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Exhibit No.:
Witness: Gregory D. Shimansky

PREPARED DIRECT TESTIMONY OF

GREGORY D. SHIMANSKY

SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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SDGE

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PREPARED DIRECT TESTIMONY OF
GREGORY D. SHIMANSKY
ON BEHALF OF SDG&E

I. INTRODUCTION

The purpose of my testimony is to address San Diego Gas & Electric Company's ("SDG&E's") undercollection recorded in its Energy Resource Recovery Account ("ERRA"). My testimony:

- describes SDG&E's ERRA Trigger mechanism;
- provides SDG&E's recorded February 29, 2012 ERRA adjusted[1] undercollected balance of $43.233 million,[2] which exceeds the four percent (4%) trigger point;
- shows that the anticipated ERRA levels do not self-correct below the 4% trigger point mandated by Assembly Bill ("AB") 57; and
- sets forth SDG&E's proposal to amortize the undercollected balance over a 12-month period beginning, on July 1, 2012 or whenever SDG&E's 2012 ERRA forecast is implemented.[3]

II. BACKGROUND

A. Trigger Mechanism

In accordance with Decision ("D.") 02-10-062, which implemented the provisions of AB 57, SDG&E's ERRA is subject to a trigger mechanism that requires the filing of a rate change application when the recorded monthly balance (undercollection or overcollection) exceeds a 4% trigger point and when the balance is forecasted to exceed a 5% threshold. The trigger mechanism

[1] Adjusted for amortizations in current rates. Advice Letter ("AL") 2298-E was approved on December 23, 2011.
[2] The actual numbers upon which the February 29, 2012 balance is based were first available on March 16, 2012 and were submitted as part of SDG&E's monthly compliance report. March 2012 actuals were not available as of the date of this filing.
[3] Based on the schedule adopted in A.11-09-022 (SDG&E's 2012 ERRA forecast proceeding), it is anticipated that the 2012 ERRA forecast will be implemented on July 1, 2012.

considers the relationship between the ERRA balance and the prior year's recorded electric commodity revenues, excluding the revenues collected for the California Department of Water Resources ("CDWR"). Under the provisions of the trigger mechanism, the required rate change application is to be expedited so as to obtain approval within 60 days from the filing date. The application should also include a projected account balance in 60 days or more from the date of filing, depending upon when the balance will reach AB 57's 5% threshold. Finally, the application must propose an amortization period for the balance of not less than 90 days and an allocation of the over or undercollection among customers for rate adjustment based on the existing allocation methodology recognized by the Commission.[4]

B. Self-Correction Mechanism

In D.07-05-008, the Commission authorized SDG&E to notify the Commission by advice letter, rather than application, if SDG&E's forecasts show that the triggered ERRA balance would self-correct below the trigger point within 120 days of the filing, thereby obviating the need for a rate change. In such an advice letter, SDG&E is required to provide the necessary documentation supporting its proposal to maintain its rates. SDG&E does not forecast a self-correction below 4% over the next 120 days, and as such, is submitting this application rather than an advice letter.

C. Current Trigger Amount

Pursuant to D.04-01-050, SDG&E is required to file an advice letter by April 1 of each year to establish the current year's trigger amount. In AL 2233-E, approved on March 30, 2011 with an effective date of March 1, 2011, SDG&E reported that its 2010 electric commodity revenues, excluding CDWR revenue, was $1,019 million. This advice letter was still in effect as of the time the February 2012 ERRA balance was recorded and the trigger point was exceeded. On March 7, 2012, SDG&E filed AL 2335-E, to report its 2011 electric commodity revenues, excluding CDWR

[4] D.02-10-062 at p. 65-66.

revenue, of $1,085 million. AL 2335-E was subsequently approved on April 3, 2012, effective March 7, 2012. Thus, based on 2011 revenues of $1,085 million, the current 4% trigger point is $43.4 million. The forecasted trigger amounts described below are based on current $43.4 million trigger point reflected in AL 2335-E.

III. RECORDED/FORECASTED ERRA BALANCES

SDG&E's recorded February 29, 2012 ERRA balance is a $43.233 million undercollection, or 4.24% of the 2010 electric commodity revenues, excluding CDWR, exceeding the 4% trigger point. Before filing this Application, SDG&E analyzed whether it would self-correct below the 4% trigger point within 120 days (i.e., by June 28, 2012). Based on SDG&E's most accurate forecast and assumptions around revenue implementations, sales forecasts, and costs of power, SDG&E does not project that its ERRA balance will self-correct below the 4% trigger point within the next 120 days. Accordingly, pursuant to California Public Utilities Code 454.5(d)(3), as mandated by AB 57 and D.02-10-062, SDG&E is required to file this expedited Application addressing the disposition of the undercollected ERRA balance. The projected balance at June 30, 2012 is forecasted to be $52.638 million undercollected.

A. Drivers of the Current Undercollection

The ERRA has a number of components - revenue items, expense items, and adjustments. As such, when the account goes over or undercollected for an accounting period, a number of factors contribute to the ending position. Decreases in natural gas prices have helped control the undercollection and without it, the undercollection would have been greater. But, even with the fall in gas prices, the undercollection that SDG&E has experienced through February 2012 can be attributed to three primary drivers that are largely outside SDG&E's control.

