

Exhibit No: _____
Application: A.25-09-014
Witness: P. D. Borkovich
Chapter: 20

**PREPARED REBUTTAL TESTIMONY OF PAUL D. BORKOVICH
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY
(OFF-SYSTEM DELIVERY AND BACKBONE
TRANSPORTATION SERVICE PROPOSALS)**

June 15, 2026

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1 **CHAPTER 20**
2 **PREPARED REBUTTAL TESTIMONY OF PAUL D BORKOVICH**
3 **(OFF SYSTEM DELIVERY AND BACKBONE TRANSPORTATION SERVICE**
4 **PROPOSALS)**

5 **I. PURPOSE**

6 The purpose of my rebuttal testimony on behalf of Southern California Gas Company
7 (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (jointly, Applicants) is to address
8 the direct testimony of Brian C. Collins on behalf of Indicated Shippers, Catherine E. Yap on
9 behalf of Southern California Generation Coalition (SCGC), Samuel Topper on behalf of the
10 public advocates office at the California Public Utilities Commission (Cal Advocates), and
11 Michel P. Florio on behalf of the Utility Reform Network (TURN) concerning the proposals
12 addressing Off System Delivery (OSD) service and Backbone Transportation Service (BTS)
13 made by the applicants in this proceeding.¹

14 **II. APPLICANTS' OSD AND BTS PROPOSALS REPRESENT THE BEST**
15 **OUTCOME FOR BACKBONE CUSTOMERS IN THIS PROCEEDING**

16 Applicants made one (1) proposal addressing recovery of costs to implement expanded
17 interruptible OSD service and two (2) proposals to modify the offering and scheduling of BTS.
18 The OSD proposal requested the application of Noncore Storage Balancing Account (NSBA)
19 overcollections to the Firm Access Storage Rights Memorandum Account (FASRMA) until the
20 current under collection is fully offset. BTS Proposal 1 requested limiting the maximum amount
21 of firm BTS available for sale to 110% of the minimum backbone design standard starting with
22 the 2029 BTS Open Season term beginning on November 1, 2029. BTS Proposal 2 requested
23 modification of Rule 30 Operational Requirements to confirm BTS nominations up to the Total
24 Net System Capacity for the Evening (Cycle 2), Intraday 1(Cycle 3), Intraday 2 (Cycle 4), and
25 Intraday 3 (Cycle 5) nomination cycles regardless of a Gas Day's OFO status. Applicants do not
26 see any compelling facts or arguments raised by the intervenors to do otherwise.

¹ Given the volume of the various arguments, positions, and proposals raised by intervenors, Applicants have prioritized which issues to address in rebuttal testimony. Silence on any issue should not be construed as agreement with, or non-opposition to, that issue, as Applicants reserve the right to address additional issues not specifically mentioned in this rebuttal testimony at a later opportunity, such as evidentiary hearings and briefs.

1 In my direct testimony, Applicants' OSD proposal requested the recovery of costs
2 incurred to implement expanded OSD Service recorded in the FASRMA by allocating NSBA
3 overcollections to the FASRMA until the current under collection is fully offset.² In their
4 testimony Indicated Shippers, SCGC, Cal Advocates, and TURN all expressed opposition to this
5 proposal.³ SCGC went further by asserting that the Commission should order the Applicants to
6 write off the unrecovered balance against earnings,⁴ while Cal Advocates observed that this
7 action was beyond the scope of this proceeding.⁵

8 BTS Proposal 1 requested reducing the maximum amount of Firm BTS offered starting
9 with the 2029 BTS Open Season term from the Total Transmission Zone Firm Access Capacity
10 down to 110% of the forecast minimum backbone system design standard for the first calendar
11 year of the open season term for the duration of the term. Both SCGC and Indicated Shippers
12 opposed this proposal. In its testimony, SCGC opposed the proposed limitation by ignoring the
13 daily limitations placed on Applicants' ability to schedule the full amount of BTS capacity
14 available each day. Because SCGC ignores the daily physical limitations placed on Applicants'
15 ability to schedule the full amount of BTS capacity available and nominated each day, SCGC's
16 opposition to this proposal should be given no weight.

