Application No: A.11-11-002
Exhibit No.:
Witness: Gregory D. Shimansky

In the Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for Authority to Revise Their Rates Effective January 1, 2013, in Their Triennial Cost Allocation Proceeding	)))))))	A.11-11-002 (Filed November 1, 2011)

REVISED UPDATED PREPARED DIRECT TESTIMONY OF

GREGORY D. SHIMANSKY

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

March 15, 2013

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REVISED UPDATED PREPARED DIRECT TESTIMONY

OF GREGORY D. SHIMANSKY

I. QUALIFICATIONS

My name is Gregory D. Shimansky. I am employed by San Diego Gas & Electric Company (SDG&E), as the Financial Services and Regulatory Accounts Manager in the Financial Analysis Department. My business address is 8330 Century Park Court, San Diego, California 92123. My current responsibilities include managing the process for the development, implementation, and analysis of regulatory balancing and memorandum accounts. I also have oversight responsibility over the Utility Treasury function. I assumed my current position in July 2010.

I have been employed with SDG&E and Sempra Energy Corporate (Parent) since June 30, 2003. In addition to my current position in Regulatory Affairs, I served as Financial Planning Manager for Sempra Energy and was responsible for the completion of the 5-year financial plan and accompanying analysis. I held that role from June 2009 through April 2010. From August 2008 to June 2009, I was the Regulatory Reporting Manager in charge of the monthly close and reporting of revenues, cost of goods sold and balancing accounts. Further, I was responsible for the filing of financial data as required to the CPUC and FERC – such as FERC Form 1 reports. I received a Bachelors of Science degree in Economics from the University of California, Los Angeles in June 1993. I also received a Master's of Science in Management, with concentrations in Finance and Marketing, from Purdue University in May 1998.

I have previously provided testimony before this Commission.

II. PURPOSE

The purpose of my testimony is to: (1) present the forecasts of the December 31, 2012 account balances in SDG&E's authorized gas regulatory accounts to be incorporated into the Triennial Cost Allocation Proceeding (TCAP) adopted rates; and, (2) propose a refund plan for the charges accumulated in the Curtailment Penalty Funds Account (CPFA). SDG&E proposes to amortize the applicable balances over a 12-month period, beginning January 1, 2013.

III. OVERVIEW

The rates authorized in the 2009 Biennial Cost Allocation Proceeding (BCAP) Decision (D.09-11-006) became effective February 1, 2010. As authorized by the Commission, SDG&E subsequently filed an annual regulatory account update by Advice Letter 1985-G in October of 2010, requesting authority to incorporate estimated December 31, 2010 regulatory account balances into rates, effective on January 1 of the following year. The Commission granted such authority on December 22, 2010. More recently, SDG&E filed its latest annual regulatory account update by Advice Letter 2067-G dated October 31, 2011, requesting authority to incorporate forecasted December 31, 2011 regulatory account balances into rates, effective on January 1, 2012. The October 31, 2011 regulatory account balance update reflects the latest available information on the regulatory account balances, including forecasts of other regulatory accounts established in other proceedings. The October 31, 2011 update in regulatory account balances and the update to be filed in October 2012 will supersede the forecast being provided herein in Section IV.A in order to ensure that rates are based on forecasted regulatory account balances that reflect the latest available information for incorporation into rates effective January 1, 2013.

The associated rate impact of the regulatory account balances are addressed in the testimony of Mr. Bonnett.

The following gas regulatory accounts are addressed in my testimony:

A. Regulatory Accounts – Forecasted Balances as of December 31, 2012

1. Core Fixed Cost Account (CFCA)
2. Noncore Fixed Cost Account (NFCA)
3. Rewards and Penalties Balancing Account (RPBA)
4. Self-Generation Program Memorandum Account (SGPMA)
5. Hazardous Substance Cleanup Cost Account (HSCCA)
6. FERC Settlement Proceeds Memorandum Account (FSPMA)
7. Integrated Transmission Balancing Account (ITBA)
8. California Solar Initiative Thermal Program Memorandum Account (CSITPMA)
9. Liquefied Natural Gas Service Tracking Account (LNGSTA)
10. Pension Balancing Account (PBA)
11. Post-Retirement Benefits Other than Pensions Balancing Account (PBOPBA)

