

Application: A.26-01-XXX
Exhibit No.: _____
Witness: M. Michelle Dandridge

PREPARED DIRECT TESTIMONY OF
M. MICHELLE DANDRIDGE
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)

(CHAPTER II – ECONOMIC IMPACTS)

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

January 15, 2026

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**PREPARED DIRECT TESTIMONY OF MICHELLE M. DANDRIDGE
(CHAPTER II – ECONOMIC IMPACTS)**

I. INTRODUCTION

The purpose of my prepared direct testimony is to explain why the economic analysis of the Energy Division's Aliso Canyon Biennial Assessment (Biennial Assessment) does not provide a complete or reliable basis for reducing Aliso Canyon's maximum inventory. My testimony explains why the economic assumptions and methodology applied in the Biennial Assessment are inconsistent with the requirements of Decision (D.) 24-12-076 (Decision), why the Energy Division's own acknowledged limitations and caveats warrant a more conservative interpretation of the economic results, and why reducing Aliso Canyon inventory would materially increase ratepayer exposure to price volatility

II. BACKGROUND

D.24-12-076 established the biennial process for evaluating whether reductions to Aliso Canyon's maximum inventory may be appropriate. As part of that process, Energy Division Staff were directed to perform four analyses—demand reduction analysis, gas balance reliability analysis, hydraulic modeling analysis, and an economic analysis—to inform whether a change to the maximum storage level at Aliso Canyon should be considered.¹ The Decision provides that the economic analysis will determine whether natural gas prices for the upcoming winter are above specified levels and, if prices are above the threshold levels, the biennial assessment may recommend that the Aliso Canyon storage level remain unchanged or be increased to mitigate the rate impacts of high Southern California gas prices.²

The economic analysis compares the current expected price for gas in Southern California during the upcoming winter to set (1) national and (2) historical thresholds.³ First, if the price of natural gas in Southern California for the upcoming winter is 50 percent or more above the national price of natural gas for the upcoming winter, it exceeds the threshold. The Southern California gas price for winter 2025-2026 is represented by the SoCal Citygate average

¹ D.24-12-076, Attachment A.

² *Id.* at A7.

³ CPUC Energy Division, Aliso Canyon Biennial Assessment Report Pursuant to D.24-12-076, October 1, 2025 (Biennial Assessment), at 2.

1 forward fixed price of gas for the upcoming December, January, and February, averaged across
2 the values published on each date from March 1 through May 31, 2025.⁴ The national gas price
3 for winter 2025-2026 is represented by the Henry Hub average forward gas price for the
4 upcoming December, January, and February, averaged across the values published on each date
5 from March 1 through May 31, 2025.⁵

6 Second, if the forward price of gas in Southern California for the upcoming winter is 50
7 percent or more above the bidweek price⁶ of gas in Southern California during the previous three
8 winters, it exceeds the threshold.⁷ The Southern California historical price of gas during the
9 previous three winters is represented by the SoCal Citygate average bidweek price, averaged
10 across the values for December, January, and February delivery in the preceding three winters.⁸
11 This economic analysis is required for the upcoming winter; however, Staff performed additional
12 analyses for winter 2026-2027 due to concerns about the potential for gas prices increases next
13 year.⁹

14 The Biennial Assessment found that current gas prices expected in Southern California
15 for winter 2025-2026 do not exceed the threshold levels set by D.24-12-076 and, therefore, the
16 results of the “limited” economic analysis do not override the results of the reliability analyses.¹⁰
17 The economic analysis found that Southern California natural gas prices for the upcoming winter
18 are about 39 percent above national gas prices, as represented by Henry Hub.¹¹ To provide
19 additional information Staff explain that they conducted the same comparison for winter 2026-
20 2027. Staff provide that SoCal Citygate forward prices for winter 2026-2027 were more than

⁴ *Id.* at 24.

⁵ *Id.*

⁶ “Bidweek price” refers to the average price of natural gas for monthly baseload deliveries established through transactions executed during the designated trading period near the end of the preceding month (commonly referred to as “bidweek”), as reported by widely used natural gas price index publishes (e.g., Natural Gas Intelligence).

⁷ Biennial Assessment at 24.

⁸ *Id.* at 24-25.

⁹ *Id.* at 2.

