

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

San Diego Gas & Electric Company )  
  )     Docket No. ER25-\_\_\_\_-000  
  )

**PREPARED DIRECT TESTIMONY OF**

**ADAM P. CURREY**

**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**



**October 30, 2024**

**TABLE OF CONTENTS**

I.	INTRODUCTION .....	1
II.	PURPOSE OF TESTIMONY.....	2
III.	HISTORY OF SDG&E’S PRIOR TO TARIFF RATE CASE FILINGS .....	2
IV.	SDG&E’s DEVELOPMENT OF THE TO6 FORMULA RATE .....	5
V.	KEY DIFFERENCES BETWEEN THE TO6 PROTOCOLS AND THE TO5 PROTOCOLS .....	14
VI.	DESCRIPTION OF TO6 FORMULA AND CYCLE TIMELINES.....	18
VII.	PRO FORMA COST ALLOCATION ADJUSTMENTS MADE TO CYCLE 1 RECORDED BASE PERIOD .....	20
VIII.	PRO FORMA COST ADJUSTMENTS MADE TO CYCLE 1 RECORDED BASE PERIOD .....	21
IX.	FINAL TRUE UP PERIOD ADJUSTMENT.....	21
X.	REFUNDS UNDER THE TO6 FORMULA.....	23
XI.	RETAIL RATE DESIGN .....	23

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

**PREPARED DIRECT TESTIMONY OF  
ADAM P. CURREY  
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

**I. INTRODUCTION**

Q. Please state your name, position and business address.

A. My name is Adam Paul Currey, and I am the Transmission Revenue Manager for San Diego Gas & Electric Company (“SDG&E” or “Company”), a Sempra California utility. My business address is 8330 Century Park Court, San Diego, CA 92123.

Q. Please describe your current responsibilities.

A. My current responsibilities include managing SDG&E’s FERC accounting and ratemaking within the Transmission Revenue Department. I have directly overseen SDG&E’s Transmission Owner (“TO”) 5 Formula rates filings since 2022. Furthermore, I also provide analytical support for FERC matters regarding electric transmission revenue requirements, cost of service and California Independent System Operator (“CAISO”) matters.

Q. Please describe your educational and professional background.

A. I received a Bachelor of Science degree in Business Administration with an emphasis in Accounting and Economics from the University of North Carolina at Wilmington and a Master of Business Administration in Finance from Arizona State University.

Upon receiving my Bachelor’s degree, I was employed by Arizona Public Service (“APS”). I spent 8 years at APS in both Financial Reporting and Regulatory Reporting departments. I joined Sempra in 2013 and held various positions of increasing responsibilities in Sempra Financial Reporting Department

1 and SDG&E's Regulatory Reporting Department. Since 2022 I have held my  
2 current role and have directly overseen the preparation of annual updates for the  
3 transmission revenue requirement calculations for SDG&E's TO5 Formula rates.  
4 I have also led the coordination of responses to all data requests and hosted  
5 multiple informational conferences regarding SDG&E's TO5 Annual  
6 Informational Filings.

7 Q. Have you previously submitted testimony to this Commission?

8 A. No.

9 **II. PURPOSE OF TESTIMONY**

10 Q. What is the purpose of your testimony, and how is it organized?

11 A. The purpose of my testimony is to provide an overview of SDG&E's proposed  
12 TO formula rate tariff—referred to as the TO6 Formula. The TO6 Formula is the  
13 successor to SDG&E's TO5 Formula, which is due to expire on December 31,  
14 2024. My testimony explains several key features of the TO6 Formula. I have  
15 organized my testimony as follows:

- 16 I. Introduction
- 17 II. Purpose of Testimony
- 18 III. History of SDG&E's Prior TO Tariff Rate Case Filings
- 19 IV. SDG&E's Development of the TO6 Formula Rate
- 20 V. Key Differences between the TO6 Protocols and TO5 Protocols
- 21 VI. Description of the TO6 Formula and Cycle Timelines
- 22 VII. *Pro Forma* Cost Allocation Adjustments Made to Cycle 1 Recorded Base  
23 Period
- 24 VIII. *Pro Forma* Cost Adjustments Made to Cycle 1 Recorded Base Period
- 25 IX. Final TO6 True-Up Period Adjustment
- 26 X. Refunds Under TO6 Formula
- 27 XI. Retail Rate Design

28 **III. HISTORY OF SDG&E'S PRIOR TO TARIFF RATE CASE FILINGS**

29 Q. When did SDG&E make its first TO Tariff rate case filing at FERC?

1 A. SDG&E filed its original TO Tariff on March 31, 1997, in Docket No. ER97-  
2 2364-000, to establish, among other things, the rates and charges for transmission  
3 service on the transmission facilities, whose operational control was transferred to  
4 the CAISO. In its initial TO1 Filing, SDG&E used a “stated” rate case approach,  
5 where the retail and wholesale revenue requirements and rates were determined as  
6 stated values.

