

Proceeding No.: A.20-07-
Exhibit No.: _____
Witness: Eric L. Dalton

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

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



July 10, 2020

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**PREPARED DIRECT TESTIMONY OF
ERIC L. DALTON
ON BEHALF OF SDG&E**

I. INTRODUCTION

The purpose of my testimony is to present San Diego Gas & Electric Company's ("SDG&E") undercollection as currently recorded in its Power Charge Indifference Adjustment ("PCIA") Undercollection Balancing Account ("CAPBA") and, in accordance with the applicable statutory and regulatory directives indicated below, to request a revenue requirement adjustment necessary to correct the undercollection recorded in its CAPBA. My testimony is organized as follows:

- In Section II, I discuss SDG&E's recorded April 30, 2020 CAPBA undercollected balance of \$2.22 million, which exceeds the seven percent ("7%") trigger point. I provide SDG&E's forecasts for June 2020 through December 2020, which project that SDG&E's CAPBA balance will not self-correct to a level below the 7% trigger point within 120 days of filing the application. I also explain the cause of that undercollection.
- In Section III, I propose a three-month amortization period for the recovery of the projected year-end undercollected CAPBA balance of \$8.92 million,¹ forecasted as of May 31, 2020.
- In Section IV, I discuss future expectations.
- In Section V, I conclude my testimony.
- In Section VI, I provide my witness qualifications.

¹ \$8.92 million is without Franchise Fees & Uncollectibles ("FF&U").

1 **II. RECORDED/FORECASTED CAPBA BALANCES**

2 **A. Current Trigger/Threshold Amounts**

3 Pursuant to Decision (“D.”)18-10-019, Ordering Paragraph (“OP”) 10, the PCIA trigger
4 point of \$1.96 million is 7% of the Departing Load² customer's forecast PCIA revenues of \$28
5 million. The trigger threshold of \$2.8 million is 10% of the Departing Load customer's forecast
6 PCIA revenues of \$28 million.³

7 Table 1 below shows SDG&E’s recorded data for January 2020 through May 2020 and
8 presents, for illustrative purposes, its current forecast of the CAPBA balance for June 2020
9 through December 2020. According to D.18-10-019, OP 10, trigger applications are to include a
10 projected account balance as of 60 days or more from the date of the filing depending on when
11 the balance will reach the 10% threshold.⁴

12 To arrive at the forecasted balances in Table 1, SDG&E used assumptions consistent with
13 its 2020 ERRA Forecast Application, as approved by the California Public Utilities Commission
14 (“Commission”) in D.20-01-005.⁵

² Departing Load customers are customers who only receive electric utility distribution company (“UDC”) services from SDG&E. Departing Load customers include Direct Access (DA), Community Choice Aggregation (CCA), and Green Tariff Shared Renewables (GTSR) customers.

³ Pursuant to AL-3636, the trigger mechanism for the CAPBA is to be established as part of the annual ERRA Forecast process. (AL-3636 at p. 3). However, given the timing of the approval of AL-3636 (which was approved on October 30, 2019), SDG&E did not include the trigger amount in its 2020 ERRA Forecast. The forecasted PCIA revenues of \$28 million for Departing Load customers is included in the \$363.426 (including FF&U) 2020 PABA approved in SDG&E’s 2020 ERRA Forecast. *See* D. 20-01-005.

⁴ D.18-10-019 at OP 10.

⁵ Implemented in rates effective February 1, 2020 per AL 3500-E and approved March 6, 2020.

TABLE 1: CAPBA BALANCES⁶

(\$ in Millions)				
CAPBA Monthly Summary	Beginning Balance	Exceeding Cap for DL (Including Interest)	Ending Balance	Calculated Trigger Percentage
ACTUAL January 31, 2020	\$0.000	\$0.000	\$0.000	0.0%
ACTUAL February 29, 2020	\$0.000	\$0.752	\$0.752	2.7%
ACTUAL March 31, 2020	\$0.752	\$0.737	\$1.489	5.3%
ACTUAL April 30, 2020	\$1.489	\$0.728	\$2.218	7.9%
ACTUAL May 31, 2020	\$2.218	\$0.741	\$2.959	10.6%
FORECAST June 30, 2020	\$2.959	\$0.782	\$3.741	13.4%
FORECAST July 31, 2020	\$3.741	\$0.867	\$4.608	16.5%
FORECAST August 31, 2020	\$4.608	\$0.883	\$5.491	19.6%
FORECAST September 30, 2020	\$5.491	\$0.970	\$6.461	23.1%
FORECAST October 31, 2020	\$6.461	\$0.866	\$7.328	26.2%
FORECAST November 30, 2020	\$7.328	\$0.793	\$8.121	29.0%
FORECAST December 31, 2020	\$8.121	\$0.802	\$8.923	31.9%

As presented in Table 1, SDG&E’s CAPBA balance as of April 30, 2020 is undercollected by \$2.22 million, which correlates with a trigger calculation of 7.9%, clearly exceeding the 7% trigger point. This determination was reached on May 13, 2020. SDG&E’s analysis of additional shortfalls from Departing Load customers for May 2020 through December 2020 reveals that the CAPBA undercollected balance will not self-correct within the prescribed 120-day period. Thus, SDG&E is filing this Application requesting the amortization of the year-end projected undercollection of \$8.92 million.⁷

⁶ Figures can also be found in Attachment A.

