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

Application of San Diego Gas & Electric Company (U 902-E) for Approval of: (i) Contract Administration, Least-Cost Dispatch and Power Procurement Activities in 2023, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account, Portfolio Allocation Balancing Account, Power Charge Indifference Adjustment Undercollection Balancing Account, Transition Cost Balancing Account, Local Generating Balancing Account, and Modified Cost Allocation Mechanism Balancing Account in 2023, and (iii) Costs Recorded in Related Regulatory Accounts in 2023.	Application 24-06-______ (Filed June 3, 2024)

APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR APPROVAL OF ERRA COMPLIANCE FOR RECORD PERIOD 2023

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I. INTRODUCTION

In compliance with California Public Utilities Code Section 454.5, relevant Decisions ("D.") of the California Public Utilities Commission ("Commission" or "CPUC"), including, but not limited to, D.02-10-062, D.02-12-074, D.05-01-054, and D.05-04-036, and the Commission's Rules of Practice and Procedure, San Diego Gas & Electric Company ("SDG&E") hereby submits its Application for review and approval of: (i) contract administration, least-cost dispatch and power procurement activities in 2023, (ii) costs related to those activities recorded to the Energy Resource Recovery Account ("ERRA"), Portfolio Allocation Balancing Account ("PABA"), Power Charge Indifference Adjustment ("PCIA") Undercollection Balancing Account ("CAPBA"), Transition Cost Balancing Account ("TCBA"), Local Generating Balancing Account ("LGBA"), and Modified Cost Allocation Mechanism Balancing Account ("MCAMBA") in 2023, and (iii) costs recorded in related regulatory accounts in 2023, including New Environmental Regulatory Balancing Account ("NERBA"); Independent Evaluator Memorandum Account ("IEMA"); the Litigation Cost Memorandum Account ("LCMA"); the Green Tariff Marketing

Education & Outreach Memorandum Account ("GTME&OMA"); the Green Tariff Shared Renewables Administrative Cost Memorandum Account ("GTSRACMA"); the Enhanced Community Renewable ME&O Memorandum Account ("ECRME&OMA"); the Green Tariff Shared Renewable Balancing Account ("GTSRBA"); the Tree Mortality Non-Bypassable Charge Balancing Account ("TMNBCBA"); the Disadvantaged Communities – Single Family Solar Homes Balancing Account ("DACSASHBA"); the Disadvantaged Community-Green Tariff Balancing Account ("DACGTBA"); and the Community Solar Green Tariff Balancing Account ("CSGTBA"). SDG&E is not seeking a cost recovery or a rate change at this time for any of these costs. With respect to the NERBA, SDG&E seeks authorization to return this account's overcollection in the Annual Electric Regulatory Account Update filing.

II. BACKGROUND

A. Scope of ERRA Compliance Review

The ERRA balancing account mechanism was established in D.02-10-062 to track fuel and purchased power billed revenues against actual recorded costs. That decision also required the electric utilities to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism, and a schedule for semiannual ERRA proceedings. The first semiannual proceeding (the forecast application) consists of an application by the utility to establish annual fuel and purchased power forecasts for the upcoming calendar year. During the second semiannual proceeding, a compliance review of the utility's prior period energy resource contract administration, least-cost dispatch, and ERRA balancing account is conducted. The Commission is required to perform a compliance review as opposed to a reasonableness review of the ERRA compliance application.[1] "A compliance review considers whether a utility has complied with all applicable rules, regulations, opinions, and laws, while a reasonableness review evaluates not only

1 D.16-05-003 at 3.

a utility's compliance, but also whether the data or actions resulting from, for example, the calculation of a forecasted expense, are reasonable, based on the methods and inputs used."[2]

In D.02-10-062, the Commission adopted minimum standards of conduct the utilities must follow in performing their procurement responsibilities. Standard of Conduct #4 ("SOC 4") describes the compliance review criteria for contract administration and economic dispatch of generation resources on which the utilities will be evaluated: "The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner. Our definitions of prudent contract administration and least cost dispatch are the same as our existing standard."[3]

The scope of compliance review described in D.02-10-062 and D.02-12-074 includes Commission review of utility owned generation ("UOG")[4] management of planned and unplanned outages, UOG fuel expenses, contract administration, California Independent System Operator ("CAISO")-related costs, existing Qualified Facilities ("QF") contracts, other power purchase agreements (including renewable resource contracts), and economic dispatch of electric generation resources (including Miramar, Palomar, Desert Star Energy Center ["Desert Star"], Cuyamaca, Escondido and El Cajon Battery Energy Storage System ("BESS") and Ramona Solar Energy Project).

The Commission further stated in D.03-06-067 that in determining whether the utilities complied with the requirement to "dispose of economic long power and to purchase economic short power in a manner that minimizes ratepayer costs,"[5] the Commission would examine "the prudence of each utility's decision to dispatch resources contained in the integrated DWR-IOU

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[2] *Id.*

[3] D.02-10-062 at Conclusion of Law 11.

[4] For purposes of this application, the phrase "UOG" includes SDG&E's utility-owned storage.