7 Q. When did SDG&E switch from stated rates to a formula rates?

8 A. On March 3, 2003, in its TO2 Tariff Filing, Docket No. ER03-601-000, SDG&E  
9 proposed a formula rate mechanism to develop its Base Transmission Revenue  
10 Requirements (“BTRR”). The TO2 Formula rate was comprised of three  
11 elements: 1) a Base Period component, consisting of recorded costs for the  
12 previous 12-month period ending December 31, as reflected in SDG&E’s annual  
13 Form No. 1; 2) a forecast cost component, reflecting, on a weighted basis, the  
14 costs of capital additions expected to go into service after the Base Period but  
15 before or during the rate effective period; and 3) a True Up adjustment  
16 component, to reflect the differences between revenues and actual costs during the  
17 True Up period to ensure that SDG&E is not collecting more or less than the  
18 actual costs to own, operate and maintain its transmission facilities. Per the  
19 Settlement Agreement reached in the TO2 Formula rate filing, the TO2 Formula  
20 rate mechanism was in effect from October 1, 2003 through June 30, 2007.

21 Q. Please describe all subsequent TO Tariff rate case filings at FERC.

22 A. On December 1, 2006, SDG&E filed in Docket No. ER07-284-000 new tariff  
23 sheets to implement a new Transmission Owner Formula (TO3 Formula) rate

1 mechanism to derive its Retail and Wholesale BTRRs. The TO3 Formula was in  
2 effect from July 1, 2007 through August 31, 2013.

3 On February 15, 2013, SDG&E filed in Docket No. ER13-941-000 to  
4 implement its Fourth Transmission Owner Formula rate mechanism to replace its  
5 then-effective TO3 Formula rate mechanism, which was due to terminate on  
6 August 31, 2013. SDG&E's TO4 Formula rate was in effect from September 1,  
7 2013 to May 30, 2019.

8 On October 30, 2018, SDG&E filed in Docket No. ER19-221-000,  
9 pursuant to Section 205 of the FPA, revisions to its TO Tariff to adopt a new  
10 formula rate tariff, the TO5 Formula, as the successor to its TO4 Formula rate  
11 mechanism. The structure of the TO5 Formula is the same as SDG&E's previous  
12 formula rate mechanisms, which contained a Prior Year Revenue Requirements  
13 component based on prior year's recorded data from the FERC Form 1; a forecast  
14 revenue requirements component based on a 24-month weighted forecast plant  
15 additions from the end of the Base Period through the end of the rate effective  
16 period; and a True Up Adjustment component to provide assurance that SDG&E  
17 only recovers the actual costs to own, operate and maintain its transmission assets.

18 SDG&E's TO5 Formula rate settlement was approved by the Commission  
19 on March 23, 2020 and became effective from June 1, 2019.<sup>1</sup> The TO5 Formula  
20 rate settlement includes a provision that allows each party to the TO5 Formula

---

<sup>1</sup> Docket No. ER19-221, TO5 Settlement. The TO5 Formula was embodied in an Offer of Settlement and Settlement Agreement ("TO5 Settlement") submitted on October 18, 2019, which the Commission approved on March 23, 2020. *San Diego Gas & Elec. Co.*, 170 FERC ¶ 61,240 (2020).

1 rate filing to terminate the TO5 Formula, to be exercised on an annual basis, by  
2 providing notice to SDG&E and to each Party no later than June 30, 2021, or any  
3 year thereafter. After the initial TO5 Cycle 1 Formula filing, there were five  
4 Annual Informational Filings to update the Retail and Wholesale BTRRs for each  
5 of the applicable rate effective periods. On June 18, 2024, SDG&E exercised its  
6 right under the TO5 settlement to terminate the TO5 Formula rate and to file a  
7 new formula rate for an effective date of January 1, 2025.

#### 8 **IV. SDG&E's DEVELOPMENT OF THE TO6 FORMULA RATE**

9 Q. Please describe how SDG&E Developed its TO6 Formula Rate.

10 A. In general, as with SDG&E's prior formula rates, the proposed TO6 Formula Rate  
11 is designed to calculate a Retail and a Wholesale Base Transmission Revenue  
12 Requirement, which consist of the following four parts:

- 13 1. the Prior Year Revenue Requirements ("PYRR");
- 14 2. the Forecast Period Capital Addition Revenue Requirements ("FC");
- 15 3. a True-Up Adjustment; and
- 16 4. an Interest True-Up Adjustment.

