

Company: San Diego Gas & Electric Company (U902M)  
Proceeding: 2019 General Rate Case  
Application: A.17-10-007/-008 (cons.)  
Exhibit: SDG&E-241

**SDG&E**

**REBUTTAL TESTIMONY OF NORMA G. JASSO**

**(REGULATORY ACCOUNTS)**

**JUNE 18, 2018**

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



A  Sempra Energy utility®



## TABLE OF CONTENTS

I.	SUMMARY OF DIFFERENCES .....	1
II.	INTRODUCTION .....	1
	A. ORA .....	2
	B. UCAN .....	4
	C. FEA .....	4
III.	REBUTTAL TO PARTIES' PROPOSALS .....	4
	A. TTBA .....	4
	B. LIPBA .....	6
	C. OMABA .....	7
	D. TPCBA .....	8
	E. TIMPBA & DIMPBA .....	9
IV.	CONCLUSION .....	10

**SDG&E REBUTTAL TESTIMONY OF NORMA G. JASSO  
(REGULATORY ACCOUNTS)**

**I. SUMMARY OF DIFFERENCES**

	<b>SDG&amp;E</b>	<b>ORA</b>	<b>UCAN</b>	<b>FEA</b>
<b>TTBA</b>	<ul style="list-style-type: none"> <li>Change to two-way balancing account</li> </ul>	<ul style="list-style-type: none"> <li>Remain one-way balancing account</li> </ul>		<ul style="list-style-type: none"> <li>Remain one-way balancing account</li> </ul>
<b>LIPBA</b>	<ul style="list-style-type: none"> <li>Establish two-way balancing account</li> </ul>	<ul style="list-style-type: none"> <li>Two-way balancing account with cap and conditions for recovery of undercollection</li> </ul>	<ul style="list-style-type: none"> <li>Two-way balancing account with conditions for recovery of undercollection</li> </ul>	<ul style="list-style-type: none"> <li>Opposed</li> </ul>
<b>OMABA</b>	<ul style="list-style-type: none"> <li>Establish one-way balancing account</li> </ul>	<ul style="list-style-type: none"> <li>One-way balancing account with recommendations for recovery process</li> </ul>		<ul style="list-style-type: none"> <li>Agrees with ORA</li> </ul>
<b>TPCBA</b>	<ul style="list-style-type: none"> <li>Establish two-way balancing account</li> </ul>	<ul style="list-style-type: none"> <li>Not opposed – establish two-way balancing account</li> </ul>	<ul style="list-style-type: none"> <li>Reject TPCBA and authorize a memorandum account to track third-party claims</li> </ul>	<ul style="list-style-type: none"> <li>Opposed</li> </ul>
<b>TIMPBA &amp; DIMPBA</b>	<ul style="list-style-type: none"> <li>Incorporate undercollected balance in regulatory account update filing</li> <li>Refund customers the GRC cycle net overcollection in regulatory account update filing</li> </ul>	<ul style="list-style-type: none"> <li>Silent</li> </ul>		

**II. INTRODUCTION**

This rebuttal testimony regarding San Diego Gas & Electric Company’s (SDG&E’s or the Company’s) regulatory accounts addresses the following testimony from other parties:

- 1           •       The Office of Ratepayer Advocates (ORA), dated April 13, 2018, as  
2           submitted by:  
3                     Ms. Sophie Chia (Exhibit ORA-30);  
4                     Ms. Tamera Godfrey (Exhibit ORA-05);  
5                     Ms. Lindsay Laserson (Exhibit ORA-21);  
6                     Mr. Scott Logan (Exhibit ORA-08); and  
7                     Ms. Fransiska Hadiprodjo (Exhibit ORA-24).
- 8           •       Utility Consumer’s Action Network (UCAN), dated May 14, 2018, as  
9           submitted by Mr. Robert Sulpizio and Mr. Brandon Charles.
- 10          •       The Federal Executive Agencies, dated May 14, 2018, as submitted by  
11          Mr. Ralph C. Smith (Exhibit No. FEA-1).

