

Company: San Diego Gas & Electric Company (U902M)  
Proceeding: 2019 General Rate Case  
Application: A.17-10-007  
Exhibit: SDG&E-41-S

**SDG&E**

**SUPPLEMENTAL TESTIMONY OF NORMA G. JASSO**

**(REGULATORY ACCOUNTS)**

**April 6, 2018**

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



**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1  
II. TAX MEMORANDUM ACCOUNTS ..... 1  
III. CONCLUSION..... 4  
LIST OF ACRONYMS

## **SUMMARY**

- San Diego Gas & Electric Company proposes to create a new sub-account in the electric and gas Tax Memorandum Accounts to separately track any impacts through 2018 related to the implementation of the Tax Cuts and Jobs Act of 2017 and provides options for the disposition of the sub-account.

1 **SDG&E SUPPLEMENTAL TESTIMONY OF NORMA G. JASSO**  
2 **(REGULATORY ACCOUNTS)**

3 **I. INTRODUCTION**

4 The purpose of my supplemental testimony is to put forth proposals for the consideration  
5 of the California Public Utilities Commission (CPUC or Commission) to address the impacts of  
6 the Tax Cuts and Jobs Act of 2017 (TCJA) that are being tracked in the Tax Memorandum  
7 Account (TMA) of San Diego Gas & Electric Company (SDG&E) through 2018 (2018 TCJA  
8 Impacts). A discussion of the changes to federal tax law as a result of the TCJA and its impacts  
9 on SDG&E forecasted for Test Year (TY) 2019 is provided in the Second Revised Taxes  
10 Testimony of Ragan Reeves, Exhibit SDG&E-35-2R. A roadmap of this TCJA-related  
11 submission and impacts on other witnesses' areas is provided in the Case Management Exhibit  
12 SCG-49/SDG&E-49.

13 On March 2, 2018, the Energy Division provided guidance to the California utilities  
14 regarding the implementation of the TCJA (ED Letter) and indicated that SDG&E "should  
15 follow the rulings of the presiding officer in [SDG&E's TY 2019 General Rate Case (GRC)] and  
16 submit additional TCJA testimony." The ED Letter also instructed SDG&E to "follow [the]  
17 instructions of the presiding officer regarding the need for any filings in that same GRC  
18 regarding the TCJA-related balance in the Tax Memorandum Account accumulated through  
19 2018."<sup>1</sup> Consistent with the guidance in the ED Letter, SDG&E is proactively including its  
20 proposals addressing the 2018 TCJA Impacts in this TY 2019 GRC proceeding<sup>2</sup> through the  
21 submission of this supplemental Regulatory Accounts testimony concurrent with the ordered  
22 submission of testimony on tax issues discussed by other witness areas.<sup>3</sup> SDG&E will follow the  
23 subsequent instructions of Administrative Law Judge Lirag when issued on the 2018 TCJA  
24 Impacts.

25 **II. TAX MEMORANDUM ACCOUNTS**

26 As described in my direct testimony (Exhibit SDG&E-41), served on October 6, 2017 in  
27 this proceeding, the electric and gas TMAs were created pursuant to Decision (D.) 16-06-054 as

---

<sup>1</sup> ED Letter, "Implementation of the Tax Cuts and Jobs Act of 2017," dated March 2, 2018, at 2-3.

<sup>2</sup> 2018 is a post-test year of SDG&E's TY 2016 GRC, Application (A.) 14-11-003.

<sup>3</sup> See ED Letter, at 3; Assigned Commissioner's Scoping Memorandum and Ruling, dated January 29, 2018, at 7 and 12. Refer to Case Management Exhibit SCG-49/SDG&E-49's roadmap of testimonies discussing the TY 2019 tax impacts.

1 interest-bearing memorandum accounts that are not recorded on SDG&E's financial statements.  
2 The purpose of the TMA is to increase the transparency of SDG&E's incurred and forecasted  
3 income tax expense to the Commission by tracking revenue differences resulting from the  
4 income tax expense forecasted in SDG&E's 2016 GRC and actual tax expense incurred during  
5 the 2016 GRC period of January 1, 2016 through December 31, 2018. In accordance with D.16-  
6 06-054 and SDG&E's TMA Preliminary Statements, Section III of its electric tariffs and Section  
7 V of its gas tariffs, the electric and gas TMAs have separate line items detailing the differences  
8 between tax expenses forecasted and tax expenses incurred for (1) net revenue changes; (2)  
9 mandatory tax law changes, tax accounting changes, tax procedural changes, or tax policy  
10 changes; and (3) elective tax law changes, tax accounting changes, tax procedural changes, or tax  
11 policy changes.<sup>4</sup> Pursuant to D.16-06-054, SDG&E is tracking the impacts of the TCJA in its  
12 TMA under "mandatory tax law changes." The Commission has not explicitly determined the  
13 disposition of the TMA; rather, D.16-06-054 ordered the TMA to "remain open and the balance  
14 in the account shall be reviewed in every subsequent GRC proceeding until a Commission  
15 decision closes the account."<sup>5</sup>

