Company:	San Diego Gas & Electric Company (U 902 M)
Proceeding:	2016 General Rate Case
Application:	A.14-11-___
Exhibit:	SDG&E-34

SDG&E

DIRECT TESTIMONY OF MICHELLE A. SOMERVILLE

MISCELLANEOUS REVENUES

November 2014

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

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SUMMARY

My testimony proposes:

- A Test Year ("TY") 2016 miscellaneous revenues forecast of $19.2 million, which includes the impact of the Commission's disconnection Order to Institute Rulemaking, R.10-02-005, and SDG&E's Smart Meter remote disconnection capabilities.
- To update the Service Establishment Charge fee structure to $5 for non-fielded orders and $25 for fielded orders for TY2016.
- To update the Returned Check Service Charge to $7 for TY2016.

SDG&E DIRECT TESTIMONY OF MICHELLE A. SOMERVILLE

MISCELLANEOUS REVENUES

I. INTRODUCTION

A. Summary of Proposals

I sponsor the Test Year 2016 calculations, presentation of costs, and proposals of the Miscellaneous Revenue area for San Diego Gas & Electric Company ("SDG&E"). Table 1 below summarizes SDG&E's miscellaneous revenues for recorded (Base Year 2013) and proposed (Test Year 2016) in thousands of dollars ($000's).

TABLE 1

Test Year 2016 Summary of Miscellaneous Revenue

Department	2013 Recorded	2016 Test Year	Net Change
Electric	17,181	15,207	(1,974)
Gas	5,012	4,000	(1,012)
Total	22,193	19,207	(2,986)

B. Support To/From Other Witnesses

The miscellaneous revenue forecast incorporates the forecasted meter growth that is covered in the direct testimony of Rose-Marie Payan (Ex. SDG&E-32) and Ken Schiermeyer (Ex. SDG&E-31). This testimony provides the basis for the forecasted and the projected revenues associated with the Customer Service Field and Customer Service Operations, Information, and Technologies presented in the testimony Sara Franke (Ex. SDG&E-13) and Bradley Baugh (Ex. SDG&E-14), respectively. This testimony also includes the forecast and revenue methodology for Customer Advance for Construction ("CAC"). Additional information on CAC revenue is described in the testimony of Jesse Aragon (Ex. SDG&E-27).

II. OVERVIEW OF 2016 FORECAST

Miscellaneous revenues are comprised of fees and revenues collected by the utility from non-rate sources for the provision of specific products or services. They include such revenues as service establishment charges, collection charges and rents. The miscellaneous revenues presented in this testimony include only those revenues allocated to the electric distribution and gas departments of SDG&E. It excludes miscellaneous revenues associated with electric transmission properties and facilities, wheeling charges and other non-distribution sources recovered through FERC-jurisdictional ratemaking mechanisms. Miscellaneous revenues are incorporated into rates as a reduction to the electric distribution and gas base margin revenue requirements charged to customers for utility service, thereby lowering rates.

For purposes of forecasting TY 2016 miscellaneous revenues, SDG&E performed an item by item analysis of miscellaneous revenue accounts, including a review of prior-year recorded results as well as the factors that could impact future results. The forecasts were developed using methodologies that reflect the drivers for each miscellaneous revenue item. For many items, such as cogeneration reimbursements, where SDG&E has multiple years of recorded activity, the forecast was developed using a multi-year recorded average adjusted by estimated customer or sales growth factors, where applicable. In circumstances where the charge is based on a per customer basis, a customer growth factor was applied to adjust historical results to develop the 2016 forecast. Generally, unless otherwise specified, the customer or sales growth factors were applied at a system-wide level for simplicity and consistency purposes. In instances where the multi-year recorded results are not available or recent factors have caused the multi-year results to no longer reflect a reasonable expectation of the future, SDG&E used the most recent recorded year (2013) to develop the forecast. In other cases, such as rents from property or pole attachment fees, the forecast is based on executed lease agreements adjusted for applicable escalation clauses. Finally, for other miscellaneous revenue items not reflected in the categories described above, a forecasting methodology was applied to reflect the unique circumstances of the particular activity.