[5] D.03-06-067 at 10.

portfolio and execute market transactions for economic purposes … ."[6] Accordingly, the Commission's annual compliance review focuses on UOG management of planned and unplanned outages, prudent contract administration, least-cost dispatch, and UOG fuel procurement activities.

The appropriate scope and standard of review for these ERRA applications have also been addressed in D.05-04-036 and D.05-01-054. According to those decisions and pertinent to the scope of review of the utility's least-cost dispatch obligation, the Commission will consider those decisions to dispatch the resources in the daily, hourly, and real-time markets. As for the standard of review of the utility's least-cost dispatch, contract administration, and UOG costs, the Commission reiterated in D.05-04-036 that its review is not a "reasonableness review," but is instead a "compliance review:"

> We [the Commission] went on to state that the least cost dispatch review process is a compliance review, and that there are no ranges of possible outcomes. (D.05-01-054 at 13-14.) Instead, we stated in pertinent part that:
>
> The outcome or standard for review has been predetermined – that is the lowest cost. SCE must demonstrate that it has complied with this standard, by providing sufficient information and/or analysis in order for the Commission to verify that SCE's dispatch resulted in the most cost- effective mix of total resources, thereby minimizing the cost of delivering electric services. Based on analyses of SCE's showing and subsequent discovery, ORA or any other party may take the position that SCE did not fully comply with SOC 4. In such cases, we will judge the merits of the parties' positions and may impose disallowances and/or penalties…. This compliance process encompasses much more than that characterized by ORA. Imposing a compliance process for least-cost dispatch under SOC 4, rather than a reasonableness review process, does not diminish our ability to ensure just and reasonable rates.

(D.05-01-054 at 14-15.)[7]

In this same decision, the Commission goes on to say that:

> D.05-01-054 did not adopt specific criteria for determining "what constitutes least-cost dispatch compliance or what the utility needs to provide to meet its burden to prove such compliance." (D.05-01-054 at 15 (emphasis added).) Instead, we stated

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[6] *Id.*

[7] D.05-04-036 at 26. *Accord* D.15-11-011 at 2; D.17-03-016 at 3.

> that if ORA or another party can demonstrate that the utility "has not dispatched resources in a least-cost manner, the Commission will review that evidence and make appropriate adjustments for non-compliance." (*Id*. at 16.)[8]

Finally, on October 21, 2014, SDG&E, along with Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company ("SCE"), jointly filed a Joint Proposal for the Demonstration of Least-Cost Dispatch ("Joint Proposal"), which detailed the information that the utilities would include in testimony or workpapers in ERRA compliance proceedings to demonstrate least-cost dispatch. On November 5, 2014, the Commission's Office of Ratepayer Advocates ("ORA") filed a response which included four recommended modifications to the Joint Proposal. On December 2, 2014, Administrative Law Judge Roscow and Commissioner Florio issued an "Interim Ruling Providing Guidance for the 2014 ERRA Compliance Proceedings," which adopted both the Joint Proposal as well as ORA's suggested modifications relating to economically dispatched demand response programs. These requirements were adopted on a non-interim basis in D.15-05-005 and D.15-12-025. The prepared direct testimony and associated attachments and workpapers of SDG&E witness Andrew Scates address these least-cost dispatch requirements and satisfy SDG&E's burden of proof for the 2023 record period.

B. ERRA

As noted above, the purpose of the ERRA is to provide full recovery of SDG&E's energy procurement costs associated with serving SDG&E's bundled service customers. Accordingly, SDG&E's ERRA revenue requirement includes specific recovery of CAISO energy and ancillary services load charges, contract costs, generation fuel costs, CAISO-related costs, and hedging costs under Accounting Standards Codification 810 ("ASC 810"), formerly referred to as FASB Interpretation No. 46 (R) or "Fin 46 (R)." Pursuant to Section 5(d) of SDG&E's ERRA Tariff, the ERRA also includes "in lieu payments payable to communities where SDG&E is transporting its

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8 *See also* D.05-04-036 at 27 (internal footnote omitted).

own gas through its own gas transmission or distribution system, or both, for purposes of generating electricity or for use in its own operations." The ERRA also includes revenues from SDG&E's Electric Energy Commodity Cost ("EECC") rate schedules (commodity revenue), non-fuel generation revenues allocated to the Non-Fuel Generation Balancing Account ("NGBA") and other Commission-approved accounts.

SDG&E believes that the costs and expenses recorded to the ERRA during 2023 are correctly stated and in compliance with the Commission's directives and are recoverable. The ERRA balance as of December 31, 2023 was zero, as shown in the accompanying prepared direct testimony of Brenda Hua and its associated Table 1, as well as Attachment A thereto.

