

Company: San Diego Gas & Electric Company (U902M)
Proceeding: 2019 General Rate Case
Application: A.17-10-____
Exhibit: SDG&E-41

SDG&E

DIRECT TESTIMONY OF NORMA G. JASSO

(REGULATORY ACCOUNTS)

October 6, 2017

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



TABLE OF CONTENTS

I. INTRODUCTION 1

II. REGULATORY ACCOUNTS..... 1

 A. Closure of Accounts.....1

 1. Assembly Bill 802 Memorandum Accounts (AB802MA).....1

 2. Alternative Fuel Vehicle Memorandum Account (AFVMA).....2

 3. Community Choice Aggregation Implementation Balancing Account (CCAIBA).....2

 4. California Solar Initiative Performance-Based Incentive Memorandum Account (CSIPMA)2

 5. Deductible Tax Repairs Benefits Memorandum Accounts (DTRBMA).....2

 6. Energy Data Request Memorandum Accounts (EDRMA).....3

 7. Non-Residential Submetering Memorandum Account (NRSMA).....3

 8. Residential Disconnect Memorandum Accounts (RDMA)3

 9. Real-Time Energy Metering Memorandum Account (RTEMMA).....4

 10. Smart Meter Opt-Out Balancing Accounts (SMOBA).....4

 B. Continuation of Ratemaking Treatment.....4

 1. Fire Hazard Prevention Memorandum Account (FHPMA).....5

 2. New Environmental Regulatory Balancing Accounts (NERBA).....5

 3. Pension Balancing Accounts (PBA) and Post-Retirement Benefits Other Than Pensions Balancing Accounts (PBOPBA).....6

 4. Rate Reform Memorandum Account (RRMA)7

 5. SONGS O&M Balancing Account (SONGSBA).....7

 C. Modifications to Existing Regulatory Accounts.....7

 1. Net Energy Metering Aggregation Memorandum Account (NEMAMA) ..7

 2. Transmission Integrity Management Program Balancing Account (TIMPBA), and Post-2011 Distribution Integrity Management Program Balancing Account (DIMPBA).....8

 3. Tree Trimming Balancing Account (TTBA)12

 D. New Regulatory Account Proposed in the TY 2019 GRC13

 1. Liability Insurance Premium Balancing Account (LIPBA).....13

 2. Otay Mesa Acquisition Balancing Account (OMABA)13

 3. Third-Party Claims Balancing Account (TPCBA)13

 E. Information on Other Regulatory Accounts14

 1. Master Meter Balancing Accounts (MMBA)14

 2. Tax Memorandum Accounts (TMA)14

III. CONCLUSION..... 14

IV. WITNESS QUALIFICATIONS..... 15

LIST OF ACRONYMS

LIST OF APPENDICES

APPENDIX A: Chart of Test Year 2019 Regulatory Account Proposals NGJ A-1

SUMMARY

- Propose regulatory account closure:
 - AB802MA – Assembly Bill 802 Memorandum Account
 - AFVMA – Alternative Fuel Vehicle Memorandum Account
 - CCAIBA – Community Choice Aggregation Implementation Balancing Account
 - CSIPMA – California Solar Initiative Performance-Based Incentive Memo Account
 - DTRBMA – Deductible Tax Repairs Benefits Memorandum Account
 - EDRMA – Energy Data Request Memorandum Account
 - NRSMA – Non-Residential Submetering Memorandum Account
 - RDMA – Residential Disconnect Memorandum Account
 - RTEmma – Real-Time Energy Metering Memorandum Account
 - SMOBA – Smart Meter Opt-Out Balancing Account
- Continue the ratemaking treatment of regulatory accounts:
 - FHPMA – Fire Hazard Prevention Memorandum Account
 - NERBA – New Environmental Regulatory Balancing Account
 - PBA – Pension Balancing Account
 - PBOPBA – Post-Retirement Benefits Other than Pensions Balancing Account
 - RRMA – Rate Reform Memorandum Account
 - SONGSBA – San Onofre Nuclear Generation O&M Balancing Account
- Modification of existing regulatory accounts:
 - NEMAMA – Net Energy Metering Aggregation Memorandum Account
 - TIMPBA – Transmission Integrity Management Program Balancing Account
 - DIMPBA – Post 2011 Distribution Integrity Management Program Balancing Account
 - TTBA – Tree Trimming Balancing Account
- Propose to create a new regulatory account:
 - LIPBA – Liability Insurance Premiums Balancing Account
 - OMABA – Otoy Mesa Acquisition Balancing Account
 - TPCBA – Third-Party Claims Balancing Account
- Informational:
 - MMBA – Master Meter Balancing Account
 - TMA – Tax Memorandum Account

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

3 **I. INTRODUCTION**

4 The purpose of my testimony is to identify the San Diego Gas & Electric Company
5 (SDG&E) regulatory accounts that are associated with the Test Year (TY) 2019 General Rate
6 Case (GRC) and to present SDG&E's proposal for each account. My testimony: (1) presents
7 accounts to be closed/eliminated and addresses their balance disposition; (2) requests the
8 continuation and/or modification of existing regulatory accounts; (3) proposes the creation of a
9 new balancing account; and (4) includes information on other regulatory accounts.

