Application No: ______________________
Exhibit No.: ______________________
Witness: William L. Reed

In the Matter of the Application of Southern California Gas Company (U 904 G), San Diego Gas & Electric Company (U 902 M) and Southern California Edison Company (U 338 E) for Approval of Changes to Natural Gas Operations and Service Offerings	))))))	R.06-07-___ (Filed August 28, 2006)

PREPARED DIRECT TESTIMONY

OF WILLIAM L. REED

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
August 28, 2006

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A. QUALIFICATIONS

My name is William L. Reed. I am the Senior Vice President of Regulatory and Strategic Planning for San Diego Gas & Electric (SDG&E) and Southern California Gas Company (SoCalGas). My business address is 8330 Century Park Court, San Diego, California, 92123.

I have held this position since June, 2004. I am the officer responsible for regulatory policy for SDG&E and SoCalGas. Prior to my current position, I have worked for SDG&E or its parent company for approximately 29 years. My earlier positions have been in the areas of law, bulk power control, energy procurement, regulatory and governmental affairs, and strategic planning. I graduated with a Bachelor of Arts degree from Oberlin College, Oberlin, Ohio, in 1974 and a Juris Doctor from Western State University, San Diego, California, in 1979.

I have previously testified before the Commission.

B. PURPOSE

The purpose of my testimony is to explain why Commission approval of the package of structural changes to the gas operations and gas procurement of SoCalGas and SDG&E contained in two recent settlements is consistent with sound regulatory policy.

C. INTRODUCTION

The Commission and a number of parties have spent considerable time and resources to address issues resulting from the energy crisis of 2000-2001. Some of those issues still remain in Commission dockets. Sempra Energy, SDG&E, SoCalGas and several other parties have reached agreement on a number of structural changes to the gas operations of the utilities in an attempt to resolve any remaining concerns. SoCalGas and SDG&E do not believe that their actions violated either the letter or the spirit of any laws or regulations. We have, however, in an effort to put these issues behind us and reduce the need for further time-consuming litigation, agreed to several changes in operations and procedures. These agreements are the result of extensive negotiations and compromise, and represent comprehensive packages that, in their entirety, provide significant benefits to energy consumers in California.

On January 4, 2006, Sempra Energy, SoCalGas, SDG&E, and other Sempra Energy affiliates entered into a settlement of certain class action antitrust and unfair competition claims arising out of the California energy crisis (the "Continental Forge Settlement"). The Continental Forge plaintiffs alleged that Sempra Energy, SoCalGas, and SDG&E conspired to restrict natural gas supplies to California and claimed damages of $23 billion (after applicable trebling). Sempra Energy and its subsidiaries vigorously denied any wrongdoing alleged in the litigation, but concluded that settlement was desirable to avoid exposing the companies to serious financial risk and put the litigation behind them. At the time of settlement, the Continental Forge claims were the subject of an ongoing jury trial that began in October of 2005.

Appendix A to my testimony is the Continental Forge Settlement. Attachment A to the Continental Forge Settlement , titled "Structural Changes to Utility Operations," outlines a package of structural changes to gas operations agreed to by the parties, including, a commitment to propose and support:

1. Integration of the SDG&E and SoCalGas transmission facilities;
2. Cost-based tariffs for services provided by utility transmission and distribution facilities, with 100% balancing account treatment for the revenues;
3. Firm, tradable rights for access to utility receipt points and storage, with utility administration of a mechanism, including electronic bulletin board, to facilitate a secondary market;
4. An imbalance trading program;
5. Posting of information related to hub transactions, service outages, total gas in inventory, gas in inventory for the core, and indexing receipt point access and storage rights;
6. Utility rate recovery of reasonable implementation costs;
7. Provisions for conducting open seasons to determine if an expansion of the system is warranted;
8. Adoption of monthly core physical targets for the injection season;