C. PABA

Pursuant to D.18-10-019 and Advice Letter 3318-E,[9] the Portfolio Allocation Balancing Account ("PABA") was established to record the "above-market" costs and revenues associated with all generation resources that are eligible for cost recovery through the Power Charge Indifference Adjustment ("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 ("GHG") costs, third party power purchase contracts, and UOG's revenue requirement. The above-market costs of all generation resources that are eligible for cost recovery through the PCIA rates, including SDG&E's UOG, is also recorded in the PABA. The PABA tariff states that "[t]he entries recorded in the vintaged PABA subaccounts shall be reviewed in SDG&E's annual ERRA Compliance proceeding."[10]

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

10 *See* SDG&E Electric Tariffs, Preliminary Statements at Revised Cal. Pub. Util. Code Sheet No.32544-E, *available at http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_PABA.pdf.*

The balance in the PABA as of December 31, 2023 reflected a $(218.648) million undercollection, as shown in the accompanying prepared direct testimony of Brenda Hua and its associated Table 2, as well as in Attachment B thereto, which provides a monthly summary of the accounting entries recorded to the PABA during 2023. Accordingly, SDG&E requests confirmation that the transactions recorded in 2023 in the PABA are correctly stated and in compliance with the Commission's directives.

D. CAPBA

Pursuant to Commission Decision 18-10-019 and Advice Letter 3436-E,[11] the purpose of the CAPBA is to record the obligation that accrues for departing load ("DL") customers in the event that the half-cent per kWh PCIA rate cap is reached. The CAPBA is comprised of a subaccount for each customer vintage, as well as a specific bundled subaccount, which capture the shortfall amount that is financed by bundled customers for DL customers when the DL PCIA rate is capped, and the repayment amount from DL customers to bundled customers. In addition, pursuant to D.18-10-026, Ordering Paragraph ("OP") 10, SDG&E established the trigger mechanism for CAPBA.

Subsequently, D.21-05-030 removed the PCIA cap and trigger mechanisms effective as of May 24, 2021. SDG&E was required to implement the removal of the PCIA cap in rates effective January 1, 2022.[12] In SDG&E's 2024 ERRA Forecast proceeding, D.23-12-021 authorized SDG&E to transfer the remaining balance in the CAPBA subaccounts to the corresponding PABA vintage subaccounts and CAPBA was closed at the end of 2023.[13] SDG&E requests confirmation

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[11] *See* SDG&E AL 3436-E, filed on September 30, 2019, and approved on October 30, 2019.

[12] D.21-05-030, OP 1.

[13] D.23-12-021, OP 6.

that transactions recorded in 2023 in the CAPBA are correctly stated and in compliance with the Commission's directives.

E. TCBA

In D.06-12-019, the Commission determined that SDG&E's annual TCBA review should be included as part of the annual ERRA compliance review. The ERRA compliance review is the appropriate forum to review the TCBA because the costs that are recovered in the TCBA generally relate to the above-market portion of certain QF and purchase power costs eligible for recovery under Assembly Bill ("AB") 1890. Specifically, the TCBA records the eligible above- market power costs and the revenues received from SDG&E's Competition Transition Charge ("CTC") rate. The TCBA balance as of December 31, 2023 was a $2.705 million undercollection. SDG&E requests confirmation that the entries and calculations recorded in the TCBA are correctly stated and in compliance with the Commission's directives.

F. LGBA

The LGBA was authorized in D.13-03-029. The LGBA records the costs and revenues for generation that have been determined to be subject to the cost allocation mechanism ("CAM"). For 2023, the contracts included in the LGBA were the Escondido Energy Center, the Pio Pico Energy Center, CP Kelco Combined Heat & Power, the Grossmont Hospital CHP, Carlsbad Energy Center, Sentinel Energy Center, Valley Center Storage I, LLC, Vista Energy Storage, LLC, Gateway Energy Storage, and Sagebrush Energy Storage contracts. Also included were the SDG&E-owned Escondido Energy Storage, El Cajon Energy Storage, Fallbrook Energy Storage, Westside Canal Energy Storage, and Miramar Energy Storage Facilities.[14] In addition, the LGBA records the net costs of contracts procured under

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[14] Per D.13-03-029, and established in Advice Letter ("AL") 2499-E fuel costs for EEC, El Cajon Energy Storage Facility, Escondido Energy Storage Facility (in AL 2924-E), PPEC (in D.14-02-016), CP Kelco CHP (in AL 2897-E), Grossmont Hospital CHP (in CHP Program Settlement Agreement Term

MCAMBA for opt out LSEs that subsequently left the market and are no longer serving customers.

As of December 31, 2023, the LGBA balance reflected an undercollection, as shown in the accompanying *confidential* prepared direct testimony of Brenda Hua and its associated Table 6, as well as in Attachment E thereto, which provides a monthly summary of the accounting entries recorded to the LGBA during 2023. In this Application, SDG&E is requesting that SDG&E's 2023 transactions reflected in its LGBA are in compliance with the Commission's directives.

G. MCAMBA

Pursuant to D.22-05-015 and Advice Letter 4043-E,[15] the purpose of MCAMBA is to record the net costs related with the procurement of energy resources by SDG&E incurred on behalf of certain load-serving entities ("LSEs") in the following circumstances: (1) opt-out procurement-related costs, including incremental administrative costs for customers of LSEs that have opted out of self-procurement; and (2) backstop procurement-related costs, including incremental administrative costs for customers of LSEs that fail to provide the capacity required by D.19-011-016 and/or D.21-006-035.