10 **II. REGULATORY ACCOUNTS**

11 **A. Closure of Accounts**

12 Regulatory accounts listed in this section are interest-bearing balancing or memorandum
13 accounts that are recorded on SDG&E's financial statements. As part of the account description
14 that follows, I indicate whether the account is for the gas and/or electric segment; the account to
15 which it will transfer; and I also present the Quarter 2 2017¹ (Q2 2017) recorded balance for each
16 account. When the TY 2019 GRC proceeding concludes, SDG&E will transfer to a fixed
17 regulatory account either the actual December 31, 2018 year-end balance² or a 2018 year-end
18 forecasted balance³ for inclusion in the next available rate change. If a residual balance remains
19 in the balancing/memorandum account, it will be transferred to the fixed regulatory account(s)
20 prior to closing the account.

21 **1. Assembly Bill 802 Memorandum Accounts (AB802MA)**

22 In compliance with Assembly Bill 802, SDG&E requested to establish its electric and gas
23 AB802MAs in March 2016. The AB802MA records costs associated with maintaining energy
24 usage data and providing energy usage data to building owners. A summary of costs recorded in
25 the AB802MAs from inception to Q2 2017 are presented for review in the Customer Services –
26 Information & Technologies testimony of Lisa Davidson (Exhibit SDG&E-19). SDG&E
27 proposes to transfer the electric AB802MA balance to the Electric Distribution Fixed Cost

¹ June 30, 2017 is the most current available quarter-end accounting record at time of this instant application filing.

² In the event the GRC Decision is issued on or after January 1, 2019.

³ In the event the GRC Decision is issued before January 1, 2019.

1 Account (EDFCA) and the gas balance to the Core Fixed Cost Account (CFCA) and Noncore
2 Fixed Cost Account (NFCA); and to close the AB802MAs thereafter. The Q2 2017
3 undercollected balances are \$0.147 million for electric and \$0.069 million for gas.

4 **2. Alternative Fuel Vehicle Memorandum Account (AFVMA)**

5 The electric AFVMA, authorized in Decision (D.)13-11-002, records costs related to
6 implementation of the submetering pilots that are above what could reasonably be recovered
7 through the Electric Program Investment Charge (EPIC)⁴. Costs recorded in this account cannot
8 exceed \$2 million per utility in the case of co-funding from EPIC, and cannot exceed \$5 million
9 per utility in the case that the EPIC program is not authorized. A summary of costs recorded in
10 the AFVMA from inception to Q2 2017 are presented for review by Ms. Davidson (Ex. SDG&E-
11 19). SDG&E proposes to transfer the electric AFVMA balance to the EDFCA; and to close the
12 AFVMA thereafter. The Q2 2017 undercollected balance is \$1.049 million.

13 **3. Community Choice Aggregation Implementation Balancing Account** 14 **(CCAIBA)**

15 The electric CCAIBA, authorized in D.04-12-046, records costs associated with the
16 development of the Community Choice Aggregation (CCA) program and the infrastructure
17 required to maintain and operate it. No activity has been recorded in this account since inception
18 and the balance is \$0. Therefore, SDG&E proposes to close the CCAIBA.

19 **4. California Solar Initiative Performance-Based Incentive** 20 **Memorandum Account (CSIPMA)**

21 The electric CSIPMA was established in 2008 to record costs related to implementation
22 and administration of an on-bill mechanism to pay performance-based incentive payments
23 related to the California Solar Initiative program pursuant to D.06-08-028. No activity has been
24 recorded in this account since inception and the balance is \$0. Therefore, SDG&E proposes to
25 close the CSIPMA.

26 **5. Deductible Tax Repairs Benefits Memorandum Accounts (DTRBMA)**

27 Pursuant to the Administrative Law Judge's (ALJ) Ruling on The Utility Reform
28 Networks Motion to Establish Memorandum Accounts, issued on January 15, 2015 in
29 Application (A.)14-11-003/004 (consolidated), the purpose of the electric and gas DTRBMAs is

⁴ EPIC is the customer funded research, development and deployment program authorized by the Commission.

1 to record the difference between the revenue requirement associated with the effect on SDG&E's
2 income tax expense (including gross-up) of using the authorized revenue requirement based on
3 the forecasted percentage repair allowance deduction and the revenue requirement associated
4 with the effect on SDG&E's income tax expense (including gross-up) of using the Internal
5 Revenue Service (IRS) sanctioned "safe harbor" repairs deduction accounting method as
6 recorded, holding all other TY 2012 General Rate Case parameters equal.

7 In compliance with D.16-06-054, SDG&E updated its rates effective August 1, 2016 to
8 amortize the DTRBMA balance over a 17-month period (August 2016 through December 2017).
9 The Q2 2017 overcollected balance is \$10.383 million for electric and \$0 for gas. If there is any
10 remaining residual balance in the electric DTRBMA as of December 31, 2017, SDG&E proposes
11 to transfer the remaining electric balance to the EDFCA and to close both electric and gas
12 DTRBMAs thereafter.

