

Company: San Diego Gas & Electric Company (U 902-E)
Proceeding: 2019 Tree Trimming Balancing Account
Application: A.20-07-____
Exhibit: SDG&E-02

SAN DIEGO GAS & ELECTRIC COMPANY
PREPARED DIRECT TESTIMONY OF
CLAIRE F. OLEGARIO

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



July 1, 2020

TABLE OF CONTENTS

I. INTRODUCTION1

II. BACKGROUND1

III. RECORDED TTBA BALANCES2

IV. RATE RECOVERY AND AMORTIZATION PERIOD.....5

V. CONCLUSION.....5

VI. WITNESS QUALIFICATIONS.....6

ATTACHMENT A – TTBA BALANCES - ELECTRIC

1 **PREPARED DIRECT TESTIMONY OF CLAIRE F. OLEGARIO**
2 **ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

3
4 **I. INTRODUCTION**

5 The purpose of my testimony is to present San Diego Gas & Electric Company’s
6 (“SDG&E”) 2019 undercollection as currently recorded in its Tree Trimming Balancing Account
7 (“TTBA”) and, in accordance with the applicable statutory and regulatory directives indicated
8 below, to request recovery of the undercollection recorded in its TTBA. My testimony is
9 organized as follows:

- 10 • In Section II, I discuss the background of the recovery mechanism generally, as
11 well as its applicability to SDG&E’s TTBA balance.
- 12 • In Section III, I discuss SDG&E’s recorded December 31, 2019 TTBA
13 undercollected balance of \$10.4 million, which is above the 35% threshold,
14 requiring an application to request recovery of the undercollection. I also generally
15 address the cause of that undercollection.
- 16 • In Section IV, I discuss rate recovery and propose that the amortization of the
17 undercollected TTBA balance to be amortized over 12 months with SDG&E’s
18 Electric Rate Consolidated submission on January 1 of the year following approval
19 of this Application, concluding December 31.
- 20 • In Section V, I conclude my testimony.
- 21 • In Section VI, I provide my witness qualifications.

22 **II. BACKGROUND**

23 **Recovery Mechanism and Threshold Amounts**

24 Decision (“D.”) 19-09-051 (“2019 GRC Decision”), SDG&E’s Test Year (“TY”) 2019
25 General Rate Case (“GRC”), authorized the modification of the TTBA from a one-way to a two-

1 way balancing account effective January 1, 2019. The 2019 GRC Decision requires SDG&E to
2 file a Tier 3 Advice Letter for cost recovery of undercollections up to 35% of the revenue
3 requirement, and an Application for undercollections above 35% of the revenue requirement.¹
4 For 2019, the authorized revenue requirement was approximately \$24.2 million. As presented in
5 Table 1, the ending undercollected balance as of December 31, 2019 for the TTBA was
6 approximately \$10.4 million, which is approximately 43% of the revenue requirement.
7 Accordingly, SDG&E is submitting this Application for cost recovery.

8 **III. RECORDED TTBA BALANCES**

9 Table 1 below shows SDG&E's recorded data for January through December 2019.
10 Authorized TTBA revenues are approved in SDG&E's GRC. These authorized revenues are
11 recorded in the TTBA and straight-lined over 12 months. Due to the delay of the approval and
12 implementation of SDG&E's 2019 GRC Decision, the authorized revenues for January 2019 –
13 August 2019 were recorded at the authorized levels for Attrition Year ("AY") 2018, approved in
14 SDG&E's TY2016 GRC.² SDG&E received approval of the 2019 GRC Decision in September
15 2019 and began recording the authorized revenues approved in the 2019 GRC Decision in
16 September 2019. At that time, SDG&E also recorded a true-up of the authorized revenues for
17 the periods January 2019 – August 2019, which nets to a negligible authorized revenue for the
18 month of September 2019.

19 The amortization of the balance is approved in SDG&E's Annual Regulatory Electric
20 Account Update filings. The amortization is recorded in the TTBA and straight-lined over 12
21 months. At the time of filing SDG&E's Annual Regulatory Electric Account Update for rates

¹ D.19-09-051, Ordering Paragraph 8.b. at 778.

