

Application No: A.17-05-
Exhibit No.: _____
Witness: R. Austria

Application of San Diego Gas & Electric Company
(U 902 M) for Approval To Extend the Mobilehome
Park Utility Upgrade Program.

Application 17-05-____
(Filed May 5, 2017)

CHAPTER 4
COST RECOVERY AND REGULATORY TREATMENT
PREPARED DIRECT TESTIMONY OF
REGINALD M. AUSTRIA
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 5, 2017

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1 **I. PURPOSE AND OVERVIEW OF TESTIMONY**

2 The purpose of my testimony is to sponsor the regulatory accounting treatment of costs
3 for San Diego Gas & Electric Company’s (“SDG&E”) Mobile Home Park (“MHP”) Program
4 proposed in this Application. The MHP Program is a six-year continuation (i.e., Years 2018
5 through 2023) of the three-year pilot program, which was authorized by the California Public
6 Utilities Commission (“Commission”) in Decision (“D.”) 14-03-021, to provide safe and reliable
7 utility service at MHPs and manufactured housing communities by transferring master-metered
8 natural gas and electricity to direct utility service.¹

9 **II. REGULATORY ACCOUNTING TREATMENT OF COSTS ASSOCIATED**
10 **WITH THE MHP PROGRAM**

11 SDG&E proposes to revise its existing gas and electric Master Meter Balancing Accounts
12 (“MMBAs”) to record MHP conversion costs for the six-year extension (2018-2023) of the MHP
13 Program proposed in this Application beyond the three-year Pilot approved in D.14-03-021, as
14 shown in Attachments A and B. The regulatory accounting treatment and recovery of MHP
15 conversion costs associated with the MHP Program will be substantially the same as the
16 treatment authorized in D.14-03-021 for the SDG&E’s three-year MHP Pilot Program.² In D.14-
17 03-021, the Commission adopted the following ratemaking design for the MHP Pilot Program:

- 18 ▪ “To the Meter” (“TTM”) Costs – TTM costs are capitalized as ratebase and the
19 associated incremental capital-related revenue requirements (i.e., depreciation,
20 return and taxes) are charged (i.e., balanced) in the MMBAs.
- 21 ▪ “Beyond the Meter” (“BTM”) Costs – BTM costs are capitalized as regulatory
22 assets and are amortized over a ten-year period. The associated incremental

¹ See Decision (“D.”) 14-03-021, issued on March 13, 2014.

² See D.14-03-021 at pp. 48-51.

1 revenue requirements (i.e., amortization, return and taxes) are charged in the
2 MMBAAs.

- 3 ■ Outreach Costs – Outreach costs are allocated as O&M and incurred for annual
4 recovery in the MMBAAs.
- 5 ■ Project Management Office (“PMO”) Costs – Because the PMO supports both the
6 Outreach, Planning and Construction, the PMO costs are allocated between
7 capital and O&M based on the breakdown between outreach (as O&M) costs and
8 Planning and Construction (as capital). The MMBAAs record the PMO’s
9 allocation of O&M costs, customer outreach costs and associated, incremental
10 ongoing costs (including, but not limited to, adding additional full-time
11 employees as deemed necessary).

12 The capital costs (TTM and BTM) recorded in the MMBAAs are recovered in rates in the
13 year following the year the customer converts to direct utility service, while the O&M costs are
14 recovered in rates as incurred. The annual amortization associated with the MMBA balances are
15 based on actual recorded information and authorized through SDG&E’s annual regulatory
16 account balance update filings.

17 As with costs incurred in the MHP Pilot Program, in accordance with D.14-03-021,
18 SDG&E proposes the following: “Review for reasonableness of ‘to the meter’ costs will occur
19 in the general rate case where these costs are put into rate base. Review for reasonableness of
20 ‘beyond the meter’ costs will occur in the first general rate case after service cut over.”³

21 **III. PROPOSED RATE RECOVERY OF MHP PROGRAM COSTS**

22 Similar to the Commission-approved rate recovery mechanism for MHP Pilot Program
23 costs, SDG&E proposes that MHP Program costs be recorded in the MMBAAs in the same

³ D.14-03-021 at p. 77 (Ordering Paragraph 8).