13 **6. Energy Data Request Memorandum Accounts (EDRMA)**

14 The electric and gas EDRMAs record costs associated with the development and
15 implementation of the energy usage data request and release process per D.14-05-016, which
16 adopts rules that provide access to energy usage and usage-related data to local government
17 entities, researchers, and state and federal agencies. A summary of costs recorded in the
18 EDRMAs from inception to Q2 2017 are presented for review by Ms. Davidson (Ex. SDG&E-
19 19). SDG&E proposes to transfer the electric EDRMA balance to the EDFCA and the gas
20 balance to the CFCA and NFCA and to close the EDRMAs thereafter. The Q2 2017
21 undercollected balances are \$0.346 million for electric and \$0.057 million for gas.

22 **7. Non-Residential Submetering Memorandum Account (NRSMA)**

23 The electric NRSMA was established in 2008 to record costs related to implementation
24 of the non-residential customers sub-metering program authorized in D.08-02-034. No activity
25 has been recorded on this account since inception and the balance is \$0. Therefore, SDG&E
26 proposes to close the NRSMA.

27 **8. Residential Disconnect Memorandum Accounts (RDMA)**

28 The electric and gas RDMAs record costs to comply with the Residential Disconnection
29 Settlement Agreement on credit, collection, and disconnection practices per D.14-06-036. The
30 costs recorded in the RDMAs are addressed in the Customer Services – Office Operations

1 testimony of Jerry Stewart (Exhibit SDG&E-18). Upon Commission approval, SDG&E
2 proposes to transfer the electric RDMA balance to the EDFCA and the gas balance to the CFCA
3 and NFCA and to close the RDMA's thereafter. The Q2 2017 undercollected balances are \$0.064
4 million for electric and \$0.028 million for gas.

5 **9. Real-Time Energy Metering Memorandum Account (RTEMMA)**

6 The electric RTEMMA was established in 2001 to record costs associated with SDG&E's
7 approved Real-Time Energy Metering program pursuant to D.01-05-032. No activity has been
8 recorded on this account since inception and the balance is \$0. Therefore, SDG&E proposes to
9 close the RTEMMA.

10 **10. Smart Meter Opt-Out Balancing Accounts (SMOBA)**

11 The electric and gas SMOBAs record revenue collected from opt-out customers and costs
12 associated with the Smart Meter Opt-Out Program as authorized in D.12-04-019. This program
13 provides residential customers with the option to not have a wireless Smart Meter installed at
14 their residences. A summary of costs incurred and revenues collected associated with providing
15 the Opt-Out Program are found in the Customer Services – Field testimony of Gwen Marelli
16 (Exhibit SDG&E-17). When the TY 2019 GRC proceeding concludes, SDG&E proposes to
17 transfer the electric SMOBA balance to the EDFCA and the gas balance to the CFCA and NFCA
18 for inclusion in rates and to close the SMOBAs thereafter. The Q2 2017 undercollected balances
19 are \$0.573 million for electric and \$0.332 million for gas.

20 **B. Continuation of Ratemaking Treatment**

21 The regulatory accounts listed in this section are interest-bearing balancing or
22 memorandum accounts that are recorded on SDG&E's financial statements. As part of the
23 account description that follows, I indicate whether the account is for the gas and/or electric
24 segment and the Q2 2017 recorded balance for each account. SDG&E requests the continuation
25 of these regulatory accounts and authorization to transfer or amortize the December 31, 2018
26 balance. When the TY 2019 GRC proceeding concludes, SDG&E proposes to include in the
27 next available rate change, either the actual December 31, 2018 year-end balance⁵ or a 2018
28 year-end forecasted balance.⁶

⁵ In the event the GRC Decision is issued on or after January 1, 2019.

⁶ In the event the GRC Decision is issued before January 1, 2019.

1 regulatory accounts update advice letter filing. The AB 32 Administration Fees Subaccount is
2 incorporated into customer rates in connection with SDG&E's Energy Resource Recovery
3 Account (ERRA) annual compliance proceeding.

4 Pursuant to D.16-06-054 and D.17-06-015, the gas NERBA consists of five sub-
5 accounts: 1) Subpart W Subaccount; 2) AB 32 Administration Fees Subaccount; 3) Leak
6 Detection and Repair (LDAR) Subaccount; 4) MS4 Compliance Subaccount and 5) Natural Gas
7 Leak Abatement Program (NGLAP) Subaccount.⁷ Details of costs related to these subaccounts
8 are discussed by Ms. Clancy (Ex. SDG&E-23). The disposition of the gas NERBA balance is
9 incorporated into customer rates in connection with SDG&E's annual regulatory account update
10 advice letter filing and the revenue requirement and disposition for the NGLAP Subaccount are
11 to be determined in a separate Tier 3 advice letter process in compliance with D.17-06-015.

12 SDG&E proposes to maintain the ratemaking treatment for electric and gas NERBA-
13 related costs since, as described by Ms. Clancy (Ex. SDG&E-23), there continues to be
14 uncertainty of the amount of costs expected to be incurred by SDG&E during the TY 2019 GRC
15 cycle.

