

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
Agenda ID 15606
ENERGY DIVISION **RESOLUTION E-4826**
April 6, 2017

R E S O L U T I O N

Resolution E-4826. San Diego Gas & Electric Company (SDG&E)'s request to close the Energy Storage Balancing Account (ESBA) and to refund the balance in the ESBA to ratepayers.

PROPOSED OUTCOME:

- Approves the disposition and closing of the Energy Storage Balancing Account.

SAFETY CONSIDERATIONS:

- There is no impact on safety.

ESTIMATED COST:

- This Resolution approves the disposition of the Energy Storage Balancing Account, which results in a refund of \$2.324 million to ratepayers.

By Advice Letter 2810-E, Filed on October 30, 2015.

SUMMARY

This Resolution approves SDG&E's request to close the Energy Storage Balancing Account (ESBA). It also approves the disposition of the balance in the ESBA. Upon approval of Advice Letter (AL) 2810-E, SDG&E shall transfer the over-collected balance of \$2.324 million in the ESBA to Electric Distribution Fixed Cost Account (EDFCA) and close the ESBA, effective the date of this Resolution.

BACKGROUND

In SDG&E's 2012 General Rate Case proceeding, D.13-05-010 directed SDG&E to establish the Energy Storage Balancing Account.

On May 9, 2013, the Commission issued Decision (D.)13-05-010, approving, among other things, SDG&E's revenue requirements for its Test Year 2012 General Rate Case (GRC) proceeding. D.13-05-010 also approved \$26 million in 2009 dollars for SDG&E to spend on energy storage capital projects. It directed SDG&E to establish an Energy Storage Balancing Account (ESBA) as a one-way balancing account¹ to ensure that the approved funds were spent on energy storage projects during the test year 2012 period and during the post-test year periods of 2013 through 2015² and that any unspent funds are returned to ratepayers.

D.13-05-010 also directed SDG&E to file a Tier 3 advice letter by November 1, 2015 to close out the ESBA and to refund any unused monies to ratepayers.³ Pursuant to D.13-05-010, SDG&E filed Advice Letter 2495-E in June 2013 to establish the ESBA and Advice Letter 2810-E to close out the ESBA and return the over-collected balance in the ESBA to ratepayers.

NOTICE

Notice of San Diego Gas & Electric Company (SDG&E)'s AL 2810-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

SDG&E's Advice Letter AL 2810-E was not protested.

¹ A one-way balancing account requires that any spending shortfall be refunded to ratepayers at a later time.

² D.13-05-010, page 226.

³ Ibid.

DISCUSSION

There is an over-collection of \$2.324 million in the ESBA.

D.13-05-010 authorized SDG&E to spend \$26 million in 2009 dollars, for energy storage capital projects. To recover the authorized spending, the Results of Operations (RO) model showed that SDG&E needed to collect \$1.348 million in the 2012 test year revenue requirement.⁴ Due to the post-test ratemaking mechanism approved in D.13-05-010, this 2012 revenue requirement increased each year during the post-test year period of 2013 through 2015. Specifically, D.13-05-010 allowed the revenue requirement to increase 2.65% in 2013, 2.75% in 2014, and 2.75% in 2015.⁵ During this time period, the Commission issued the 2013 Cost of Capital Decision (D.)12-12-034, which lowered the utility's cost of capital. After factoring in the post-test year ratemaking mechanism and the decrease in cost of capital, the revenue requirement amounts allowed to be recovered in the ESBA were as follows:

- \$1.348 million in 2012,
- \$1.306 million in 2013,
- \$1.342 million in 2014,
- \$1.379 million in 2015,

The Commission allowed SDG&E to collect a total of \$5.375 million for the time period of 2012-2015 for the ESBA.⁶ However, SDG&E's actual collections differed slightly. From January 1, 2012 through October 31, 2015, SDG&E collected \$5.145 million in annual revenue requirement in the ESBA⁷.