² D.16-06-054.

1 effective January 1, 2019, SDG&E forecasted the TTBA 2018 ending balance to be an
 2 overcollection of \$3.2 million.³ This amount was amortized and returned to ratepayers in rates in
 3 2019. The actual 2018 ending balance was an overcollection of \$2.6 million.

4 **TABLE 1: TTBA BALANCES⁴**

(\$ in Millions)					
TTBA Monthly Summary	Beginning Balance	Authorized Revenues	Amortization	Expenses	Ending Balance Under/ (Over) Collection
January 31, 2019	\$(2.6)	\$(2.3)	\$0.3	\$1.0	\$(3.6)
February 28, 2019	\$(3.6)	\$(2.2)	\$0.2	\$1.5	\$(4.1)
March 31, 2019	\$(4.1)	\$(2.3)	\$0.3	\$3.2	\$(2.9)
April 30, 2019	\$(2.9)	\$(2.3)	\$0.3	\$3.3	\$(1.6)
May 31, 2019	\$(1.6)	\$(2.3)	\$0.2	\$3.0	\$(0.7)
June 30, 2019	\$(0.7)	\$(2.3)	\$0.3	\$3.9	\$1.2
July 31, 2019	\$1.2	\$(2.2)	\$0.3	\$1.9	\$1.2
August 31, 2019	\$1.2	\$(2.3)	\$0.3	\$1.5	\$0.7
September 30, 2019	\$0.7	\$(0.0)	\$0.2	\$5.5	\$6.4
October 31, 2019	\$6.4	\$(2.0)	\$0.3	\$0.6	\$5.3
November 30, 2019	\$5.3	\$(2.0)	\$0.3	\$1.9	\$5.5
December 31, 2019	\$5.5	\$(2.0)	\$0.2	\$6.7	\$10.4

5
 6 **Causes of the Current Undercollection**

7 SDG&E’s TTBA is comprised of revenues and expenses associated with tree trimming
 8 necessary to comply with all federal and state regulations as well as internal SDG&E standards,
 9 less revenues/expenses for brush management approved in the 2019 GRC Decision. Tree

³ Amortization of the 2018 forecasted overcollected ending balance was approved in Advice Letter (“AL”) 3291-E, SDG&E’s Annual Electric Regulatory Account Update for Rates Effective January 1, 2019, approved on December 17, 2018.

⁴ Figures can also be found in Attachment A.

1 trimming costs primarily include expenses for crews, equipment, tree removals, mulching and
 2 information systems support, among others, as further described in the prepared direct testimony
 3 of Mr. Don Akau (“SDG&E-1”). When the account is either overcollected or undercollected for
 4 an accounting period, several factors contribute to the ending position. As further addressed by
 5 Mr. Akau, SDG&E’s analysis reveals that the main factor in the 2019 undercollection is the
 6 increase in costs due to enhanced vegetation management practices, including removal of more
 7 hazardous trees; enhanced audits in the High Fire Threat Districts, resulting in additional
 8 workloads and tree removal; and increased labor costs and specialized equipment to help
 9 mitigate the increased volume of tree trim work.

10 As shown in Table 2 below, prior to SDG&E’s implementation of enhanced vegetation
 11 management practices and additional circumstances outside of SDG&E’s control in 2019, such
 12 as labor market changes, SDG&E has typically carried overcollected balances and refunded
 13 unspent funds back to the ratepayers. These overcollections are due in part to SDG&E’s
 14 prioritization of cost-effectiveness and prudent cost management in its tree-trimming and
 15 vegetation management activities. In 2019, despite SDG&E’s continued cost management of
 16 TTBA expenses, contracts, and labor costs, the expansion of tree trimming and increased costs as
 17 described in Mr. Akau’s testimony has driven the undercollection for 2019.

