

Proceeding No.: A.20-12-  
Exhibit No.: \_\_\_\_\_  
Witness: Eric L. Dalton

**PREPARED DIRECT TESTIMONY OF**  
**ERIC L. DALTON**  
**ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

**\*\*PUBLIC VERSION\*\***

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



**December 11, 2020**

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1 **PREPARED DIRECT TESTIMONY OF**  
2 **ERIC L. DALTON**  
3 **ON BEHALF OF SDG&E**  
4

5 **I. INTRODUCTION**

6 The purpose of my testimony is to present San Diego Gas & Electric Company's  
7 ("SDG&E") undercollection as currently recorded in its Energy Resource Recovery Account  
8 ("ERRA") and, in accordance with the applicable statutory and regulatory directives indicated  
9 below, to request a revenue requirement adjustment necessary to correct the undercollection  
10 recorded in its ERRA. My testimony is organized as follows:

- 11 • In Section II, I discuss the background of the trigger mechanism generally, as well  
12 as its applicability to SDG&E's ERRA balance.
- 13 • In Section III, I discuss SDG&E's recorded October 31, 2020 ERRA  
14 undercollected balance of \$67 million (or \$99 million including unamortized  
15 trigger of \$32 million), which exceeds the four percent ("4%") trigger point and the  
16 five percent ("5%") trigger threshold. I provide SDG&E's forecasts for November  
17 2020 through March 2021, which project that SDG&E's ERRA balance will not  
18 self-correct to a level below the 4% trigger point within 120 days. I also explain  
19 the cause of that undercollection.
- 20 • In Section IV, I propose a ten-month amortization period for the recovery of the  
21 undercollected ERRA balance of \$119 million, forecasted as of December 31,  
22 2020. In addition, I propose to transfer the ending balance as of December 31,  
23 2020 to the 2020 Portfolio Allocation Balancing Account ("PABA") vintage.
- 24 • In Section V, I discuss future expectations.
- 25 • In Section VI, I conclude my testimony.
- 26 • In Section VII, I provide my witness qualifications.

1 **II. BACKGROUND**

2 **A. Trigger Mechanism**

3 In accordance with Decision (“D.”) 02-10-062, which implemented the provisions of  
4 Assembly Bill (“AB”) 57, SDG&E’s ERRA is subject to a trigger mechanism that requires a rate  
5 adjustment when the recorded monthly balance (undercollection or overcollection) exceeds a 4%  
6 trigger point and when the balance is forecasted to exceed a 5% trigger threshold.<sup>1</sup> The trigger  
7 mechanism considers the relationship between the ERRA balance and the prior year’s recorded  
8 electric commodity revenues.

9 The statutory and regulatory requirements applicable to the trigger mechanism specify that  
10 the required rate change application is to be expedited so as to obtain the Commission’s approval  
11 within 60 days from the application’s filing date. The application seeking a rate adjustment  
12 should also include a projected account balance of 60 days or more from the date of filing.  
13 Finally, the request must propose an amortization period for the balance of not less than 90 days  
14 and an allocation of the over or undercollection among customers for rate adjustment based on the  
15 existing allocation methodology recognized by the Commission.<sup>2</sup> As indicated below, my  
16 testimony satisfies these requirements.

17 **B. Self-Correction Mechanism**

18 In D.07-05-008, SDG&E was authorized to notify the Commission through advice letter  
19 filing, instead of expedited application, when SDG&E’s ERRA balance exceeds its trigger point  
20 and SDG&E does not seek a change in rates, if the ERRA balance will self-correct below the  
21 trigger point within 120 days of filing.<sup>3</sup> In such an advice letter, SDG&E is required to provide

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<sup>1</sup> D.02-10-062 at 65.

<sup>2</sup> *Id.* at 65-66.

<sup>3</sup> D.07-05-008 at Ordering Paragraph OP 2.

1 the necessary documentation supporting its proposal to maintain its rates. SDG&E currently does  
2 not forecast a self-correction to a level below the 4% within 120 days. See **Attachment A**.