17 Indicated Shippers presented its opposition to BTS Proposal 1 in testimony based on an
18 erroneous contention that Applicants' proposal to offer less firm BTS somehow disincentivizes
19 Applicants from efficiently and expeditiously performing maintenance on the Backbone
20 Transmission System.⁶

21 BTS Proposal 2 requested approval to confirm BTS nominations up to the Total Net
22 System Capacity during Cycles 2, 3, 4 and 5 regardless of a Gas Day's OFO status when total

² Direct Testimony of Paul D. Borkovich (SCG-SDGE, Chapter 10) at 9-11.

³ Direct Testimony of Brian C. Collins on behalf of Indicated Shippers (Ex. IS-01) at 50; Direct Testimony of Catherine E. Yap on behalf of Southern California Generation Coalition (Ex. SCGC-01) at 13-14; Direct Testimony of Samuel Topper on behalf of Public Advocates Office (Ex. CA-04) at 65-68; and Direct Testimony of Michel Peter Florio on behalf of The Utility Reform Network (Ex. TURN-01) at 74-77.

⁴ Ex. SCGC-01 (Yap) at 14.

⁵ Ex. CA-04 (Topper) at 68, fn. 199.

⁶ Direct Testimony of Brian C. Collins on behalf of Indicated Shippers (Ex. IS-01) at 72.

1 nominations exceed the Total Net System Capacity forecast for the Gas Day. In its testimony,
2 Indicated Shippers did not support adoption of this proposal even though “the existing Rule 30
3 confirmation protocol may create uncertainty for shippers as to how much of their nominated gas
4 volumes will actually be confirmed and scheduled.”⁷ Indicated Shippers instead presented four
5 (4) concerns⁸ and a proposed alternative that would water down Applicants’ proposal to increase
6 the certainty of Firm BTS nominations across the five (5) BTS scheduling cycles.⁹

7 **III. THE COMMISSION SHOULD IGNORE SCGC’S REQUEST TO ORDER THE**
8 **APPLICANTS TO WRITE OFF THE UNRECOVERED FASRMA BALANCE**
9 **AGAINST EARNINGS**

10 SCGC argues in testimony that Applicants should be ordered to write off the unrecovered
11 FARSMA balance against earnings.¹⁰ Cal-Advocates observed that determining “whether the
12 FASRMA balance should ultimately be written off as unrecoverable or subject to a prudence
13 review” was beyond the scope of the proceeding.¹¹ Applicants believe there is no need, however,
14 to order a write down of the current FASRMA balance at this time. Applicants made the
15 proposal to recover OSD implementation costs in the FASRMA from Unbundled Storage
16 revenues based on the stated intent that expanded OSD would allow the Unbundled Storage
17 market to serve markets located upstream of the Applicants’ system. If the Commission denies
18 Applicants’ request to recover these costs from Unbundled Storage revenue, SoCalGas intends to
19 resume interruptible OSD service in the Wheeler Ridge and Northern Transmission zones to
20 recover these costs. Interruptible OSD in the Southern Zone will continue to be curtailed when
21 System Reliability transactions could be required to meet the Southern System Minimum.

⁷ Ex. IS-01 (Collins) at 51.

⁸ *Id.* at 58-62.

⁹ *Id.* at 62-72.

¹⁰ Ex. SCGC-01 (Yap) at 14.

¹¹ Ex. CA-04 (Topper) at 68, fn. 199.

