

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-016
Exhibit: SDG&E-45-R-E

REVISED
PREPARED DIRECT TESTIMONY OF
MELANIE E. HANCOCK
(POST-TEST YEAR RATEMAKING)

[ERRATA](#)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



~~August 2022~~ May 2023

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~~SDG&E 2024 GRC Testimony Revision Log – August 2022~~

SUMMARY

My testimony sponsors San Diego Gas & Electric Company’s (SDG&E or the Company) request to authorize a post-test year (PTY) ratemaking mechanism, which would result in revenue requirement increases of:

(\$ in millions)	2025		2026		2027	
Revenue Requirement Increase	102.51 2%	\$31564.0 3	910.24 05%	\$30638.0 8	78.72 29%	\$2793 07.15

- SDG&E’s proposed ratemaking mechanism adjusts authorized revenue requirements for:
 - Labor and non-labor costs based on IHS Markit Global Insight’s Power Planner (Global Insight) forecast,
 - Medical costs based on Willis Towers Watson’s forecast, and
 - Capital-related revenue requirement using:
 - Five-year average of capital additions escalated based on Global Insight’s forecast,
 - A forecast for Wildfire Mitigation Plan capital additions,
 - A forecast for Moreno Compressor Upgrade capital additions,
 - A forecast for Smart Meter 2.0 capital additions, and
 - Forecasts for various Gas Integrity Management Program capital additions (Distribution Integrity Management Program or DIMP, Transmission Integrity Management Program or TIMP, Facilities Integrity Management Program or FIMP, and Gas Safety Enhancement Programs or GSEP).
- I also propose:
 - A four-year term (2024-2027) for this test year (TY) 2024 General Rate Case (GRC) cycle, consistent with Decision (D.) 20-01-002, with SDG&E’s next test year in 2028;
 - Continuation of the currently authorized Z-factor mechanism; and
 - Continued use of annual PTY advice letter regulatory filings to update the authorized revenue requirements per the adopted PTY ratemaking mechanism.

- Forecasts for the Gas Integrity Management Program capital additions (DIMP, TIMP, FIMP, and GTSR);
- Continuing the currently authorized Z-factor mechanism; and
- Continuing the use of annual PTY advice letter regulatory filings to update the authorized revenue requirements.

This proposal is designed to align PTY revenue requirements: (a) to account for unique cost escalation issues, such as the expected higher growth medical costs,³ and (b) to account for SDG&E’s capital investments that mitigate risk and improve safety and reliability of the utility infrastructure. This proposal does not cover all anticipated expenses and capital-related investments that are expected to be incurred during the post test year period; however, the PTY ratemaking mechanism is designed to provide the level of funding necessary to support important safety, reliability, and technology projects, while promoting productivity and efficiencies during the next GRC cycle.

Using the proposed PTY mechanism for 2025, 2026, and 2027, SDG&E’s proposal would result in the following attrition year revenue requirement increases:

**TABLE MH-1
Summary of Revenue Requirement Request**

(\$ in millions)	2025		2026		2027	
Revenue Requirement Increase	<u>10.52%</u> 12.12%	<u>\$315.0</u> \$36 4.3	<u>9.24%+</u> 0.05%	<u>\$306.0</u> \$3 38.8	<u>7.72%</u> 8.29%	<u>\$279.1</u> \$307.5

II. SDG&E’S PROPOSED GRC TERM

D.20-01-002 adopted revisions to the Rate Case Plan (RCP), including moving the investor-owned utilities, including SDG&E, to a four-year GRC cycle schedule (test year and three attrition years). According to the schedule adopted in D.20-01-002, SDG&E’s next test year would be 2028. SDG&E proposes a four-year term of 2024-2027 for this GRC, with its next GRC cycle beginning with TY 2028. Accordingly, I propose no changes to the term and schedule adopted in D.20-01-002.

³ Escalation is proposed to be applied to net medical expenses (*i.e.*, after reassignments to capital).

1 **III. POST-TEST YEAR RATEMAKING MECHANISM**

2 **A. Background**

3 SDG&E is proposing a four-year TY 2024 GRC cycle with attrition adjustments in the
4 second, third and fourth years (2025, 2026, and 2027). The traditional GRC framework provides
5 for an annual attrition mechanism for interim adjustments to the test-year revenue requirements
6 in the post-test years. Attrition mechanisms should provide reasonable and sufficient funding for
7 operating expenses and capital investments. The proposed attrition increases in 2025, 2026, and
8 2027 account for expected increases in costs due to inflation and increased capital investments
9 (capital additions). Without an explicit attrition adjustment, SDG&E would not have an
10 opportunity to cover its reasonable costs and expenses and earn its authorized ROR after TY
11 2024.