B. Refund Plan for Charges Accounted in the Curtailment Penalty Funds Account (CPFA)

Consistent with D.09-11-006, SDG&E proposes to refund the accumulated overcollected balance forecast at $145,000 by December 31, 2012 as a one-time bill credit to noncore customers who were asked to curtail and complied with the curtailment order. Each customer’s refund amount will be a pro-rata share of the balance based on its usage in a comparable non-curtailment period, adjusted to reflect compliance with the curtailment events. SDG&E believes that this is the most equitable approach, avoiding windfalls to customers that began service after the curtailment period and rewarding customers for complying with curtailment orders.

IV. REGULATORY ACCOUNTS

SDG&E's regulatory accounts are described below and identify the forecasted account balances as of December 31, 2012.

A. Regulatory Accounts – Forecasted Balances as of December 31, 2012

SDG&E's forecast of regulatory account balances as of December 31, 2012 is based on recorded data through July 2011 and is summarized in Table 1 on Page 13.

1. Core Fixed Cost Account (CFCA)

The CFCA is a balancing account authorized by D.05-03-023. D.05-03-023 authorized SDG&E to record the difference between its authorized gas core transportation base margin revenue requirement and recorded base margin revenues from authorized gas transportation rates, which is recorded in the Base Margin Revenue Requirement subaccount (CFCA-Margin). Also included in the Base Margin Revenue Requirement is the authorized revenue requirement for gas storage. The CFCA also has three other subaccounts: the (1) Southern California Gas Company (SoCalGas) Transportation Costs (CFCA-SCG), (2) Other SDG&E Costs (CFCA-Other), and (3) Neighbor-to-Neighbor (NTN). The "SoCalGas Costs" subaccount records SoCalGas charges and offsetting revenues billed to SDG&E. The "Other SDG&E Costs" subaccount records costs and offsetting revenues for Unaccounted For (UAF) gas and Company Use (CU) gas (excluding transmission revenue requirements). The purpose of the NTN is to record a portion of the CFCA balance to provide funding to the NTN program.

The authorized gas core transportation base margin revenue requirement is recorded to the CFCA-Margin subaccount and storage revenue requirement on a monthly basis using seasonality percentage factors. SDG&E proposes to update these factors based on the core demand forecast presented in the testimony of Ms. Payan.

The CFCA balance is forecasted to be overcollected by $3.1 million as of December 31, 2012 and includes the NTN program overcollection of $230,000 which will not be included in January 1, 2013 rates because SDG&E needs to retain funds for future expenses. The forecasted overcollection in CFCA is primarily due to 2011 overcollected balances that will not be fully amortized in 2012 as SDG&E forecasts sales from core customers coming in slightly lower than authorized sales over that time period. SDG&E proposes to include $2.8 million of the forecasted CFCA balance in rates, amortized over a 12-month period, beginning January 1, 2013.

2. Noncore Fixed Cost Account (NFCA)

The NFCA is a balancing account authorized by D.05-03-023 which authorizes SDG&E to record the difference between its authorized gas noncore transportation base margin revenue requirement (excluding transmission revenue requirements)[1] and recorded base margin revenues from authorized gas transportation rates, which is recorded in the Base Margin Revenue Requirement subaccount (NFCA-Margin). The NFCA also has two other subaccounts: the (1) SoCalGas Transportation Costs (NFCA-SCG); and, (2) Other SDG&E Costs (NFCA-Other). The "SoCalGas Costs" subaccount records SoCalGas charges billed to SDG&E and offsetting revenues. The “Other SDG&E Costs” subaccount records costs and offsetting revenues for UAF and CU gas.

The authorized gas noncore transportation base margin revenue requirement is recorded to the NFCA-Margin subaccount on a monthly basis using seasonality percentage factors.

[1] Pursuant to D.06-04-033 upon implementation of system integrated rates.

SDG&E proposes to update these factors based on the noncore demand forecast presented in the testimony of Mr. Wetzel.