9. Combination of the core procurement operations of SoCalGas and SDG&E under an integrated, single core procurement department, subject to the SoCalGas Gas Cost Incentive Mechanism ("GCIM");
10. Continued separation of SDG&E's gas procurement operations for its electric generation needs from the combined core procurement function;
11. Provisions for review of core procurement plans ("Gas Plans") , including winter hedging, with a Procurement Review Group ("Gas PRG"), and the use of compliance Advice Letters to obtain timely approval of these plans before the commencement of the gas year;
12. A determination that transactions following the approved Gas Plan will be deemed reasonable per se, while transactions outside the Gas Plan will be promptly reviewed for reasonableness using the Commission's "reasonable manager" standard;
13. Continued separation of the SoCalGas Gas Operations function from any core commodity procurement function;
14. Continued compliance with all merger Remedial Measures limiting the communications and information sharing between the Gas Operations and Gas Acquisition departments, and all Remedial Measures and Commission Affiliate Transaction Rules governing relations with affiliates;
15. Continued maintenance of an Electronic Bulletin Board ("EBB") that is an interactive same-day reservation and information system; and,
16. Continuation of a separate utility risk management function from Sempra Energy's Risk Management Department, and a prohibition on sharing of utility procurement-related data used to calculate value at risk and counter party credit.

The parties to the Continental Forge Settlement also agreed that through June 8, 2016, they would not propose or support proposals that undermine the purposes of the settlement.

Appendix B to my testimony is the Settlement Agreement entered into on May 30, 2006, by SoCalGas, SDG&E, Sempra Energy, certain other Sempra Energy affiliates, Southern California Edison Company ("Edison"), and Edison International (the "Edison Settlement").

The Edison Settlement supplements the provisions of the Continental Forge Settlement, and provides that Edison will support the package of changes to gas operations agreed to by the parties to the Continental Forge Settlement. This settlement was the product of years of litigation in the Border Price Investigation, I.02-11-040, the Sempra Affiliate Investigation, I.03-02-033, and every SoCalGas GCIM proceeding since 1999. The negotiations that led to this settlement were extensive and at times highly contentious. SoCalGas and SDG&E were adamant that we would not enter into a settlement that harms our customers. Edison was equally adamant that any settlement would need to provide substantial benefits for noncore customers. Moreover, Edison made a point that any such benefits would flow through to all noncore customers, and not just Edison. The result is a carefully negotiated settlement that needs to be considered as one cohesive resolution. Individual elements of the settlement by themselves do not tell the entire story. Exhibit A (Proposed Tariff Revisions) and Exhibit B (Structural Provisions) to the Edison Settlement lay out additional proposed changes to the operations of and services provided by SoCalGas and SDG&E, including:

1. Additional EBB information posting requirements;
2. Release, on an interruptible basis, of all unutilized receipt point and unbundled storage capacity at a maximum rate equal to 100% of the applicable firm reservation charge;
3. Crediting the interruptible transmission revenues to the Integrated Transmission Balancing Account ("ITBA"), subject to an annual sharing and earnings cap mechanism;
4. Facilitating the ability of customers to manage transportation imbalances by utilizing SoCalGas storage services or third-party storage providers connected to the SoCalGas system, with rate recovery of all reasonable costs of providing this new service;
5. Establishing a "meet and confer" with any customers interested in assessing the need for the development of optional enhanced tariff balancing services;

6. Modifying the existing G-TBS tariff to include an annual rate cap by unbundled service and an annual earnings cap, and three existing SoCalGas storage tariffs, G-AUC, G-LTS, and G-BSS, to new subscription for five years;
7. Linking the adoption of the proposal for the combination of the core procurement portfolios with a modification of the core storage capacities;
8. Treating the Utility Gas Procurement Department similarly to any other customer with respect to use of capacity rights, scheduling, management of imbalances, procurement of additional storage capacity rights, and the ability to conduct secondary market transactions;[1]
9. Transfer of any system reliability minimum flow requirements from the core procurement function (i.e., the Utility Gas Procurement Department) to the Gas System Operator, and all such costs paid for by all customers, and effective upon implementation of the core balancing scheduled deliveries against a daily forecast;
10. Effective upon implementation of combined core portfolios, require the core to balance similarly to noncore customers, although core balancing will consider scheduled deliveries against a daily forecast of core usage;
11. Establishing at least 51 Bcf in inventory capacity to the unbundled storage program, so long as the system balancing allocation remains at 5.3 Bcf and the core's combined storage reservation remains at 70 Bcf;
12. Publishing annually the capacity and projected average daily usage of the backbone transmission system for a five-year period, and convening of a public workshop if actual usage for any 12-month period exceeds 75% of system receipt capacity;
13. Expanding receipt points where justified by sustained customer benefits or funding by shippers, and providing firm access rights to match the shipper's funding of the incremental expansion of existing receipt point capacity;
14. Expanding a receipt point and lateral connection to an end-user concurrently, but without system balancing or cost shifting to other customers;

[1] Certain differences remain, as explained in the testimony of Mr. Van Lierop and Mr. Schwecke.

