

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2019 General Rate Case
Application: A.17-10-007
Exhibit: SDG&E-40-2R

SECOND REVISED

SDG&E

DIRECT TESTIMONY OF ERIC DALTON

(MISCELLANEOUS REVENUES)

April 6, 2018

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



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SUMMARY

My testimony proposes:

- A Test Year (TY) 2019 miscellaneous revenues forecast of \$17.5 million, which includes the impact of new programs relating to renewable meter adapters, parts replacement, and smart meter opt-out fees.
- Pursuant to the Assigned Commissioner's Scoping Memorandum and Ruling issued on January 29, 2018 (Scoping Memo), this exhibit has been revised to reflect the impact of the Tax Cuts and Jobs Act (TCJA) on the SDG&E TY 2019 General Rate Case. The TCJA was signed into federal law on December 22, 2017 and is discussed in the testimony of the Taxes witness Ragan Reeves (Exhibit SDG&E-35-2R), served concurrently with this exhibit. A roadmap of this TCJA-related submission and impacts on other witnesses' areas is provided in the Case Management Exhibit SCG-49/SDG&E-49.

1 **SECOND REVISED SDG&E DIRECT TESTIMONY OF ERIC DALTON**
2 **(MISCELLANEOUS REVENUES)**

3 **I. INTRODUCTION**

4 **A. Summary of Proposals**

5 I sponsor the TY 2019 calculations, presentation of costs, and proposals of the
6 Miscellaneous Revenue area for San Diego Gas & Electric Company (SDG&E). Table ED-1
7 below summarizes SDG&E’s recorded Base Year (BY) 2016 and proposed TY 2019
8 miscellaneous revenues in thousands of dollars (\$000s).

9 **Table ED-1**
10 **Test Year 2019 Summary of Miscellaneous Revenue**

Department (\$ in 000’s)	2016 Recorded	2019 Test Year	Net Change
Electric	13,953	14,653	700
Gas	3,167	2,843	(324)
Total	17,120	17,496	376

11 **B. Support To/From Other Witnesses**

12 The miscellaneous revenue forecast incorporates the forecasted meter growth that is
13 covered in the Gas Customer Forecast testimony of Rose-Marie Payan (Exhibit SDG&E-37) and
14 the Electric Customer Forecast testimony of Kenneth Schiermeyer (Exhibit SDG&E-38). This
15 testimony provides the basis for the forecasted and projected revenues associated with the
16 Customer Service Field, Customer Services Office Operations, and Customer Services
17 Information and Technologies presented in the direct testimonies of Gwen Marelli (Exhibit
18 SDG&E-17), Jerry Stewart (Exhibit SDG&E-18), and Lisa Davidson (Exhibit SDG&E-19),
19 respectively. This testimony also includes the forecast and revenue methodology for Customer
20 Advance for Construction (CAC). Additional information on CAC revenue is described in the
21 Rate Base testimony of R. Craig Gentes (Exhibit SDG&E-33-2R).

22 **II. OVERVIEW OF TY 2019 FORECAST**

23 Miscellaneous revenues are comprised of fees and revenues collected by the utility from
24 non-rate sources for the provision of specific products or services. They include such revenues

1 as service establishment charges, collection charges and rents.¹ The miscellaneous revenues
2 presented in this testimony include only those revenues allocated to the electric distribution and
3 gas departments of SDG&E. This testimony excludes miscellaneous revenues associated with
4 electric transmission properties and facilities and other non-distribution sources recovered
5 through FERC-jurisdictional ratemaking mechanisms. Miscellaneous revenues are incorporated
6 into rates as a reduction to the electric distribution and gas base margin revenue requirements
7 charged to customers for utility service, thereby lowering rates.

8 For purposes of forecasting TY 2019 miscellaneous revenues, SDG&E performed an
9 item-by-item analysis of miscellaneous revenue accounts, including a review of historical
10 recorded results as well as the factors that could impact future results. The forecasts were
11 developed using methodologies that reflect the drivers for each miscellaneous revenue item. For
12 many items, such as cogeneration reimbursements, where SDG&E has multiple years of
13 recorded activity, the forecast was developed using a multi-year recorded average adjusted by
14 estimated customer or sales growth factors, as applicable. Where the charge is based on a per-
15 customer basis, a customer growth factor was applied to develop the TY 2019 forecast. In
16 instances where the multi-year recorded results are not available or recent factors have caused
17 the multi-year results no longer to reflect a reasonable expectation of the future, SDG&E used
18 the most recent recorded year (BY 2016) to develop the forecast. In other cases, such as rents
19 from property, the forecast is based on executed lease agreements adjusted for applicable
20 escalation clauses. Finally, for other miscellaneous revenue items not reflected in the categories
21 described above, a forecasting methodology was applied to reflect the unique circumstances of
22 the activity.