The NFCA balance is forecasted to be undercollected by $25.7 million as of December 31, 2012. The forecasted undercollection is due to sales lower than authorized. In order to stabilize rates for customers, SDG&E carefully balances the need to collect on undercollections with the need of the company to have adequate funds on hand. As part of this balance, it may be mutually beneficial to ratepayers and SDG&E to recover these balances, whether over or undercollections, in rates over a period of time greater than 12 months. Because amortizing this entire forecasted balance in one year would result in a large rate increase, SDG&E is proposing to collect this undercollection in rates over period of more than the 12 months of 2013. Therefore, SDG&E proposes to include $17.1 million of the forecasted NFCA balance in rates amortized over a 12-month period beginning January 1, 2013. The remaining balance plus any ongoing under or overcollections will be recovered in rates in subsequent years as determined by rate stability needs. SDG&E will also reflect in January 1, 2013 rates the new authorized revenue requirement for UAF and CU that result from this proceeding.

3. Rewards and Penalties Balancing Account (RPBA)

The RPBA records SDG&E's rewards, penalties and performance-based ratemaking revenue sharing.

The RPBA balance is forecasted to be undercollected by $462,000 as of December 31, 2012. SDG&E proposes to include the forecasted RPBA balance in rates, amortized over a 12-month period, beginning January 1, 2013.

4. Self-Generation Program Memorandum Account (SGPMA)

The SGPMA, effective March 8, 2002, records the incremental costs associated with SDG&E's Self-Generation Incentive Program ("SGIP") as outlined in D.06-01-024, D.05-12-044, D.02-02-026, D.01-09-012, D.01-07-028 and D.01-03-073. Self-generation refers to Distributed Generation (DG) technologies, such as microturbines, small gas turbines, wind turbines, photovoltaics, fuel cells, internal combustion engines, and combined heat and power (or cogeneration) as well as incremental costs associated with the California Solar Initiative (CSI). The SGIP budget is allocated between electric and gas customers (93% and 7%, respectively).

In D.06-12-033, SDG&E's prospective authorized revenue requirement for the SGIP was lowered to $0.8 million to fund only non-solar distributed generation projects. The funding level for the SGIP was authorized through December 31, 2007.

Assembly Bill 2778[2] amended Public Utilities Code § 379.62 relating to SGIP and limits program eligibility for SGIP incentives to qualifying wind and fuel cell DG technologies, beginning January 1, 2008 through January 1, 2012.

In D.08-01-029, the Commission authorized SDG&E's SGIP annual budget for 2008 through 2011 to be equal to the funding in 2007, or $0.8 million for gas. As of this Application, the Commission has yet to issue a decision referencing SB 1150 to extend/provide the budget through 2012. In D.11-12-030, the Commission extended the SGIP budget from 2012 through 2014. As such, the ongoing revenue requirement for SGIP is not included in SDG&E's forecast ending balance. The SGPMA balance is forecasted to be $3.6 million overcollected as of December 31, 2012. SDG&E chooses to not include the return of this overcollected balance in rates on January 1, 2013. This updated forecast now includes the authorized budget of $755,300, pursuant to D.11-12-030, in rates amortized over a 12-month period beginning January 1, 2013.

[2] Chapter 617, Statutes of 2006.

5. Hazardous Substance Cleanup Cost Account (HSCCA)

The HSCCA was approved by D.94-05-020 which provides a mechanism for allocating costs and recoveries associated with hazardous substance-related activities. These activities include hazardous substance cleanup and litigation, and related insurance payouts. In D.09-11-006, SDG&E's last BCAP, the Commission approved SDG&E's proposal to add language to the HSCCA tariff by which it would be authorized to amortize the balance within the HSCCA as opposed to having the year-end balance transferred and amortized in the RPBA. In addition, the Commission approved SDG&E's proposal to move the tariff description of the HSCCA from the "Miscellaneous" section to the "Balancing Accounts" section within the Preliminary Statement. Beginning in January 1, 2011, the prior year-end balance in the HSCCA was amortized in the HSCCA.

The HSCCA balance is forecasted to be overcollected by $982,000 as of December 31, 2012. SDG&E proposes to include the forecasted HSCCA balance in rates, amortized over a 12-month period, beginning January 1, 2013.

