

Application No: A.15-09-013  
Exhibit No.: \_\_\_\_\_  
Witness: J. Roy

In The Matter of the Application of San Diego Gas  
& Electric Company (U 902 G) and Southern  
California Gas Company (U 904 G) for a Certificate  
of Public Convenience and Necessity for the Pipeline  
Safety & Reliability Project

Application 15-09-013  
(Filed September 30, 2015)

**PREPARED DIRECT TESTIMONY OF**  
**JOHN A. ROY**  
**ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**  
**AND**  
**SOUTHERN CALIFORNIA GAS COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

March 21, 2016

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
I. PURPOSE AND OVERVIEW .....	1
II. PIPELINE SAFETY AND RELIABILITY PROJECT MEMORANDUM ACCOUNT (PSRPMA) .....	1
III. REVENUE REQUIREMENT AND PSRPMA AMORTIZATION METHODOLOGY .....	2
V. QUALIFICATIONS.....	4

1 **I. PURPOSE AND OVERVIEW**

2 The purpose of my prepared direct testimony on behalf of San Diego Gas & Electric  
3 Company (SDG&E) and Southern California Gas Company (SoCalGas) (collectively, the  
4 Utilities) is to discuss the proposed regulatory accounts related to the Utilities' Pipeline Safety &  
5 Reliability Project (PSRP). The PSRP primarily consists of 1) a proposed 36-inch diameter  
6 natural gas transmission pipeline (Line 3602) and 2) the de-rating of the existing Line 1600 (Line  
7 1600). The Utilities propose to record and subsequently recover the incremental costs associated  
8 with the Proposed Project by establishing: 1) a new SDG&E PSRP Memorandum Account  
9 (PSRPMA); and 2) an amortization methodology for the PSRPMA undercollected balance for  
10 recovery in rates.

11 **II. PIPELINE SAFETY AND RELIABILITY PROJECT MEMORANDUM**  
12 **ACCOUNT (PSRPMA)**

13 SDG&E proposes to establish the PSRPMA as an interest-bearing memorandum account  
14 to be recorded on SDG&E's financial statements. The PSRPMA will consist of two  
15 subaccounts, Line 3602 Costs and Line 1600 De-Rate Costs which would record incremental  
16 costs not recovered in the revenue requirement discussed below.

17 In the event capital assets associated with the Line 3602 are placed into service before the  
18 Proposed Project's revenue requirement<sup>1</sup> is incorporated into rates, capital-related expenses (*i.e.*,  
19 depreciation, taxes and return) for Line 3602 will be recorded in the Line 3602 Costs subaccount.  
20 In addition, any operations and maintenance (O&M) expenses related to Line 3602 that are not

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<sup>1</sup> The Prepared Direct Testimony of Michael Woodruff discusses the Utilities' forecasted revenue requirement for Line 3602 costs and Line 1600 de-rate costs. Mr. Woodruff forecasts the revenue requirement for Line 3602 to start in 2020 and Line 1600 de-rate costs to start in 2021. These are the planned in-service years.

1 included in the revenue requirement presented in the Direct Testimony of Michael Woodruff will  
2 also be recorded in the Line 3602 Costs subaccount.

3 Similarly, the Line 1600 De-Rate Costs subaccount will be used to record capital-related  
4 expenses (*i.e.*, depreciation, taxes and return) for the Line 1600 De-Rate Costs, when those  
5 capital assets, approved in this proceeding, are placed into service prior to when the revenue  
6 requirement is incorporated into rates. SDG&E also proposes to record any O&M expenses for  
7 the de-rate of Line 1600 that are not included in the revenue requirement.

### 8 **III. REVENUE REQUIREMENT AND PSRPMA AMORTIZATION** 9 **METHODOLOGY**

#### 10 **A. PSRP Revenue Requirement**

11 The Prepared Direct Testimony of Michael Woodruff discusses SDG&E and SoCalGas's  
12 forecasted revenue requirement for Line 3602 costs and Line 1600 de-rate costs. Upon  
13 Commission approval of the revenue requirement and the implementation of its recovery in rates,  
14 the revenue requirement will be balanced in existing regulatory accounts (*e.g.*, the Integrated  
15 Transmission Balancing Account (ITBA)).

#### 16 **B. PSRPMA Amortization Methodology**

17 SDG&E and SoCalGas propose to amortize the PSRPMA balance in rates in connection  
18 with SDG&E's annual regulatory account balance update Advice Letter filing in October, for  
19 rates effective January 1 of the following year. As explained in the Direct Testimony of Jason  
20 Bonnett, SDG&E and SoCalGas' propose to allocate the revenue requirement for 1) the Line  
21 3602 costs to the Backbone Transportation Service (BTS) rates and 2) the Line 1600 De-Rate  
22 costs to the transportation rates.

1           This process will continue until the revenue requirement is included in rates or the test  
2 year of a General Rate Case (GRC). After incorporation of the revenue requirement in rates or a  
3 GRC, any PSRPMA residual balance will be transferred to an applicable balancing account, as  
4 authorized by the California Public Utilities Commission, and SDG&E will eliminate the  
5 PSRPMA.

1 **V. QUALIFICATIONS**

2 My name is John A. Roy. I am employed by SDG&E as a Principal Regulatory Accounts  
3 Advisor in the Regulatory Accounts group within the Financial Planning and Regulatory  
4 Accounts Department. My business address is 8315 Century Park Court, San Diego, California  
5 92123-1530. My responsibilities for SDG&E's regulatory balancing, memorandum, and  
6 tracking accounts includes implementation of regulatory accounting procedures for compliance  
7 with Commission decisions, quantifying and recording the monthly entries and adjustments to  
8 the regulatory accounts, preparing forecasted balances for regulatory accounts for inclusion in  
9 SDG&E's annual compliance filings, and preparing various annual and quarterly reports for the  
10 Commission's Energy Division.

11 In 1978 I joined SDG&E as a Cost Engineer in the Capital Budget Department. I  
12 transferred to the Marketing Department in 1979 as a Project Coordinator and held various  
13 positions of increasing responsibility within the department until 1998 when I was a Senior  
14 Program Manager. In 1998 I assumed the position of Tariff Administrator within Regulatory  
15 Affairs and held various positions of increasing responsibility until 2003 when I was promoted to  
16 my current position.

17 I received a Bachelor of Science degree in Civil Engineering from Purdue University. I  
18 completed all requirements for a Master of Business Administration with emphasis in Finance,  
19 except the thesis, from San Diego State University in 1977.

20 I have previously testified before the California Public Utilities Commission.

21 This concludes my prepared direct testimony.