17 The PYRR, FC and True-Up Adjustment, including the Interest True-Up  
18 Adjustment, are designed to quantify SDG&E's costs to own, operate and  
19 maintain its transmission facilities. The Wholesale BTRR is further adjusted to  
20 exclude Electric Power Research Institute ("EPRI") Membership Dues, California  
21 Public Utilities Commission ("CPUC") Intervenor Funding Expense, South  
22 Georgia Tax Impacts, and Uncollectibles. In Exhibit No. SDG&E-003, SDG&E  
23 witness Christopher Penn describes in detail these components, and how they  
24 operate.

1                   Generally, SDG&E's TO6 Formula was developed to identify and  
2 calculate all cost components associated with electric transmission service to  
3 customers. For example, Transmission Plant In-Service for rate base is calculated  
4 under the FERC seven factor test in accordance with guidelines in FERC Order  
5 888 and footnoted in SDG&E's FERC Form 1 on page 204-207 – Electric Plant in  
6 Service. Additionally, Transmission Operations and Maintenance (“O&M”), per  
7 the Uniform System of Accounts, is identified as costs included in FERC O&M  
8 Accounts 560 – 573, less certain exclusions, and as reported in SDG&E's FERC  
9 Form 1 on page 320 – Electric Operation and Maintenance Expenses.

10 Q. Did SDG&E use its TO5 Formula as a starting point for Developing TO6?

11 A. Yes. As a result, the proposed TO6 Formula continues most, but not all, aspects of  
12 the Commission-approved TO5 Formula, including the structure and organization.  
13 However, the TO6 Formula is different from the TO5 Formula in certain  
14 substantive areas as described in the Exhibits containing testimony supporting this  
15 filing.

#### 16 **Key Differences in the TO6 Formula**

17 Q. Please describe the key differences between the TO6 Formula and the TO5  
18 Formula.

19 A. Several key differences are as follows:

20                   **Rate of Return on Equity (“ROE”):** SDG&E is proposing an authorized  
21 ROE that reflects current market conditions and risks, consistent with  
22 Commission precedent. Additional details can be found in Joshua Nowak and  
23 Bruce Folkmann's testimonies.



1                   **Depreciation Rates:** SDG&E is proposing transmission depreciation rates  
2 to go into effect January 1, 2025, that reflect the life and net salvage  
3 characteristics of SDG&E's transmission plant accounts. Additional details can be  
4 found in Dane Watson's testimony and supporting study. Due to the operation of  
5 the Formula, however, these rates are not included in the Cycle 1 Base Period  
6 BTRR. Rather, the impact will begin to appear in the 2025 base period for 2027  
7 rates.

8                   **Annual Fixed Charge Rate ("AFCR") to Derive Forecast Period Capital**

9                   **Additions Revenue Requirements:** Under the TO6 Formula, SDG&E is  
10 proposing to change the way it derives the AFCR, by adjusting the numerator to  
11 only include remeasured property related Accumulated Deferred Income Tax  
12 ("ADIT") that has been adjusted to exclude deferred tax liabilities attributed to  
13 bonus depreciation. The AFCR's purpose is to represent annual fixed charges  
14 expected to be incurred due to incremental plant additions that occur during the  
15 rate effective period. To accurately do so the calculation should, as closely as  
16 possible, approximate the actual incremental fixed charges expected to occur.  
17 Because future plant is not subject to excess or deficient reserves due to  
18 remeasurement from a tax rate change and is no longer eligible for Bonus  
19 Depreciation, these components of ADIT should not be factored into the  
20 calculation of the AFCR. This change will allow SDG&E to better match the  
21 revenues that will be collected in rates to cover the incremental costs that are  
22 expected to be incurred during the rate effective period.

1 Including historical deferred tax liabilities related to Bonus Depreciation  
2 and excess or deficient reserves in the derivation of the AFCR is improperly  
3 decreasing the AFCR, which results in a lower Forecast Period Capital Addition  
4 Revenue Requirement. This mismatch is also potentially contributing to larger  
5 true-up adjustments, which results in increased rate volatility for ratepayers. The  
6 adjustment to the AFCR calculation is made on Statement BK-1. SDG&E has  
7 also modified Statement AF and added a new work paper, AF-4, that show the  
8 details of the calculation to determine the appropriate ADIT amount to use in the  
9 AFCR calculation.

#### 10 **Capital Structure**

11 Q. Is SDG&E proposing any changes to the calculation of capital structure in the  
12 TO6 Formula Rate Spreadsheet?

13 A. Yes. SDG&E's TO6 Formula capital structure will still be based on the values  
14 reported in SDG&E's FERC Form 1, similar to the TO5 Formula. But SDG&E will  
15 make new adjustments to account for non-rate base transactions and to exclude  
16 CPUC-jurisdictional wildfire disallowances that unfairly impact SDG&E's common  
17 equity.

