

**TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION  
OF SOUTHERN CALIFORNIA GAS COMPANY &  
SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR  
NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016**

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

**QUESTION 1:**

Does Sempra agree that the following tables, as labeled and with accompanying footnotes, are an accurate representation of the capacity figures set out in the Settlement Agreement adopted in D.08-12-020 (hereafter called "D.08-12-020 Settlement Agreement" or "Settlement Agreement"?<sup>1</sup> If not, please explain and provide corrected table(s) in the same format.

**Table 1: Initial storage allocations as outlined in Settlement Agreement:**

	Bcf	Withdrawal (MMcf/d)	Injection (MMcf/d)
<b>Total</b>	131.1 <sup>2</sup>	3195 <sup>3</sup>	850 <sup>4</sup>
<b>Balancing</b>	4.2 <sup>5</sup>	340 <sup>6</sup>	200 <sup>7</sup>
<b>Core</b>	79 <sup>8</sup>	2225 <sup>9</sup>	369 <sup>10</sup>
<b>Unbundled</b>	47.9 <sup>11</sup>	630 <sup>12</sup>	281 <sup>13</sup>

**Table 2: Storage allocations as of April 1, 2014, as outlined in Settlement Agreement:**

	Bcf	Withdrawal (MMcf/d)	Injection (MMcf/d)
<b>Total</b>	138.1 <sup>14</sup>	3195 <sup>15</sup>	850
<b>Balancing</b>	4.2 <sup>16</sup>	340 <sup>17</sup>	200 <sup>18</sup>
<b>Core</b>	83 <sup>19</sup>	2225 <sup>20</sup>	388 <sup>21</sup>
<b>Unbundled</b>	50.9 <sup>22</sup>	630 <sup>23</sup>	262 <sup>24</sup>

<sup>1</sup> The highlights in Table 2 indicate changes as of April 1, 2014 from the initial storage allocations outlined in the Settlement Agreement.

<sup>2</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4

<sup>3</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4

<sup>4</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4

<sup>5</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9

<sup>6</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9

<sup>7</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9

<sup>8</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5

<sup>9</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5

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<sup>10</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5

<sup>11</sup> Calculated per D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

<sup>12</sup> Calculated per D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

<sup>13</sup> Calculated per D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

<sup>14</sup> Total storage inventory capacity increase prescribed per D.09-11-006 Settlement Agreement, Attachment 1, Appendix A, Paragraph 6.

<sup>15</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4

<sup>16</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9

<sup>17</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9

<sup>18</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9

<sup>19</sup> Total core inventory to increase by 1 Bcf each April 1 of 2010, 2011, 2012, and 2013, per D. 08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 7

<sup>20</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5

<sup>21</sup> D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5

<sup>22</sup> Total unbundled inventory to increase by 1 Bcf each April 1 of 2010, 2012, and 2014, per D.09-11-006 Settlement

Agreement, Attachment 1, Appendix A, Paragraph 7

<sup>23</sup> Calculated per D. 08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

<sup>24</sup> Calculated per D. 08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

**RESPONSE 1:**

SoCalGas and SDG&E agree that Table 1 is an accurate representation of the capacity figures set out in the Settlement Agreement. In Table 2, the System Total and Unbundled Storage Capacity values in the Settlement Agreement were superseded by the Honor Rancho Expansion Decision D.10-04-034, Ordering Paragraph #1 (referencing A.09-07-014). Page 3 of A.09-07-014 provided that "Assuming timely approval of this application, SoCalGas can still meet this (Settlement Agreement) schedule with a slight exception: the 1.0 Bcf of noncore inventory scheduled for 2012 may not be produced until 2014; and, the 1.0 Bcf of noncore inventory scheduled for 2014 may not be produced until 2015." Accordingly, by April 1<sup>st</sup>, 2014, the Total

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Storage Capacity was 137.1Bcf, not 138.1Bcf as shown in Table 2, and the Total Unbundled Storage program was 49.9 Bcf, not 50.9 Bcf as shown in Table 2.

As it relates to the additional 1.0 BCF of storage inventory that was expected to be available on April 1, 2015, SoCalGas and SDG&E note the following Critical Notice that was posted to the Electronic Bulletin Board (Envoy) on April 1, 2015:

“The total storage inventory capacity as of April 1, 2015 remains 137.1 Bcf. The last BCF of inventory capacity expansion planned for April 2015 has been delayed and will not be available at least through the summer 2015 operating season. SoCalGas capability to offer this inventory expansion will be re-evaluated prior to the winter operating season in November.”

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**QUESTION 2:**

Tables 1 and 2 above show total annual withdrawal and injection capacities allocated to each function without distinguishing summer/winter periods, reflecting the lack of distinction in the language cited in the Settlement Agreement.