12           As a preliminary matter, the absence of a response to any particular issue in this rebuttal  
13 testimony does not imply or constitute agreement by SDG&E with the proposal or contention  
14 made by these or other parties.

15           **A.     ORA**

16           ORA issued its report on regulatory accounts on April 13, 2018.<sup>1</sup> The following is a  
17 summary of ORA’s positions:

- 18           •       ORA witness Chia does not take issue with SDG&E’s proposal to close  
19           ten accounts;<sup>2</sup> to continue ratemaking treatment and transfer/amortize  
20           balances for six<sup>3</sup> regulatory accounts<sup>4</sup> listed in my testimony; and to  
21           modify the Net Energy Metering Aggregation Memorandum Account  
22           (NEMAMA).<sup>5</sup> Ms. Chia points to other ORA witnesses for the Tree  
23           Trimming Balancing Account (TTBA), Liability Insurance Premiums

---

<sup>1</sup> April 13, 2018, ORA Report on Regulatory Accounts, Exhibit ORA-30 (Sophie Chia).

<sup>2</sup> *Id.* at 6:6-7.

<sup>3</sup> SDG&E considers Pension Balancing Account (PBA) and Post-Retirement Benefits Other than Pension (PBOPBA) as two separate accounts. ORA witness Chia refers to them as one; thus, indicates the number of accounts to be five. *Id.* at 7:8-9.

<sup>4</sup> *Id.* at 7:3.

<sup>5</sup> *Id.* at 7:26.

1 Balancing Account (LIPBA), Otay Mesa Acquisition Balancing Account  
2 (OMABA) and Third-Party Claims Balancing Account (TPCBA);<sup>6</sup> does  
3 not take issue with information provided regarding Master Meter  
4 Balancing Account (MMBA);<sup>7</sup> and addresses the ratemaking modification  
5 for Transmission Integrity Management Program Balancing Account  
6 (TIMPBA) and Post 2011 Distribution Integrity Management Program  
7 Balancing Account (DIMPBA).<sup>8</sup>

- 8 • ORA witness Godfey opposes SDG&E's request for a two-way balancing  
9 account treatment for the TTBA.<sup>9</sup>
- 10 • ORA witness Laserson does not oppose SDG&E's request to establish a  
11 two-way balancing account for liability insurance premiums, and  
12 recommends that any insurance coverage above the forecasted amount in  
13 this General Rate Case (GRC), require SDG&E to file an application  
14 requesting recovery.<sup>10</sup>
- 15 • ORA witness Logan does not object to SDG&E's response to establish the  
16 the OMABA.<sup>11</sup> Mr. Logan presents ORA's proposal for implementation  
17 and rate recovery of the OMABA.<sup>12</sup>
- 18 • ORA witness Hadiprojo does not take issue with SDG&E's proposal to  
19 establish the TPCBA.<sup>13</sup>

---

<sup>6</sup> *Id.* at 9-10.

<sup>7</sup> *Id.* at 11:11-13.

<sup>8</sup> *Id.* at 8-9.

<sup>9</sup> April 13, 2018, ORA Report on SDG&E – Electric Distribution Expenses, Exhibit ORA-05 (Tamera Godfrey) at 56:19.

<sup>10</sup> April 13, 2018, ORA Report on Corporate Center, Exhibit ORA-21 (Lindsay Laserson) at 53:4-10.

<sup>11</sup> April 13, 2018, ORA Report on SDG&E – Electric Generation, Exhibit ORA-08 (Scott Logan) at 8-11.

<sup>12</sup> *Id.* at 9.

<sup>13</sup> April 13, 2018, Report on Accounting & Finance/Legal/Regulatory Affairs/External Affairs, Exhibit ORA-24 (Fransiska Hadiprojo) at 11:4-6.