¹⁰ *Id.* at 25.

¹¹ *Id.*

1 50% above Henry Hub prices but have since declined to below the threshold.¹² The Biennial
2 Assessment also found that Southern California natural gas prices for the upcoming winter are
3 not above the threshold level of 50 percent above historical Southern California prices for the
4 previous three winters.¹³ Staff provide that additional comparison of prices for winter 2026-
5 2027 shows that they are below the 50 percent threshold.¹⁴

6 **III. THE BIENNIAL ASSESSMENT CONTAINS INCONSISTENCIES AND IS NOT**
7 **A COMPREHENSIVE ASSESSMENT OF THE ECONOMIC IMPACTS OF**
8 **REDUCING INVENTORY AT ALISO CANYON**

9 **A. The Biennial Assessment Contains Inconsistencies**

10 The Biennial Assessment provides that SoCal Citygate forward prices for winter 2026-
11 2027 were more than 50% above Henry Hub prices but have since declined to below the
12 threshold.¹⁵ SoCalGas reviewed the analysis presented in Table 7 of the Biennial Assessment¹⁶
13 and identified potential inconsistencies in the application of the economic analysis methodology.
14 As described in D.24-12-076, the pricing variable evaluated against the 50 percent threshold is
15 calculated using December, January, and February forward prices observed between March 1
16 and May 31.¹⁷ However, for the September 1 calculation resulting in a reported differential of
17 +42%, it appears that prices for November through March were used instead. Applying the
18 appropriate methodology (December – February) to the September 1 calculation would yield a
19 differential of approximately +56 percent, exceeding the threshold for winter 2026-2027 (see
20 Table II-1), reinforcing Staff's own caution that a smaller incremental or no reduction may be
21 appropriate given the forward price outlook.

¹² *Id.*

¹³ Biennial Assessment at 25-26. The previous three winters were represented by the SoCal Citygate average bidweek price, averaged across the values for December, January, and February delivery in the preceding three winters (2022-2023, 2023-2024, and 2024-2025), excluding December 2022 because it represents an exceptional data point.

¹⁴ Biennial Assessment at 26.

¹⁵ *Id.* at 25.

¹⁶ *Id.*

¹⁷ D.24-12-076, Attachment A.

Table II-1
Corrected Winter 2026-2027 Forward Prices at SoCal Citygate and Henry Hub

Calculation on September 1, 2025			
	Avg SoCal Citygate price for the 2026-27 Winter	Avg Henry Hub price for the 2026-27 Winter	SoCal Citygate price percentage above Henry Hub
Values in Table 7	6.34	4.47	42%
Correction	7.20	4.61	56%

B. The Biennial Assessment Is Not A Comprehensive Assessment of the Economic Impacts of Reducing Inventory at Aliso Canyon

Staff highlight that the economic analysis required by D.24-12-076 is *limited* in scope and is not designed to evaluate the full economic consequences of reducing Aliso Canyon inventory. First, Commission Staff explain that the economic analysis is a simple threshold comparison, rather than a predictive or comprehensive economic assessment. As described in the Biennial Assessment, “[t]his simple economic analysis does not allow Staff to predict the impacts of reducing the Aliso Canyon maximum inventory on gas commodity prices.”¹⁸ In addition, the forward price inputs used in the threshold comparison assume the continued availability of Aliso Canyon at existing inventory levels. As a result, the analysis does not reflect the gas commodity prices that would likely occur under conditions in which Aliso Canyon inventory is reduced and, therefore, cannot capture the potential price impacts associated with such reductions.

Second, Commission Staff acknowledge that the analysis does not model storage behavior for economic or price mitigation purposes, even though storage has historically played a role in moderating price volatility. The Biennial Assessment provides that, “Appendix A also does not include a model that forecasts withdrawals from gas storage for economic, rather than reliability, purposes.”¹⁹ Staff further note that, historically, “having sufficient gas in storage has tended to prevent or mitigate the impact of high or volatile gas commodity prices,”²⁰ an effect that is not captured in the analysis performed.

18 *Id.* at 2.

