

Exhibit No.: _____
Application: A.18-07-
Witness: John A. Roy
Chapter: 7

PREPARED DIRECT TESTIMONY OF
JOHN A. ROY
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

(REGULATORY ACCOUNTS)

July 2018

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1 **CHAPTER 7**

2 **PREPARED DIRECT TESTIMONY OF JOHN A. ROY**

3 **(REGULATORY ACCOUNTS – SDG&E)**

4 **I. PURPOSE**

5 The purpose of my direct testimony is to propose the elimination of San Diego Gas and
6 Electric Company’s (SDG&E) Liquefied Natural Gas Service Tracking Account (LNGSTA).
7 Additionally, SDG&E seeks direction from the California Public Utilities Commission
8 (Commission) as to whether SDG&E’s existing Preliminary Statement’s tariff provisions for
9 SDG&E’s regulatory accounts are to remain in effect unless and until such time modifications
10 are proposed and adopted by the Commission. The exception would be where a termination date
11 is contained in a regulatory account Preliminary Statement. Finally, SDG&E requests that the
12 Commission definitively establish SDG&E’s annual regulatory balance update process.

13 **II. OVERVIEW**

14 The rates authorized in the 2017 TCAP Decision (D.) 16-10-004 became effective
15 January 1, 2017. As authorized by the Commission, SDG&E subsequently filed its annual
16 regulatory account balance update by Advice Letter No. (AL) 2619-G in October 2017,
17 requesting authority to incorporate estimated December 31, 2017 regulatory account balances
18 into rates effective on January 1, 2018.¹

19 SDG&E has forecasted regulatory account balances and presented them in testimony in
20 prior cost allocation proceedings. The forecasts were of limited value given they were derived
21 during a timeframe when Commission revenue requirement decisions were pending. As an

¹ AL 2619-G, Annual Regulatory Gas Account Balance Update for Rates Effective January 1, 2018, filed on October 30, 2017. The Commission approved AL 2619-G on December 18, 2017.

1 example, forecasts derived in this TCAP for the 2020 - 2022 timeframe would be based on the
2 base margin from the 2016 General Rate Case (GRC), not the pending 2019 GRC cycle
3 (covering 2019 - 2021 or 2022). This would result in what could be a significant difference
4 between forecasts I derive now from what SDG&E's authorized base margin will be in the
5 upcoming TCAP timeframe. Also, the forecasts provided in the cost allocation proceedings are
6 replaced by SDG&E's annual regulatory account balance update filings that include the latest
7 available information. Therefore, to minimize any misunderstanding in the presentation of
8 customer rate impacts of SDG&E's TCAP proposals, I am not sponsoring any regulatory account
9 balance forecasts in this TCAP.

10 The regulatory account balances currently authorized for amortization in SDG&E's
11 transportation rates are summarized in Attachment A. These balances, instead of forecasts, will
12 be used to provide the illustrative rates included in the testimony of witness Sharim Chaudhury
13 (Chapter 12). SDG&E expects to file annual regulatory account balance updates in October
14 2018 and October 2019, the latter of which will represent the balances used to set rates effective
15 January 1, 2020, when this TCAP is expected to be implemented.

16 **III. PROPOSED MODIFICATIONS TO SDG&E'S PRELIMINARY STATEMENTS**

17 SDG&E proposes to eliminate the LNGSTA. In SDG&E's 1994 Biennial Cost
18 Allocation Proceeding (BCAP) decision, the Commission ordered SDG&E to "establish a
19 LNGSTA to track the difference between the actual costs of providing liquefied natural gas
20 services and the revenues collected from customers for such services."² The LNGSTA became
21 effective on January 1, 1995, and has since recorded the difference between the expenses and
22 revenues related to the purchase and sale of LNG to the Roadrunner Mobilehome Park. The

² D.94-12-052, p. 97.

1 2018 LNGSTA forecasted year-end balance, tracked over the past 23 years, has resulted in an
2 undercollection of approximately \$1.1 million due to not being authorized recovery due to the
3 applicable rate structure described below.