16 **3. Pension Balancing Accounts (PBA) and Post-Retirement Benefits** 17 **Other Than Pensions Balancing Accounts (PBOPBA)**

18 The purpose of the PBA is to balance the difference between the forecasted and actual
19 contributions to SDG&E's pension fund. The purpose of the PBOPBA is to balance the annual
20 PBOP costs embedded in authorized rates with the lesser of the PBOP costs calculated in
21 accordance with Accounting Standards Codification 715 or based on actual tax-deductible
22 contributions to the PBOP trust. Forecasted pension and PBOP costs are discussed in the
23 Corporate Center – Pension & PBOPs testimony of Debbie Robinson (Exhibit SCG-31/SDG&E-
24 29).

25 These accounts consist of both O&M and capital components. The O&M component
26 reflects pension/PBOP costs adjusted for costs capitalized to utility rate base and intercompany
27 pension/PBOP costs billed by or charged to SoCalGas' affiliate companies. The capital
28 component reflects pension/PBOP costs recovered through depreciation, including the return
29 associated with the unamortized balance of pension/PBOP costs capitalized to utility rate base.

⁷ Advice Letter (AL) 2593-G approved the creation of the NGLAP Subaccount on September 6, 2017.

1 In 2008, SDG&E and SoCalGas filed a Petition for Modification of their TY 2008 GRC
2 decision (D.08-07-046) to accelerate recovery of increased contributions to their pension and
3 PBOP Trusts that were required due to declines in pension fund values and the rising costs of
4 other benefits. In D.09-09-011, the Commission approved this request giving SDG&E and
5 SoCalGas the authorization to annually amortize their PBA and PBOPBA balances as part of the
6 annual regulatory account update advice letter filing. SDG&E proposes to continue the
7 ratemaking treatment and annual recovery process for both the PBA and PBOPBA. Detailed
8 workpapers, which include recorded information and forecast information based on the latest
9 actuarial studies, are included in connection with the annual regulatory account update advice
10 letter filing.

11 **4. Rate Reform Memorandum Account (RRMA)**

12 The purpose of the electric RRMA is to record costs associated with the implementation
13 of residential Time-of-Use related activities as directed by D.15-07-001. A summary of costs
14 recorded in the RRMA from inception to Q2 2017 is presented for review by Ms. Davidson (Ex.
15 SDG&E-19). When the TY 2019 GRC proceeding concludes, SDG&E proposes to transfer the
16 December 31, 2018 RRMA undercollected balance to the EDFCA for inclusion in the next
17 available rate change. SDG&E requests the continuation of this account.

18 **5. SONGS O&M Balancing Account (SONGSBA)**

19 The purpose of the electric SONGSBA is to record the difference between the SDG&E's
20 authorized O&M cost and the actual costs billed by Southern California Edison Company (SCE).
21 In SDG&E's TY 2016 GRC D.16-06-054, the Commission authorized continued balancing
22 treatment of SONGS O&M costs billed by SCE. As noted in the Electric Generation testimony
23 of Daniel Baerman (Exhibit SDG&E-16) SDG&E requests continuation of this account.

24 **C. Modifications to Existing Regulatory Accounts**

25 In this section, five regulatory accounts are listed with SDG&E's proposed modifications
26 for consideration.

27 **1. Net Energy Metering Aggregation Memorandum Account** 28 **(NEMAMA)**

29 The purpose of the electric NEMAMA is to track the costs associated with the Net
30 Energy Metering Aggregation Program (NEM Aggregation). Pursuant to Public Utilities Code

1 Section 2827(h)(4), an eligible customer-generator with multiple meters may elect to aggregate
2 the electrical load of the meters located on the property where the renewable electrical generation
3 facility is located and on all property adjacent, provided that all properties are solely owned,
4 leased, or rented by the eligible customer-generator. As part of this filing, SDG&E proposes to
5 modify the memorandum account disposition of the NEMAMA balance will now be addressed
6 in SDG&E's GRC proceeding or in another proceeding deemed appropriate by the Commission.
7 SDG&E may seek, via advice letter filing, to propose a final billing service fee structure at a
8 time wherein SDG&E has sufficient relevant details as to the appropriate amount of the fee
9 structure pursuant to Special Condition 8 of SDG&E's tariff Schedule NEM.

10 **2. Transmission Integrity Management Program Balancing Account**
11 **(TIMPBA), and Post-2011 Distribution Integrity Management**
12 **Program Balancing Account (DIMPBA)**

13 The purpose of the gas TIMPBA and Post-2011 DIMPBA is to balance the difference
14 between actual and authorized costs in each account. These accounts consist of both O&M and
15 capital-related costs. The capital-related component reflects TIMP/DIMP costs recovered
16 through depreciation, return, and taxes associated with capitalized TIMP/DIMP costs. Details of
17 the TIMP and DIMP costs are discussed in the Pipeline Integrity for Transmission and
18 Distribution testimony of Maria Martinez (Exhibit SDG&E-11).