12 In the TY 2019 GRC application, SDG&E proposed a PTY ratemaking mechanism that
13 would adjust its gas and electric authorized revenue requirements by applying separate attrition
14 rates to O&M and capital-related revenue requirements, consistent with the current proposal. In
15 adopting this two-part attrition mechanism as reasonable, the Commission noted:

16 Since O&M expenses and capital expenditures affect the revenue requirement
17 differently, we find that a two-part attrition mechanism, where O&M expenses
18 and capital-related revenues are separately escalated, is reasonable. Therefore, we
19 find it reasonable to apply different PTY mechanisms for O&M and for capital
20 additions.⁴

21 SDG&E expects to make significant annual capital investments in the TY 2024 GRC. As
22 described in the prepared direct testimony of SDG&E witness Mike Schneider (Exhibit SDG&E-
23 03, Chapter 1), SDG&E’s capital program will continue to focus on investments necessary to
24 build and maintain safe and reliable infrastructure and to mitigate safety risks identified in its
25 2021 RAMP Report.⁵ This commitment is emphasized throughout the testimony of all SDG&E
26 witnesses sponsoring TY 2024 cost forecasts and aligns with SDG&E’s mission to maintain and
27 enhance its safety-focused culture. In line with investing in safety and reliability, SDG&E
28 presents in this GRC its sustainability and resiliency objectives discussed in the testimony of
29 SDG&E witness Estela de Llanos (Exhibit SDG&E-02). Consequently, the level of estimated

⁴ D.19-09-051 at 707.

⁵ Available at <https://www.sdge.com/proceedings/2021-sdge-ramp-report>.

1 capital expenditures leading up to and including TY 2024 are part of an ongoing investment
2 effort, which will continue beyond the test year period. Therefore, the PTY attrition mechanism
3 should reflect the anticipated growth in capital additions in excess of depreciation in the PTY
4 period.

5 **B. Proposed Post-Test Year O&M Margin Escalation**

6 SDG&E's PTY ratemaking mechanism comprises two adjustment components:

- 7 • O&M margin and medical expense escalation (excluding franchise fees and
8 uncollectible expense); and
- 9 • Growth in capital-related margin.

10 SDG&E proposes to absorb increased operating costs from customer growth through
11 productivity improvements.

12 Appendix B provides a calculation of the 2025 through 2027 revenue requirements using
13 the current Global Insight's forecasts of O&M and capital cost escalation factors.

14 **1. Escalatable O&M Margin**

15 Revenue requirement is a term used for the calculation of total O&M and capital-related
16 costs necessary to support SDG&E's rate base to be collected from utility ratepayers. The
17 revenue requirement is collected in two components: miscellaneous revenues and base margin.
18 This section describes how SDG&E's PTY mechanism escalates the TY 2024 base margin
19 component of revenue requirement, which is described in the Summary of Earnings testimony of
20 Ryan Hom, Exhibit SDG&E-44. The O&M portion of base margin includes the direct and
21 indirect O&M expenses. The base to which SDG&E's proposed O&M escalation factor will be
22 applied is called "escalatable O&M margin." SDG&E proposes to escalate total O&M margin,
23 excluding medical expenses, franchise fees and uncollectible expenses. SDG&E also proposes to
24 separately escalate medical expenses (*see* Section III.B.3). Escalation on miscellaneous revenues
25 will not be requested because miscellaneous revenues are proposed to be fixed amounts for the
26 post-test year period, and franchise fees and uncollectible expense items are not subject to
27 escalation because they are proposed to be applied as fixed rates for the post-test year period.