15. Developing system expansion studies;
16. Defining a storage development plan;
17. Modifying the GCIM, beginning with the winter of 2007-2008, to exclude all financial transactions used by SoCalGas to hedge natural gas prices for any portion of the November through March period (Winter Hedges); and,
18. Transferring administration of SoCalGas' gas hub tariffs from the Utility Gas Procurement Department (previously, "Gas Acquisition") to Gas Operations concurrent with establishing the regulatory accounting procedures for incorporating the Utility Gas Procurement Department's secondary market transactions (e.g., parking, loaning) into the GCIM and PGA.

The parties to the Edison Settlement have agreed not to propose or support proposals for the period through May 30, 2011, that are inconsistent with the structural relief provisions in the Edison Settlement and the Continental Forge Settlement.

The proposed changes to the operations of and services offered by SoCalGas and SDG&E are discussed in the testimony of the following SoCalGas and SDG&E witnesses:

- Paul Goldstein describes the annual procurement planning process and cost savings after a combination of the utility core procurement functions;
- Jan Van Lierop describes the proposed core balancing rules, monthly core storage targets and the exclusion of the Winter Hedge from the GCIM;
- Donna Hadley describes the phase-out of SDG&E's Gas Procurement PBR upon consolidation;
- Kai Chen describes the changes to transportation rates for core procurement customers from the combination of the procurement function and assets;
- Rodger Schwecke describes the changes to gas operations and scheduling, and the costs and timing for implementation of those changes;
- Steven Watson describes the changes to the unbundled storage program and enhancements to previous positions on storage infrastructure development;

- Thanathep Trinooson describes the operation of the Southern Transmission system and the need for a minimum flow requirement, and the system expansion studies SDG&E and SoCalGas will be performing for points of interconnection with upstream suppliers, backbone transmission system and storage facilities; and
- Reginald Austria describes the changes to regulatory accounts to implement all the provisions of the settlements, including changes associated with implementation of a single gas portfolio for SoCalGas and SDG&E, a description of those costs and a calculation of the Weighted Average Cost of Gas ("WACOG") used to allocate costs for regulatory accounting purposes.

These witnesses are also providing, in redline format, the revised tariff language needed to implement each of these proposals.

D. THE OPERATIONAL AND SERVICE CHANGES PRESENTED IN THE SETTLEMENT AGREEMENTS WILL BENEFIT CUSTOMERS

The integrated package of structural market changes to the gas operations of SDG&E and SoCalGas set forth in the Continental Forge Settlement and the Edison Settlement will provide significant benefits to gas and electric utility customers. The parties to the Continental Forge litigation and Edison represent a broad spectrum of gas and electricity consumers, and their negotiation and execution of these settlement agreements reflects the delicate balancing of a multitude of interests. As described in detail in the accompanying testimonies, the structural changes presented in these settlements would provide benefits through a direct reduction in costs of utility service, increased transparency of utility operations and capacities, and the introduction of new services. These proposed changes will help customers lower their costs of utility service, and provide additional ways for customers to manage their procurement and transportation costs.

A number of the settlement provisions increase the transparency of utility operations and the availability of capacity. For example, the settlements provide for a substantial amount of additional information to be posted by the utilities on their interactive EBB. Additionally, with specified monthly storage targets for core gas procurement, market participants will have a clearer understanding about how the utilities will manage inventory levels for core customers during the storage injection season. The utilities have also committed to providing 51 Bcf of inventory capacity to the unbundled storage program,[2] so unbundled storage customers will have even more certainty about the amount of inventory capacity available for purchase. Additional settlement provisions provide for unbundling of pricing for storage inventory, injection and withdrawal capacity (subject to annual price and earnings caps) -- which will provide a clearer signal to the market regarding the price of each service separate from a bundled package of storage services. Modification of SoCalGas Rule 39 to include any future third-party storage providers that connect to the utility system will provide customers with the potential ability to utilize additional supply options to manage their procurement, transportation, and storage needs. Similarly, the settlements enhance the amount of information disseminated regarding utilization of system storage and transportation capacity, and provide for regular review of system status and expansion potential. The Continental Forge Settlement also makes it explicit that SDG&E's natural gas procurement for its power plants will be separate from the combined SoCalGas and SDG&E gas procurement for core customers.