1           **B.     UCAN**

2           Utility Consumers’ Action Network (UCAN) submitted testimony on May 14, 2018.<sup>14</sup>

3           The following is a summary of UCAN’s positions:

- 4           •       UCAN witness Sulpizio supports SDG&E’s proposal for the LIPBA
- 5                   subject to a set of conditions.<sup>15</sup>
- 6           •       UCAN witness Charles recommends that the TPCBA be rejected and
- 7                   recommends instead the establishment of a memorandum account.<sup>16</sup>

8           **C.     FEA**

9           The Federal Executive Agencies (FEA) submitted by Ralph C. Smith on May 14, 2018.<sup>17</sup>

10          The following is a summary of FEA’s position:

- 11          •       FEA recommends that the TTBA remain a one-way balancing account;<sup>18</sup>
- 12                   opposes the establishment of LIPBA<sup>19</sup> and TPCBA;<sup>20</sup> and agrees with
- 13                   ORA regarding the OMABA.<sup>21</sup>

14          **III.    REBUTTAL TO PARTIES’ PROPOSALS**

15           **A.     TTBA**

16           ORA and FEA advise that instead of a two-way balancing account, SDG&E continue the

17           use of a one-way balancing account for its vegetation management/tree trimming costs. ORA

18           indicates that continuing the one-way balancing account treatment to track expenses will benefit

---

<sup>14</sup> May 14, 2018, Testimony of Robert Sulpizio on behalf of the Utility Consumers’ Action Network [UCAN], Exhibit UCAN (Sulpizio); May 14, 2018, Testimony of Brandon Charles on behalf of the Utility Consumers’ Action Network [UCAN], Exhibit UCAN (Charles).

<sup>15</sup> Ex. UCAN (Sulpizio) at 15.

<sup>16</sup> Ex. UCAN (Charles) at 109.

<sup>17</sup> May 14, 2018, Direct Testimony of Ralph C. Smith, CPA on behalf of The Federal Executive Agencies, Exhibit FEA-1 (Smith).

<sup>18</sup> Ex. FEA-1 (Smith) at 48:4-5.

<sup>19</sup> *Id.* at 32:21-22.

<sup>20</sup> *Id.* at 38:8-9.

<sup>21</sup> *Id.* at 40:18-19.

1 ratepayers by ensuring that unspent funds will be returned to ratepayers.<sup>22</sup> FEA states that  
2 SDG&E has not justified its need to change the TTBA to a two-way balancing account; and that  
3 continuing the one-way balancing account will encourage SDG&E to perform the needed tree-  
4 trimming, while containing costs.<sup>23</sup>

5 SDG&E disagrees with ORA’s suggestion that only a one-way balancing account ensures  
6 that underspent funds are returned to ratepayers. In fact, underspent funds/overcollections are  
7 returned to ratepayers in two-way balancing accounts as well. The return of an overcollection is  
8 not determined by whether an account is designated as one-way or two-way. In the case of the  
9 TTBA, should the expected increase in vegetation management activity not materialize to the  
10 degree anticipated, SDG&E would be required to refund ratepayers the underspent funds through  
11 a two-way balancing account just the same as it would refund through a one-way balancing  
12 account.

13 SDG&E disagrees with FEA’s statement that SDG&E has not justified its need for a two-  
14 way balancing account. SDG&E’s witness William H. Speer (Exhibit SDG&E-15-2R) addresses  
15 the reasons for two-way balancing of tree trimming costs considering climate fluctuations from  
16 recent drought followed by significant rain and the potential impact these events are expected to  
17 have on vegetation management requirements in the form of increased vegetation growth and  
18 workload.<sup>24</sup> These climate-related trends are expected to continue, as explained in the testimony  
19 of David Geier (Exhibit SDG&E-50), which “as a combination of factors leads to increases in  
20 both fire season duration and severity...as well as projected warming across the region.”<sup>25</sup>  
21 SDG&E’s “targeted vegetation management efforts”<sup>26</sup> help to mitigate the “ongoing, year-round  
22 threat of wildfire risk.”<sup>27</sup> This year-round threat further demonstrates the need for a two-way  
23 TTBA.