3 **C. Current Trigger/Threshold Amounts**

4 Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each  
5 year to establish the current year’s trigger and threshold amounts. On February 28, 2020, SDG&E  
6 filed Advice Letter (“AL”) 3509-E,<sup>4</sup> to report its 2019 electric commodity revenues of \$1,127  
7 million. Thus, based on 2019 revenues of \$1,127 million, the current 4% trigger point and 5%  
8 trigger threshold in effect as of February 28, 2020 are \$45.1 million and \$56.3 million,  
9 respectively. The trigger calculations presented in Table 1 and described below, are based on the  
10 current \$45.1 million trigger threshold.<sup>5</sup>

11 **III. RECORDED/FORECASTED ERRA BALANCES**

12 Table 1 below shows SDG&E’s recorded data for January through October 2020 and  
13 presents, for illustrative purposes, its current forecast of the ERRA balance for November 2020  
14 through March 2021. According to D.02-10-062, trigger applications are to include a projected  
15 account balance in 60 days or more from the date of the filing.<sup>6</sup>

16 To arrive at the forecasted balances in Table 1, SDG&E used assumptions consistent with  
17 its 2020 ERRA Forecast Application, as approved by the Commission in D.20-01-005<sup>7</sup> and its  
18 2019 year-end consolidated filing.<sup>8</sup> In **Attachment A**, SDG&E provides further detail regarding

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<sup>4</sup> AL 3509-E, approved April 17, 2020 and effective February 28, 2020.

<sup>5</sup> January 2020 trigger threshold is \$83.6 million.

<sup>6</sup> D.02-10-062 at Conclusions of Law 15.

<sup>7</sup> Implemented in rates approved March 6, 2020 and effective February 1, 2020 per AL 3500-E.

<sup>8</sup> *Id.*

1 the recorded and forecasted activities as well as monthly ERRA balances for September 2020  
 2 through March 2021.

3 **TABLE 1: ERRA BALANCES<sup>9</sup>**

(\$ in Millions)					
ERRA Monthly Summary	Beginning Balance	Revenues	Expenses	Ending Balance	Calculated Trigger Percentage
ACTUAL January 31, 2020	\$(119)	(58)	\$58	\$(119)	-7.1%
ACTUAL February 28, 2020	\$(119)	(41)	\$45	\$(115)	-10.2%
ACTUAL March 31, 2020	\$(115)	(28)	\$46	\$(97)	-8.6%
ACTUAL April 30, 2020	\$(97)	(22)	\$44	\$(75)	-6.7%
ACTUAL May 31, 2020	\$(75)	(16)	\$41	\$(50)	-4.5%
ACTUAL June 30, 2020	\$(50)	(38)	\$46	\$(42)	-3.9%
ACTUAL July 31, 2020	\$(42)	(68)	\$66	\$(44)	-3.9%
ACTUAL August 31, 2020	\$(44)	(86)	\$176	\$46	4.1%
ACTUAL September 30, 2020	\$46	(106)	\$121	\$61	5.4%
ACTUAL October 31, 2020	\$61	(96)	\$102	\$67	6.0%
FORECASTED November 30, 2020	\$67	(47)	\$64	\$84	7.5%
FORECASTED December 31, 2020	\$84	(35)	\$70	\$119	10.6%
FORECASTED January 31, 2021	\$119	(35)	\$65	\$149	2.7%
FORECASTED February 28, 2021	\$149	(35)	\$55	\$169	6.7%
FORECASTED March 31, 2021	\$169	(36)	\$48	\$181	9.9%

4 As presented in Table 1, SDG&E's ERRA balance at October 31, 2020 is undercollected  
 5 by \$67 million, which correlates with a trigger calculation of 6.0%, (or \$99 million including  
 6 unamortized trigger of \$32 million, which correlates with a trigger calculation of 8.7%), clearly  
 7 exceeding the 4% trigger point and 5% trigger threshold. SDG&E's analysis of potential revenues  
 8 and expected expenses for November 2020 through March 2021 reveals that the ERRA  
 9 undercollected balance will not self-correct within the prescribed 120-day period. Thus, SDG&E

<sup>9</sup> Figures can also be found in Attachment A.

1 is filing this Application requesting the amortization and transfer of the undercollection to the  
2 2020 PABA vintage. The rate impacts and further information on the transfer to PABA is further  
3 covered in the Prepared Direct Testimony of Stacy Fuhrer submitted concurrently herewith.

4 **A. Cause of the Current Undercollection**

5 The cause of the current ERRA undercollection is primarily due to the difference between  
6 2020 forecasted and actual load cost, customer revenues, and electric prices. In the first seven  
7 months of 2020, actual load cost was below forecast due to lower electric market prices.