23 **III. COMPONENTS OF MISCELLANEOUS REVENUES**

24 **A. Electric Department**

25 Electric miscellaneous revenues are recorded to Federal Energy Regulatory Commission
26 (FERC) accounts 451 (Miscellaneous Service Revenues), 454 (Rent from Electric Properties)
27 and 456 (Other Electric Revenues). The following table summarizes BY 2016 recorded and
28 TY 2019 estimated miscellaneous revenues in thousands of dollars (\$000s). A more detailed
29 discussion on each FERC account is provided below.

¹ Decision (D.) 13-05-010 at 955.

1
2

Table ED-2
Test Year 2019 Summary of Electric Miscellaneous Revenues

FERC Account (\$ in 000's)	Description	2016 Recorded	2019 Test Year	Net Change
451	Miscellaneous Service Revenues	4,169	4,398	229
454	Rent from Electric Property	4,676	3,626	(1,050)
456	Other Electric Revenues	5,108	6,629	1,521
	Total	13,953	14,653	700

3 **Miscellaneous Service Revenues – Account 451**

4 These revenues reflect fees collected by the utility for Service Establishment Charges
5 (SECs)², Collection Charges, Late Payment Charges, and other service-related fees.

6 **1. Service Establishment Charges (\$000s)**

2016 Recorded	2019 Test Year	Net Change
2,402	2,523	121

7 SECs are the fees charged to establish or re-establish service each time an account is
8 opened. The SEC is assessed in accordance with SDG&E's Commission-approved Tariff
9 Schedule SE and is applicable to all electric customers metered by SDG&E. In D.16-06-054, the
10 SEC fee structure changed from \$5 for non-fielded orders and \$15 for fielded orders,³ to \$5.85
11 for all order types. The forecast for TY 2019 is based on the calculation of the most recent
12 recorded year order count (BY 2016) adjusted by the estimated annual customer growth factors
13 for the period 2017-2019 and the updated fee structure. Customer growth is presented by
14 Mr. Schiermeyer (Ex. SDG&E-38).

15 **2. Collection Charges (\$000s)**

2016 Recorded	2019 Test Year	Net Change
99	86	(13)

² The use of initial capitalization herein denotes words that are defined in SDG&E's tariffs or in Commission decisions.

³ A fielded order is a request for service that must be performed at the customer's premises. A non-fielded order is a request for service that can be performed remotely.

1 Collection Charges are levied on customers to pay for the costs of delivering field
2 collection notices. The fees are based on \$9- and \$15-increments pursuant to SDG&E's
3 Commission-approved Tariff Rule 9. The forecast includes the impact from D.14-06-036
4 resulting from the Commission's disconnection rulemaking, R.10-02-005.⁴ The decision
5 specifies procedures for vulnerable customers,⁵ communication practices, California Alternate
6 Rates for Energy (CARE) enrollment, payment arrangements, and re-establishment of credit
7 deposits.

8 Due to the significant decrease in collection charges from the implementation of D.14-
9 06-036, the TY 2019 forecast calculation is based on the prior two-year average for chargeable
10 calls forecasted for Field Collection and Disconnection orders. Collection Charges are allocated
11 to both the electric and gas departments. Additional information on collection charges can be
12 found Ms. Marelli's testimony (Ex. SDG&E-17).

13 **3. Late Payment Charges (\$000s)**

2016 Recorded	2019 Test Year	Net Change
598	592	(6)

14 Late payment charges are assessed pursuant to SDG&E's Commission-approved Tariff
15 Rule 9. The fees are charged to commercial customers for delinquent payments. In determining
16 the TY 2019 forecast, SDG&E used the most recent five-year historical average (2012-2016)
17 adjusted by the estimated annual electric commercial customer growth factors for the period
18 2017-2019. Late payment charges are allocated to both the electric and gas departments.

