

Proceeding No.: A.12-04-xxx  
Exhibit No.: \_\_\_\_\_  
Witness: Gregory D. Shimansky

**PREPARED DIRECT TESTIMONY OF**  
**GREGORY D. SHIMANSKY**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

**April 9, 2012**



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1 considers the relationship between the ERRA balance and the prior year's recorded electric  
2 commodity revenues, excluding the revenues collected for the California Department of Water  
3 Resources ("CDWR"). Under the provisions of the trigger mechanism, the required rate change  
4 application is to be expedited so as to obtain approval within 60 days from the filing date. The  
5 application should also include a projected account balance in 60 days or more from the date of  
6 filing, depending upon when the balance will reach AB 57's 5% threshold. Finally, the application  
7 must propose an amortization period for the balance of not less than 90 days and an allocation of the  
8 over or undercollection among customers for rate adjustment based on the existing allocation  
9 methodology recognized by the Commission.<sup>4</sup>

#### 10 **B. Self-Correction Mechanism**

11 In D.07-05-008, the Commission authorized SDG&E to notify the Commission by advice  
12 letter, rather than application, if SDG&E's forecasts show that the triggered ERRA balance would  
13 self-correct below the trigger point within 120 days of the filing, thereby obviating the need for a rate  
14 change. In such an advice letter, SDG&E is required to provide the necessary documentation  
15 supporting its proposal to maintain its rates. SDG&E does not forecast a self-correction below 4%  
16 over the next 120 days, and as such, is submitting this application rather than an advice letter.

#### 17 **C. Current Trigger Amount**

18 Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each year  
19 to establish the current year's trigger amount. In AL 2233-E, approved on March 30, 2011 with an  
20 effective date of March 1, 2011, SDG&E reported that its 2010 electric commodity revenues,  
21 excluding CDWR revenue, was \$1,019 million. This advice letter was still in effect as of the time  
22 the February 2012 ERRA balance was recorded and the trigger point was exceeded. On March 7,  
23 2012, SDG&E filed AL 2335-E, to report its 2011 electric commodity revenues, excluding CDWR

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<sup>4</sup> D.02-10-062 at p. 65-66.

1 revenue, of \$1,085 million. AL 2335-E was subsequently approved on April 3, 2012, effective  
2 March 7, 2012. Thus, based on 2011 revenues of \$1,085 million, the current 4% trigger point is  
3 \$43.4 million. The forecasted trigger amounts described below are based on current \$43.4 million  
4 trigger point reflected in AL 2335-E.

### 5 **III. RECORDED/FORECASTED ERRA BALANCES**

6 SDG&E's recorded February 29, 2012 ERRA balance is a \$43.233 million  
7 undercollection, or 4.24% of the 2010 electric commodity revenues, excluding CDWR,  
8 exceeding the 4% trigger point. Before filing this Application, SDG&E analyzed whether it  
9 would self-correct below the 4% trigger point within 120 days (i.e., by June 28, 2012). Based on  
10 SDG&E's most accurate forecast and assumptions around revenue implementations, sales  
11 forecasts, and costs of power, SDG&E does not project that its ERRA balance will self-correct  
12 below the 4% trigger point within the next 120 days. Accordingly, pursuant to California Public  
13 Utilities Code 454.5(d)(3), as mandated by AB 57 and D.02-10-062, SDG&E is required to file  
14 this expedited Application addressing the disposition of the undercollected ERRA balance. The  
15 projected balance at June 30, 2012 is forecasted to be \$52.638 million undercollected.

#### 16 **A. Drivers of the Current Undercollection**

17 The ERRA has a number of components - revenue items, expense items, and adjustments.  
18 As such, when the account goes over or undercollected for an accounting period, a number of  
19 factors contribute to the ending position. Decreases in natural gas prices have helped control the  
20 undercollection and without it, the undercollection would have been greater. But, even with the  
21 fall in gas prices, the undercollection that SDG&E has experienced through February 2012 can  
22 be attributed to three primary drivers that are largely outside SDG&E's control.

#### 23 **1. Delay in 2012 Revenue Implementation**

24 First, SDG&E is still awaiting approval of the 2012 ERRA forecast revenues, as filed in

1 A.11-09-022, and updated on February 24, 2012. The approval and implementation of A.11-09-  
2 022 (the decision is expected to be approved in June with implementation date of July 1, 2012)  
3 will enable SDG&E to record updated revenues to match the costs currently incurred. Absent  
4 that approval, SDG&E has continued to book revenues under the 2011 forecast revenues  
5 approved in D.11-07-041. As noted in A.11-09-022, forecasted revenues for 2012 are higher  
6 than 2011 due to the contract expiration of the CDWR Sunrise Plant which caused an increase in  
7 generation of SDG&E's portfolio, the increase of renewable generation costs experienced by  
8 SDG&E to meet the state's mandated Renewable Portfolio Standard ("RPS"), and the addition of  
9 Desert Star to the portfolio, which added fuel costs that did not previously exist.<sup>5</sup> For every  
10 month that SDG&E books 2011 revenues instead of 2012, the undercollection will continue to  
11 grow.