Additional settlement provisions modify existing SoCalGas and SDG&E services, or introduce new services that will provide utility customers with direct cost reductions and tools to manage their costs more effectively. SoCalGas has agreed to lower storage price caps significantly from current levels, and the new annual storage revenue cap will provide an upper limit on how much SoCalGas' shareholders can earn from the unbundled storage program, and increase the current storage revenue credit to customers' transportation rates. Moreover, by establishing and facilitating a more fluid secondary market for storage transactions, SoCalGas is creating tools that can help customers more closely match their storage rights with their storage needs. SoCalGas also proposes to enhance gas scheduling options with a "5th nomination cycle," providing customers with a new feature to help them manage transportation imbalances. Finally, combination of SoCalGas' and SDG&E's core procurement functions will provide significant cost savings to core customers.

[2] Subject to the conditions outlined in the testimony of Mr. Watson.

E. SDG&E AND SOCALGAS HAVE SUBMITTED TESTIMONY IN A. 04-12-004 TO IMPLEMENT THE FIRM RIGHTS PROVISIONS OF THESE SETTLEMENTS

On May 5, 2006, SDG&E and SoCalGas filed a proposal to establish a system of firm access rights in A.04-12-004, commonly referred to as the Firm Access Rights or "FAR" proceeding. On June 13, 2006, SDG&E and SoCalGas served revised Prepared Direct Testimonies of Mr. Watson, Mr. Schwecke, and Ms. Allison Smith in order to conform SoCalGas' and SDG&E's positions in the FAR proceeding to the relevant provision in the Continental Forge Settlement and the Edison Settlement. These revised testimonies replaced the testimonies served May 5, 2006.

SDG&E and SoCalGas are not proposing to litigate firm access rights issues in this proceeding. However, the June 13 revisions submitted in the FAR proceeding are a direct result of the Continental Forge and Edison Settlement Agreements, and represent an integral portion of the comprehensive package of settlement-related changes we are presenting for Commission approval. Therefore, we have included in the attached testimony a description of the recent settlement-related revisions to our FAR testimony so the Commission could better understand the complete settlement package and approve the overall policy direction presented by the settlement package, while recognizing that all of our firm access proposals are actually being presented in the FAR proceeding.

As noted in the testimony of Mr. Schwecke, SoCalGas and SDG&E would need up to 18 months to develop information technology systems to implement the firm access provisions and other associated provisions related to information posting and for the Utility Gas Procurement department to schedule deliveries for core customers similar to noncore customers. Mr. Schwecke's testimony outlines the costs and timing for implementation of the complete package of provisions, some of which he has sponsored in the firm access proceeding. Should SDG&E and SoCalGas need to modify the nature of the provisions or implementation timing, then the costs and implementation schedule will likely change.

F. D. 06-04-033 APPROVED SYSTEM INTEGRATION

In April of 2006, in D.06-04-033, the Commission approved the rate integration of the SDG&E and SoCalGas transmission systems. In that decision, the Commission integrated the transmission rates of SDG&E and SoCalGas, authorized implementation of the ITBA, and specified that the new integrated transmission rate will go into effect on the date regasified LNG begins to flow through the Otay Mesa receipt point. The Commission made this decision subsequent to the execution of the Continental Forge Settlement.

Because the Commission has already integrated the transmission systems of SoCalGas and SDG&E, that particular provision of the Continental Forge Settlement (Section I(A)(1)), does not require further consideration by the Commission in this current application proceeding.

G. THE COMMISSION SHOULD APPROVE CONSOLIDATION OF THE CORE GAS PROCUREMENT PORTFOLIOS

One provision of the Continental Forge Settlement is that SDG&E and SoCalGas will combine their core procurement departments and procurement assets into one combined gas procurement group and asset portfolio.