1 **IV. SCGC DID NOT ADDRESS SYSTEM OVERNOMINATION CUTS IN THEIR**
2 **OPPOSITION TO BTS PROPOSAL 1**

3 SCGC concludes that BTS capacity should continue to be offered by Applicants based on
4 the actual capability of the system.¹²

5 Applicants made the proposal to limit the amount of Firm BTS capacity under contract to
6 reduce pro rata system overnomination cuts. SCGC did not address this problem at all in their
7 direct testimony. Instead, SCGC states that it believes there is no reason to change the current
8 approach, based on actual pipeline capacities adjusted for the realities of pipeline maintenance
9 and repair.¹³

10 The current approach offers Firm BTS capacity during each open season equal to the
11 Total Transmission Zone Firm Access capacity (3,775 MMcfd) minus capacity reductions for
12 any maintenance outages scheduled for more than 30 days during the open season term.¹⁴
13 During the open season term this capacity is adjusted when these outages end and when new
14 outages are posted during the open season term. The availability of supply upstream is not a
15 factor. Downstream available demand is a capacity-limiting factor only for the Southern Zone
16 due to limited capability to transport excess Southern System supply to the rest of the
17 Applicants' system.

18 BTS nominations on the Applicants' system are scheduled based on the actual capability
19 of the system. BTS nominations are not only subject to the Total Transmission Zone Firm
20 Access capacity after consideration of maintenance outages, but BTS nominations are also
21 subject to a maximum daily capacity based on Total Net System Capacity (TNSC). TNSC is
22 equal to the sum of forecasted sendout, available injection capacity, and off-system nominations.
23 This TNSC limit is applied to nominations during Cycles 3, 4, and 5 on High OFO days and
24 during Cycle 5 on non-High OFO days. Applicants' system cannot accept receipts that exceed
25 this amount while maintaining safe operation.

¹² Ex. SCGC-01 (Yap) at 12.

¹³ *Id.*

¹⁴ SoCalGas Schedule G-BTS, Sheet 15, Special Condition 2, *available at:*
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=465>.

1 To illustrate this point, Applicants have created two (2) graphs for Cycles 1 & 5,
 2 comparing Total Available Backbone System Capacity quantities from SCGC’s direct
 3 testimony¹⁵ to Total Scheduled Quantity and to an adjusted line for the Applicants’ proposed
 4 capacity limit based on the 110% of the Cold Dry Year forecast that would have defined the
 5 capacity limit for the 2020 and 2023 BTS Open Seasons respectively.