8 Customer revenues during that period were also below forecast, due to seasonal and time-of-use  
9 (“TOU”) rates, customer savings and slightly lower consumption. However, during the August-  
10 October timeframe, hot weather in southern California caused the market price of electricity to  
11 increase well above forecast, increasing load expense in ERRA. During that period, customer  
12 revenues also increased above forecast, but not enough to offset the dramatic spike in load costs.

13 An additional contributing factor to the undercollection is how the California Independent  
14 System Operator (“CAISO”) revenue is recovered and booked. Although SDG&E received higher  
15 revenues from the CAISO for energy sold into the market during the heat wave, these revenues  
16 were primarily booked to PABA<sup>10</sup> because the associated resources are PCIA-eligible contracts.  
17 Therefore, any additional CAISO revenues received above forecast was reflected in PABA’s  
18 balancing account and was not an offset to ERRA expenses. SDG&E expects that this change in  
19 the way CAISO revenue is recovered, and booked into PABA, will impact this and future ERRA  
20 triggers. In summary, the current undercollection resulted from high electric prices due to warmer  
21 than expected weather and the fact that load costs are recovered in a different balancing account  
22 than most supply revenues.

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<sup>10</sup> Pursuant to D. 18-10-019, Ordering Paragraph 7.

1 **IV. AMORTIZATION PERIOD AND TRANSFER TO PABA**

2 As noted above and depicted in Table 1, SDG&E is forecasting its ERRA undercollection  
3 balance to reach \$181 million as of March 31, 2021 at which time the calculated trigger is  
4 projected to be 9.9%. With no clear expectation of self-correcting, SDG&E proposes to transfer  
5 to the 2020 PABA vintage and amortize in rates the December 31, 2020 projected undercollection  
6 of \$119 million through a 10-month amortization period beginning in March 2021 and concluding  
7 in December 2021.<sup>11</sup> This amortization and transfer to the 2020 PABA vintage will allow for  
8 those ratepayers that depart bundled service in 2021 to pay for the shortfall from the  
9 undercollection that accrued while they were still receiving bundled service from SDG&E in 2020.

10 **V. FUTURE EXPECTATIONS**

11 The transfer to the 2020 PABA vintage and amortization of the \$119 million  
12 undercollected ERRA balance beginning March 2021 and concluding in December 2021 should  
13 prevent the 2020 ERRA balance from exceeding the 5% trigger threshold and enable SDG&E to  
14 be in compliance with the Trigger Mechanism as intended by AB 57 and D.02-10-062.

15 **VI. CONCLUSION AND RELIEF REQUESTED**

16 In compliance with D.02-10-062, which implemented the provisions of AB 57, SDG&E  
17 hereby notifies the Commission that the recorded balance in the ERRA as of October 31, 2020,  
18 has exceeded the 4% trigger point and the 5% trigger threshold and is not expected to self-correct  
19 within 120 days. SDG&E requests to following relief in the Commission’s forthcoming decision  
20 in this proceeding:

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<sup>11</sup> Due to SDG&E’s new billing system implementing April 1, 2021, SDG&E cannot accommodate any rate change in April or May of 2021 in order to provide the new billing system the necessary stability it needs to go live effectively. For this reason, it is necessary that SDG&E’s expedited application be approved by February 2021 to ensure that the new rates can implemented in March 2021. Otherwise, SDG&E will not be able to implement rates until June 2021.



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1. Approve SDG&E’s undercollected ERRA Trigger balance of \$119 million<sup>12</sup> for collection in commodity rates and its proposal to amortize the undercollection over 10 months using generation revenue allocation factors beginning March 1, 2021 and ending December 31, 2021; and,
2. Approve SDG&E’s proposal to transfer the 2020 ERRA Trigger undercollection to vintage 2020 of PABA and its proposal to collect the 2020 ERRA Trigger balance of \$119 million<sup>13</sup> in PCIA rate adders as presented in Attachment A of the Prepared Direct Testimony of Stacy Fuhrer.

This concludes my prepared direct testimony.

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<sup>12</sup> \$119.00 million is before FF&U. With FF&U it is \$120.444 million.

<sup>13</sup> *Id.*

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Eric Dalton. I am employed by SDG&E as the Regulatory Reporting and  
3 Accounts Manager in the Controller’s Division. My business address is 8330 Century Park Court,  
4 San Diego, California 92123. My current responsibilities include managing the process for the  
5 development, implementation, analysis and accounting for regulatory balancing and memorandum  
6 accounts. I assumed my current position in August 2014 as the Regulatory Reporting Manager  
7 and assumed the Regulatory Accounts Manager position in July 2019.

