

Company: San Diego Gas & Electric Company (U902M)
Proceeding: 2016 General Rate Case
Application: A.14-11-XXX
Exhibit: SDG&E-35

SDG&E

DIRECT TESTIMONY OF NORMA G. JASSO

(REGULATORY ACCOUNTS)

November 2014

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



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SUMMARY

- Eliminate the Advanced Metering Infrastructure Balancing Account (AMIBA), Research Development & Demonstration Expense Account (RDDEA), Smart Grid Memorandum Account (SGMA) and General Rate Case Memorandum Account (GRCMA) and transfer their residual balances to the Fixed Cost Accounts upon implementation of the Test Year 2016 GRC.
- Continue the ratemaking treatment for Transmission Integrity Management Program (TIMP) and Distribution Integrity Management Program (DIMP) but modify the tier 3 advice letter review requirement for recovery of undercollected balance to a tier 2 review.
- Change the current ratemaking treatment of the Tree Trimming Balancing Account (TTBA) from a one-way to a two-way balancing account mechanism.
- Continue and modify the ratemaking treatment for the Pension Balancing Account (PBA) and the Post-Retirement Benefits Other Than Pension Balancing Account (PBOPBA).
- Continue and expand the New Environmental Regulatory Balancing Account (NERBA).
- Discuss GRC cycle balancing accounts excluded from 2016 GRC.

1 **SDG&E DIRECT TESTIMONY OF NORMA G. JASSO**
2 **(REGULATORY ACCOUNTS)**

3 **I. INTRODUCTION**

4 The purpose of my testimony is to: (1) identify the existing San Diego Gas & Electric
5 Company (SDG&E) regulatory accounts that are associated with the General Rate Case (GRC);
6 (2) present regulatory accounts to be eliminated and discuss their balance disposition; (3) discuss
7 additional requests for the continuation and/or modification of existing balancing accounts; and
8 (4) discuss certain GRC cycle regulatory accounts that are excluded from the 2016 GRC.

9 The following regulatory accounts and associated ratemaking proposals are addressed in
10 my testimony:

- 11 1. The Advanced Metering Infrastructure Balancing Account (AMIBA) is a two-way
12 balancing account that was extended by D. 13-05-010 in order to complete the
13 Advance Metering Infrastructure (AMI) Project. My proposal recommends that at
14 GRC implementation, any residual balance be transferred to the Electric Distribution
15 Fixed Cost Account (EDFCA) for the electric AMIBA and to the Core Fixed Cost
16 Account (CFCA) and Non-Core Fixed Cost Account (NFCA) for the gas AMIBA,
17 and the AMIBA be eliminated for both electric and gas.
- 18 2. The Research Development & Demonstration Expense Account (RDDEA) is a one-
19 way balancing account. My proposal recommends that any overcollected residual
20 balance be transferred to the EDFCA, and the RDDEA be eliminated upon the
21 adoption and implementation of this GRC.
- 22 3. The Smart Grid Memorandum Account (SGMA) is an interest-bearing electric
23 memorandum account recorded on SDG&E's financial statements. My proposal
24 recommends that any residual balance be transferred to the EDFCA, and the SGMA
25 be eliminated upon the adoption and implementation of this GRC.
- 26 4. The Post-2011 Distribution Integrity Management Program Balancing Account (Post-
27 2011 DIMPBA) and the Transmission Integrity Management Program Balancing
28 Account (TIMPBA) are two-way balancing accounts. SDG&E witness, Maria
29 Martinez (Ex. SDG&E-07) sponsors testimony on costs to be recorded in these
30 accounts. My proposal recommends continuing the ratemaking treatment with certain
31 modifications.

- 1 5. The Tree Trimming Balancing Account (TTBA) is currently a one-way balancing
2 account. My proposal recommends changing the current ratemaking treatment in the
3 TTBA from a one-way to a two-way balancing account mechanism for the costs
4 requested by SDG&E witness, Jonathan Woldemariam (Ex. SDG&E-10).
- 5 6. The Pension Balancing Account (PBA) and the Post-Retirement Benefits Other Than
6 Pension Balancing Account (PBOPBA) are two-way balancing accounts. SDG&E
7 witness, David Sarkaria (Ex. SDG&E-23), sponsors testimony on the proposed costs
8 to be recorded in the PBA and PBOPBA. My proposal recommends continuing the
9 ratemaking treatment with certain modifications.
- 10 7. The New Environmental Regulatory Balancing Account (NERBA) is a two-way
11 balancing account. SDG&E witness, Scott Pearson (Ex. SDG&E-18), sponsors
12 testimony on the proposed modifications to NERBA, while several witnesses sponsor
13 specific costs to be recorded in the NERBA. I discuss the regulatory accounting of
14 the costs to be recorded in the NERBA.
- 15 8. The San Onofre Nuclear Generating Station Balancing Account (SONGSBA) is a
16 two-way balancing account. SDG&E witness, Mike De Marco (Ex. SDG&E-12)
17 sponsors testimony on the proposed costs to be recorded in the SONGSBA and on the
18 ongoing Commission proceedings that could affect the account. Until the
19 Commission makes a specific determination on SONGSBA, my proposal
20 recommends continuing the ratemaking treatment.
- 21 9. Discuss GRC cycle balancing accounts that are outside the scope of the 2016 GRC.