Combination of SoCalGas' and SDG&E's core procurement groups and assets will increase the long-term economic benefits available to core customers of both utilities. These benefits include:

- Reduced costs of regulation
- Increased supply diversity for both utilities
- Reduced overall procurement costs

1. <u>Reduced Cost of Regulation</u>

At present, SDG&E and SoCalGas each have their separate sets of tariffs and regulatory proceedings that govern their gas procurement activities. This duplication adds to the costs of monitoring and regulating the utilities which are borne by customers. These costs include costs utilities incur to initiate, respond to, and comply with regulatory requirements. They also include costs incurred by the Commission to litigate, monitor and enforce its policy and rules, which are flowed through to utility customers. In addition, utility customers and other interested parties incur their own costs to participate in regulatory proceedings.

As described in the testimonies of Mr. Goldstein and Mr. Van Lierop, consolidation of the core procurement activities would eliminate the fixed regulatory costs of maintaining a separate SDG&E procurement incentive mechanism and procurement ratemaking infrastructure and gas cost accounting activities.

2. Increased Supply Diversity

The utilities have contracted for different amounts and sources of interstate pipeline capacity. Table 1 below highlights the current core interstate pipeline capacities held by each utility listed in Mr. Goldstein's testimony:

Table 1: Current Core Interstate Pipeline Capacity for SDG&E and SoCalGas [MMBtu]

	El Paso	**Transwestern**	**Kern River**	**Canadian**
SDG&E	58	32	7	51
SoCalGas	740	200	45	0

The combination of the two utilities' core procurement portfolios increases the diversity of access to gas supply for both utilities. As basis prices fluctuate, this access enhances the ability of both utilities to procure low cost supply without sacrificing reliability of supply. Since we can not predict which source of supply will be the lowest cost over the long run, enhanced supply diversity benefits customers.

3. Reduced Costs

SDG&E and SoCalGas believe there are considerable cost savings that can be achieved by administering a larger number of contracts and suppliers within a single department. As described by Mr. Goldstein, the combination of the utilities' core procurement activities can reduce core costs by approximately $2 million a year.

These savings will result in a number of areas. For example, risk management practices and procedures can be readily extended to additional like transactions at minimal cost. Likewise, since two gas procurement departments will typically deal with many of the same suppliers, credit management will be less costly.

In addition, cost savings from combining the procurement operations will also accrue from spreading the substantial fixed-cost components of gas transactions across greater volumes of gas. For instance, the transactions costs of purchase contracts are relatively unaffected by whether a deal involves 1 Bcf or 10 Bcf. The contracts are similar if not identical except for quantity; measurement, billing, and accounting processes can be identical; and the underlying market assessment prior to entering the deal is comparable, including access to on-line trading information, maintenance of dealer contracts.

Each of the three reasons above support a finding that the proposal to consolidate the core procurement operations of SoCalGas and SDG&E represents good regulatory policy.

H. THE PACKAGE OF OPERATIONAL AND SERVICE CHANGES BALANCES THE INTERESTS OF MANY PARTIES

The Continental Forge Settlement and the Edison Settlement were the result of extensive negotiations with a number of parties to resolve a broad array of regulatory and legal issues. They collectively represent a compromise among the parties and trade-offs among various issues affecting core and noncore customers, Sempra Energy shareholders, and other market participants that purchase current or future utility services. As an integrated package, SDG&E and SoCalGas believe the changes to the structural conditions will reduce the costs for customers and other market participants by:

- Giving customers greater control over the costs of transportation and storage service;
- Adding new services and increasing the transparency of market transactions, which will assist customers in managing their procurement and transportation costs; and,
- Allocating utility costs among customers in a more equitable manner.

A number of provisions will provide benefits to all customers, such as the provisions for firm access rights that will provide market participants with greater flexibility to align their upstream procurement with access into the utility systems. The provisions for system expansion will ensure high levels of reliability. Other provisions propose price and revenue caps on the unbundled storage program that will benefit unbundled storage customers and may lower end-use transportation rates for all customers.[3]

Modifications to our gas operations and scheduling rules, such as enhanced posting of transactions, significantly increase transparency of gas operations, which may assist customers with managing their short- and long-term energy procurement and gas transportation needs. The implementation of fifth-cycle nominations will provide greater flexibility for customers to schedule supply to meet their consumption needs. Transfer of administration of the SoCalGas hub tariffs to Gas Operations will also provide benefits to all shippers and customers on the utility system. With the transfer, SoCalGas expects that it can provide a greater volume of hub services, since the services will not be limited to just the assets allocated to core customers.[4]

