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Commissioner : L. Randolph
ALJ : R. Lirag
Witness : S. Chia



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
Test Year 2019
General Rate Case**

Regulatory Accounts

San Francisco, California
April 13, 2018

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1 **REGULATORY ACCOUNTS**

2 **I. INTRODUCTION**

3 This exhibit presents the analyses and recommendations of the Office of
4 Ratepayer Advocates (ORA) regarding the Regulatory Accounts proposals of San
5 Diego Gas & Electric Company (SDG&E) and Southern California Gas Company
6 (SCG or SoCalGas), collectively the Sempra Utilities (Sempra), for its Test Year
7 (TY) 2019 General Rate Case (GRC). Regulatory Accounts are responsible for
8 SDG&E's and SCG's authorized regulatory balancing, tracking, and memorandum
9 accounts, which include implementing regulatory accounting procedures for
10 compliance with California Public Utilities Commission (CPUC or Commission)
11 directives, quantifying and recording the monthly entries and adjustments to the
12 Commission-authorized regulatory account mechanisms, and managing the general
13 administration of SDG&E's and SCG's authorized regulatory accounts.¹

14 The two utilities make proposals regarding accounts to be closed and/or
15 eliminated, request continuation and/or modification of existing regulatory accounts,
16 and propose the creation of new balancing accounts.²

17 **II. SCOPE OF REVIEW**

18 ORA reviewed the recorded 2012 to 2016 balances of the regulatory
19 accounts for any unusual items for follow-up and/or testing. ORA reviewed controls
20 in place that address the allocation of revenue to the various balancing accounts
21 and ensure accuracy of the amounts recorded to the regulatory accounts. SCG
22 and SDG&E are responsible for maintaining adequate internal controls over their
23 financial reporting. SCG's and SDG&E's internal and external auditors regularly

¹ Ex. SCG-42, p. RQY-1

² Ex. SDGE-41, p. NGJ-ii and Ex. SCG-42, pp. RQY-iii and RQY-iv

1 perform audits of the utilities' operations, procedures, internal controls, and financial
2 statements.³

3 Based on ORA's audit of the regulatory account balances for any unusual
4 items for follow-up, consideration of Sempra's internal controls over the revenue
5 and expense functions, and third-party audits, ORA makes no recommendations to
6 any balances of the regulatory accounts that were reviewed.

7 **III. SUMMARY OF RECOMMENDATIONS**

8 The following summarizes ORA's recommendations regarding SDG&E's and
9 SoCalGas' proposals regarding their regulatory accounts:

10 **A. SDG&E**

- 11 • ORA does not take issue with SDG&E's request to close ten of its
12 regulatory accounts.
- 13 • ORA does not take issue with SDG&E's proposal to change the
14 current calculation to determine whether SDG&E should file a Tier
15 3 advice letter or application to seek recovery of an undercollection
16 in the TIMPBA and/or Post-2011 DIMPBA.
- 17 • ORA does not takes issue with SDG&E's proposal to return to
18 customers the Post-2011 DIMPBA overcollected balance by
19 transferring the December 31, 2018 balance to the Core Fixed
20 Cost Account (CFCA) and the Noncore Fixed Cost Account
21 (NFCA) for inclusion in rates.
- 22 • SDG&E's proposal to modify the balancing account mechanism of
23 the Tree Trimming Balancing Account from a one-way to a two-
24 way balancing account is addressed in Exhibit ORA-5.
- 25 • ORA addresses SDG&E's proposal to create the electric and gas
26 Liability Insurance Premium Balancing Accounts (LIPBAs) as two-
27 way interest-bearing balancing accounts in Exhibit ORA-21.
- 28 • ORA addresses SDG&E's proposal to create the Otay Mesa
29 Acquisition Balancing Account (OMABA) as a one-way interest-
30 bearing balancing account in Exhibit ORA-8.

³ Ex. SCG-28/SDG&E-26, pp. MLD-27 and MLD-28

- 1 • ORA addresses SDG&E’s proposal to create the electric and gas
2 Third Party Claims Balancing Accounts (TPCBAs) as two-way
3 interest-bearing balancing accounts in Exhibit ORA-24.
- 4 • ORA does not take issue with SDG&E’s plan to discontinue
5 recording the incremental costs associated with the conversion of
6 master-metered service at mobile home parks to direct utility
7 service in the MMBA.