---

<sup>22</sup> Ex. ORA-05 (Godfrey) at 57:2-6.

<sup>23</sup> Ex. FEA-1 (Smith) at 48:3-7.

<sup>24</sup> May 7, 2018, Second Revised Direct Testimony on Electric Distribution O&M, Exhibit SDG&E-15-2R (William H. Speer) at WHS-69 to WHS-70.

<sup>25</sup> May 7, 2018, Supplemental Direct Testimony on Supplemental Year-Round Wildfire Risk Mitigation, Exhibit SDG&E-50 (David L. Geier) at DLG-4.

<sup>26</sup> *Id.* at DLG-7.

<sup>27</sup> *Id.* at DLG-1.



1 As to FEA's second point that with a one-way balancing account SDG&E would be  
2 encouraged to perform the needed trimming while containing costs, SDG&E asserts that  
3 containing costs is a hallmark of the company's culture and work practices as compared to being  
4 derived from ratemaking parameters. SDG&E reiterates its request to change the TTBA from a  
5 one-way to a two-way balancing account to allow recovery of tree trimming costs incurred while  
6 performing its duty for vegetation management, including efforts to mitigate and manage  
7 emergent safety and reliability risks that may arise due to drought and fire safety issues as they  
8 become known, so that safe and reliable service can be maintained at a reasonable cost.

9 **B. LIPBA**

10 ORA and UCAN support SDG&E's proposal to establish a two-way balancing account  
11 for liability insurance premiums; while FEA does not. ORA recommends that the LIPBA have a  
12 cap on the level of coverage of insurance procured that is recorded in the LIPBA up to the  
13 forecast presented in SDG&E's GRC; and recommends that an application be filed for recovery  
14 of additional purchased coverage.<sup>28</sup> UCAN provides recommendations as to review and  
15 recovery of costs above those approved in the GRC,<sup>29</sup> including the recovery of undercollections  
16 through a Tier 3 advice letter (0% to 25% undercollected balance) or a separate application (25%  
17 and above undercollections). FEA recommends that SDG&E's request to establish a two-way  
18 balancing account for liability insurance premiums be denied.<sup>30</sup>

19 SDG&E appreciates ORA's and UCAN's support for the LIPBA, and maintains that its  
20 proposal to amortize the balance in connection with the annual regulatory account update Tier 2  
21 advice letter filing for the LIPBA does not weaken the Commission's ability to scrutinize and  
22 review undercollections recorded in the balancing accounts. Instead, this proposal would  
23 facilitate the timely resolution of that review without having to put forth a resolution requiring a  
24 full Commission vote as required through a Tier 3 advice letter and a separate application.  
25 Timely approval of insurance is needed because insurance is procured annually<sup>31</sup> and therefore

---

<sup>28</sup> Ex. ORA-21 (Laserson) at 53:4-10.

<sup>29</sup> Ex. UCAN (Sulpizio) at 15; Ex. UCAN (Charles) at 107.

<sup>30</sup> Ex. FEA-1 (Smith) at 32:21-22.

<sup>31</sup> See April 6, 2018, SoCalGas & SDG&E Joint Case Management Exhibit, Exhibit SCG-49/SDG&E-49 (Charles Manzuk) at CM-2.

1 the revenues should match such that there is no timing gap between the two, whether it be over  
2 or under collected. SDG&E needs to have the flexibility and agility to actively participate in the  
3 insurance market, as explained in the rebuttal testimony of Neil Cayabyab (Exhibit SCG-  
4 229/SDG&E-227). Mr. Cayabyab further explains that today's insurance market can be rather  
5 volatile. Therefore, arbitrarily assigning a 25% threshold on recovery is not supported by facts  
6 in the case.

7 SDG&E reiterates its request for a two-way balancing account to recover insurance  
8 premiums due to the cost volatility resulting from insurance market changes which are beyond  
9 SDG&E's control and that have the potential of being significant, as explained in the direct  
10 testimony of Mr. Cayabyab (Exhibit SCG-29/SDG&E-27). FEA's proposal is unwarranted in  
11 denying the LIPBA balancing account request.