6. FERC Settlement Proceeds Memorandum Account (FSPMA)

The original purpose of the FSPMA (previously established as the El Paso Settlement Proceeds Memorandum Account) was solely to record the El Paso Settlement proceeds allocable to core aggregation customers pursuant to D.03-10-087. The new FSPMA incorporates a modification to include the core aggregation customers' share of all FERC settlement proceeds received from other companies settling with the State of California for their involvement in the 2000-2001 energy crisis.[3]

[3] The FSPMA was established pursuant to Advice Letter 1604-G, dated March 27, 2006, which was approved by the Commission on April 27, 2006.

The FSPMA balance is forecasted to be $465,000 undercollected as of December 31, 2012. The undercollected balance resulted from the return of past settlement proceeds to ratepayers at a faster rate than forecasted as sales were higher than predicted. SDG&E does not plan on amortizing this forecasted balance in rates on January 1, 2013. Instead, SDG&E will continue with an undercollection until such time as either settlement dollars come in to offset the balance or certainty is known that there will be no offsetting settlement dollars. The balance will be handled at that point. Table 1 on page 12 reflects the plan to not amortize.

7. Integrated Transmission Balancing Account (ITBA)

The ITBA records the difference between the authorized transmission system revenue requirement, which excludes CU gas, and the corresponding transmission revenues pursuant to D.06-04-033, D.06-12-031, and D.11-04-032. Under System Integration, the balance in the ITBA is combined with the balance in SoCalGas' ITBA-SI subaccount and re-allocated between the utilities based on cold year throughput. SDG&E's allocation of the ITBA balances is amortized in the following year's rates as proposed in SDG&E's annual October regulatory account balance update filing.

In the 2009 BCAP decision (D.09-11-006), the Commission approved SDG&E's proposal to record the authorized transmission system revenue requirement monthly based on seasonality percentage factors instead of on a 1/12 basis. This change provides a better comparison between the expenses and revenues recorded in the ITBA and is consistent with the authorized methodology for the CFCA and NFCA.

On April 14, 2011, the Commission issued D.11-04-032 adopting operation modifications unanimously recommended by the Joint Parties to the Firm Access Rights (FAR) Update Proceeding (A.10-03-028) to reduce scheduling uncertainty and improve operation of the

FAR system, including updating SDG&E's tariffs as a result of the renaming of SoCalGas' FAR service tariff from G-RPA (Receipt Point Access) to the current G-BTS (Backbone Transportation Service); and adopting the rate design for G-BTS.[4] Effective October 1, 2011, pursuant to D.11-04-032, the ITBA was revised to no longer record transmission fuel costs.

The ITBA balance, before its re-allocation between SDG&E and SoCalGas, is forecasted to be overcollected by $4.5 million as of December 31, 2012. The ITBA balance, after its re-allocation between SDG&E and SoCalGas, is forecasted to be overcollected by $654,000. SDG&E will amortize the $654,000 in rates on January 1, 2013.

8. California Solar Initiative Thermal Program Memorandum Account (CSITPMA)

The CSITPMA is an interest-bearing memorandum account recorded on SDG&E's financial statements. The purpose of the CSITPMA is to record expenses associated with the CSI Thermal program pursuant to D. 10-01-022. In compliance with AB 1470, the Commission established the CSI Thermal program to provide incentives to promote the installation of solar water heating systems in homes and businesses that displace the use of natural gas. SDG&E was allocated 10%, or $25.0 million, of the $250.0 million funded by gas customers for the CSI Thermal program.[5] The CSI Thermal program is effective January 21, 2010 through December 31, 2017.

The CSITPMA balance is forecasted to be $2.0 million undercollected as of December 31, 2012. In every annual October regulatory account balance update filing, SDG&E will amortize in rates the forecasted year-end CSITPMA balance effective January 1 of the following

[4] Joint Recommendation of San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), Southern California Edison Company (SCE), Southern California Generation Coalition (SCGC), Shell Energy North America (US), L.P. (Shell Energy), City of Long Beach (Long Beach), Southwest Gas Corporation (SWG), Indicated Producers/Watson Cogeneration Company (IP/Watson) and RRI Energy Services dated November 1, 2010.
[5] D.10-01-022, Table 4 of Appendix A.

year. The balance in the CSITPMA will be amortized in gas transportation rates on an equal-cents-per-therm (ECPT) basis from all customers excluding customers who participate in the California Alternate Rates for Energy (CARE) program and any customers who are currently exempt from funding under the SGIP.