## 12 **2. Sales are Below Forecast**

13 Sales volumes for the first two months of 2012 have been below forecast by approximately  
14 3.4%. This indicates that SDG&E is not collecting its full revenues for electric commodity costs and  
15 is thus not being made whole on a monthly basis. For every month that sales continue to come in  
16 below forecast, SDG&E will be in an undercollected position. Conversely, if sales were to increase,  
17 then the undercollection would begin to be offset. The forecasted ERRA balances in this Application  
18 assume revenue collections based on forecasted sales levels. SDG&E's current forecasted sales for  
19 the remainder of 2012 do not reflect the lower sales figures experienced year-to-date, as SDG&E  
20 anticipates sales to return to levels similar to those forecasted as the year progresses.

## 21 **3. Natural Seasonality Gap in Revenues versus Expenses**

22 Due to the nature of certain fixed expenses, using authorized revenues and the authorized  
23 seasonality of revenues will create a mismatch. In some months, that mismatch may result in booked

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<sup>5</sup> A.11-09-022 Amended Direct Testimony of Andrew Scates at p. AS-8, lines 29-30, p. AS-9 lines 1-4.

1 revenues being higher than the actual expenses and in others the opposite. One of the contributing  
2 factors of the current SDG&E undercollection is this mismatch. While a portion of our expenses are  
3 spread more ratably across the months, forecasted revenues are lower as a percent of the total year in  
4 the months of January and February. This phenomenon tends to even out through the months, but as  
5 of February 29 (the accounting date of the trigger), it further drives SDG&E's current  
6 undercollection.

#### 7 **B. Year-end Conclusions**

8 Given the current assumptions and proposed amortization, SDG&E predicts that the ERRA  
9 balance will self-correct by the third quarter and avoid another trigger situation for the remainder of  
10 2012. Any changes or delays in these assumptions, however, may increase SDG&E's risk of  
11 triggering again in 2012. In particular, the sensitivity surrounding the assumptions at the San Onofre  
12 Nuclear Generating Station ("SONGS") with respect to outages, 2012 revenue implementation,  
13 customer sales, gas prices, and the amortization proposal herein can change the final numbers as the  
14 year progresses. In any event, SDG&E will continue to comply with D.09-04-021,<sup>6</sup> which directed  
15 SDG&E to include balances below the 5% trigger threshold in rates on January 1 of the following  
16 year. However, assuming this Application is approved, SDG&E will net out any remaining trigger-  
17 related amortization before including the year-end ERRA balance in the annual regulatory account  
18 update filing.

#### 19 **IV. PROPOSED DISPOSITION**

20 As noted above, in an effort to minimize the overall number of potential rate changes,  
21 SDG&E proposes to make this trigger amortization effective July 1, 2012 or whenever the  
22 Commission authorizes the 2012 ERRA forecast to be implemented. SDG&E also proposes to

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<sup>6</sup> Ordering Paragraph 2 of D.09-04-021, approved April 16, 2009.

1 amortize the ERRA undercollected balance in rates over a 12-month period from July 1, 2012 to  
2 June 30, 2013, as opposed to over 90 days.

3 The following table shows SDG&E's current ERRA forecast by month.

<b>PROJECTED ERRA UNDERCOLLECTION BALANCES (\$ in millions)</b>	<b>ERRA Ending Balance</b>	<b>Remaining ERRA 2012 Amortization</b>	<b>ERRA Balance Subject to Trigger</b>	<b>Trigger Point Percentage</b>
Actual February 29, 2012 ERRA	\$24.025	\$19.208	\$43.233	4.24%
FORECASTED March 31, 2012	40.799	17.505	58.304	5.38%
FORECASTED April 30, 2012	50.588	15.880	66.468	6.13%
FORECASTED May 31, 2012	49.813	14.236	64.049	5.90%
FORECASTED June 30, 2012	\$40.169	\$12.469	\$52.638	4.85%

4  
5 **V. CONCLUSION**

6 In compliance with D.02-10-062, SDG&E hereby notifies the Commission that the  
7 recorded adjusted balance in the ERRA of \$43.233 million undercollected as of February 29,  
8 2012 has exceeded the 4% trigger point and will not self-correct under 4% within the next 120  
9 days. SDG&E requests that the Commission authorize the amortization of the June 30, 2012  
10 forecasted adjusted undercollected balance (forecasted to be \$52.638 million) to be recorded in  
11 the ERRA in rates over a 12-month period beginning July 1, 2012 or whenever the Commission  
12 authorizes the 2012 ERRA forecast to be implemented.

13 This concludes my prepared direct testimony.  
14



1 **VI. WITNESS QUALIFICATIONS**

2 My name is Gregory D. Shimansky. I am employed by San Diego Gas & Electric  
3 Company (SDG&E), as the Regulatory Accounts and Financial Services Manager in the Financial  
4 Analysis Department. My business address is 8330 Century Park Court, San Diego, California  
5 92123. My current responsibilities include managing the process for the development,  
6 implementation, and analysis of regulatory balancing and memorandum accounts as well as  
7 supervising the treasury function at SDG&E. I assumed my current position in July 2010.

8 I have been employed with SDG&E and Sempra Energy since June 30, 2003. In addition  
9 to my current position in Regulatory Affairs, I served as the Financial Planning Manager for  
10 Sempra Energy Corporate (Parent), the Regulatory Reporting Manager at SDG&E and from June  
11 2003 through August 2008, I worked for SDG&E in utility planning. I earned a Bachelors of  
12 Science degree in Economics from the University of California, Los Angeles in June 1993. I also  
13 earned a Masters of Science in Management, with concentrations in Finance and Marketing, from  
14 Purdue University in May 1998.

15 I have previously provided written testimony to the Commission.