⁷ \$8.92 million is without FF&U.

1 **B. Cause of the Current Undercollection**

2 SDG&E’s CAPBA mechanism was set-up to have the bundled⁸ customers fund the
3 shortfall of the Departing Load customers due to the \$0.005/kWh PCIA rate cap per vintage. For
4 2020, the amount of the Departing Load customers’ forecast of PCIA revenues are \$28 million.
5 The primary cause of the current undercollection is that the PCIA rates approved in SDG&E’s
6 2020 ERRA Forecast Application do not reflect the recovery of the entire forecasted Departing
7 Load PCIA revenues of \$28 million due to the \$0.005/kWh PCIA rate cap per vintage adopted
8 by the Commission in D.18-10-019.⁹ As a result, bundled customers are responsible for the
9 revenue shortfall until a CAPBA Trigger Application is warranted. Table 1 “CAPBA Balances”
10 in Section II represents the impact the capped rates of the Departing Load customers has on the
11 bundled customers for 2020. In April, the total funding by bundled customers was \$2.22 million,
12 or 7.9% of the Departing Load customers forecast of PCIA revenues. By year end, the total
13 projected funding by bundled customers will be \$8.92 million,¹⁰ or 31.9% of the Departing Load
14 customers forecast of PCIA revenues. Therefore, SDG&E is requesting funding from Departing
15 Load customers of \$8.92 million¹¹ in order to bring the balance down to zero by year-end.

16 **III. AMORTIZATION PERIOD**

17 As noted above and depicted in Table 1, SDG&E is forecasting its CAPBA
18 undercollection balance to reach \$8.92 million¹² as of December 31, 2020 at which time the

⁸ Bundled customers are customers who receive bundled electric service from SDG&E, meaning they receive electric generation, and UDC services. Most of SDG&E’s customers are bundled customers.

⁹ D.18-10-019 at OP 9.

¹⁰ \$8.92 million is without FF&U.

¹¹ *Id.*

¹² *Id.*

1 calculated trigger is projected to be 31.9%. With no clear expectation of self-correcting,
2 SDG&E proposes to amortize in rates the December 31, 2020 projected year-end undercollection
3 of \$8.92 million¹³ through a 3-month amortization period beginning in October 2020 and ending
4 in December 2020. This amortization allows for a revised PCIA rate that will bring the projected
5 account balance below the 7% trigger point and maintain the balance below that level until
6 January 1 of the following year, when the PCIA rates adopted in SDG&E's 2021 ERRR forecast
7 proceeding will take effect.¹⁴

8 **IV. FUTURE EXPECTATIONS**

9 The amortization of the \$8.92 million¹⁵ projected year-end undercollection CAPBA
10 balance over 3 months beginning October 2020 and concluding in December 2020 should
11 prevent the 2020 CAPBA balance from exceeding the 7% trigger threshold until January 1 of the
12 following year and enable SDG&E to be in compliance with the Trigger Mechanism as required
13 by D.18-10-019.

14 **V. CONCLUSION**

15 In compliance with D.18-10-019, SDG&E hereby notifies the Commission that the
16 recorded balance in the CAPBA as of April 30, 2020, has exceeded the 7% trigger point and is
17 not expected to self-correct within 120 days. SDG&E requests that the Commission:

¹³ *Id.*

¹⁴ SDG&E filed its 2021 ERRR Forecast Application ("A.")20-04-014 on April 15, 2020, with an amended application filed on April 20, 2020. Delays in this proceeding may result in a delayed implementation after January 1.

¹⁵ \$8.92 million is without FF&U.

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- authorize the amortization of \$8.92 million¹⁶ undercollected CAPBA balance projected as of December 31, 2020 to be implemented through a Tier 1 Advice Letter; and
- authorize SDG&E to amortize the trigger balance in rates over a 3-month period effective October 1, 2020 through December 31, 2020.

This concludes my prepared direct testimony.

¹⁶ \$8.92 million is without FF&U.