8 **B. SoCalGas**

- 9 • ORA does not take issue with SCG’s proposal regarding the
10 disposition of eight regulatory accounts with remaining balances at
11 year-end 2018. The eight regulatory accounts are (1) Research,
12 Development, and Demonstration Expense Account; (2) Post-2011
13 DIMPBA; (3) Energy Data Request Memorandum Account; (4)
14 Operational Flow Cost Memorandum Account; (5) Fire Hazard
15 Prevention Memorandum Account; (6) Advanced Meter Opt-Out
16 Program Balancing Account; (7) Aliso Canyon Memorandum
17 Account; and (8) Aliso Canyon True-up Tracking Account.
- 18 • ORA does not take issue with SCG’s request to close the Federal
19 Energy Regulatory Commission Settlement Proceeds
20 Memorandum Account and the Deductible Tax Repairs Benefits
21 Memorandum Account.
- 22 • ORA does not take issue with SCG requests for the continuation of
23 four existing regulatory accounts: (1) Pension Balancing Account
24 (PBA); (2) Post-Retirement Benefits Other Than Pension
25 Balancing Account (PBOPBA); (3) Research Royalties
26 Memorandum Account (RRMA); and (4) New Environmental
27 Regulation Balancing Account (NERBA).
- 28 • ORA does not take issue with SCG’s proposal to discontinue
29 recording net savings as a result of the closures of four branch
30 offices to the CFCA effective with the TY 2019 GRC decision.
- 31 • ORA does not take issue with SCG’s proposal to discontinue
32 recording Advanced Meter Infrastructure (AMI) costs in the
33 Deployment Phase Cost and the Post-Deployment Phase Cost
34 Subaccounts of the AMI Balancing Account (AMIBA) effective with
35 the TY 2019 GRC decision. The AMI costs and related benefits
36 are included in the TY 2019 GRC.
- 37 • ORA addresses SCG’s proposal to discontinue the Service
38 Establishment Charges (SEC) previously recoverable as
39 miscellaneous revenues in past GRCs and instead recover service
40 establishment costs through base rates in Exhibit ORA-29.
- 41 • ORA does not take issue with SCG’s proposal to change the
42 current calculation threshold to determine whether SCG should file

- 1 a Tier 3 advice letter or application to seek recovery of an
- 2 undercollection in the TAMPBA, Post-2011 DIMPBA, and SIMPBA.
- 3 • ORA does not take issue with SCG’s proposal to incorporate the
- 4 undercollected balance in its annual regulatory account update
- 5 filing advice letter for recovery in the following year’s gas
- 6 transportation rates regarding TAMPBA, Post-2011 DIMPBA, and
- 7 SIMPBA.
- 8 • ORA does not take issue with SCG’s proposal that if a net
- 9 overcollection exists at the end of the GRC cycle, SCG will refund
- 10 the balance in customers’ gas transportation rates in connection
- 11 with its annual regulatory account update filing regarding TAMPBA,
- 12 Post-2011 DIMPBA, and SIMPBA .
- 13 • ORA addresses SCG’s proposal to create the Pipeline Safety
- 14 Enhancement Plan Balancing Account in Exhibit ORA-3.
- 15 • ORA addresses SCG’s proposal to create the Morongo Rights-of-
- 16 Way Memorandum Account and the Morongo Rights-of-Way
- 17 Balancing Account in Exhibit ORA-13.
- 18 • ORA addresses SCG’ proposal to create the Liability Insurance
- 19 Premium Balancing Account in Exhibit ORA-21.
- 20 • ORA does not take issue with SCG’s plan to discontinue recording
- 21 the incremental costs associated with the conversion of master-
- 22 metered service at mobile home parks to direct utility service in the
- 23 MMBA.

24 **IV. SDG&E REGULATORY ACCOUNTS**

25 Exhibit SDG&E-41 identifies the SDG&E regulatory accounts that are

26 associated with the TY 2019 GRC and presents SDG&E’s proposal for each

27 regulatory account. The following discussion addresses SDG&E’s requests to (1)

28 close/eliminate certain regulatory accounts and the disposition of the balance; (2)

29 continue and/or modify existing regulatory accounts; and (3) create new balancing

30 accounts.⁴ The following table presents the year-end 2014 to 2016 balances of

31 SDG&E’s regulatory accounts.

⁴ Ex. SDG&E-41, p. NGJ-1

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2
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Table 30-1
SDG&E's Regulatory Accounts⁵
(Over)/Under Collection as of Year-End

Regulatory Account	2014	2015	2016
AB 802 – Electric	-	-	\$89,991
AB 802 –Gas	-	-	42,350
Alternative Fuel Vehicle	\$315,461	\$317,309	824,841
Community Choice Aggregation Implementation Balancing Acct (BA)	-	-	-
CA Solar Initiative Performance-Based Incentive Memorandum Account (MA)	-	-	-
Distribution Integrity Mgmt Prog	1,324,261	(444,506)	(3,515,662)
Deductible Tax Repairs Benefit-Electric	-	-	(20,766,032)
Deductible Tax Repairs Benefit-Gas	-	-	-
Energy Data Request-Electric	176,863	239,218	311,140
Energy Data Request-Gas	31,210	41,104	51,678
Fire Hazard Prevention-Electric	913,029	3,440,493	4,088,669
Master Meter BA-Electric	193,199	261,448	680,900
Master Meter BA-Gas	410,542	457,660	711,043
Net Energy Metering Aggregation	-	(22,272)	76,670
New Environmental Regulation-Electric	(353,694)	(344,248)	(466,771)
New Environmental Regulation-Gas	(206,982)	783,013	(178,258)
Non-Residential Submetering MA	-	-	-
Pension BA-Electric	7,266,721	(6,441,631)	2,646,607
Pension BA-Gas	1,996,640	(4,065,599)	1,039,408
Post Retirement Benefits Other Than Pensions-Electric	438,058	(3,306,999)	(2,546,684)
Post Retirement Benefits Other Than Pensions-Gas	(351,967)	(1,585,125)	(1,046,837)
Residential Disconnection-Electric	8,884	63,805	64,121
Residential Disconnection-Gas	3,805	27,345	27,480
Rate Reform MA	-	-	3,748,748
Real Time Energy Metering MA	-	-	-
Smart Meter Opt-Out-Electric	-	480,698	536,815
Smart Meter Opt-Out-Gas	-	273,369	309,953
SONGS O&M-Electric	5,727,033	-	-
Transmission Integrity Mgmt Program	990,774	2,880,551	3,984,531
Tax MA-Electric	-	-	-
Tax MA-Gas	-	-	-
Tree Trimming-Electric	(13,063,490)	(9,247,039)	(5,516,418)