19 Generally, balancing the costs of capital for these programs results in compounding
20 effects over the GRC cycle that do not exist when compared to the balancing of annual O&M
21 expenses. The balancing of O&M is an annual comparison of O&M expenses incurred during a
22 year to an authorized amount for that same period. Balancing capital, on the other hand,
23 accounts for the actual capital-related costs, or capital revenue requirement, on a cumulative
24 basis since these costs are incurred for the underlying assets, not just during a single year, but
25 rather over the life of the asset and compared to an authorized capital revenue requirement over
26 the GRC cycle. In a GRC, the capital revenue requirement is balanced cumulatively throughout
27 the GRC cycle (*e.g.*, 2016 through 2018), until the remaining book value of assets installed
28 during the GRC cycle is rolled-in to authorized rate base in connection with SDG&E's next
29 GRC. This becomes problematic from an accounting perspective as the actual capital revenue
30 requirement recorded in the balancing account begins to compound in the post-test years (PTYs),
31 resulting in a growing undercollection, even if the program maintains capital expenses within
32 authorized levels.

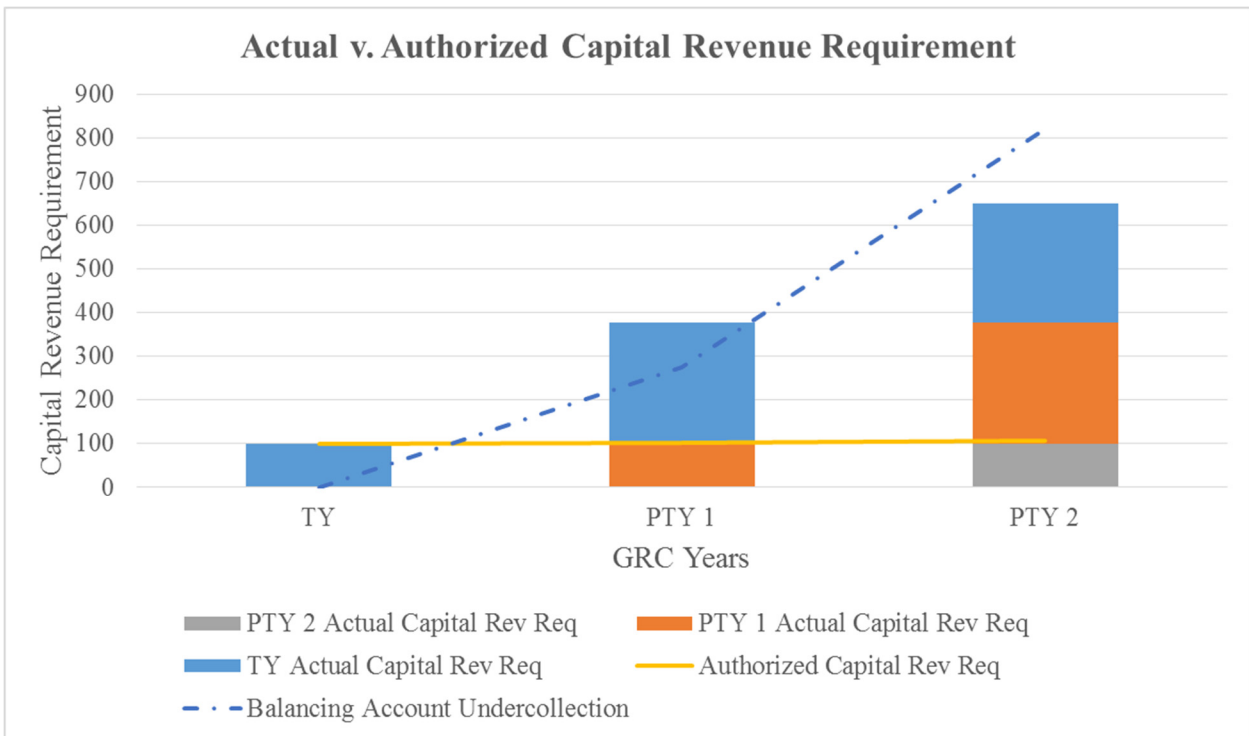
1 The GRC capital revenue requirement for the test year is developed through the Results
2 of Operation model, discussed in the Summary of Earnings testimony of Khai Nguyen (Exhibit
3 SDG&E-42), using authorized capital expenditures and forecasted in-service dates for the test
4 year. Thus, the amount and timing of plant additions in the test year are the main drivers of the
5 resulting authorized capital revenue requirement for the GRC cycle. If the capital expenses for
6 the test year are forecasted to be in service later in the year, authorized rate base will be lower,
7 resulting in a lower capital revenue requirement. This effectively means partial recovery of the
8 actual capital-related costs incurred in the test year if the asset is placed in service earlier than
9 forecasted. In addition, the authorized capital revenue requirement in the PTYs is calculated by
10 multiplying the prior year's authorized revenue requirement by the PTY mechanism (typically an
11 authorized attrition rate or percentage). Using a simple percentage attrition mechanism, the
12 authorized PTY revenue requirement provides partial recovery of the corresponding year's plant
13 additions. However, SDG&E will continue to incur capital-related costs related to plant
14 additions in the test year on top of the additional costs for the plant additions in the PTYs. At the
15 end of the GRC cycle, the cumulative rate base balance may triple on an actual basis along with
16 the corresponding impact to the actual capital revenue requirement. Moreover, when compared
17 to authorized (which remains relatively flat), the undercollection in the balancing account will
18 exponentially increase solely due to this compounding issue, which is largely beyond SDG&E's
19 control.