Pursuant to Resolution E-5241, the MCAMBA was established in January 2023 approving SDG&E cost recovery to implement MCAM.[16] SDG&E transferred the costs from Resource Adequacy Procurement Memorandum Account ("RAPMA") to this account.[17]

Sheet October 8, 2010 and adopted in D.10-12-035), Carlsbad Energy Center (in D.15-05-051 and adopted in AL2757-E), and Miramar Energy Storage Facility (in D.18-05-024) are to be recorded to the LGBA.

15 *See* SDG&E AL 4043-E, filed on July 18, 2022 and approved on January 12, 2023.

16 Resolution E-5241, OP 1.

17 *See* Resolution E-5117. RAPMA is an interim memorandum account that existed to record costs until the MCAMBA was created and approved in D.22-05-015.

As of December 31, 2023, the balance in the MCAMBA was a $0.690 million undercollection as shown in Attachment F of the accompanying prepared direct testimony of Brenda Hua and Table 7. SDG&E is requesting that the Commission find that its 2023 transactions reflected in its MCAMBA are in compliance with the Commission's directives.

H. NERBA

The NERBA, as approved by the Commission's Decision 13-05-010 in SDG&E's 2012 General Rate Case ("GRC"), records the operating and maintenance ("O&M") and capital- related costs associated with certain new and proposed federal and state environmental programs, such as fees charged by the California Air Resources Board ("CARB") under AB 32.

As of January 1, 2023, the beginning balance in the AB 32 electric subaccount in NERBA was a $0.353 million undercollection. Revenues in 2023 were $(0.354) million, expenses totaled $0.549 million, and interest of approximately eighteen thousand dollars was booked in 2023, as shown in Attachment G of the accompanying prepared direct testimony of Brenda Hua. The resulting balance in the AB 32 electric subaccount in NERBA as of December 31, 2023 was approximately a $0.584 million undercollection. SDG&E is requesting (1) confirmation that the 2023 transactions recorded in the AB 32 electric subaccount in NERBA are appropriate and correctly stated in accordance with Commission directives, and (2) that the Commission authorize SDG&E to include the activity of $(0.231) million undercollection in rates in the Annual Electric Regulatory Account Update filing, which will be implemented in rates and amortized effective January 1 following the Commission's approval of this Application.

I. IEMA

Pursuant to D.04-12-048 and D.05-07-039, the purpose of the IEMA is to record third party costs associated with the use of Independent Evaluators ("IEs") in the utility's long-term procurement activities and Renewables Portfolio Standard ("RPS") programs. Interest is applied to any over- or undercollection balance at the three-month Commercial Paper rate.

In D.11-10-029, which approved Phase 1 of SDG&E's 2009 ERRA Compliance filing, SDG&E was authorized to update its IEMA tariff disposition to transfer the balance in the IEMA to the ERRA on an annual basis.[18]

As explained in the accompanying prepared direct testimony of Brenda Hua, pursuant to the above-mentioned decisions, SDG&E transferred the IEMA 2023 undercollection balance of $0.139 million to ERRA. SDG&E is requesting confirmation in this Application that the amounts transferred from IEMA to ERRA during 2023 are in compliance with the Commission's directives.

J. LCMA

Pursuant to Resolution ("Res.") E-3893, the LCMA records litigation costs associated with refunds resulting from the energy crisis in October 2000 through January 2001. The LCMA tracks the difference between incurred litigation costs and settlement proceeds received.

At this time, SDG&E is not requesting recovery of its December 31, 2023 undercollected LCMA balance as there are pending litigation cases, and the appropriate vehicle for requesting recovery is through a separate filing. SDG&E requests that the Commission review SDG&E's 2023 LCMA transactions. As of January 1, 2023, the beginning balance in the LCMA was an undercollection of approximately one thousand two hundred and seventy-two dollars. Litigation expenses totaled approximately seven hundred seventy-two dollars, and interest of approximately ninety six dollars, was booked in 2023. Thus, the balance in the LCMA as of December 31, 2023

[18] D.11-10-029 was implemented in AL 2304-E, which was approved on January 12, 2012 and effective November 17, 2011.

was an undercollection of two thousand one hundred and forty dollars. Once SDG&E has closed all LCMA related litigation, SDG&E will evaluate and execute next steps.

K. GTME&OMA

Pursuant to D.15-01-051, the GTME&OMA records the difference between the revenues collected through the GT-ME&O Charge and the initial and ongoing incremental ME&O cost incurred to implement the Green Tariff Shared Renewables Program ("GTSRP"). In 2023, the GTME&OMA had a beginning balance of a $(0.150) million overcollection. Revenues in 2023 were twenty dollars, expenses and interest totaled three thousand three hundred dollars, and the ending balance was a $(0.153) million overcollection as shown in the accompanying prepared direct testimony of Brenda Hua in Attachment J. In this proceeding, SDG&E requests confirmation that the transactions recorded in the GTME&OMA are correctly stated and in compliance with the Commission's directives.

L. GTSRACMA

Pursuant to D.15-01-051, the purpose of the GTSRACMA is to record the difference between the revenues collected through the GTSR Administrative Charge and the initial and ongoing incremental administrative costs incurred to implement the GTSRP.

