	Application No: <u>A.06-08-026</u> Exhibit No.:
	Witness: Paul M. Goldstein
A.06-08-	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)
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PREPARED SUPPLEMENTAL TESTIMONY OF PAUL M. GOLDSTEIN

My name is Paul Goldstein. I have previously submitted testimony in this proceeding.

This testimony is in response to the Assigned Commissioner's ruling of December 21, 2006 which ordered SoCalGas/SDG&E to file supplemental testimony on several issues. Specifically, this testimony will discuss the cost impacts as a result of consolidating the core procurement groups of SoCalGas and SDG&E, as well as some of the cost impacts resulting from the core no longer being solely responsible for the minimum flow obligation for the South System.

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A. REDUCTION IN PERSONNEL

As I have previously testified, there will be an annual savings of approximately \$2 11 million stemming from a fewer total number of employees in the core procurement function 12 upon consolidation of the two procurement groups. Specifically, my previous testimony states, 13 there will be a reduction of 15 full time employees from the number needed in future years if 14 the portfolios were not combined. This will create an annual savings of approximately \$2 15 million. Upon approval of the proposed portfolio consolidation, SoCalGas and SDG&E will 16 reduce their requested Test Year 2008 revenue requirement by a combined total of \$2 million in 17 order for these estimated cost savings to be passed on to our core customers effective on the date 18 that rates are implemented with the approval of SoCalGas and SDG&E's 2008 General Rate 19 Case."¹ 20

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B. STORAGE REDUCTION

My Direct Testimony discusses a decrease in total core storage once the core portfolios are consolidated. The costs associated with this change are detailed in the Supplemental Testimony of Kai Chen.

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C. SOUTH SYSTEM SUPPORT

As discussed in Rodger Schwecke's Direct Testimony, minimum flows for South System
support will change from being solely the core's responsibility to being the responsibility of the

²⁸ Goldstein Prepared Direct Testimony, page 7.

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

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

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

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OTHER CHANGES AND RATE IMPACTS TO CORE

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

² Direct Testimony of Rodger Schwecke, pages 3 - 6.

²⁸ ³ Direct Testimony of Reginald Austria, pages 6 and 7.

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

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

This concludes my supplemental testimony.

28 ⁴ Described in Jan Van Lierop's Direct Testimony.