Although some provisions may raise costs for one class of customers, some proposed changes will provide benefits and a more equitable allocation of costs. A party may claim that one particular provision might raise rates or costs to customers in its rate category; however, that group will derive benefits from other provisions. For example, the settlements seek to treat the Utility Gas Procurement scheduling of supply into the utility intrastate gas system for core customers on a more equal basis with noncore customers by requiring it to meet imbalance rules as if it were a noncore customer. This may potentially increase the complexity of core gas procurement transactions compared to the provisions in effect today. However, other settlement provisions offset that potential increase in complexity with cost savings, such as from the combination of the core procurement portfolios and assigning the cost of system reliability to the management of the gas system operations on behalf of all customers. While noncore customers will incur potential costs of system reliability borne previously by core customers, this structural change also implements a more appropriate allocation of any costs incurred to provide system

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[3] As noted in the testimony of Mr. Watson, SoCalGas shareholders earned $20 million on the sale of unbundled storage services in 2005 and 2006 revenues are expected to exceed the 2005 level. While this is not a forecast of future storage sales, if the proposed earnings caps had been in place, Mr. Watson’s testimony suggests once the revenue caps are in place, end-use customers will receive additional credits to their transportation rates beyond just the 50% of revenues currently booked to the NSBA.

[4] For example, with the transfer, the System Operator can provide hub services based on 126 Bcf of storage inventory, rather than just 70 Bcf previously allocated to the SoCalGas core.

reliability. The utilities' shareholders have also provided potentially significant customer benefits by agreeing to implement rate and revenue caps on the unbundled storage program and modification of the GCIM. Finally, some of the potential implementation costs, for example, for system modifications to enhance the gas scheduling system to accommodate a system of firm access rights, are under review in A.04-12-004, and are not solely incremental costs stemming from these settlement agreements.

I. THE COMMISSION SHOULD CLOSE TWO PENDING INVESTIGATIONS AND DETERMINE THAT GAS PROCUREMENT REWARDS ARE NO LONGER SUBJECT TO REFUND OR ADJUSTMENT AS A RESULT OF THE BORDER PRICE OII

The Continental Forge Settlement and the Edison Settlement propose changes to the way SoCalGas and SDG&E do business. These settlements are an effort to reach closure regarding open issues in a number of pending Commission proceedings that consider past actions by SoCalGas, SDG&E, Sempra Energy, Edison, and other companies. Enough time, effort, and expense has already been expended in the courts and at the Commission considering what took place in the natural gas market in the recent past, particularly during the 2000-2001 energy crisis. The settling parties believe it is time to move on, and focus on the future.

Therefore, SoCalGas, SDG&E, and Edison request that the Commission close the Border Price Spike Investigation, I.02-11-040, and the Sempra-specific investigation of the activities of Sempra Energy affiliates, I.03-02-033. Moreover, we ask the Commission to determine that all previous SoCalGas GCIM and SDG&E Gas Procurement PBR rewards that were made subject to refund or adjustment as determined in the Border Price OII proceeding are no longer subject to refund or adjustment. SoCalGas GCIM and SDG&E Gas Procurement PBR rewards have been made subject to refund or adjustment as determined in the Border Price in the following decisions and resolutions: D.03-08-065; D.03-08-064; D.04-02-060; D.05-04-003; and Resolution G-3341. By closing these open investigations, and by giving SoCalGas and SDG&E closure with respect to past incentive mechanism rewards, the Commission will free up considerable resources, and enable SoCalGas, SDG&E, Edison, and other participants in these proceedings to turn their time and attention to other pressing matters.

J. CONCLUSION

The Continental Forge Settlement and the Edison Settlement present a reasonable and balanced package of changes to the operations of and services offered by SoCalGas and SDG&E. The changes presented by these settlements represent a carefully negotiated balance of interests among a number of parties and warrant Commission approval. This integrated package of changes to the utilities' gas operations resolves of a number of issues before the Commission in various proceedings. The proposals collectively provide significant benefits to gas and electric consumers and other market participants, in a manner that promotes equity among consumers and furthers the Commission public policy objectives to provide greater transparency of gas operations, ensure system reliability, provide flexibility to meet customers' and shippers' needs, ensure expansion of facilities to growing end-use demand or for access to new supplies, and lower costs to provide utility procurement service without compromising core reliability.

This concludes my testimony.