1 **VI. 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
4 Court, San Diego, California 92123. My current responsibilities include managing the process
5 for the development, implementation, analysis and accounting for regulatory balancing and
6 memorandum accounts. I assumed my current position in August 2014 as the Regulatory
7 Reporting Manager 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
12 responsibility since September 2006. I served as the Billable Project Supervisor in Plant
13 Accounting (January 2013 – August 2014), Bank Reconciliation Supervisor (July 2011 –
14 December 2012), and Financial Accounting Senior and Principal Accountant (September 2006 -
15 June 2011).

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

Attachment A

CAPBA Forecast

San Diego Gas & Electric
Power Charge Indifference Adjustment Undercollection Balancing Account (CAPBA) - Electric
Under / (Over) Collection
Account # 1150748 / 2190354

													2020	
Category	Text	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
	Beginning Balance	-	-	0	(0)	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	-
Revenues:	CAPBA - 2009 Exceeding CAP for DL	235,012	230,147	227,107	231,059	244,436	270,887	276,055	303,113	270,583	247,781	250,517	2,786,637	
	CAPBA - 2010 Exceeding CAP for DL	166,530	163,142	160,987	163,783	173,271	192,021	195,685	214,865	191,805	175,642	177,582	1,375,379	
	CAPBA - 2011 Exceeding CAP for DL	288,794	282,816	279,080	283,337	300,376	332,879	339,230	372,481	332,505	304,485	307,848	3,424,431	
	CAPBA - 2012 Exceeding CAP for DL	54,584	53,454	52,748	53,666	56,773	62,916	64,116	70,401	62,845	57,549	58,185	647,237	
	CAPBA - 2014 Exceeding CAP for DL	5,936	5,872	5,795	5,896	6,237	6,912	7,044	7,734	6,904	6,322	6,392	71,103	
	CAPBA - 2015 Exceeding CAP for DL	485	475	469	477	505	559	570	626	559	512	517	5,756	
	CAPBA - 2017 Exceeding CAP for DL												-	
	CAPBA - 2018 Exceeding CAP for DL												-	
	CAPBA - 2009 Funding CAP for DL	(235,012)	(230,147)	(227,107)	(231,059)	(244,436)	(270,887)	(276,055)	(303,113)	(270,583)	(247,781)	(250,517)	(2,786,637)	
	CAPBA - 2010 Funding CAP for DL	(166,530)	(163,142)	(160,987)	(163,783)	(173,271)	(192,021)	(195,685)	(214,865)	(191,805)	(175,642)	(177,582)	(1,375,379)	
	CAPBA - 2011 Funding CAP for DL	(288,794)	(282,816)	(279,080)	(283,337)	(300,376)	(332,879)	(339,230)	(372,481)	(332,505)	(304,485)	(307,848)	(3,424,431)	
	CAPBA - 2012 Funding CAP for DL	(54,584)	(53,454)	(52,748)	(53,666)	(56,773)	(62,916)	(64,116)	(70,401)	(62,845)	(57,549)	(58,185)	(647,237)	
	CAPBA - 2014 Funding CAP for DL	(5,936)	(5,872)	(5,795)	(5,896)	(6,237)	(6,912)	(7,044)	(7,734)	(6,904)	(6,322)	(6,392)	(71,103)	
	CAPBA - 2015 Funding CAP for DL	(485)	(475)	(469)	(477)	(505)	(559)	(570)	(626)	(559)	(512)	(517)	(5,756)	
	CAPBA - 2017 Funding CAP for DL												-	
	CAPBA - 2018 Funding CAP for DL												-	
Total Revenues		-	0	(0)	(0)	0	0	(0)	0	(0)	(0)	(0)	0	(0)
O&M Costs:	CAPBA E O&M													-
Total Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cost / (Revenue)		-	0	(0)	(0)	0	0	(0)	0	(0)	(0)	(0)	0	(0)
Interest	CAPBA E Interest													-
Net Activity	Net Activity	-	0	(0)	(0)	0	0	(0)	0	(0)	(0)	(0)	0	(0)
	Ending Balance	-	0	(0)	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)

Calculated Interest Bundled	-	(435)	(1,456)	(2,223)	(2,113)	(782)	(626)	(757)	(896)	(1,034)	(1,159)	(1,278)	(12,819)
Interest Check	-	-	-	-	-	-	-	-	-	-	-	-	-
Calculated Interest Departed	-	435	1,456	2,223	2,113	782	626	757	896	1,034	1,159	1,278	12,819
Interest Check	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Interest Check	-	-	-	-	-	-	-	-	-	-	-	-	-
Trigger Amount (Departed Load Only)	-	751,957	1,489,320	2,217,729	2,958,666	3,741,046	4,607,845	5,491,302	6,461,418	7,327,654	8,121,104	8,923,423	8,923,423
Trigger Calc	0.00%	2.63%	5.32%	7.32%	10.57%	13.36%	16.46%	19.61%	23.08%	26.17%	29.00%	31.87%	31.87%