20 Table NJ-2 below is an example illustrating the compounding issue that results from
21 balancing capital revenue requirement. Below are the key assumptions for the figures shown in
22 Table NJ-2:

- 23 • The program spends at authorized levels (\$2,500/year).
- 24 • The timing and amount of plant additions are the same each year of the GRC cycle.
- 25 • Actual and authorized capital revenue requirement is based on an authorized rate of
26 return of 8% and depreciation rate of 4%.
- 27 • Ignoring property taxes, the authorized capital revenue requirement in the PTYs is
28 calculated using a fixed attrition rate of 3.5%.

**Table NJ-2
SDG&E
Illustrative Capital Compounding Example**

Period	Plant Additions	Plant Balance	Actual Capital Rev Req				Authorized Capital Rev Req	Difference	
			TY	PTY 1	PTY 2	Total Cycle		\$	M
TY	2,500	2,500	99	0	0	99	99	0	0%
PTY 1	2,500	5,000	278	99	0	377	103	275	268%
PTY 2	2,500	7,500	273	278	99	651	106	545	514%
Total GRC Cycle	7,500	7,500	651	377	99	1,127	308	820	266%



The table and chart above illustrate the total capital revenue requirement incurred each year in a GRC cycle and further breaks down each year's capital revenue requirement to correspond with the year the underlying assets went in service. This example shows that an undercollection of \$820 (266% of the total authorized GRC capital revenue requirement) would result even though capital spending is within authorized levels and the timing/amount of plant additions are identical each year.

In D.16-06-054, the Commission approved recovery of costs up to 35% of the TIMP and DIMP programs' respective TY 2016 GRC cycle authorized revenue requirement through a Tier 3 advice letter. Recovery of any amount equal to or above the 35% threshold is subject to a

1 separate application. The capital compounding effect described above complicates the
2 determination of when the 35% threshold is reached that would trigger a different procedural
3 mechanism for recovery. As seen in the above chart, toward the end of a GRC cycle, most of the
4 accumulated capital-related costs for the TIMP and DIMP programs may not be attributable to
5 new plant or an overspend of authorized program expenses, but rather could be due to the
6 compounding capital revenue requirement for prior years' installed plant. When computing a
7 dollar amount threshold to determine whether SDG&E should file a Tier 3 advice letter or
8 application to seek recovery of an undercollection in the TIMPBA and/or Post-2011 DIMPBA,
9 SDG&E proposes to not use a percentage of its total GRC cycle revenue requirement due to the
10 significant difference between actual capital revenue requirements and the authorized, escalated
11 capital revenue requirements resulting from this compounding phenomenon. Instead, SDG&E
12 proposes to change the current calculation to compute the dollar amount threshold by
13 multiplying 35% by the total authorized O&M and capital expenditures. As a result of this
14 change in calculation methodology, SDG&E would file a Tier 3 advice letter to seek recovery of
15 the undercollection in the TIMP/DIMP balancing accounts when the corresponding program is
16 overspent by up to 35% of the total authorized O&M and capital expenditures. For overspending
17 greater than or equal to 35%, SDG&E will file a separate application to request recovery. If
18 SDG&E has not overspent in excess of its total authorized O&M and capital expenditures for the
19 GRC cycle, but an undercollection exists in the balancing account due to compounding of the
20 actual capital revenue requirements recorded to the balancing account, SDG&E will incorporate
21 the undercollected balance in its annual regulatory account update advice letter filing for
22 recovery in the following year's gas transportation rates. If a net overcollection exists at the end
23 of the GRC cycle, SDG&E requests to refund the balance in customers' rates in connection with
24 its annual regulatory account update filing. Table NJ-3 summarizes the proposed cost recovery
25 method by scenario.

Table NJ-3
SDG&E
Proposed TIMPBA and Post-2011 DIMPBA Cost Recovery Methods

Actual Expense vs. Authorized Expense	Balancing Account Over- or Undercollection	Disposition
O&M + Capital underspent	Undercollection ¹	Regulatory Account Update Filing
O&M + Capital overspent (0-34% of authorized expenses)	Undercollection ²	Tier 3 AL
O&M + Capital overspent (35%+ of authorized expenses)	Undercollection ²	Application
Net overcollection at end of GRC cycle		Regulatory Account Update Filing

¹ Undercollection due to capital compounding.

² Undercollection due to actual spending greater than authorized O&M and capital expenses and capital compounding.

Additionally, SDG&E proposes to return to customers the Post-2011 DIMPBA overcollected balance as of December 31, 2018. The balance in the account as of Q2 2017 is (\$3.1) million overcollected. A summary of activity recorded in the Post-2011 DIMPBA as of Q2 2017 are presented in Table NJ-4 below. When the TY 2019 GRC proceeding concludes, SDG&E proposes to transfer the December 31, 2018 DIMPBA balance to the CFCA and NFCA for inclusion in rates.

