BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Expedited Application of San Diego Gas & Electric Company (U 902 E) Under the Energy Resource Recovery Account Trigger Mechanism.	Application 21-05-______ (Filed May 7, 2021)

EXPEDITED APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) UNDER THE ENERGY RESOURCE RECOVERY ACCOUNT TRIGGER MECHANISM

REQUEST FOR EXPEDITED SCHEDULE (RULE 2.9)

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I. INTRODUCTION

Pursuant to Decision ("D.") 02-10-062 and in accordance with Rule 2.1 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, San Diego Gas & Electric Company ("SDG&E") respectfully submits this Expedited Trigger Application ("Application") addressing the disposition of SDG&E's current Energy Resource Recovery Account ("ERRA") balance. As noted below, and in accordance with D.02-10-062, this Application contains a proposed, expedited schedule "for approval in 60 days." Also, in accordance with Rule 2.9, this Application includes a "Request for Expedited Schedule" as **Attachment A**.

As explained in more detail in the accompanying Prepared Direct Testimony of Eric L. Dalton on behalf of SDG&E ("Testimony of Eric L. Dalton"), using the current methodology for calculating the ERRA trigger mechanism, SDG&E's ERRA balance through March 31, 2021 is undercollected by $110 million, which correlates with a trigger calculation of 9.8%, and thus exceeding the 4% trigger point and the 5% trigger threshold. Based on its forecasts and assumptions, SDG&E does not expect that its ERRA balance will self-correct below the 4% trigger point within 120 days of March 31, 2021. Rather, SDG&E currently expects its ERRA undercollection to be $101 million by December 31, 2021.

While the current forecast of the ERRA balance is expected to exceed a 5% trigger undercollection through the remainder of 2021, a rate change is not warranted at this time. This is because SDG&E is requesting Commission authorization to employ a different methodology for calculating the ERRA balancing account trigger mechanism – specifically, how SDG&E determines whether the ERRA balancing account has exceeded the 4% trigger point and 5% trigger threshold as well as the self-correction mechanism. SDG&E's current methodology *only* considers the ERRA balance to make this trigger mechanism determination. Under SDG&E's proposed methodology, SDG&E would consider *both* the ERRA balance and the bundled portion of the Portfolio Allocation Balancing Account ("PABA") balance to determine whether the ERRA balancing account is in a triggered position. By doing so, SDG&E calculates that its combined ERRA/PABA bundled balance as of March 31, 2021 is undercollected by $91 million (net of unamortized trigger of $87 million[1]), which correlates with a trigger calculation of 8%, exceeding the 4% trigger point and 5% trigger threshold. However, SDG&E's analysis of potential revenues and expected expenses for April through December 2021 reveals that the combined ERRA/PABA bundled balance will self-correct within the prescribed 120-day period. As such, instead of seeking a rate increase to recover the undercollection, SDG&E proposes to maintain all ERRA-related rates at their current levels and address the final projected year-end ERRA balance in its pending 2022 ERRA Forecast proceeding (Application ("A.") 21-04-010) as part of its November Update.

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[1] D.21-02-014 approved the transfer of the 2020 ERRA Trigger undercollection of $124 million from ERRA to PABA, to be amortized over 22 months beginning March 1, 2021. The PABA bundled portion of the trigger is $100 million and as of March 31, 2021 the unamortized portion of the trigger is $96 million. D. 20-12-028 approved the transfer of the 2020 CAPBA Trigger overcollection of $9 million from CAPBA to PABA, to be amortized over 36 months beginning January 1, 2021. When calculating the balance subject to trigger, the unamortized portion of the triggers are excluded because they have been implemented in rates.

The methodology SDG&E proposes is already utilized by Southern California Edison Company ("SCE"). Moreover, in the pending Power Charge Indifference Adjustment ("PCIA") proceeding (Rulemaking 17-06-026), both SDG&E and Pacific Gas and Electric Company ("PG&E") have proposed that this methodology for calculating the ERRA balancing account trigger mechanism be adopted for all three investor-owned utilities.[2] Therefore, SDG&E's request is not only reasonable under the existing circumstances but utilizes a methodology that has already been approved by the Commission.

