

Proceeding No.: A.20-12-007
Exhibit No.: SDGE-03
Witness: Eric L. Dalton

PREPARED SUPPLEMENTAL TESTIMONY OF
ERIC L. DALTON
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

PUBLIC VERSION

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



January 20, 2021

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

I. INTRODUCTION

The purpose of my supplemental testimony is to present San Diego Gas & Electric Company's ("SDG&E") undercollection 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 undercollection recorded in its ERRA. My supplemental 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, 2020 ERRA undercollected balance of \$67 million (or \$99 million including unamortized trigger of \$32 million), which exceeds the four percent ("4%") trigger point and the five percent ("5%") trigger threshold. I provide SDG&E's forecasts for January 2021 through March 2021, 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 undercollection.
- In Section IV, I propose a ten-month amortization period for the recovery of the undercollected ERRA balance of \$124 million, actual balance as of December 31, 2020. In addition, I propose to transfer the ending balance as of December 31, 2020 to the 2020 Portfolio Allocation Balancing Account ("PABA") vintage.
- In Section V, I discuss future expectations.
- In Section VI, I conclude my supplemental testimony.

1 This supplemental testimony was necessitated by the fact that on January 14, 2021, the
2 Commission adopted a Final Decision in SDG&E’s ERRA Forecast Application (A.20-04-014)
3 which directed SDG&E to implement bundled generation rates based upon SDG&E’s 2021
4 energy requirements sales forecast used to derive the ERRA revenue requirement and the System
5 Average Percent Change (“SAPC”) methodology.¹ The primary changes to my testimony serve
6 to incorporate the impact of D.21-07-017 into this ERRA Trigger Application, including:

- 7 • Updating SDG&E’s requested undercollected ERRA Trigger balance from its
8 initial \$119 million *forecasted* year-end balance to its *actual* \$124 million balance
9 as of December 31, 2020 to ensure the current and most accurate balance is
10 recovered.
- 11 • Updating SDG&E’s proposed revenue allocation methodology to use the SAPC
12 methodology, rather than authorized generation revenue allocation factors.

13 **II. BACKGROUND**

14 **A. Trigger Mechanism**

15 In accordance with D.02-10-062, which implemented the provisions of Assembly Bill
16 (“AB”) 57, SDG&E’s ERRA is subject to a trigger mechanism that requires a rate adjustment
17 when the recorded monthly balance (undercollection or overcollection) exceeds a 4% trigger
18 point and when the balance is forecasted to exceed a 5% trigger threshold.² The trigger
19 mechanism considers the relationship between the ERRA balance and the prior year’s recorded
20 electric commodity revenues.

¹ Decision (“D.”) 21-01-017 approved January 14, 2021.

² D.02-10-062 at 65.

1 The statutory and regulatory requirements applicable to the trigger mechanism specify
2 that the required rate change application is to be expedited so as to obtain the Commission's
3 approval within 60 days from the application's filing date. The application seeking a rate
4 adjustment should also include a projected account balance of 60 days or more from the date of
5 filing. Finally, the request must propose an amortization period for the balance of not less than
6 90 days and an allocation of the over or undercollection among customers for rate adjustment
7 based on the existing allocation methodology recognized by the Commission.³ As indicated
8 below, my supplemental testimony satisfies these requirements.

9 **B. Self-Correction Mechanism**

10 In D.07-05-008, SDG&E was authorized to notify the Commission through advice letter
11 filing, instead of expedited application, when SDG&E's ERRA balance exceeds its trigger point
12 and SDG&E does not seek a change in rates, if the ERRA balance will self-correct below the
13 trigger point within 120 days of filing.⁴ In such an advice letter, SDG&E is required to provide
14 the necessary documentation supporting its proposal to maintain its rates. SDG&E currently
15 does not forecast a self-correction to a level below the 4% within 120 days. *See Attachment A.*

16 **C. Current Trigger/Threshold Amounts**

17 Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each
18 year to establish the current year's trigger and threshold amounts. On February 28, 2020,
19 SDG&E filed Advice Letter ("AL") 3509-E,⁵ to report its 2019 electric commodity revenues of
20 \$1,127 million. Thus, based on 2019 revenues of \$1,127 million, the current 4% trigger point

³ *Id.* at 65-66.

⁴ D.07-05-008 at Ordering Paragraph OP 2.

⁵ AL 3509-E, approved April 17, 2020 and effective February 28, 2020.