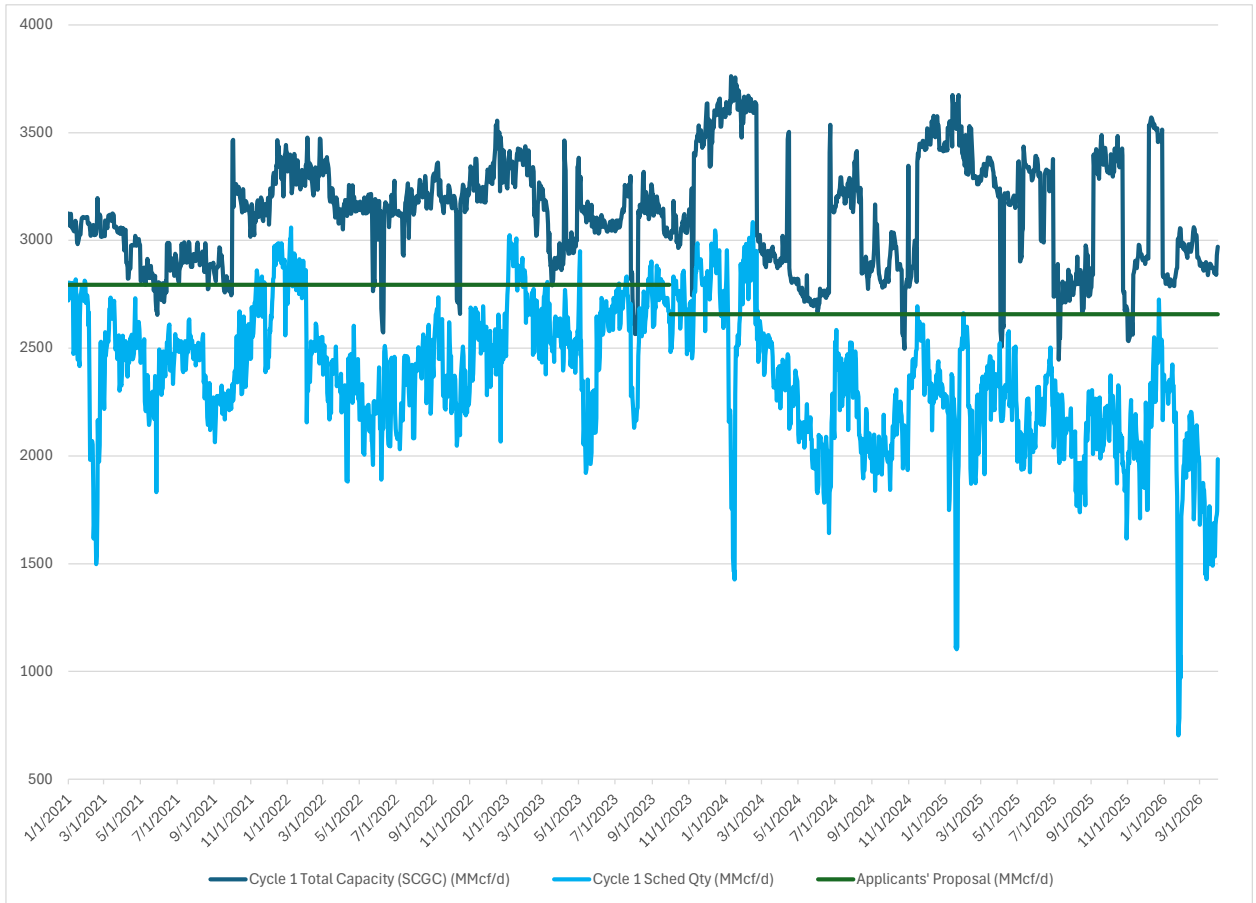


FIGURE 1

TOTAL AVAILABLE CYCLE 1 BTS CAPACITY (MMCFD) COMPARED TO TOTAL SCHEDULED CYCLE 1 BTS CAPACITY (MMCFD) COMPARED TO APPLICANTS’ PROPOSAL BASED ON FORECASTS PRIOR TO 2020 AND 2023 BTS OPEN SEASONS

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¹⁵ Ex. SCGC-01 (Yap), Attachment L.

