

Application No: A.14-12-017
Exhibit No.: _____
Witness: Steve Watson

Triennial Cost Allocation Proceeding Phase 1
Application of Southern California Gas Company
(U 904 G) and San Diego Gas & Electric Company
(U 902 G) for Authority to Revise their Natural Gas
Rates Effective January 1, 2016

A.14-12-017
(Filed December 18, 2014)

PREPARED SUPPLEMENTAL TESTIMONY OF
STEVE WATSON
SOUTHERN CALIFORNIA GAS COMPANY AND
SAN DIEGO GAS & ELECTRIC COMPANY

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

April 3, 2015

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II. ALLOCATION OF STORAGE COSTS UNDER THE 2009-2014
SETTLEMENT. 1

Table 1: Current Storage Capacity Allocations (MMcf/d)

	Bcf	Withdrawal	Injection
Total	137.1	3195	850
Balancing	4.2	340	200
Core	83	2225	388
Unbundled	49.9	630	262

Table 2: Proposed Storage Capacity Allocations (MMcf/d)

	Bcf	Withdrawal Winter	Withdrawal Summer	Injection 2016 Summer	Injection 2017-2019 Summer	Injection 2016 Winter	Injection 2017-19 Winter
Total	138.1	3175	1812	770	915	390	535
Balancing	5.1	525	525	200	345	200	345
Core	83	2225	1081	388	388	190	190
Unbundled	50	425	206	182	182	0	0

In her Prepared Direct Testimony, Ms. Fung proposed total storage costs of \$96.2 million in 2016 and \$110.6 million for 2017-2019. She used the same embedded cost methodology that is being used for the currently effective TCAP period, and then adjusted those costs to reflect final Honor Rancho inventory expansion expenses¹ and the Aliso Canyon Turbine Replacement Project.²

Using Ms. Fung’s proposed storage costs as inputs, my direct testimony then addressed how to allocate those costs to the balancing, core, and unbundled storage functions, given the proposed allocations of storage capacities. Table 3 below shows what the cost allocation results

¹ Honor Rancho Expansion costs were initially approved by the Commission in D.10-04-034. The costs exceeding the established spending cap were approved in the 2013 TCAP Decision, D.14-06-007.

² Aliso Canyon Turbine Replacement Project costs were approved in D.13-11-023.

1 would have been had I instead used the current cost allocation methodology, which was
2 approved through a settlement agreement which expires on December 31, 2015. The settlement
3 methodology assumes that total storage costs are distributed one-third to the inventory function,
4 one-third to injection function, and one-third to the withdrawal function. These functionalized
5 storage costs are then apportioned to the core, balancing, and unbundled storage functions using
6 the capacities shown in Table 2. However, since the current methodology does not make a
7 distinction between on-cycle and off-cycle firm capacities, I made the unrealistic assumption that
8 the winter withdrawal capacities and summer injection capacities (“on-cycle”) in Table 2 were in
9 fact annualized capacities, similar to Table 1.

10 *Table 3: 2009-2015 Method – Not the Proposal of SoCalGas and SDG&E*

	2016 \$MM	2017-2019 \$MM
Core	\$57.90	\$63.62
Balancing	\$14.81	\$21.35
Unbundled	\$23.48	\$25.61
Total	\$96.19	\$110.58

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12 This concludes my prepared supplemental testimony.