III. COMPONENTS OF MISCELLANEOUS REVENUES

A. Electric Department

Electric miscellaneous revenues are recorded to Federal Energy Regulatory Commission ("FERC") accounts 451 (Miscellaneous Service Revenues), 454 (Rent from Electric Properties) and 456 (Other Electric Revenues). The following table summarizes 2013 recorded and 2016 estimated miscellaneous revenues in thousands of dollars ($000's). A more detailed discussion on each FERC account is provided in the section below.

FERC Account	Description	2013 Recorded	2016 Test Year	Net Change
451	Miscellaneous Service Revenues	5,008	4,145	(863)
454	Rent from Electric Property	3,054	4,142	1,088
456	Other Electric Revenues	9,119	6,920	(2,199)
	Total	17,181	15,207	(1,974)

Miscellaneous Service Revenues – Account 451

These revenues reflect fees collected by the utility for Service Establishment Charges[1], Collection Charges, Late Payment Charges and other service related fees.

1. Service Establishment Charges ($000's)

2013 Recorded	2016 Test Year	Net Change
2,400	2,730	330

Service Establishment Charges ("SECs") are the fees charged to establish or re-establish service each time an account is opened. The SEC is assessed in accordance with SDG&E's Commission-approved Tariff Schedule SE and is applicable to all electric customers metered by SDG&E. The SEC is currently $15.00. SDG&E proposes to update the fee structure to $5 for non-fielded orders and $25 for fielded orders[2]. The proposed updated fee structure is a better representation of the costs[3] SDG&E incurs related to this service and takes into account the impact of SDG&E's Smart Meter remote disconnection capabilities. As described in the 2012 General Rate Case, utilizing this remote capability significantly reduces SDG&E's costs and, in most cases, eliminates the need for a fielded order. The most recent recorded year (2013) reflects the reduction in revenues due to the impact of SDG&E's Smart Meter fee reduction and remote disconnection capabilities. To include the full Smart Meter benefits and to better align these charges with the cost of service, the forecast for 2016 is based on the calculation of the

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[1] The use of initial capitalization herein denotes words that are defined in SDG&E's tariffs or in Commission decisions.

[2] A fielded order is a request for service that must be performed at the customer's premises. These types of activities are discussed in the testimony of Sara Franke (Ex. SDG&E-13). A non-fielded order is a request for service that can be performed remotely.

[3] The cost of a fielded and non-fielded service is $70.75 and $3.86, respectively.

most recent recorded year (2013) adjusted by the estimated annual customer growth factors for the period 2014-2016 and the updated fee structure. Customer growth is presented in the direct testimony of Ken Schiermeyer (Ex. SDG&E-31).

2. Collection Charges ($000's)

2013 Recorded	2016 Test Year	Net Change
1,608	108	(1,500)

Collection Charges are levied on customers to pay for the costs of delivering field collection notices. The fees are based on $9 and $15 increments pursuant to SDG&E's Commission-approved Rule 9 Tariff. The forecast includes the impact from D.14-06-036 in the Commission's disconnection rulemaking, R.10-02-005.[4] The decision specifies procedures for vulnerable customers,[5] communication practices, California Alternate Rates for Energy ("CARE") enrollment, payment arrangements, and re-establishment of credit deposits. This forecast also reflects the reduction in revenues due to the impact of SDG&E's Smart Meter remote disconnection capabilities. There is no collection charge for remote disconnection.

The 2016 forecast calculation is based on the forecasted Field Collection and Disconnection orders, adjusted for: the operational fees mentioned above, no-charge orders for vulnerable customers, and Call Center allowed credit adjustments. There is a large reduction in field collection work due to the elimination of the fielded 48-hour First Call Collection orders ($9 fee). Starting on June 1, 2014, these notices will be sent via mail for all customers excluding vulnerable customers. This eliminates about 249,000 chargeable fielded calls from 2013 to TY2016, offset slightly by an increase in chargeable $9 Second Call Collection orders for vulnerable customers of 10,000, and an increase in Commercial disconnections ($15 fee) of

[4] *Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.* The forecast's estimated annual customer growth includes the effects of the decision, which has impacts on existing customer groups in addition to anticipated customer growth. D.14-06-036, issued June 26, 2014, approves a residential disconnection settlement agreement among SDG&E, Office of Ratepayer Advocates, The Utility Reform Network, Greenlining Institute, Center for Accessible Technology, Pacific Gas and Electric Company, Southern California Edison, and SoCalGas.