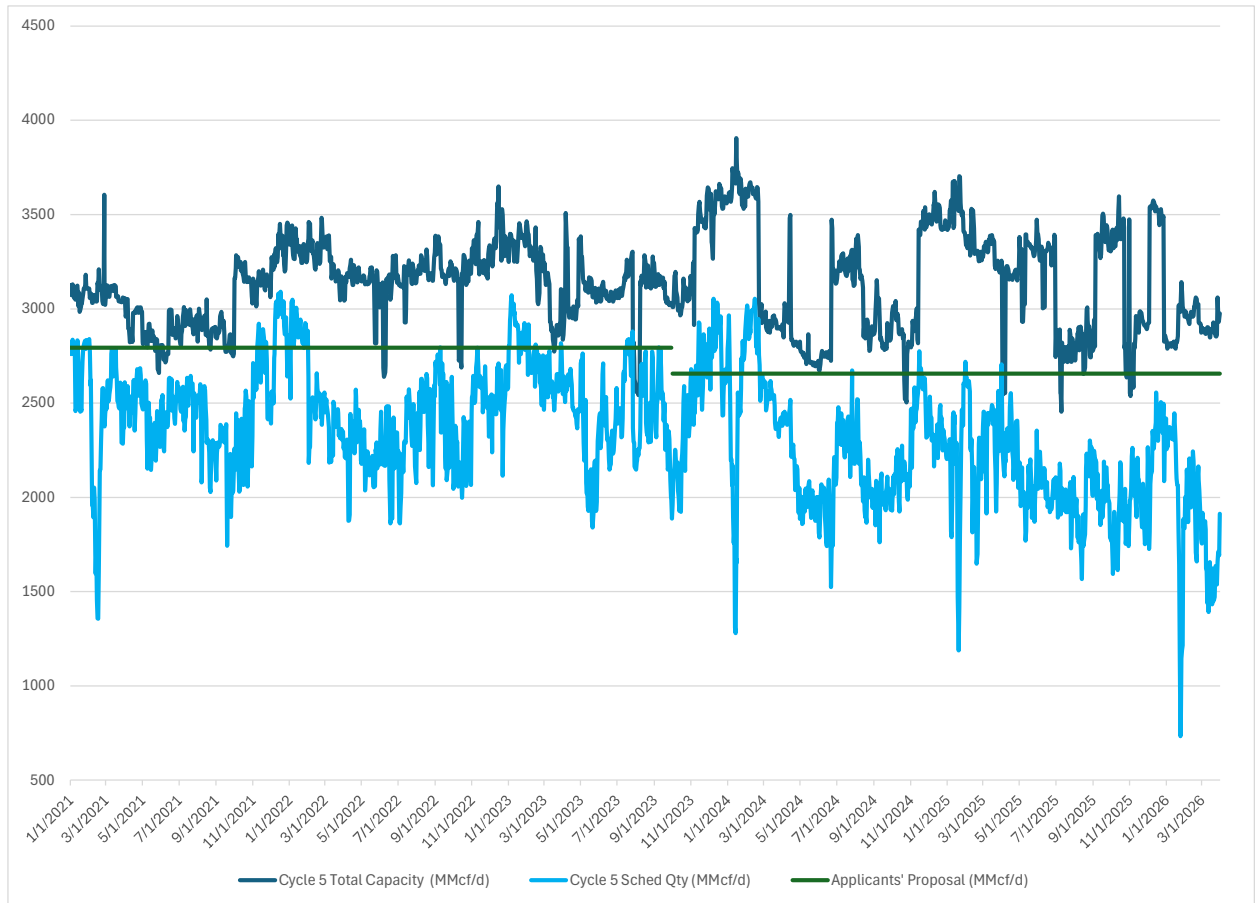


FIGURE 2

TOTAL AVAILABLE CYCLE 5 BTS CAPACITY (MMCFD) COMPARED TO TOTAL SCHEDULED CYCLE 5 BTS CAPACITY (MMCFD) COMPARED TO APPLICANTS' PROPOSAL BASED ON FORECASTS PRIOR TO 2020 AND 2023 BTS OPEN SEASONS

One can see from both graphs that scheduled BTS nominations were mostly less than Applicants' Proposal, a limit based on 110% of the Cold Dry Year forecast that preceded the respective BTS Open Season. BTS nominations that exceed TNSC are not scheduled. Making excessive Firm BTS capacity available allows customers to overnominate to secure a higher allocation of scheduled gas. Establishing a Firm BTS capacity limit closer to this operational reality makes more sense than a much higher capacity to meet market demand that occurs on relatively few days each year. Making excess quantities of Firm BTS capacity available each day that exceeds the Applicants' system ability to receive it legitimizes overnominations that result in disruptive pro rationing of Firm BTS nominations by shippers with firm upstream capacity rights.

1 **V. INDICATED SHIPPERS' OPPOSITION TO BTS PROPOSAL 1 IS BASED ON A**
2 **MISUNDERSTANDING OF APPLICANTS BTS INCENTIVES**

3 Indicated Shippers claims that reducing the capacity offered in the BTS open season does
4 not incentivize Applicants to efficiently and expeditiously perform its maintenance on the
5 Backbone Transmission System. They believe that customers should receive service for 100%
6 of the BTS capacity that they pay in rates. Offering less capacity in the open season while
7 continuing to collect full Backbone cost-of-service revenues leaves customers paying for
8 capacity they cannot contract for with no corresponding consequence to the company.¹⁶

9 Applicants are not proposing to limit the amount of BTS scheduled each day below the
10 system's capability to accept it. Applicants, rather, are proposing to limit the amount of firm
11 BTS to a quantity that has a reasonable chance of being fully scheduled each day as shown
12 previously on Figures 1 and 2.

13 BTS revenues and revenue requirements are recorded in the Backbone Transmission
14 Balancing Account (BTBA). Over or under collections from the previous year are amortized
15 over the current year. Interest is accrued based on the average monthly balance.¹⁷ There is no
16 shareholder incentive built into the BTBA.

