

Application No.: A.15-04-
Exhibit No.: _____
Witness: Jenny Phan

PREPARED DIRECT TESTIMONY OF
JENNY PHAN
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

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

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

April 15, 2015



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I. INTRODUCTION

The purpose of my testimony is to address cost recovery related to San Diego Gas & Electric Company's ("SDG&E's") Energy Resource Recovery Account ("ERRA"), Competition Transition Charge ("CTC"), and Local Generation ("LG") revenue requirements. More specifically, my testimony:

- describes SDG&E's ERRA, Transition Cost Balancing Account ("TCBA"), and Local Generating Balancing Account ("LGBA");
- sets forth SDG&E's forecasted 2016 ERRA, CTC, and LG revenue requirements; and
- notes that the 2016 Greenhouse Gas ("GHG") Forecast is now included in the 2016 ERRA revenue requirement.

In addition, my testimony presents the comparison between the recorded 2014 year-end balances with the actual 2014 year-end balances in the GHG allowance revenues and expenses balancing accounts. Finally, my testimony requests cost recovery of the San Onofre Nuclear Generating Station ("SONGS") Unit 1 Offsite Spent Fuel Storage costs as described in Section V below.

II. BACKGROUND

Pursuant to California Public Utilities Commission ("Commission") Decisions ("D.") 02-10-062 and D.02-12-074, the purpose of the ERRA balancing account is to provide full

1 recovery of SDG&E’s energy procurement costs associated with serving SDG&E’s bundled
2 service customers. Energy procurement costs include expenses associated with the California
3 Independent System Operator (“CAISO”) energy and ancillary services load charges, CAISO
4 revenues from utility generation and supply contracts, contract costs, generation fuel costs,
5 CAISO-related costs, hedging costs, and previously approved equity re-balancing costs related to
6 the financial statement consolidation under Accounting Standards Codification 810 (“ASC 810”),¹
7 formerly referred to as FIN 46(R), of the Otay Mesa Energy Center (“OMEC”). The ERRR
8 records revenues from SDG&E’s Electric Energy Commodity Cost (“EECC”) rate schedule,
9 adjusted to exclude California Department of Water Resources (“DWR”) purchases, commodity
10 revenues assigned to the Non-Fuel Generation Balancing Account (“NGBA”),² and other
11 Commission approved adjustments.

12 The purpose of the TCBA is to accrue all CTC revenues and recover all CTC-eligible
13 generation-related costs. Pursuant to D.02-12-074 and D.02-11-022, payments to Qualifying
14 Facilities (“QFs”) that are above the market benchmark proxy are charged to the TCBA. Eligible
15 CTC expenses³ reflect the difference between the market proxy and the contract price of costs
16 associated with certain QF contracts.

17 The purpose of the LGBA is to record the revenues and costs of generation where the
18 Commission has determined that the resource is subject to the Cost Allocation Mechanism
19 (“CAM”). Such generation may take the form of purchase power agreements, as well as

¹ ASC 810, effective January 1, 2010, amended Financial Accounting Standards Board (“FASB”) Interpretation No. 46(R).

² In compliance with D.03-12-063, the NGBA became effective January 1, 2004.

³ Expenses eligible for CTC recovery are defined by Assembly Bill (“AB”) 1890.

1 company-owned generation units associated with new generation resources, and any other
2 resources approved by the Commission for CAM treatment.

3 **III. 2016 ERRR, CTC, AND LG REVENUE REQUIREMENT FORECASTS**

4 As shown in Table 1 below, SDG&E's 2016 ERRR revenue requirement forecast is
5 \$1,317.869 million, including forecasted GHG costs as well as franchise fees and uncollectibles
6 ("FF&U"). The direct testimony of SDG&E witness Benjamin A. Montoya provides a detailed
7 discussion of the GHG costs.

8

TABLE 1 - ERRA REVENUE REQUIREMENT
(\$Millions of Dollars)

No.	Component	2016 Forecast		2015 Forecast ⁴		Change from Prior Year	
1.	Load ISO Charges						
2.	Supply ISO Revenues						
3.	Contract Costs (non-CTC)						
4.	Contract Costs (CTC up to market)						
5.	Generation Fuel						
6.	Net Supply ISO Revenues						
7.	Equity Re-balancing Costs						
8.	CAISO Misc. Costs						
9.	Hedging Costs						
10.	Direct and Indirect GHG Costs ⁵						
11.	Subtotal		1,302.012		1,267.670		34.342
12.	FF&U ⁶		15.857		15.439		0.418
13.	TOTAL		1,317.869		1,283.109		34.760

Previously, the GHG Forecast was filed separately from the ERRA Forecast Application.