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

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

15 I have previously testified before the California Public Utilities Commission.

**ATTACHMENT A**  
**ERRA FORECAST**

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**TESTIMONY OF ERIC L. DALTON**  
**A.20-12-XXX: ATTACHMENT A**

**ERRA Forecast (\$Million)**

(Energy Resource Recovery Account)

	Recorded Sep-20	Recorded Oct-20	Forecast Nov-20	Forecast Dec-20	Forecast Jan-21	Forecast Feb-21	Forecast Mar-21
ERRA Revenue and Costs							
1 Beginning Balance	46	61	67	84	119	149	169
2 <b>Revenue</b>							
3 Electric Energy Commodity Cost (EECC) Revenue							
4 Franchise Fees							
5 SDGE Residual Revenue (w/o FF&U)							
6 <b>Non-Fuel Generation Balancing Account (NGBA)</b>							
7 <b>Marine Mitigation Memorandum Account (MMA)</b>							
8 <b>Demand Response Generation Balancing Account (DRGBA)</b>							
9 <b>General Rate Case Memorandum Account (GRCMA)</b>							
10 <b>Tax Cuts and Jobs Act (TCJA)</b>							
11 Net ERRA Revenue	(106)	(96)	(47)	(35)	(35)	(35)	(36)
12							
13 <b>Expense</b>	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
14 ISO Load Charges & Supply Revenues							
15 Contract Costs (Non-CTC) (Incl RECs & NRG)							
16 Contract Costs (CTC Up to Mkt)							
17 CAISO Misc Costs							
18 Hedging Costs & Financial Transactions							
19 Rebalancing Costs (OMEC/Calpine PPA Debt Equivalence)							
20 Green House Gas Costs							
21 Adjustments							
22 Net Expense	121	102	64	70	65	55	48
23 Net Under / (Over) Collect Prior to Interest & Transfers	15	6	17	35	30	20	11
24 Interest	0	0	0	0	0	0	0
25 Transfers Other Bal Accts:	-	-	-	-	-	-	-
26 Total Under / (Over) Collect for Period with Interest & Transfers	15	6	17	35	30	20	12
27							
28 Cumulative Balance Under / (Over) Collect (1)	61	67	84	119	149	169	181
29							
30 ERRA Trigger	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
31 Prior Year Generation Revenue	1,127	1,127	1,127	1,127	1,127	745	745
32 5% Threshold	5%	5%	5%	5%	5%	5%	5%
33 5% Threshold \$ Value	56	56	56	56	56	37	37
34 Cumulative ERRA Balance Under / (Over) Collection	61	67	84	119	30	50	74
35 Calculated Trigger %	5.4%	6.0%	7.5%	10.6%	2.7%	6.7%	9.9%

(1) Footnote (Line 28 - Cumulative Balance Under/Over Collect): Totals may not add due to rounding.

**ATTACHMENT B**

**DECLARATION OF ERIC L. DALTON**

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

**DECLARATION  
OF ERIC L. DALTON**

**A.20-12-\_\_\_**

**Expedited Application of San Diego Gas & Electric Company (U 902-E) Under the Energy  
Resource Recovery Account Trigger Mechanism**

I, Eric L. Dalton, declare as follows:

1. I am the Regulatory Reporting and Accounts Manager for San Diego Gas & Electric Company (“SDG&E”). I included my Prepared Direct Testimony (“Testimony”) in support of SDG&E’s December 11, 2020 Expedited Application Under the Energy Resource Recovery Account Trigger Mechanism (“Application”). Additionally, as Regulatory Reporting and Accounts Manager, I am thoroughly familiar with the facts and representations in this declaration, and if called upon to testify I could and would testify to the following based upon personal knowledge.