### 12 **C. OMABA**

13 ORA<sup>32</sup> and FEA<sup>33</sup> do not object to SDG&E's request to establish the OMABA, a  
14 balancing account proposed to capture and return monies collected in advance of SDG&E's  
15 ownership of the Calpine Otay Mesa Energy Center, and propose the following  
16 recommendations: (1) when Calpine notifies SDG&E that it will utilize the put option, SDG&E  
17 should file a Tier 1 advice letter to implement the OMABA as opposed to SDG&E's proposal to  
18 implement the OMABA on January 1, 2019; (2) the OMABA should be a one-way account to  
19 record the revenue requirement associated with the OMEC forecast; and (3) the account should  
20 remain open through the TY 2019 GRC cycle and any overcollections returned to ratepayers at  
21 the end of the cycle.

22 SDG&E's account as proposed satisfies all parties' needs in that it would return any  
23 money received prior to owning the plant. As stated in the direct testimony of Daniel Baerman  
24 (Exhibit SDG&E-16), Calpine could exercise its put option to have SDG&E buy the plant during  
25 2019.<sup>34</sup> Also explained in Mr. Baerman's direct testimony, SDG&E does not know the exact

---

<sup>32</sup> Ex. ORA-08 (Logan) at 9-10.

<sup>33</sup> Ex. FEA-1 (Smith) at 40:15-19.

<sup>34</sup> October 6, 2017, Direct Testimony on Electric Generation, Exhibit SDG&E-16 (Daniel S. Baerman) at DSB-5.

1 timing of the transaction.<sup>35</sup> Given the uncertainty of the timing of the put option and the time  
2 necessary to receive regulatory approval of a revenue requirement and regulatory mechanism  
3 (i.e., account), the review of SDG&E's request in this Application with the relief proposed (the  
4 OMABA) is the most efficient and effective way to make ratepayers neutral with regard to the  
5 purchase and for SDG&E to have the necessary funds to operate the plant. SDG&E reiterates its  
6 request to establish the OMABA to record (1) authorized revenue requirement associated with  
7 the purchase of the OMEC and (2) revenue collected from ratepayers.

8 **D. TPCBA**

9 ORA indicates that after reviewing testimony, workpapers, and discovery responses  
10 pertaining to the TPCBA, ORA does not take issue with SDG&E's proposal to establish the  
11 account.<sup>36</sup> SDG&E appreciates ORA's diligent review and conclusion for the need to establish  
12 the TPCBA.

13 UCAN<sup>37</sup> and FEA<sup>38</sup> reject SDG&E's proposal to establish a two-way balancing account  
14 for third-party claims. UCAN recommends instead that the Commission (1) authorize SDG&E  
15 to establish a memorandum account to track third-party claims that exceed SDG&E's liability  
16 insurance coverage, and (2) require SDG&E to submit an application to recover all costs in the  
17 memorandum account.<sup>39</sup>

18 While we appreciate the analysis performed by UCAN, we believe that the proposal as  
19 set forth in my direct testimony (Exhibit SDG&E-41) accomplishes much of what UCAN has  
20 proposed and improves upon it. The TPCBA will be reviewed in the next rate case, thus  
21 eliminating the need to file a separate application as proposed by UCAN. SDG&E's proposal is  
22 also preferred compared to UCAN's request to track the expenses in a memorandum account for  
23 future recovery because SDG&E has proposed this as a two-way account, which would allow  
24 ratepayers to receive overcollections as well. Simply tracking expenses and requesting

---

<sup>35</sup> *Id.* at DSB-5 to DSB-6.

<sup>36</sup> Ex. ORA-24 (Hadiprodjo) at 11:4-6.

<sup>37</sup> Ex. UCAN (Charles) at 109:17.

<sup>38</sup> Ex. FEA-1 (Smith) at 38:8-9.