In 2023, the GTSRACMA had current activity and interest of $0.111 million, and the ending balance was $1.662 million, as shown in Attachment K in the accompanying prepared direct testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the GTSRACMA are correctly stated and in compliance with the Commission's directives.

M. ECRME&OMA

Pursuant to D.15-01-051, the purpose of the ECRME&OMA is to record the difference between the revenues collected through the ECR-ME&O Charge and the initial and ongoing incremental ME&O costs incurred to implement the GTSRP. The GTSRP consists of both a

Green Tariff option and an Enhanced Community Renewables option. ME&O costs for the Enhanced Community Renewables option are recorded in the ECRME&OMA.

In 2023, the ECRME&OMA had interest of one hundred fifty-eight dollars, and the ending balance was $0.003 million as shown in Attachment L of the accompanying prepared direct testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the ECRME&OMA are correctly stated and in compliance with the Commission's directives.

N. GTSRBA

Per D.15-01-051, SDG&E established the GTSRBA[19] to record the difference between the revenues collected from individual customers electing to participate in the GTSR program and the incremental costs incurred to serve customers participating in that program. The GTSR program consists of both a Green Tariff ("GT") component and an Enhanced Community Renewables ("ECR") component, which are recorded in separate subaccounts with the GTSRBA.

In 2023, GTSRBA had current activity and interest resulting in a $0.141 million undercollection as shown in Attachment M of the accompanying prepared direct testimony of Brenda Hua. Accordingly, SDG&E requests that the Commission confirm that the transactions recorded in the GTSRBA are correctly stated and in compliance with the Commission's directives.

O. TMNBCBA

Per D.18-12-003, SDG&E filed AL 3343-E-B[20] to establish the TMNBCBA to record the tree mortality related procurement costs. As noted in D.18-12-003, OP 9, the TMNBCBA cost will be recovered through the public purpose program ("PPP") charge.[21]

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[19] *See* AL 2889-E, approved June 23, 2016 and effective May 28, 2016.

[20] *See* SDG&E AL 3343-E-B, filed on May 31, 2019, approved on July 19, 2019, with an effective date of July 2, 2019.

[21] *See* SDG&E Electric Tariffs, Preliminary Statements at Revised Cal. Pub. Util. Code Sheet No. 31951-E, available at http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_TMNBCBA.pdf.

In 2023, the TMNBCBA activity and interest reflected an overcollection as shown in the accompanying confidential prepared direct testimony of Brenda Hua and its associated Attachment N. SDG&E requests confirmation that the transactions recorded in 2023 in the TMNBCBA are correctly stated and in compliance with the Commission's directives.

P. DACSASHBA, DACGTBA, AND CSGTBA

Pursuant to OP 8 of D. 18-06-027 issued on June 22, 2018, AL 3410-E-A[22] established the DACSASHBA, and AL 3253-E-B[23] established the DACGTBA and CSGTBA.

1. DACSASHBA

The DACSASH program provides incentive payments to low-income single-family homeowners in DACs for rooftop solar installation, as authorized in D.18-06-027. The incentive payments will be included as costs in DACSASHBA. The DACSASHBA will also record SDG&E's proportionate share (10.3%) of the $10 million annual budget starting in 2020 through the end of the program in 2030. Funds not allocated to specific projects or program expenses will be returned to ratepayers at the conclusion of the program (December 31, 2030). The DACSASH program will be funded first by GHG allowance revenues, and if such funds are exhausted, the programs will be funded through PPP funds.

In 2023, the DACSASHBA had current GHGRBA transfers, activity and interest totaling $(1.010) million, and the December 31, 2023 ending balance was a $(5.052) million overcollection as shown in Attachment O of the accompanying prepared direct testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the DACSASHBA are correctly stated and in compliance with the Commission's directives.

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[22] *See* SDG&E AL 3410-E-A, filed on October 1, 2019, and approved on October 24, 2019.

[23] *See* SDG&E AL 3253-E-B, filed on November 21, 2019, and approved on December 12, 2019.

2. DACGTBA

The DACGTBA is a GT program that will allow all DACGT customers to purchase 100% green energy at a discount. Pursuant to D.18-06-027, the DACGTBA program will be funded first by GHG allowance revenues, and if such funds are exhausted, the programs will be funded through PPP funds.

In 2023, the DACGTBA had current GHGRBA transfers and interest of $(0.0651) million, and the December 31, 2023 ending balance was a $(3.020) million overcollection, as shown in Attachment P of the accompanying prepared direct testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the DACGTBA are correctly stated and in compliance with the Commission's directives.

3. CSGTBA

The CSGT program is a GT/Shared Renewables Program that will allow all CSGT eligible customers in DACs to benefit from the development of solar generation projects located in their own or nearby DAC. Pursuant to D.18-06-027, the CSGT program will be funded first by GHG allowance revenues and if such funds are exhausted, the programs will be funded through PPP funds.

In 2022, the CSGTBA had current GHGRBA transfers and interest of $(0.0553) and the December 31, 2023 ending balance was a $(1.628) million overcollection as shown in Attachment Q of the testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the CSGTBA are correctly stated and in compliance with the Commission's directives.