17 There is a citation program applicable to the availability of BTS capacity on the
18 SoCalGas system that was adopted in Commission Decision (D.) 22-07-002. The Citation
19 Program requires SoCalGas to meet a Minimum Design Standard by maintaining adequate
20 backbone capacity to meet the average day in a 1-in-10 cold and dry year standard established by
21 Commission D. 06-09-039.¹⁸ The Citation process begins when SoCalGas fails to maintain
22 adequate backbone capacity based on the 1-in-10 cold and dry year standard for a nine month or
23 longer period.¹⁹ SoCalGas is required to report actual Cycle 1 BTS operating capacities by zone

¹⁶ Ex. IS-01 (Collins) at 72.

¹⁷ SoCalGas Preliminary Statement, BTBA, Sheets 1-2, *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=446>.

¹⁸ D.22-07-002, at 50 (Ordering Paragraph (OP) 4).

¹⁹ *Id.* (OP 3).

1 over the previous nine-month period according to a formula described in the D.22-07-002
2 Appendix.²⁰

3 **VI. INDICATED SHIPPERS’ DEFINITION OF APPLICANTS’ SYSTEM**
4 **CAPACITY LIMITATION IS NOT CORRECT**

5 In their testimony Indicated Shippers confuses system gross operating capacity with
6 TNSC. Indicated Shippers defines the Applicants’ System Capacity Limitation as “a daily
7 operational figure that depends on the physical operating capacities of receipt points and
8 transmission zones “adjusted for operational constraints (i.e. maintenance, localized restrictions,
9 and upstream delivery pressures) as determined each day” per Rule 30, Section D3.”²¹ This
10 definition is more appropriate for the “On-System Gross Operating Capacity” which can be
11 found for each nomination cycle on the SoCalGas ENVOY (Envoy) Capacity Utilization screen.

12 The actual description of the System Capacity Limitation used to cut system
13 overnominations can be found in SoCalGas Rule No. 41 which states: “For every nomination
14 cycle, the Gas Scheduling Department shall calculate the system capacity as the sum of
15 forecasted sendout, physical storage injection capacity and off system scheduled quantities.”²²

16 This quantity is referenced on the Envoy system as the TNSC that is posted on the Envoy
17 Capacity Utilization screen. It correctly defines TNSC as “the sum of the forecasted send out,
18 injection capacity, and off-system nominations. The forecasted send-out and injection capacity
19 are received from Gas Control five times a day. The off-system nominations are taken from
20 Envoy.”

21 TNSC is a measure of forecast customer demand and available injection capacity that
22 limits the total quantity of BTS capacity for each gas day. Available BTS capacity that exceeds
23 TNSC is not scheduled and results in cuts and proration to maintain a safe operation of
24 Applicants’ system.

²⁰ *Id.* (OP 5).

²¹ Ex. IS-01 (Collins) at 58-59.

²² SoCalGas Rule 41, Sheet 1, Sec. 3, *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=441>.

1 **VII. INDICATED SHIPPERS BASIS FOR OPPOSING CYCLE 2**
2 **OVERNOMINATION CUTS WAS NOT SUPPORTED BY ANY**
3 **QUANTITATIVE EVIDENCE**

4 Indicated Shippers expressed concerns that the Cycle 2 confirmation cap will vary from
5 the later cycle confirmation caps and should therefore be declined at this time.²³ This concern is
6 based on their unsupported notion that the span of time between the nomination deadline for the
7 Evening Cycle (4PM – Previous Day) and the Intraday 2 Cycle (12:30PM Gas Day) would base
8 overnomination cuts on less accurate information. Indicated Shippers, though, does not quantify
9 the purported inaccuracy of the information even though the data is publicly available from the
10 Envoy website.

11 Historical data strongly demonstrates that Indicated Shippers' concern is not backed by
12 operating data. On days when overnomination conditions were present in Cycle 4,
13 overnomination conditions were also present earlier in Cycle 2. From January 2023 through May
14 2026, considering all Gas Days in which overnomination conditions were present, approximately
15 86% of those Gas Days show overnomination conditions occurred in both Cycle 2 and Cycle 4.
16 This indicates that implementing cuts on Cycle 2 to align with the Total Net System Capacity
17 does not introduce new or premature constraints but, rather, addresses known system imbalances
18 occurring earlier in the Gas Day.