18 Q. What adjustments is SDG&E making for non-rate base transaction?

19 A. As discussed further in the testimony of Mr. Nowak, California Assembly Bill  
20 1054 passed in 2019, establishing the California wildfire fund. The wildfire fund  
21 provides a source of money to cover eligible claims arising from a wildfire that  
22 was ignited on or after July 12, 2019 and caused by a participating electrical  
23 corporation. To participate in the wildfire fund, the law requires a utility company

1 to capitalize the fund with initial and ongoing contributions. SDG&E made its  
2 initial contribution of \$322.5 million in 2019 and has committed to \$12.9M  
3 annual payments for 10 years for a total contribution of \$451.5 million.

4 SDG&E is proposing to remove the impact of these contributions from the  
5 calculation of its capital structure consistent with FERC precedent to remove  
6 amounts that are not available for rate base investment.<sup>2</sup> The contributions to the  
7 wildfire fund are unrelated to rate base investment and should be excluded from  
8 the calculation of SDG&E's TO6 capital structure. To do so, SDG&E will add  
9 back to equity the after-tax charges to earnings that reflect the initial payment, and  
10 the ten annual payments SDG&E has committed to make through 2028. This  
11 adjustment will be made on Statement AV of SDG&E's TO6 Formula Rate  
12 Spreadsheet.

13 Q. Why is SDG&E adjusting for future contributions to the wildfire fund?

14 A. As of now, SDG&E's last required contribution to the wildfire fund will be made in  
15 2028. SDG&E expects the TO6 Formula to be in effect past 2028 and is ensuring  
16 that SDG&E's TO6 capital structure accounts for all wildfire fund contributions  
17 during the term of TO6.

18 Q. What other adjustments is SDG&E proposing to make to the calculation of capital  
19 structure in TO6?

20 A. SDG&E is proposing to remove from common equity the \$208 million after-tax  
21 charge SDG&E took in 2017 related to wildfire claims in excess of liability

---

<sup>2</sup> *El Paso Nat. Gas*, 139 FERC ¶ 61,095 (2012) at PP 86, 90.

1 insurance coverage, cost recovery, and settlements with third parties due to the  
2 2007 wildfires in SDG&E's service territory.

3 Q. Why is SDG&E requesting this adjustment now?

4 A. SDG&E's equity as a result of those liabilities is forever gone from the Company  
5 and leaves SDG&E in a common equity deficit relative to where SDG&E would  
6 otherwise be. In addition, AB 1054's revisions change the standard under which  
7 SDG&E's 2007 wildfires would have been reviewed for cost recovery. SDG&E  
8 believes it is fair and reasonable to remove the impact of this equity loss in the  
9 calculation of common equity on Statement AV of the TO6 Formula Rate  
10 Spreadsheet.

#### 11 **Other TO6 Formula Changes**

12 Q. What other changes does SDG&E include in its TO6 Formula from its TO5  
13 Formula?

14 A. Other changes are as follows:

#### 15 **Statement BK-2 – Wholesale Base Transmission Revenue Requirement**

16 A new adjustment to exclude EPRI membership dues from the derivation  
17 of the wholesale base transmission revenue requirement to ensure those costs are  
18 not passed on to wholesale customers in accordance with FERC precedent.

#### 19 **FERC Order 898 Changes**

20 Statements AD-6A, AD-6B, AE-1A, AE-1B, AJ-1, AJ-1A, AJ-1B, and  
21 AJ-5 have all been updated to include new FERC accounts 351.1 – Computer  
22 Hardware, 351.2 – Computer Software, and 351.3 - Communication Equipment in  
23 accordance with FERC Order 898.

**Statement AH – Operation and Maintenance Expenses**

SDG&E has removed excluded expenses lines for O&M and Administration and General (“A&G”) because they are duplicative. All excluded expenses are already listed on Statement AH-1 and AH-2 and it is redundant for them to be listed again on Statement AH. SDG&E has also added a line for Other Cost Adjustments for O&M and A&G error corrections from a prior period and a line to recover costs in FERC 925 – Injuries and damages using a new blended labor and plant allocation factor discussed in more detail later in this testimony.

**Corporate Alternative Minimum Tax (“CAMT”)**

Q. Are there any other new cost components that will be included in the TO6 Formula that were not included in the TO5 Formula?

A. Yes, the Corporate Alternative Minimum Tax (“CAMT”).

Q. What is the CAMT?

A. On August 16, 2022, President Biden signed into law the Inflation Reduction Act (“IRA”) that includes law changes relating to tax, climate change, energy, and health care. As part of the IRA, Congress implemented the CAMT, which imposes a new alternative minimum tax of 15% on corporations based on adjusted financial statement income (“AFSI”). Corporations subject to CAMT will pay the greater of their regular income tax or CAMT. CAMT is effective for tax years beginning after December 31, 2022.

CAMT applies to corporations with over \$1 billion average AFSI, tested over a three-year period. Once a corporation is subject to CAMT, it remains subject to CAMT even if its average AFSI drops below \$1 billion.