28 **2. O&M Margin Escalation Factors**

29 SDG&E is proposing a PTY ratemaking mechanism that escalates O&M costs using
30 Global Insight's utility-specific forecast, as described in the Cost Escalation testimony of Scott
31 Wilder (Exhibit SDG&E-41). Mr. Wilder's testimony describes using the Global Insight forecast

1 to develop separate weighted average labor and non-labor O&M escalation factors, then creating
 2 a single weighted average labor and non-labor O&M escalation factor based on 2021 recorded
 3 expenses. For PTY attrition calculation purposes (*see* Appendix B), SDG&E has used the Global
 4 Insight 4th Quarter 2021 forecast (released in January 2022), which resulted in single weighted
 5 average O&M escalation factors. The associated revenue requirements are:

6 **TABLE MH-2**
 7 **O&M Margin Escalation Summary**

(\$ in millions)	2025		2026		2027	
O&M Margin Escalation	1.67%	\$17.78	2.11%	\$22.78	2.26%	\$245.9

8
 9 The Commission has adopted Global Insight as the preferred index to use in escalating
 10 attrition year revenue requirement in multiple recent GRC decisions, including in SDG&E’s and
 11 SoCalGas’s 2019 GRC cycle, because it more accurately reflects how utilities incur costs.⁶ In
 12 assessing the reasonableness of SDG&E’s and SoCalGas’s PTY ratemaking mechanism for the
 13 years 2022 and 2023 (in the petition for modification of D.19-09-051, filed in April 2021, in
 14 compliance with D.20-01-002), the Commission concluded:

15 The Commission has considered the reasonableness of using the IHS Markit
 16 Global Insight Index instead of other indices, such as CPI [Consumer Price Index]
 17 in this GRC cycle. In D.19-09-051, the Commission found that applying a
 18 percentage increase based on the CPI does not reflect how utilities incur costs
 19 because it is a broad wholesale pricing index which reflects price increases for
 20 goods and services in general and does not sufficiently capture the O&M
 21 escalation inputs of SDG&E and SoCalGas. These facts have not changed since
 22 adopting the decision, and we have no new findings on escalation factors that
 23 would justify replacing the IHS Global Insight Index.⁷

24 Most recently, in Southern California Edison Company’s (SCE) TY 2021 GRC, the
 25 Commission made similar findings:

26 With respect to O&M expenses, consistent with our determination in nearly every
 27 SCE GRC since 2003, we approve use of the utility-specific indices proposed by
 28 SCE because they more accurately reflect how utilities incur costs. Both Cal
 29 Advocates and TURN offer proposals which are based on CPI-U or CPI-U plus a

⁶ D.19-09-051 at 708 (“We find that Global Insight escalation rates are specific to the utility industry and more accurately reflects SDG&E’s and SoCalGas’ inflationary cost increases.”).

⁷ D.21-05-003 at 15.

1 premium. As we have previously explained, the CPI reflects consumer retail price
2 changes and does not reflect how utilities incur costs.⁸

3 SDG&E’s proposed use of Global Insight indices to escalate costs in its PTY mechanism
4 in the TY 2024 GRC cycle is reasonable and consistent with PTY attrition mechanisms
5 authorized in several recent Commission decisions.

6 The Commission’s GRC Rate Case Plan, D.07-07-004, requires SDG&E to update its
7 cost escalation forecasts, as part of its Update Testimony. SDG&E plans to use the latest Global
8 Insight forecast to determine the TY 2024 labor and non-labor O&M escalation indices in its
9 update testimony, continuing into the PTY period.

10 **3. Medical Cost Escalation**

11 The second component of the O&M PTY ratemaking mechanism is an adjustment for
12 medical costs. Medical costs have grown at a higher rate than the broad-based inflation in the
13 general economy. Because SDG&E’s medical costs are expected to increase above general
14 utility cost inflation, medical costs are escalated separately based on actuarial forecasts, as
15 described in the testimony of Debbie S. Robinson (Exhibit SCG-25/SDG&E-29). The actuarial
16 forecast by Willis Towers Watson, which is based on preliminary 2021 renewal rates, is more
17 reflective of the cost trends in Southern California. SDG&E notes that this forecasted rate is
18 similar to the post-test year medical expense escalation rate mechanism that was adopted in
19 SCE’s TY 2018 and TY 2021 GRCs.⁹ The proposed medical cost escalation based on Willis
20 Towers Watson’s actuarial forecast and the associated revenue requirement is presented in Table
21 MH-3 below:

22 **TABLE MH-3**
23 **O&M Medical Component Summary**

(\$ in millions)	2025		2026		2027	
Medical Cost Adjustment	6.00%	\$1.8	5.50%	\$1.8	5.00%	\$1.7

24 **C. Base Business Capital Additions**

25 For the capital component of the proposed PTY ratemaking mechanism, SDG&E
26 proposes to adjust capital-related revenue requirements to reflect the cost of plant additions. The
27

⁸ D.21-08-036 at 547 (citations omitted).

⁹ D.19-05-020 at 418 (Conclusion of Law [COL] 114); D.21-08-036 at 668 (COL 184).