1 and 5% trigger threshold in effect as of February 28, 2020 are \$45.1 million and \$56.3 million,
 2 respectively. The trigger calculations presented in Table 1 and described below, are based on the
 3 current \$45.1 million trigger threshold.⁶

4 **III. RECORDED/FORECASTED ERRA BALANCES**

5 Table 1 below shows SDG&E’s recorded data for January through December 2020 and
 6 presents, for illustrative purposes, its current forecast of the ERRA balance for January 2021
 7 through March 2021. According to D.02-10-062, trigger applications are to include a projected
 8 account balance in 60 days or more from the date of the filing.⁷

9 To arrive at the forecasted balances in Table 1, SDG&E used assumptions consistent with
 10 its 2020 ERRA Forecast Application, as approved by the Commission in D.20-01-005⁸ and its
 11 2019 year-end consolidated filing.⁹ In **Attachment A**, SDG&E provides further detail regarding
 12 the recorded and forecasted activities as well as monthly ERRA balances for September 2020
 13 through March 2021.

14 **TABLE 1: ERRA BALANCES¹⁰**

(\$ in Millions)					
ERRA Monthly Summary	Beginning Balance	Revenues	Expenses	Ending Balance	Calculated Trigger Percentage
ACTUAL January 31, 2020	\$(119)	(58)	\$58	\$(119)	-7.1%
ACTUAL February 28, 2020	\$(119)	(41)	\$45	\$(115)	-10.2%
ACTUAL March 31, 2020	\$(115)	(28)	\$46	\$(97)	-8.6%

⁶ January 2020 trigger threshold is \$83.6 million.

⁷ D.02-10-062 at Conclusions of Law 15.

⁸ Implemented in rates approved March 6, 2020 and effective February 1, 2020 per AL 3500-E.

⁹ *Id.*

¹⁰ Figures can also be found in Attachment A.

ACTUAL April 30, 2020	\$(97)	(22)	\$44	\$(75)	-6.7%
ACTUAL May 31, 2020	\$(75)	(16)	\$41	\$(50)	-4.5%
ACTUAL June 30, 2020	\$(50)	(38)	\$46	\$(42)	-3.9%
ACTUAL July 31, 2020	\$(42)	(68)	\$66	\$(44)	-3.9%
ACTUAL August 31, 2020	\$(44)	(86)	\$176	\$46	4.1%
ACTUAL September 30, 2020	\$46	(106)	\$121	\$61	5.4%
ACTUAL October 31, 2020	\$61	(96)	\$102	\$67	6.0%
ACTUAL November 30, 2020	\$67	(48)	\$56	\$75	6.7%
ACTUAL December 31, 2020	\$75	(16)	\$65	\$124	11.0%
FORECASTED January 31, 2021	\$124	(33)	\$65	\$156	2.8%
FORECASTED February 28, 2021	\$156	(35)	\$55	\$176	7.0%
FORECASTED March 31, 2021	\$176	(39)	\$48	\$186	8.3%

1 As presented in Table 1, SDG&E's ERRA balance at October 31, 2020 is undercollected
2 by \$67 million, which correlates with a trigger calculation of 6.0%, (or \$99 million including
3 unamortized trigger of \$32 million, which correlates with a trigger calculation of 8.7%), clearly
4 exceeding the 4% trigger point and 5% trigger threshold. SDG&E's actual balances for
5 November and December 2020, and analysis of potential revenues and expected expenses for
6 January 2021 through March 2021 reveals that the ERRA undercollected balance will not self-
7 correct within the prescribed 120-day period. Thus, SDG&E is filing this Application requesting
8 the amortization and transfer of the undercollection to the 2020 PABA vintage. The rate impacts
9 and further information on the transfer to PABA is further covered in the Prepared Supplemental
10 Testimony of Stacy Fuhrer submitted concurrently herewith.

11 **A. Cause of the Current Undercollection**

12 The cause of the current ERRA undercollection is primarily due to the difference
13 between 2020 forecasted and actual load cost, customer revenues, and electric prices. In the first
14 seven months of 2020, actual load cost was below forecast due to lower electric market prices.
15 Customer revenues during that period were also below forecast, due to seasonal and time-of-use

1 (“TOU”) rates, customer savings and slightly lower consumption. However, during the August-
2 October timeframe, hot weather in southern California caused the market price of electricity to
3 increase well above forecast, increasing load expense in ERRR. During that period, customer
4 revenues also increased above forecast, but not enough to offset the dramatic spike in load costs.

