

Proceeding No.: A.19-10-\_\_\_\_\_  
Exhibit No.: \_\_\_\_\_  
Witness: Eric L. Dalton

**PREPARED DIRECT TESTIMONY OF**  
**ERIC L. DALTON**  
**ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**  
***REDACTED, PUBLIC VERSION***

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

December 5, 2019



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Attachment A – ERRa Forecast – Public Version

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**PREPARED DIRECT TESTIMONY OF  
ERIC L. DALTON  
ON BEHALF OF SDG&E**

**I. INTRODUCTION**

The purpose of my testimony is to present San Diego Gas & Electric Company's ("SDG&E") overcollection as currently recorded in its Energy Resource Recovery Account ("ERRA") and, in accordance with the applicable statutory and regulatory directives indicated below, to request a revenue requirement adjustment necessary to correct the overcollection recorded in its ERRA. My testimony is organized as follows:

- In Section II, I discuss the background of the trigger mechanism generally, as well as its applicability to SDG&E's ERRA balance.
- In Section III, I discuss SDG&E's recorded October 31, 2019 ERRA overcollected balance of \$140 million, which exceeds the four percent ("4%") trigger point and the five percent ("5%") trigger threshold. I provide SDG&E's forecasts for November 2019 through March 2020, which project that SDG&E's ERRA balance will not self-correct to a level below the 4% trigger point within 120 days. I also explain the cause of that overcollection.
- In Section IV, I propose a ten-month amortization period for the return of the overcollected ERRA balance of \$138 million, forecasted as of December 31, 2019.
- In Section V, I discuss future expectations.
- In Section VI, I conclude my testimony.
- In Section VII, I provide my witness qualifications.

1 **II. BACKGROUND**

2 **A. Trigger Mechanism**

3 In accordance with Decision (“D.”) 02-10-062, which implemented the provisions of  
4 Assembly Bill (“AB”) 57, SDG&E’s ERRA is subject to a trigger mechanism that requires a rate  
5 adjustment when the recorded monthly balance (undercollection or overcollection) exceeds a 4%  
6 trigger point and when the balance is forecasted to exceed a 5% trigger threshold.<sup>1</sup> The trigger  
7 mechanism considers the relationship between the ERRA balance and the prior year’s recorded  
8 electric commodity revenues.

9 The statutory and regulatory requirements applicable to the trigger mechanism specify  
10 that the required rate change application is to be expedited so as to obtain the Commission’s  
11 approval within 60 days from the application’s filing date. The application seeking a rate  
12 adjustment should also include a projected account balance of 60 days or more from the date of  
13 filing. Finally, the request must propose an amortization period for the balance of not less than  
14 90 days and an allocation of the over or undercollection among customers for rate adjustment  
15 based on the existing allocation methodology recognized by the Commission.<sup>2</sup> As indicated  
16 below, my testimony satisfies these requirements.

17 **B. Self-Correction Mechanism**

18 In D.07-05-008, SDG&E was authorized to notify the Commission through advice letter  
19 filing, instead of expedited application, when SDG&E’s ERRA balance exceeds its trigger point  
20 and SDG&E does not seek a change in rates, if the ERRA balance will self-correct below the  
21

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<sup>1</sup> D.02-10-062 at 65.

<sup>2</sup> *Id.* at 65-66.

1 trigger point within 120 days of filing.<sup>3</sup> In such an advice letter, SDG&E is required to provide  
2 the necessary documentation supporting its proposal to maintain its rates. SDG&E currently  
3 does not forecast a self-correction to a level below the 4% within 120 days. See Attachment A.