[5] According to D.14-06-036, SDG&E shall continue in-person visits within the 48 hours prior to, or at the time of, disconnection for special needs and Elderly (62 years +) profiled customers, including Medical Baseline, Life Support, and customers who self-certify that they have a serious illness or condition that could become life threatening if service is disconnected.

2,700. Collection Charges are allocated to both the electric and gas departments. Additional information on the forecasted changes to the collection process is described in the testimony of Sara Franke (Ex. SDG&E-13).

3. Late Payment Charges ($000's)

2013 Recorded	2016 Test Year	Net Change
478	447	(31)

Late Payment Charges are also assessed pursuant to SDG&E's Commission-approved Rule 9 Tariff. The fees are charged to commercial customers for delinquent payments. In determining the 2016 forecast, SDG&E used the most recent five-year historical average (2009-2013) adjusted by the estimated annual electric commercial customer growth factors for the period 2014-2016. This forecast methodology utilizes the available historical data. This is an established service with no significant changes; therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future annual revenues. Late Payment Charges are allocated to both the electric and gas departments.

4. Returned Check Service Charge ($000's)

2013 Recorded	2016 Test Year	Net Change
223	201	(22)

A fee of $8 is charged to customers for returned checks pursuant to SDG&E's Commission-approved Rule 9 tariff. SDG&E proposes to update the fee structure to $7 for TY2016. The updated fee structure is a better representation of the costs[6] SDG&E incurs. In determining the 2016 forecast, SDG&E used the most recent five-year historical average (2009-2013) of the volume of charges assessed adjusted for the projected annual customer growth factors for the period 2014-2016 at the current authorized rate of $8 for 2014-2015 and the proposed rate of $7 in TY2016.

[6] The cost to process a returned check is $6.33.

5. Direct Access ("DA") Fees ($000's)

2013 Recorded	2016 Test Year	Net Change
72	91	19

Revenues from DA fees include: (1) charges billed to Energy Service Providers ("ESPs") for late payments, rebilling and other miscellaneous billing requests completed by SDG&E on behalf of ESPs; and (2) metering charges billed to DA customers for installation of meters and monthly maintenance of SDG&E-owned meters. The 2016 forecast is based on a five-year historical average (2009-2013). This forecast methodology utilizes the available historical data. This is an established service with no significant changes; therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future annual revenues.

6. Cogeneration Reimbursement ($000's)

2013 Recorded	2016 Test Year	Net Change
224	236	12

Cogeneration reimbursements are received from the billing of cogenerators and small power producers for utility operating and maintenance expenses attributable to work performed by the utility at the customer's facilities. The charges by the utility are billed in accordance with SDG&E's Commission-approved Rule 21 Tariff – Electric Interconnections. The 2016 estimate is based on the most recent five-year historical average (2009-2013). This forecast methodology utilizes the available historical data. This is an established service with no significant changes; therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future annual revenues.

7. Other Service Revenues ($000's)

2013 Recorded	2016 Test Year	Net Change
3	332	329

These revenues are from other customer service items, primarily temporary service work, and include meter testing, special metering and billing charges, and other service charges. The 2016 estimate is based on the most recent five-year historical average (2009-2013). This forecast methodology utilizes the available historical data. This is an established service with no significant changes; therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future annual revenues.

Rent from Electric Property – Account 454

These revenues reflect payments received by the utility for the rental of electric property, equipment and special facilities. This account also includes the revenues from CAC.

8. Rent From Electric Property ($000's)

2013 Recorded	2016 Test Year	Net Change
1,462	1,629	167

Rents from electric property primarily reflect revenues received for the use of SDG&E's operating sites, properties, and licenses. The amount recorded for rents exclude those properties assigned to SDG&E's electric transmission department. The 2016 forecast is based on the rents received from existing lease agreements adjusted for applicable escalation clauses.