19 *Id.*

20 *Id.*

1 Third, Commission Staff provide that “[t]here are events on the horizon that have the
2 potential to increase gas commodity prices, particularly for winter 2026-27[.]”²¹ These events
3 include rising LNG exports nationally and the expected start-up of the Energía Costa Azul
4 (ECA) LNG export facility, which is anticipated to increase competition for pipeline capacity
5 serving Southern California.²² SoCalGas anticipates that these developments could materially
6 increase the cost of maintaining Southern System reliability. Under SoCalGas Rule 41,²³
7 SoCalGas’s Operational Hub procures gas supplies to meet Southern System demand when
8 customer deliveries are insufficient. As competition for supply increases due to LNG exports,
9 SoCalGas expects the cost of procuring these supplies to increase significantly, potentially two
10 or three times, as it competes with LNG markets for available gas. Recent net Southern System
11 reliability costs of approximately \$5.5 million, with average net costs of \$8.2 million over the
12 past three years, underscores the potential ratepayer exposure associated with rising costs.²⁴
13 More broadly, evolving regional supply-and-demand dynamics, including increasing energy
14 needs associated with data center development, may affect gas market conditions in ways that
15 are not captured in the economic analysis. Changes to regional pipeline flows and infrastructure,
16 such as new or expanded transportation pathways moving Permian Basin supplies toward
17 Arizona markets, illustrate one example of how supply may be redirected away from California
18 to meet growing demand in other regions.

19 Fourth, Commission Staff acknowledge that the economic analysis does not capture
20 impacts associated with the UBS Program, including effects on noncore customers and electric
21 generators.²⁵ Commission Staff explain that noncore customers, including gas-fired electric
22 generators, rely on storage to manage exposure to high gas prices, and that impacts to these

²¹ *Id.*

²² *Id.* The potential impacts to system reliability due to supply competition are described in the Direct Testimony of Andrew J. Sawin (Chapter I).

²³ SoCalGas Rule No. 41, Utility System Operation, available at:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=441>.

²⁴ See SoCalGas Advice Letter 6558-G:
<https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=5098&flngId=6558-G&flngStatusCd=Pending>

²⁵ Biennial Assessment at 2-3.

1 customers directly affect electric ratepayers.²⁶ Finally, Commission Staff expressly caution that,
2 notwithstanding the results of the four analyses, the economic outlook supports restraint. The
3 Biennial Assessment provides that, “given current forecasts for higher gas commodity prices in
4 winter 2026-27, which are not captured in the economic analysis but are discussed in the Current
5 Context section of this report, a smaller or incremental or no reduction may be appropriate.”²⁷
6 Staff’s acknowledgments confirm that the economic analysis is a limited exercise and does not
7 provide a basis for concluding that reducing Aliso Canyon inventory would be economically
8 prudent.

9 **IV. THE UBS PROGRAM MITIGATES PRICE VOLATILITY AND BENEFITS
10 RATEPAYERS**

11 During winter 2022-2023, Southern California experienced unprecedented natural gas
12 price volatility. At that time, the maximum inventory at Aliso Canyon was capped at 41.16 Bcf,
13 and SoCalGas’s total maximum storage capacity was limited to 91.36 Bcf. These constraints
14 materially reduced the availability of storage to the market and contributed to high price spikes.
15 In August 2023, following the high gas prices, the Commission increased Aliso Canyon’s
16 maximum inventory from 41.16 Bcf to its current level of 68.6 Bcf, thereby increasing the total
17 working storage capacity of SoCalGas’s system to 119.5 Bcf and reinstating the UBS Program.²⁸
18 The Biennial Assessment acknowledges that gas prices stabilized after the Commission’s August
19 2023 decision to increase Aliso Canyon’s maximum inventory from 41.16 Bcf to its current level
20 of 68.6 Bcf, following extreme price spikes in winter 2022-2023.²⁹ The U.S. Energy
21 Information Administration (EIA) also issued an analysis finding that, subsequent to D.23-08-
22 050, December 2023 natural gas prices in Southern California were the lowest since 2015.³⁰

²⁶ *Id.* at 3.

²⁷ *Id.* at 5.

²⁸ See D.23-08-050. Southern California Edison Company (SCE), the Commission’s Public Advocates Office (Cal Advocates), the Utility Reform Network (TURN), and the Indicated Shippers all supported the inventory increase as a tool to dampen price spikes in the natural gas market. D.23-08-050 at 14-15.

²⁹ Biennial Assessment at 3.