#### 4 **C. Current Trigger/Threshold Amounts**

5 Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each year  
6 to establish the current year's trigger and threshold amounts. On February 28, 2019, SDG&E filed  
7 Advice Letter ("AL") 3351-E,<sup>4</sup> to report its 2018 electric commodity revenues of \$1,672 million.  
8 Thus, based on 2018 revenues of \$1,672 million, the current 4% trigger point and 5% trigger  
9 threshold in effect as of February 28, 2019 are \$66.9 million and \$83.6 million, respectively. The  
10 trigger calculations presented in Table 1 and described below, are based on the current \$83.6  
11 million trigger threshold.<sup>5</sup>

### 12 **III. RECORDED/FORECASTED ERRA BALANCES**

13 Table 1 below shows SDG&E's recorded data for January through October 2019 and  
14 presents, for illustrative purposes, its current forecast of the ERRA balance for November 2019  
15 through March 2020. According to D.02-10-062, trigger applications are to include a projected  
16 account balance in 60 days or more from the date of the filing.<sup>6</sup>

17 To arrive at the forecasted balances in Table 1, SDG&E used assumptions consistent with  
18 its 2019 ERRA Forecast Application, as approved by the Commission in D.18-12-016<sup>7</sup> and its  
19 2018 year-end consolidated filing.<sup>8</sup> In Attachment A, SDG&E provides further detail regarding

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<sup>3</sup> D.07-05-008 at Ordering Paragraph OP 2.

<sup>4</sup> AL 3351-E, approved March 28, 2019 and effective February 28, 2019.

<sup>5</sup> January 2019 trigger threshold is \$79.3 million.

<sup>6</sup> D.02-10-062 at Conclusions of Law 15.

<sup>7</sup> Implemented in rates approved May 3, 2019 and effective January 1, 2019 per AL 3326-E.

<sup>8</sup> *Id.*

1 the recorded and forecasted activities as well as monthly ERRA balances for September 2019  
 2 through March 2020.

3 **TABLE 1: ERRA BALANCES<sup>9</sup>**

(\$ in Millions)					
ERRA Monthly Summary	Beginning Balance	Revenues	Expenses	Ending Balance	Calculated Trigger Percentage
ACTUAL January 31, 2019	\$50	(76)	\$101	\$75	4.7%
ACTUAL February 28, 2019	\$75	(74)	\$93	\$94	5.6%
ACTUAL March 31, 2019	\$94	(68)	\$100	\$126	7.6%
ACTUAL April 30, 2019	\$126	(67)	\$99	\$158	9.5%
ACTUAL May 31, 2019	\$158	(71)	\$104	\$191	11.4%
ACTUAL June 30, 2019	\$191	(22)	\$(77)	\$92	5.5%
ACTUAL July 31, 2019	\$92	(110)	\$75	\$57	3.4%
ACTUAL August 31, 2019	\$57	(124)	\$74	\$7	0.4%
ACTUAL September 30, 2019	\$7	(139)	\$75	\$(57)	-3.4%
ACTUAL October 31, 2019	\$(57)	(115)	\$32	\$(140)	-8.4%
FORECASTED November 30, 2019	\$(140)	(90)	\$73	\$(157)	-9.4%
FORECASTED December 31, 2019	\$(157)	(64)	\$83	\$(138)	-8.2%
FORECASTED January 31, 2020	\$(138)	(82)	\$66	\$(154)	-9.2%
FORECASTED February 29, 2020	\$(154)	(57)	\$62	\$(149)	-13.7%
FORECASTED March 31, 2020	\$(149)	(43)	\$60	\$(132)	-12.2%

4 As presented in Table 1, SDG&E's ERRA balance at October 31, 2019 is overcollected  
 5 by \$140 million, which correlates with a trigger calculation of 8.4%, clearly exceeding the 4%  
 6 trigger point and 5% trigger threshold. SDG&E's analysis of potential revenues and expected  
 7 expenses for November 2019 through March 2020 reveals that the ERRA overcollected balance  
 8 will not self-correct within the prescribed 120-day period. Thus, SDG&E is filing this  
 9 Application requesting the amortization of the overcollection.

10 <sup>9</sup> Figures can also be found in Attachment A.

