

1 Application No: A.06-08-026
2 Exhibit No.: _____
3 Witness: Paul M. Goldstein

4 _____)
5 In the Matter of the Application of Southern)
6 California Gas Company (U 904 G), San Diego) A.06-08-026
7 Gas & Electric Company (U 902 M) and Southern)
8 California Edison Company (U 338 E) for Approval)
9 of Changes to Natural Gas Operations and Service)
10 Offerings)
11 _____)

12 **PREPARED SUPPLEMENTAL TESTIMONY**
13 **OF PAUL M. GOLDSTEIN**
14 **SAN DIEGO GAS & ELECTRIC COMPANY**
15 **AND**
16 **SOUTHERN CALIFORNIA GAS COMPANY**

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

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1 system operator.² The Utility Gas Procurement Department (Gas Procurement) will not have a
2 unique obligation to deliver gas at a specific receipt point for the purpose of maintaining a
3 minimum flow requirement.

4 Currently, SoCalGas' Gas Acquisition Department is responsible for maintaining
5 minimum flows at Blythe. There are both direct and opportunity costs associated with this
6 function. Some of these costs are accounted for in the Blythe Operations Flow Requirement
7 Memorandum Account (BOFRMA) as described in Reginald Austria's Direct Testimony.³ The
8 costs particular to the BOFRMA include the commodity and transportation costs associated with
9 purchases of gas above 355 MMcfd on the days the SoCalGas system operator calls Gas
10 Acquisition to ask for more gas to be delivered at Blythe. Costs not accrued to the BOFRMA
11 include the cost of owning interstate transportation with a firm delivery point to Ehrenberg,
12 baseload purchases of gas at a higher priced basin, and the opportunity cost of not being able to
13 sell gas that may have a higher value upstream of SoCalGas' system. There are many days when
14 the posted minimum requirement for Blythe is well over 355 MMcfd. Gas Acquisition may
15 incur costs and lose the opportunity to sell gas upstream without any costs accruing to the
16 BOFRMA. For example, if the minimum flow requirement is 500 MMcfd and Gas Acquisition
17 is already flowing 500 MMcfd to that point (and no other shipper is delivering to Blythe), we
18 will not sell gas upstream even if there is greater value because we do not want to trigger a
19 situation that may cause us to purchase replacement gas at a higher price later in the gas day.

20 While these additional costs have not been specifically quantified since it has been the
21 normal course of business for Gas Acquisition, there will be a cost savings to core procurement
22 costs associated with no longer being responsible for maintaining the minimum flow requirement
23 at Blythe.

24 **D. OTHER CHANGES AND RATE IMPACTS TO CORE**

25 In addition to the specific rate impacts discussed above, other changes proposed in A.06-
26 08-026 affect how Gas Procurement will operate, but will likely have little or no impact to gas

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28 ² Direct Testimony of Rodger Schwecke, pages 3 – 6.

³ Direct Testimony of Reginald Austria, pages 6 and 7.

1 procurement costs. These changes are described in the Direct Testimony of Jan Van Lierop and
2 include how Gas Procurement will schedule gas into and out of storage, manage any imbalances,
3 and conduct secondary market transactions.

4 Another change to how Gas Procurement will operate will be that the core will now be
5 required to balance to a forecasted daily load received by 6:00 A.M of the flow day rather than
6 its current practice of balancing to a day prior forecast.⁴ This provision will likely increase costs
7 to the core, but it is not possible to accurately quantify this increase since any calculation would
8 be highly dependent upon assumptions in daily weather changes and gas prices.

9 This concludes my supplemental testimony.

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⁴ Described in Jan Van Lierop's Direct Testimony.