³⁰ United States Energy Information Administration (EIA), December Natural Gas Price in Southern California Was the Lowest Since 2015, March 25 2024, available at: <https://www.eia.gov/todayinenergy/detail.php?id=61644>.

1 Importantly, the EIA identified several drivers for the low price, including more natural gas in
2 storage and referenced the Commission's decision increasing inventory at Aliso Canyon.³¹

3 The UBS Program offers sales of term storage capacities and park and loan services to
4 any credit-worthy customer under the Rate Schedule G-TBS Transaction Based Storage Service
5 and Rate Schedule G-PAL Operational Hub Services, respectively. Pursuant to the most recent
6 Cost Allocation Proceeding (CAP) Decision (D.24-07-009), 25 Bcf of storage inventory, 50
7 MMcf/d of storage injection capacity and 50 MMcf/d of storage withdrawal capacity are allocated
8 to the UBS program. Notably, 100% of any net revenues realized from the UBS program are
9 allocated to ratepayers.

10 The UBS program plays a critical role in affordability, stabilizing natural gas prices and,
11 by extension, electric rates, by providing customers access to storage that would otherwise be
12 unavailable. Storage enables customers to purchase and inject gas during periods of lower
13 demand and lower prices. This temporal flexibility is a fundamental mechanism for moderating
14 price volatility. Access to storage also reduces exposure to operational flow order (OFO)
15 penalties. These offerings are valuable to customers, including electric generators, as evidenced
16 by the fact that the entire 25 Bcf allocated to the UBS Program is currently fully subscribed.
17 SCE has specifically recognized the importance of storage and the UBS Program:

18 [N]atural gas storage currently plays an important role in maintaining
19 electric grid reliability and managing operational flexibility. Gas prices,
20 however, can be volatile. Storage allows for greater management of price
21 volatility and ensures the need of core customers are met reliably during
22 winter months. . . SCE agrees it is important that the Commission
23 implement procedures to address the volatility of gas prices, which not
24 only directly impact gas customers, but also electric customers because
25 fuel costs are passed on to SCE's electric customers. Increasing the
26 availability of natural gas supply at peak or critical times is likely to play
27 an important role in mitigating price volatility. The same is true of the
28 USP [Unbundled Storage Program], which also mitigates gas volatility
29 impacts to SCE customers by increasing available supply.³²

30
31 *Id.*

32 I.17-02-002, Response of Southern California Edison Company to Southern California Gas Company and San Diego Gas & Electric Company's Joint Petition for Modification of D.21-11-008, May 3, 2023, at 2-3.

Indicated Shippers has noted this value as well:

The UBS program is an important tool to mitigate gas pricing, and Aliso inventory is vital to maximizing that tool for customers. Any changes to Aliso inventory will impact storage available to the UBS program, and will require customers to adjust to a change in assumptions for making economic and operational decisions.³³

The Biennial Assessment’s proposed 10 Bcf reduction in the Aliso Canyon working inventory would directly reduce the inventory currently allocated to the UBS program by 10 Bcf, directly impacting this important price mitigation tool at a time of increasing volatility. Indeed, the Energy Division provides that, “given current forecasts for higher gas commodity prices in winter 2026-27, which are not captured in the economic analysis but are discussed in the Current Context section of this report, a smaller incremental or no reduction may be appropriate.”³⁴ The impact to the UBS program and its consequences are also summed up well in the Biennial Assessment. The report provides that, “[i]f the Unbundled Storage Program is reduced, noncore customers will have less opportunity to purchase gas storage in Southern California and therefore may be more vulnerable to volatility in the gas spot market. In turn, spot market prices may become more volatile because sellers of the gas commodity would know noncore customers have limited alternatives to pipeline supplies. With less access to storage, noncore customers, including electric generators, could be exposed to higher gas prices, which could in turn increase electric rates.”³⁵

Given the high prices that occurred when storage was constrained, and the equally demonstrated benefits following reinstatement of the UBS Program, the Commission should exercise caution before reducing or eliminating a program that has proven effective at mitigating price volatility and protecting ratepayers. In addition to eliminating a price mitigation tool, any reduction to the UBS Program would impose a second, independent impact on ratepayers by eliminating a direct source of ratepayer revenues.