Q. Public Safety Power Shutoffs

On November 13, 2019, the Commission initiated its *Order Instituting Investigation on the Commission's Own Motion on the Late 2019 Public Safety Power Shutoff Events* ("PSPS OII")[24]

[24] Investigation 19-11-01.

to determine whether California's electric investor-owned utilities complied with applicable laws, rules, and regulations when they initiated the PSPS events in 2019.

On June 7, 2021, the Commission issued D.21-06-014 in the PSPS OII (PSPS OII Decision).[25] The PSPS OII Decision found that the utilities did not reasonably comply with the critical guideline to identify, evaluate, weigh, and report public risks for the late 2019 PSPS events.[26] Accordingly, the Commission determined a "ratemaking remedy" that would apply prospectively from the effective date of the PSPS OII Decision.[27]

The PSPS OII Decision directs that the IOUs shall include the estimated unrealized volumetric sales and unrealized revenue resulting from future PSPS in their respective ERRA proceedings, addressing the years in which the PSPS events occurred.[28] The PSPS OII Decision also directs that the IOUs forgo collection in rates of unrealized sales and unrealized revenues until the utility demonstrates improvements in identifying, evaluating, weighing, and reporting public harm when determining whether to initiate a PSPS event.[29] The PSPS OII Decision directed SDGE, Pacific Gas and Electric Company ("PG&E"), and Southern California Edison Company ("SCE") to agree on a methodology to be used to calculate the estimated unrealized volumetric sales and revenues and present it for the Commission's consideration in the ERRA proceeding.[30]

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[25] *Decision Addressing the Late 2019 Public Safety Power Shutoffs by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Mitigate the Risk of Wildfire Caused by Utility Infrastructure* (Issued June 7, 2021).

[26] D.21-06-014 at 56.

[27] *Id.* at 60.

[28] *Id*. at OP 1

[29] *Id.*

[30] *Id*.

On July 3, 2023, the Commission issued D.23-06-054, which adopted the methodology for calculating unrealized sales and revenues during PSPS events.[31] D.23-06-054 states that the unrealized revenues resulting from a PSPS event "shall be calculated by multiplying the unrealized volumetric electric sales by the electric rate."[32] D.23-06-054 provides a detailed description as to how the utilities are to calculate both the unrealized volumetric electric sales as well as the electric rate that should be used. SDG&E presents its calculation of unrealized volumetric sales and unrealized revenue resulting from PSPS events in 2023 in the testimony of Josue Mondragon.

III. SUMMARY OF PREPARED DIRECT TESTIMONY

In support of this Application, SDG&E provides the prepared direct testimony of seven witnesses. As SDG&E's prepared direct testimony demonstrates, in 2023, SDG&E has fully complied with its Commission-approved electric procurement plan,[33] all relevant contract terms and conditions, SOC 4 and applicable Commission decisions. The prepared direct testimony shows that SDG&E's 2023 ERRA, PABA, CAPBA, TCBA, LGBA, MCAMBA, NERBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, DACGTBA, and CSGTBA accounting entries are correctly stated and in compliance with the Commission's directives. The prepared direct testimony of SDG&E's witnesses, and the issues they address, are summarized below and incorporated by reference herein:

- **MR. ANDREW SCATES**

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[31] *Decision Adopting Methodology for Calculating Unrealized Revenues During Public Safety Power Shutoffs* (issued in Application 20-02-009, *et al.*)

[32] D.23-06-054, OP 1.

[33] For purposes of the Commission's review and the compliance findings requested herein, the relevant upfront standards and criteria for cost recovery are set forth in SDG&E's Bundled Procurement Plan ("BPP") approved by the Commission in D.12-04-046 and implemented by Advice Letter ("AL") 2850-E (including subsequent updates thereto including the updates in AL 3738-E approved by Resolution No. E-5196).

Mr. Scates' prepared direct testimony describes the various energy resources in SDG&E's electricity portfolio and addresses the manner in which SDG&E complied during the record period with its obligation to dispatch its energy portfolio in a least-cost manner, consistent with SDG&E's Commission-approved BPP.

- **MR. BRENDA HUA**

  Ms. Hua's prepared direct testimony provides a description of the transactions for the 2023 entries to SDG&E's ERRA, PABA, CAPBA, TCBA, LGBA, MCAMBA, NERBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, DACGTBA, and CSGTBA. Mr. Hua's prepared direct testimony explains the regulatory basis for SDG&E's requested disposition for these accounts and seeks the Commission's determination that, for the 2023 record period, SDG&E's recommended dispositions are in compliance with Commission directives and should be approved as correctly stated.

- **MR. MATT RICHARDSON**

  Mr. Richardson's prepared direct testimony describes the categories of expenses that were recorded to SDG&E's ERRA, TCBA, LGBA, MCAMBA, and TMNBCBA accounts and explains the contract administration activities associated with SDG&E's power purchase agreements during 2023.

- **MR. STEPHEN ELLIOTT**

  Mr. Elliot's prepared direct testimony explains SDG&E's procurement of GHG compliance instruments during the 2023 record period. In this proceeding, SDG&E is requesting that the Commission review and approve GHG compliance instrument procurement activity incurred in 2023 in compliance with the LTPP and BPP, AB 32, and recent Commission directives regarding GHG compliance costs, including D.21-05-004.