Has Sempra allocated withdrawal and injection rights by summer/winter periods during the time periods covered by the settlement agreement or as an annual, non-differentiated total (as shown in the tables above)?

If Sempra has allocated rights by summer/winter period, please provide the citation to the Settlement Agreement, Commission Decision(s), Sempra internal documents, or other documents showing the summer/winter split for each cell of withdrawal/injection rights. Please also provide a copy of the numbers used for the summer/winter period.

**RESPONSE 2:**

SoCalGas and SDG&E have previously allocated withdrawal and injection rights on a strictly annual basis.

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**QUESTION 3:**

Does Sempra agree that the following tables, as labeled, are an accurate representation of the capacity figures proposed in its 2016 TCAP Application?<sup>25</sup> If not, please explain and provide corrected table(s) in the same format.

*Table 3: 2016 Storage Allocations as proposed in 2016 TCAP:*

	<b>Bcf</b>	<b>Withdrawal (summer/winter)</b>	<b>Injection (summer/winter)</b>
<b>Total</b>	138.1	1812 / 3175	770 / 390
<b>Balancing</b>	5.1	525 / 525	200 / 200
<b>Core</b>	83	1081 / 2225	388 / 190
<b>Unbundled</b>	50	206 / 425	182 / 0

*Table 4: 2017-2019 Storage Allocations as proposed in 2016 TCAP (changes from Table 3 highlighted<sup>26</sup>):*

	<b>Bcf</b>	<b>Withdrawal (summer/winter)</b>	<b>Injection (summer/winter)</b>
<b>Total</b>	138.1	1812 / 3175	915 / 535
<b>Balancing</b>	5.1	525 / 525	345 / 345
<b>Core</b>	83	1081 / 2225	388 / 190
<b>Unbundled</b>	50	206 / 425	182 / 0

<sup>25</sup> Table 3 (Storage Capacity Allocations (MMcf/d)) of Watson Testimony, page 10, line 14

<sup>26</sup> The changes in the 2017-2019 period vis-à-vis the 2016 period are entirely attributable to the completion of the Aliso Canyon project.

**RESPONSE 3:**

SoCalGas and SDG&E agree that Tables 3 and 4 are an accurate representation of the capacity figures in the current 2016 TCAP proposal.

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**QUESTION 4:**

Question 4 of ORA data request ORA-DR-04 reads (entire question below):

“In Response 11 of ORA data request ORA-DR-02, Sempra stated “Directionally, net storage revenues would have been higher under the 60/40 mechanism than under the current mechanism – especially in the last few years. Please explain how and from what data this conclusion was drawn, and provide all information or data demonstrating a causal effect between incentive mechanism and net unbundled storage revenues. If SCG/SDG&E has no information supporting this conclusion, please state as such.”

To which Sempra responded (entire response below):

“The assertion is based on the position that incentives are used to motivate innovation and hard work. The larger the incentives are, the stronger the impact of those incentives.”

Was any quantitative data used to formulate this position? If so, please explain and provide

Does Sempra have any information or data that demonstrate the causal relationship claimed in their response?

Is Sempra’s position an assertion based on a specific, quantitative study, analysis, etc. of data; based on a general policy position; or based on something else?

**RESPONSE 4:**

Utilities and the Commission supported the use of incentives for activities not associated with traditional utility service before the unbundled storage program was created. For example, there are energy efficiency incentives to promote conservation efforts that would otherwise work contrary to a utility’s normal incentive to build rate base.

SoCalGas has a longstanding gas cost incentive mechanism to incent Gas Acquisition to provide reliable, low-cost procurement service for SoCalGas and SDG&E bundled core customers. Companies throughout the country use incentive mechanisms to increase the performance of personnel in particular, targeted areas.

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Economics is based on the notion that companies are motivated to produce the highest-value goods at the lowest-possible cost in pursuit of profits. SoCalGas and SDG&E did not see the need to perform a quantitative analysis to support the efficacy of incentives for unbundled storage over this TCAP period.

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**QUESTION 5:**

Please provide a copy of the current scope of work or duty statements for the two sales staff referred to in Sempra's response to question 5 of ORA data request ORA-DR-04.

**RESPONSE 5:**

**Storage Products Manager**

- Marketing of Unbundled Storage services, and Park & Loan services
- Marketing of natural gas production associated with storage operations
- Monitor and assess market conditions to maximize revenues
- Expand customer base and build customer relationships
- Buy and sell gas to support system operations (Southern System reliability, pipeline projects, etc.)
- Supervise Storage Products staff

**Account Manager I**

- Sale of spot Unbundled Storage services, and Park & Loan services through bilateral negotiations with individual customers
- Sale of natural gas production associated with storage operations
- Monitor and assess market conditions to maximize revenues
- Expand customer base and build customer relationships
- Buy and sell gas to support system operations (Southern System reliability, pipeline projects, etc.)