1           **A.     Cause of the Current Overcollection**

2           SDG&E’s ERRA is comprised of several components, including revenue items, expense  
3 items, and adjustments. As such, when the account is either overcollected or undercollected for  
4 an accounting period, several factors contribute to the ending position. In the case of the current  
5 ERRA overcollection, SDG&E’s analysis reveals that the main factor in its current  
6 overcollection is the June 2019 establishment of the Portfolio Allocation Balancing Account  
7 (“PABA”) in accordance with D.18-10-019 and the resulting shift of above market expenses  
8 from ERRA to PABA. The purpose of the PABA is to record the “above-market” costs and  
9 revenues associated with all generation resources that are eligible for cost recovery through the  
10 Power Charge Indifference Adjustment (“PCIA”) rates, including SDG&E’s Utility-Owned  
11 Generation (“UOG”). The PABA was approved by Energy Division on May 30, 2019 with an  
12 effective date of January 1, 2019.

13           “Above Market” costs are those which are above the market value established in the  
14 calculation of PCIA. Market Price Benchmarks (“MPBs”) for the energy market, Renewable  
15 Energy Credits (“RECs”) and Resource Adequacy (“RA”) are provided by the CPUC Energy  
16 Division to calculate the market value for PCIA. These MPBs are multiplied by expected  
17 generation and capacity to establish the market value of the generation portfolio. This market  
18 value is subtracted from total costs resulting in the above market costs which are recorded to  
19 PABA.

20           The revenue referred to above is associated with the California Independent System  
21 Operator (“CAISO”) revenues received for energy generated by generation resources. CAISO  
22 revenue represents the market value of energy for generation resources. In this case, the  
23 expected revenue represented by the energy MPB was higher than the actual recorded CAISO

1 market revenue. Therefore, there was less revenue shifted to PABA from ERRA than expected.

2 Thus, the primary cause of SDG&E’s trigger situation is the shift of “above-market”  
3 costs from ERRA to PABA combined with the relatively low corresponding shift of CAISO  
4 revenue from ERRA to PABA.

5 For illustrative purposes, Table 2 shows that during the first five months of 2019 actual  
6 expenses are \$497 million, and for the five months of June through October, actual expenses are  
7 \$179 million, a reduction of \$318 million over a five-month period.

8 **TABLE 2: COMPARISON OF 2019 EXPENSES**

Month	Expenses	Month	Expenses	Difference
January	\$101	June	\$(77)	
February	\$93	July	\$75	
March	\$100	August	\$74	
April	\$99	September	\$75	
May	\$104	October	\$32	
Total	\$497		\$179	\$(318)

9  
10 **IV. AMORTIZATION PERIOD**

11 As noted above and depicted in Table 1, SDG&E is forecasting its ERRA overcollection  
12 balance to reach \$132 million as of March 31, 2020 at which time the calculated trigger is  
13 projected to be 12.2%. With no clear expectation of self-correcting, SDG&E proposes to  
14 amortize in rates the December 31, 2019 projected overcollection of \$138 million through a 10-  
15 month amortization period beginning in March 2020 and concluding in December 2020. This  
16 amortization allows for ratepayers to benefit from the overcollection through an extended period,  
17 which will provide rate and bill stability for our customers.



1 **V. FUTURE EXPECTATIONS**

2 The amortization of the \$138 million overcollected ERRRA balance beginning March 2020  
3 and concluding in December 2020 should prevent the 2020 ERRRA balance from exceeding the 5%  
4 trigger threshold and enable SDG&E to be in compliance with the Trigger Mechanism as intended  
5 by AB 57 and D.02-10-062.

6 **VI. CONCLUSION**

7 In compliance with D.02-10-062, which implemented the provisions of AB 57, SDG&E  
8 hereby notifies the Commission that the recorded balance in the ERRRA as of October 31, 2019,  
9 has exceeded the 4% trigger point and the 5% trigger threshold and is not expected to self-correct  
10 within 120 days. SDG&E requests:

- 11 • the Commission authorize the amortization of \$138 million overcollected ERRRA  
12 balance projected as of December 31, 2019 to be implemented through a Tier 1  
13 Advice Letter; and
- 14 • to amortize the trigger balance in rates over a 10-month period effective March 1,  
15 2020 through December 31, 2020.