1 Q. Will SDG&E be subject to CAMT?

2 A. SDG&E does not expect to be subject to CAMT in 2023 or 2024. If and when  
3 SDG&E exceeds the \$1 billion average threshold and is subject to CAMT, the  
4 CAMT will be an additional cost-of-service tax item, like income, property,  
5 payroll, state, and other taxes, that must be recovered through rates.

6 Q. If SDG&E is subject to CAMT, what will the effect be?

7 A. In the event that SDG&E is subject to CAMT, its CAMT payment that exceeds its  
8 regular income tax will become a credit against regular income tax in future years  
9 and will be reflected in FERC Electric Transmission Cost Statement AF as a  
10 deferred tax asset (“DTA”), which will increase rate base.

11 Q. If SDG&E is subject to CAMT, how long will the CAMT credit DTA remain in  
12 rate base?

13 A. In the event that SDG&E is subject to CAMT, and thus generates a CAMT credit,  
14 the CAMT credit will be applied against SDG&E’s regular income tax in future  
15 years if and when SDG&E’s regular income tax exceeds its CAMT. The CAMT  
16 credit does not expire and can be carried forward indefinitely. The CAMT credit  
17 DTA decreases when, and to the extent, it is used to offset SDG&E’s regular  
18 income tax in years in which SDG&E’s regular income tax exceeds its CAMT for  
19 that year. Rate base is decreased to the extent that the CAMT credit DTA is  
20 decreased in a particular tax year.

21 **Appendix VIII Definitions and Terms**

22 Q. Did SDG&E make any changes to the Appendix VIII Definitions and Terms?

- 1 A. In Appendix VIII, SDG&E has proposed several additions and/or changes to the  
2 Definitions and Terms to include those that are pertinent to SDG&E's TO6  
3 Formula, including the following:
- 4 **Transmission Wages and Plant Blended Allocation Factor:** the average of the  
5 Transmission Wages and Salaries Allocation Factor and Transmission Plant  
6 Allocation Factor.
- 7 **Accounting Changes:** may involve: (1) the initial implementation of an  
8 accounting standard or policy; (2) the initial implementation of accounting  
9 practices for unusual or unconventional items where the Commission has not  
10 provided specific accounting direction; (3) corrections of errors and prior period  
11 adjustments; (4) the implementation of new estimation methods or policies that  
12 change prior estimates; and (5) changes to income tax elections.
- 13 **Actual Annual Revenue:** the recorded revenues for the 12-month Base Period or  
14 True-Up Period.
- 15 **Annual Cost of Service:** the sum of the 12 Monthly Costs of Services for a given  
16 year.
- 17 **Annual Informational Filing:** the annual filing at the Commission dictated by  
18 SDG&E's Formula Rate Protocols to establish its Base Transmission Revenue  
19 Requirements.
- 20 **Draft Informational Filing:** the draft calculation of SDG&E's Base  
21 Transmission Revenue Requirements posted on SDG&E's website for Interested  
22 Parties to review and submit data request questions to ascertain the accuracy and  
23 correctness of the input data.

1           **Electric Power Research Institute (“EPRI”) Membership Dues:** membership  
2 dues that are excluded in the derivation of wholesale base transmission revenue  
3 requirements to ensure that these costs are not passed on to wholesale customers  
4 in accordance with FERC precedent.

5           **Incentives:** any incentive provided for in FERC Order No. 679. The input values  
6 for the incentive shall be zero in the TO6 Formula until the Commission accepts  
7 or approves the recovery of the cost associated with the incentive.

8           **Interested Parties:** all parties interested in the information exchange and review  
9 described in these Protocols including, but not limited to, customers under the TO  
10 Tariff, the CPUC, consumer advocacy agencies, and the California state attorney  
11 general.

12           **South Georgia Income Tax Adjustment:** the adjustment included in book  
13 taxable income to reverse tax benefits flowed through in rates prior to full  
14 normalization of book/tax adjustments.

15 **V. KEY DIFFERENCES BETWEEN THE TO6 PROTOCOLS AND THE TO5**  
16 **PROTOCOLS**

17 Q. Did SDG&E use its TO5 Protocols as a starting point for developing the TO6  
18 Protocols?

19 A. Yes. As a result, the proposed TO6 Protocols continues most, but not all, aspects  
20 of the Commission-approved TO5 Protocols, including the structure and  
21 organization. However, the TO6 Protocols are different from the TO5 Protocols in  
22 certain substantive areas as described below.

23 Q. Please explain the key differences between the TO6 Protocols and the TO5  
24 Protocols.



1 A. The proposed TO6 Protocols changes are primarily driven by a series of  
2 Commission decisions related to the protocols used by other utilities for their  
3 respective formula rates after the Commission approved SDG&E's TO5  
4 Protocols.<sup>3</sup> Other changes to the TO6 Protocols include enhancements to the  
5 annual informational filing process and additional details around the Final True-  
6 up Adjustment if the TO6 Formula rate is replaced. SDG&E is also removing the  
7 "Return on Equity Moratorium" and adding two additional permitted single-issue  
8 filings to the TO6 Protocols. The structure and organization remain the same.