2. I am providing this Declaration to demonstrate that the confidential information (“Protected Information”) in support of the referenced Application falls within the scope of data provided confidential treatment in the IOU Matrix (“Matrix”) attached to the Commission’s Decision (“D.”) 06-06-066 (the Phase I Confidentiality decision). Pursuant to the procedure adopted in D.08-04-023, I am addressing each of the following five features of Ordering Paragraph 2 of D.06-06-066:

- that the material constitutes a particular type of data listed in the Matrix;
- the category or categories in the Matrix the data correspond to;
- that SDG&E is complying with the limitations on confidentiality specified in the Matrix for that type of data;
- that the information is not already public; and
- that the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

3. The Protected Information contained in the workpapers underlying my Testimony constitutes material, market sensitive, electric procurement-related information that is within the scope of Section 454.5(g) of the Public Utilities Code.<sup>1</sup> As such, the Protected Information is allowed confidential treatment in accordance with the Matrix, as follows:

<b>Confidential Information</b>	<b>Matrix Reference</b>	<b>Reason for Confidentiality and Timing</b>
Attachment A, line 14: Load ISO Charges	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
	V.C	LSE Total Energy Forecast; confidential for the front 3 years.
Attachment A, line 14: Supply ISO Revenues	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
	II.B.1	Generation Cost Forecasts of Utility Retained Generation; confidential for 3 years.
	II.B.3	Generation Cost Forecasts of QF Contracts; confidential for 3 years.
	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Attachment A, lines 15 and 19: Contract Costs (non-CTC) & Equity Re-balancing Costs	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Attachment A, line 16: Contract Costs (CTC up to market)	II.B.3	Generation Cost Forecasts of QF Contracts; confidential for 3 years.
	II.B.4	Generation Cost Forecasts of Non-QF Bilateral Contracts; confidential for 3 years.
Attachment A, line 17: CAISO Misc. Costs	II.A.2	Utility Electric Price Forecasts; confidential for 3 years.
Attachment A, line 18: Hedging Costs	I.A.4	Long-term Fuel (gas) Buying and Hedging Plans; confidential for 3 years.

<sup>1</sup> In addition to the details addressed herein, SDG&E believes that the information being furnished in the workpapers underlying my Testimony is governed by Public Utilities Code Section 583 and General Order 66-D. Accordingly, SDG&E seeks confidential treatment of this data under those provisions, as applicable.

4. I am not aware of any instances where the Protected Information has been disclosed to the public. To my knowledge, no party, including SDG&E, has publicly revealed any of the Protected Information.

5. SDG&E will comply with the limitations on confidentiality specified in the Matrix for the Protected Information.

6. The Protected Information cannot be provided in a form that is aggregated, partially redacted, or summarized, masked or otherwise protected in a manner that would allow further disclosure of the data while still protecting confidential information.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 11th day of December 2020, at San Diego, California.

*/s/ Eric L. Dalton*  
\_\_\_\_\_  
Eric L. Dalton  
Regulatory Reporting and Accounts Manager  
San Diego Gas & Electric Company



**ATTACHMENT C**

**DECLARATION OF JAMES MAGILL  
REGARDING CONFIDENTIALITY OF CERTAIN  
DATA/DOCUMENTS PURSUANT TO D.16-08-024, *et al.***

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

**DECLARATION OF JAMES MAGILL  
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS  
PURSUANT TO D.16-08-024, *et al.***

I, James Magill, do declare as follows:

1. I am the Manager of the Settlement & Systems department for San Diego Gas & Electric Company (“SDG&E”). I have been delegated authority to sign this declaration by Miguel Romero, Vice President of Energy Supply. I have reviewed Eric L. Dalton’s Prepared Direct Testimony (“Testimony”) in support of SDG&E’s December 11, 2020 Expedited Application Under the Energy Resource Recovery Account Trigger Mechanism (“Application”). I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decisions (“D.”) 16-08-024, D.17-05-035, and D.17-09-023 to demonstrate that the confidential information (“Protected Information”) provided in the Testimony is within the scope of data protected as confidential under applicable law.

3. In accordance with the legal authority described herein, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 11th day of December 2020, at San Diego.

  
\_\_\_\_\_  
James Magill

# ATTACHMENT A

## SDG&E Request for Confidentiality on the following information in its Application Under the Energy Resource Recovery Account Trigger Mechanism

Location of Protected Information	Legal Authority	Narrative Justification
Attachment A, line 20: Direct and Indirect GHG Costs	D.14-10-033; D.16-08-024; D.17-05-035; D.17-09-023; Public Utilities Code Section 454.5(g).	GHG emissions forecasts: Providing these forecasts to market participants would allow them to know SDG&E's forecasted GHG obligation, thereby compromising SDG&E's contractual bargaining power such that customer costs are likely to rise. Thus, the release of this non-public confidential information will unjustifiably allow market participants to use this information to the disadvantage of SDG&E's customers.