⁴ *Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.* The forecast's estimated annual customer growth includes the effects of the decision, which has impacts on existing customer groups in addition to anticipated customer growth. D.14-06-036, issued June 30, 2014, approves a residential disconnection settlement agreement among SDG&E, Office of Ratepayer Advocates, The Utility Reform Network, Greenlining Institute, Center for Accessible Technology, Pacific Gas and Electric Company, Southern California Edison, and SoCalGas.

⁵ Per D.14-06-036 at 5, SDG&E shall continue in-person visits within the 48 hours prior to, or at the time of, disconnection for special needs profiled customers, including Medical Baseline, Life Support, and customers who self-certify that they have a serious illness or condition that could become life threatening if service is disconnected.

1 **4. Returned Check Service Charge (\$000s)**

2016 Recorded	2019 Test Year	Net Change
269	209	(60)

2 A fee of \$7 is charged to customers for returned checks pursuant to SDG&E’s
3 Commission-approved Tariff Rule 9. In D.16-06-054, the Commission approved the decreased
4 fee charged to customers from \$8 to \$7. In determining the TY 2019 forecast, SDG&E used the
5 most recent five-year historical average (2012-2016) of the volume of charges assessed, adjusted
6 for the projected annual customer growth factors for the period 2017-2019, and multiplied by the
7 current authorized rate of \$7.

8 **5. Direct Access (DA) Fees (\$000s)**

2016 Recorded	2019 Test Year	Net Change
59	69	10

9 Revenues from DA fees include: (1) charges billed to Energy Service Providers (ESPs)
10 for late payments, rebilling and other miscellaneous billing requests completed by SDG&E on
11 behalf of ESPs and (2) metering charges billed to DA customers for installation of meters and
12 monthly maintenance of SDG&E-owned meters. The TY 2019 forecast is based on a five-year
13 historical average (2012-2016). This forecast methodology utilizes the available historical data.
14 This is an established service with no significant changes; therefore, averaging the costs over a
15 five-year period best reflects a reasonable estimate of future annual revenues.

16 **6. Cogeneration Reimbursement (\$000s)**

2016 Recorded	2019 Test Year	Net Change
172	207	35

17 Cogeneration reimbursements are received from the billing of cogenerators and small
18 power producers for utility operating and maintenance expenses attributable to work performed
19 by the utility at the customer’s facilities. The charges by the utility are billed in accordance with
20 SDG&E’s Commission-approved Tariff Rule 21 – Generating Facility Interconnections. The
21 TY 2019 forecast is based on the most recent five-year historical average (2012-2016). This

1 forecast methodology utilizes the available historical data. This is an established service with no
2 significant changes; therefore, averaging the costs over a five-year period best reflects a
3 reasonable estimate of future annual revenues.

4 **7. Smart Meter Opt-Out Revenues (\$000s)**

2016 Recorded	2019 Test Year	Net Change
92	27	(65)

5 The smart meter opt-out revenues are from those residential residences that opt out of
6 having a wireless smart meter installed. The smart meter opt-out charges were previously
7 balanced in the smart meter opt-out balancing account pursuant to D.14-12-078. There is a
8 three-year cap for the opt-out charges, and the peak was in 2014, when smart meters were being
9 installed throughout the territory. We expect the revenues will continue to decline through the
10 forecast years. Additional information on smart meter opt-out charges can be found in
11 Ms. Marelli’s testimony (Ex. SDG&E-17).

12 **8. Other Service Revenues (\$000s)**

2016 Recorded	2019 Test Year	Net Change
478	685	207

13 These revenues are from other customer service items, primarily temporary service work,
14 and include meter testing, special metering and billing charges, and other service charges. The
15 TY 2019 forecast is based on the most recent five-year historical average (2012-2016), adjusted
16 by the estimated annual customer growth factors for the period 2017-2019. Customer Growth is
17 presented in Mr. Schiermeyer’s testimony (Ex. SDG&E-38).

18 **Rent from Electric Property – Account 454**

19 These revenues reflect payments received by the utility for the rental of electric property,
20 equipment and special facilities. This account also includes the revenues from Customer
21 Advances for Construction (CAC).