II. BACKGROUND

A. ERRA Trigger Mechanism

The ERRA balancing account was established by the Commission to track the investor-owned utilities' ("IOUs") fuel and purchased power revenues against actual recorded costs, excluding revenues collected for the California Department of Water Resources ("CDWR").[3] Pub. Util. Code Section 454(d)(3) required the Commission to ensure that any overcollection or undercollection in the power procurement balancing account would not exceed 5% of the utility's actual recorded generation revenues for the prior calendar year, excluding revenues collected for the CDWR.[4]

D.02-10-062 established a trigger mechanism to ensure that the 5% threshold would not be reached. The trigger mechanism requires the filing of an expedited application for the

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[2] *See* R.17-06-026, Joint Response of Southern California Edison Company (U 388-E), San Diego Gas & Electric Company (U 902 E) and Pacific Gas and Electric Company (U 39 E) to Assigned Commissioner's Amended Scoping Memo and Ruling (DATE) at p.18.

[3] California Pub. Util. Code Section 454.5(d)(3), initiated by Assembly Bill ("AB") 57, Stats. 2002, Ch. 835.

[4] *Id*. While the statutory trigger requirement expired on January 1, 2006, it was extended by the Commission to the term of long-term contracts D.15-05-008.

Commission's approval within 60 days from the filing date when the recorded monthly ERRA balance (undercollection or overcollection) reaches a 4% trigger point.[5]

The Commission further requires that the application will include a projected account balance in 60 days or more from the date of filing depending on when the balance is expected to reach the 5% threshold,[6] an amortization period for the balance of not less than 90 days, and a proposed allocation of the overcollection and/or undercollection among customers for rate adjustment based on the existing allocation methodology recognized by the Commission.[7]

In D.07-05-008, SDG&E was authorized to notify the Commission through advice letter filing, instead of expedited application, when SDG&E's ERRA balance exceeds its trigger point and SDG&E does not seek a change in rates, if the ERRA balance will self-correct below the trigger point within 120 days of filing.[8] In such an advice letter, SDG&E is required to provide the necessary documentation supporting its proposal to maintain its rates.

B. Relationship Between ERRA and PABA

Pursuant to D.18-10-019 and Advice Letter 3318-E,[9] the PABA was established to record the "above-market" costs and revenues associated with all generation resources that are eligible for cost recovery through the PCIA rates, including SDG&E's Utility-Owned Generation ("UOG"). The PABA is comprised of a series of subaccounts referred to as "vintage subaccounts." Costs recorded in each vintage subaccount include, but are not limited to, fuel, greenhouse gas costs, third party power purchase contracts, and UOG's revenue requirement.

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5 D.02-10-062 at 64-66.

6 *Id.*

7 *Id.*

8 D.07-05-008 at Ordering Paragraph OP 2.

9 SDG&E AL 3318-E, filed on December 10, 2018, and approved on May 30, 2019.

The above market costs of all generation resources that are eligible for cost recovery through PCIA rates, including SDG&E's UOG, are recorded in the PABA. D.19-10-001 authorized any over/under collection in the PABA vintage subaccounts in a given year to be rolled into the next year's ERRA Forecast filing.

The ERRA trigger mechanism has not been updated since the issuance of D.18-10-019 (Modifying the PCIA Methodology). This decision not only created the PABA but resulted in significant changes to how costs and revenues are recorded to ERRA. For example, following the implementation of PABA, only market-based costs associated with SDG&E's bundled load are recorded to ERRA and recovered from bundled customers through the generation rate, and above-market costs incurred on behalf of both bundled and departing load customers are recorded to PABA and recovered from bundled customers through the generation rates, and from departing load customers through the PCIA charge.

C. Recorded Undercollection Balance and Cause of Undercollection

1. Current and Forecasted ERRA Undercollection

Under the current methodology, SDG&E's ERRA balance as of March 31, 2021 is undercollected by $110 million, which correlates with a trigger calculation of 9.8%, exceeding the 4% trigger point and 5% trigger threshold.[10] SDG&E's analysis of potential revenues and expected expenses for April through July 2021 reveals that the ERRA undercollected balance will not self-correct within the prescribed 120-day period. Rather, based on the March recorded balance, and forecasts of costs and revenues for April through December 2021, SDG&E is currently forecasting a year-end 2021 ERRA undercollection of $101 million (or 6.3%).

[10] *See* Testimony of Eric L. Dalton at pp. ED-5 to ED-6.

