These questions relate primarily to the direct testimony of Steve Watson.

**QUESTION 1:**

Please provide all workpapers for the Watson testimony in Excel or other native format, with all cells working and formulae intact.

**RESPONSE 1:**









**QUESTION 2:**

Please provide the posted daily summer withdrawal capacity for each day during summers 2010-2014, in working Excel spreadsheet format.

**RESPONSE 2:**



**QUESTION 3:**

Re Watson, p. 3, starting at line 21: Is the word “*below* posted withdrawal capacity” correct?

**RESPONSE 3:**

The word is correct. At least 1812 MMcfd of firm withdrawal capacity should be available for 85% of the summer days. Firm capacity should be set below average posting levels to ensure they are fully available on most days.

**QUESTION 4:**

Please provide workpapers detailing how setting total firm summer withdrawal at 1812 MMcfd reduces firm withdrawal rights by 50%.

**RESPONSE 4:**

There are no workpapers, but the number is easily derived. The 525 MMcfd of withdrawal allocated to the balancing function is a year-round allocation. Therefore, 1812-525 = 1287 MMcfd available for firm core/unbundled storage rights during the summer. On-cycle, winter withdrawal rights for the core and unbundled storage is 3175-525 = 2650 MMcfd. 1287/2650 = 49%. Technically, the statement should be “reduces firm withdrawal rights by 51%.”

**QUESTION 5:**

Re Table 3 at p. 10.

* 1. Please provide the unit cost, if any, for each function identified in the table using existing authorized (2015) costs. For example, provide the unit cost associated with “winter withdrawal for balancing,” etc.
  2. Please provide the unit cost, if any, for each function identified in the table using existing authorized (2015) costs. For example, provide the unit cost associated with “winter withdrawal for balancing,” etc.

**RESPONSE 5:**

Under the proposed cost allocation method, all unit costs are equal. The unit cost is derived by dividing total storage costs by total storage units. The total storage units consistent with Table 3 on page 10 of the Direct Testimony of Mr. Watson are 1,257,844,000 dths in 2016 (per Table 1 of Mr. Watson’s Workpapers). The current authorized storage cost is $89.6 million. Dividing one by the other produces a unit cost of 7.1 cent/dth.

**QUESTION 6:**

Re Table 3 at page 10:

* 1. Please provide the same table showing existing (2015) allocations.
  2. If different from (c) above, please provide the same table showing the allocations requested and authorized in the 2013 TCAP (A.11-11-002).

**RESPONSE 6:**

SoCalGas and SDG&E are unable to fully answer this question because currently, there is not a distinction made between on-cycle and off-cycle allocations. Current allocations are based on annualized capacity numbers that are subject to significant prorationing in “off-cycle” periods. The current annualized numbers are shown below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Inventory (Bcf) | Injection (MMcfd) | Withdrawal (MMcfd) |
| Balancing | 4.2 | 200 | 340 |
| Core | 83 | 388 | 2225 |
| Unbundled | 48.9 | 262 | 630 |
| Total | 136.1 | 850 | 3195 |

**QUESTION 7:**

Re Table 3 at p. 10. Please explain the basis for the allocation of summer withdrawal capacity among the three storage functions, providing any relevant workpapers and text explanation.

**RESPONSE 7:**

See Response 4. 525 MMcfd is allocated to the balancing function every day of the year. The remaining capacity (1287 MMcfd) is allocated to the core and unbundled storage functions in relative proportion to the core and unbundled storage winter withdrawal allocations.

**QUESTION 8:**

Re. Table 4 on p. 12: Please provide a similar table showing existing allocation of costs by function, using authorized (for 2015) embedded costs and cost allocation methods.

**RESPONSE 8:**

The existing (2015) allocation of costs by function is below:

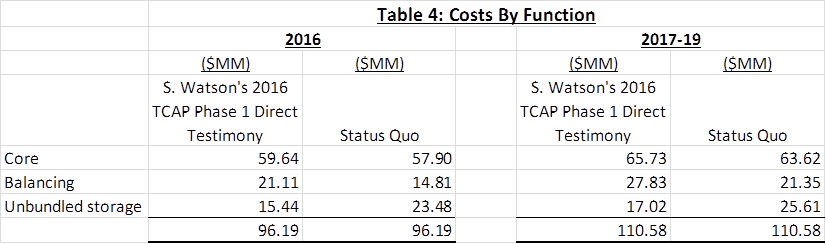
|  |  |
| --- | --- |
|  | **2015 $MM** |
| Core | 52.8 |
| Balancing | 10.3 |
| Unbundled | 26.5 |
| Total | 89.6 |

**QUESTION 9:**

Re Table 4 on p. 12: Please provide a similar table showing the results if the current cost allocation methodology were applied to the total costs of $96.19 million and $110.58 million.