1 **9. Rent from Electric Property (\$000s)**

2016 Recorded	2019 Test Year	Net Change
1,012	1,091	79

2 Rents from electric property primarily reflect revenues received for the use of SDG&E’s
3 operating sites, properties, and licenses. The amount recorded for rents excludes those properties
4 assigned to SDG&E’s electric transmission department. The TY 2019 forecast is based on the
5 rents received from existing lease agreements adjusted for applicable escalation clauses.

6 **10. Special Facility Charges (\$000s)**

2016 Recorded	2019 Test Year	Net Change
2,867	2,031	(836)

7 Revenues from special facilities reflect charges billed to customers for the installation,
8 use, and/or maintenance of facilities by the utility at the customer’s request. Pursuant to
9 SDG&E’s Commission-approved Tariff Rule 2, these facilities can include, but are not limited
10 to, power quality conditioning equipment, peaking equipment, customer connection costs,
11 installation and/or maintenance of facilities downstream of the meter, facilities where the cost is
12 in excess of the standard extension allowances, and alternate equipment. Payments from
13 customers are received, at their choice, in monthly increments, annual installments, or as one-
14 time payments. The TY 2019 forecast is based on the most recent five-year historical average
15 account balance (2012-2016) adjusted for a one-time project. In addition to utilizing the
16 available historical data, the forecast includes an additional forecast adjustment to include
17 additional revenues relating to the renewable meter adapters, which have increased due to solar
18 installations in the territory.

19 **11. Customer Advances for Construction (CAC) (\$000s)**

2016 Recorded	2019 Test Year	Net Change
756	455	(301)

20 CAC revenue, also called “ownership cost deductions,” reflects the amount of revenue,
21 based on a fixed percentage, which can be taken by SDG&E as a reduction to CAC deposits on a

1 monthly basis if the customer does not become eligible for refunds 1 (for electric) to 3 (for gas)
 2 years after SDG&E’s facilities are ready to provide service. CAC deposits are administered in
 3 accordance with two Commission-approved tariffs: Rule 15 – Distribution Line Extensions and
 4 Rule 16 – Service Extensions. The TY 2019 forecast reflects a five-year historical average
 5 (2012-2016) of the total monthly balance in the CAC miscellaneous revenue account. Additional
 6 information on CAC deposits is described by Mr. Gentes (Ex. SDG&E-33-2R).

7 **12. Other Miscellaneous Revenues (\$000s)**

2016 Recorded	2019 Test Year	Net Change
41	49	8

8 Other miscellaneous revenues reflect items not contained in any of the categories above,
 9 and include electric right-of-way fees.⁶ The TY 2019 forecast of electric right-of-way fees is
 10 based on the recent five-year historical average account balance (2012-2016) and increased by a
 11 forecast growth rate of 1.5%. This is an established program with no significant changes;
 12 therefore, averaging the costs over a five-year period best reflects a reasonable estimate of future
 13 annual revenues.

14 **Other Electric Revenues – Account 456**

15 These revenues reflect amounts received from other sources, including shared assets
 16 charged to affiliates, federal government retrofit programs and other miscellaneous revenue
 17 activities. Shared asset revenues reflect charges to SDG&E affiliates primarily for the use of
 18 information technology and telecommunication assets. Government retrofit programs reflect the
 19 provision of energy efficiency programs to government agencies. This account also includes the
 20 revenues SDG&E receives from the lease of distribution pole attachments. Other miscellaneous
 21 revenues include the provision of various goods and services to third parties.

22 **13. Revenue Cycle Service (RCS) Credits (\$000s)**

2016 Recorded	2019 Test Year	Net Change
(248)	(251)	(3)

⁶ Commission-adopted rules governing access to right-of-way and support structures in D.98-10-058, Appendix A.

Pursuant to D.98-09-070, SDG&E was directed to provide credits to DA customer bills for those customers who elect to have metering and billing services from a party other than SDG&E. These credits are intended to capture the avoidable costs of a DA customer who no longer takes the RCS from the utility, which is recovered in SDG&E’s electric distribution rate. The RCS credits are calculated in accordance with the “Bill Credits” section of SDG&E’s Commission-approved Tariff Schedule DA. Since the RCS credits reduce the amount of revenue SDG&E can recover in electric distribution rates, the credits are recorded to Account 456 as “negative” miscellaneous revenue. The forecast for TY 2019 is based on the most recent five-year historical average (2012-2016).