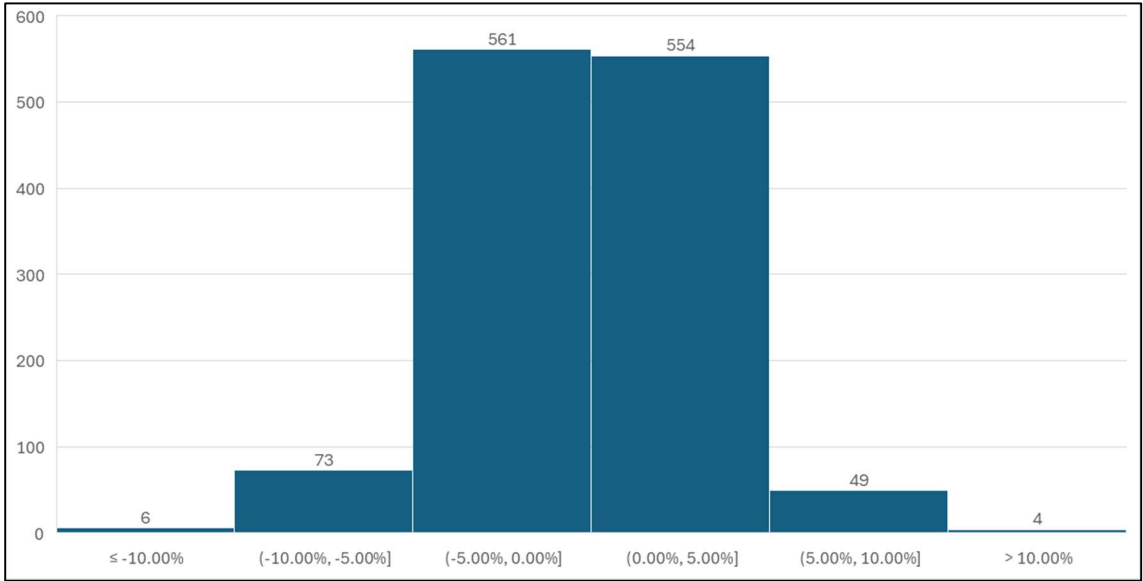
19 Advancing these cuts provides significant operational benefits to customers. By
20 implementing cuts on Cycle 2 rather than waiting until later cycles, customers are afforded
21 multiple nomination cycles to rebalance and resource supply upstream. This advanced notice
22 enhances customers' ability to manage their gas portfolios proactively. In contrast, if cuts are
23 delayed and implemented as late as Cycle 5, customers have little to no opportunity to reroute
24 supply, increasing the likelihood that cuts will cascade upstream and result in unfavorable or
25 unintended outcomes.

26 Despite Indicated Shippers' claim that implementing cuts on Cycle 2 rather than Cycle 4
27 is reliant on materially less accurate system information, an analysis of actual system
28 performance does not support this position. Specifically, when calculating the Total Net System
29 Capacity percentage change from Cycle 2 to Cycle 4 over the period from January 2023 through

²³ Ex. IS-01 (Collins) at 63.

1 May 2026, the data presented in Figure 3 below demonstrates that there is only minimal change
2 between the two cycles. This indicates that the system conditions which inform overnomination
3 cuts in Cycle 2 are not materially less accurate than those in Cycle 4.

4 Accordingly, implementing overnomination cuts earlier in the Gas Day improves
5 transparency, provides actionable information to customers, and supports more efficient and
6 reliable system operations.



7
8 **FIGURE 3**

9 **Histogram of Total Net System Capacity Percentage Change**
10 **From Cycle 2 to Cycle 4, From January 2023 through May 2026**

11
12 **VIII. INDICATED SHIPPERS INCORRECTLY BELIEVES THAT THERE IS NO**
13 **TRANSPARENCY CONCERNING TOTAL NET SYSTEM CAPACITY**
14 **FORECASTS**

15 The TNSC, forecasted sendout, injection capacity and off-system activities for each
16 nomination cycle can be downloaded from the Envoy Capacity Utilization screen.