9. Special Facility Charges ($000's)

2013 Recorded	2016 Test Year	Net Change
951	1,722	771

Revenues from special facilities reflect charges billed to customers for the installation, use and/or maintenance of facilities by the utility at the customer's request. Pursuant to SDG&E's Commission-approved Rule 2 tariff, these facilities can include, but are not limited to, power quality conditioning equipment, peaking equipment, customer connection costs, installation and/or maintenance of facilities downstream of the meter, facilities where the cost is in excess of the standard extension allowances and alternate equipment. Payments from customers are received in either monthly increments, annual installments or as one-time payments as selected by the customer. The 2016 forecast is based on the most recent five-year historical average account balance (2009-2013) adjusted for a one-time project. This forecast methodology utilizes the available historical data. This is an established service with no significant changes; therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future annual revenues.

10. Customer Advances for Construction (“CAC”) ($000’s)

2013 Recorded	2016 Test Year	Net Change
601	734	133

CAC revenue, also called “ownership cost deductions,” reflects the amount of revenue, based on a fixed percentage, which can be taken by SDG&E as a reduction to CAC deposits on a monthly basis if the customer does not become eligible for refunds 1 (electric) to 3 (gas) years after SDG&E’s facilities are ready to provide service. CAC deposits are administered in accordance with two Commission-approved tariffs: Rule 15 – Distribution Line Extensions and Rule 16 – Service Extensions. The 2016 forecast reflects a five-year historical average (2009-2013) of the total monthly balance in the CAC miscellaneous revenue account, adjusted for the electric ownership rate[7] of 0.38%. This forecast methodology utilizes the available historical data and adjusts for the electric ownership rate update. This provides the best estimate of future annual revenues. Additional information on CAC deposits is described in the direct testimony of Jesse Aragon (Ex.SDG&E-27).

11. Other Miscellaneous Revenues ($000’s)

2013 Recorded	2016 Test Year	Net Change
40	57	17

Other miscellaneous revenues reflect items not contained in any of the categories above, including the electric right-of-way fees.[8] The 2016 forecast reflects the forecasted revenues for environmental lab testing and protective equipment training, which is based on the recent five-year historical average account balance (2009-2013). This forecast methodology utilizes the available historical data. This is an established service with no significant changes; therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future annual revenues.

[7] The ownership rate recovers the cost of operating and maintaining customer-financed facilities that are not fully utilized.

[8] Commission-adopted rules governing access to right-of-way and support structures in D.98-10-058, Appendix A.

Other Electric Revenues – Account 456

These revenues reflect amounts received from other sources, including shared assets charged to affiliates, federal government retrofit programs and other miscellaneous revenue activities. Shared asset revenues reflect charges to SDG&E affiliates primarily for the use of information technology and telecommunication assets. Government retrofit programs reflect the provision of energy efficiency programs to government agencies. This account also includes the revenues SDG&E receives from the lease of distribution pole attachments. Other miscellaneous revenues include the provision of various goods and services to third parties, including protective equipment training and environmental lab testing.

12. Revenue Cycle Service ("RCS") Credits ($000's)

2013 Recorded	2016 Test Year	Net Change
(254)	(305)	(51)

Pursuant to Decision ("D.") 98-09-070, SDG&E was directed to provide credits to DA customer bills for those customers who elect to have metering and billing services from a party other than SDG&E. These credits are intended to capture the avoidable costs of a DA customer who no longer takes the RCS from the utility, which is recovered in SDG&E's electric distribution rate. The RCS credits are calculated in accordance with the "Bill Credits" section of SDG&E's Commission-approved Schedule DA tariff. Since the RCS credits reduce the amount of revenue SDG&E is able to recover in electric distribution rates, the credits are recorded to account 456 as "negative" miscellaneous revenue. The forecast for 2016 is based on the most recent five-year historical average (2009-2013) adjusted for the anticipated 30% increase in DA reads.

13. Pole Attachment Fees ($000's)

2013 Recorded	2016 Test Year	Net Change
1,474	1,611	137

Pole attachment fees reflect charges received from telephone and cable companies for the use of SDG&E's distribution poles, including rights of way. The amounts exclude those fees related to electric transmission poles, which are addressed through the FERC-jurisdictional rates. The 2016 forecast is based on the 2011 settlement agreement[9].

14. Shared Assets ($000's)

2013 Recorded	2016 Test Year	Net Change
7,035	5,072	(1,963)

Revenue from shared assets reflects the use of SDG&E assets, primarily computer hardware and software and communication equipment, by Southern California Gas Company ("SoCalGas"), Sempra Energy Corporate Center ("SECC") and/or unregulated affiliates. Revenues from shared assets are allocated to both the electric and gas departments.