Pursuant to D.14-10-033, starting in 2016, approval of forecasted GHG costs will occur through

⁴ The 2015 ERRA forecasted revenue requirement was approved in D.15-01-004 (issued on January 16, 2015). However, in an effort to provide rate stability, SDG&E requested to implement lower 2015 ERRA revenue requirement in rates effective February 1, 2015, as set forth in the direct testimony of SDG&E witness Yvonne M. Le Mieux, Table 1, Lines 1-3.

⁵ The 2015 GHG forecasted revenue requirement of \$58.171 million (comprised of direct and indirect GHG costs) was filed separately from the ERRA Forecast Application. Application ("A.") 14-04-018 was approved in D.15-03-019 (issued on March 27, 2015), as modified by D.15-04-005 (issued on April 3, 2015).

⁶ The 2016 and 2015 Forecasts reflect the combined franchise fee (1.031%) and uncollectible (0.174%) expense approved in D.13-05-010 (SDG&E 2012 GRC) such that $1/((1-0.00174)-((1-0.00174)*0.01031)) = 1.012179$ gross-up factor.

1 SDG&E’s annual ERRA Forecast Application. Thus the 2016 forecasted GHG costs are
2 included in this ERRA Forecast Application.

3 The forecasted cost components set forth in the line items contained in Table 1 above,
4 and the reasons for the \$34.760 million increase in the 2016 ERRA revenue requirement forecast
5 – as compared to the 2015 ERRA revenue requirement (as submitted in the 2015 Forecast) – are
6 addressed in detail in Mr. Montoya’s testimony.

7 SDG&E’s 2016 ERRA revenue requirement forecast includes the fuel costs for its
8 electric generation facilities, including Miramar Energy Facility I (“Miramar I”), Miramar
9 Energy Facility II (“Miramar II”), Palomar Energy Center (“Palomar”), Desert Star Energy
10 Center (“Desert Star”), and the Cuyamaca Peak Energy Plant (“Cuyamaca”). The actual fuel
11 costs of Miramar I, Miramar II, Palomar, Desert Star, and Cuyamaca are recorded in the ERRA
12 for recovery through commodity rates. SDG&E’s non-fuel costs for these facilities are recorded
13 in the NGBA and also recovered through SDG&E’s commodity rates.

14 As shown in Table 2 below, SDG&E’s 2016 CTC revenue requirement forecast is
15 \$19.614 million, including FF&U.

TABLE 2 - CTC REVENUE REQUIREMENT
(\$Millions of Dollars)

No.	Component	2016 Forecast	2015 Forecast ⁷	Change from Prior Year
1.	QF Contracts	19.378	14.474	4.904
2.	FF&U ⁸	0.236	0.176	0.060
3.	TOTAL	19.614	14.650	4.964

⁷As noted previously, the 2015 ERRA forecasted revenue requirement was approved in D.15-01-004 (issued on January 16, 2015). However, in an effort to provide rate stability, SDG&E requested to implement lower 2015 ERRA revenue requirement in rates effective February 1, 2015, as set forth in the direct testimony of Ms. Le Mieux, Table 1, Lines 1-3.

⁸The 2016 and 2015 Forecasts reflect the combined franchise fee (1.031%) and uncollectible (0.174%) expense approved in D.13-05-010 (SDG&E 2012 GRC) such that $1/((1-0.00174)-((1-0.00174)*0.01031)) = 1.012179$ gross-up factor.

1 For CTC eligible purchase power contracts, the power purchased is recorded to the
2 ERRA at the market proxy of \$55.07/MWh. The difference between the actual contract price
3 and the market proxy is included in the 2016 CTC forecast and recorded to the TCBA. SDG&E
4 witness Yvonne M. Le Mieux discusses the market proxy of \$55.07/MWh in greater detail.

5 The LGBA was authorized in D.13-03-029 and established in Advice Letter (“AL”)
6 2499-E, which was approved on August 9, 2013. As shown in Table 3 below, SDG&E’s 2016
7 LG revenue requirement forecast is \$7.127 million, including FF&U.