However, if SDG&E's requested methodology to consider both the combined ERRA balance and bundled portion of PABA to determine the trigger mechanism is approved, SDG&E calculates that its combined ERRA/PABA bundled balance as of March 31, 2021 is undercollected by $91 million (net of unamortized trigger of $87 million), which correlates with a trigger calculation of 8%, exceeding the 4% trigger point and 5% trigger threshold. However, SDG&E's analysis of potential revenues and expected expenses for April through December 2021 reveals that the combined ERRA/PABA Bundled balance will self-correct within the prescribed 120-day period.[11] Utilizing this methodology would eliminate the need for a rate increase under this trigger application. Rather, the 2021 year-end ERRA balance would be addressed in SDG&E's pending 2022 ERRA Forecast proceeding (A.21-04-010).

2. Cause of the Current Undercollection

As discussed in further detail in the Testimony of Eric L. Dalton, the cause of the current ERRA undercollection is primarily due to the difference between 2021 forecasted and actual customer revenue and load costs. Specifically, in February 2021, CAISO load charges were significantly higher than forecast in ERRA due to high gas prices resulting from the winter storms in Texas and other parts of the south. In addition, the first three months of 2021 saw customer revenues below forecast due to seasonal rates.

Moreover, an additional contributing factor to the ERRA's undercollection is how the California Independent System Operator ("CAISO") revenue is recovered and booked. Although SDG&E received higher revenues from the CAISO for energy sold into the market during February 2021, these revenues were primarily booked to PABA[12] because the associated

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[11] *Id.* at pp. ED-7 to ED-9.

[12] Pursuant to D. 18-10-019, Ordering Paragraph 7.

resources are PCIA-eligible contracts. Therefore, any additional CAISO revenues received above forecast was reflected in PABA's balancing account and was not an offset to ERRA expenses. SDG&E expects that this change in the way CAISO revenue is recovered, and booked into PABA, will impact this and future ERRA triggers. Combining the ERRA balance with the bundled portion of PABA (as requested) would mitigate this impact.

III. RELIEF REQUESTED

Through this Application, and in accordance with the statutory and regulatory directives noted above, SDG&E is seeking the following relief from the Commission:

(1) a finding that SDG&E complied with the requirements of D.02-10-062;

(2) allow SDG&E to maintain all ERRA-related rates at their current levels;

(3) authorize SDG&E to consider both the combined ERRA balance and the bundled portion of the PABA balance to calculate the trigger mechanism and determine whether the ERRA balancing account is in a triggered position; and

(4) authorize SDG&E's proposal to address the projected 2021 year-end ERRA balance in its pending 2022 ERRA Forecast proceeding (A. 21-04-010) as part of the November Update.

IV. STATUTORY AND PROCEDURAL REQUIREMENTS[13]

A. Rule 2.1 (a) – (c)

In accordance with Rule 2.1 (a) – (c) of the Commission's Rules of Practice and Procedure, SDG&E provides the following information.

[13] Because SDG&E is not proposing to increase or change rates through this Application, the Rule 3.2 requirements do not apply.

1. Rule 2.1 (a) - Legal Name

SDG&E is a corporation organized and existing under the laws of the State of California. SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. The exact legal name of the Applicant is San Diego Gas & Electric Company. SDG&E's principal place of business is 8330 Century Park Court, San Diego, California 92123. SDG&E's attorney in this matter is Roger A. Cerda.

2. Rule 2.1 (b) - Correspondence

Correspondence or communications regarding this Application should be addressed to:

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3. Rule 2.1 (c)

a. Proposed Category of Proceeding

SDG&E requests that this Application be categorized as a ratesetting proceeding. Although SDG&E is not proposing to change rates through this Application, the ratesetting categorization appears to be the most appropriate categorization as compared to other alternatives.

b. Need for Hearings

Based on the expedited nature of ERRA trigger applications, and the fact that SDG&E is not seeking to recover costs or change rates through this Application, there is no need for hearings in this proceeding. SDG&E has provided ample supporting testimony, analysis and documentation that provide the Commission with a sufficient record upon which to grant the relief requested.

c. Issues to be Considered

The issues to be considered are in this proceeding are:

1. Has SDG&E satisfied the requirements of D.02-10-062?;
2. Is SDG&E's request to consider both the combined ERRA balance and the bundled portion of the PABA balance in calculating the ERRA trigger mechanism reasonable?
3. Is SDG&E's proposal to address the 2021 year-end ERRA balance in its pending 2022 ERRA Forecast proceeding (A.21-04-010), rather than through this Application, reasonable?