⁴ Attachment A, Chart 1, Revenue Requirement for Energy Storage Balancing Account. The RO model for SDG&E's 2012 General Rate Case proceeding was used.

⁵ D.13-05-010, page 1011.

⁶ Attachment A, Table 1, Revenue Requirement for Energy Storage Balancing Account.

⁷ Attachment A, Table 3. SDG&E was allowed to collect \$1.379 million in revenues in 2015. Since the ESBA closed on October 31, 2015, SDG&E was able to collect only \$1.149 million in revenues for 2015.

SDG&E invested \$28.001 million in energy storage projects.⁸ As a result of these investments, it incurred actual capital-related costs of \$2.827 million.⁹ The breakdown of these costs is as follows:

- Depreciation expenses \$1.323 million
- Return on the plant \$0.951 million
- Tax expenses \$0.553 million

Given that SDG&E collected \$5.145 million in revenues and incurred \$2.827 million in costs, there is an over-collected balance of \$2.318 million in the ESBA. The over-collected balance accumulated an interest of \$0.010 million throughout the three years that must also be refunded to ratepayers.¹⁰ Factoring in the interest payments, the ESBA has an over-collected balance of \$2.324 million in revenue requirement, which SDG&E needs to return to ratepayers. (In AL 2810-E, SDG&E forecasted that the over-collected balance would be \$2.417. At that time, SDG&E had not closed the books for October 2015 yet. Subsequently, SDG&E provided, through response to an Energy Division data request on this advice letter, that the actual over-collected balance is \$2.324 million, as shown in Attachment A, Table 5.)

Energy Division has reviewed the energy storage projects that SDG&E completed and determined that the spending for these projects is consistent with the costs approved in D.13-05-010.

SDG&E was directed to install advanced energy storage systems to mitigate the impact of intermittent renewables. These energy storage projects were a pilot, intended to provide SDG&E with the experience to develop, implement, and operate new energy storage technologies.

D.13-05-010 authorized SDG&E to invest \$26 million (in 2009 dollars, or \$29.232 million in 2012 dollars), in energy storage capital projects.¹¹ SDG&E

⁸ See Attachment B.

⁹ Attachment A, Table 3, Table 4, and Table 5.

¹⁰ Ibid

¹¹ SDG&E's AL 2810-E, page 3.

invested \$28.001 million in energy storage, installing six units (totaling 5.5 MW and 15.5 MWh) of Substation Energy Storage Systems and three units (totaling 75kW and 216 kWh) of Community Energy Storage Systems.¹²

The costs SDG&E incurred and recorded in the ESBA for Energy Storage projects are consistent with the spending approved in D.13-05-010.

Upon approval of this advice letter, SDG&E should refund \$2.324 million to ratepayers by transferring the over-collected balance of the ESBA to the Electric Distribution Fixed Cost Account (EDFCA), and close the ESBA.

SDG&E is directed to return the \$2.324 million of over-collection in the ESBA to ratepayers by transferring it to the EDFCA. The refund should be amortized in rates in SDG&E's next electric rate update advice letter filing.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. D.13-05-010 approved \$26 million (in 2009 dollars, or \$29.232 million in 2012 dollars), for SDG&E to invest in energy storage capital projects and directed SDG&E to establish an Energy Storage Balancing Account (ESBA) as a one-way balancing account to record these expenses.
2. SDG&E filed Advice Letter 2495-E in June 2013 to establish the ESBA.
3. D.13-05-010 directed SDG&E to file a Tier 3 advice letter by November 1, 2015 to close out the ESBA and to refund any unused monies to ratepayers.
4. SDG&E filed Advice Letter 2810-E to close out the ESBA and return the over-collected balance in the ESBA to ratepayers.

¹² Attachment B, SDG&E's Response to Energy Division Data Request.