14. Pole Attachment Fees (\$000s)

2016 Recorded	2019 Test Year	Net Change
1,910	2,900	990

Pole attachment fees reflect charges received from Communication Infrastructure Providers for the use of SDG&E’s distribution poles, including rights of way. The amounts exclude those fees related to electric transmission poles, which are addressed through the FERC-jurisdictional rates. The TY 2019 forecast is based on the 2011 settlement agreement.⁷

15. Shared Assets (\$000s)

2016 Recorded	2019 Test Year	Net Change
4,043	3,335	(708)

Revenue from shared assets reflects the use of SDG&E assets, primarily computer hardware and software and communication equipment, by Southern California Gas Company (SoCalGas), Sempra Energy Corporate Center (SECC), and/or unregulated affiliates. Revenues from shared assets are allocated to both the electric and gas departments.

On an ongoing basis, SDG&E and SoCalGas follow a shared asset policy whereby the company that receives the majority of the benefits from the shared assets owns such assets and

⁷ On January 21, 2011 SDG&E entered a settlement agreement regarding distribution pole attachment fees (Advice Letter 2225-E). The set fees for 2017 – 2019 are as follows: \$16.35 for 2017, \$30.58 for 2018, and \$30.58 for 2019.

1 bills the affiliates for their use. This policy was implemented for new shared assets acquired or
2 constructed on or after November 1, 2002.

3 The forecast of the TY 2019 charges billed to affiliates reflects the development of a
4 revenue requirement associated with owned assets, including depreciation, property taxes,
5 federal and state income taxes, and the authorized return on rate base. The portion of the shared
6 asset costs allocated to SDG&E, SECC and its unregulated affiliates is based on methodologies
7 used to measure utilization. For each type of shared asset, an assignment of a causal/beneficial
8 relationship is determined (e.g., number of users, square footage, etc.). The asset is then
9 allocated to affiliates based on their share of the benefit from that asset according to the
10 applicable utilization methodology. More detailed information on the nature of shared assets,
11 including the methodology used to allocate the charges between SoCalGas, SECC, and its
12 unregulated affiliates, is presented in the Shared Services Policy & Billing testimony of James
13 Vanderhye (Exhibit SDG&E-32-2R).

14 For purposes of allocating the amounts charged to the affiliates for shared assets to
15 SDG&E business segments, shared asset revenue allocated to the electric distribution and gas
16 segments are reflected in this testimony, while revenue assigned to the electric transmission
17 segment is the subject of FERC-jurisdictional rates. The amounts billed to the affiliates are
18 recorded as SDG&E miscellaneous revenue and are net of the billings to SECC charged back to
19 SDG&E.

20 **16. Federal Turnkey Program (\$000s)**

2016 Recorded	2019 Test Year	Net Change
(615)	340	955

21 Under 42 U.S.C. § 8256, the U.S. Government is authorized and encouraged to enter
22 contracts with local utilities to expedite and facilitate the implementation of cost-effective energy
23 and water conservation measures. SDG&E currently performs project management under
24 infrastructure improvement contracts. The amount recorded to miscellaneous revenue reflects
25 the difference between the revenues collected from the government agencies less the costs
26 incurred to perform the work. The net revenues are recorded as miscellaneous revenues using a
27 percentage of completion accounting methodology.

1 SDG&E proposes to extend the program offering currently provided under the Federal
 2 Turnkey Program under the renamed expanded program Energy Solutions Turnkey (EST). This
 3 expansion will offer similar turnkey project management services to Commercial/Industrial
 4 customers and other government and municipal entities through EST. SDG&E anticipates that
 5 contracts will not be executed under this expanded program until 2020 or 2021, with any
 6 additional revenues realized from this expansion reported in SDG&E's next GRC.

7 **17. Emergency Services Revenues (\$000s)**

2016 Recorded	2019 Test Year	Net Change
0	50	50

8 Emergency Services revenue represents emergency restoration for customer-owned
 9 facilities at Camp Pendleton. The forecast is based on the contract that is in place with Marine
 10 Corps Base Camp Pendleton Emergency Services.

