

Application: A.25-02-XXX
Exhibit No.: SDG&E-03
Witness: E. Dalton

Application of San Diego Gas & Electric Company
(U 902 G) to Recover Costs Recorded in the
Transmission Integrity Management Program
Balancing Account from January 1, 2019 to
December 31, 2023.

A.25-02-XXX

CHAPTER III
PREPARED DIRECT TESTIMONY OF
ERIC DALTON
(BALANCING ACCOUNT AND REVENUE REQUIREMENT)
ON BEHALF OF SAN DIEGO GAS & ELECTIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

February 27, 2025

TABLE OF CONTENTS

| | |
|--|---|
| I. PURPOSE AND OVERVIEW OF TESTIMONY | 1 |
| II. BACKGROUND..... | 1 |
| III. TIMPBA UNDER-COLLECTION BALANCE..... | 3 |
| V. WITNESS QUALIFICATIONS | 7 |

CHAPTER III
PREPARED DIRECT TESTIMONY OF ERIC DALTON
(Balancing Account and Revenue Requirement)

I. PURPOSE AND OVERVIEW OF TESTIMONY

The purpose of my prepared direct testimony is to sponsor the Transmission Integrity Management Program (TIMP) revenue requirement associated with TIMP projects costs presented for review in this Application and that are recorded in San Diego Gas & Electric Company's (SDG&E) Transmission Integrity Management Program Balancing Account (TIMPBA).¹

SDG&E requests authority to recover its TIMPBA under-collection balance of \$7.4 million as of December 31, 2024, representing the remaining under-collected revenue requirement associated with the TIMP expenditures (from August 1, 2023 through December 31, 2023) that exceeded the total authorized Test Year (TY) 2019 General Rate Case (GRC) cycle operation and maintenance (O&M) and capital expenditures for the program. This amount also includes interest through December 31, 2024.

II. BACKGROUND

The TIMPBA is a two-way balancing account that records the difference between actual and authorized O&M costs and capital-related costs associated with the TIMP.² SDG&E first established the TIMPBA in accordance with Decision (D.) 13-05-010, to recover the operations and maintenance costs, and capital expenditures cost of the TIMP for the TY 2012 GRC cycle.³ For the purposes of this Application, the TIMPBA was reauthorized in SDG&E's TY 2019 GRC Decision, D.19-09-051, effective for the five-year GRC cycle ending December 31, 2023. Pursuant to D.19-09-051, SDG&E is authorized to submit a Tier 3 advice letter to seek recovery of any TIMP under collections of revenue requirement when actual expenditures exceed up to

¹ TIMP costs are presented in the Prepared Direct Testimony of Travis Sera (Chapter I).

² SDG&E TIMPBA effective for the TY 2019 GRC cycle, *see* <https://tariffsprd.sdge.com/view/historical/?utilId=SDGE&bookId=GAS&tarfKey=757&tarfYear=2019>.

³ D.13-05-010 at 1105 (Ordering Paragraph (OP) 16).

1 35% of the total authorized O&M and capital expenditures for the entire cycle.⁴ For under
2 collections of revenue requirement associated with TIMP costs that are greater than or equal to
3 35% of the total authorized O&M and capital expenditures, SDG&E is authorized to seek
4 recovery through a separate application.⁵

5 In addition, the TY 2019 GRC Decision authorized a new two-part attrition mechanism
6 for SDG&E's post-test years' (PTY) revenue requirement. Imputed authorized TIMP O&M and
7 capital expenditures are derived through this authorized PTY mechanism. Specifically,
8 authorized PTY TIMP revenue requirement is made of O&M and capital revenue requirement
9 where:

- 10 1) authorized PTY O&M expenses are derived through escalation of the authorized TY
11 2019 O&M expenses using the authorized O&M attrition factors; and
- 12 2) authorized PTY capital revenue requirements is derived by an escalated seven-year
13 average of recorded and forecasted capital additions using authorized capital attrition
14 factors.⁶

15 As a result of the above PTY mechanism for capital revenue requirement, authorized TIMP
16 capital expenditures are no longer based on project specific forecasts beginning with the TY
17 2019 GRC. Instead, authorized capital expenditures are imputed by calculating an escalated
18 seven-year average of recorded and forecasted capital expenditures from 2013-2019 and
19 applying adopted capital attrition factors for each PTY's calculated capital expenditure.⁷ Table
20 ED-1 provides the total imputed authorized TIMP O&M and capital expenditures for the TY
21 2019 GRC cycle.