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**QUESTION 6:**

Part (b) of Question 6 of ORA data request ORA-DR-04 asked:

“To what extent do factors other than revolutions in gas production technologies affect natural gas price volatility remaining low? Please explain in detail.”

Sempra’s response (“Yes, other factors also affect natural gas volatilities.”) appears to have misinterpreted the query as a binary (yes/no) question. Please respond with an analysis (potentially similar to the response to Part (c)) or explain why the question must be answered in a yes/no manner.

**RESPONSE 6:**

Gas prices are determined by the supply and demand for natural gas. While not a comprehensive list, some factors that affect gas prices and price volatility include new drilling technologies, changes in consumer preferences, additional storage capacity, and changes in the perceived likelihood of flowing supply shortages and disruptions due to inadequate supply and/or transportation pipeline capacity to meet anticipated demand.

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**QUESTION 7:**

Question 9 of ORA data request ORA-DR-04 asked:

“Aside from related support or administrative changes, is “aggressive negotiations with counterparties, creative product marketing, and storage field operations” an exhaustive list of programs and changes that SCG and SDG&E would pursue if the 60/40 revenue-sharing mechanism was approved as-is?”

To which Sempra responded:

“The list is not exhaustive. Rather, these are examples of the type of things SoCalGas might seek to pursue with a revised sharing mechanism. With greater sharing, SoCalGas would have a strong incentive to pursue programs that would bring in additional unbundled storage revenues. But until the sharing mechanism is revised, it would not make sense for SoCalGas to spend resources developing such programs.”

- a. Has Sempra identified programs or projects that would be or might be implemented if the unbundled storage revenue mechanism were modified as it proposes? If so, please list such programs and projects.
- b. Has Sempra performed any cost-benefits analyses in support of the programs and projects identified in response to Question 9a? If so, please provide.
- c. Does Sempra have any cost estimates for such potential programs or projects identified in response to question 9a? If so, please provide.
- d. Has Sempra examined any similar programs or projects at other utilities or gas storage providers to determine costs, benefits, best practices, potential results, etc.? If so, please provide.
- e. Has Sempra used any other forms of evaluation to support the programs and projects identified in the list that responds to question 9a? If so, please provide.
- f. Does Sempra have any quantitative evidence that implementing such potential programs or projects that are provided in response to question 9a would be beneficial to shareholders, ratepayers, and/or customers? If so, please provide.

**RESPONSE 7:**

- a. SoCalGas and SDG&E have not yet identified particular new programs or projects that would be implemented if the unbundled storage revenue mechanism were modified.
- b. See Response 7.a.

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- c. See Response 7.a.
- d. See Response 7.a.
- e. See Response 7.a.
- f. See Response 7.a.

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**QUESTION 8:**

Question 10 of ORA data request ORA-DR-04 asked what benefits SCG and SDG&E; shareholders; and ratepayers would derive from the elimination of the unbundled storage posting transaction requirement. In Part (a) of their response, Sempra stated “Back office staff work would be reduced by eliminating an unnecessary requirement. Certain legal/regulatory risks associated with incorrect, late, or incomplete postings are also eliminated.”

- a. Please provide detailed cost-savings estimates from the reduction of backoffice staff work.
- b. Please provide detailed cost-savings estimates from the reduction of legal/regulatory risks associated with incorrect, late, or incomplete postings.

**RESPONSE 8:**

- a. SoCalGas and SDG&E have not estimated the magnitude of the savings. SoCalGas and SDG&E’s contention is that taking resources away from unnecessary tasks and reallocating them to more essential jobs results in a net benefit to the rate payers and shareholders.
- b. SoCalGas and SDG&E have no such estimate.

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**QUESTION 9:**

In Parts (b) and (c) of Sempra's response to question 10 of ORA data request ORA-DR-04 (asking what benefits SCG and SDG&E; shareholders; and ratepayers would derive from the elimination of the unbundled storage posting transaction requirement), Sempra stated "It is unclear how the elimination of the deal posting requirement would affect storage revenues. But both ratepayers and shareholders should benefit indirectly through the elimination of unnecessary posting requirements."

- a. Please provide the quantitative evidence or Workpapers supporting the claim made in the second sentence of the quote.
- b. Please provide an example of a potential indirect benefit that could be bestowed upon ratepayers and shareholders were the posting requirement to be eliminated.
- c. Have any parties in TCAP or BCAP proceedings indicated to Sempra that the unbundled storage transaction posting requirement provides benefit to them? If so, please provide a list by proceeding and party.

**RESPONSE 9:**

- a. See Response to Question 8 (a) and (b) in this Data Response.
- b. SoCalGas and SDG&E's contention is that taking resources away from unnecessary tasks and reallocating them to more essential jobs results in a net benefit to the rate payers and shareholders
- c. Yes, Shell Energy in their Response to this Application.