1 manner as the MHP Pilot costs described above in section II, and incorporated in rates as
2 follows:

- 3 ▪ TTM and BTM Cost – These capitalized costs will be recovered in gas and
4 electric rates in the year following the year the customer has converted to direct
5 utility service.
- 6 ▪ O&M Costs – These costs will be recovered in gas and electric rates as incurred
7 and recorded in SDG&E’s MMBA’s.

8 Capital and O&M costs will be incorporated in gas and electric rates in connection with
9 SDG&E’s annual October regulatory account balance update filings for gas and electric rates,
10 effective January 1st of the following year.

11 For the MHP Program, SDG&E proposes to request cost recovery in connection with its
12 annual filings according to (1) park conversions completed and (2) park conversions anticipated
13 to be completed at year-end, as follows:

- 14 1. MHP Conversions Completed – Include the actual revenue requirements
15 associated with these completed MHP conversions for September through
16 December of the current year as well as the entire twelve months of the
17 following year.
- 18 2. MHP Conversions Anticipated to be Completed by Year-End⁴ – Include
19 forecasted revenue requirements for MHP conversion projects where
20 customers will be cut over to direct utility service by the end of the year.
21 Forecasted revenue requirements will be calculated through the end of the
22 current year as well as the entire twelve months of the following year.

⁴ These MHP conversions are projects where (a) a significant portion of the costs have already been incurred; and (b) which are anticipated to be inspected by applicable jurisdictional authorities by the end of the year for customers to be cutover to direct utility service.

1 Any difference between the actual and forecasted revenue requirements
2 will be trued-up in connection with SDG&E's next gas and electric annual
3 regulatory account balance update filings.

4 This cost recovery mechanism will provide more timely cost recovery of SDG&E's
5 MMBA balances which will help avoid under-collected balances from accumulating in the
6 accounts, thereby minimizing the gas and electric rate impact on customers on a year-to-year
7 basis during the six-year period of the MHP Program.

8 To the extent that the undepreciated balance of TTM costs and other PMO costs are
9 incorporated in SDG&E's next GRC, these costs will no longer be recorded to (and recovered
10 through) SDG&E's MMBA's. Only the BTM costs will continue to be recovered through the
11 SDG&E's MMBA's since these costs are recorded as a regulatory asset and amortized over a ten-
12 year period on the basis of each individual MHP.

13 **IV. CONCLUSION**

14 The recovery and regulatory accounting treatment of costs associated with SDG&E's
15 MHP Program are substantially consistent with the MHP Pilot Program previously authorized by
16 the Commission, with the additional proposal to expand recovery of the MMBA balances.
17 SDG&E's proposed accounting treatment of the MHP Program costs is reasonable, and therefore
18 should be adopted.

19 This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Reginald M. Austria. I am employed by SoCalGas. My business address is 555
3 West Fifth Street, Los Angeles, California, 90013-1011. I am the Regulatory Accounts Manager of
4 the Regulatory Accounts group within the Accounting and Finance Department which supports the
5 regulatory accounting and reporting activities for SoCalGas. I have held my current position since
6 April 1, 2002. I am responsible for managing SoCalGas' authorized regulatory balancing, tracking
7 and memorandum accounts. My responsibilities include: implementing regulatory accounting
8 procedures for compliance with Commission decisions; quantifying and recording the monthly
9 entries and adjustments to the Commission-authorized regulatory account mechanisms; and
10 managing the general administration of SoCalGas' authorized regulatory accounts. Prior to April 1,
11 2002, I was the Utility Accounting Manager for SoCalGas, in which capacity I had similar
12 responsibilities to my current duties.

13 I received my Bachelor of Science degree in Accounting from California State University,
14 Long Beach in 1982. I am a Certified Public Accountant and a member of the American Institute of
15 Certified Public Accountants and the California Society of Certified Public Accountants. I began
16 my employment with SoCalGas in 1983 in the Accounting and Finance Department. I have held
17 various positions of increasing responsibility in Internal Audit, Cost Accounting, General
18 Accounting, and Utility Regulatory Accounting before assuming my current position.