⁴ D.19-09-051 at 694-695, 700; *see also* Application (A.) 17-10-007, Ex. SDG&E-41 at NGJ-11 to NGJ-12 (Direct Testimony of Norma G. Jasso dated Oct. 6, 2017), *available at*: <https://www.sdge.com/sites/default/files/SDG%2526E-41%2520Direct%2520Testimony%2520of%2520Norma%2520Jasso%2520-%2520Regulatory%2520Accounts.pdf>.

⁵ *Id.*

⁶ D.19-09-051 at 776 (OP 4).

⁷ *Id.* at 776 (OP 4-5); D.21-05-003 at 33-34 (OP 2).

Table ED-1
Imputed Authorized TIMP O&M and Capital Expenditures (in \$millions)

| Authorized | O&M | Capital | Total |
|-------------------|----------------|----------------|---------------|
| 2019 | 8,812 | 4,526 | 13,338 |
| 2020 | 9,045 | 8,236 | 17,281 |
| 2021 | 9,269 | 8,366 | 17,635 |
| 2022 | 9,454 | 8,464 | 17,918 |
| 2023 | 9,667 | 8,645 | 18,312 |
| Total | 46,247 | 38,237 | 84,484 |

In accordance with the recovery method authorized for the TIMPBA, SDG&E submitted Advice Letter (AL) 3257-G-A to recover TIMPBA under collections totaling \$21.7 million, for the period of January 1, 2019 to July 31, 2023.⁸ The balance represents the incremental revenue requirement associated with reasonably incurred TIMP expenditures, which exceeded the authorized TY 2019 GRC cycle O&M and capital expenditures by 24% as of July 31, 2023. SDG&E has continued to record under collections totaling \$7.4 million in the TIMPBA due to continued O&M and capital expenditures above the 24% through the remainder of the TY 2019 GRC cycle (August 1, 2023 through December 31, 2023).

III. TIMPBA UNDER-COLLECTION BALANCE

In this Application, SDG&E requests to recover the under-collected revenue requirement in the TIMPBA of \$7.4 million associated with exceeding the total authorized O&M and capital

⁸ On December 15, 2023, SDG&E submitted Advice Letter (AL) 3257-G requesting authority to recover its TIMPBA under-collected balance of \$23.3 million as of July 31, 2023. On September 30, 2024, SDG&E submitted supplemental AL 3257-G-A which updated the TIMPBA under-collected balance, as of July 31, 2023, to \$21.7 million to account for the following: 1) removal of \$169 thousand in operation and maintenance (O&M) costs incurred for activities associated with new federal regulations that took effect during the Test Year (TY) 2019 General Rate Case (GRC) cycle that should be recovered outside of the TIMPBA; 2) reclassification of \$1.0 million (net) TIMPBA expenditures from capital to O&M to correct inadvertent errors resulting from costs charged to incorrect work orders for certain TIMP projects; and 3) revise the TIMPBA under-collected balance to reflect these expenditure updates as well as to true up the balance to incorporate on-going capital-related revenue requirements, interest, and authorized revenue collected for the remainder of the TY 2019 GRC cycle (i.e. from August 1, 2023 through December 31, 2023), and actual and projected interest through December 2024, which is consistent with Commission Resolution G-3600.

1 expenditures for the period of August 1, 2023 through December 31, 2023.⁹ The under-
2 collection is comprised of:

- 3 • O&M expenses of \$14.5 million,
- 4 • capital revenue requirement (i.e., depreciation, return, and taxes) of (\$7.5) million,
- 5 and
- 6 • interest of \$0.5 million.