5 An additional contributing factor to the undercollection is how the California
6 Independent System Operator (“CAISO”) revenue is recovered and booked. Although SDG&E
7 received higher revenues from the CAISO for energy sold into the market during the heat wave,
8 these revenues were primarily booked to PABA¹¹ because the associated resources are PCIA-
9 eligible contracts. Therefore, any additional CAISO revenues received above forecast was
10 reflected in PABA’s balancing account and was not an offset to ERRR expenses. SDG&E
11 expects that this change in the way CAISO revenue is recovered, and booked into PABA, will
12 impact this and future ERRR triggers. In summary, the current undercollection resulted from
13 high electric prices due to warmer than expected weather and the fact that load costs are
14 recovered in a different balancing account than most supply revenues.

15 **IV. AMORTIZATION PERIOD AND TRANSFER TO PABA**

16 As noted above and depicted in Table 1, SDG&E is forecasting its ERRR undercollection
17 balance to reach \$186 million as of March 31, 2021 at which time the calculated trigger is
18 projected to be 8.3%. With no clear expectation of self-correcting, SDG&E proposes to transfer
19 to the 2020 PABA vintage and amortize in rates the December 31, 2020 actual undercollection of
20 \$124 million through a 10-month amortization period beginning in March 2021 and concluding

¹¹ Pursuant to D. 18-10-019, Ordering Paragraph 7.

1 in December 2021.¹² This amortization and transfer to the 2020 PABA vintage will allow for
2 those ratepayers that depart bundled service in 2021 to pay for the shortfall from the
3 undercollection that accrued while they were still receiving bundled service from SDG&E in
4 2020.

5 **V. FUTURE EXPECTATIONS**

6 The transfer to the 2020 PABA vintage and amortization of the \$124 million
7 undercollected ERRA balance beginning March 2021 and concluding in December 2021 should
8 prevent the 2020 ERRA balance from exceeding the 5% trigger threshold and enable SDG&E to
9 be in compliance with the Trigger Mechanism as intended by AB 57 and D.02-10-062.

10 **VI. CONCLUSION AND RELIEF REQUESTED**

11 In compliance with D.02-10-062, which implemented the provisions of AB 57, SDG&E
12 hereby notifies the Commission that the recorded balance in the ERRA as of October 31, 2020,
13 has exceeded the 4% trigger point and the 5% trigger threshold and is not expected to self-correct
14 within 120 days. SDG&E requests the following relief in the Commission's forthcoming decision
15 in this proceeding:

- 16 1. Approve SDG&E's undercollected ERRA Trigger balance of \$124 million¹³ for
17 collection in commodity rates and its proposal to amortize the undercollection
18 over 10 months using the SAPC methodology beginning March 1, 2021 and
19 ending December 31, 2021; and,

¹² Due to SDG&E's new billing system implementing April 1, 2021, SDG&E cannot accommodate any rate change in April or May of 2021 in order to provide the new billing system the necessary stability it needs to go live effectively. For this reason, it is necessary that SDG&E's expedited application be approved by February 2021 to ensure that the new rates can be implemented in March 2021. Otherwise, SDG&E will not be able to implement rates until June 2021.

¹³ \$124 million is before FF&U. With FF&U it is \$125.504 million.

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2. Approve SDG&E's proposal to transfer the 2020 ERRA Trigger undercollection to vintage 2020 of PABA and its proposal to collect the 2020 ERRA Trigger balance of \$124 million¹⁴ in PCIA rate adders as presented in Attachment A of the Prepared Supplemental Testimony of Stacy Fuhrer.
- This concludes my prepared supplemental testimony.

¹⁴ *Id.*

ATTACHMENT A
ERRA FORECAST

SAN DIEGO GAS & ELECTRIC COMPANY
SUPPLEMENTAL TESTIMONY OF ERIC L. DALTON
A.20-12-007: ATTACHMENT A

ERRA Forecast (\$Million)

(Energy Resource Recovery Account)

