98	84	75	81
24													
25													
26													
27	Net under / (over) collect prior to interest & transfers	14	25	16	7	(1)	(5)	25	50	9	(0)	6	17
28	Interest	(0)	0	0	0	0	0	0	0	0	0	0	0
29	Transfers other bal accts:	-	-	-	-	-	-	-	-	-	-	-	-
30	Total under / (over) collect for period with interest & transfers	14	25	16	7	(1)	(5)	25	50	9	(0)	6	17
31	Cumulative balance under / (over) collect	(1)	24	40	47	46	41	66	117	126	126	132	149
	ERRA Trigger												
32	Prior year generation revenue	1,019	1,019	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085
33	5% Threshold for Application	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
34	5% Threshold \$ value for Application	51	51	54	54	54	54	54	54	54	54	54	54
35	Cumulative ERRA balance prior to amortization	(1)	24	40	47	46	41	66	117	126	126	132	149
36	Calculated Trigger % prior to amortization	-0.07%	2.36%	3.67%	4.34%	4.24%	3.80%	6.12%	10.77%	11.61%	11.60%	12.17%	13.73%
	Calculated Trigger with Remaining Amortization Balance												
37	Remaining ERRA amortization balance at month end	21	19	18	16	14	12	11	9	(67)	(62)	(57)	(53)
38	Balance subject to ERRA Trigger / Threshold	20	43	57	63	60	54	77	125	59	64	75	96
39	Calculated Trigger %	1.98%	4.24%	5.28%	5.80%	5.55%	4.95%	7.09%	11.55%	5.46%	5.89%	6.88%	8.87%
40	Month 4% Trigger / 5% Threshold exceeded	-	4% Trigger	over 5%	over 5%	over 5%	4% Trigger	over 5%	over 5%	over 5%	over 5%	over 5%	over 5%

(Note: Dec NGBA balance includes SONGS O&M BA transfer)

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION
OF GREGORY D. SHIMANSKY**

A.12-10-XXX

Expedited Application of San Diego Gas & Electric Company (U 902-E) under the
Energy Resource Recovery Account Trigger Mechanism

I, Gregory D. Shimansky, declare as follows:

1. I am the Financial Services and Regulatory Accounts Manager for San Diego Gas & Electric Company (“SDG&E”). I have included my Direct Testimony (“Testimony”) in support of SDG&E’s Application for expedited authorization to increase rates to implement the balance in the ERRRA as of the most recent accounting close once a Decision has been approved. Additionally, as the Financial Services and Regulatory Accounts Manager, I am thoroughly familiar with the facts and representations in this declaration and if called upon to testify I could and would testify to the following based upon personal knowledge.

2. I am providing this Declaration to demonstrate that the confidential information (“Protected Information”) in support of the referenced Application falls within the scope of data provided confidential treatment in the IOU Matrix (“Matrix”) attached to the Commission’s Decision D.06-06-066 (the Phase I Confidentiality decision). Pursuant to the procedures adopted in D.08-04-023, I am addressing each of the following five features of Ordering Paragraph 2 in D.06-06-066:

- that the material constitutes a particular type of data listed in the Matrix;
- the category or categories in the Matrix the data correspond to;

- that SDG&E is complying with the limitations on confidentiality specified in the Matrix for that type of data;
- that the information is not already public; and
- that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

3. The Protected Information contained in my Testimony constitutes material, market sensitive, electric procurement-related information that is within the scope of Section 454.5(g) of the Public Utilities Code.¹ As such, the Protected Information provided by SDG&E is allowed confidential treatment in accordance with Appendix 1 – IOU Matrix in D.06-06-066.

Confidential Information	Matrix Reference	Reason for Confidentiality	Confidentiality Expiration
Attachment A: Historical Revenues	XIII	Energy Division Monthly Data Request	3 years
Attachment A: Historical Expenses	XI	Monthly Procurement Costs (Energy Resource Recovery Account [ERRA] Filings)	3 years
Attachment A: Forecast Revenues	V.C	LSE Total Energy Forecast – Bundled Customer	Front 3 years
Attachment A: Forecast Expenses	II.B	Generation Cost Forecasts	3 years

4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

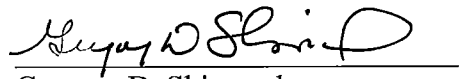
5. I will comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

¹ In addition to the details addressed herein, SDG&E believes that the information being furnished in my Testimony is governed by Public Utilities Code Section 583 and General Order 66-C. Accordingly, SDG&E seeks confidential treatment of such data under those provisions, as applicable.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized and continue to provide the level of support to the Application as intended; however SDG&E is certainly willing to work with the Commission regarding possible aggregations if the Commission seeks to make any of the confidential information provided in the Testimony public.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 26th day of October, 2012, at San Diego, California.



Gregory D. Shimansky
Financial Services and
Regulatory Accounts Manager
San Diego Gas & Electric Company