4

A. Closure of Accounts

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SDG&E proposes to close ten regulatory accounts which are interest-bearing balancing or memorandum accounts. SDG&E proposes that when the TY 2019

⁵ SDG&E's response to data request, ORA-SDG&E-EXAM-SWC-007

1 GRC proceeding concludes, it will transfer to a fixed regulatory account either the
2 actual December 31, 2018 year-end balance or a 2018 year-end forecasted
3 balance for inclusion in the next available rate change. SDG&E proposes that if a
4 residual balance remains in the balancing/memorandum account, it will be
5 transferred to the fixed regulatory account(s) prior to closing the account.⁶

6 ORA does not take issue with SDG&E’s proposal to close the following ten
7 regulatory accounts:⁷

- 8 1. Assembly Bill 802 Memorandum Accounts (AB802MA)
- 9 2. Alternative Fuel Vehicle Memorandum Account (AFVMA)
- 10 3. Community Choice Aggregation Implementation Balancing
11 Account (CCAIBA)
- 12 4. California Solar Initiative Performance-Based Incentive
13 Memorandum Account (CSIPMA)
- 14 5. Deductible Tax Repairs Benefits Memorandum Accounts
15 (DTRBMA)
- 16 6. Energy Data Request Memorandum Accounts (EDRMA)
- 17 7. Non-Residential Submetering Memorandum Account (NRSMA)
- 18 8. Residential Disconnect Memorandum Accounts (RDMA)
- 19 9. Real-Time Energy Metering Memorandum Account (RTEMMA)
- 20 10. Smart Meter Opt-Out Balancing Accounts (SMOBA)

21 **B. Continuation of Ratemaking Treatment**

22 SDG&E requests the continuation of the ratemaking treatment of five
23 regulatory accounts and the authorization to transfer or amortize the December 31,
24 2018 balance. These five regulatory accounts are interest-bearing balancing or
25 memorandum accounts that are recorded on SDG&E’s financial statements. At the
26 conclusion of the TY 2019 GRC, SDG&E proposes to include in the next available

⁶ Ex. SDG&E-41, p. NGJ-1

⁷ Ex. SDG&E-41, pp. NGJ-1 to NGJ-4

1 rate change, either the actual December 31, 2018 year-end balance or a 2018 year-
2 end forecasted balance.⁸

3 ORA does not take issue with SDG&E’s requests for the continuation of the
4 ratemaking treatment and the authorization to transfer or amortize the December
5 31, 2018 balance for the following five regulatory accounts.⁹

- 6 1. Fire Hazard Prevention Memorandum Account (FHPMA)
- 7 2. New Environmental Regulatory Balancing Accounts (NERBA)
- 8 3. Pension Balancing Accounts (PBA) and Post-Retirement Benefits
9 Other Than Pensions Balancing Accounts (PBOPBA)
- 10 4. Rate Reform Memorandum Account (RRMA)
- 11 5. SONGS Operations and Maintenance (O&M) Balancing Account
12 (SONGSBA)

13 **C. Modifications to Existing Regulatory Accounts**

14 SDG&E proposes modifications to five regulatory accounts as discussed
15 below.

16 **1. Net Energy Metering Aggregation Memorandum**
17 **Account (NEMAMA)**

18 The NEMAMA tracks the costs associated with the Net Energy Metering
19 Aggregation Program (NEM Aggregation). SDG&E proposes to modify the
20 memorandum account disposition of the NEMAMA balance to be addressed in
21 SDG&E’s GRC proceeding or in another proceeding deemed appropriate by the
22 Commission. SDG&E proposes that it may seek, via advice letter filing, to propose
23 a final billing service fee structure at a time wherein SDG&E has sufficient relevant
24 details as to the appropriate amount of the fee structure pursuant to Special
25 Condition 8 of SDG&E’s tariff Schedule NEM.¹⁰

26 ORA does not take issue with SDG&E’s proposal to modify NEMAMA.

⁸ Ex. SDG&E-41, p. NGJ-4

⁹ Ex. SDG&E-41, pp. NGJ-5 to NGJ-7

¹⁰ Ex. SDG&E-41, pp. NGJ-7 to NGJ-8

1 **2. Transmission Integrity Management Program**
2 **Balancing Account (TIMPBA) and Post-2011**
3 **Distribution Integrity Management Program**
4 **Balancing Account (DIMPBA)**

5 The purpose of the gas TIMPBA and Post-2011 DIMPBA is to balance the
6 difference between actual and authorized costs in each account. These accounts
7 consist of both O&M and capital related costs. The capital-related component
8 reflects TIMP/DIMP costs recovered through depreciation, return, and taxes
9 associated with capitalized TIMP/DIMP costs.¹¹

