

Application No: A.06-08-026
Exhibit No.: _____
Witness: Yu Kai Chen

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

A.06-08-026

PREPARED SUPPLEMENTAL TESTIMONY

OF YU KAI CHEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
January 19, 2007**

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**PREPARED SUPPLEMENTAL TESTIMONY
OF YU KAI CHEN**

My name is Yu Kai Chen. I have previously submitted testimony in this proceeding.

My testimony is in response to the Assigned Commissioner's ruling for Application A.06-08-026, which ordered SDG&E/SoCalGas to file supplemental testimony on several issues. The purpose of my supplemental testimony is to: (a) provide actual scaled long-run marginal cost for the proposed unbundled storage service; and (b) identify the potential rate impacts from changes that will result from the combined portfolio proposal.

A. ACTUAL SCALED LONG-RUN MARGINAL COST

Assuming the current SoCalGas EPMC Scaling Factor of 1.90,¹ the actual scaled long-run marginal cost is \$0.38 per Mcf for inventory, \$35.40 per Mcfd for injection capacity, \$0.02 per dth for injection variable, \$20.33 per Mcfd for withdrawal capacity, and \$0.03 per dth for withdrawal variable. Under these actual scaled long-run marginal costs, the total proposed unbundled storage service is \$36.3 million. The actual fully allocated scaled long-run marginal cost, which includes margin-related marketing costs and uncollectibles, is \$36.5 million. The SoCalGas long-run marginal costs and allocations were adopted in the SoCalGas BCAP decision, D.00-04-060. Long-run marginal costs and allocations will be updated in the next BCAP.

B. RATE IMPACTS

1. Core Storage

The current total core storage cost in SoCalGas rates is \$79.1 million (a core average of 2.3 cents per therm). Under the core portfolio consolidation proposal, SoCalGas core customers will pay \$72.8 million in storage costs (a core average of 2.1 cents per therm). This is a \$6.3 million (a core average of 0.2 cent per therm), or 8% decrease in storage costs.

The estimated storage cost in SDG&E rates in 2006 is \$14.6 million (a core average of 3.2 cents per therm). Under the proposal, SDG&E core customers will pay \$9.7 million (a core

¹ The SoCalGas EPMC Scaling Factor for Unbundled Non-Core Storage effective January 1, 2007 is 1.90.

1 average of 2.1 cents per therm) in storage costs. This is a \$4.9 million (a core average of 1.1 cent
2 per therm), or 34% decrease in storage costs.

3 **2. Other Rate Impacts**

4 As described in my Prepared Direct Testimony there will be some minimal rate impacts
5 to the new combined core portfolio as a result of combining the utilities' core assets.

6 Interstate pipeline demand charges (IPDC) will be recovered through an equal cent per
7 therm (ECPT) basis for the combined portfolio. SDG&E will recover approximately \$15.0
8 million in IPDC charges compared to \$16.5 million currently and SoCalGas will recover \$109.6
9 million versus \$108.1 million today.

10 Under the combined portfolio, carrying costs of gas in storage inventory will be
11 recovered through the procurement charge on an ECPT basis, resulting in \$1.753 million
12 recovered for SoCalGas and \$0.239 million for SDG&E.² SoCalGas currently recovers \$1.636
13 million compared to \$0.356 million for SDG&E.

14 Lastly, relative to brokerage fees, SoCalGas and SDG&E will now recover a fee of
15 0.1845 cents per therm through the procurement charge on an ECPT basis. This is a change
16 from the current brokerage fee of 0.0922 cents per therm for SDG&E and 0.1971 cents per therm
17 for SoCalGas customers (both fees exclude FF&U).

18 Each of the rate impacts discussed herein are included in the table presented on page 5 of
19 my Direct Testimony which illustrates the overall average rate impact of the utilities combined
20 portfolio proposal.

21 This concludes my supplemental testimony.

28 ² Both amounts exclude FF&U.