11 **18. Parts Replacement Program (\$000s)**

2016 Recorded	2019 Test Year	Net Change
18	255	237

12 SDG&E currently is in a limited pilot for a new Field Parts Replacement Program (FPR).
 13 The pilot portion of the program uses a manual Sundry billing process. The program cannot be
 14 expanded to the all Customer Service Field bases until an automated billing solution is
 15 developed, which is expected to be completed in late 2017 or early 2018. Based on calculated
 16 average "Sales per service tech per day" during the 2016 FPR Pilot, and expected ramp-up of the
 17 program, first to service techs and then to material service persons in 2018, the following
 18 revenue projection has been created. Sales tax has been removed from revenue as that remits to
 19 tax authorities. Additional information on FRP can be found in Ms. Marelli's testimony
 20 (Ex. SDG&E-17).

21 **B. Gas Department**

22 Gas miscellaneous revenues are recorded to FERC accounts 488 (Miscellaneous Service
 23 Revenues), 493 (Rents from Gas Properties) and 495 (Other Gas Revenues). The following table

1 summarizes miscellaneous revenues for 2016 recorded and 2019 estimated in thousands of
 2 dollars (\$000s):

3 **Table ED-3**
 4 **Test Year 2019 Summary of Gas Miscellaneous Revenues**

FERC Account (\$ in 000's)	Description	2016 Recorded	2019 Test Year	Net Change
488	Miscellaneous Service Revenues	1,322	1,278	(44)
493	Rent from Gas Property	23	26	3
495	Other Gas Revenues	1,822	1,539	(283)
	Total	3,167	2,843	(324)

5 **Miscellaneous Service Revenues – Account 488**

6 These revenues reflect fees collected by the utility for SECs, Collection Charges, Late
 7 Payment Charges and Smart Meter Opt-out fees.

8 **19. Service Establishment Charges (SECs) (\$000s)**

2016 Recorded	2019 Test Year	Net Change
1,183	1,176	(7)

9 SECs are assessed in accordance with SDG&E's Commission-approved Tariff Schedule
 10 G-91 and are applicable to all gas customers metered by SDG&E. As mentioned in Section
 11 IV.A.1 above, the SEC is currently \$5.85. The forecast for TY 2019 is based on the calculation
 12 of the most recent recorded year (BY 2016) adjusted by the estimated annual customer growth
 13 factors for the period 2017-2019 and the updated fee structure. Customer growth is presented by
 14 Ms. Payan (Ex. SDG&E-37).

15 **20. Collection Charges (\$000s)**

2016 Recorded	2019 Test Year	Net Change
43	37	(6)

16 Collection Charges are levied on customers to pay for the costs of delivering field
 17 collection notices. The fees are based on \$9 and \$15 increments pursuant to SDG&E's
 18 Commission-approved Tariff Rule 9. The forecast includes the impact from D.14-06-036 in the

1 Commission’s disconnection rulemaking, R.10-02-005.⁸ The decision specifies procedures for
2 vulnerable customers,⁹ communication practices, CARE enrollment, payment arrangements, and
3 re-establishment of credit deposits. There is no collection charge for remote disconnection.

4 Due to the significant decrease in collection charges from the implementation of D.14-
5 06-036, the TY 2019 forecast calculation is based on the prior two-year average for chargeable
6 calls forecasted for Field Collection and Disconnection orders. Collection Charges are allocated
7 to both the electric and gas departments. Additional information on the forecasted changes to the
8 collection process is described by Ms. Marelli (Ex. SDG&E-17).

9 **21. Late Payment Charges (\$000s)**

2016 Recorded	2019 Test Year	Net Change
46	50	4

10 Late Payment Charges are also assessed pursuant to SDG&E’s Commission-approved
11 Tariff Rule 9. The fees are charged to commercial customers for delinquent payments. In
12 determining the TY 2019 forecast, SDG&E used the most recent five-year historical average
13 (2012-2016) adjusted by the estimated annual customer growth factors for the period 2017-2019.
14 This forecast methodology utilizes the available historical data.