TABLE 3 - LG REVENUE REQUIREMENT
(\$Millions of Dollars)

No.	Component	2016 Forecast	2015 Forecast ⁹	Change from Prior Year
1.	Escondido Energy Center	7.041	7.462	(0.421)
2.	FF&U ¹⁰	0.086	0.091	(0.005)
3.	TOTAL	7.127	7.553	(0.426)

10 The LGBA records the LG costs and the revenues received from SDG&E’s Local
11 Generation Charge (“LGC”) rate. On a monthly basis, the LGBA compares the LG costs with
12 the revenues received. Interest is applied to any over- or under-collected balance at the three-
13 month Commercial Paper rate. The LGBA currently has one sub-account corresponding to the
14 Escondido Energy Center generation resource.

⁹ As noted previously, the 2015 ERRA forecasted revenue requirement was approved in D.15-01-004 (issued on January 16, 2015). However, in an effort to provide rate stability, SDG&E requested to implement lower 2015 ERRA revenue requirement in rates effective February 1, 2015, as set forth in the direct testimony of Ms. Le Mieux, Table 1, Lines 1-3.

¹⁰ The 2016 and 2015 Forecasts reflect the combined franchise fee (1.031%) and uncollectible expense (0.174%) approved in D.13-05-010 (SDG&E 2012 GRC) such that $1/((1-0.00174)-((1-0.00174)*0.01031)) = 1.012179$ gross-up factor.

1 **IV. COMPARISON OF 2014 RECORDED VS ACTUAL YEAR-END BALANCES IN**
2 **GHG BALANCING ACCOUNTS**

3 In accordance with Findings of Fact ("FOF") 13 of D.14-10-033, the utilities must
4 reconcile forecast amounts with recorded amounts until all actuals are available for the forecast
5 year. Consistent with this methodology, SDG&E is providing a comparison of the 2014 year-
6 end recorded¹¹ balances with the 2014 year-end actual balances in the GHG balancing accounts.
7 GHG allowance revenues are recorded in the GHG Revenue Balancing Account ("GHGRBA")
8 and GHG expenses are recorded in the GHG Customer Outreach and Education Memorandum
9 Account ("GHGCOEMA") and GHG Administrative Costs Memorandum Account
10 ("GHGACMA").

11 Template D-1 (Line 26) of SDG&E's Revised 2015 GHG Revenue and Reconciliation
12 Application Form shows a 2014 year-end recorded balance of (\$19,755,324) in the GHGRBA.
13 The actual 2014 year-end balance in the GHGRBA is (\$18,393,131). As discussed in the January
14 16, 2015 revised update testimony of Ms. Le Mieux in A.14-04-018 (Table 4), the 2014 year-end
15 recorded balances are \$252,473 for the GHGCOEMA and (\$105,138) for the GHGACMA. The
16 actual 2014 year-end balances are \$272,012 for the GHGCOEMA and (\$190,300) for the
17 GHGACMA. Table 4 below presents the comparison of the items described above. Templates D-
18 1 and D-3 included in Attachment G to this Application have been updated with the 2014 actual
19 amounts.

¹¹ In reference to Template D-1 of SDG&E's Revised 2015 GHG Revenue and Reconciliation Application Form (Application 14-04-018) dated January 16, 2015, the recorded GHG revenues and expenses include actual revenues and expenses for January through September 2014 and forecasted revenues and expenses for October through December 2014.