<sup>39</sup> Ex. UCAN (Charles) at 109:17-21.

1 undercollections, as proposed by UCAN, misses the important point that ratepayers will  
2 experience a decrease in rates should SDG&E overcollect this account.

3 SDG&E reiterates its request to establish a two-way TPCBA in order to record the  
4 difference between the authorized revenue requirement and actual expenses specific to  
5 transactions associated with third-party-related claims, as set forth in the testimony of SDG&E's  
6 witness Sandra K Hrna (Exhibit SDG&E-31).<sup>40</sup>

7 SDG&E takes this opportunity to correct a response to UCAN's data request UCAN-  
8 SDG&E-DR-03, Question 20.<sup>41</sup> In this question, UCAN inquired as to the review process for the  
9 TPCBA balance. I incorrectly stated that "...the TPCBA balances would be reviewed by Energy  
10 Division through the Tier 2 Advice Letter (AL) process in place regarding SDG&E's annual  
11 regulatory account update filing." My response was inconsistent with my direct testimony. In  
12 my testimony,<sup>42</sup> I state: "The TPCBA balance will be addressed in each GRC on a going forward  
13 basis." Therefore, the response to UCAN-SDG&E-DR-03 Question 20(a) should be corrected  
14 and revised to read follows:

15 Q: Please state whether any balances in the proposed [TPCBA] would be subject to  
16 Commission review prior to being implemented in customers' rates.

17 A: If approved, the TPCBA balances would be reviewed in each GRC on a going forward  
18 basis.

19 **E. TIMPBA & DIMPBA**

20 SDG&E appreciates ORA's support regarding its proposed calculation change to  
21 determine whether SDG&E should file a Tier 3 advice letter or application seeking recovery of  
22 an undercollection in the TIMPBA and/or Post-2011 DIMPBA.<sup>43</sup> SDG&E notes that ORA does  
23 not comment regarding two related items from my testimony:<sup>44</sup> (1) SDG&E's proposal to

---

<sup>40</sup> December 20, 2017, Revised Direct Testimony on Accounting and Finance/Legal/Regulatory Affairs/External Affairs, Exhibit SDG&E-31-R (Sandra K. Hrna) at SKH-25.

<sup>41</sup> An amended data request response has been sent to UCAN.

<sup>42</sup> October 6, 2017, Direct Testimony on Regulatory Accounts, Exhibit SDG&E-41 (Norma G. Jasso) at NGJ-14.

<sup>43</sup> See Ex. ORA-30 (Chia) at 9:6-11.

<sup>44</sup> See Ex. SDG&E-41 (Jasso) at NGJ-11:20-25.

1 incorporate the undercollected balance in its annual regulatory account update filing advice letter  
2 for recovery in the following year's gas transportation rates, and (2) SDG&E's proposal that if a  
3 net overcollection exists at the end of the GRC cycle, SDG&E be able to refund the balance in  
4 customers' rates in connection with its annual regulatory account update filing.

5 In ORA's recommendations regarding SoCalGas, ORA supports both items, but is silent  
6 about the same issues when providing recommendations regarding SDG&E's consistent  
7 testimony.<sup>45</sup> This appears to be an oversight on ORA's part and because of this, SDG&E requests  
8 that ORA apply the same recommendation for SDG&E as it did for SoCalGas. The Commission  
9 should approve such recommendations for both companies.

#### 10 **IV. CONCLUSION**

11 To summarize, the Commission should:

- 12 • Approve SDG&E's request to modify the TTBA from a one-way to a two-way  
13 regulatory account in order to allow SDG&E recovery of undercollections  
14 incurred through its vegetation management activities; and
- 15 • Authorize the establishment of three new regulatory accounts: LIPBA, OMABA,  
16 and TPCBA consistent with SDG&E's requests in my direct testimony.

17 This concludes my prepared rebuttal testimony.

---

<sup>45</sup> Ex. ORA-30 (Chia) at 3-4 and 19-20.