19 I have previously testified before the Commission.

Attachment A



PRELIMINARY STATEMENT

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**IV. BALANCING ACCOUNTS
MASTER METER BALANCING ACCOUNT (MMBA)**

1. Purpose:

The MMBA is a two-way interest bearing balancing account recorded on SDG&E's financial statements. The purpose of the MMBA is to record the incremental costs associated with the conversion of master-metered service (i.e., Mobile Home Park Conversion Program) at mobile home parks and manufactured housing communities to direct utility service. Pursuant to Decision (D.) 1x-xx-xxx, the Mobile Home Park Program is a six-year extension (2018-2023) of the Mobile Home Park Conversion Program which was a three-year (2015-2017) pilot program as authorized in D. 14-03-021 decision.

2. Applicability:

The MMBA shall apply to all customer classes unless otherwise specified by the Commission.

3. Rates:

The MMBA will be collected through gas distribution rates.

4. Accounting Procedures:

Utility shall maintain the MMBA by making entries to this account as follows:

- a) A debit entry equal to the actual incremental revenue requirements (i.e., O&M and capital-related costs such as depreciation, taxes and return) associated with the "to the meter" Mobile Home Park conversion costs capitalized and placed in service upon system cutover to direct utility service, including incremental O&M start-up costs such as customer outreach, administration and other ongoing costs to implement-administer the six-year pilot-upgrade program;
- b) A debit entry equal to the actual incremental revenue requirements (i.e., amortization, income taxes and return), of the regulatory asset balance associated with "beyond the meter" Mobile Home Park conversion costs amortized in rates over a ten-year-ten-year period at SDG&E's current authorized rate of return on ratebase;
- c) An entry equal to amortization of the MMBA balance as authorized by the Commission; and
- d) A debit or credit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the entries above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition:

The balance in the MMBA will be amortized in connection with SDG&E's annual regulatory account balance update filing for rates effective January 1 of the following year. This mechanism will continue until "to the meter" conversion costs are rolled into base rates in connection with a General Rate Case (GRC) or other applicable proceeding and the "beyond the meter" costs are fully amortized over a ten-year period.

(Continued)

Attachment B



PRELIMINARY STATEMENT

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II. BALANCING ACCOUNTS
MASTER METER BALANCING ACCOUNT (MMBA)

1. Purpose:

The MMBA is a two-way interest bearing balancing account recorded on SDG&E's financial statements. The purpose of the MMBA is to record the incremental costs associated with the conversion of master-metered service (i.e., Mobile Home Park Conversion Program) at mobile home parks and manufactured housing communities to direct utility service. Pursuant to Decision (D.) 1x-xx-xxx, the Mobile Home Park Program is a six-year extension (2018-2023) of the Mobile Home Park Conversion Program which was a three-year (2015-2017) pilot program as authorized in D. 14-03-021 decision.

2. Applicability:

The MMBA shall apply to all customer classes unless otherwise specified by the Commission.

3. Rates:

The MMBA will be collected through electric distribution rates.

4. Accounting Procedures:

Utility shall maintain the MMBA by making entries to this account as follows:

- a) A debit entry equal to the actual incremental revenue requirements (i.e., O&M and capital-related costs such as depreciation, taxes and return) associated with the "to the meter" Mobile Home Park conversion costs capitalized and placed in service upon system cutover to direct utility service, including incremental O&M ~~start-up~~ costs such as customer outreach, administration and other ongoing costs to ~~implement administer~~ the ~~3~~six-year ~~pilot-upgrade~~ program;
- b) A debit entry equal to the actual incremental revenue requirements (i.e., amortization, income taxes and return), of the regulatory asset balance associated with "beyond the meter" Mobile Home Park conversion costs amortized in rates over a ~~ten-year~~ten-year period at SDG&E's current authorized rate of return on ratebase;
- c) An entry equal to amortization of the MMBA balance as authorized by the Commission; and
- d) A debit or credit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the entries above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition:

The balance in the MMBA will be amortized in connection with SDG&E's annual regulatory account balance update filing for rates effective January 1 of the following year. This mechanism will continue until "to the meter" conversion costs are rolled into base rates in connection with a General Rate Case (GRC) or other applicable proceeding and the "beyond the meter" costs are fully amortized over a ten-year period.