TABLE 4 - COMPARISON OF 2014 RECORDED VS ACTUAL YEAR-END BALANCES IN GHG BALANCING ACCOUNTS

Line	Description	2014 Recorded ¹ (\$)	2014 Actual (\$)	Difference
1	Beginning 1/1/2014 GHGRBA Balance	(82,503,131)	(82,503,131)	-
2	Allowance Revenue	(76,216,127)	(76,756,698)	(540,571)
3	Revenue returned to customers	139,893,549	141,818,791	1,925,242
4	Franchise Fees and Uncollectibles	(1,683,175)	(1,706,341)	(23,166)
5	Transfer to GHGCOEMA and GHGACMA ^{2,3}	801,250	801,250	-
6	Interest	(47,690)	(47,002)	688
7	Ending 12/31/2014 GHGRBA Balance (Line 1 + Line 2 + Line 3 + Line 4 + Line 5 + Line 6)	(19,755,324)	(18,393,131)	1,362,193
8	Beginning 1/1/2014 GHGCOEMA Balance	-	-	-
9	Transfer from GHGRBA ²	(550,000)	(550,000)	-
10	Expenses	802,500	822,040	19,540
11	Interest	(27)	(28)	(1)
12	Ending 12/31/2014 GHGCOEMA Balance (Line 9 + Line 10 + Line 11)	252,473	272,012	19,539
13	Beginning 1/1/2014 GHGACMA Balance	-	-	-
14	Transfer from GHGRBA ³	(251,250)	(251,250)	-
15	Expenses	146,199	61,041	(85,158)
16	Interest	(87)	(91)	(4)
17	Ending 12/31/2014 GHGACMA Balance (Line 14 + Line 15 + Line 16)	(105,138)	(190,300)	(85,162)

¹In reference to the SDG&E's Revised GHG Revenue and Reconciliation Application Form (Application 14-04-018) revised January 16, 2015 at Template D-1: Annual Allowance Revenue Receipts and Customer Return, recorded GHG revenues and expenses balances include actual revenues and expenses from January through September 2014 and forecasted revenues and expenses from October through December 2014.

²Transfer per preliminary statement (\$550,000 to GHGCOEMA). This represents 2013 and 2014 forecasted expenses authorized in D.13-12-041. The transfer from the GHGRBA to the GHGCOEMA includes 50% of 2013 statewide outreach expenses (\$750,000/2 or \$375,000), 100% of 2014 statewide outreach expenses (\$140,000) and 2014 marketing expenses (\$35,000) for a total of \$550,000.

³Transfer per preliminary statement (\$251,250 to GHGACMA). This represents 2013 and 2014 forecasted expenses authorized in D.13-12-041. The transfer from GHGRBA to the GHGACMA includes 50% of 2013 outreach expenses for \$52,500, 50% of 2013 administrative expenses for \$425,000 (totaling \$477,500/2 or \$238,750) and 2014 Other (\$12,500) for a total of \$251,250.

V. SONGS UNIT 1 OFFSITE SPENT FUEL STORAGE

This section of my testimony requests recovery of the forecasted SONGS Unit 1 Offsite Spent Fuel Storage costs of \$1.064 million (\$1.077 million including FF&U) for 2016, which are described in the direct testimony of Mr. Montoya. As noted by Mr. Montoya, in the past, SDG&E has sought and received approval of its 20% portion of SONGS Unit 1 Offsite Spent Fuel Storage costs in its General Rate Case ("GRC") and tracks the authorized revenue requirement in its Nuclear Decommissioning Adjustment Mechanism ("NDAM"). SDG&E has requested approval

1 of its 20% portion of these costs in the pending Test Year (“TY”) 2016 GRC Application A.14-11-
2 003.

3 Southern California Edison Company (the majority owner of SONGS), however, has
4 historically sought approval of its portion of SONGS Unit 1 Offsite Spent Fuel Storage costs in its
5 annual ERRA forecast proceeding. SDG&E has recently determined that it is more appropriate to
6 seek recovery of these costs through the ERRA Forecast Application process to promote
7 consistency among the two utilities for the same costs. As a result, SDG&E is filing for
8 authorization of the 2016 revenue requirement in this ERRA Forecast Application and requests
9 that such costs be included in future ERRA Forecast Applications as well. If the Commission
10 approves this request to recover forecasted SONGS Unit 1 Offsite Spent Fuel costs in this
11 proceeding, SDG&E will withdraw its request for recovery of these costs from its pending GRC
12 Application A.14-11-003.

13 **VI. SUMMARY**

14 In my testimony, SDG&E requests that the Commission:

- 15 ■ approve SDG&E’s 2016 ERRA revenue requirement forecast (which includes
16 forecasted GHG costs) of \$1,317.869 million;
- 17 ■ approve SDG&E’s 2016 CTC revenue requirement forecast of \$19.614 million;
18 and
- 19 ■ approve SDG&E’s 2016 LG revenue requirement forecast of \$7.127 million.