9. Liquefied Natural Gas Service Tracking Account (LNGSTA)

The LNGSTA is a tracking account to record the difference between expenses and revenues related to the purchase and sale of Liquefied Natural Gas (LNG) to the customers receiving service under Schedule GL-1. SDG&E's remaining LNG customers are the residents of the Roadrunner Mobilehome Park, located in Borrego Springs, CA. The account is recorded through three subaccounts: LNG Fuel; LNG Capital; and LNG O&M.

The LNGSTA balance is forecasted to be approximately $600,000 undercollected as of December 31, 2012. The amortization will not be included in rates for January 1, 2013, and are not reflected on Table 1 on page 12. The decision to not amortize this in rates relates to a cap imposed by the Phase 2 settlement stating that:

> "SDG&E will maintain the existing requirement that the average combined liquefied natural gas ("LNG") and electric bill for residents of the Roadrunner Home Park in Borrego Springs, California will not exceed the average Borrego Springs all-electric bill. The parties agree, however, that notwithstanding this requirement, SDG&E will implement for the Settlement Term the rates it proposed in this proceeding."

10. Pension Balancing Account (PBA)

The purpose of the PBA is to balance the difference between the forecasted and actual minimum contributions to SDG&E's pension fund. The authorized pension revenue requirement and the related actual pension expenses recorded in the PBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (i.e., for shared services) billed to and charged from SDG&E's affiliate companies. In addition, the PBA records an adjustment for the difference in pension costs embedded in authorized and actual depreciation along with the related return.

Pursuant to D.08-07-046, SDG&E's 2008 GRC, the PBA is effective January 1, 2008 and will continue for the four-year GRC cycle through December 31, 2011. The PBA is addressed in SDG&E's 2012 GRC A.10-12-005 which includes among other things the pension funding requirement and the continued amortization of the PBA balance on an annual basis during the 2012 GRC period. Pending resolution of the PBA in SDG&E's 2012 GRC application, a forecast of the PBA balance as of December 31, 2012 is not presented in this application. As SDG&E is amortizing an undercollected PBA balance of $1.2 million effective January 1, 2012, the same undercollected balance will be retained as a placeholder for the proposed amortization in rates over the 12-month period beginning January 1, 2013. Once a Commission decision in SDG&E's 2012 GRC application is issued, an updated forecast of the PBA will be included in SDG&E's October 2012 regulatory account balance update filing.

11. Post-Retirement Benefits Other than Pensions Balancing Account (PBOPBA)

The purpose of the PBOPBA is to balance the difference between the annual PBOP costs embedded in authorized rates and the actual tax-deductible contributions to the PBOP Trust. The authorized PBOP revenue requirement and the related actual PBOP expenses recorded in the PBOPBA are adjusted for related PBOP costs capitalized in ratebase and inter-company PBOP costs (i.e., for shared services) billed to and charged from SDG&E's affiliate companies. In addition, the PBOPBA records an adjustment for the difference in PBOP costs embedded in authorized and actual depreciation along with the related return.

Pursuant to D.08-07-046, SDG&E's 2008 GRC, the PBOPBA is effective January 1, 2008 and will continue for the four-year GRC cycle through December 31, 2011. The PBOPBA is addressed in SDG&E's 2012 GRC (A.10-12-005) which includes among other things the PBOP funding requirement and the continued amortization of the PBOPBA balance on an annual basis during the 2012 GRC period. Because the PBOP funding requirements proposed in A.10-12-005 are not resolved, a forecast of the PBOPBA balance as of December 31, 2012 is not presented in this application. As SDG&E is amortizing an overcollected PBOPBA balance of $234,000 effective January 1, 2012, the same overcollected balance will be retained as a placeholder for the proposed amortization in rates over the 12-month period beginning January 1, 2013. Once a Commission decision in A.10-12-005 is issued, an updated forecast of the PBOPBA will be included in SDG&E's October 2012 regulatory account balance update filing.