22 **II. REGULATORY ACCOUNTS**

23 **A. Proposed Account Eliminations and Balance Transfers**

24 **1. AMIBA**

25 The AMIBA is a two-way, interest bearing balancing account recorded on SDG&E's
26 financial statements. The purpose of the AMIBA is to record the costs and corresponding
27 revenue requirement associated with the AMI project. Decision (D.) 13-05-010 authorized the
28 extension of the account to complete the installation of the remaining electric and gas meters and
29 Programmable Communication Thermostats (PCTs) authorized as part of the AMI program.

1 SDG&E proposes that any residual balance be transferred to the EDFCA for the electric
2 AMIBA and to the CFCA and NFCA for the gas AMIBA, and the balancing account be
3 eliminated for both the electric and gas AMIBAs upon the implementation of this GRC.

4 **2. RDDEA**

5 The RDDEA is a one-way interest bearing electric balancing account recorded on
6 SDG&E's financial statements. The purpose of the RDDEA is to record the difference between
7 actual and authorized costs associated with non-public interest research, development, and
8 demonstration (RD&D) programs pursuant to D.13-05-010.

9 SDG&E proposes that any overcollected residual balance be transferred to the EDFCA,
10 and the RDDEA balancing account be eliminated upon the implementation of this GRC.¹ This
11 transfer is being proposed to close-out this program cycle for any overcollected residual balance
12 in the RDDEA.

13 **3. SGMA**

14 The SGMA is an interest-bearing electric memorandum account recorded on SDG&E's
15 financial statements. The purpose of the SGMA is to record costs related to Smart Grid projects
16 for which SDG&E seeks Department of Energy (DOE) funding pursuant to D. 09-09-029.

17 SDG&E proposes to transfer any residual balance in SGMA to the EDFCA, and the
18 SGMA be eliminated upon the implementation of this GRC. This transfer is being proposed to
19 close-out this program cycle for any minimal, residual balance in the SGMA.

20 **4. GRCMA**

21 The GRCMA is an interest-bearing memorandum account recorded on SDG&E's
22 financial statements. This account was established in the 2012 GRC to record the shortfall or
23 overcollection resulting from the difference between the rates then-currently in effect for utility
24 service and the final rates adopted by the Commission in the event of a GRC decision beyond the
25 start of the 2012 Test Year. Pursuant to D.13-05-010, the GRCMA balance is to be amortized
26 over a 28-month period beginning September 2013 through the end of the 2012 GRC cycle.
27 While the balance is forecasted to be \$0, SDG&E proposes to transfer any residual balance to the

¹ D.12-05-037 at Ordering Paragraph 17. "Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) shall no longer include technology demonstration and deployment expenditures in their general rate cases (GRCs) unless specifically directed by the Commission to do so in a proceeding related to the Electric Program Investment Charge (EPIC). The investment plans for the EPIC program shall become the primary vehicle for considering utility proposals for electric research, development, and deployment (RD&D) purposes."

1 EDFCA and NGBA for the electric GRCMA and to the CFCA and NFCA for the gas GRCMA,
2 and eliminate the GRCMA upon the implementation of this GRC.

3 **B. Continued and Review the Ratemaking Treatment of Accounts**

4 **1. TIMPBA and Post-2011 DIMPBA**

5 The TIMPBA and Post-2011 DIMPBA are two-way, interest bearing balancing accounts
6 recorded on SDG&E's financial statements. The purpose of the TIMPBA and Post-2011
7 DIMPBA are to balance the difference between actual and authorized TIMP and DIMP costs,
8 respectively, pursuant to D.13-05-010. These accounts consist of both O&M and capital
9 components. The capital component reflects TIMP/DIMP costs recovered through depreciation,
10 return and taxes associated with capitalized TIMP/DIMP costs.