15 **22. Smart Meter Opt-Out Revenues (\$000s)**

2016 Recorded	2019 Test Year	Net Change
50	15	(35)

16 The Smart Meter Opt-Out Revenues are from those residential residences that opt out of
17 having a wireless smart meter installed. The smart meter opt-out charges were previously

⁸ *Order Instituting Rulemaking on the Commission's Own Motion to Address the Issue of Customers' Electric and Natural Gas Service Disconnection.* The forecast’s estimated annual customer growth includes the effects of D.14-06-036, which has impacts on existing customer groups in addition to anticipated customer growth. The decision, issued June 30, 2014, approves a residential disconnection settlement agreement among SDG&E, Office of Ratepayer Advocates, The Utility Reform Network, Greenlining Institute, Center for Accessible Technology, Pacific Gas and Electric Company, Southern California Edison, and SoCalGas.

⁹ Per D.14-06-036, SDG&E shall continue in-person visits within the 48 hours prior to, or at the time of, disconnection for special needs profiled customers, including Medical Baseline, Life Support, and customers who self-certify that they have a serious illness or condition that could become life threatening if service is disconnected.

1 balanced in the smart meter opt-out balancing account, pursuant to D.14-12-078. There is a
 2 three-year cap for the opt-out charges, and the peak was in 2014, when the smart meters were
 3 installed throughout the territory. The forecast is based on those expected to opt out of the
 4 wireless meters through the three-year cap. We expect the revenues will continue to decline
 5 through the forecast years. Additional information on smart meter opt-out can be found in Ms.
 6 Marelli’s testimony (Ex. SDG&E-17).

7 **Rent from Gas Property – Account 493**

8 These revenues reflect payments received by the utility for the rental of gas property and
 9 equipment.

10 **23. Rent from Gas Property (\$000s)**

2016 Recorded	2019 Test Year	Net Change
23	26	3

11 Rents from gas property primarily reflect revenues received for the use of SDG&E’s
 12 operating sites, properties, licenses and rights of way. The TY 2019 forecast is based on the
 13 rents received from existing lease agreements adjusted for applicable escalation clauses.

14 **Other Gas Revenues – Account 495**

15 Other gas revenues include the provision of various goods and services to other parties,
 16 including shared assets charged to affiliates, federal government retrofit programs and other
 17 miscellaneous revenue activities. Shared asset revenues reflect charges to SDG&E affiliates
 18 primarily for the use of information technology and telecommunication assets. Government
 19 retrofit programs reflect the provision of energy efficiency programs to government agencies.
 20 This account also includes the revenues from CAC.

21 **24. Customer Advances for Construction (\$000s)**

2016 Recorded	2019 Test Year	Net Change
117	65	(52)

22 CAC revenue, also called “ownership cost deductions,” reflects the amount of revenue,
 23 based on a fixed percentage, which can be taken by SDG&E as a reduction to CAC deposits on a
 24 monthly basis if the customer does not become eligible for refunds 1 (for electric) to 3 (for gas)

1 years after SDG&E’s facilities are ready to provide service. CAC deposits are administered in
2 accordance with SDG&E’s Commission-approved Tariff Rule 15 – Distribution Line
3 Extensions. The TY 2019 forecast reflects a five-year historical average (2012-2016) of the total
4 monthly balance in the CAC miscellaneous revenue account, adjusted for an ownership rate¹⁰ of
5 0.36%. This forecast methodology utilizes the available historical data and adjusts for the gas
6 ownership rate update. This provides the best estimate of future annual revenues. Additional
7 information on CAC deposits can be found in Mr. Gentes’ testimony (Ex. SDG&E-33-2R).

8 **25. Federal Turnkey Program (\$000s)**

2016 Recorded	2019 Test Year	Net Change
124	132	8

9 As explained above, under 42 U.S.C. § 8256, the U.S. Government is authorized and
10 encouraged to enter into contracts with local utilities to expedite and facilitate the
11 implementation of cost-effective energy and water conservation measures. SDG&E currently
12 performs project management under infrastructure improvement contracts. The amount recorded
13 to miscellaneous revenue reflects the difference between the revenues collected from the
14 government agencies less the costs incurred to perform the work. The net revenues are recorded
15 as miscellaneous revenues using a percentage of completion accounting methodology. The
16 TY 2019 forecast is based on the expected net revenue from existing contracts with various
17 federal entities.

18 SDG&E proposes to extend the program offering currently provided under the Federal
19 Turnkey Program. This expansion will offer similar turnkey project management services to
20 commercial/industrial customers and other government and municipal entities through EST.
21 SDG&E anticipates that contracts will not be executed under this expanded program until 2020
22 or 2021, with any additional revenues realized from this expansion reported in SDG&E’s next
23 GRC.