B. Refund plan for Charges Accumulated in the Curtailment Penalty Funds Account (CPFA)

The CPFA is a balancing account in which SDG&E records revenues collected from the Curtailment Penalty provisions as set forth in SDG&E's Rule 14. As provided in the CPFA description in SDG&E's preliminary statement, SDG&E proposes in the TCAP, the manner by which the accumulated balance in the CPFA shall be returned to customers.

$143,000 was booked to the CPFA in March 2011 due to a curtailment event in February 2011. This balance plus interest is forecasted to be overcollected by $145,000 as of December 31, 2012. Consistent with the approach that was proposed and approved in SDG&E's 2009 BCAP (D.09-11-006), SDG&E proposes to refund the accumulated balance as a one-time bill credit to the noncore customers who were asked to curtail and complied with the curtailment order. Specifically, the credit will apply to customers who meet the following criteria: (1) had an active noncore account during the curtailment period; (2) were asked to curtail gas usage; and (3) did curtail gas usage. Each customer's refund will be based on their typical consumption when not curtailed. A customer's typical consumption is based on the monthly consumption for the same month that it was curtailed, one year prior to consumption which, in this case, would be February 2010. The customer's monthly consumption as a percentage of the total consumption for all applicable customers will determine the customer's pro-rata share of the CPFA balance. This will reward customers for following curtailment orders, and avoid a windfall for customers not affected by curtailment events.

V. SUMMARY

SDG&E proposes to amortize the regulatory accounts shown in Appendix A into rates, which reflects an increase of $0.8 million from the $16.1 million undercollection in current rates. SDG&E also proposes to refund the CPFA overcollected balance forecasted to be $145,000 as of December 31, 2012 as a bill credit to those noncore customers who curtailed.

This concludes my updated prepared direct testimony.

APPENDIX A

San Diego Gas & Electric Company - 2013 TCAP
Present and Proposed Regulatory Account Balances [1]
(Over) / Under Collection
Table 1

	Account Name		1/1/13 Proposed Amortization ($Millions)	1/1/13 Updated Proposed Amortization ($Millions)	Revenue Requirement Change 1/1/13 ($Millions)
			A	B	(B-A)
1	Core Fixed Cost Account	CFCA	(6.0)	(2.8)	3.2
2	Noncore Fixed Cost Account	NFCA	18.5	17.1	(1.4)
3	Rewards and Penalties Balancing Account	RPBA	0.3	0.5	0.2
4	Self-Generation Program Memo. Account (Revenue Requirement)	SGPMA	0.0	0.8	0.8
5	Hazardous Substance Cleanup Cost Account	HSCCA	0.2	(1.0)	(1.2)
6	FERC Settlement Proceeds Memo. Account	FSPMA	0.0	0.0	0.0
7	Integrated Transmission Balancing Account[2]	ITBA	0.3	(0.6)	(0.9)
8	California Solar Initiative Thermal Program Memorandum Account	CSITPMA	2.6	2.0	(0.6)
9	Liquefied Natural Gas Service Tracking Account	LNGSTA	0.0	0.0	0.0
10	Pension Balancing Account	PBA	2.0	1.2	(0.8)
11	Post-Retirement Benefits Other than Pensions Balancing Account	PBOPBA	(0.3)	(0.2)	0.1
12	Total Amortization		$17.6	$17.0	($0.6)
13	Curtailment Penalty Funds Account[3]	CPFA	(0.1)	(0.1)	0.0
14	TOTAL		$17.5	$16.9	($0.6)

[1] Balances are based upon recorded data through March 2012 and assume the rate impacts filed in SDG&E's Consolidated Gas Rate Changes Effective January 1, 2012 (AL 2082-G dated December 29, 2011). Balances exclude franchise fees and uncollectibles.

[2] Balance reflects combined SDG&E and SoCalGas ITBA balances re-allocated between utilities based on cold year throughput per Preliminary Statement.

[3] This account is forecasted to have a $0.1 million overcollection as of December 31, 2012, subject to refund to customers by bill credit.