5. D.13-05-010 authorized SDG&E to collect in revenues \$1.348 million in 2012, \$1.306 million in 2013, \$1.342 million in 2014, and \$1.379 million in 2015, for a total of \$5.376 million in revenues from 2012-2015 for the Energy Storage Balancing Account.
6. SDG&E collected a total of \$5.145 million in revenues in the ESBA from January 1, 2012 through October 31, 2016.
7. SDG&E invested \$28.001 million in energy storage capital projects, installing six units of Substation Energy Storage Systems and three units of Community Energy Storage Systems.
8. SDG&E incurred \$2.827 million in capital-related costs, which is the total of \$1.323 million in depreciation expenses, \$0.951 million for return on the plant, and \$0.553 million for tax expenses.
9. Energy Division has reviewed the expenses recorded in the ESBA and found that the expenses incurred are consistent with those authorized in D.13-05-010.
10. Given that SDG&E collected \$5.154 million in revenues and incurred \$2.827 million in costs, there is an overcollected balance of \$2.318 million in the ESBA.
11. Including interest costs that had accumulated in the account, the ESBA has an over-collected balance of \$2.324 million in revenue requirement, which SDG&E needs to return to ratepayers.

THEREFORE IT IS ORDERED THAT:

1. SDG&E's request in Advice Letter AL 2810-E to close the Energy Storage Balancing Account is granted.
2. Upon approval of Advice Letter 2810-E, SDG&E shall transfer the over-collected balance of \$2.324 million to the Electric Distribution Fixed Cost Account. SDG&E shall amortize the over-collected balance of \$2.324 million into rates in its next electric rate update advice letter filing.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 6, 2017; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

Attachment A

ATTACHMENT A, TABLE 1

San Diego Gas and Electric Company

Attachment for Question 1 - ESBA-AL2810-E-ED-DR01-Infomral

Revenue Requirement for Energy Storage Balancing Account (in thousands of dollars)						
		RO Model Result	2.65%	Cost of Cap Adjustment	2.75%	2.75%
Line		2012*	2013	2013	2014	2015
1	O&M Expenses (2009\$)	\$ -	\$ -	\$ -	\$ -	\$ -
2	Depreciation	318	327	327	336	345
3	Ad Valorem Taxes	0	0	0	0	0
4	Income Taxes	251	257	236	243	249
5	Return (8.68% SCG, 8.40% SDG&E)	780	800	744	764	785
6	Total Capital Related *	1,348	1,384	1,306	1,342	1,379
7	O&M + Capital Related (Lines 1 + 6)	1,348	1,384	1,306	1,342	1,379
8	FF&U	N/A	N/A	N/A	N/A	N/A
9	Total Annual Revenue Requirement	\$ 1,348	\$ 1,384	\$ 1,306	\$ 1,342	\$ 1,379
10	Ratebase	9,281	2013 COC Adj (78)			
	Energy Storage (\$ in thousands)	direct, 2009 \$	esc	nominal direct (2012 \$)		
	10261.00 (Advanced Energy Storage)	26,000	3,232	29,232		

*Revenue requirement result was extracted from the 2012 Results Of Operations Model used in D.13-05-010.

ATTACHMENT A, TABLE 2

San Diego Gas and Electric Company

Attachment for Question 1 - ESBA-AL2810-E-ED-DR01-Infomral

SDG&E Electric Distribution													
Cost of Capital Revenue Requirement Adjustment													
COC Implementation Using 2012 Authorized Rate Base													
(Dollars in millions)													
			Cost of Capital		Weighted Cost				Return				
	Previous	New	Previous	New	Previous	New	ROR	2012 Authorized	Previous	New	Return		Rev. Req.
	Weights	Weights	Costs	Costs	Costs	Costs	Difference	Elec RB	Return	Return	Difference	Multiplier*	Adj. **
LTD	45.25%	45.25%	5.62%	5.00%	2.54%	2.26%	-0.28%	9,281	235.74	209.75	(25.99)	1.000000	(25.99)
Preferred	5.75%	2.75%	7.25%	6.22%	0.42%	0.17%	-0.25%	9,281	38.98	15.78	(23.20)	1.687650	(39.16)
Equity	49.00%	52.00%	11.10%	10.30%	5.44%	5.36%	-0.08%	9,281	504.89	497.46	(7.42)	1.687650	(12.53)
Total	100.00%	100.00%			8.40%	7.79%	-0.61%		779.60	722.99	(56.61)		(77.67)

