

Application: _____

Exhibit No.: SDG&E-_____

PREPARED DIRECT TESTIMONY OF
JOHN A. ROY
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
CHAPTER 6



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 26, 2018

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**PREPARED DIRECT TESTIMONY OF
JOHN A. ROY
CHAPTER 6**

I. INTRODUCTION

The purpose of my prepared direct testimony is to propose the cost recovery mechanisms for the costs below, which are described in the prepared direct testimony of witnesses Tishmari Lewis (Chapter 2) and Claudio Pellegrini (Chapter 3).

A. Costs to enhance the click-through authorization process (“CTP”), which is already in operation and serving customers and demand response providers (“DRP”) today.¹

B. Costs to expand the CTP to other distributed energy resource and energy management providers (collectively, “DERP”), and build the Alternate Solution. San Diego Gas & Electric Company (“SDG&E”) would incur and recover these costs only if required by the California Public Utilities Commission (“Commission” or “CPUC”) to implement one or both of these elements.²

II. SDG&E COST RECOVERY

A. Cost Recovery for Costs to Enhance the CTP

SDG&E proposes to continue its current cost recovery mechanism to recover the costs for the proposed CTP enhancements.

¹ The requested budget is summarized in the Prepared Direct Testimony of Raghav Murali (Chapter 1) (“Murali Testimony”), Section IV. Summary of SDG&E’s Budget Request and Other Cost Estimates, Table RM-1. The revenue requirement is discussed in the Prepared Direct Testimony of Amanda White (Chapter 5).

² Cost estimates are summarized in the Murali Testimony, Section IV. Summary of SDG&E’s Budget Request and Other Cost Estimates, Table RM-2.

1 SDG&E’s current Direct Participation Demand Response Memorandum Account
2 (“DPDRMA”)³ records operation and maintenance (“O&M”) and capital-related costs associated
3 with implementing the direct participation of demand response in the California Independent
4 System Operator’s (“CAISO”) market. The costs for the various enhancements to the CTP are
5 described in the prepared direct testimony of witness Claudio Pellegrini (Chapter 3). The
6 revenue requirement is described in witness Amanda White’s prepared direct testimony (Chapter
7 5).

8 The DPDRMA also describes the process for the disposition of the balance. At the end
9 of each year, the DPDRMA balance is transferred to the Rewards and Penalties Balancing
10 Account (“RPBA”). SDG&E files an advice letter in October of each year to include the
11 forecasted year-end RPBA balance in rates effective January 1 of the following year.

12 **B. Cost Recovery for Costs to Expand the CTP to DERPs and Build the**
13 **Alternate Solution**

14 The prepared direct testimony of witness Raghav Murali (Chapter 1), outlines SDG&E’s
15 policy reasons for delaying the expansion of the CTP to DERPs. Additionally, it describes why
16 the Alternate Solution should not be undertaken. However, should the Commission require
17 SDG&E to expand the CTP to DERPs and/or build the Alternate Solution, SDG&E proposes the
18 following cost recovery:

19 1. SDG&E requests authority to establish a balancing account to record the revenue
20 requirement and costs associated with the various projects and activities described in the
21 prepared direct testimony of witnesses Tishmari Lewis (Chapter 2) and Claudio Pellegrini

³ The DPDRMA Preliminary Statement describes its purpose and disposition of the account balance. See San Diego Gas & Electric Company, *Preliminary Statement*, available at http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_DPDRMA.pdf.

1 (Chapter 3). The revenue requirement to be placed into rates is to be based on the estimated
2 costs described in Chapters 2 and 3 and would be presented subsequently because the current
3 prepared direct testimony of Amanda White does not include them. The costs to be recorded in
4 the balancing account include capital-related (*i.e.*, depreciation, taxes and return) and O&M
5 incremental costs.

6 2. SDG&E proposes a two-way interest-bearing balancing account mechanism. A
7 two-way account is especially appropriate due to the significant uncertainty SDG&E has about
8 what actual costs may be incurred and the high risk associated with these two elements. Given
9 this risk, it is possible that there are unforeseen implications and corresponding costs. A two-
10 way balancing account is fair to SDG&E's ratepayers and shareholders because ratepayers would
11 pay for actual costs incurred and would be refunded any overcollections, and shareholders would
12 not be responsible for costs that exceed SDG&E's cost estimates provided in this Application
13 given the risk and uncertainties mentioned above. Thus, a two-way balancing account ensures
14 that the utility does not make or lose money due to uncertainties in the work scope.

15 3. This account would be referred to as the Customer Data Access Balancing
16 Account ("CDABA") to record the revenue requirement and incremental costs associated with
17 the expansion of the CTP to DERPs and/or building the Alternate Solution.

18 SDG&E proposes to address the disposition of the CDABA's under/over-collected balance in
19 SDG&E's annual electric regulatory account update advice letter filing. This annual update is
20 filed as a Tier 2 (effective upon CPUC staff approval) advice letter in October of each year and
21 presents the forecasted year-end balances of certain regulatory accounts for amortization in rates
22 effective January 1 of the following year.

23 This concludes my prepared direct testimony.

1 **III. STATEMENT OF QUALIFICATIONS**

2 My name is John A. Roy. I am employed by San Diego Gas & Electric Company as a
3 Principal Regulatory Accounts Advisor in the Regulatory Accounts group within the Financial
4 and Business Planning Department. My business address is 8315 Century Park Court, San
5 Diego, California 92123. I have held my current position since 2003. My responsibilities for the
6 regulatory balancing, memorandum and tracking accounts include their development,
7 implementation, and analysis.

8 In 1978 I joined SDG&E as a Cost Engineer in the Capital Budgeting Department. I
9 transferred to the Marketing Department in 1979 as a Project Coordinator and held various
10 positions of increasing responsibility within the department until 1998 while I was a Senior
11 Program Manager. In 1998, I assumed the position of Tariff Administrator within Regulatory
12 Affairs and held various positions of increasing responsibility until taking my current position.

13 I received a Bachelor of Sciences degree in Civil Engineering from Purdue University. I
14 completed all requirements for a Master of Business Administration with emphasis in Finance,
15 except the thesis, from San Diego State University in 1977.

16 I have previously testified before the Commission.