³³ I.17-02-002, Exhibit No. IS-5, Supplemental Rebuttal Testimony of Brian C. Collins on Behalf of Indicated Shippers, January 16, 2024, at 9.

³⁴ Biennial Assessment at 5.

³⁵ *Id.* at 28.

1 Today, 100% of any net revenues realized by the UBS Program are credited to
2 ratepayers.³⁶ As a result, when UBS services are fully subscribed, as they are today, ratepayers
3 receive the full financial benefit of market demand for storage capacity and park-and-loan
4 services. Reducing the Aliso Canyon maximum inventory, and thereby reducing or eliminating
5 the UBS capacity, would deprive ratepayers of this financial benefit at the same time it removes
6 a tool that mitigates price volatility. Ratepayers would therefore be impacted twice—first
7 through increased exposure to gas and electric price volatility; and second, through the loss of
8 UBS Program revenues. Accordingly, the Biennial Assessment’s recommendation would shift
9 costs and risks back onto ratepayers, while eliminating a program that has proven effective in
10 dampening price spikes and delivering value for ratepayers. The Biennial Assessment’s
11 proposed reduction to the Aliso Canyon maximum inventory undermines the Commission’s
12 broader affordability and cost-control objectives.

13 **V. CONCLUSION**

14 The Biennial Assessment confirms that the economic analysis required by D.24-12-076 is
15 a limited, threshold-based exercise and is not designed to predict or comprehensively evaluate
16 the economic impacts of reducing Aliso Canyon’s maximum inventory. My testimony
17 demonstrates that the economic analysis contains methodological inconsistencies and omits key
18 considerations, including impacts to the UBS Program and ratepayers. Importantly, the Biennial
19 Assessment acknowledges that there are events on the horizon, such as increasing LNG exports
20 and the anticipated startup of the ECA export facility, that could materially affect gas supply
21 dynamics and prices in Southern California, and were not captured in the economic analysis.
22 These developments introduce additional uncertainty and risk at a time when storage provides a
23 critical buffer against market volatility. Accordingly, the Biennial Assessment does not provide
24 a sufficient basis for concluding that a reduction in Aliso Canyon inventory would be prudent at
25 this time. Once price volatility materializes, the resulting ratepayer impacts cannot be undone
26 after the fact. Consistent with the Energy Division’s own cautions, prudence therefore counsels

³⁶ It should be noted that, if the Commission elects to reduce the working inventory limit at Aliso Canyon despite the risk and impacts presented herein, any reduction in the Aliso Canyon maximum inventory would have to occur after existing contracts in place expire given the current storage season and the UBS program timing of sales and services. Current UBS contracts expire on March 31, 2026, and SoCalGas has already started offering UBS storage to the market for the next storage season ahead of expiration.

1 against reducing inventory in advance of uncertain and potentially adverse market conditions,
2 where doing so could increase exposure to price spikes, shift additional risk to ratepayers, and
3 undermine the Commission's affordability and cost-control objectives. Further, as described in
4 the Direct Testimony of Andrew J. Sawin (Chapter I), SoCalGas's analysis indicates that an
5 increase in Aliso Canyon's inventory may be appropriate.³⁷

6 This concludes my prepared direct testimony.

³⁷ For more information, refer to the Direct Testimony of Andrew J. Sawin (Chapter I), at 15-24.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is M. Michelle Dandridge. I am employed by SoCalGas as Senior Manager,
3 Strategic Planning. My business address is 555 West Fifth Street, Los Angeles, California,
4 90013-1011. I received a Bachelor of Business Administration with concentrations in Finance
5 and in Accounting from Simon Fraser University, British Columbia, Canada. Prior to joining
6 SoCalGas, I held finance, accounting, natural gas scheduling, and natural gas trading positions at
7 various oil and natural gas companies in British Columbia and Alberta, Canada. At SoCalGas, I
8 have worked in the Gas Acquisition, Gas Scheduling and Major Markets Credit and Compliance
9 departments. Since June 2017, I have been in the role of Senior Manager, Strategic Planning. In
10 this position, I manage the unbundled storage program and the California Energy Hub, oversee
11 minimum flowing supply and maintenance related supply purchases, and I am involved in
12 various regulatory matters providing analytical and compliance subject matter expertise. I have
13 previously testified before the Commission.