

Application No.: A.09-08-xxx
Exhibit No.: _____
Witness: Michelle A. Somerville

Application of SAN DIEGO GAS & ELECTRIC
(U-902-E) under the Energy Resource Recovery
Account Trigger Mechanism.

PREPARED DIRECT TESTIMONY OF
MICHELLE A. SOMERVILLE
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 4, 2009



1 **PREPARED DIRECT TESTIMONY OF**

2 **MICHELLE A. SOMERVILLE**

3 **ON BEHALF OF SDG&E**

4 **I. INTRODUCTION**

5 The purpose of my testimony is to address San Diego Gas & Electric Company's (SDG&E's)
6 overcollection recorded in its Energy Resource Recovery Account (ERRA). My testimony:

- 7 • describes SDG&E's Energy Resource Recovery Account (ERRA) Trigger
8 mechanism;
- 9 • provides SDG&E's recorded June 30, 2009 ERRA overcollected balance of
10 \$63.014 million, which exceeds both the four percent (4%) trigger point and the
11 five percent (5%) threshold mandated by Assembly Bill (AB) 57;
- 12 • sets forth SDG&E's proposal regarding the disposition of the \$80 million
13 overcollected balance (projected as of July 31, 2009), which includes a one-time
14 bill credit for bundled customers beginning with electric bills issued to customers
15 on or after October 1, 2009; and,
- 16 • reviews the impact to ratepayers.

17 **II. BACKGROUND**

18 In accordance with D.02-10-062, which implemented the provisions of AB 57, SDG&E's
19 ERRA is subject to a trigger mechanism that requires the filing of a rate change application when
20 the recorded monthly balance (undercollection or overcollection) exceeds a 4% trigger point and
21 when the balance is forecasted to exceed a 5% threshold. The trigger mechanism considers the
22 relationship between the ERRA balance and the prior year's recorded electric commodity
23 revenues, excluding the revenues collected for the California Department of Water Resources

1 (CDWR). Under the provisions of the trigger mechanism, SDG&E is required to file an
2 expedited application for approval within 60 days from the filing date when the ERRA balance
3 reaches 4%¹ of the prior year's recorded electric commodity revenues, excluding CDWR. The
4 application should include a projected account balance in 60 days or more from the date of filing,
5 depending upon when the balance will reach AB 57's five percent threshold; propose an
6 amortization period for the balance of not less than 90 days; and include a proposed allocation of
7 the over-and-under collection among customers for rate adjustment based on the existing
8 allocation methodology recognized by the Commission.²

9 Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each
10 year to establish the current year's trigger amount. In Advice Letter 2068-E,³ SDG&E reported
11 that its 2008 electric commodity revenue, excluding CDWR revenue, was \$1,030 million.
12 Consequently, SDG&E's currently approved 4% trigger point is \$41.2 million and the 5% ERRA
13 threshold is \$51.5 million.

14 **III. RECORDED/FORECASTED ERRA BALANCES**

15 SDG&E's recorded June 30, 2009 ERRA balance is a \$63.014 million overcollection, or
16 -6.12% of the prior year's electric commodity revenues, excluding CDWR. The ERRA
17 overcollection is primarily due to lower electric commodity costs resulting from decreases in the
18 cost of gas. As a result of this activity, the recorded June 2009 overcollection of \$63.014 million

¹ SDG&E's ERRA balance on May 31, 2009 was \$39.026 million overcollected or -3.79% and increased to -6.12% within the month of June 2009.

² D.02-10-062 at pages 65-66.

³ Approved by the CPUC on April 28, 2009 with an effective date of March 6, 2009.

1 exceeds both the 4% trigger point and the 5% AB 57 threshold. SDG&E forecasts the July 31,
2 2009 ERRA balance to be approximately \$80 million overcollected, or -7.8%, and that the
3 ERRA balance will continue to exceed the 5% threshold during each of the remaining months of
4 2009⁴. Therefore, under the provisions of California Public Utilities Code 454.5(d)(3), as
5 mandated by AB 57, SDG&E is required to file an expedited application addressing the
6 disposition of the overcollected ERRA balance.

7 **IV. PROPOSED DISPOSITION**

8 In an effort to provide customers with immediate relief from their higher seasonal
9 summer bills during these extremely difficult economic times, SDG&E proposes issuing one-
10 time bill credits of \$80 million, representing the forecasted ERRA overcollection as of July 31,
11 2009, to its customers for bills issued beginning October 1, 2009⁵. If the December 31, 2009
12 ERRA balance is forecasted to exceed the amount credited to customers as a result of this
13 application, SDG&E will include the excess as an electric commodity rate reduction (amortized
14 over 12 months) in its Regulatory Account Update advice filing (filed in October) for rates
15 effective January 1, 2010, as authorized in D. 09-04-021.

16 In compliance with the adopted ERRA trigger mechanism, SDG&E is required to
17 propose an amortization (of not less than 90 days) of the ERRA balance when it forecasts that
18 balance to exceed the 5% threshold. However, given the recent and historic economic downturn
19 combined with higher electric bills experienced during the summer, SDG&E believes that it is in
20 the best interest of ratepayers for the Commission to waive the amortization time frame in order
21 to provide customers with immediate energy bill credits.

⁴ December 31, 2009 ERRA balance is currently forecasted to be \$107 million overcollected.