1 capital-related portion of the revenue requirement consists of authorized return on rate base,
2 depreciation expense, and taxes.¹⁰ Growth in capital-related costs (depreciation, taxes and
3 authorized return) are primarily determined by the relationship between capital additions and
4 depreciation. Capital additions in excess of depreciation will drive rate base growth and therefore
5 the growth in capital-related costs. SDG&E proposes that during the post-test years its rate base
6 and associated revenue requirements be adjusted to reflect the impact of forecasted capital
7 additions. SDG&E is not proposing to adjust the rate base elements of materials and supplies,
8 customer advances, or working cash. SDG&E expects to continue to make significant annual
9 capital investments during the TY 2024 GRC term; therefore, SDG&E proposes that the TY
10 2024 GRC PTY capital-related margin adjustment mechanism should also reflect the anticipated
11 growth in capital additions in excess of depreciation in the PTY period.

12 SDG&E proposes to use the five-year average level of capital additions (2020-2021
13 recorded and 2022-2024 forecast, as presented in this TY 2024 GRC) as a proxy for the annual
14 PTY 2025, 2026, and 2027 actual level of capital additions. This five-year methodology is
15 similar to the PTY mechanism approved for SDG&E's and SoCalGas's TY 2019 GRC cycle, as
16 well as in the TY 2014 and TY 2017 PG&E GRC proceedings, which relied on a seven-year
17 average of capital additions to derive attrition adjustments for PG&E's capital revenue
18 requirement.¹¹ In this application, SDG&E is requesting to use a five-year average of capital
19 additions instead of a seven-year average because doing so better captures the current utility
20 business environment. SDG&E's capital program is continuing to evolve, with a primary focus
21 on increasing investment in utility safety, reliability, and sustainability, by supporting
22 California's energy and environmental initiatives. The five-year average includes recorded and
23 forecasted capital additions, which incorporates the company's recent historical capital trend but
24 is also forward looking – focusing on the critical improvements within SDG&E's service

¹⁰ We call the Depreciation, Tax, and Return associated with Capital “capital-related costs” and distinguish that from the actual or forecasted spend of capital itself. When capital dollars are spent and become rate base, they are recovered through revenue requirement as capital-related costs.

¹¹ D.14-08-032 at 656 and 659-660; *see also* A.15-09-001, Ex. ORA-21, *Report of the Results of Operations for Pacific Gas and Electric Company, Test Year 2017 General Rate Case* at 3 (“To estimate post-test year capital additions, ORA recommends that the Commission adopt the same methodology from PG&E’s 2014 GRC. Thus, for this GRC, post-test year capital additions would be based on using an escalated 7-year (2011-2017) average level of capital additions as a proxy for the post- test year (2018, 2019, and 2020) levels of capital additions.”).

territory that are aimed at mitigating safety risk and providing clean and reliable energy. A five-year average provides adequate time to normalize year-to-year variability in utility spending and eliminates the administrative burden of conducting line-by-line reviews of forecasted capital spending.

To describe the calculation methodology related to capital, SDG&E’s 2020-2024 capital additions are escalated to the appropriate PTY dollars and then averaged. Capital escalation is based on Global Insight gas plant indices, as described in Mr. Wilder’s Cost Escalation testimony (Exhibit SDG&E-41). For example, the 2020-2024 capital additions would be escalated into 2024 dollars and then averaged. This process escalates the five-year average of capital additions to 2024 dollars. To determine the capital additions for 2025, 2026, and 2027, the five-year average capital addition amount is escalated to the appropriate PTY dollars using the above-mentioned Global Insight indices. A weighting factor is applied to the plant additions to determine the weighted average plant additions to be included in rate base for the PTY period. Incremental net depreciation, amortization and deferred taxes are also calculated using the TY ratios, in order to determine the weighted average rate base for each PTY. SDG&E developed its PTY calculation of the capital-related revenue requirements using a consistent methodology (authorized return, depreciation and taxes) and consistent escalation factors, used throughout this GRC request.