18 **TABLE 2: TTBA BALANCES PRIOR TO 2019**

(\$ in Millions)	
Year End	Ending Balance Under/(Over) Collection
2012	\$6.1
2013	\$(6.8)
2014	\$(13.1)

2015	\$(9.2)
2016	\$(5.5)
2017	\$(5.3)
2018	\$(2.6)

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IV. RATE RECOVERY AND AMORTIZATION PERIOD

As noted above and depicted in Table 1, SDG&E’s undercollected balance is \$10.4 million as of December 31, 2019. SDG&E proposes to amortize in rates the December 31, 2019 undercollection of \$10.4 million over 12 months, with SDG&E’s annual electric rate consolidated advice letter submission on January 1 of the year following approval of this application, concluding December 31.

Assuming this amortization, the average bill for a typical bundled residential customer living in the inland climate zone and using 400 kilowatt-hours would reflect an increase of 0.3%, or \$0.29 (from \$111.69 to \$111.98).

V. CONCLUSION

In compliance with D.19-09-051, which requires SDG&E to request cost recovery through an application for TTBA undercollections above 35% of the revenue requirement, SDG&E:

- requests that the Commission authorize the cost recovery of the undercollected two-way TTBA balance of \$10.4 million as of December 31, 2019; and
- proposes to amortize the balance in rates over 12 months with SDG&E’s Electric Rate Consolidated submission on January 1 of the year following approval of this Application, concluding December 31.

This concludes my prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

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

7 I received a Bachelor of Science in Accounting in 2007 from San Diego State University.
8 I am a Certified Public Accountant (“CPA”) licensed in the State of California since 2009.

9 I have been employed with SDG&E since 2016. Before assuming my current position in
10 Regulatory Accounts, I served as a Principal Accountant for Utility Accounting at SoCalGas.
11 Prior to joining SDG&E, I worked for a public accounting firm from 2007–2016 and held
12 various positions with increasing responsibility including an Audit - Supervisor.

13 I have not testified before this Commission.

Attachment A

San Diego Gas & Electric
Tree Trimming Balancing Account (TTBA) - Electric
Under / (Over) Collection

2019

Category	Text	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
	Beginning Balance	(2,590,263)	(3,569,986)	(4,086,811)	(2,943,590)	(1,621,985)	(665,368)	1,208,510	1,179,681	697,938	6,404,384	5,293,195	5,480,883	(2,590,263)
Revenues:	TTBA Electric Authorized Revenue	(2,262,667)	(2,262,667)	(2,262,667)	(2,262,667)	(2,262,667)	(2,262,667)	(2,262,667)	(2,262,667)	(24,664)	(2,014,000)	(2,014,000)	(2,014,000)	(24,168,000)
	TTBA Electric Amortization	268,500	268,500	268,500	268,500	268,500	268,500	268,500	268,500	268,500	268,500	268,500	268,500	3,222,000
Total Revenues		(1,994,167)	(1,994,167)	(1,994,167)	(1,994,167)	(1,994,167)	(1,994,167)	(1,994,167)	(1,994,167)	243,836	(1,745,500)	(1,745,500)	(1,745,500)	(20,946,000)
O&M Costs:	TTBA O&M	1,014,444	1,477,342	3,137,389	3,315,772	2,950,784	3,868,045	3,965,338	3,512,424	5,462,610	634,311	1,933,188	6,685,262	33,956,907
Total Costs		1,014,444	1,477,342	3,137,389	3,315,772	2,950,784	3,868,045	3,965,338	3,512,424	5,462,610	634,311	1,933,188	6,685,262	33,956,907
Net Cost / (Revenue)		(979,723)	(516,825)	1,143,222	1,321,605	956,617	1,873,878	(28,829)	(481,743)	5,706,446	(1,111,189)	187,688	4,939,762	13,010,907
Interest	TTBA Interest													-
	Asset/Liab. Bal. Transfer													-
Net Activity		(979,723)	(516,825)	1,143,222	1,321,605	956,617	1,873,878	(28,829)	(481,743)	5,706,446	(1,111,189)	187,688	4,939,762	13,010,907
	Ending Balance	(3,569,986)	(4,086,811)	(2,943,590)	(1,621,985)	(665,368)	1,208,510	1,179,681	697,938	6,404,384	5,293,195	5,480,883	10,420,644	10,420,644