10 In Decision (D.) 16-06-054, the Commission approved recovery of costs up
11 to 35% of the TIMP and DIMP programs' respective TY 2016 GRC cycle authorized
12 revenue requirement through a Tier 3 advice letter. Recovery of any amount equal
13 to or above the 35% threshold is subject to a separate application. When
14 computing a dollar amount threshold to determine whether SDG&E should file a
15 Tier 3 advice letter or application to seek recovery of an undercollection in the
16 TIMPBA and/or Post-2011 DIMPBA, SDG&E proposes to not use a percentage of
17 its total GRC cycle revenue requirement due to the significant difference between
18 actual capital revenue and the authorized, escalated capital revenue requirements
19 resulting from a compounding issue. Instead, SDG&E proposes to change the
20 current calculation to compute the dollar amount threshold by multiplying the total
21 authorized O&M and capital expenditures by 35%. SDG&E states that as a result
22 of this change in calculation methodology, SDG&E would file a Tier 3 advice letter
23 to seek recovery of the undercollection in the TIMP/DIMP balancing accounts when
24 the corresponding program is overspent by up to 35% of the total authorized O&M
25 and capital expenditures. For overspending greater than or equal to 35%, SDG&E
26 will file a separate application to request recovery. If SDG&E has not spent in
27 excess of its total authorized O&M and capital expenditures for the GRC cycle, but
28 an undercollection exists in the balancing account due to compounding of the actual
29 capital revenue requirements recorded to the balancing account, SDG&E will

¹¹ Ex. SDG&E-41, p. NGJ-8

1 incorporate the undercollected balance in its annual regulatory account update
2 advice letter filing for recovery in the following year's gas transportation rates. If a
3 net overcollection exists at the end of the GRC cycle, SDG&E requests to refund
4 the balance in customers' rates in connection with its annual regulatory account
5 update filing.¹²

6 ORA does not take issue with SDG&E's proposal to change the current
7 calculation to compute the dollar amount threshold by multiplying the total
8 authorized O&M and capital expenditures by 35% when computing a dollar amount
9 threshold to determine whether SDG&E should file a Tier 3 advice letter or
10 application to seek recovery of an undercollection in the TIMPA and/or Post-2011
11 DIMPBA.

12 SDG&E proposes to return to customers the Post-2011 DIMPBA
13 overcollected balance as of December 31, 2018. The balance in the account as of
14 June 2017 is \$3.1 million overcollected. When the TY 2019 GRC proceeding
15 concludes, SDG&E proposes to transfer the December 31, 2018 DIMPBA balance
16 to the Core Fixed Cost Account (CFCA) and the Noncore Fixed Cost Account
17 (NFCA) for inclusion in rates.¹³

18 ORA does not takes issue with SDG&E's proposal to return to customers the
19 Post-2011 DIMPBA overcollected balance by transferring the December 31, 2018
20 DIMPBA balance to the Core Fixed Cost Account (CFCA) and the Noncore Fixed
21 Cost Account (NFCA) for inclusion in rates.

22 **3. Tree Trimming Balancing Account (TTBA)**

23 The TTBA balances the difference between the annual revenues authorized
24 in SDG&E's GRC and the actual annual tree trimming costs. The TTBA is
25 addressed in SDG&E's annual regulatory account update advice letter filing where
26 revenues collected in excess of annual costs are returned to electric distribution
27 customers on an annual basis. SDG&E proposes to modify the balancing account

¹² Ex. SDG&E-41, pp. NGJ-10 to NGJ-11

¹³ Ex. SDG&E-41, p. NGJ-12

1 mechanism from a one-way to a two-way balancing account treatment for the costs
2 authorized in this proceeding.¹⁴

3 ORA addresses SDG&E's proposal to modify the balancing account
4 mechanism of the TTBA in Exhibit ORA-5.

5 **D. New Regulatory Accounts Proposed in the TY2019 GRC**

6 SDG&E proposes to create the following regulatory accounts in the TY 2019
7 GRC.

8 **1. Liability Insurance Premium Balancing Account** 9 **(LIPBA)**

10 SDG&E proposes to create the electric and gas LIPBAs as two-way interest-
11 bearing balancing accounts recorded on SDG&E's financial statements.¹⁵ ORA
12 addresses SDG&E's proposal to create the electric and gas LIPBAs in Exhibit ORA-
13 21.

14 **2. Otay Mesa Acquisition Balancing Account** 15 **(OMABA)**

16 SDG&E proposes to create the electric OMABA as a one-way interest-
17 bearing balancing account recorded on SDG&E's financial statements.¹⁶ ORA
18 addresses SDG&E's proposal to create the electric OMABA in Exhibit ORA-8.

19 **3. Third-Party Claims Balancing Account (TPCBA)**

20 SDG&E proposes to create the electric and gas TPCBAs as two-way
21 interest-bearing balancing accounts recorded on SDG&E's financial statements.¹⁷
22 ORA addresses SDG&E's proposal to create the electric TPCBA in Exhibit ORA-24.

¹⁴ Ex. SDG&E-41, pp. NGJ-12 to NGJ-13

¹⁵ Ex. SDG&E-41, p. NGJ-13

¹⁶ Ex. SDG&E-41, p. NGJ-13

¹⁷ Ex. SDG&E-41, p. NGJ-13

1 **E. Information on Other Regulatory Accounts**

2 **1. Master Meter Balancing Accounts (MMBA)**

3 The electric and gas MMBA record the incremental costs associated with
4 the conversion of master-metered service at mobile home parks to direct utility
5 service as part of a three-year pilot program authorized by D.14-03-021. SDG&E
6 states that since all “to the meter” assets placed into service through December 31,
7 2016 have been included in rate base as part of SDG&E’s TY 2019 GRC, SDG&E
8 will accordingly discontinue recording in the MMBA the capital-related costs
9 associated with these assets upon implementation of the TY 2019 GRC Decision to
10 avoid double recovery of these costs.¹⁸

11 ORA does not take issue with SDG&E’s plan to discontinue recording the
12 incremental costs associated with the conversion of master-metered service at
13 mobile home parks to direct utility service in the MMBA.

