

Application No: A.14-06-021
Exhibit No.: _____
Witness: Beth Musich

Application of Southern California Gas Company
(U 904 G) and San Diego Gas & Electric Company
(U 902 G) for Low Operational Flow Order and
Emergency Flow Order Requirements

Application 14-06-021
(Filed June 27, 2014)

PREPARED REBUTTAL TESTIMONY OF
BETH MUSICH
SOUTHERN CALIFORNIA GAS COMPANY AND
SAN DIEGO GAS & ELECTRIC COMPANY

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

December 1, 2014

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**PREPARED REBUTTAL TESTIMONY
OF BETH MUSICH**

I. PURPOSE

The purpose of my prepared rebuttal testimony is twofold. First, I explain that Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) are willing to make certain changes to our low OFO/EFO proposal in response to concerns voiced by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and Southern California Generation Coalition (SCGC)/Indicated Shippers (IS). Second, I call to the Commission's attention the position recently taken by the California Independent System Operator with respect to our low OFO/EFO proposal.

II. SOCALGAS AND SDG&E ARE WILLING TO MAKE CERTAIN CHANGES TO OUR LOW OFO/EFO PROPOSAL

As explained in the rebuttal testimony of Mr. Bisi, Mr. Borkovich, and Mr. Watson, SoCalGas and SDG&E do not agree with many of the changes to our low OFO and EFO proposals presented by intervenors. In fact, SoCalGas and SDG&E believe that each element of our original low OFO/EFO proposal was reasonable and justified. However, in the spirit of compromise, and to limit the elements of our low OFO/EFO proposal that are still in dispute, SoCalGas and SDG&E are willing to alter three aspects of our proposal in the manner proposed by intervenors.

These elements are (1) our proposed OFO notice deadline; (2) our proposed daily balancing standby rate; and (3) our proposal to not include calculation of non-compliance quantities and charges for low OFOs and EFOs in re-billings to customers for measurement errors. SoCalGas and SDG&E agree to change our proposed OFO notice deadline and proposed daily balancing standby rate so that they are the same as PG&E's, and we agree to drop our

1 proposal not to include the calculation of non-compliance quantities and charges for low OFOs
2 and EFOs in re-billings to customers for measurement errors.

3 With these changes, our proposal should satisfy all of the concerns raised by PG&E, and
4 at least some of the concerns raised by SCE and SCGC/IS. In his rebuttal testimony, Mr.
5 Borkovich describes in detail each of these changes to our low OFO/EFO proposal, and provides
6 revised tariff language to facilitate the changes.

7 **III. SOCALGAS AND SDG&E'S LOW OFO/EFO PROPOSAL WILL HELP**
8 **ADDRESS CAISO CONCERNS REGARDING GAS SUPPLIES NEEDED TO**
9 **MAINTAIN ELECTRIC GRID RELIABILITY**

10 The CAISO is an independent, non-profit Independent System Operator serving
11 California. It oversees the operation of California's bulk electric power system, transmission
12 lines, and electricity market generated and transmitted by its member utilities. Per its website,
13 the CAISO manages the flow of electricity across the high-voltage, long-distance power lines
14 that make up 80 percent of California's and a small part of Nevada's power grid, serving 30
15 million customers. SoCalGas and SDG&E cooperate closely with CAISO in order to maintain
16 the reliability of the electric grid and our natural gas transmission system.

17 On November 12, 2014, Stephen Berberich, President and CEO of CAISO sent a letter to
18 Commissioner Peterman, providing a copy to the other Commissioners and each party on the
19 service list.¹ In his letter, Mr. Berberich explains that the supply problems we experienced last
20 winter were not an isolated occurrence, and that coordination with SoCalGas and SDG&E
21 enabled CAISO to maintain reliable electric service in Southern California:

22 Last winter, cold weather created low pressure problems on gas
23 pipelines serving electric generation in southern California. This
24 occurrence was not an isolated incident. Similar events have
25 occurred in the past and have created significant risks to electric
26 system operations reliability, and the ability to serve electric load.

¹ A copy of Mr. Berberich's letter is Attachment A to this rebuttal testimony.

1 Our coordination with Southern California Gas Company
2 (SoCalGas) and San Diego Gas & Electric (SDG&E) during these
3 events has thus far allowed us to redispatch generation in order to
4 maintain reliable electric service to customers in southern
5 California and avoid outages, while maintaining gas supplies for
6 other customers.

7 On behalf of CAISO, Mr. Berberich stresses the importance of natural gas pipeline
8 operations to electric grid reliability, and urges the Commission to consider appropriate measures
9 to ensure adequate pressure on our system:

10 I wish to stress the increasing importance that natural gas pipeline
11 operations play in supporting electric grid reliability, especially
12 during stressed conditions. Accordingly, I urge the Commission to
13 consider appropriate measures to ensure adequate pressure exists on
14 pipelines to serve electric generation in the ISO's balancing authority.

15 SoCalGas and SDG&E share the concerns raised by CAISO regarding electric grid
16 reliability, and we believe that adoption of our proposed low OFO and EFO requirement will be
17 an important step towards achieving continued natural gas and electric reliability in Southern
18 California. The graduated requirements and penalties we have proposed will enable SoCalGas
19 and SDG&E to deal with substantial disparities between customer burn and customer deliveries
20 in a much more precise and predictable fashion than via curtailments of standby procurement
21 service, and to do so with much less risk of curtailment of transportation service to both noncore
22 and core customers.

23 This concludes my prepared rebuttal testimony.

ATTACHMENT A

November 12, 2014

Via Electronic Mail

Honorable Carla J. Peterman
Commissioner
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Re: Application 14-06-021 - Low Operational Flow Order and Emergency Flow Order Requirements

Dear Commissioner Peterman:

Over the last several years, the California Independent System Operator Corporation has continued to enhance its procedures to coordinate operations and planning with both interstate and intrastate natural gas pipelines serving electric generators in the ISO's balancing authority. These procedures include sharing information about forecasted and real-time system conditions.

Last winter, cold weather created low pressure problems on gas pipelines serving electric generation in southern California. This occurrence was not an isolated incident. Similar events have occurred in the past and have created significant risks to electric system operations reliability, and the ability to serve electric load. Our coordination with Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) during these events has thus far allowed us to redispatch generation in order to maintain reliable electric service to customers in southern California and avoid outages, while maintaining gas supplies for other customers.

We understand that SoCalGas and SDG&E have requested that the CPUC approve low operational flow order and emergency flow order requirements on their pipelines. Pursuant to these new requirements, customers would need to deliver supplies to meet a specified percentage of their gas usage on days when forecasts indicate that supplies

and storage assets reserved for system balancing will not be adequate to meet forecasted usage. Without commenting on the issues in dispute in the pending proceeding, I wish to stress the increasing importance that natural gas pipeline operations play in supporting electric grid reliability, especially during stressed conditions. Accordingly, I urge the Commission to consider appropriate measures to ensure adequate pressure exists on pipelines to serve electric generation in the ISO's balancing authority.

Respectfully,

A handwritten signature in black ink, appearing to read 'S. Berberich', written in a cursive style.

Stephen Berberich
President and CEO

cc: Honorable Michael R. Peevey, President
Honorable Michael Peter Florio, Commissioner
Honorable Catherine J.K. Sandoval, Commissioner
Honorable Michael Picker, Commissioner
Honorable Robert Mason III, Administrative Law Judge
Mr. Edward Randolph, Director - Energy Division
Service List Application 14-06-021