20 Each of these amounts include FF&U.

21 Further, my testimony affirms that the forecast of GHG-related costs for the year 2016 is
22 included in the ERRA revenue requirement forecast in this Application. In addition, my
23 testimony also presents the comparison of the 2014 recorded vs. actual year-end balances in the

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1 GHG allowance revenues and expenses balancing accounts. Finally, my testimony requests that
2 the Commission approve the 2016 revenue requirement of \$1.064 million (\$1.077 million
3 including FF&U) for the forecasted SONGS Unit 1 Offsite Spent Fuel Storage costs.

4 This concludes my testimony.

5

1 **VII. QUALIFICATIONS**

2 My name is Jenny Phan. I am employed by SDG&E as a Principal Regulatory Accounts
3 Advisor in the Regulatory Accounts Department. My business address is 8330 Century Park
4 Court, San Diego, CA 92123.

5 I graduated from the University of Quebec in Montreal in 1996 with a Bachelor of
6 Science degree in Accounting. I have been a Chartered Professional Accountant from Canada
7 since 2001.

8 I have been employed by SDG&E and Sempra Energy since April 2005. In addition to
9 my current role in Regulatory Accounts, I have held various positions with increasing
10 responsibility including a Senior Accountant II position in the Accounting Operations
11 department at SDG&E and a Senior Trust Accountant position in the Compensation and Benefits
12 department at Sempra Energy. Prior to joining SDG&E and Sempra Energy, I worked for large
13 companies in Canada preparing monthly financial statements, regulatory reports and accounting
14 analysis. In my current position, my responsibilities include the development, implementation
15 and analysis of regulatory balancing and memorandum accounts.

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

**DECLARATION
OF JENNY PHAN**

A.15-04-XXX

Application of San Diego Gas & Electric Company (U 902-E)
for Approval of Its 2016 Electric Procurement Revenue Requirement Forecasts and GHG-
Related Forecasts

I, Jenny Phan, declare as follows:

1. I am a Principal Regulatory Accounts Advisor for San Diego Gas & Electric Company (“SDG&E”). I included my Prepared Direct Testimony (“Testimony”) in support of SDG&E’s April 15, 2015 Application for Approval of its 2016 Electric Procurement Revenue Requirement Forecasts and GHG-Related Forecasts (“Application”). Additionally, as a Principal Regulatory Accounts Advisor, 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 procedure adopted in D.08-04-023, I am addressing each of the following five features of Ordering Paragraph 2 of 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 is allowed confidential treatment in accordance with the Matrix, as follows:

Confidential Information	Matrix Reference	Reason for Confidentiality
Table 1, line 1: Load ISO Charges	II.A.2 V.C	Utility Electric Price Forecasts; confidential for 3 years. LSE Total Energy Forecast; confidential for the front 3 years.
Table 1, lines 2 and 6: Supply ISO Revenues	II.A.2 II.B.1 II.B.3 II.B.4	Utility Electric Price Forecasts; confidential for 3 years. Generation Cost Forecasts of Utility Retained Generation; confidential for 3 years. Generation Cost Forecasts of QF Contracts; confidential for 3 years. Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Table 1, lines 3 and 7: Contract Costs (non-CTC) & Equity Re- balancing Costs	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Table 1, line 4: Contract Costs (CTC up to market)	II.B.3 II.B.4	Generation Cost Forecasts of QF Contracts; confidential for 3 years. Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Table 1, line 5: Generation Fuel	II.B.1 II.B.4	Generation Cost Forecasts of Utility Retained Generation; confidential for 3 years. Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Table 1, line 8: CAISO Misc. Costs	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
Table 1, line 9: Hedging Costs	I.A.4	Long-term Fuel (gas) Buying and Hedging Plans; confidential for 3 years.

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 this data under those provisions, as applicable.

Confidential Information	Matrix Reference	Reason for Confidentiality
Table 1, line 10: Direct and Indirect GHG Costs		GHG emissions forecasts: Providing these forecasts to market participants would allow them to know SDG&E's GHG forecasted GHG obligation, thereby compromising SDG&E's contractual bargaining power such that customer costs are likely to rise. Thus, the release of this non-public confidential information will unjustifiably allow market participants to use this information to the disadvantage of SDG&E's customers.

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. SDG&E will comply with the limitations on confidentiality specified in the Matrix for the Protected Information.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized, masked or otherwise protected in a manner that would allow further disclosure of the data while still protecting confidential information.

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

Executed this 15th day of April, 2015, at San Diego, California.



 Jenny Phan
 Principal Regulatory Accounts Advisor
 San Diego Gas & Electric Company