The resulting 2025 through 2027 capital-related revenue requirements associated with the methodology described above are summarized in Table MH-4:

**TABLE MH-4
Capital-Related Component Summary**

(\$ in millions)	2025		2026		2027		
Capital-Related Revenue Requirement Increase ¹²	1110.43 1110.43	519886.6 519886.6	4.36 4.36	29% 29%	\$84.42	4.252%	\$856.92

IV. POST-TEST YEAR CAPITAL EXCEPTIONS

SDG&E proposes that the capital-related costs for projects not fully reflected in the TY 2024 revenue requirement be included as part of the PTY attrition, so that SDG&E is authorized adequate revenue to execute such projects and initiatives that are largely needed for safety and

¹² Annual revenue requirement adjustments include the rate base impacts of the subject attrition year estimated capital additions plus the residual weighting of the prior year estimated capital additions.

1 reliability. The adjustment is necessary because the majority of the capital expenditures related to
 2 these projects are expected to close to plant in service in 2025, 2026, and 2027, and therefore the
 3 associated capital-related costs will not be fully reflected in the TY 2024 revenue requirement.
 4 SDG&E is not proposing exceptions from the proposed post-test year mechanism for O&M.

5 The detail for the following capital projects and the associated costs are discussed
 6 primarily in the prepared direct testimony and workpapers, as noted in Table MH-5 below. Table
 7 MH-6 provides the capital-related revenue requirement for each of capital projects listed in Table
 8 MH-5.

9 **TABLE MH-5**
 10 **Project Sponsors of Capital Post-Test Year Exceptions**

Project	Witness	Exhibit
Gas Integrity Management Programs (DIMP, TIMP, FIMP, and GSEP)	Amy Kitson and Travis Sera	SDG&E-09
Smart Meter 2.0	David H Thai	SDG&E-17
Moreno Compressor Modernization	Rick Chiapa and Steve Hruby	SDG&E-06
Wildfire Mitigation	Jonathan Woldemariam	SDG&E-13

11 **TABLE MH-6**
 12 **Capital Post-Test Year Exceptions Revenue Requirement Summary**

(\$ in millions)	2025	2026	2027
DIMP	\$13.4	\$26.0	\$40.1
TIMP	\$1.6	\$2.7	\$3.9
FIMP	\$0.0	\$0.0	\$0.1
GSEP	\$4.7	\$9.1	\$12.8
Smart Meter 2.0	\$4.4	\$20.7	\$33.0
Moreno Compressor Modernization	\$0.0	\$52.1	\$70.8
Wildfire Mitigation	\$97.28.73	\$20163.37	\$311400.48
Total	\$12152.73	\$31274.03	\$472561.26

14 In SDG&E and SoCalGas's TY 2019 GRC final decision (D.19-09-051), the
 15 Commission authorized a separate PTY revenue requirement (capital exception) for the Pipeline
 16 Safety Enhancement Plan (PSEP), based on capital additions forecasted beyond TY 2019:
 17

We also find SoCalGas' proposal that PSEP capital-related costs not fully reflected in the TY2019 revenue requirement be included as part of the PTYs reasonable and we approve it. This is because PSEP is being incorporated into the GRC for the first time and timing and completion of the proposed projects should not be delayed. We find the adjustment necessary in order to fully reflect the capital costs we are authorizing but will not be fully reflected in the TY.¹³

Similarly, in SCE's 2012 GRC final decision (D.12-11-051), the Commission found reasonable and adopted a PTY adjustment for costs not fully reflected in the test year:

It is reasonable to adopt a separate 2013 forecast for CSBU O&M to reflect integration of SmartConnect deployment costs into general rates because the PTYR would not adequately adjust for the unique set of costs transferred.¹⁴

Furthermore, the Commission added:

A PTYR is reasonable and adopted which includes the following: . . . Separately adopted 2013 CSBU O&M and capital expenditures escalated in 2014.¹⁵

SDG&E's proposed incremental total capital-related revenue requirements are summarized in Table MH-7:

TABLE MH-7
Total Incremental Capital-Related Revenue Requirement Summary

(\$ in millions)	2025	2026	2027
Capital-Related Revenue Requirement Increase	\$ 198 86.64	\$84.5 2	\$856.9 2
Post-Test Year Capital Exceptions Revenue Requirement Increase	\$ 92 152.03	\$ 190 222.20	\$16087.2
Total Capital-Related Revenue Requirements Increase	\$ 290 338.67	\$ 274 306.72	\$24673.14

The capital projects identified in Table MH-5 are either going into service in the post-test years or are proposed to be balanced in balancing accounts for which revenue requirement for each post-test year is needed for tracking of costs, as discussed in the Regulatory Accounts testimony of Jason Kupfersmid (Exhibit SDG&E-43). Accordingly, the PTY revenue requirement for this limited set of capital projects is reasonable and enables visibility of authorized revenues for each project. The incremental capital exception adjustments identified in

¹³ D.19-09-051 at 215-216.