	Recorded Sep-20	Recorded Oct-20	Recorded Nov-20	Recorded Dec-20	Forecast Jan-21	Forecast Feb-21	Forecast Mar-21
ERRA Revenue and Costs							
1 Beginning Balance	46	61	67	75	124	156	176
2 Revenue							
3 Electric Energy Commodity Cost (EECC) Revenue							
4 Franchise Fees							
5 SDGE Residual Revenue (w/o FF&U)							
6 Non-Fuel Generation Balancing Account (NGBA)							
7 Marine Mitigation Memorandum Account (MMA)							
8 Demand Response Generation Balancing Account (DRGBA)							
9 General Rate Case Memorandum Account (GRCMA)							
10 Tax Cuts and Jobs Act (TCJA)							
11 Net ERRA Revenue	(106)	(96)	(48)	(17)	(33)	(35)	(39)
12							
13 Expense	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
14 ISO Load Charges & Supply Revenues							
15 Contract Costs (Non-CTC) (Incl RECs & NRG)							
16 Contract Costs (CTC Up to Mkt)							
17 CAISO Misc Costs							
18 Hedging Costs & Financial Transactions							
19 Rebalancing Costs (OMEC/Calpine PPA Debt Equivalence)							
20 Green House Gas Costs							
21 Adjustments							
22 Net Expense	121	102	56	65	65	55	48
23 Net Under / (Over) Collect Prior to Interest & Transfers	15	6	8	49	32	20	9
24 Interest	0	0	0	0	0	0	0
25 Transfers Other Bal Accts:	-	-	-	-	-	-	-
26 Total Under / (Over) Collect for Period with Interest & Transfers	15	6	8	49	32	20	9
27							
28 Cumulative Balance Under / (Over) Collect (1)	61	67	75	124	156	176	186
29							
30 ERRA Trigger	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
31 Prior Year Generation Revenue	1,127	1,127	1,127	1,127	1,127	745	745
32 5% Threshold	5%	5%	5%	5%	5%	5%	5%
33 5% Threshold \$ Value	56	56	56	56	56	37	37
34 Cumulative ERRA Balance Under / (Over) Collection	61	67	75	124	32	52	62
35 Calculated Trigger %	5.4%	6.0%	6.7%	11.0%	2.8%	7.0%	8.3%

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

ATTACHMENT B

DECLARATION OF ERIC L. DALTON

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

**DECLARATION
OF ERIC L. DALTON**

A.20-12-007

**Expedited Application of San Diego Gas & Electric Company (U 902-E) Under the Energy
Resource Recovery Account Trigger Mechanism**

I, Eric L. Dalton, declare as follows:

1. I am the Regulatory Reporting and Accounts Manager for San Diego Gas & Electric Company (“SDG&E”). I included my Prepared Supplemental Testimony (“Testimony”) in support of SDG&E’s December 11, 2020 Expedited Application Under the Energy Resource Recovery Account Trigger Mechanism (“Application”). Additionally, as Regulatory Reporting and Accounts Manager, I am thoroughly 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 personal knowledge.

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 the workpapers underlying 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.¹ As such, the Protected Information is allowed confidential treatment in accordance with the Matrix, as follows:

Confidential Information	Matrix Reference	Reason for Confidentiality and Timing
Attachment A, line 14: Load ISO Charges	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
	V.C	LSE Total Energy Forecast; confidential for the front 3 years.
Attachment A, line 14: Supply ISO Revenues	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
	II.B.1	Generation Cost Forecasts of Utility Retained Generation; confidential for 3 years.
	II.B.3	Generation Cost Forecasts of QF Contracts; confidential for 3 years.
	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Attachment A, lines 15 and 19: Contract Costs (non-CTC) & Equity Re-balancing Costs	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Attachment A, line 16: Contract Costs (CTC up to market)	II.B.3	Generation Cost Forecasts of QF Contracts; confidential for 3 years.
	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Attachment A, line 17: CAISO Misc. Costs	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
Attachment A, line 18: Hedging Costs	I.A.4	Long-term Fuel (gas) Buying and Hedging Plans; confidential for 3 years.

¹ In addition to the details addressed herein, SDG&E believes that the information being furnished in the workpapers underlying my Testimony is governed by Public Utilities Code Section 583 and General Order 66-D. Accordingly, SDG&E seeks confidential treatment of this data under those provisions, as applicable.

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.

Executed this 20th day of January 2021, at San Diego, California.

/s/ Eric L. Dalton
Eric L. Dalton
Regulatory Reporting and Accounts Manager
San Diego Gas & Electric Company

ATTACHMENT C

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

**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 L. Dalton’s Prepared Supplemental Testimony (“Testimony”) in support of SDG&E’s December 11, 2020 Expedited 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 20th day of January 2021, 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 20: 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.