7 SDG&E proposes to true up the under-collected balance to incorporate additional interest
8 recorded to the TIMPBA when a Commission decision is issued and customers' rates are
9 updated.

10 Table ED-2 below shows the summary of recorded TIMPBA activity that results in the
11 under-collection which includes actual interest through December 31, 2024.

⁹ Workpaper Ex. SDG&E-03-WP details the costs recorded in the TIMPBA through December 31, 2024, associated with costs greater than 24% of authorized 2019 GRC cycle O&M and capital expenditures.

Table ED-2
Transmission Integrity Management Program - Actual v. Authorized
TIMPBA Calculation (Revenue Requirement, \$000)

| Authorized | O&M | Capital | Interest | TIMPBA Activity |
|---|-------------------|------------------|------------------|------------------------|
| 2019 | \$8,812 | \$195 | | \$9,007 |
| 2020 | 9,045 | 502 | | 9,547 |
| 2021 | 9,269 | 552 | | 9,821 |
| 2022 | 9,454 | 610 | | 10,064 |
| 2023 | 9,667 | 646 | | 10,313 |
| Subtotal | \$46,247 | \$2,505 | | \$48,752 |
| Actual | O&M | Capital | Interest | TIMPBA Activity |
| 2019 | \$10,006 | \$117 | \$60 | \$10,183 |
| 2020 | 11,014 | 423 | 17 | 11,454 |
| 2021 | 11,559 | 922 | 4 | 12,485 |
| 2022 | 11,843 | 1,056 | 128 | 13,027 |
| 2023* | 34,388 | (6,212) | 1,062 | 29,238 |
| 2024** | | | 1,455 | 1,455 |
| Subtotal | \$78,810 | (\$3,694) | \$2,726 | \$77,842 |
| Under/(Over) Collection | \$32,563 | (\$6,199) | \$2,726 | \$29,090 |
| Deduct: TIMPBA Tier 3 AL 3257-G-A Recovery | (\$18,123) | (\$1,335) | (\$2,218) | (\$21,676) |
| Remaining Under-Collection Requested for Recovery | \$14,440 | (\$7,534) | \$508 | \$7,414 |
| Note: Actual and Authorized TIMPBA Activity to Date – December 31, 2024. Subtotals may include rounding differences. * Credit to the capital revenue requirement is due to the 2023 natural gas safe harbor repairs tax benefit of \$8.2 million for TIMP that exceeds the authorized amount. **Interest is actual through December 31, 2024. | | | | |

1 **IV. INCORPORATION OF TIMPBA REVENUE REQUIREMENT IN RATES**

2 Upon a Commission approval of this Application, the revenue requirement will also be
3 trued-up through the date rates are implemented for recovery of TIMP costs for regulatory
4 account interest. SDG&E will file a Tier 1 Advice Letter within 30 days of the effective date of
5 the decision authorizing recovery to incorporate the updated revenue requirements into rates on
6 the first day of the next month following the Tier 1 advice letter submission or in connection
7 with other authorized rate changes implemented by SDG&E. The revenue requirement will be
8 amortized in gas transportation rates based on the approved allocation methodology in SDG&E's
9 most recent Cost Allocation Proceeding decision, as discussed in the Prepared Direct Testimony
10 of Marjorie Schmidt-Pines (Chapter IV).

11 This concludes my prepared direct testimony.

1 **V. 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. I
8 received a Bachelor of Science in Accounting in 1999 from the University of Kansas. I am a
9 Certified Public Accountant (CPA) licensed in the State of California since 2003. I have been
10 employed with SDG&E since 2006. In addition to my current position in Regulatory Reporting
11 & Accounts, I have held various other positions increasing in responsibility since September
12 2006. I served as the Billable Project Supervisor in Plant Accounting (January 2013 – August
13 2014), Bank Reconciliation Supervisor (July 2011 – December 2012), and Financial Accounting
14 Senior and Principal Accountant (September 2006 - June 2011).

15 I have previously testified before this Commission.