On an on-going basis, SDG&E and SoCalGas follow a shared asset policy whereby the company that receives the majority of the benefits from the shared assets shall own such assets and bill the affiliates for their use. This policy was implemented for new shared assets acquired or constructed on or after November 1, 2002.

The forecast of the 2016 charges billed to affiliates reflects the development of a revenue requirement associated with owned assets, including depreciation, property taxes, federal and state income taxes and the authorized return on rate base. The portion of the shared asset costs allocated to SDG&E, SECC and its unregulated affiliates is based on methodologies used to measure utilization. For each type of shared asset, an assignment of a causal/beneficial relationship is determined (e.g., number of users, square footage, etc.). The asset is then allocated to affiliates based on their share of the benefit from that asset according to the applicable utilization methodology. More detailed information on the nature of the shared assets, including the methodology used to allocate the charges between SoCalGas, SECC and its unregulated affiliates, is presented in the direct testimony of Mark A. Diancin (Ex. SDG&E-26).

For purposes of allocating the amounts charged to the affiliates for shared assets to SDG&E business segments, shared asset revenue allocated to the electric distribution and gas segments are reflected in this testimony, while revenue assigned to the electric transmission segment is the subject of FERC-jurisdictional rates. The amounts billed to the affiliates are

[9] On January 21, 2011 SDG&E entered into a settlement agreement regarding distribution pole attachment fees (Advice Letter 2225-E). The set fees for 2014 – 2016 are as follows: 2014-$14.75, 2015-$15.50, and 2016-$16.35.

recorded as SDG&E miscellaneous revenue, and are net of the billings to SECC charged back to SDG&E.

15. Federal Energy Retrofit Program ("FERP") ($000's)

2013 Recorded	2016 Test Year	Net Change
780	457	(323)

Under Executive Order 13132, the U.S. Government is authorized and encouraged to enter into contracts with local utilities to expedite and facilitate the implementation of cost effective energy and water conservation measures. SDG&E currently performs project management under infrastructure improvement contracts. The amount recorded to miscellaneous revenue reflects the difference between the revenues collected from the government agencies less the costs incurred to perform the work. The net revenues are recorded as miscellaneous revenues using a percentage of completion accounting methodology. The decrease in the 2016 forecast from 2013 recorded is due to lower anticipated government contracts. The downward trend is depicted in the 2009-2013 recorded information.

16. Other Miscellaneous Revenues ($000's)

2013 Recorded	2016 Test Year	Net Change
84	85	1

Other miscellaneous revenues reflect items not contained in any of the categories above, including the provision of various goods and services to other parties and small revenue enhancement programs such as environmental services.

B. Gas Department

Gas miscellaneous revenues are recorded to FERC accounts 488 (Miscellaneous Service Revenues), 493 (Rents from Gas Properties) and 495 (Other Gas Revenues). The following table summarizes miscellaneous revenues for 2013 recorded and 2016 estimated in thousands of dollars ($000's):

FERC Account	Description	2013 Recorded	2016 Test Year	Net Change
488	Miscellaneous Service Revenues	2,063	1,666	(397)
493	Rent from Gas Property	18	20	2
495	Other Gas Revenues	2,931	2,314	(614)
	Total	5,012	4,000	(1,012)

Miscellaneous Service Revenues – Account 488

These revenues reflect fees collected by the utility for SECs, Collection Charges, Late Payment Charges and other service related fees.

1. Service Establishment Charges ($000's)

2013 Recorded	2016 Test Year	Net Change
1,329	1,553	224

SECs are assessed in accordance with SDG&E's Commission-approved Tariff Schedule G-91 and are applicable to all gas customers metered by SDG&E. As mentioned in Section IV.A.1 above, the SEC is currently $15.00. SDG&E proposes to update the fee structure to $5 for non-fielded orders and $25 for fielded orders. The updated fee structure is a better representation of the costs[10] SDG&E incurs related to this service and takes into account the impact of SDG&E's Smart Meter remote disconnection capabilities. The most recent recorded year (2013) reflects the reduction in revenues due to the impact of SDG&E's Smart Meter fee reduction and remote disconnection capabilities. As described in the 2012 General Rate Case, utilizing this remote disconnection capability significantly reduces SDG&E's costs and, in most cases, eliminates the need for a fielded order. To include the full Smart Meter benefits, the forecast for 2016 is based on the calculation of the most recent recorded year (2013) adjusted by the estimated annual customer growth factors for the period 2014-2016 and the updated fee structure. Customer growth is presented in the direct testimony of Rose-Marie Payan (Ex. SDG&E-32).