**RESPONSE 9:**

The current cost allocation methodology, which produced the costs by function shown in Response 8, was adopted by a settlement agreement in the 2013 TCAP, and assumed that total storage costs were distributed one-third to inventory, one-third to injection, and one-third to withdrawal. Those costs were then apportioned to the core, balancing, and unbundled storage functions per the annualized capacities described in Response 6. In order to answer this question, it is assumed that the on-cycle capacities recommended in Table 3 of Mr. Watson’s Direct Testimony are actually 365 day annual capacities (as in Response 6) and allocated injection, withdrawal and inventory costs proportionately among the core, balancing, and unbundled storage functions based on those annualized on-cycle capacities (i.e., contrary to Mr. Watson’s recommendation, we ignore the fact that off-cycle capacities are significantly less than on-cycle capacities). The resulting impact of the “current cost allocation methodology” applied to the $96.19 million and $110.58 million is shown below.



**QUESTION 10:**

Re cost allocation testimony at p. 11:

* 1. Please provide all prepared testimony from the 2009 BCAP explaining the existing cost allocation method.
  2. Does the explanation at p. 11 mean that the unit cost of “firm summer injection” and “off-cycle withdrawal” are treated the same for cost allocation purposes?
  3. Does the explanation at p. 11 mean that the unit cost of all injection and withdrawal services are treated exactly the same, aside from weighting each by the proper time period?
  4. Please explain the meaning of “off-cycle” withdrawal and “off-cycle” injection as those terms are used here.
  5. Please define the summer and winter period in terms of dates.

Please provide a copy of all analyses, reports, or other documents prepared by or on behalf of SoCalGas for its internal decision-making purposes regarding the proposed change from the existing cost allocation methodology to the PG&E Gas Accord methodology.

**RESPONSE 10:**

1. The existing cost allocation method was most recently explained in the 2013 TCAP. See Revised Updated Prepared Direct Testimony of Sim-Cheng Fung, dated March 15, 2013 in A.-11-11-02 on SoCalGas’s website: <http://socalgas.com/regulatory/A1111002.shtml>.
2. Yes, all firm units are treated the same.
3. Yes.
4. Off-cycle for withdrawal means April-October. Off-cycle for injection means November-March.
5. Summer = April-October; Winter = November-March.

Please see response 1 for the workpapers used to analyze the new cost allocation methodology.

**QUESTION 11:**

Please provide, in Excel format, the maximum daily core (Gas Acquisition) storage injection and withdrawal capacity used each day 2010-2014.

**RESPONSE 11:**

SoCalGas and SDG&E object to this question on the grounds that it provides confidential customer-specific data.

**QUESTION 12:**

Re: the unbundled storage sharing mechanism at pp. 13-15:

* 1. Assume that the Commission adopts the Sempra Utilities’ forecast of $15.44 million for unbundled storage cost for 2016, and the Sempra Utilities record $26 million in unbundled storage revenues in 2016. Please calculate the shares that would go to ratepayers and shareholders under the existing 90/10 allocation and the proposed 60/40 allocation.
  2. Please provide the amounts of the annual Unbundled Storage Revenue figures reflected in Figure 1 on page 14.
  3. For each year from 2004 through 2014, inclusive, please provide the amount of costs associated with the resources involved with marketing unbundled storage (as referred to on page 14).
  4. For each year from 2004 through 2014, inclusive, please provide the amount of costs associated with the resources involved with managing unbundled storage (as referred to on page 14).
  5. Please describe any and all ways known to SoCalGas in which it could have creatively and aggressively marketed its unbundled storage asset in 2012-2014 but chose not to do so due at least in part to the amount of pre-tax earnings it would likely realize from the marketing effort.
  6. Please provide a copy of all analyses, reports, or other documents prepared by or on behalf of SoCalGas for its internal decision-making purposes regarding the proposed change from a 90/10 allocation to a 60/40 allocation.
  7. Please provide all analyses, reports, or other documents prepared by or on behalf of SoCalGas for determining that a 60/40 allocation would provide the most reasonable allocation as compared to other allocations, such as 75/25.

**RESPONSE 12:**

1. $26.0 - $15.44 = $10.56 MM.

90/10: 90% (ratepayers) = $9.5 MM. 10% (shareholders) = $1.1 MM.

60/40: 60% (ratepayers) = $6.3 MM. 40% (shareholders) = $4.2 MM.

1. Please see below Figure 1 with data labels added.

c and d. No such historical detail is available.

1. SoCalGas had 75/25 sharing in 2012. SoCalGas did not realize it would remain in the 90/10 range for 2013 until late in the year. In 2014, SoCalGas maintained aggressive marketing efforts, but has begun reconsidering the future of the program if the 2014 market and cost picture becomes a long-term situation.
2. There is no such analysis. SoCalGas had an obligation for this TCAP to consider what sharing mechanism was needed to replace the one negotiated in Settlement talks in 2009 in A.08-02-001 and adopted in D.08-12-020. Returning to something close to the earlier 50/50 sharing mechanism seemed warranted.
3. See Response f.