

Application No: A.15-09-013
Exhibit No.: _____
Witness: J. Bonnett

In The Matter of the Application of San Diego Gas
& Electric Company (U 902 G) and Southern
California Gas Company (U 904 G) for a Certificate
of Public Convenience and Necessity for the Pipeline
Safety & Reliability Project

Application 15-09-013
(Filed September 30, 2015)

PREPARED DIRECT TESTIMONY OF
JASON BONNETT
ON BEHALF OF
SAN DIEGO GAS & ELECTRIC COMPANY
AND
SOUTHERN CALIFORNIA GAS COMPANY

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

March 21, 2016

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1 **I. PURPOSE AND OVERVIEW**

2 The purpose of my prepared direct testimony on behalf of San Diego Gas & Electric
3 Company (SDG&E) and Southern California Gas Company (SoCalGas) (collectively, the
4 Utilities) is to provide illustrative rate impacts for the Utilities’ proposed pipeline project (the
5 Proposed Project, also known as the Pipeline Safety & Reliability Project (PSRP))¹ based on the
6 incremental transportation revenue requirements included in this Application and incurred as part
7 of SDG&E and SoCalGas’ Pipeline Safety Enhancement Plan (PSEP) efforts.²

8 **II. RATE IMPACTS**

9 The Proposed Project includes constructing a new 36-inch diameter natural gas backbone
10 transmission pipeline between Rainbow Meter Station and Santee Station. Once this line, which
11 is also referred to as Line 3602, is placed into service, the Utilities will convert Line 1600 into a
12 natural gas distribution line which will operate at a lower pressure. The details of the Proposed
13 Project are provided in the Prepared Direct Testimony of Neil Navin.

14 **A. Line 3602 Costs**

15 In compliance with California Public Utilities Commission (CPUC or Commission)
16 Decision (D.) 14-06-007,³ the Utilities’ PSEP decision, the incremental gas transportation
17 revenue requirements associated with the Proposed Project will be allocated to the Backbone

¹ The Utilities use these terms interchangeably throughout the testimony and Application.

² D.11-06-017 ordered all California natural gas transmission pipeline operators to prepare Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plans to either pressure test or replace all segments of natural gas pipelines which were not pressure tested or lack sufficient details related to performance of any such test.

³ Ordering Paragraph 9 of D.14-06-007 calls for Safety Enhancement costs to be allocated consistent with the Utilities existing cost allocation and rate design. Additionally, page 50 clarifies that “the cost of these new facilities that replace existing pipeline facilities should be allocated in the same manner as the old facilities were allocated.” Currently, backbone transmission costs are allocated to the Backbone Transportation Service (BTS) rates.

1 Transportation Service (BTS) rates.⁴ The BTS rates, which are designed to recover the costs of
2 the backbone transmission system, can be likened to postage-stamp rates. Effectively, customers
3 pay a common rate to deliver gas along the backbone transmission system from any receipt point
4 to the SoCalGas or SDG&E Citygate. From there, customers may then deliver gas to their end-
5 use account at the appropriate “Citygate-to-meter” transportation rate. Alternatively, customers
6 can purchase gas at the Citygate without directly purchasing backbone capacity.

7 Table 1 below provides the illustrative rate impact of the Line 3602 costs portion of the
8 Proposed Project. The rates shown assume the forecasted revenue requirements provided in the
9 Prepared Direct Testimony of Michael Woodruff. As Mr. Woodruff explains, the revenue
10 requirements to be ultimately collected in rates will be trued-up for actual costs at the conclusion
11 of the Proposed Project. The first year’s revenue requirement, if placed in rates on a date other
12 than January 1, will be adjusted to ensure it is fully collected over the remaining months of the
13 year. The Prepared Direct Testimony of John Roy proposes to establish the Pipeline Safety &
14 Reliability Project Memorandum Account (PSRPMA), with a PSRP subaccount which is
15 proposed to be allocated to the BTS rate.