Table NJ-4
SDG&E
Summary of Post-2011 DIMPBA Activity

Year	Revenues	Expenses	Interest	Transfers	Account Balance
2012					\$ -
2013	(675,334)	861,544	435	2,474,462	\$ 2,661,107
2014	(4,162,000)	2,823,071	2,082		\$ 1,324,260
2015	(4,276,000)	2,506,727	508		\$ (444,505)
2016	(7,126,000)	4,067,098	(12,255)		\$ (3,515,662)
Jan - Jun 2017	(3,688,002)	4,148,927	(15,139)	-	\$ (3,069,876)

3. Tree Trimming Balancing Account (TTBA)

The purpose of the TTBA is to balance the difference between the annual revenues authorized in SDG&E's GRC and actual annual tree trimming costs. This account is addressed in SDG&E's annual regulatory account update advice letter filing where revenues collected in

1 excess of annual costs are returned to electric distribution customers on an annual basis. As part
2 of this filing, SDG&E proposes to modify the balancing account mechanism from a one-way to a
3 two-way balancing account treatment for the costs authorized in this proceeding as discussed by
4 the Electric Distribution – O&M testimony of William Speer (Exhibit SDG&E-15).

5 **D. New Regulatory Account Proposed in the TY 2019 GRC**

6 **1. Liability Insurance Premium Balancing Account (LIPBA)**

7 SDG&E proposes to create the electric and gas LIPBAs as two-way interest-bearing
8 balancing accounts recorded on SDG&E's financial statements. The purpose of the LIPBA is to
9 record the difference between 1) the authorized revenue requirement to be adopted in this TY
10 2019 GRC specific to liability insurance premiums charged to SDG&E as set forth in the
11 Corporate Center – Insurance testimony of Neil Cayabyab (Exhibit SCG-29/SDG&E-27) and 2)
12 the actual incurred and recorded expenses. SDG&E proposes to amortize the balance in the
13 LIPBA in customers' rates in connection with the annual regulatory account update advice letter
14 filing.

15 **2. Otoy Mesa Acquisition Balancing Account (OMABA)**

16 SDG&E proposes to create the electric OMABA as a one-way interest-bearing balancing
17 account recorded on SDG&E's financial statements. The purpose of the OMABA is to record
18 the revenues collected from customers through January 1, 2019 until SDG&E takes ownership of
19 the Otoy Mesa Energy Center (OMEC) and it becomes a used and useful asset in SDG&E's
20 Generation fleet. After the plant is in SDG&E's ownership, the balance in the OMABA will be
21 transferred to the appropriate regulatory account and returned to customers during the next
22 available rate change. SDG&E will then close the OMABA. Review of this account will take
23 place in the annual ERRRA Compliance proceeding or another proceeding deemed appropriate by
24 the Commission. Refer to the testimony of Mr. Baerman (Ex. SDG&E-16) for information on
25 the OMEC acquisition and timing.

26 **3. Third-Party Claims Balancing Account (TPCBA)**

27 SDG&E proposes to create the electric and gas TPCBAs as two-way interest-bearing
28 balancing accounts recorded on SDG&E's financial statements. The purpose of the TPCBA is to
29 record the difference between the authorized revenue requirement and actual expenses specific to
30 transactions associated with third-party-related claims as set forth in the Accounting and

1 Finance/Legal/Regulatory Affairs/External Affairs testimony of Sandra K. Hrna (Exhibit
2 SDG&E-31). The TPCBA balance will be addressed in each GRC on a going forward basis.

3 **E. Information on Other Regulatory Accounts**

4 **1. Master Meter Balancing Accounts (MMBA)**

5 The electric and gas MMBA's record the incremental costs associated with the conversion
6 of master-metered service at mobile home parks to direct utility service as part of a three-year
7 pilot program authorized by the Commission in D.14-03-021. Since all "to the meter" assets
8 placed into service through December 31, 2016 have been included in rate base as part of
9 SDG&E's TY 2019 GRC, SDG&E will accordingly discontinue recording in the MMBA the
10 capital-related costs associated with these assets upon implementation of the TY 2019 GRC
11 Decision to avoid double recovery of these costs.

12 **2. Tax Memorandum Accounts (TMA)**

13 The electric and gas TMAs were created pursuant to D.16-06-054 as interest-bearing
14 accounts that are not recorded on SDG&E's financial statements. The purpose of the TMA is to
15 track revenue differences resulting from the income tax expense approved in SDG&E's TY 2016
16 GRC and actual tax expense incurred during the TY 2016 GRC period of January 1, 2016
17 through December 31, 2018. Details and proposals related to the TMA are discussed in the Tax
18 testimony of Ragan Reeves (Exhibit SDG&E-35).

19
20 **III. CONCLUSION**

21 The ratemaking treatment for the regulatory accounts discussed above is reasonable and
22 should be adopted as proposed, subject to any necessary Commission determination of the
23 underlying programs as sponsored by the various witnesses referenced throughout this testimony.

24 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, tracking, 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 and
11 Compliance Project Manager II, Affiliate Compliance Manager, Senior Business Analyst, and
12 Accounting Systems Analyst.