14 **V. SCG’s REGULATORY ACCOUNTS**

15 Exhibit SCG-42 presents SCG’s TY 2019 GRC proposals of the Regulatory
16 Accounts. The following table presents the year-end 2014 to 2016 balances of
17 SCG’s regulatory accounts.

¹⁸ Ex. SDG&E-41, p. NGJ-14

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3

Table 30-2
SCG's Regulatory Accounts¹⁹
(Over)/Under Collection as of Year-End

Regulatory Account	2014	2015	2016
Advanced Metering Infrastructure BA	(\$72,444,530)	(\$78,711,154)	(\$88,240,427)
Advanced Meter Opt-Out Program BA	0	409,044	(32,429)
Biogas Compression Services BA	(864)	(12,472)	(22,279)
Core Fixed Cost Account	265,584,469	328,336,900	114,381,018
Compression Services BA	(413,020)	(270,211)	(22,279)
Distributed Energy Resources Services BA	0	0	0
Energy Data Request MA	62,209	162,906	811,448
Fire Hazard Prevention MA	2,357,250	2,360,691	2,372,343
FERC Settlements Proceed MA	(1,833,930)	(494,183)	323,636
Master Meter BA	580,345	1,111,565	2,219,226
New Environmental Regulation BA	(5,929,057)	(10,088,356)	(843,863)
Operation Flow Cost MA	0	(778,196)	(876,816)
Pension BA	(19,743,678)	(35,513,141)	(18,538,522)
Post Retirement Benefits Other than Pension BA	(20,974,065)	(23,350,033)	(1,642,976)
Post 2011 DIMPBA	(98,896)	(3,692,088)	(17,637,034)
RD&D Expense Account	(4,392,556)	(909,674)	(2,141,149)
Research Royalty MA	(379,826)	(94,239)	27,196
Storage Integrity Mgmt Program BA	0	0	6,222,041
Transmission Integrity Mgmt Program BA	48,127,135	52,960,790	14,825,476

4

A. Disposition of Regulatory Account Balances

5

6 SCG proposes the disposition of the remaining balances at year-end 2018 of
7 eight existing regulatory accounts through the implementation of the TY 2019
8 GRC.²⁰ SCG proposes that the actual regulatory account balances as of
9 December 31, 2018, be incorporated into the development of the adopted TY 2019
10 GRC rates if a TY 2019 GRC decision is issued on or after January 1, 2019. In the
11 event that a decision is issued before January 1, 2019, SCG will incorporate a
12 forecast of the ending balances of the account as of December 31, 2018, for
13 inclusion in TY 2019 GRC rates.²¹

¹⁹ SCG's response to data request, ORA-SCG-EXAM-SWC-007

²⁰ Ex. SCG-42, p. RQY-1

²¹ Ex. SCG-42, p. RQY-2

1 **1. Research, Development, and Demonstration**
2 **Expense Account (RDDEA)**

3 The RDDEA records the difference between actual and authorized costs
4 associated with the non-public research, development, and demonstration (RD&D)
5 programs pursuant to D.16-06-054. SCG proposes to amortize the RDDEA
6 balance as of December 31, 2018 in customers' gas transportation rates. SCG also
7 proposes to transfer any residual balance for the 2016 to 2018 program cycle at the
8 end of the amortization period to the CFCA and NFCA.²²

9 ORA does not take issue with SCG's proposed treatment of the RDDEA.

10 **2. Post-2011 Distribution Integrity Management**
11 **Program Balancing Account (DIMPBA)**

12 The Post-2011 DIMPBA records the difference between O&M and capital-
13 related costs and authorized costs associated with SCG's DIMP. The balance as of
14 June 30, 2016 for the 2012-2015 program cycle is \$3.7 million overcollected. SCG
15 proposes to amortize the 2012-2015 Post-2011 DIMPBA balance as of December
16 31, 2018 in customers' gas transportation rates. SCG also requests to transfer any
17 residual balance at the end of the amortization period to the CFCA and NFCA and
18 close the 2012-2015 program cycle.²³

19 ORA does not take issue with SCG's requests to amortize the 2012-2015
20 Post-2011 DIMPBA balance and to transfer any residual balance to the CFCA and
21 NFCA.