11 SDG&E proposes to continue the current ratemaking treatment for TIMP and DIMP
12 O&M costs incurred and capital-related costs associated with capital additions in the 2016 GRC
13 cycle, with the exception of the Tier 3 advice letter filing requirement for the recovery of any
14 undercollection balances resulting from TIMP and DIMP spending above authorized levels. At
15 the time when SDG&E requested creation of the two-way balancing accounts for TIMP and
16 DIMP during the 2012 GRC, there was uncertainty regarding cost estimates due to new and
17 pending legislation regarding pipeline safety. The Tier 3 advice letter provided the Commission
18 an opportunity to review the reasonableness of spending above authorized levels, while allowing
19 SDG&E the opportunity to recover an undercollection due to unforeseen increased spending.
20 For the 2016 GRC, SDG&E has more historical information and experience managing TIMP and
21 DIMP costs, resulting in a higher degree of reliability over cost estimates, which are sponsored
22 by Ms. Martinez (Ex. SDG&E-07).

23 It should be noted that under the current ratemaking for capital-related costs, capital costs
24 that are balanced will continue to contribute to the undercollections in SDG&E's applicable
25 balancing accounts and, even more importantly, will compound during the GRC cycle. This
26 phenomenon is beyond SDG&E's control. Even when SDG&E manages its actual capital
27 additions at authorized levels approved in a GRC, undercollections may continue to be incurred
28 in the balancing accounts. This is because the associated authorized capital-related revenue
29 requirement is only based on the test year's authorized capital additions, adjusted for post-test
30 year attrition, and does not reflect the actual capital-related costs associated with accumulated
31 capital additions from prior years of the GRC cycle. For these reasons, SDG&E proposes the

1 Commission authorize a Tier 2 advice letter process instead of a Tier 3 advice letter requirement
2 to recover any undercollections due to unforeseen increased spending that are necessary to
3 comply with federal regulatory requirements and/or the compounding effect of balancing actual
4 capital-related costs for which SDG&E has no control.

5 **2. TTBA**

6 The TTBA is an interest bearing one-way balancing account recorded on SDG&E's
7 financial statements. The purpose of this account is to balance the difference between the annual
8 revenues authorized in SDG&E's GRC and actual annual tree trimming costs. This account is
9 addressed in SDG&E's annual regulatory account update filing where revenues collected in
10 excess of annual costs are returned to electric distribution customers on an annual basis. As part
11 of this filing, SDG&E proposes to modify the balancing account mechanism from a one-way to a
12 two-way balancing account treatment for the costs authorized in this proceeding as discussed by
13 Mr. Woldemariam (Ex. SDG&E-10).

14 **3. PBA and PBOPBA**

15 The purpose of the PBA is to balance the difference between the forecasted and actual
16 contributions to SDG&E's pension fund. The purpose of the PBOPBA is to balance the annual
17 PBOP costs embedded in authorized rates with the lesser of the PBOP costs calculated in
18 accordance with Financial Accounting Standards 715-60 or based on actual tax-deductible
19 contributions to the PBOP trust. Forecasted pension and PBOP costs are discussed by Mr.
20 Sarkaria (Ex. SDG&E-23).

21 These accounts consist of both O&M and capital components. The O&M component
22 reflects pension/PBOP costs adjusted for costs capitalized to utility rate base and intercompany
23 pension/PBOP costs billed by or charged to Southern California Gas Company (SoCalGas). The
24 capital component reflects pension/PBOP costs recovered through depreciation, including the
25 return associated with the unamortized balance of pension/PBOP costs capitalized to utility rate
26 base.

27 In 2008, SDG&E and SoCalGas filed a Petition for Modification of their 2008 GRC
28 decision (D.08-07-046) to accelerate recovery of increased contributions to their pension and
29 PBOP trusts that were required due to declines in pension fund values and the rising costs of
30 other benefits. In D.09-09-011, the Commission approved this request giving SDG&E and
31 SoCalGas the authorization to annually amortize their PBA and PBOPBA balances as part of the

1 annual regulatory account update advice letter filing. SDG&E proposes to continue this annual
2 recovery process for both the PBA and PBOPBA. Detailed workpapers, which include recorded
3 information and forecast information based on the latest actuarial studies, are included in
4 connection with the annual regulatory account update advice letter filing.

5 In connection with this 2016 GRC, SDG&E proposes to modify the PBA and PBOPBA
6 to recover income taxes associated with the unamortized balance of pension and PBOP costs
7 capitalized to utility rate base along with the currently balanced depreciation and return
8 components of capital-related costs. Without this change, SDG&E is not fully recovering the
9 authorized return component of capitalized pension/PBOP costs.