13 I have previously testified before this Commission.

LIST OF ACRONYMS

ACRONYM	DEFINITION
(A.)	Application
AB	Assembly Bill
AB802MA	Assembly Bill 802 Memorandum Account
AFVMA	Alternative Fuel Vehicle Memorandum Account
AL	Advice Letter
ALJ	Administrative Law Judge
CCA	Community Choice Aggregation
CCAIBA	Community Choice Aggregation Implementation Balancing Account
CFCA	Core Fixed Cost Account
CSIPMA	California Solar Initiative Performance-Based Incentive Memo Account
(D.)	Decision
DIMP	Distribution Integrity Management Program
DIMPBA	DIMP Balancing Account
DTRBMA	Deductible Tax Repairs Benefits Memorandum Account
EDFCA	Electric Distribution Fixed Cost Account
EDRMA	Energy Data Request Memorandum Account
EPIC	Electric Program Investment Charge
ERRA	Energy Resource Recovery Account
FHPMA	Fire Hazard Prevention Memorandum Account
GRC	General Rate Case
IRS	Internal Revenue Service
LDAR	Leak Detection and Repair Subaccount
LIPBA	Liability Insurance Premiums Balancing Account
MMBA	Master Meter Balancing Account
MS4	Municipal Separate Storm Sewer Systems Compliance Subaccount
NEMAMA	Net Energy Metering Aggregation Memorandum Account
NERBA	New Environmental Regulatory Balancing Account
NFCA	Noncore Fixed Cost Account
NGLAP	Natural Gas Leak Abatement Program Subaccount
NRSMA	Non-Residential Submetering Memorandum Account
O&M	Operations and Maintenance
OMABA	Otay Mesa Acquisition Balancing Account
OMEC	Otay Mesa Energy Center
PBA	Pension Balancing Account
PBOP	Post-Retirement Benefits Other than Pensions
PBOPBA	PBOP Balancing Account
PCBs	Polychlorinated Biphenyls
PTY	Post-Test-Year
RDMA	Residential Disconnect Memorandum Account
RRMA	Rate Reform Memorandum Account

RTEMMA	Real-Time Energy Metering Memorandum Account
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SMOBA	Smart Meter Opt-Out Balancing Account
SONGS	San Onofre Nuclear Generating Station
SONGSBA	SONGS Balancing Account
TIMP	Transmission Integrity Management Program
TIMPBA	TIMP Balancing Account
TMA	Tax Memorandum Account
TPCBA	Third-Party Claims Balancing Account
TTBA	Tree Trimming Balancing Account
TY	Test Year

APPENDIX A
Chart of Test Year 2019 Regulatory Account Proposals

Line	Regulatory Account (SDG&E)	Balancing/Memo	1 or 2-way	Electric and / or Gas	Proposal	Sponsoring Witness
1	AB802MA	Memo	2-way	E & G	Transfer & Close	Lisa Davidson (Ex. SDG&E-19)
2	AFVMA	Memo	2-way	E	Transfer & Close	Lisa Davidson (Ex. SDG&E-19)
3	CCAIBA	Balancing	2-way	E	Close	N/A
4	CSIPMA	Memo	2-way	E	Close	N/A
5	DIMPBA	Balancing	2-way	G	Modify & Continue	Maria Martinez (Ex. SDG&E-11)
6	DTRBMA	Memo	2-way	E & G	Transfer & Close	N/A
7	EDRMA	Memo	2-way	E & G	Transfer & Close	Lisa Davidson (Ex. SDG&E-19)
8	FHPMA	Memo	2-way	E	Transfer & Continue	N/A
9	LIPBA	Balancing	2-way	E & G	Create	Neil Cayabyab (Ex. SDG&E-27)
10	MMBA	Balancing	2-way	E & G	Informational	N/A
11	NEMAMA	Memo	2-way	E	Modify & Continue	N/A
12	NERBA	Balancing	2-way	E & G	Continue	Nancy Clancy (Ex. SDG&E-23)
13	NRSMA	Memo	2-way	E	Close	N/A
14	OMABA	Balancing	1-way	E	Create	Dan Baerman (Ex. SDG&E-16)
15	PBA	Balancing	2-way	E & G	Continue	Debbie Robinson (Ex. SDG&E-29)
16	PBOPBA	Balancing	2-way	E & G	Continue	Debbie Robinson (Ex. SDG&E-29)
17	RDMA	Memo	2-way	E & G	Transfer & Close	Jerry Stewart (Ex. SDG&E-18)
18	RRMA	Memo	2-way	E	Transfer & Continue	Lisa Davidson (Ex. SDG&E-19)
19	RTEMMA	Memo	2-way	E	Close	N/A
20	SMOBA	Balancing	2-way	E & G	Transfer & Close	Gwen Marelli (Ex. SDG&E-17)
21	SONGSBA	Balancing	2-way	E	Continue	Dan Baerman (Ex. SDG&E-16)
22	TIMPBA	Balancing	2-way	G	Modify & Continue	Maria Martinez (Ex. SDG&E-11)
23	TMA	Memo	2-way	E & G	Informational	Ragan Reeves (Ex. SDGE-35)
24	TPCBA	Balancing	2-way	E & G	Create	Sandra Hrna (Ex. SDG&E-31)
25	TTBA	Balancing	1-way	E	Modify & Continue	Will Speer (Ex. SDG&E-15)