16 SDG&E anticipates that the final recorded amounts (i.e., tax expense incurred)<sup>6</sup> related to  
17 the 2018 TCJA Impacts will be available following the filing of the 2018 tax return for SDG&E  
18 (anticipated to be October 2019).<sup>7</sup> However, based on the ED Letter, SDG&E understands the  
19 Commission may want to address the 2018 TCJA Impacts before the final recorded amounts are  
20 available. Accordingly, SDG&E proposes to create a new, interest-bearing sub-account in the  
21 electric and gas TMAs for the 2018 TCJA Impacts, which will not be recorded on SDG&E's  
22 financial statements (2018 TCJA Sub-Account). The purpose of this sub-account would be to  
23 separately track the difference between actual 2018 tax benefits realized as a result of the TCJA  
24 and any estimated benefits the Commission may approve. Creation of the sub-account is  
25 beneficial for multiple reasons. First, the establishment of a sub-account will provide additional  
26 transparency of the direct 2018 impacts of the TCJA. While the impacts of the TCJA are being

---

<sup>4</sup> D.16-06-054 at 196; SDG&E TMA Electric Preliminary Statement, [http://regarchive.sdge.com/tm2/pdf/ELEC\\_ELEC-PRELIM\\_TMA.pdf](http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_TMA.pdf); SDG&E TMA Gas Preliminary Statement, [http://regarchive.sdge.com/tm2/pdf/GAS\\_GAS-PRELIM\\_TMA.pdf](http://regarchive.sdge.com/tm2/pdf/GAS_GAS-PRELIM_TMA.pdf).

<sup>5</sup> D.16-06-054 at 196.

<sup>6</sup> Recorded amounts included in tax returns are subject to audit by the Internal Revenue Service.

<sup>7</sup> Sempra Energy, the parent company of SDG&E, is the entity that files tax returns which includes its subsidiaries, such as SDG&E.

1 tracked within the TMA, they are in the larger category of “mandatory tax law changes, tax  
2 accounting changes, tax procedural changes, or tax policy changes.” The sub-account would be  
3 specific to the TCJA and focus on the 2018 TCJA Impacts. Second, the sub-account will allow  
4 for estimated 2018 TCJA Impacts to be recognized by the Commission prior to the filing of the  
5 2018 tax return. As explained in Mr. Reeves’ Second Revised Testimony, SDG&E does not  
6 have a final forecasted amount of the 2018 TCJA Impacts at this time. SDG&E proposes to  
7 provide an estimate as part of the Update Testimony in this proceeding to be submitted on  
8 August 24, 2018 in accordance with the Assigned Commissioner’s schedule outlined in the  
9 Scoping Memorandum and Ruling issued on January 29, 2018. Third, the sub-account will  
10 permit discrete disposition of the 2018 TCJA Impacts.<sup>8</sup>

11 With respect to the disposition of the sub-account, SDG&E offers two proposals for the  
12 Commission’s consideration. One option is for the Commission to authorize an estimated  
13 amount for the 2018 TCJA Impacts in a final decision in this proceeding to be implemented in  
14 rates concurrently with the other approved items in the TY 2019 GRC. Doing so would help  
15 offset any increases, if applicable, to customers’ rates as a result of the amortization of the GRC  
16 Memorandum Account (GRCMA).<sup>9</sup> Any difference that results between actual 2018 TCJA  
17 Impacts and those authorized by the Commission will be subject to true-up in SDG&E’s annual  
18 regulatory account update advice letter filing.

19 Another option for the Commission’s consideration for a timely return of 2018 TCJA  
20 Impacts to customers is to issue a separate, interim order prior to January 2019 authorizing  
21 SDG&E to create the 2018 TCJA Sub-Account<sup>10</sup> and include an estimate of the 2018 TCJA  
22 Impacts in its 2018 year-end consolidated advice letter filing for incorporation in customers’  
23 rates effective January 1, 2019. Any difference that results between actual 2018 TCJA Impacts  
24 and those authorized by the Commission will be subject to true-up in SDG&E’s annual  
25 regulatory account update advice letter filing.

---

<sup>8</sup> Currently, the recorded balance in the TMA is to be reviewed for disposition in every subsequent GRC proceeding.

<sup>9</sup> On March 27, 2018, SDG&E and Southern California Gas Company (SoCalGas) jointly filed a motion to request authority to establish a GRCMA to track the changes in revenue requirement adopted in this 2019 GRC between January 1, 2019 and the effective date of the 2019 GRC final decision.

<sup>10</sup> Creating the 2018 TCJA Sub-Account through an interim order can occur through multiple regulatory vehicles that can establish regulatory accounts, such as through a ruling on a motion in this proceeding.

1 **III. CONCLUSION**

2 SDG&E proposes to establish the 2018 TCJA Sub-Account in the TMA to track the 2018  
3 TCJA Impacts. SDG&E will provide an estimate of the 2018 TCJA Impacts during the Update  
4 Testimony in this proceeding. SDG&E proposes that the disposition of the 2018 TCJA Sub-  
5 Account be authorized by the Commission either: (1) in the final decision in this proceeding to  
6 be implemented concurrently with the GRCMA to help offset any increases to customer rates, or  
7 (2) through an interim order authorizing SDG&E to include an estimate of the 2018 TCJA  
8 Impacts in SDG&E's year-end consolidated advice letter filing to be implemented in rates on  
9 January 1, 2019. Any difference that results between actual 2018 TCJA Impacts and those  
10 authorized by the Commission will be subject to true-up in SDG&E's annual regulatory account  
11 update advice letter filing.

12 This concludes my supplemental testimony.

## LIST OF ACRONYMS

<b>ACRONYM</b>	<b>DEFINITION</b>
(A.)	Application
(D.)	Decision
CPUC	California Public Utilities Commission
GRC	General Rate Case
GRCMA	General Rate Case Memorandum Account
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
TCJA	Tax Cuts and Jobs Act of 2007
TMA	Tax Memorandum Account
TY	Test Year