¹⁴ D.12-11-051 at 847, COL 254.

¹⁵ D.12-11-051 at 876, COL 524.

1 Table MH-6 above are reasonable and should be approved as part of SDG&E’s post-test year
2 revenue requirements.

3 **V. Z-FACTOR MECHANISM**

4 SDG&E proposes to continue the currently authorized Z-factor mechanism, unchanged
5 for this 2024-2027 GRC term.¹⁶ The Z-factor mechanism uses a series of eight criteria outlined
6 in D.94-06-011 and related decisions to identify exogenous cost changes that qualify for rate
7 adjustments prior to the next GRC test year.¹⁷ If all eight criteria are met, the Z-factor
8 mechanism allows for rate adjustments for only the portion of the Z-factor costs not already
9 contained in SDG&E’s annual revenue requirement and only for costs that exceed a \$5 million
10 deductible per event.

11 In the case of a potential Z-factor event, SDG&E will notify the Commission’s Executive
12 Director of the event by letter, providing all relevant and available information about the event,
13 and will activate the Z-factor Memorandum Account for potential entries. Following this
14 notification, SDG&E would have the option to file an application for a revenue requirement
15 supplement if the Z-factor event exceeds the \$5 million per event deductible.

16 **VI. REGULATORY FILINGS**

17 Currently, SDG&E updates PTY revenue requirements through an annual advice letter
18 filing. SDG&E proposes to continue the process authorized in D.19-09-051 to file an annual
19 Tier 1 advice letter on or before November 1 (beginning November 1, 2024) to adjust the
20 revenue requirement for each attrition year, per the adopted PTY ratemaking mechanism.¹⁸ The
21 resulting customer rate adjustments to recover the updated revenue requirement would be
22 effective the following January 1. The advice letter will contain all calculations necessary to
23 update the revenue requirement for the subsequent year.

¹⁶ See SDG&E’s current Preliminary Statement (Part IV) for a description of the operation of the Z-factor mechanism, *available at* https://tariff.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_EPBR.pdf.

¹⁷ In D.05-03-023 at 78 (Ordering Paragraph 2) (“SoCalGas and SDG&E are authorized to file for rate adjustments using the mechanisms as described in the Settlement Agreement and as modified in this decision”); *see also* D.05-03-023, Appendix C at 12. The eliminated criteria provided that the costs and events are not part of the rate update mechanism.

¹⁸ *See* D.19-09-051 at 713.

1 **VII. CONCLUSION**

2 SDG&E’s proposal is a fair and reasonable ratemaking mechanism to provide the level of
3 funding necessary to support important safety, reliability, and sustainability projects in the post-
4 test years. This proposal accounts for the major cost drivers impacting the Company, which
5 allows SDG&E to provide safe and reliable service to its customers, comply with regulations,
6 and manage its operations as prudent financial stewards.

7 This concludes my prepared direct testimony.

1 **VIII. WITNESS QUALIFICATIONS**

2 My name is Melanie E. Hancock. My business address is 8330 Century Park Court, San
3 Diego California 92123. I am currently the Capital & Operating Planning Manager in SDG&E's
4 Financial Planning department, within the Accounting and Finance organization. I have held this
5 position since January 2022.

6 Since 2011, I have held various positions of increasing responsibility in SDG&E's
7 Accounting and Finance and Regulatory Affairs organizations. I worked in public accounting
8 from 2008 to 2011. I have a Bachelor of Science in Business Administration with an emphasis
9 in Accounting from California State University San Marcos. I hold a CPA license in the State of
10 California.

11 I have not previously testified before the Commission.

APPENDIX A

Glossary of Terms

APPENDIX A – GLOSSARY OF TERMS

Commission or CPUC	California Public Utilities Commission
CPI	Consumer Price Index
D.	Decision
DIMP	Distribution Integrity Management Program
FIMP	Facilities Integrity Management Program
Global Insight or GI	IHS Markit Global Insight
GRC	General Rate Case
GSEP	Gas Safety Enhancement Programs
O&M	Operations and Maintenance
ORA	Office of Ratepayer Advocates
PSEP	Pipeline Safety Enhancement Plan
PG&E	Pacific Gas and Electric Company
PTY	Post-Test Year
RAMP	Risk Assessment and Mitigation Phase
RCP	Rate Case Plan
ROR	Rate of Return
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
TIMP	Transmission Integrity Management Program
TY	Test Year