16 This concludes my prepared testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Eric Dalton. I am employed by SDG&E as the Regulatory Reporting and  
3 Accounts Manager in the Controller’s Division. My business address is 8330 Century Park  
4 Court, San Diego, California 92123. My current responsibilities include managing the process  
5 for the development, implementation, analysis and accounting for regulatory balancing and  
6 memorandum accounts. I assumed my current position in August 2014 as the Regulatory  
7 Reporting Manager and assumed the Regulatory Accounts Manager position in July 2019.

8 I received a Bachelor of Science in Accounting in 1999 from the University of Kansas. I  
9 am a Certified Public Accountant (“CPA”) licensed in the State of California since 2003.

10 I have been employed with SDG&E since 2006. In addition to my current position in  
11 Regulatory Reporting & Accounts, I have held various other positions increasing in  
12 responsibility since September 2006. I served as the Billable Project Supervisor in Plant  
13 Accounting (January 2013 – August 2014), Bank Reconciliation Supervisor (July 2011 –  
14 December 2012), and Financial Accounting Senior and Principal Accountant (September 2006 -  
15 June 2011).

16 I have testified before this Commission.

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

**DECLARATION OF ERIC DALTON  
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS  
PURSUANT TO D.16-08-024, *et al.***

I, Eric Dalton, do declare as follows:

1. I am the Manager of the Regulatory Accounting department for San Diego Gas & Electric Company (“SDG&E”). I have reviewed my Prepared Direct Testimony (“Testimony”) in support of SDG&E’s “Application ... under the Energy Resource Recovery Account Trigger Mechanism” (“Application”). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I am providing this Declaration to demonstrate that the confidential information (“Protected Information”) in support of the referenced Application falls within the scope of data provided confidential treatment in the IOU Matrix (“Matrix”) attached to the Commission’s Decision (“D.”) 06-06-066 (the Phase I Confidentiality decision). Pursuant to the procedure adopted in D.08-04-023, I am addressing each of the following five features of Ordering Paragraph 2 of D.06-06-066:

- that the material constitutes a particular type of data listed in the Matrix;
- the category or categories in the Matrix the data correspond to;
- that SDG&E is complying with the limitations on confidentiality specified in the Matrix for that type of data;
- that the information is not already public; and
- that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

3. The Protected Information contained in my Testimony constitutes material, market sensitive, electric procurement-related information that is within the scope of Section

454.5(g) of the Public Utilities Code. As such, the Protected Information is allowed confidential treatment in accordance with the Matrix, as follows:

<b>Confidential Information</b>	<b>Matrix Reference</b>	<b>Reason for Confidentiality</b>
Table A, line 12: Load ISO Charges	II.A.2 V.C	Utility Electric Price Forecasts; confidential for 3 years. LSE Total Energy Forecast; confidential for the front 3 years.
Table A, line 12: Supply ISO Revenues	II.A.2 II.B.1 II.B.3 II.B.4	Utility Electric Price Forecasts; confidential for 3 years. Generation Cost Forecasts of Utility Retained Generation; confidential for 3 years. Generation Cost Forecasts of QF Contracts; confidential for 3 years. Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Table A, lines 13 and 17: Contract Costs (non-CTC) & Equity Re-balancing Costs	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Table A, line 14: Contract Costs (CTC up to market)	II.B.3 II.B.4	Generation Cost Forecasts of QF Contracts; confidential for 3 years. Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Table A, line 15: CAISO Misc. Costs	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
Table A, line 16: Hedging Costs	I.A.4	Long-term Fuel (gas) Buying and Hedging Plans; confidential for 3 years.

4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

5. SDG&E will comply with the limitations on confidentiality specified in the Matrix for the Protected Information.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized, masked or otherwise protected in a manner that would allow further disclosure of the data while still protecting confidential information.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 5th day of December, 2019, at San Diego.

A handwritten signature in black ink, appearing to read "Eric Dalton", written above a horizontal line.

