

Application No.: A.03-09-

Exhibit No.: \_\_\_\_\_

Date: September 3, 2003

Witness: Mark Otrhalek

**PREPARED DIRECT TESTIMONY OF  
MARK OTRHALEK  
SOUTHERN CALIFORNIA GAS COMPANY**

**September 3, 2003**

**2005 BIENNIAL COST ALLOCATION PROCEEDING**



1 **Summary of Demand Forecast (MDth)**

2

	<u>2005</u>	<u>2006</u>	<u>Average</u>
3 <b>Average Year</b>			
4 Noncore C/I	79,172	77,886	78,529
5 Small EG	14,843	14,843	14,843
6			
7 <b>Cold Year</b>			
8 Noncore C/I	79,734	78,448	79,091
9 Small EG	14,843	14,843	14,843
10			
10 <b>Peak Month</b>			
11 Noncore C/I	6,396	6,402	6,399
12 Small EG	1,189	1,189	1,189
13			
14 <b>Peak Day</b>			
15 Noncore C/I	248.7	248.9	248.8
16 Small EG	38.3	38.3	38.3
17			

18 **C. NONCORE C/I MARKET DEMAND FORECASTS**

19 **1. Commercial and Industrial Forecast Summary and Description:**

20 SoCalGas' forecast of noncore C/I demand, excluding refineries, is estimated to be  
21 79,172 MDth for calendar year 2005 and 77,886 MDth for calendar year 2006. Under a cold  
22 year scenario, noncore C/I demand, excluding refineries, is forecast to be 79,734 MDth for  
23 calendar year 2005 and 78,448 MDth for calendar year 2006. The peak month forecast for 2005  
24 and 2006 is 6,396 MDth and 6,402 MDth, respectively. Finally, the extreme peak day forecast is  
25  
26  
27  
28

1 248.7 MDth per day for 2005 and 248.9 MDth for 2006, and is based on a 38 degrees Fahrenheit  
2 average mean temperature on the SoCalGas system.

3 The noncore C/I demand forecast, excluding refineries, is prepared using an econometric  
4 model that is based on the same general model used by SoCalGas for several years. In the  
5 model, noncore C/I demand is forecast as a function of economic activity in the SoCalGas  
6 service area and the price of natural gas. Some noncore C/I load located in Vernon will begin  
7 receiving service from the City of Vernon in late-2004 as discussed in Mr. Pando's testimony.  
8 This change is reflected in Mr. Pando's wholesale demand forecast. The forecast adjustment for  
9 Vernon, which is deducted from the noncore C/I forecast model for 2005 and 2006, is 3,750  
10 MDth and 5,250 MDth, respectively.  
11

12 Some noncore G-30 C/I demand has been migrating to core "G-10" C/I service. This  
13 migration has been occurring because of increased customer preference toward core service due  
14 to the greater service reliability, monthly price certainty and relative price stability core service  
15 offers. The amount of migration projected is based on an analysis of recent historical trends.  
16 For calendar year 2005 and 2006 this transfer from noncore to core service is forecast to be 3,201  
17 MDth and 3,774 MDth respectively.  
18

19 SoCalGas' forecast of core subscription demand, under its existing program, is projected  
20 to be 0 for 2005 and 2006. This reflects the termination of the existing core subscription  
21 program adopted in D.01-12-018. Upon termination of core subscription service, all core  
22 subscription customers served under the G-CS3 rate are projected to migrate to G-10 core service  
23 as well as those customers served under the G-CS5 rate with annualized loads less than or equal  
24 to 250,000 therms. The increased G-10 core service load due to termination of the core  
25 subscription program is forecast to be 1,395 MDth for both 2005 and 2006.  
26  
27  
28

1 For calendar year 2002, SoCalGas recorded noncore C/I demand, excluding refineries, of  
2 89,836 MDth. SoCalGas forecasts that noncore C/I demand will decline by approximately 13%,  
3 or 11,307 MDth, from this value over the BCAP period largely due to the reclassifications,  
4 discussed above, of Vernon load to wholesale service, expected noncore to core customer  
5 migrations, and termination of the core subscription program. A continuing weak manufacturing  
6 environment and high natural gas prices will also help to moderate future demand.

7 **2. Small Electric Generation Demand Forecast Summary and Description:**

8 The forecast of noncore C/I demand for electric generation pertains principally to  
9 cogeneration customers that have installed cogeneration equipment to generate electricity for  
10 their own use rather than to sell the power to an electric utility. These cogeneration customers  
11 are smaller than those forecasted by SoCalGas witness Mr. Luis Pando. Total gas demand for  
12 this segment is estimated as the total of demand for each individual facility taking into account  
13 historical operational characteristics and any anticipated future additions or operational changes.  
14 The estimated gas requirement for each facility is determined as the product of the facility heat  
15 rate, hours of operation and the generation capacity.  
16

17 During 2002, SoCalGas recorded 13,426 MDth of noncore C/I electric generation  
18 demand. Demand increased approximately 9% from 2001 because of higher electric rates, lower  
19 natural gas prices compared to 2001, and a new self-generation incentive program mandated by  
20 Assembly Bill (AB) 970 and funded by ratepayers. Under this program, capital cost incentives  
21 are provided to customers who install qualified self-generation equipment. Customers qualifying  
22 for this program are served under either the G-10 rate schedule or the small EG noncore rate  
23 schedule. Demand arising from this program under the small EG rate schedule is projected to be  
24 565 MDth for 2005 and 682 MDth for 2006 and under the G-10 rate schedule 949 MDth for  
25  
26  
27  
28

1 2005 and 1085 MDth for 2006. The demand served under the G-10 rate schedule is reflected in  
2 the testimony of SoCalGas witness Mr. Christopher H. Roberts.

3 SoCalGas forecasts that noncore C/I electric generation demand will increase moderately  
4 over the BCAP period. SoCalGas expects that increasing demand will result from the capital  
5 cost incentive program, as mentioned above, additional customer interest in self generation,  
6 moderated by relatively high natural gas prices, and a continuing weak manufacturing  
7 environment. Consequently, for calendar years 2005 and 2006 the forecasted noncore C/I  
8 electric generation demand is 14,843 MDth and 14,843 MDth, respectively. The peak month  
9 forecast for 2005 and 2006 is 1,189 MDth and 1,189 MDth, respectively. Finally, the extreme  
10 peak day forecast is 38.3 MDth per day for 2005 and 38.3 MDth per day for 2006.  
11

12 This concludes my testimony.  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

#### **D. QUALIFICATIONS**

My name is Mark Otrhalek. My business address is 555 West Fifth Street, Los Angeles, California, 90013 – 1011.

I am employed by SoCalGas as a Senior Market Advisor in the Major Markets Customer Services department. I have been employed by SoCalGas since 1982. I am responsible for assuring SoCalGas' compliance with various regulatory matters and overseeing various analytical and forecasting activities. Prior to my employment at SoCalGas I worked for Fluor Engineering as a chemical process engineer. Within SoCalGas I have held numerous positions of increasing responsibility in engineering staff and field, regulatory affairs and customer services.

I received a Bachelors Degree in Chemical Engineering from Wayne State University in Detroit, Michigan. I also received and Masters Degree in Chemical Engineering and have completed additional coursework for a Ph.D. in Chemical and Materials Engineering from the University of Michigan.