9 Q. Please describe the key differences.

10 A. The key differences are as follows:

11 **Term**

12 SDG&E's TO6 Formula will go into effect on January 1, 2025, or such  
13 other date authorized by the Commission and shall be re-determined annually  
14 thereafter in accordance with Appendix VIII. The TO6 Formula shall remain in  
15 effect until superseded by subsequent Commission-approved rates.

16 **Procedures for Updating the Base TRR**

17 The Draft Informational Filing will now be posted on June 15th as opposed  
18 to July 1st under the TO5 Formula. The purpose of moving up the date of the posting  
19 is to provide time for an Informal Challenge period. SDG&E has also moved the  
20 deadline for its annual Draft Informational Filing Meeting to later in the discovery  
21 period to allow more time for Interested Parties to identify issues for discussion.

---

<sup>3</sup> See e.g., *Alabama Power*, 178 FERC ¶ 61,207 (2022); *Idaho Power Co.*, 179 FERC ¶ 61,054 (2022); *PacifiCorp*, 179 FERC ¶ 61,053 (2022); *Omaha Pub. Power Dist.*, 179 FERC ¶ 61,112 (2022); *PacifiCorp*, 183 FERC ¶ 61,031 (2023).

1 Finally, SDG&E has added a defined timeline for Formal Protests that provides all  
 2 parties additional time. Each is discussed in turn. The full proposed timeline is  
 3 below:

<b>Event</b>	<b>Date</b>
Posting of Draft Informational Filing	June 15
Informational Requests	June 15 – October 15
Draft Informational Filing Meeting	On or before August 30
Provide a Revised Draft Annual Update with a summary of the changes	October 1
Informal Challenge Notice Deadline	October 15
Informal Challenge Unresolved Issues Meeting with Senior Representative (if necessary)	On or before November 15
Annual Informational Filing	On or before December 1
Last Day for Formal Comments or Protests to Annual Update	December 31
Rates Effective Date	January 1
Last day for SDG&E to Submit Answer to Formal Comments or Protests	January 31

#### 4 **Revisions to the Draft Annual Update**

5 SDG&E will now provide to the service list a marked version of the  
 6 Formula Rate Spreadsheet indicating any revisions to the Draft Informational  
 7 Filing and provide an explanation of the reason for the revisions by October 1st.

#### 8 **Informal Challenge Period**

9 SDG&E is adding an Informal Challenge period directly after the discovery  
 10 period and prior to the Annual Informational filing on December 1st. The purpose  
 11 of the Informal Challenge Period is to provide SDG&E and Interested Parties 30  
 12 days to resolve any remaining issues prior to the December 1st filing date.

13 Interested Parties shall have until October 15th following the Posting Date (unless

1 such period is extended with the written consent of SDG&E or by FERC order) to  
2 review the inputs, supporting explanations, allocations, and calculations and to  
3 provide SDG&E in writing, which may be made electronically, any specific  
4 Informal Challenge.

5 SDG&E or the Interested Party may request, with at least ten (10) calendar  
6 days written notice, that additional meetings be held between SDG&E and  
7 Interested Parties to discuss specific areas of concern. If these representatives are  
8 unable to resolve an Informal Challenge, senior representatives of SDG&E and  
9 the Interested Party, who have the authority to negotiate and settle such disputes,  
10 shall meet and attempt to resolve the Informal Challenge. If the senior  
11 representatives of SDG&E and the Interested Party are unable to resolve an  
12 Informal Challenge within thirty (30) calendar days after the dispute is referred to  
13 them (or a longer period if the parties mutually agree to extend such period), then  
14 the Interested Party may pursue a formal protest.

#### 15 **Formal Protest Period**

16 SDG&E has added a defined Formal Protest period. The defined period  
17 provides Interested Parties additional time to file a Formal Protest at FERC and  
18 allows SDG&E additional time to respond. An Interested Party shall have until  
19 December 31st following the review period (unless such date is extended with the  
20 written consent of SDG&E to continue efforts to resolve the Informal Challenge  
21 prior to the filing of a Formal Protest) to file a Formal Protest with FERC, which  
22 shall be served on SDG&E on the date of such filing.

1 An Interested Party may not pursue a Formal Protest if it has not  
2 previously submitted an Informal Challenge for the applicable review period. But  
3 if an Interested Party provided Informal Challenges, it may include an issue in its  
4 Formal Protest even if it did not raise the issue in its Informal Challenge. SDG&E  
5 will have until January 31st to submit its answer to the Formal Protest at FERC.