4 In SDG&E's 1990 BCAP decision, the Commission said it would "...not approve rates
5 that would increase the Roadrunners' average combined LNG and electric bill to exceed the
6 average Borrego Springs all-electric user's bill."³ This policy was reaffirmed in SDG&E's
7 1991,⁴ 1997,⁵ and 2009⁶ BCAP decisions.

8 SDG&E does not see any change to this rate structure that would allow recovery of the
9 balance from Roadrunner and therefore requests the elimination of the LNGSTA.

10 SDG&E is not proposing to modify any of its other regulatory account Preliminary
11 Statements, or to modify the Annual Regulatory Account Balance Update process described
12 previously, as part of this application for the 2020 TCAP period.

13 This concludes my prepared direct testimony.

³ D.90-11-023, p. 63.

⁴ D.91-12-075, p. 85.

⁵ D.97-04-082, p. 166.

⁶ D.09-11-006, p. 36.

1 **IV. QUALIFICATIONS**

2 My name is John A. Roy. I am employed by San Diego Gas & Electric Company as a
3 Principal Regulatory Accounts Advisor in the Regulatory Accounts group within the Financial
4 and Business Planning Department. My business address is 8315 Century Park Court, San
5 Diego, California 92123. I have held my current position since 2003. My responsibilities for the
6 regulatory balancing, memorandum and tracking accounts include their development,
7 implementation, and analysis. This includes development of procedures in the establishment of
8 the Preliminary Statements for compliance with Commission decisions, review of account entries
9 in the monthly close process, and preparing and review of forecasted account balances for
10 inclusion in SDG&E's annual compliance filings and the preparation and review of various
11 annual and quarterly reports for the Commission's Energy Division.

12 In 1978 I joined SDG&E as a Cost Engineer in the Capital Budgeting Department. I
13 transferred to the Marketing Department in 1979 as a Project Coordinator and held various
14 positions of increasing responsibility within the department until 1998 when I was a Senior
15 Program Manager. In 1998 I assumed the position of Tariff Administrator within Regulatory
16 Affairs and held various positions of increasing responsibility until taking my current position.

17 I received a Bachelor of Sciences degree in Civil Engineering from Purdue University. I
18 completed all requirements for a Master of Business Administration with emphasis in Finance,
19 except the thesis, from San Diego State University in 1977.

20 I have previously submitted testimony before the Commission.

ATTACHMENT A

Attachment A

**San Diego Gas & Electric Company - 2020 TCAP
Present Regulatory Account Balances^{1/}
(Over) / Under Collection (\$Millions)**

Line	Account Name		7/1/2018 Current Amortization AL 2638-G (Filed 12/28/17) AL 2675-G-A ^{2/} (Filed 5/25/18)
1	Core Fixed Cost Account	CFCA	27.3
2	California Solar Initiative Thermal Program Memorandum Account	CSITPMA	1.6
3	Hazardous Substance Cleanup Cost Account	HSCCA	0.5
4	Integrated Transmission Balancing Account	ITBA	3/ 0.3
5	Master Meter Balancing Account	MMBA	1.0
6	Noncore Fixed Cost Account	NFCA	2.9
7	On-Bill Financing Balancing Account	OBFA	4/ 0.6
8	Pension Balancing Account	PBA	4.1
9	Post-Retirement Benefits Other Than Pensions Balancing Account	PBOPBA	(0.5)
10	Pipeline Safety and Reliability Memorandum Account	PSRMA	3/ 0.2
11	Rewards and Penalties Balancing Account	RPBA	0.4
12	Safety Enhancement Capital Cost Balancing Account	SECCBA	3/ 16.1
13	Safety Enhancement Expense Balancing Account	SEEBBA	3/ 2.2
14	Self-Generation Program Memorandum Account	SGPMA	4/ 2.3
15	Transmission Integrity Management Program Balancing Account	TIMPBA	0.8
16		Total	59.7

1/ Balances exclude franchise fees and uncollectibles.

2/ CPUC approved Advice Letter (AL) 2675-G-A on July 10, 2018. AL 2675-G-A resets rates effective date but does not change the amortization from AL 2638-G.

3/ Balance reflects combined SDG&E and SoCalGas balances related to transmission re-allocated between utilities.

4/ Revenue requirement for 2018.