22 **3. Energy Data Request Memorandum Account**
23 **(EDRMA)**

24 The EDRMA records the incremental costs associated with providing access
25 to energy usage and usage-related data to local government entities, researchers,
26 and state and federal agencies pursuant to D.14-05-016. SCG proposes to
27 amortize the balance as of December 31, 2018 in customers' gas transportation

²² Ex. SCG-42, pp. RQY-2 to RQY-3

²³ Ex. SCG-42, p. RQY-3

1 rates. Ongoing costs related to providing access to energy usage and usage-
2 related data are included in the TY 2019 GRC. SCG requests to transfer any
3 residual balance in the EDRMA at the end of the amortization period to the DFCA
4 and NFCA and eliminate the account.²⁴

5 ORA does not take issue with SCG's proposal for the EDRMA.

6 **4. Operational Flow Cost Memorandum Account**
7 **(OFCMA)**

8 The OFCMA records costs related to the information system modifications to
9 SCG's Envoy and billing systems to implement the new Low Operation Flow Order
10 and Emergency Flow Order requirements to comply with D.15-06-004. SCG
11 proposes to amortize the balance as of December 31, 2018 in customers' gas
12 transportation rates, and at the end of the amortization period, transfer any residual
13 balances to the CFCA and NFCA and eliminate the account.²⁵

14 ORA does not take issue with SCG's proposal for the OFCMA.

15 **5. Fire Hazard Prevention Memorandum Account**
16 **(FHPMA)**

17 The FHPMA records all costs associated with fire hazard prevention incurred
18 from 2009 to 2011 to comply with D.09-08-029. SCG proposes to amortize the
19 balance as of December 31, 2018 in customers' gas transportation rates, and at the
20 end of the amortization period, transfer any residual balances to the CFCA and
21 NFCA and eliminate the account.²⁶

22 ORA does not take issue with SCG's proposal for the FHPMA.

²⁴ Ex. SCG-42, p. RQY-3

²⁵ Ex. SCG-42, p. RQY-4

²⁶ Ex. SCG-42, p. RQY-4

1 **6. Advanced Meter Opt-Out Program Balancing**
2 **Account (AMOPBA)**

3 The AMOPBA records the incremental costs to implement the Advanced
4 Meter Opt-Out Program and associated revenues in accordance with D.14-02-019
5 and D.14-12-078. SCG proposes to amortize the balance in AMOPBA as of
6 December 31, 2018 in customers' gas transportation rates. SCG proposes to
7 include opt-out costs and revenues in the TY 2019 GRC. SCG proposes to transfer
8 any residual balance in the AMOPBA to the CFCA at the end of the amortization
9 period and eliminate the account.²⁷

10 ORA does not take issue with SCG's proposal for AMOPBA.

11 **7. Aliso Canyon Memorandum Account (ACMA)**

12 The ACMA records the incremental costs associated with the Aliso Canyon
13 Turbine Replacement (ACTR) Project that are in excess of the \$200.9 million cost
14 cap approved in D.13-11-023. The ACTR Project is expected to be in service by
15 the end of 2017 and capital-related costs exceeding the \$200.9 million cost cap will
16 be recorded to the ACMA at that time. SCG requests to amortize the balance as of
17 December 31, 2018 in customers' gas transportation rates.

18 SCG states that the ACTR Project costs have been included in rate base as
19 part of this TY 2019 GRC filing. SCG will discontinue recording in the ACMA the
20 capital-related costs associated with these assets upon implementation of the TY
21 2019 GRC decision to avoid double recovery of these costs. SCG requests to
22 eliminate the ACMA after the remaining balance has been amortized in rates.²⁸

23 ORA does not take issue with SCG's proposal for ACMA.

24 **8. Aliso Canyon True-up Tracking Account (ACTTA)**

25 Pursuant to D.13-11-023, the ACTTA records (1) the benefits associated
26 with the sale of the Regional Clean Air Incentives Market Trading Credits (RTCs)

²⁷ Ex. SCG-42, pp. RQY-4 to RQY-5

²⁸ Ex. SCG-42, p. RQY-5

1 generated by the ACTR Project in the RTC Subaccount and (2) the difference
2 between estimated O&M and capital benefits included in the ACTR Project revenue
3 requirement versus the actual benefits realized in the O&M/Capital Benefits
4 Subaccount. The ACTR Project is expected to be in service by the end of 2017 and
5 any benefits realized once the project is in service will be recorded to the ACTTA.
6 SCG proposes to amortize the balance as of December 31, 2018 in customers' gas
7 transportation rates.

8 SCG states that the O&M and capital benefits forecasted to be generated by
9 the ACTR Project have been included in the TY 2019 GRC. SCG will discontinue
10 recording benefits to the ACTTA upon implementation of the TY 2019 GRC
11 decision to avoid double refunding of these benefits. SCG requests to eliminate the
12 ACTTA after the remaining balance has been amortized in rates.²⁹

13 ORA does not take issue with SCG's request for ACTTA.

14 **B. Closure of Regulatory Accounts**

15 SCG requests to close two regulatory accounts: (1) Federal Energy
16 Regulatory Commission (FERC) Settlement Proceeds Memorandum Account
17 (FSPMA) and (2) Deductible Tax Repairs Benefits Memorandum Account
18 (DTRBMA).³⁰

19 ORA does not take issue with SCG's request to close the FSPMA and
20 DTRBMA.

21 **C. Continuation of Existing Regulatory Accounts**

22 SCG requests the continuation of four existing regulatory accounts: (1)
23 Pension Balancing Account (PBA); (2) Post-Retirement Benefits Other Than
24 Pension Balancing Account (PBOPBA); (3) Research Royalties Memorandum

²⁹ Ex. SCG-42, p. RQY-6

³⁰ Ex. SCG-42, pp. RQY-6 to RQY-7

1 Account (RRMA); and (4) New Environmental Regulation Balancing Account
2 (NERBA).³¹

3 ORA does not take issue with SCG's request for the continuation of the PBA,
4 PBOPBA, RRMA, and NERBA.

5 **D. Modification of Regulatory Accounts**

6 SCG proposes to modify the following regulatory accounts.

7 **1. CFCA**

8 The CFCA balances the difference between authorized margin and other
9 non-gas costs allocated to core customers and the revenues intended to recover
10 these costs. In D.16-06-046, the Commission approved the closure of four branch
11 offices and ordered SCG to record any net savings as a result of the closures to the
12 CFCA until those net savings are incorporated in SCG's next GRC. SCG has
13 included the net savings from the closure of the four branch offices in the TY 2019
14 GRC. SCG proposes to modify the CFCA to discontinue recording the net savings
15 to the CFCA effective with the TY 2019 GRC decision.³²

16 ORA does not take issue with SCG's proposal to discontinue recording net
17 savings as a result of the closures of four branch offices to the CFCA effective with
18 the TY 2019 GRC decision.