[10] The cost of a fielded and non-fielded service is $70.75 and $3.86, respectively.

2. Collection Charges ($000's)

2013 Recorded	2016 Test Year	Net Change
689	47	(642)

Collection Charges are levied on customers to pay for the costs of delivering field collection notices. The fees are based on $9 and $15 increments pursuant to SDG&E's Commission-approved Rule 9 Tariff. The forecast includes the impact from D.14-06-036 in the Commission's disconnection rulemaking, R.10-02-005.[11] The decision specifies procedures for vulnerable customers,[12] communication practices, CARE enrollment, payment arrangements, and re-establishment of credit deposits. This forecast also reflects the reduction in revenues due to the impact of SDG&E's Smart Meter remote disconnection capabilities. There is no collection charge for remote disconnection.

The 2016 forecast calculation is based on the forecasted Field Collection and Disconnection orders, adjusted for: the operational fees mentioned above, no-charge orders for vulnerable customers, and Call Center allowed credit adjustments. There is a large reduction in field collection work due to the elimination of the fielded 48-hour First Call Collection orders ($9 fee). Starting on June 1, 2014, these notices will be sent via mail for all customers excluding vulnerable customers. This eliminates about 249,000 chargeable fielded calls from 2013 to TY2016, offset slightly by an increase in chargeable $9 Second Call Collection orders for vulnerable customers of 10,000, and an increase in Commercial disconnections ($15 fee) of 2,700. Collection Charges are allocated to both the electric and gas departments. Additional information on the forecasted changes to the collection process is described in the testimony of Sara Franke (Ex. SDG&E-13).

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[11] *Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.* The forecast's estimated annual customer growth includes the effects of D.14-06-036, which has impacts on existing customer groups in addition to anticipated customer growth. The decision, issued June 26, 2014, approves a residential disconnection settlement agreement among SDG&E, Office of Ratepayer Advocates, The Utility Reform Network, Greenlining Institute, Center for Accessible Technology, Pacific Gas and Electric Company, Southern California Edison, and SoCalGas.

[12] According to D.14-06-036, SDG&E shall continue in-person visits within the 48 hours prior to, or at the time of, disconnection for special needs and Elderly (62 years +) profiled customers, including Medical Baseline, Life Support, and customers who self-certify that they have a serious illness or condition that could become life threatening if service is disconnected.

3. Late Payment Charges ($000's)

2013 Recorded	2016 Test Year	Net Change
45	66	21

Late Payment Charges are also assessed pursuant to SDG&E's Commission-approved Rule 9 Tariff. The fees are charged to commercial customers for delinquent payments. In determining the 2016 forecast, SDG&E used the most recent five-year historical average (2009-2013) adjusted by the estimated annual customer growth factors for the period 2014-2016. This forecast methodology utilizes the available historical data. This is an established service with no significant changes; therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future annual revenues. Late Payment Charges are allocated to both the electric and gas departments.

Rent from Gas Property – Account 493

These revenues reflect payments received by the utility for the rental of gas property and equipment.

4. Rent from Gas Property ($000's)

2013 Recorded	2016 Test Year	Net Change
18	20	2

Rents from gas property primarily reflect revenues received for the use of SDG&E's operating sites, properties, licenses and right of ways. The 2016 forecast is based on the rents received from existing lease agreements adjusted for applicable escalation clauses.

Other Gas Revenues – Account 495

Other gas revenues include the provision of various goods and services to other parties, including shared assets charged to affiliates, federal government retrofit programs and other miscellaneous revenue activities. Shared asset revenues reflect charges to SDG&E affiliates primarily for the use of information technology and telecommunication assets. Government retrofit programs reflect the provision of energy efficiency programs to government agencies. This account also includes the revenues from CAC.