APPENDIX B

Post Test Year Escalation Examples

APPENDIX B – POST TEST YEAR ESCALATION EXAMPLES

SAN DIEGO GAS & ELECTRIC

Exemplary Calculation of 2025, 2026, and 2027 Revenue Requirements Assuming No Z-Factor

For Illustrative Purposes Only

Line No.	Description	(\$ in Millions)	
		Rev Req*	Escalation
1	2024 Total Revenue Requirement	\$ 3,007.1	
2	Less: 2024 Misc. Revenues	\$ 36.7	
3	Less: 2024 Capital Related Costs (Depreciation, Taxes, Return)	\$ 1,773.4	
4	Less: 2024 Medical Expense	\$ 30.4	
5	Less: 2024 Franchise & Uncollectible	\$ 100.3	
6	2024 Escalatable O&M Margin	\$ 1,066.3	
7	2025 O&M Escalation Rate %	1.67%	
8	2025 O&M Escalation \$ (L6 * L7)	\$ 17.8	\$ 17.8
9	2025 Medical Escalation Rate %	6.00%	
10	2025 Medical Escalation \$ (L4 * L9)	\$ 1.8	\$ 1.8
11	2025 Capital Related Costs (Depreciation, Taxes, Return)	\$ 186.4	\$ 186.4
12	2025 O&M Margin (L6 + L8)	\$ 1,084.0	
13	2025 Medical Expense (L4 + L10)	\$ 32.2	
14	2025 Capital Related Costs (as Proposed) (L3 + L11)	\$ 1,959.8	
15	2025 Misc. Revenue (L2)	\$ 36.7	
16	2025 FF&U (adjusted for uncollectible rate)	\$ 101.0	\$ 0.7
17	2025 Revenue Requirement (Sum of Lines 12 through 16)	\$ 3,213.8	\$ 206.7
18	Less: 2025 Misc. Revenues	\$ 36.7	
19	Less: 2025 Capital Related Costs (Depreciation, Taxes, Return)	\$ 1,959.8	
20	Less: 2025 Medical Expense	\$ 32.2	
21	Less: 2025 Franchise & Uncollectible	\$ 101.0	
22	2025 Escalatable O&M Margin	\$ 1,084.0	
23	2026 O&M Escalation Rate %	2.11%	
24	2026 O&M Escalation \$ (L22 * L23)	\$ 22.8	\$ 22.8
25	2026 Medical Escalation Rate %	5.50%	
26	2026 Medical Escalation \$ (L20 * L25)	\$ 1.8	\$ 1.8
27	2026 Capital Related Costs (Depreciation, Taxes, Return)	\$ 84.2	\$ 84.2
28	2026 O&M Margin (L22 + L24)	\$ 1,106.9	
29	2026 Medical Expense (L20 + L26)	\$ 34.0	
30	2026 Capital Related Costs (L19 + L27)	\$ 2,044.0	
31	2026 Misc. Revenue (L18)	\$ 36.7	
32	2026 FF&U (adjusted for uncollectible rate)	\$ 101.8	\$ 0.9
33	2026 Revenue Requirement (Sum of lines 28 through 32)	\$ 3,323.4	\$ 109.6

SAN DIEGO GAS & ELECTRIC

Exemplary Calculation of 2025, 2026, and 2027 Revenue Requirements Assuming No Z-Factor