19 **2. Advanced Meter Infrastructure Balancing** 20 **Account (AMIBA)**

21 Pursuant to D.10-04-027, the AMIBA was created with the purpose of
22 recording the costs and revenue requirements associated with SCG's Advanced
23 Meter Infrastructure (AMI) Project. SCG has extended the AMIBA through 2018 to
24 complete the deployment phase and continue post-deployment activities. The
25 AMIBA has three subaccounts: (1) Deployment Phase Cost Subaccount; (2) Post-

³¹ Ex. SCG -42, pp. RQY-7 to RQY-9

³² Ex. SCG-42, p. RQY-9

1 Deployment Phase Cost Subaccount; and (3) Escalated Jurisdictions Cost
2 Subaccount.³³

3 SCG states that it will record the cost sharing adjustment in the Deployment
4 Phase Cost Subaccount of the AMIBA once all deployment costs have been
5 recorded and analyzed. Then SCG will request amortization of both the
6 Deployment Phase Cost and the Post-Deployment Phase Cost Subaccounts
7 balances in customers' gas transportation rates in connection with SCG's annual
8 regulatory account balance update filing. Any residual balance after the
9 amortization period will be transferred to the CFCA and the Deployment Phase
10 Cost and the Post-Deployment Phase Cost Subaccounts will be closed.³⁴

11 The AMI costs and related benefits are included in the TY 2019 GRC. SCG
12 proposes to discontinue recording AMI costs in the Deployment Phase Cost and the
13 Post-Deployment Phase Cost Subaccounts of the AMIBA effective with the TY
14 2019 GRC decision.³⁵

15 ORA does not take issue with SCG's proposal for AMIBA.

16 **3. Discontinuation of Service Establishment**
17 **Charges (SEC)**

18 SCG proposes the discontinuation of the Service Establishment Charges
19 (SEC) previously recoverable as miscellaneous revenues in past GRCs and instead
20 recover service establishment costs through base rates.³⁶

21 ORA addresses SCG's proposal on the discontinuation of the SEC in Exhibit
22 ORA-29.

³³ The Escalated Jurisdictions Subaccount records costs associated with the manual reading of meters in counties where AMI was not deployed due to permitting issues. This subaccount will be addressed in SCG's next GRC proceeding. (Ex. SCG-42, p. RQY-10)

³⁴ Ex. SCG-42, pp. RQY-10 to RQY-11

³⁵ Ex. SCG-42, pp. RQY-10 to RQY-11

³⁶ Ex. SCG-42, p. RQY-11

1 **4. Transmission Integrity Management Program**
2 **Balancing Account (TIMPBA), Post-2011 DIMPBA,**
3 **and Storage Integrity Management Program**
4 **Balancing Account (SIMPBA)**

5 The purpose of the TIMPBA, Post-2011 DIMPBA, and SIMPBA is to balance
6 the difference between actual and authorized costs in each account. These
7 accounts consist of both O&M and capital related costs. The capital-related
8 component reflects TIMP, DIMP, and SIMP costs recovered through depreciation,
9 return, and taxes associated with capitalized TIMP/DIMP costs.³⁷

10 In D.16-06-054, the Commission approved recovery of costs up to 35% of
11 the TIMP, DIMP, and SIMP programs' respective TY 2016 GRC cycle authorized
12 revenue requirement through a Tier 3 advice letter. Recovery of any amount equal
13 to or above the 35% threshold is subject to a separate application. When
14 computing a dollar amount threshold to determine whether SCG should file a Tier 3
15 advice letter or application to seek recovery of an undercollection in the TIMPBA,
16 Post-2011 DIMPBA, and/or SIMPBA, SCG proposes to not use a percentage of its
17 total GRC cycle revenue requirement due to the significant difference between
18 actual capital revenue and the authorized, escalated capital revenue requirements
19 resulting from a compounding issue. Instead, SCG proposes to change the current
20 calculation to compute the dollar amount threshold by multiplying the total
21 authorized O&M and capital expenditures by 35%. SCG states that as a result of
22 this change in calculation methodology, SCG would file a Tier 3 advice letter to
23 seek recovery of the undercollection in the TIMP/DIMP/SIMP balancing accounts
24 when the corresponding program is overspent by up to 35% of the total authorized
25 O&M and capital expenditures. For overspending greater than or equal to 35%,
26 SCG will file a separate application to request recovery. If SCG has not overspent
27 in excess of its total authorized O&M and capital expenditures for the GRC cycle,
28 but an undercollection exists in the balancing account due to compounding of the
29 actual capital revenue requirements recorded to the balancing account, SCG will

³⁷ Ex. SCG-42, p. RQY-12

1 incorporate the undercollected balance in its annual regulatory account update
2 advice letter filing for recovery in the following year's gas transportation rates. If a
3 net overcollection exists at the end of the GRC cycle, SCG requests to refund the
4 balance in customers' rates in connection with its annual regulatory account update
5 filing.³⁸

6 ORA does not take issue with SCG's proposal to change the current
7 calculation to compute the dollar amount threshold by multiplying the total
8 authorized O&M and capital expenditures by 35% when computing a dollar amount
9 threshold to determine whether SCG should file a Tier 3 advice letter or application
10 to seek recovery of an undercollection in the TIMPBA, Post-2011 DIMPBA, and
11 SIMPBA.