¹⁰ The ownership rate recovers the cost of operating and maintaining customer-financed facilities that are not fully utilized.

1

26. Shared Assets (\$000s)

2016 Recorded	2019 Test Year	Net Change
1,581	1,342	(239)

2

Revenue from shared assets are allocated to both electric and gas departments. The

3

nature of these charges and the methodology used to develop the TY 2019 forecast are described

4

above.

5

IV. CONCLUSION

6

This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Eric Dalton. I am employed by SDG&E as the Regulatory Accounting
3 Manager in the Regulatory Reporting Department. My business address is 488 8th Avenue San
4 Diego, California 92101. My current responsibilities include managing the Regulatory
5 Reporting and Accounting within the Utility Accounting Department. I assumed my current
6 position in August 2014.

7 I received a Bachelor of Science in Accounting in 1999 from the University of Kansas. I
8 am a Certified Public Accountant (“CPA”) licensed in the State of California since 2003.

9 I have been employed with SDG&E since 2006. In addition to my current position in
10 Regulatory Reporting, I have held various other positions increasing in responsibility since
11 September 2006. I served as the Billable Project Supervisor in Plant Accounting (January 2013
12 – August 2014), Bank Reconciliation Supervisor (July 2011 – December 2012), and Financial
13 Accounting Principal Accountant (September 2007 - June 2010).

14 I have not testified previously before this Commission.

LIST OF ACRONYMS

CAC:	Customer Advances for Construction
CARE:	California Alternate Rates for Energy
DA:	Direct Access
ESP:	Energy Service Provider
EST:	Energy Solutions Turnkey
FERC:	Federal Energy Regulatory Commission
FPR:	Field Parts Replacement Program
RCS:	Revenue Cycle Service
SEC:	Service Establishment Charge
SECC:	Sempra Energy Corporate Center
SoCalGas:	Southern California Gas Company
TCJA:	Tax Cuts and Jobs Act

SDG&E 2019 GRC Testimony Revision Log – April 2018

Exhibit	Witness	Page	Line or Table	Revision Detail
SDGE-40	Eric Dalton	ED-ii	Summary	Changed “\$18.0” to “\$17.5”
SDGE-40	Eric Dalton	ED-ii	Summary	Added “Pursuant to the Assigned Commissioner’s Scoping Memorandum and Ruling issued on January 29, 2018 (Scoping Memo), this exhibit has been revised to reflect the impact of the Tax Cuts and Jobs Act (TCJA) on the SDG&E TY 2019 General Rate Case. The TCJA was signed into federal law on December 22, 2017 and is discussed in the testimony of the Taxes witness Ragan Reeves (Exhibit SDG&E-35-2R), served concurrently with this exhibit. A roadmap of this TCJA-related submission and impacts on other witnesses’ areas is provided in the Case Management Exhibit SCG-49/ SDG&E-49.”
SDGE-40	Eric Dalton	Multiple	Multiple	Updated references to other witnesses’ second revised testimonies (-2R)
SDGE-40	Eric Dalton	ED-4	Table ED-1	Changed table “Electric, 2019 Test Year from 14,993 to 14,653” and “Net Change from 1,040 to 700,” “Gas, 2019 Test Year from 2,983 to 2,843” and “Net Change from (184) to (324)” and “Total, 2019 Test Year from 17,976 to 17,496” and “Net Change from 856 to 376.”
SDGE-40	Eric Dalton	ED-6	Table ED-2	Changed table “2019 Test Year from 6,969 to 6,629” and “Net Change from 1,861 to 1,521,” and “Total, 2019 Test Year from 14,993 to 14,653” and “Net Change from 1,040 to 700.”
SDGE-40	Eric Dalton	ED-12	Table 15	Changed table “2019 Test Year from 3,675 to 3,335” and “Net Change from (368) to (708).”
SDGE-40	Eric Dalton	ED-15	Table ED-3	Changed table “2019 Test Year from 1,679 to 1,539” and “Net Change from (143) to (283),” and “Total, 2019 Test Year from 2,983 to 2,843” and “Net Change from (184) to (324).”
SDGE-40	Eric Dalton	ED-19	Table 26	Changed table “2019 Test Year from 1,482 to 1,342” and “Net Change from (99) to (239).”