5. Customer Advances for Construction ($000's)

2013 Recorded	2016 Test Year	Net Change
88	86	(2)

CAC revenue, also called "ownership cost deductions," reflects the amount of revenue, based on a fixed percentage, which can be taken by SDG&E as a reduction to CAC deposits on a monthly basis if the customer does not become eligible for refunds 1 (electric) to 3 (gas) years after SDG&E's facilities are ready to provide service. CAC deposits are administered in accordance with SDG&E's Commission-approved Rule 15 tariff – Line Extensions. The 2016 forecast reflects a five-year historical average (2009-2013) of the total monthly balance in the CAC miscellaneous revenue account, adjusted for an ownership rate[13] of 0.36%. This forecast methodology utilizes the available historical data and adjusts for the gas ownership rate update. This provides the best estimate of future annual revenues. Additional information on CAC deposits is described in the direct testimony of Jesse Aragon (Ex.SDG&E-27).

6. Shared Assets ($000's)

2013 Recorded	2016 Test Year	Net Change
2,641	2,034	(607)

Revenues from shared assets are allocated to both the electric and gas departments. The nature of these charges and the methodology used to develop the 2016 forecast are described above.

7. Federal Government Retrofit Revenue ($000's)

2013 Recorded	2016 Test Year	Net Change
194	186	(8)

As explained above, under Executive Order 13132, the U.S. Government is authorized and encouraged to enter into contracts with local utilities to expedite and facilitate the implementation of cost effective energy and water conservation measures. SDG&E currently

[13] The ownership rate recovers the cost of operating and maintaining customer-financed facilities that are not fully utilized.

performs project management under infrastructure improvement contracts. The amount recorded to miscellaneous revenue reflects the difference between the revenues collected from the government agencies less the costs incurred to perform the work. The net revenues are recorded as miscellaneous revenues using a percentage of completion accounting methodology. The 2016 forecast is based on the expected net revenue from existing contracts with various federal entities. The decrease in the 2016 forecast from 2013 recorded is due to lower anticipated government contracts. The downward trend is depicted in the 2009-2013 recorded information.

8. Other Miscellaneous Revenues ($000's)

2013 Recorded	2016 Test Year	Net Change
8	8	0

Other miscellaneous revenues reflect items not contained in the categories above, such as air emissions credits and environmental services.

IV. CONCLUSION

This concludes my prepared direct testimony.

V. WITNESS QUALIFICATIONS

My name is Michelle A. Somerville. I am employed by SDG&E as the Capital and Operating Planning Manager in the Financial and Business Planning Department. My business address is 8330 Century Park Court San Diego, California 92123. My current responsibilities include preparing and managing the internal SDG&E financial plan including variance analysis to actual financial results. I assumed my current position in August 2013.

I received a Bachelor's in Business Administration degree with an emphasis in accounting as well as a Masters in Professional Accounting from the University of Texas at Austin in 1992. I have been a Certified Public Accountant ("CPA"), licensed in the State of Texas, since 1994.

I have been employed with SDG&E and Sempra Energy since 2000. In addition to my current position in Financial and Business Planning, I have held various other positions increasing in responsibility since April 2000. I served as the Regulatory Reporting Manager in Utility Accounting (January 2013 – August 2014), Business Planning and Budget Manager for the Electric Division of SDG&E (July 2010 – December 2012), the Regulatory Accounts Manager of SDG&E (June 2007 – June 2010), the SDG&E Capital Asset Management Supervisor (March 2005 - May 2007) and have also held senior analyst positions in the Business Planning Department at SDG&E (December 2002 – February 2005) and Internal Audit Department at Sempra Energy's corporate offices (April 2000 – November 2002).

I have previously testified before this Commission.

APPENDIX A:
Glossary of Terms

APPENDIX A
GLOSSARY OF TERMS

CAC: Customer Advances for Construction

CARE: California Alternate Rates for Energy

DA: Direct Access

ESP: Energy Service Provider

FERC: Federal Energy Regulatory Commission

FERP: Federal Energy Retrofit Program

PD: Proposed Decision

RCS: Revenue Cycle Service

SEC: Service Establishment Charge

SECC: Sempra Energy Corporate Center