⁵ If approved by the Commission, SDG&E is prepared to issue this credit before October 1st.

1 SDG&E proposes the one-time bill credit be calculated as a credit rate applied to a
2 customer's aggregated 12 months of historic usage (August 2008 – July 2009). The one-time bill
3 credit of \$80 million will be allocated to customer classes consistent with the electric commodity
4 rate allocation adopted in D.08-02-034. The credit rate used to determine the one-time bill credit
5 will be an equal cent per kWh by customer class with the residential customer rate class having
6 two credit rates: (1) one rate for tiered residential rate schedule which will be applied to usage
7 not capped by AB1X (i.e., usage in Tier 3 and Tier 4) and (2) another rate for non-tiered
8 residential schedules which would be applied to all usage⁶. Each applicable customer credit
9 would be calculated based on aggregated usage for all billing cycles⁷ during the 12-month period
10 from the August 2008 billing through the July 2009 using the customer's current or last rate
11 schedule and applied to closed accounts or balances in arrears where applicable. Basing the
12 credit on aggregated usage over the prior 12 months provides equity to customers since it would
13 accurately reflect the time period over which the overcollection was collected and avoids
14 inequities due to seasonality. The proposed credit would appear as a single line item on the
15 customers' bills.

16 V. IMPACT TO RATEPAYERS

17 Table 1 below provides exemplary October bill impacts for the residential Inland
18 customer with monthly usage of 500; 1,000; and 1,500 kWh per month. The one-time bill credit
19 assumes the same level of monthly usage for the 12 month period.

⁶ As explained below, usage in Tier 1 and Tier 2 will receive an effective credit rate of zero due to the AB1X Rate cap applicable to usage in these Tiers. This treatment is consistent with the net effect of Total Rate Adjustment Component (TRAC) and commodity under a traditional ERRR Trigger rate amortization methodology and the manner in which customers contributed to the overcollection.

⁷ SDG&E electric customers are billed using 22 billing cycles.

TABLE 1
RESIDENTIAL BILL IMPACTS FOR SELECT MONTHLY USAGE LEVELS

MONTHLY ENERGY USE (kWh) <u>(A)</u>	OCTOBER BILL AMOUNT *		DIFFERENCE	
	W/O CREDIT	WITH CREDIT	(\$)	(%)
	<u>(B)</u>	<u>(C)</u>	<u>(D)</u>	<u>(E)</u>
500	\$72.91	\$67.00	-\$5.91	-8.1%
1000	\$236.55	\$141.09	-\$95.46	-40.4%
1500	\$404.55	\$219.53	-\$185.02	-45.7%

* Based on Inland Climate Zone, summer season, and currently-effective Schedule DR rates.

Under SDG&E’s traditional ERRA trigger methodology, as reflected in SDG&E’s prior ERRA trigger application (A.07-10-007, D.07-12-042), an ERRA overcollection would result in a reduction in electric commodity rates consistent with Commission-approved commodity class allocation and rate design methodologies. For residential customers served under tiered rate schedules, a reduction in the electric commodity rates would be offset through the Total Rate Adjustment Component (TRAC) to comply with ABIX with the net effect being that usage under Tier 1 and Tier 2 would receive an effective electric rate reduction of zero.

In this application, SDG&E proposes a credit methodology which is consistent with the manner in which commodity revenues are collected. SDG&E proposes a simplified rate design approach to accommodate implementation as a one-time bill credit and to facilitate the expedited implementation in order to provide customers with relief from the impact of high summer bills. This simplified approach would provide similar net rate impacts to residential customers as the traditional SDG&E ERRA Trigger methodology discussed previously.

VI. CONCLUSION

In compliance with D.02-10-062, which implemented the provisions of AB 57, SDG&E hereby notifies the Commission that the recorded balance in the ERRA of \$63.014 million overcollected as of June 30, 2009 has exceeded both the 4% trigger point and the 5% threshold

1 set forth by AB 57. In addition, the ERRA balance is forecasted to continue to exceed the 5%
2 threshold during each of the remaining months of 2009. SDG&E is not requesting a rate change
3 through this application but instead requests that the Commission approve a one-time bill credit
4 to customers in the amount of \$80 million (the projected ERRA balance at July 31, 2009) in
5 order to provide customers with immediate benefit of this overcollection during this
6 unprecedented economic downturn.

7 This concludes my direct testimony.

1 **QUALIFICATIONS OF MICHELLE A. SOMERVILLE**

2 My name is Michelle A. Somerville. I am employed by SDG&E as a Regulatory
3 Accounts Manager in the Tariffs and Regulatory Accounts Department. My business address is
4 8330 Century Park Court, San Diego, California 92123. My current responsibilities include
5 managing the process for the development, implementation, and analysis of regulatory balancing
6 and memorandum accounts. I assumed my current position in June 2007.

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

11 I have been employed with SDG&E and Sempra Energy since 2000. In addition to my
12 current position in Regulatory Affairs, I served as the Capital Asset Management Supervisor
13 from March 2005 to May 2007 where I supervised the process of recording and accounting for
14 capital costs throughout the life of the asset, including construction in process, asset
15 identification, depreciation, and removal/retirement. I have also held senior analyst positions in
16 the Business Planning Department at SDG&E (November 2002 – February 2004) and Internal
17 Audit Department at Sempra Energy's corporate offices (April 2000 – November 2002).

18 I have previously testified before this Commission.