San Diego Gas & Electric AL 2810-E/EC2

ATTACHMENT A, TABLE 3

SAN DIEGO GAS & ELECTRIC ENERGY STORAGE BALANCING ACCOUNT Under / (Over) Collection Account 1150592																			
	Jan-13	Feb-13	Mar-13	Apr-13	2012 PPA (b)	2013 PPA (c)	May-13	2012 PPA (d)	2013 PPA (e)	Jun-13	2013 PPA (f)	Jul-13	Aug-13	Sep-13	2013 PPA (g)	Oct-13	Nov-13	Dec-13	Y-T-D
Beginning Balance					-	(1,405,384)	(1,854,633)	(1,966,907)	(1,910,852)	(1,894,560)	(2,003,555)	(1,988,129)	(2,094,563)	(2,201,047)	(2,307,528)	(2,303,034)	(2,387,265)	(2,445,570)	-
Authorized Revenue (a)					(1,404,000)	(448,332)	(112,083)	56,000	16,250	(108,833)	-	(108,833)	(108,833.00)	(108,833.00)	-	(108,833.00)	(108,833.00)	(108,833.00)	(2,653,996.00)
Total Revenue					(1,404,000)	(448,332)	(112,083)	56,000	16,250	(108,833)	-	(108,833)	(108,833)	(108,833)	-	(108,833)	(108,833)	(108,833)	(2,653,996)
Authorized Amortization					-	-	-			-		-	-	-	-	-	-	-	-
Total Amortization					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET REVENUE					(1,404,000)	(448,332)	(112,083)	56,000	16,250	(108,833)	-	(108,833)	(108,833)	(108,833)	-	(108,833)	(108,833)	(108,833)	(2,653,996)
Expenses:																			
Depreciation											4,966	743	743	743		12,476	24,212	24,217	68,100
Return											9,921	1,395	1,379	1,363		9,911	17,917	16,706	58,592
Tax on Return											535	432	424	415	4,490	2,371	8,620	7,946	25,233
Total Expenses					-	-	-	-	-	-	15,422	2,570	2,546	2,521	4,490	24,758	50,749	48,869	151,925
Under / (Over) Collection					(1,404,000)	(448,332)	(112,083)	56,000	16,250	(108,833)	15,422	(106,263)	(106,287)	(106,312)	4,490	(84,075)	(58,084)	(59,964)	(2,502,071)
Balance before Interest					(1,404,000)	(1,853,716)	(1,966,716)	(1,910,907)	(1,894,602)	(2,003,393)	(1,988,133)	(2,094,392)	(2,200,850)	(2,307,359)	(2,303,038)	(2,387,109)	(2,445,349)	(2,505,534)	(2,502,071)
Twelve Months Per Year Interest Rate							12 0.12%			12 0.10%		12 0.10%	12 0.11%	12 0.09%	12	12 0.08%	12 0.11%	12 0.09%	0.10%
Interest Amount					(1,384)	(917)	(191)	55	42	(162)	4	(170)	(197)	(169)	4	(156)	(221)	(186)	(3,649)
Ending Balance					(1,405,384)	(1,854,633)	(1,966,907)	(1,910,852)	(1,894,560)	(2,003,555)	(1,988,129)	(2,094,563)	(2,201,047)	(2,307,528)	(2,303,034)	(2,387,265)	(2,445,570)	(2,505,720)	(2,505,720)
(a) Authorized Revenue for 2013 is \$1,345,000 per 2012 GRC decision. (b) GRC retroactive adjustment for 01/01/2012-12/31/2012. (c) GRC retroactive adjustment for 01/01/2013-4/30/2013. (d) To correct authorized revenue requirement for 2012. (e) To correct authorized revenue requirement for 2013. (f) Currently being recorded to a miscellaneous balancing account. The balance will be transferred once AL 2495-E is approved. (g) To true-up 2012 and 2013 capital expenses (h) To true-up 2012 and 2013 capital expenses																			