Eric Dalton

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

**DECLARATION OF JAMES MAGILL  
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS  
PURSUANT TO D.16-08-024, *et al.***

I, James Magill, do declare as follows:

1. I am the Manager of the Settlement & Systems department for San Diego Gas & Electric Company (“SDG&E”). I have been delegated authority to sign this declaration by Miguel Romero, Vice President of Energy Supply. I have reviewed Eric Dalton’s Prepared Direct Testimony (“Testimony”) in support of SDG&E’s “Application ... under the Energy Resource Recovery Account Trigger Mechanism” (“Application”). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decisions (“D.”) 16-08-024, D.17-05-035, and D.17-09-023 to demonstrate that the confidential information (“Protected Information”) provided in the Testimony is within the scope of data protected as confidential under applicable law.

3. In accordance with the legal authority described herein, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 5th day of December, 2019, at San Diego.

  
\_\_\_\_\_  
James Magill

# ATTACHMENT A

## SDG&E Request for Confidentiality on the following information in its Application Under the Energy Resource Recovery Account Trigger Mechanism

Location of Protected Information	Legal Authority	Narrative Justification
Attachment A, line 18: Direct and Indirect GHG Costs	D.14-10-033; D.16-08-024; D.17-05-035; D.17-09-023; Public Utilities Code Section 454.5(g).	GHG emissions forecasts: Providing these forecasts to market participants would allow them to know SDG&E's forecasted GHG obligation, thereby compromising SDG&E's contractual bargaining power such that customer costs are likely to rise. Thus, the release of this non-public confidential information will unjustifiably allow market participants to use this information to the disadvantage of SDG&E's customers.

# **Attachment A**



**SAN DIEGO GAS & ELECTRIC COMPANY  
TESTIMONY OF ERIC L. DALTON  
A.19-12-XXX: ATTACHMENT A**

**ERRA Forecast (\$Million)**

(Energy Resource Recovery Account)

ERRA Revenue and Costs	Recorded Sep-19	Recorded Oct-19	Forecast Nov-19	Forecast Dec-19	Forecast Jan-20	Forecast Feb-20	Forecast Mar-20
1 Beginning Balance	7	(57)	(140)	(157)	(138)	(154)	(149)
2 <b>Revenue</b>							
3 Electric Energy Commodity Cost (EECC) Revenue							
4 Franchise Fees							
5 SDGE Residual Revenue (w/o FF&U)							
6 <b>Non-Fuel Generation Balancing Account (NGBA)</b>							
7 <b>Marine Mitigation Memorandum Account (MMMA)</b>							
8 <b>Demand Response Generation Balancing Account (DRGBA)</b>							
9 Net ERRA Revenue	(140)	(115)	(90)	(64)	(82)	(57)	(43)
10							
11 <b>Expense</b>	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
12 ISO Load Charges & Supply Revenues							
13 Contract Costs (Non-CTC) (Incl RECs & NRG)							
14 Contract Costs (CTC Up to Mkt)							
15 CAISO Misc Costs							
16 Hedging Costs & Financial Transactions							
17 Rebalancing Costs (OMEC/Calpine PPA Debt Equivalence)							
18 Green House Gas Costs							
19 Adjustments							
20 Net Expense	75	33	73	83	67	62	60
21 Net Under / (Over) Collect Prior to Interest & Transfers	(64)	(83)	(16)	20	(16)	6	17
22 Interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)
23 Transfers Other Bal Accts:	-	-	-	-	-	-	-
24 Total Under / (Over) Collect for Period with Interest & Transfers	(64)	(83)	(17)	19	(16)	5	16
25							
26 Cumulative Balance Under / (Over) Collect (1)	(57)	(140)	(157)	(138)	(154)	(149)	(132)
27							
28 ERRA Trigger	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
29 Prior Year Generation Revenue	1,672	1,672	1,672	1,672	1,672	1,084	1,084
30 5% Threshold	5%	5%	5%	5%	5%	5%	5%
31 5% Threshold \$ Value	84	84	84	84	84	54	54
32 Cumulative ERRA Balance Under / (Over) Collection	(57)	(140)	(157)	(138)	(154)	(149)	(132)
33 Calculated Trigger %	-3.4%	-8.4%	-9.4%	-8.2%	-9.2%	-13.7%	-12.2%

(1) Footnote (Line 28 - Cumulative Balance Under/Over Collect): Totals may not add due to rounding.