SDG&E does not believe there are any issues related to safety considerations that need to be considered in this Application.

d. Proposed Schedule

SDG&E proposes the following expedited schedule in accordance with D. 02-10-062 and Rule 2.9:[14]

[14] Pursuant to D.02-10-062, trigger applications are to be expedited for approval in 60 days from the filing date. (D.02-10-062 at p. 65 and Conclusion of Law 15.) In addition, CPUC Rule 2.9 requires that in an expedited proceeding: a prehearing conference be noticed no later than 20 days from the date of preliminary categorization of the proceeding under Rule 7.1(a); a prehearing conference be held no later than 30 days from the date of preliminary categorization; and a scoping memo be issued no later than 45 days from the date of preliminary categorization.

ACTION	DATE
Application Filed	May 7, 2021
Expedited Protests	May 21, 2021
Expedited Reply to Protests	May 28, 2021
Prehearing Conference	June 4, 2021
Opening Briefs (if necessary)	June 11, 2021
Reply Briefs (if necessary)	June 18, 2021
Proposed Decision	July 2, 2021
Expedited Reply Comments on Proposed Decision	July 9, 2021
Commission Decision Adopted	July 15, 2021 (CPUC Meeting)

B. Rule 2.2 – Articles of Incorporation

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission on September 10, 2014 in connection with SDG&E Application 14-09-008 and is incorporated herein by reference.

V. CONFIDENTIAL INFORMATION

SDG&E is submitting the testimony of Eric L. Dalton in both public (redacted) and non-public (unredacted and confidential) form, consistent with SDG&E's declaration of confidential treatment attached to the witness testimony and submitted in conformance with D.06-06-066 and D.08-04-023. The confidential information appears in Table 2, Table 3, Attachment A, and Attachment B accompanying the testimony of Mr. Dalton. Confidential treatment is necessary in this proceeding to avoid inappropriate disclosure of the confidential and commercially sensitive information (pertaining to SDG&E's electric procurement resources and strategies).

VI. SERVICE

This is a new application. No service list has been established. Accordingly, SDG&E will serve this Application, testimony and related exhibits on parties to the service lists for

SDG&E's 2022 ERRA Forecast Application (A.21-04-010). Electronic copies will be sent to Chief ALJ Anne Simon and Administrative Law Judge Peter Wercinski.

VII. CONCLUSION

Based on this Application and the supporting testimony and attachments thereto, SDG&E respectfully requests that the Commission grant the relief requested above and such additional relief as the Commission believes is just and reasonable.

Respectfully submitted,

/s/ Roger A. Cerda
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May 7, 2021

By: */s/ Miguel Romero*
Miguel Romero
San Diego Gas & Electric Company
VP – Energy Supply

OFFICER VERIFICATION

OFFICER VERIFICATION

I, Miguel Romero, declare the following:

I am an officer of San Diego Gas & Electric Company and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing **EXPEDITED APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) UNDER THE ENERGY RESOURCE RECOVERY ACCOUNT TRIGGER MECHANISM** are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

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

Executed on May 7, 2021 at San Diego, California.

/s/ Miguel Romero
Miguel Romero
San Diego Gas & Electric Company
VP – Energy Supply

ATTACHMENT A

REQUEST FOR EXPEDITED SCHEDULE (RULE 2.9)

REQUEST FOR EXPEDITED SCHEDULE

SDG&E respectfully requests that this ERRA trigger application be considered by the Commission on an expedited basis to avoid ratepayer harm and to comply with the requirements of Decision ("D.") 02-10-062. D.02-010-062 expressly requires SDG&E "to file expedited applications **for approval in 60 days** from the filing date when the new ERRA balance reaches four percent."[15] Such an expedited cost recovery mechanism is necessary not only to protect ratepayers, but to conform with Assembly Bill 57's statutory requirements. As the Commission stated, "[t]he purpose of balancing accounts and timely recovery of procurement costs are intertwined in the AB 57."[16] In addition, expedited approval is consistent with the directives of Pub. Util. Code Section 454.5 (d)(3) to "[e]nsure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan."

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15 D.02-10-062 at p. 65 (emphasis added); Conclusion of Law 15.\

16 *Id.* at p. 53.