10 **4. NERBA**

11 The NERBA is an interest-bearing two-way balancing account recorded on SDG&E's
12 financial statements. The purpose of the account is to balance the difference between actual and
13 authorized incremental costs associated with certain new and proposed federal and state
14 environmental regulation. Pursuant to D.13-05-010, and as implemented pursuant to Advice
15 Letter Nos. 2496-E and 2205-G, the NERBA was established for environmental costs associated
16 with its electric business and gas business.

17 The **electric** NERBA consists of three sub-accounts: 1) Polychlorinated biphenyls (PCB)
18 Subaccount and 2) Cap and Trade – Operations Subaccount, 3) AB32 Admin Fees Subaccount.
19 The disposition of the PCB Subaccount is incorporated into customer rates in connection with
20 SDG&E's annual regulatory accounts update advice letter filing. The AB32 Admin Fees
21 Subaccount and Cap and Trade – Operations Subaccount are incorporated into customer rates in
22 connection with SDG&E's Energy Resource Recovery Account (ERRA) annual compliance
23 proceeding.

24 The **gas** NERBA consists of four sub-accounts: 1) Subpart W Subaccount, 2) Cap and
25 Trade – Operations Subaccount and 3) Cap and Trade – End-user Subaccount, 4) AB32 Admin
26 Fees Subaccount. The disposition of the gas NERBA balance is incorporated into customer rates
27 in connection with SDG&E's annual regulatory accounts update advice letter filing.

28 In this GRC, SDG&E proposes modifications to the NERBA, including the removal of
29 gas Cap and Trade related costs and addition of new environmental costs, as described by Mr.
30 Pearson (Ex. SDG&E-18). For those electric and gas costs that will remain part of NERBA,

1 including new environment costs to be included in this mechanism, SDG&E requests the
2 continuation of its currently authorized ratemaking treatment, and current allocation method.

3 **5. SONGSBA**

4 The SONGSBA is a two-way interest-bearing balancing account recorded on SDG&E's
5 financial statements. The purpose of the SONGSBA is to record the difference between the
6 SDG&E's authorized O&M cost and the actual costs billed by Southern California Edison
7 Company (SCE). Historically, most of SDG&E's SONGS-related costs have been addressed in
8 SCE's GRC. In SDG&E's 2012 GRC, the Commission, in D.13-05-010, authorized the
9 extension of SONGSBA for SDG&E. However, since that date, there have been subsequent
10 Commission actions and proceedings, namely the SONGS investigation (I.12-10-013) and SCE's
11 2015 GRC (A.13-11-003), the outcome of each may directly impact the recovery of SONGS-
12 related costs. SDG&E is a party to both proceedings and intends on following the Commission's
13 ultimate determinations on SONGS cost recovery, including the removal of most SONGS-related
14 costs from general rate cases. In the meantime, until the Commission makes a specific
15 determination regarding SDG&E's SONGSBA, SDG&E requests that the SONGSBA remain
16 available to continue to record for recovery the same type of costs historically recorded in the
17 SONGSBA. Please refer to the testimony of Mr. De Marco (Ex. SDG&E-12) for the
18 justification behind continuing the SONGSBA.

19 **C. Regulatory Accounts Excluded from the 2016 GRC**

20 **1. Energy Storage Balancing Account (ESBA)**

21 The ESBA is a one-way interest-bearing balancing account recorded on SDG&E's
22 financial statements. The purpose of the ESBA is to record the difference between the
23 authorized revenues and the capital related energy storage expenses. Pursuant to SDG&E's 2012
24 GRC decision (D.13-05-010), this program is authorized to continue until November 1, 2015.
25 As a result, SDG&E will retire the ESBA and remove it from its preliminary statement before
26 the implementation of this GRC. SDG&E will file a tier 3 advice letter, in compliance with
27 D.13-05-010, to close out this account. Any underspent funds will transfer to the EDFCA for
28 future amortization.

29 **2. Cap And Trade Program for End Users**

30 SDG&E is party to a current greenhouse gas rulemaking (R.14-03-003), where costs
31 associated with greenhouse gas related programs are being addressed. Gas Cap and Trade

1 related costs are related to greenhouse gas programs, and as discussed by Mr. Pearson (Ex.
2 SDG&E-18), would be more appropriately addressed in the rulemaking. Since the NERBA is
3 the currently authorized regulatory account to record any Cap and Trade costs, SDG&E will
4 continue to use the NERBA for that purpose until such time the Commission authorizes the
5 transfer of any balances to a Commission-approved regulatory account established as part of the
6 rulemaking.