For Illustrative Purposes Only

Line No.	Description	(\$ in Millions)	
		Rev Req*	Escalation
1	2024 Total Revenue Requirement	\$ 2,995.5	
2	Less: 2024 Misc. Revenues	\$ 36.7	
3	Less: 2024 Capital Related Costs (Depreciation, Taxes, Return)	\$ 1,767.5	
4	Less: 2024 Medical Expense	\$ 30.4	
5	Less: 2024 Franchise & Uncollectible	\$ 99.9	
6	2024 Escalatable O&M Margin	\$ 1,061.1	
7	2025 O&M Escalation Rate %	1.67%	
8	2025 O&M Escalation \$ (L6 * L7)	\$ 17.7	\$ 17.7
9	2025 Medical Escalation Rate %	6.00%	
10	2025 Medical Escalation \$ (L4 * L9)	\$ 1.8	\$ 1.8
11	2025 Capital Related Costs (Depreciation, Taxes, Return)	\$ 290.6	\$ 290.6
12	2025 O&M Margin (L6 + L8)	\$ 1,078.7	
13	2025 Medical Expense (L4 + L10)	\$ 32.2	
14	2025 Capital Related Costs (as Proposed) (L3 + L11)	\$ 2,058.1	
15	2025 Misc. Revenue (L2)	\$ 36.7	
16	2025 FF&U (adjusted for uncollectible rate)	\$ 104.7	\$ 4.9
17	2025 Revenue Requirement (Sum of Lines 12 through 16)	\$ 3,310.5	\$ 315.0
18	Less: 2025 Misc. Revenues	\$ 36.7	
19	Less: 2025 Capital Related Costs (Depreciation, Taxes, Return)	\$ 2,058.1	
20	Less: 2025 Medical Expense	\$ 32.2	
21	Less: 2025 Franchise & Uncollectible	\$ 104.7	
22	2025 Escalatable O&M Margin	\$ 1,078.7	
23	2026 O&M Escalation Rate %	2.11%	
24	2026 O&M Escalation \$ (L22 * L23)	\$ 22.7	\$ 22.7
25	2026 Medical Escalation Rate %	5.50%	
26	2026 Medical Escalation \$ (L20 * L25)	\$ 1.8	\$ 1.8
27	2026 Capital Related Costs (Depreciation, Taxes, Return)	\$ 274.7	\$ 274.7
28	2026 O&M Margin (L22 + L24)	\$ 1,101.5	
29	2026 Medical Expense (L20 + L26)	\$ 34.0	
30	2026 Capital Related Costs (L19 + L27)	\$ 2,332.8	
31	2026 Misc. Revenue (L18)	\$ 36.7	
32	2026 FF&U (adjusted for uncollectible rate)	\$ 111.6	\$ 6.8
33	2026 Revenue Requirement (Sum of lines 28 through 32)	\$ 3,616.5	\$ 306.0

34	Less: 2026 Misc. Revenues	\$	36.7		
35	Less: 2026 Capital Related Costs (Depreciation, Taxes, Return)	\$	2,044.0		
36	Less: 2026 Medical Expense	\$	34.0		
37	Less: 2026 Franchise & Uncollectible	\$	101.8		
38	2026 Escalatable O&M Margin	\$	1,106.9		
39	2027 O&M Escalation Rate %		2.26%		
40	2027 O&M Escalation \$ (L49 * L50)	\$	25.1	\$	25.1
41	2027 Medical Escalation Rate %		5.00%		
42	2027 Medical Escalation \$ (L36 * L41)	\$	1.7	\$	1.7
43	2027 Capital Related Costs (Depreciation, Taxes, Return)	\$	86.2	\$	86.2
44	2027 O&M Margin (L38 + L40)	\$	1,132.0		
45	2027 Medical Expense (L36 + L42)	\$	35.7		
46	2027 Capital Related Costs (L35 + L43)	\$	2,130.2		
47	2027 Misc. Revenue (L34)	\$	36.7		
48	2027 FF&U (adjusted for uncollectible rate)	\$	102.8	\$	0.9
49	2027 Revenue Requirement (Sum of lines 44 through 48)	\$	3,437.3	\$	113.9

* Differences due to rounding.

34	Less: 2026 Misc. Revenues	\$	36.7		
35	Less: 2026 Capital Related Costs (Depreciation, Taxes, Return)	\$	2,332.8		
36	Less: 2026 Medical Expense	\$	34.0		
37	Less: 2026 Franchise & Uncollectible	\$	111.6		
38	2026 Escalatable O&M Margin	\$	1,101.5		
39	2027 O&M Escalation Rate %		2.26%		
40	2027 O&M Escalation \$ (L49 * L50)	\$	24.9	\$	24.9
41	2027 Medical Escalation Rate %		5.00%		
42	2027 Medical Escalation \$ (L36 * L41)	\$	1.7	\$	1.7
43	2027 Capital Related Costs (Depreciation, Taxes, Return)	\$	246.1	\$	246.1
44	2027 O&M Margin (L38 + L40)	\$	1,126.4		
45	2027 Medical Expense (L36 + L42)	\$	35.7		
46	2027 Capital Related Costs (L35 + L43)	\$	2,578.9		
47	2027 Misc. Revenue (L34)	\$	36.7		
48	2027 FF&U (adjusted for uncollectible rate)	\$	117.9	\$	6.4
49	2027 Revenue Requirement (Sum of lines 44 through 48)	\$	3,895.6	\$	279.1

* Differences due to rounding.