⁴ BTS is available on both a firm and interruptible basis. Firm service is available under either a Straight Fixed Variable (*i.e.*, 100% reservation) charge or Modified Fixed Variable (*i.e.*, part reservation, part volumetric) charge. Interruptible service charges are 100% volumetric.

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TABLE 1
Illustrative BTS Revenue and Rate Impacts

Year	Current BTS Revenue Requirement \$ Millions	Pipeline Safety Reliability Project Revenue Requirement \$ Millions	Total BTS Revenue Requirement \$ Millions	Current BTS SFV Rate \$/dth/d	Pipeline Safety Reliability Project BTS Rate Impact \$/dth/d	Total BTS SFV Rate \$/dth/d
	A	B	C = A + B	D	E	F = D + E
2020	\$168.6	\$3.5	\$172.1	\$0.162	\$0.003	\$0.165
2021	\$168.6	\$85.9	\$254.6	\$0.162	\$0.083	\$0.245
2022	\$168.6	\$85.6	\$254.3	\$0.162	\$0.082	\$0.244
2023	\$168.6	\$82.8	\$251.5	\$0.162	\$0.080	\$0.242
2024	\$168.6	\$80.0	\$248.6	\$0.162	\$0.077	\$0.239

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Customers who directly purchase firm BTS capacity from SoCalGas will be impacted as shown in Table 1.⁵ However, most end-use customers do not directly pay the BTS rate. Core customers indirectly pay for BTS through the core procurement tariff. Core Aggregation Transportation and noncore customers who procure their gas commodity from a marketer or at the Citygate indirectly pay for BTS, as it is a likely cost of business for market participants providing gas commodity to them. Since these customers' transportation (*i.e.*, Citygate-to-meter) rates are not impacted by this proposal, an alternative method of illustrating the rate impact of the Proposed Project on them is to observe bundled rate impacts that include a proxy gas commodity price. The BTS rate impact from Table 1 of \$0.083 per decatherm (converted to \$0.008 per therm for Table 2) is added to these bundled rates to approximate the Proposed Project's impact. These illustrative rates are provided below in Table 2.⁶

⁵ Short-term firm as well as interruptible service is available at market-based prices up to the full tariffed rates listed in Table 1.

⁶ Table 2 reflects a direct impact to end-use customers based on the proposed increase in the BTS rate, and is for discussion purposes only. Since the BTS rate and the Gas Commodity price are market-based rates, each customer's impact will be unique to their situation.

TABLE 2
Illustrative Bundled Rate Impacts

	Current Class-Average Transportation Rates*	Gas Commodity Price**	Bundled Rate/Bill	Pipeline Safety Reliability Project BTS Rate Impact***	% impact on bundled rates/bills
	A	B	C = A+B	D	E = D / C
SoCalGas					
Residential \$/th	\$0.778	\$0.315	\$1.093	\$0.008	0.8%
Average Residential Bill \$/month (37 th)	\$27.65	\$11.63	\$39.28	\$0.322	0.8%
Core C&I \$/th	\$0.414	\$0.315	\$0.729	\$0.008	1.1%
NGV \$/th	\$0.226	\$0.315	\$0.540	\$0.008	1.5%
Noncore C&I - Distribution \$/th	\$0.067	\$0.315	\$0.382	\$0.008	2.2%
Noncore C&I - TLS \$/th	\$0.017	\$0.315	\$0.331	\$0.008	2.5%
Electric Generation - Distribution \$/th	\$0.052	\$0.315	\$0.367	\$0.008	2.2%
Electric Generation - TLS \$/th	\$0.013	\$0.315	\$0.328	\$0.008	2.5%
SDG&E					
Residential \$/th	\$0.954	\$0.315	\$1.269	\$0.008	0.7%
Average Residential Bill \$/month (26 th)	\$24.27	\$8.34	\$32.61	\$0.231	0.7%
Core C&I \$/th	\$0.427	\$0.315	\$0.742	\$0.008	1.1%
NGV \$/th	\$0.237	\$0.315	\$0.552	\$0.008	1.5%
Noncore C&I - Distribution \$/th	\$0.095	\$0.315	\$0.410	\$0.008	2.0%
Noncore C&I - TLS \$/th	\$0.020	\$0.315	\$0.335	\$0.008	2.5%
Electric Generation - Distribution \$/th	\$0.057	\$0.315	\$0.372	\$0.008	2.2%
Electric Generation - TLS \$/th	\$0.013	\$0.315	\$0.328	\$0.008	2.5%

* Transportation rates effective January 1, 2016, as approved in AL 4910 at SoCalGas and AL 2445-G at SDG&E.