- **MS. SHERI MILLER**

  Ms. Miller's prepared direct testimony presents SDG&E's accounting procedure used to record the GHG Compliance Instrument costs that are described in the testimony of SDG&E witness Stephen Elliott and also includes the required GHG direct cost tables.

- **MR. KEVIN COUNTS**

  Mr. Counts's prepared direct testimony explains that SDG&E has complied with applicable Commission standards governing the operation of UOG resources and the management of planned and unplanned outages during the 2023 record period.

- **MR. JOSUE MONDRAGON**

  Mr. Mondragon's prepared direct testimony presents SDG&E's calculation of unrealized volumetric sales and unrealized revenue resulting from Public Safety Power Shutoff ("PSPS") events in 2023 for purposes of determining the PSPS ratemaking remedy set forth in D.21-06-014 and using the methodology set forth in D.23-06-054.

IV. REQUESTED RELIEF AND ISSUES TO BE CONSIDERED

In submitting this Application and supporting testimony, SDG&E demonstrates and requests express Commission findings that:

1. During 2023, SDG&E prudently administered and dispatched its UOG resources and portfolio of contracts, including Miramar Energy Facility, Palomar Energy Center, Desert Star Energy Center, Cuyamaca Peak Energy Plant, Escondido Battery Energy Storage System, El Cajon Battery Energy Storage System, Fall Brook Energy Storage System, Westside Energy Storage System, Miramar Energy Storage System, Ramona Solar Energy Project, power purchase agreements, QFs, non-QF resources, and renewable energy resources, in compliance with SDG&E's Commission-approved procurement plan;
2. All 2023 entries and costs recorded in SDG&E's ERRA, PABA, CAPBA, TCBA, LGBA, MCAMBA, NERBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, DACGTBA, and CSGTBA are correctly stated and in compliance with the Commission's directives;
3. SDG&E's procurement of GHG compliance instruments during the 2023 record period is consistent with the Commission's current directives applicable to those compliance instruments and in compliance with SDG&E's Commission-approved procurement plan;

4. SDG&E will include the NERBA undercollection in rates in the Annual Electric Regulatory Account Update filing, which will be implemented in rates and amortized effective January 1 following the Commission's approval of this Application; and,
5. Confidential treatment of the unredacted versions of the prepared direct testimony, as requested in the declarations accompanying the testimony, is appropriate and authorized.

V. STATUTORY AND PROCEDURAL REQUIREMENTS

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.

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. SDG&E's principal place of business is 8330 Century Park Court, San Diego, California 92123. SDG&E's attorneys in this matter are Roger A. Cerda and Cameron H. Biscay.

2. Rule 2.1(b) - Correspondence

Correspondence or communications regarding this Application should be addressed to:

Zackary Hughes
Regulatory Case Administrator
San Diego Gas & Electric Company 8330
Century Park Court, CP32F
San Diego, California 92123
Telephone: (619) 629-4476
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With copies to:

Roger A. Cerda
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Attorney for:
San Diego Gas & Electric Company

3. Rule 2.1(c)

a. Proposed Category of Proceeding

In accordance with Rule 7.1, SDG&E requests that this Application be categorized as ratesetting.

b. Need for Hearings

SDG&E does not believe that approval of this application will require evidentiary hearings. 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. However, to the extent that evidentiary hearings may be required, SDG&E requests that any schedule set forth by the Commission include a procedural mechanism by which the parties can specifically identify material issues of fact in dispute that warrant an evidentiary hearing. Similarly, pursuant to Rule 2.6 (b), any protest that requests evidentiary hearings "must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the application."

c. Issues to be Considered

The issues to be considered in this Application are set forth below:

1. Whether SDG&E administered and managed its own generation resources prudently, to include the management of outages and associated fuel costs, according to Standard of Conduct ("SOC") 4.

2. Whether SDG&E administered and managed its Qualifying Facility ("QF") and non-QF contracts for generation and power purchase agreements in accordance with the contract provisions and otherwise followed Commission guidelines relating to those contracts and their amendments according to SOC 4.

3. Whether SDG&E used the most cost-effective mix of energy resources under its control and achieved Least Cost Dispatch of its energy resources according to SOC 4.

4. Whether SDG&E administered its demand response programs to minimize costs to its ratepayers according to SOC 4.

5. Whether the entries recorded during the record year in the following accounts are correctly stated and in compliance with Commission directives:

   a. the Energy Resource Recovery Accounts ("ERRA");
   b. Portfolio Allocation Balancing Account ("PABA");
   c. Undercollection Balancing Account ("CAPBA")
   d. Transition Cost Balancing Account ("TCBA");
   e. Local Generating Balancing Account ("LGBA");
   f. Modified Cost Allocation Mechanism Balancing Account ("MCAMBA");
   g. New Environmental Regulatory Balancing Account ("NERBA");
   h. Independent Evaluator Memorandum Account ("IEMA");
   i. Litigation Cost Memorandum Account ("LCMA");
   j. Green Tariff Marketing Education & Outreach Memorandum Account ("GTME&OMA");
   k. Green Tariff Shared Renewables Administrative Cost Memorandum Account ("GTSRACMA");
   l. Enhanced Community Renewable ME&O Memorandum Account ("ECRME&OMA");
   m. Green Tariff Shared Renewable Balancing Account ("GTSRBA");
   n. Tree Mortality Non-Bypassable Charge Balancing Account ("TMNBCBA");
   o. Disadvantaged Communities – Single Family Solar Homes Balancing Account ("DACSASHBA");
   p. Disadvantaged Community-Green Tariff Balancing Account ("DACGTBA"); and
   q. Community Solar Green Tariff Balancing Account ("CSGTBA").