7 **III. CONCLUSION**

8 The ratemaking treatment for the regulatory accounts discussed above is reasonable and
9 should be adopted as proposed, subject to the Commission's determination of the underlying
10 programs as sponsored by the various witnesses referenced throughout this testimony.

11 This concludes my prepared direct testimony.

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Norma G. Jasso. I am employed by SDG&E, as the Regulatory Accounts
3 Analysis Manager in the Financial Analysis Department. My business address is 8330 Century
4 Park Court, San Diego, California 92123. My current responsibilities include managing the
5 process for the development, implementation, and analysis of regulatory balancing and
6 memorandum accounts. I assumed my current position in July 2013.

7 I earned a Bachelor of Business Administration degree with emphasis in Accounting
8 from the University of San Diego in 1981. I also earned a Masters of Business Administration
9 from the University of Phoenix in 1996. I have been employed by SDG&E and Sempra Energy
10 since December, 1997. In addition to my current position, I served as Sundry Services Policy
11 and Compliance Project Manager II, Affiliate Compliance Manager, Senior Business Analyst,
12 and Accounting Systems Analyst.

13 I have previously provided testimony for this Commission.

APPENDIX A

Chart of Test Year 2016 Regulatory Account Proposals

| Regulatory Account (SDG&E) | Balancing/Memo | 1 or 2-way | Create, Continue, or Retire | (\$ millions) | Sponsoring Witness |
|----------------------------|----------------|------------|--|--|-------------------------------------|
| | | | | Forecast of amount to be amortized in 2016 GRC rates | |
| AMIBA | Balancing | 2-way | Retire | N/A | N/A |
| RDDEA | Balancing | 1-way | Retire | N/A | N/A |
| SGMA | Memo | 2-way | Retire | N/A | N/A |
| GRCMA | Memo | 2-way | Retire | N/A | N/A |
| TIMPBA/ Post-2011DIMPBA | Balancing | 2-way | Continue & Modify (i.e., Tier 2 advice letter proposal for recovery of undercollections) | N/A | Maria Martinez (Ex. SDG&E-07) |
| TTBA | Balancing | 1-way | Continue & Modify (i.e., "1 way" to "2-way" balancing account) | N/A | Jonathan Woldemariam (Ex. SDG&E-10) |
| PBA/ PBOPBA | Balancing | 2-way | Continue & Modify (i.e. balance income tax component) | N/A | David Sarkaria (Ex. SDG&E-23) |
| NERBA | Balancing | 2-way | Continue & Modify (i.e., creation of additional subaccount for new or proposed regulation) | N/A | Scott Pearson (Ex. SDG&E-18) |
| SONGSBA | Balancing | 2-way | Continue until Commission makes a specific determination on the account | N/A | Michael De Marco (Ex. SDG&E-12) |
| ESBA | Balancing | 1-way | N/A- In GRC testimony to discuss the future of the account. | N/A | N/A |

APPENDIX B - GLOSSARY OF TERMS

| | |
|----------|--|
| AB: | Assembly Bill |
| AMI: | Advanced Metering Infrastructure |
| AMIBA: | AMI Balancing Account |
| CFCA: | Core Fixed Cost Account |
| DIMP: | Distribution Integrity Management Program |
| DIMPBA: | DIMP Balancing Account |
| ECPT: | Equal Cents Per Therm |
| EDFCA: | Electric Distribution Fixed Cost Account |
| EPAM: | Equal Percent Authorized Margin |
| ERRA: | Energy Resource Recovery Account |
| ESBA: | Energy Storage Balancing Account |
| GRCMA: | GRC Memorandum Account |
| NERBA: | New Environmental Regulatory Balancing Account |
| NFCA: | Noncore Fixed Cost Account |
| PBA: | Pension Balancing Account |
| PBOP: | Post-Retirement Benefits Other than Pensions |
| PBOPBA: | PBOP Balancing Account |
| PCBs: | Polychlorinated Biphenyls |
| PCTs: | Programmable Communication Thermostats |
| RD&D: | Research, Development and Demonstration |
| RDDEA: | Research Development and Demonstration Expense Account |
| SCE: | Southern California Edison Company |
| SGMA: | Smart Grid Memorandum Account |
| SONGS: | San Onofre Nuclear Generating Station |
| SONGSBA: | SONGS Balancing Account |
| TIMP: | Transmission Integrity Management Program |
| TIMPBA: | TIMP Balancing Account |
| TTBA: | Tree Trimming Balancing Account |