17 Applicants believe that another separate compliance report process is not required.
18 SoCalGas Rule 41 already requires Applicants to issue a report and hold an annual Utility
19 Customer Forum (Forum) to address, among other things, review of the timing, method,

1 formulas, and all inputs to formulas by which OFO events are triggered.²⁴ Applicants submit that
2 their proposal to expand the application of the TNSC to cut system overnominations during OFO
3 events would fall within the Forum criteria for annual review.

4 Applicants also note that review of priority rules set forth in Rule 30 was required for the
5 2012 Forum only.²⁵ Applicants see no problem with expanding the Forum process to include
6 reviewing the impact of revised priority rules in the Forum.

7 Part of the Forum process allows customers to make proposals. Data to analyze the
8 accuracy of the TNSC forecast for each scheduling cycle is publicly available for download from
9 the Envoy website. Indicated Shippers can use this data to prepare an independent report to
10 review the revised priority rules for scheduling BTS after adoption and implementation for
11 presentation and review in the Forum if they choose to do so.

12 **IX. INDICATED SHIPPERS' REQUEST FOR TRANSITIONAL PROTECTION FOR**
13 **LOWER PRIORITY BTS CUSTOMERS UNDERMINES EXISTING**
14 **COMMISSION POLICY ON PRIORITY OF SERVICE**

15 Indicated Shippers proposes a transitional protection element to eliminate the priority
16 distinction between Firm Primary BTS nominations and Firm Alternate Within-The-Zone BTS
17 nominations that are linked to a firm transportation agreement on the upstream pipeline system
18 transporting gas to the receipt point. This transitional period would end when the 2029 BTS
19 Open Season contracts are implemented on November 1, 2029.²⁶

20 BTS was established to create a scheduling priority for receipts from upstream pipelines
21 at specific system receipt points. Recognition of firm upstream capacity rights as a priority to
22 access Applicants' system is limited to the allocation of Firm BTS capacity during the triennial
23 open season process.²⁷ Core customer balancing agents holding firm upstream pipeline
24 transportation rights are provided Step 1 set aside rights before Step 2 capacity allocation to core
25 and noncore customers based on historical usage. During the daily scheduling process customers

²⁴ SoCalGas Rule 41, Sheet 8, Sec. 22.i, *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=441>.

²⁵ *Id.* at Sec. 22.vi.

²⁶ Ex. IS-01 (Collins) at 69-70.

²⁷ SoCalGas Rate Schedule G-BTS, Sheets 9-10, *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=465>.

1 nominating Firm BTS from their contracted receipt point are given priority over firm BTS
2 nominated from alternate receipt points who in turn have priority over interruptible BTS
3 nominations. No scheduling priority is given to a shipper's BTS nomination based on the
4 priority status of their pipeline transportation agreement on the upstream system.

5 Applicants have made BTS Proposal 2 to better maintain this priority which Indicated
6 Shippers opposes in its testimony.

7 BTS shippers holding firm upstream capacity rights should contract for corresponding
8 firm primary rights on the Applicants' system. To the extent they do not or cannot due to firm
9 BTS capacity availability they should expect to be cut during the scheduling process when higher
10 priority BTS rights are nominated. Applicants' proposals to better conform the scheduling rules
11 to these principles should not be undermined by a new scheduling compensation scheme that
12 increases the scheduling certainty for lower priority shippers at the expense of higher priority
13 shippers. Even more, this arrangement should not happen now given that firm BTS capacity is
14 available at fully volumetric rates at the same priority as the reservation charge firm BTS rates.

15 In any case, this transitional protection program requires significant re-programming of
16 the Envoy Scheduling system to prioritize nominations based on the upstream pipeline
17 transportation agreement. My best guess is that it would take a significant amount of time and
18 cost to implement a service that would end by November 1, 2029. This would not be reasonable.

19 This concludes my rebuttal testimony.