1. Delay in 2012 Revenue Implementation

First, SDG&E is still awaiting approval of the 2012 ERRA forecast revenues, as filed in

A.11-09-022, and updated on February 24, 2012. The approval and implementation of A.11-09-022 (the decision is expected to be approved in June with implementation date of July 1, 2012) will enable SDG&E to record updated revenues to match the costs currently incurred. Absent that approval, SDG&E has continued to book revenues under the 2011 forecast revenues approved in D.11-07-041. As noted in A.11-09-022, forecasted revenues for 2012 are higher than 2011 due to the contract expiration of the CDWR Sunrise Plant which caused an increase in generation of SDG&E's portfolio, the increase of renewable generation costs experienced by SDG&E to meet the state's mandated Renewable Portfolio Standard ("RPS"), and the addition of Desert Star to the portfolio, which added fuel costs that did not previously exist.[5] For every month that SDG&E books 2011 revenues instead of 2012, the undercollection will continue to grow.

2. Sales are Below Forecast

Sales volumes for the first two months of 2012 have been below forecast by approximately 3.4%. This indicates that SDG&E is not collecting its full revenues for electric commodity costs and is thus not being made whole on a monthly basis. For every month that sales continue to come in below forecast, SDG&E will be in an undercollected position. Conversely, if sales were to increase, then the undercollection would begin to be offset. The forecasted ERRA balances in this Application assume revenue collections based on forecasted sales levels. SDG&E's current forecasted sales for the remainder of 2012 do not reflect the lower sales figures experienced year-to-date, as SDG&E anticipates sales to return to levels similar to those forecasted as the year progresses.

3. Natural Seasonality Gap in Revenues versus Expenses

Due to the nature of certain fixed expenses, using authorized revenues and the authorized seasonality of revenues will create a mismatch. In some months, that mismatch may result in booked

[5] A.11-09-022 Amended Direct Testimony of Andrew Scates at p. AS-8, lines 29-30, p. AS-9 lines 1-4.

revenues being higher than the actual expenses and in others the opposite. One of the contributing factors of the current SDG&E undercollection is this mismatch. While a portion of our expenses are spread more ratably across the months, forecasted revenues are lower as a percent of the total year in the months of January and February. This phenomenon tends to even out through the months, but as of February 29 (the accounting date of the trigger), it further drives SDG&E's current undercollection.

B. Year-end Conclusions

Given the current assumptions and proposed amortization, SDG&E predicts that the ERRA balance will self-correct by the third quarter and avoid another trigger situation for the remainder of 2012. Any changes or delays in these assumptions, however, may increase SDG&E's risk of triggering again in 2012. In particular, the sensitivity surrounding the assumptions at the San Onofre Nuclear Generating Station ("SONGS") with respect to outages, 2012 revenue implementation, customer sales, gas prices, and the amortization proposal herein can change the final numbers as the year progresses. In any event, SDG&E will continue to comply with D.09-04-021,[6] which directed SDG&E to include balances below the 5% trigger threshold in rates on January 1 of the following year. However, assuming this Application is approved, SDG&E will net out any remaining trigger-related amortization before including the year-end ERRA balance in the annual regulatory account update filing.

IV. PROPOSED DISPOSITION

As noted above, in an effort to minimize the overall number of potential rate changes, SDG&E proposes to make this trigger amortization effective July 1, 2012 or whenever the Commission authorizes the 2012 ERRA forecast to be implemented. SDG&E also proposes to

[6] Ordering Paragraph 2 of D.09-04-021, approved April 16, 2009.

amortize the ERRA undercollected balance in rates over a 12-month period from July 1, 2012 to June 30, 2013, as opposed to over 90 days.

The following table shows SDG&E's current ERRA forecast by month.

PROJECTED ERRA UNDERCOLLECTION BALANCES ($ in millions)	ERRA Ending Balance	Remaining ERRA 2012 Amortization	ERRA Balance Subject to Trigger	Trigger Point Percentage
Actual February 29, 2012 ERRA	$24.025	$19.208	$43.233	4.24%
FORECASTED March 31, 2012	40.799	17.505	58.304	5.38%
FORECASTED April 30, 2012	50.588	15.880	66.468	6.13%
FORECASTED May 31, 2012	49.813	14.236	64.049	5.90%
FORECASTED June 30, 2012	$40.169	$12.469	$52.638	4.85%

V. CONCLUSION

In compliance with D.02-10-062, SDG&E hereby notifies the Commission that the recorded adjusted balance in the ERRA of $43.233 million undercollected as of February 29, 2012 has exceeded the 4% trigger point and will not self-correct under 4% within the next 120 days. SDG&E requests that the Commission authorize the amortization of the June 30, 2012 forecasted adjusted undercollected balance (forecasted to be $52.638 million) to be recorded in the ERRA in rates over a 12-month period beginning July 1, 2012 or whenever the Commission authorizes the 2012 ERRA forecast to be implemented.

This concludes my prepared direct testimony.

VI. WITNESS QUALIFICATIONS

My name is Gregory D. Shimansky. I am employed by San Diego Gas & Electric Company (SDG&E), as the Regulatory Accounts and Financial Services Manager in the Financial Analysis Department. My business address is 8330 Century Park Court, San Diego, California 92123. My current responsibilities include managing the process for the development, implementation, and analysis of regulatory balancing and memorandum accounts as well as supervising the treasury function at SDG&E. I assumed my current position in July 2010.

I have been employed with SDG&E and Sempra Energy since June 30, 2003. In addition to my current position in Regulatory Affairs, I served as the Financial Planning Manager for Sempra Energy Corporate (Parent), the Regulatory Reporting Manager at SDG&E and from June 2003 through August 2008, I worked for SDG&E in utility planning. I earned a Bachelors of Science degree in Economics from the University of California, Los Angeles in June 1993. I also earned a Masters of Science in Management, with concentrations in Finance and Marketing, from Purdue University in May 1998.

I have previously provided written testimony to the Commission.