### 6 **Single-Issue Filings**

7 In addition to the single-issue filings permitted by the TO5 Protocols,  
8 SDG&E has added two provisions allowing SDG&E to make single issue filings  
9 to incorporate project-specific cost containment measures for a CAISO  
10 Transmission Planning Process (“TPP”) bid project and to revise the TO6  
11 Formula as needed to implement a wildfire self-insurance program if SDG&E  
12 chooses to pursue such insurance. SDG&E also modified the restriction on  
13 project-specific incentive filings to permit SDG&E to seek any incentive  
14 permitted by Order No. 679. All parties retain their rights regarding single-issue  
15 filings.

## 16 **VI. DESCRIPTION OF TO6 FORMULA AND CYCLE TIMELINES**

17 Q. Please explain the timelines applicable under SDG&E’s TO6 Formula, including  
18 the annual cycles.

19 A. The time periods used in the TO6 Formula are virtually identical to what was in  
20 effect under SDG&E’s TO5 Formula. As with the TO5 Formula, the TO6  
21 Formula is implemented through annual filings, with components taking effect for  
22 an annual cycle. Each cycle will include the following components:

- 23 • Rate Effective Period (“REP”)

- 1 • Base Period
- 2 • Forecast Period
- 3 • True-Up (“TU”) Adjustment
- 4 • Interest TU Adjustment

5 SDG&E will update the BTRR in each cycle per the following schedule:

6 **TO6 Cycle 1**

Rate Effective Period	January 1, 2025 – December 31, 2025
Base Period	12 Months ended December 31, 2023
Forecast Period	24 Months, January 2024 - December 2025
TU Adjustment	2023 calendar year applicable to TO5 Cycle 5
Interest TU Adjustment	January 1, 2023 – December 31, 2024

7 **TO6 Cycle 2**

Rate Effective Period	January 1, 2026 – December 31, 2026
Base Period	12 Months ended December 31, 2024
Forecast Period	24 Months, January 2025 - December 2026
TU Adjustment	2024 calendar year applicable to TO5 Cycle 6
Interest TU Adjustment	January 1, 2024 – December 31, 2025

8 **TO6 Cycle 3**

Rate Effective Period	January 1, 2027 – December 31, 2027
Base Period	12 Months ended December 31, 2025
Forecast Period	24 Months, January 2026 - December 2027
TU Adjustment	2025 calendar year applicable to TO6 Cycle 1
Interest TU Adjustment	January 1, 2025 – December 31, 2026

9 After Cycle 3, subsequent TO6 cycles will be consistent with Cycle 3 with  
 10 regards to timing and the length of the Base Period, Forecast Period, TU Period,  
 11 and Rate Effective Period.

1 **VII. PRO FORMA COST ALLOCATION ADJUSTMENTS MADE TO CYCLE**  
2 **1 RECORDED BASE PERIOD**

3 Q. Has SDG&E made any *pro forma* cost allocation adjustments to its recorded  
4 Cycle 1 Base Period, 12-months ended December 31, 2023?

5 A. Yes, SDG&E has updated how it allocates costs recorded in the A&G FERC  
6 Account 925 – Injury and Damages and is now using a blended allocation factor  
7 based on the average of the Transmission Wages and Salaries Allocation Factor  
8 and the Transmission Plant Allocation Factor.

9 Q. Why did SDG&E make this change and is the blended allocation consistent with  
10 FERC precedent?

11 A. In the TO5 Formula, SDG&E allocated all A&G FERC accounts using the  
12 Transmission Wages and Salaries Allocation Factor except for FERC Account 924  
13 – Property Insurance, which is allocated using the Transmission Property  
14 Insurance and Tax Allocation Factor. SDG&E re-analyzed the basis for these  
15 allocations and concluded that costs recorded in FERC Account 925 – Injuries and  
16 damages are unique in nature and cannot be directly assigned as labor-related or  
17 plant-related and are more appropriately allocated using a blended plant and labor  
18 factor. This is consistent with *Kansas-Nebraska Natural Gas Company*, 53 FPC  
19 1691 (1975); and *Kern River Gas Transmission Company*, 117 FERC ¶ 61,077,  
20 P 289 (2006).

21 Q. How is the blended plant and labor factor calculated and why is it more  
22 appropriate for FERC Account 925 – Injuries and damages?

23 A. As discussed above, costs recorded in FERC Account 925 – Injuries and damages  
24 are related to both labor and plant. It follows under cost causation principals and

1 FERC precedent that these costs are more appropriately designated as “other” and  
2 may be allocated based on an average of the labor factor and plant factors.