** Gas price is the prior twelve month average of the core procurement tariff (February 2015 – January 2016).

*** This is the impact to the BTS Tariff. Individual customers may have impacts that differ due to how they purchase gas.

1 **B. Line 1600 De-Rate Costs**

2 As discussed above, once Line 3602 is placed into service, the Utilities will convert Line
3 1600 into a natural gas distribution line which will operate at a lower pressure. As discussed in
4 Mr. Navin’s testimony, de-rating of Line 1600 will incur additional distribution costs. Unlike
5 recovery of Line 3602 costs through the BTS rates, the Line 1600 de-rating costs will be
6 recovered through transportation rates on a Long Run Marginal Cost (LRMC) Scalar method.⁷

7 Table 3 below provides the proposed changes in the class-average transportation rate for
8 SoCalGas and SDG&E. The rates shown assume the forecasted revenue requirements provided
9 in the Prepared Direct Testimony of Michael Woodruff. As Mr. Woodruff explains, the revenue
10 requirements to be ultimately collected in rates will be trued-up for actual costs at the conclusion
11 of the Proposed Project. The first year’s revenue requirement, if placed in rates on a date other
12 than January 1, will be adjusted to ensure it is fully collected over the remaining months of the
13 year. The Prepared Direct Testimony of John Roy proposes to establish the PSRPMA with a
14 Line 1600 de-rate cost subaccount, which is proposed to be recovered through transportation
15 rates.

⁷ In SoCalGas and SDG&E’s first PSEP, after-the-fact reasonableness review application (Application 14-12-016), the Commission is addressing whether distribution costs should be functionalized or allocated based on scalar. The Proposed Project’s cost allocation may require revision if the Commission determines distribution costs should be functionalized.

TABLE 3
Class Average Rates (\$/therm)

	1/1/2016	Proposed	\$/th Change	% Change
<u>SCG:</u>				
Res	\$0.778	\$0.778	(\$0.000)	0%
CCI CA	\$0.414	\$0.414	(\$0.000)	0%
NGV Uncompressed post-SW	\$0.226	\$0.226	\$0.000	0%
NCCI - Distribution \$/th	\$0.067	\$0.067	(\$0.000)	0%
NCCI - TLS \$/th	\$0.017	\$0.017	\$0.000	0%
EG - Distribution \$/th	\$0.052	\$0.053	\$0.000	0%
EG - TLS \$/th	\$0.013	\$0.013	\$0.000	0%

	1/1/2016	Proposed	\$/th Change	% Change
<u>SDG&E:</u>				
Res	\$0.954	\$0.968	\$0.014	1%
CCI CA	\$0.427	\$0.431	\$0.004	1%
NGV Uncompressed post-SW	\$0.237	\$0.237	\$0.000	0%
NCCI - Distribution \$/th	\$0.095	\$0.097	\$0.002	2%
NCCI - TLS \$/th	\$0.020	\$0.020	\$0.000	0%
EG - Distribution \$/th	\$0.057	\$0.057	\$0.000	0%
EG - TLS \$/th	\$0.013	\$0.013	\$0.000	0%

* 2021 Revenue Requirement of \$3.8MM is grossed-up to \$5.2MM in order to recover the amount over 9 months due to the assumed in-service date of March 2021.

2 As discussed above, customers who directly purchase firm BTS capacity from SoCalGas will be
3 impacted as shown in Table 1, while the distribution costs of Line 1600 de-rating will be
4 allocated as shown in Table 3. The overall end-user illustrative bundled rate impact of the PSRP
5 is shown below in Table 4.