12 ORA does not take issue with SCG's proposal to incorporate the
13 undercollected balance in its annual regulatory account update filing advice letter
14 for recovery in the following year's gas transportation rates. ORA does not take
15 issue with SCG's proposal that if a net overcollection exists at the end of the GRC
16 cycle, SCG will refund the balance in customers' gas transportation rates in
17 connection with its annual regulatory account update filing.

18 **E. Creation of New Regulatory Accounts**

19 SCG requests to create the following regulatory accounts.

20 **1. Pipeline Safety Enforcement Plan Balancing** 21 **Account (PSEPBA)**

22 SCG proposes to create a new interest-bearing two-way balancing account,
23 Pipeline Safety Enforcement Plan Balancing Account (PSEPBA), to record, on an
24 aggregate project basis, the O&M and capital-related costs associated with the
25 PSEP projects planned as part of the TY 2019 GRC cycle and corresponding
26 authorized revenue requirement.³⁹

27 ORA addresses SCG's proposal to create PSEPBA in Exhibit ORA-03.

³⁸ Ex. SCG-42, pp. RQY-14 to RQY-15

³⁹ Ex. SCG-42, p. RQY-16

1 **2. Morongo Rights-of-Way Memorandum Account**
2 **(MROWMA)**

3 SCG proposes to create a memorandum account to record pre-construction
4 costs associated with the evaluation of potential relocation of transmission pipelines
5 that run underneath land held by the United States Government in trust for the
6 Morongo Band of Mission Indians.⁴⁰

7 ORA addresses SCG’s proposal to create MROWMA in Exhibit ORA-13.

8 **3. Morongo Rights-of Way Balancing Account**
9 **(MROWBA)**

10 SCG proposes to create an interest-bearing two-way balancing account to
11 record and recover costs associated with the renewal of expiring rights-of-way
12 within the Morongo reservation.⁴¹

13 ORA addresses SCG’s proposal to create MROWBA in Exhibit ORA-13.

14 **4. Liability Insurance Premium Balancing Account**
15 **(LIPBA)**

16 SCG proposes to create the LIPBA as a two-way interest-bearing balancing
17 account recorded on SCG’s financial statements. The LIPBA will record the
18 difference between the authorized revenue requirement to be adopted in this TY
19 2019 GRC specific to liability insurance premiums charge to SCG as set forth in
20 Exhibit SCG-29 and the actual expenses incurred and charged to SCG.⁴²

21 ORA addresses SCG’s proposal to create LIPBA in Exhibit ORA-21.

22 **F. Discussion of Other Regulatory Accounts**

23 **1. Master Meter Balancing Accounts (MMBA)**

24 The MMBA record the incremental costs associated with the conversion of
25 master-metered service at mobile home parks to direct utility service as part of a

⁴⁰ Ex. SCG-42, p. RQY-17

⁴¹ Ex. SCG-42, p. RQY-18

⁴² Ex. SCG-42, p. RQY-19

1 three-year pilot program authorized by D.14-03-021. SCG states that since all “to
2 the meter” (TTM) assets placed into service through December 31, 2016 have been
3 included in rate base as part of SCG’s TY 2019 GRC, SCG will accordingly
4 discontinue recording in the MMBA the capital-related costs associated with these
5 assets upon implementation of the TY 2019 GRC Decision to avoid double recovery
6 of these costs. Capital-related costs associated with TTM assets placed in service
7 after 2016 will continue to be balanced in the MMBA.⁴³

8 ORA does not take issue with SCG’s plan to discontinue recording the
9 incremental costs associated with the conversion of master-metered service at
10 mobile home parks to direct utility service in the MMBA.

⁴³ Ex. SCG-42, p. RQY-20

1

WITNESS QUALIFICATIONS

2 My name is Sophie Chia. My business address is 505 Van Ness Avenue,
3 San Francisco, California. I am employed by the Office of Ratepayer Advocates
4 (ORA) as a Public Utility Financial Examiner IV in the Energy Cost of Service and
5 Natural Gas Branch.

6 I received a Bachelor of Science Degree in Business Administration /
7 Accounting from California State University, San Francisco.

8 I joined the Commission in 1985, and I held the position of Financial
9 Examiner until 1995; during that time, I conducted audits and analyses of utility
10 operations, prepared written testimony, and testified in telecommunications
11 proceedings. I rejoined the Commission in January 2003; since then, I have been
12 the ORA witness on Customer Service expenses, Other Operating Revenues,
13 Operations Support expenses, Transmission & Distribution expenses, and capital
14 expenditures for General Rate Cases of various electric and gas utilities.

15 This completes my prepared testimony.