3 **VIII. PRO FORMA COST ADJUSTMENTS MADE TO CYCLE 1 RECORDED**  
4 **BASE PERIOD**

5 Q. Has SDG&E made any *pro forma* cost adjustments to recorded Base Period costs  
6 as part of its Cycle 1 filing?

7 A. Yes. SDG&E TO5 Cycle 6 Annual Update Filing was protested and FERC  
8 determined that two errors from 2022 needed to be corrected.<sup>4</sup> Additionally,  
9 SDG&E discovered an input error related to the Company Use Expense offset  
10 credit booked in FERC Account 929 – Duplicate charges – Credit. The credit was  
11 overstated going back to TO5 Cycle 1. As a result, these error corrections will be  
12 included in the Other BTRR line of the TO6 Cycle 1 Formula Rate Spreadsheet.

13 **IX. FINAL TRUE UP PERIOD ADJUSTMENT**

14 Q. Will the final TO5 True-Up Adjustment be included in TO6 Annual Informational  
15 Filings?

16 A. Yes, SDG&E still needs to true-up the 2023 and 2024 rate effective years, which  
17 are still subject to the TO5 Formula.

18 Q. How will that work mechanically?

19 A. The mechanics of the final TO5 True-up Adjustment are the same as the annual  
20 TO5 True-up Adjustment. The cost of service for rate effective years 2023 and  
21 2024 will be calculated using the TO5 Formula Rate Spreadsheet in accordance  
22 with the TO5 Protocols and compared to actual revenue collected in those years.

---

<sup>4</sup> See *San Diego Gas & Elec. Co.*, 186 FERC ¶ 61,223, PP 10, 20 (2024)

1 Any under- or over- collections will then be added to or subtracted from the TO6  
2 Cycle 1 and TO6 Cycle 2 BTRRs.

3 Q. What happens if the TO6 Formula is suspended by FERC for a period of time,  
4 rather than being permitted to go into effect on January 1, 2025, as requested?

5 A. If the TO6 Filing is suspended, TO5 will continue until TO6 is in effect in  
6 accordance with the TO5 Protocols. SDG&E will need to calculate a partial true-up  
7 true up adjustment for rate effective year 2025. The cost of service for the period  
8 during which the TO6 Formula is suspended will be calculated using the TO5  
9 Formula Rate Spreadsheet in accordance with the TO5 Protocols. The cost of  
10 service for the remaining months of 2025 will be calculated using the TO6 Formula  
11 rate spreadsheet in accordance with the TO6 Protocols. The sum of the two cost of  
12 service calculations will be equal to the full year 2025 cost of service and will be  
13 compared to the actual revenues collected in 2025 to determine the under- or over-  
14 collection that will be added to or subtracted from the TO6 Cycle 3 BTRR.

15 Q. Will TO5 Interested Parties have the ability to review and challenge the inputs  
16 used to calculate the Final TO5 True-up Adjustment?

17 A. Yes, all parties retain the right to examine and challenge the inputs to the Final  
18 TO5 True-up Adjustments.

19 Q. Will the TO6 Formula require a Final TU Adjustment?

20 A. The TO6 Formula will only require a Final TU Adjustment if the TO6 Formula is  
21 no longer applicable. Following a cessation of TO6, a Final True-up Adjustment  
22 would likely be required.



1 Q. Will the final TO6 True-up Adjustment work mechanically the same as the final  
2 TO5 True-up Adjustment?

3 A. Yes, the mechanics of the final TO6 True-up Adjustment will be the same as the  
4 final TO5 True-up Adjustment. The final TO6 Formula effective years cost of  
5 service will be calculated using the TO6 Formula Rate Spreadsheet in adherence  
6 with these TO6 Protocols and included in SDG&E's subsequent rate case Cycle 1  
7 and Cycle 2 Annual Informational Filings.

8 Q. Will TO6 interested Parties have the ability to review and challenge inputs used to  
9 calculate the final TO6 True-Ups?

10 A. Yes, similar to the Final TO5 True-up Adjustments included in the TO6 Annual  
11 Informational Filings, all parties retain the right to examine and challenge the  
12 inputs to the Final TO6 True-up Adjustments.

13 **X. REFUNDS UNDER THE TO6 FORMULA**

14 Q. How will refunds under the TO6 Formula be implemented?

15 A. Refunds under TO6 will be implemented in the following manner for Retail and  
16 CAISO Wholesales refunds. CAISO Wholesale refunds will be effectuated  
17 pursuant to the CAISO tariff. Retail refunds will be effectuated pursuant to the  
18 True-Up mechanism of the TO6 Formula.

19 **XI. RETAIL RATE DESIGN**

20 Q. Is SDG&E changing its retail rate design in TO6 Cycle 1?

21 A. No. It is using the same transmission retail rate design that it used in TO5 Cycle 6.

22 Q. Does this complete your testimony?

23 A. Yes.

**VERIFICATION**

Adam P. Currey hereby declares under penalty of perjury of the laws of the United States that the foregoing document is true and correct to the best of his knowledge and belief. *See* 28 U.S.C. § 1746.

Executed this 30th day of October, 2024

*/s/ Adam P. Currey*  
Adam P. Currey