TABLE 4
Illustrative Bundled Rate Impacts

	Current Class-Average Transportation Rates*	Gas Commodity Price**	Bundled Rate/Bill	L3602 Pipeline Cost BTS Rate Impact***	L1600 Derate Cost Class Average Rate Impact	L3602 Pipeline Cost and L1600 Derate Cost Class Average Rate Impact	% Impact on Bundled Rates/Bills
	A	B	C = A+B	D	E	F = (D + E)	G = (F / C)
SoCalGas							
Residential \$/th	\$0.778	\$0.315	\$1.093	\$0.008	(\$0.000)	\$0.008	0.8%
Average Residential Bill \$/month (37 th)	\$27.65	\$11.63	\$39.28	\$0.306	\$0.000	\$0.306	0.8%
Core C&I \$/th	\$0.414	\$0.315	\$0.729	\$0.008	(\$0.000)	\$0.008	1.1%
NGV \$/th	\$0.226	\$0.315	\$0.540	\$0.008	\$0.000	\$0.008	1.6%
Noncore C&I - Distribution \$/th	\$0.067	\$0.315	\$0.382	\$0.008	(\$0.000)	\$0.008	2.2%
Noncore C&I - TLS \$/th	\$0.017	\$0.315	\$0.331	\$0.008	\$0.000	\$0.008	2.5%
Electric Generation - Distribution \$/th	\$0.052	\$0.315	\$0.367	\$0.008	\$0.000	\$0.008	2.3%
Electric Generation - TLS \$/th	\$0.013	\$0.315	\$0.328	\$0.008	\$0.000	\$0.008	2.5%
SDG&E							
Residential \$/th	\$0.954	\$0.315	\$1.269	\$0.008	\$0.014	\$0.022	1.7%
Average Residential Bill \$/month (26 th)	\$24.62	\$8.34	\$32.96	\$0.215	\$0.350	\$0.564	1.7%
Core C&I \$/th	\$0.427	\$0.315	\$0.742	\$0.008	\$0.004	\$0.012	1.6%
NGV \$/th	\$0.237	\$0.315	\$0.552	\$0.008	\$0.000	\$0.008	1.5%
Noncore C&I - Distribution \$/th	\$0.095	\$0.315	\$0.410	\$0.008	\$0.002	\$0.010	2.4%
Noncore C&I - TLS \$/th	\$0.020	\$0.315	\$0.335	\$0.008	\$0.000	\$0.008	2.5%
Electric Generation - Distribution \$/th	\$0.057	\$0.315	\$0.372	\$0.008	\$0.000	\$0.008	2.3%
Electric Generation - TLS \$/th	\$0.013	\$0.315	\$0.328	\$0.008	\$0.000	\$0.008	2.5%

* Transportation rates effective January 1, 2016, as approved in AL 4910 at SoCalGas and AL 2445-G at SDG&E.

** Gas price is the prior twelve month average of the core procurement tariff (February 2015 – January 2016).

*** This is the impact to the BTS Tariff. Individual customers may have impacts that differ due to how they purchase gas.

1 **III. QUALIFICATIONS**

2 My name is Jason Bonnett. My business address is 8330 Century Park Court, San Diego,
3 California, 92123-1530. I am employed by SDG&E as a Principal Regulatory Economic
4 Advisor in the CPUC/FERC Gas Regulatory Affairs Department of SDG&E and SoCalGas. In
5 my current position, I am responsible for cost allocation and rate design for both utilities.

6 I hold a Bachelor of Science degree in Business Administration from Minnesota State
7 University - Mankato, a Juris Doctorate from Hamline University School of Law, and a Master
8 of Arts in Public Administration from Hamline University. I have been employed by SDG&E
9 since 2007.

10 Prior to joining SDG&E, I was employed by the Minnesota Department of Commerce,
11 Energy Division, as a Public Utilities Rates Analyst from May 1998 through July 2007.

12 I have previously testified before the California Public Utilities Commission.

13 This concludes my prepared direct testimony.