San Diego Gas & Electric AL 2810-E/EC2

ATTACHMENT 1, TABLE 4

SAN DIEGO GAS & ELECTRIC ENERGY STORAGE BALANCING ACCOUNT														
Under / (Over) Collection Account 1150599 / 2190244														
	Jan-14	Feb-14	Mar-14	PP Adj (b)	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Y-T-D
Beginning Balance	(2,505,720)	(2,566,591)	(2,627,501)	(2,688,437)	(2,694,034)	(2,755,555)	(2,817,279)	(2,874,919)	(2,926,799)	(2,977,354)	(3,028,198)	(3,079,147)	(3,128,435)	(2,505,720)
Authorized Revenue (a)	(111,833)	(111,833)	(111,833)		(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,837)	(1,342,000)
Total Revenue	(111,833)	(111,833)	(111,833)	-	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,837)	(1,342,000)
Authorized Amortization														-
Total Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET REVENUE	(111,833)	(111,833)	(111,833)	-	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,833)	(111,837)	(1,342,000)
Expenses:														
Depreciation	25,009	25,082	25,082	(1,443)	25,044	25,044	27,037	29,347	29,662	29,658	29,692	30,330	30,935	330,479
Return	16,043	15,973	15,973	(2,685)	15,591	15,464	16,834	18,970	19,589	19,426	19,344	20,791	22,152	213,465
Tax on Return	10,100	10,063	10,063	(1,469)	9,904	9,833	10,559	11,878	12,273	12,180	12,102	11,683	12,529	131,698
Total Expenses	51,152	51,118	51,118	(5,597)	50,539	50,341	54,430	60,195	61,524	61,264	61,138	62,804	65,616	675,642
Under / (Over) Collection	(60,681)	(60,715)	(60,715)	(5,597)	(61,294)	(61,492)	(57,403)	(51,638)	(50,309)	(50,569)	(50,695)	(49,029)	(46,221)	(666,358)
Balance before Interest	(2,566,401)	(2,627,306)	(2,688,216)	(2,694,034)	(2,755,328)	(2,817,047)	(2,874,682)	(2,926,557)	(2,977,108)	(3,027,923)	(3,078,893)	(3,128,176)	(3,174,656)	(3,172,078)
Twelve Months Per Year	12	12	12	12	12	12	12	12	12	12	12	12	12	
Interest Rate	0.09%	0.09%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.11%	0.10%	0.10%	0.10%	0.10%
Interest Amount	(190)	(195)	(221)	(0)	(227)	(232)	(237)	(242)	(246)	(275)	(254)	(259)	(263)	(2,841)
Rounding				0		0					0			
Ending Balance	(2,566,591)	(2,627,501)	(2,688,437)	(2,694,034)	(2,755,555)	(2,817,279)	(2,874,919)	(2,926,799)	(2,977,354)	(3,028,198)	(3,079,147)	(3,128,435)	(3,174,919)	(3,174,919)
(a) Authorized Revenue for 2014 is \$1,342,000 per 2014 Revenue Requirement.														
(b) Adjustment to true-up cumulative Tax on Return.														