6. Whether SDG&E's Greenhouse Gas Compliance Instrument procurement was consistent with applicable standards and in compliance with SDG&E's Commission-approved procurement plan;

7. Whether the entries in SDG&E's Greenhouse Gas Revenue Balancing Account and Greenhouse Gas-related entries in other ERRA sub-accounts are accurate, and whether SDG&E met its burden of proof regarding its claim for these entries.

8. Whether the Commission should authorize SDG&E to pursue adjustment of the undercollection in SDG&E's New Environmental Regulatory Balancing Account in the Annual Electric Regulatory Account Update filing.

9. Whether the Commission should authorize SDG&E to pursue adjustment of the undercollection in SDG&E's Tree Mortality Non-Bypassable Charge Balancing Account in the Annual Electric Public Purpose Program Account Update filing.

Regarding safety considerations, based on current information, SDG&E's proposals in this Application and associated testimony will not result in any adverse safety impacts on the facilities or operations of SDG&E.

d. Proposed Schedule

SDG&E proposes the following schedule:

ACTION	DATE
Application filed	June 3, 2024
Protests/Replies due	July 3, 2024
Prehearing Conference	July 16, 2024
Intervenor Testimony	December 13, 2024
Rebuttal Testimony	February 14, 2024
Rule 13.9 Meet and Confer deadline - Parties inform ALJ whether hearings are necessary and identify the specific disputed issues of material fact, witness lists and cross-examination estimates	March 7, 2025
Hearings (if necessary)	Week of March 17, 2025
Opening Briefs	April 11, 2025
Reply Briefs	May 2, 2025
Proposed Decision	Third Quarter 2025
Final Decision	Third Quarter 2025

B. Rule 2.2 – Articles of Incorporation

A certified 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's Application 14-09-008, and is incorporated herein by reference.

VI. CONFIDENTIAL INFORMATION

SDG&E is submitting the prepared direct testimony supporting this Application in both public (redacted) and non-public (unredacted and confidential) form, consistent with SDG&E's declarations of confidential treatment attached to the witnesses' testimony and submitted in conformance with D.06-06-066, D.08-04-023 and other applicable orders and statutory provisions. In short, 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) that SDG&E witnesses must identify to support this Application.

VII. SERVICE

This is a new application. No service list has been established. Accordingly, SDG&E will electronically serve this Application, prepared direct testimony and related exhibits on parties to the service list for A.23-06-002 (last year's SDG&E ERRA compliance proceeding) and R.12-03-014 (OIR to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans). Electronic copies will also be served on Acting Chief ALJ Michelle Cooke.

VIII. CONCLUSION AND SUMMARY OF RELIEF REQUESTED

WHEREFORE, SAN DIEGO GAS & ELECTRIC COMPANY requests that the Commission:

(1) find that during 2023 SDG&E prudently administered its generation resources and portfolio of contracts and dispatched energy in a least-cost manner, in compliance with SDG&E's Commission-approved procurement plan;

(2) find that SDG&E's 2023 entries in its ERRA, PABA, CAPBA, TCBA, LGBA, MCAMBA, NERBA IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, DACGTBA, and CSGTBA were correctly stated and in compliance with the Commission's directives;

(3) determine that SDG&E's procurement of GHG compliance instruments during the record period was consistent with applicable standards and in compliance with SDG&E's Commission-approved procurement plan;

(4) authorize SDG&E to pursue adjustment of the undercollection in SDG&E's NERBA in the Annual Electric Regulatory Account Update filing; and

(5) grant such additional relief as the Commission believes is just and reasonable.

SDG&E is ready to proceed with its showing in this Application.

Respectfully submitted,

/s/ Roger A. Cerda
Roger A. Cerda
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
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June 3, 2024

SAN DIEGO GAS & ELECTRIC COMPANY

By: */s/ Adam Pierce*
Adam Pierce
San Diego Gas & Electric Company
Vice President – Energy Procurement and Rates

DATED at San Diego, California, this 3rd day of June 2024.

<u>OFFICER VERIFICATION</u>

I, Adam Pierce, declares as follows:

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 **APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR APPROVAL OF ERRA COMPLIANCE FOR RECORD PERIOD 2023** 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 June 3, 2024 at San Diego, California.

By: *<u>/s/ Adam Pierce</u>*
Adam Pierce
San Diego Gas & Electric Company
Vice President – Energy Procurement and Rates