San Diego Gas & Electric AL 2810-E/EC2

ATTACHMENT 1, TABLE 5

SAN DIEGO GAS & ELECTRIC ENERGY STORAGE BALANCING ACCOUNT													
Under / (Over) Collection Account 1150599 / 2190244													
	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Y-T-D
Beginning Balance	(3,174,919)	(3,225,509)	(3,274,920)	(3,282,593)	(3,247,879)	(3,213,455)	(3,179,428)	(3,145,946)	(2,989,841)	(2,681,983)	(2,328,560)	(2,328,909)	(3,174,919)
Authorized Revenue (a)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	-	-	(1,149,170)
Total Revenue	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	-	-	(1,149,170.00)
Authorized Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL NET REVENUE	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	(114,917)	-	-	(1,149,170.00)
Expenses:													
Depreciation	30,868	31,150	49,778	68,153	68,263	68,358	68,389	127,532	194,293	217,212	0		923,996
Return	21,979	22,589	37,016	50,589	50,309	50,017	49,677	93,802	143,287	159,746	0		679,011
Tax on Return	11,827	12,092	20,778	31,188	31,038	30,889	30,702	50,020	85,620	91,841	0		395,995
Total Expenses	64,674	65,831	107,572	149,930	149,610	149,264	148,768	271,354	423,200	468,799	-	-	1,999,002
Under / (Over) Collection	(50,243)	(49,086)	(7,345)	35,013	34,693	34,347	33,851	156,437	308,283	353,882	-	-	849,832
Balance before Interest	(3,225,162)	(3,274,595)	(3,282,265)	(3,247,580)	(3,213,186)	(3,179,108)	(3,145,577)	(2,989,509)	(2,681,558)	(2,328,101)	(2,328,560)	(2,328,909)	(2,325,087)
Twelve Months Per Year	12	12	12	12	12	12	12	12	12	12	12	12	
Interest Rate	0.13%	0.12%	0.12%	0.11%	0.10%	0.12%	0.14%	0.13%	0.18%	0.22%	0.18%		0.14%
Interest Amount	(347)	(325)	(328)	(299)	(269)	(320)	(369)	(332)	(425)	(459)	(349)	-	(3,822)
Rounding													
Ending Balance	(3,225,509)	(3,274,920)	(3,282,593)	(3,247,879)	(3,213,455)	(3,179,428)	(3,145,946)	(2,989,841)	(2,681,983)	(2,328,560)	(2,328,909)	(2,328,909)	(2,328,909)
Project Manager: Don Balfour													
(a) Authorized Revenue for 2015 is \$1,379,000 per 2015 Revenue Requirement.													

Attachment B

SDG&E's Response to Energy Division Data Request

Question:

Table 2 – can you explain the expenses in greater detail?

- a. How much was spent for each category in each year?
- b. How many units of energy storage was procured in total?
 - i. For just Community energy storage devices?
 - ii. For just Substation energy storage devices?
- c. How many projects were completed?

SDG&E Response 4:

- a.) See Table below

Energy Storage Balancing Account
Total Expenses
Dollars in Thousands

Description	2011	2012	2013	2014	2015	Total
Energy Storage Units	\$ 639	\$ 8,361	\$ 5,466	\$ 5,964	\$ 3,173	\$ 23,603
Construction	\$ -	\$ 426	\$ 15	\$ 1,660	\$ 138	\$ 2,239
Engineering	\$ 7	\$ 495	\$ 117	\$ 675	\$ 177	\$ 1,471
Material	\$ -	\$ 149	\$ (1)	\$ 379	\$ 4	\$ 531
Equipment Rental	\$ -	\$ 13	\$ 1	\$ 24	\$ (6)	\$ 32
Employee Travel	\$ -	\$ 58	\$ 16	\$ (11)	\$ 1	\$ 63
V&S	\$ 1	\$ 27	\$ (5)	\$ 21	\$ 17	\$ 62
Total	\$ 648	\$ 9,530	\$ 5,608	\$ 8,712	\$ 3,504	\$ 28,001

- b.) 5.6MW, 9 units

- i.) 6 units (Pala 1&2, Ortega 1&2, Borrego 2. Canyon Crest)
- ii.) 3 units (Skills, Clairemont, Poway)

- c.) All 9 projects were completed.