

Docket	:	<u>A.17-11-009</u>
Exhibit Number	:	<u>ORA-19</u>
Commissioner	:	<u>C. Rechtschaffen</u>
ALJ	:	<u>S. Roscow</u>
Witness	:	<u>P.Sabino</u>



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**The Office of Ratepayer Advocates’
Report on
Pacific Gas and Electric Company’s
Cost of Service and Rates for Gas
Transmission and Storage
Services for the Period 2019 - 2021**

Chapter 19
Core Gas Supply

San Francisco, California
June 29, 2018

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1 **I. INTRODUCTION AND SUMMARY RECOMMENDATIONS**

2 This exhibit presents the analyses and recommendations of the Office of
3 Ratepayer Advocates (ORA) regarding the Core Gas Supply (CGS) proposals of
4 Pacific Gas and Electric Company’s (PG&E) CGS Department in its Test Year
5 (TY) 2019 General Transmission and Storage Proceeding (GT&S). Specifically,
6 ORA addresses CGS’s requests with respect to four (4) broad areas described
7 below for 2019 and beyond. The CGS proposals are mainly in response to the
8 anticipated consequences of PG&E’s Natural Gas Storage Strategy described in
9 Chapter 11.¹

10 Given that the CGS proposal is contingent on the Commission’s decision
11 regarding PG&E’s proposed NGSS, ORA recommends the Commission defer
12 consideration of the CGS proposals as impacted by the Natural Gas Storage
13 Strategy (NGSS) to a Phase 2 of this proceeding.

14 **II. BACKGROUND AND OVERVIEW OF PG&E’S**
15 **REQUEST**

16 PG&E’s Core Gas Supply (CGS) department is “responsible for procuring
17 gas, pipeline capacity and storage capacity to serve PG&E’s bundled core gas
18 customers (residential and small commercial).”² For purposes of PG&E’s Gas
19 Rule 26 which sets forth the standards of conduct and procedures related to
20 transactions for the utility company, the CGS is an “intracompany department,”
21 which is defined under Gas Rule 26 as “a department of Pacific Gas & Electric
22 Company which is an actual or potential Customer of PG&E’s gas transmission or
23 distribution services.”³ The general provisions of Gas Rule 26 state:⁴

24 Certain PG&E departments may use PG&E’s gas transmission
25 (including transportation, storage, parking and/or lending) and
26 distribution services. PG&E shall conduct its gas transmission

¹ PG&E 2019 GT&S Testimony, volume II (C.K. Fan) in A.17-11-009 at p.19-1.
² PG&E 2019 GT&S Testimony, volume II (C.K. Fan) in A.17-11-009 at p.19-1.
³ Gas Rule 26 available at https://www.pge.com/tariffs/assets/pdf/tariffbook/GAS_RULES_26.pdf.
⁴ Id.

1 and distribution business activities in a manner which does not
2 grant undue preference to or confer an undue competitive
3 advantage on any intracompany department vis a vis unrelated
4 entities.

5
6 In the 2019 GT&S proceeding, CGS proposes to make changes in four
7 areas: 1) storage, 2) pipeline holdings 3) new obligations and 4) other conforming
8 changes.⁵ PG&E's CGS outlines the proposed changes below.

9 1. **Storage**

- 10 • Reduce firm PG&E core gas storage allocation;
11 • Add firm gas storage from Independent Storage Providers (ISPs).

12 2. **Pipeline Holdings**

- 13 • Maintain Redwood Annual Capacity allocations;
14 • Increase intrastate pipeline capacity allocations in the November
15 through February period;
16 • Decrease allocations in the March through October period.

17 3. **New Obligations**

- 18 • Require Core Transport Agents (CTAs) to self-procure firm gas storage
19 from ISPs or PG&E rather than rely on the assignments of proposed
20 ISP contracts held by CGS;
21 • Require all entities serving CGS customers to provide a firm storage
22 showing to Gas Operations.

23 4. **Other Conforming Changes**

- 24 • Make conforming changes to the CPIM and Incremental Core Gas
25 Storage Decisions⁶;
26 • Make conforming changes to the interstate pipeline capacity planning
27 ranges.⁷
28

29 PG&E's CGS states that based on PG&E's NGSS presented in Chapter 11 of the
30 PG&E 2019 GT&S rate case, the capabilities of PG&E-owned and operated
31 natural gas storage facilities will be reduced, that is, assuming it is approved by
32 the Commission as requested.⁸ As a result, should the NGSS be approved by the
33 Commission as PG&E proposes, then CGS proposes to correspondingly reduce
34 the PG&E firm storage capacity assigned to core customers and replace it with a
35 combination of independent storage providers (ISPs) storage capacity and

⁵ PG&E 2019 GT&S Testimony, volume II (C.K. Fan) in A.17-11-009 at p.19-1.

⁶ Pertains to D.06-07-010.

⁷ Pertains to D.15-10-050.

⁸ PG&E 2019 GT&S Testimony, volume II (C.K. Fan) in A.17-11-009 at p.19-2.

1 intrastate transportation.⁹ There are several ISPs located in PG&E’s territory and
 2 interconnected to PG&E’s gas system.¹⁰ CGS proposes to add firm gas storage
 3 from ISPs and intrastate transportation should the NGSS occur as proposed in
 4 Chapter 11 of PG&E’s 2019 GT&S Testimony.

5 A comparison between “Current” and “Proposed” is provided in PG&E’s
 6 Table 19-1 and is reproduced below with ORA simply modifying the column
 7 heading “Proposed” to “Proposed under NGSS” as shown here.¹¹

8 **PG&E’s Table 19-1**
 9 **PG&E Firm Core Gas Storage Allocation Proposal**¹²

Line No.	Description	Current	Proposed under NGSS	Change
1	Working Gas Inventory (Mdt)	33,478	5,175*	(28,303)
2	Maximum Nov Withdrawal (MDth/d)	1,253	159	(1,094)
3	Maximum Dec-Feb Withdrawal (MDth/d)	1,253	318	(935)
4	Maximum March Withdrawal (MDth/d)	1,253	159	(1,094)
5	Average Apr-Oct Injection (MDth/d)	156	25	(131)
6	Maximum Nov-March Injection (MDth/d)	50	-	(50)

11 *The 5,175 Mdt/d is the total working gas inventory for both CTAs and CGS.

12
 13 As shown in PG&E’s Table 19-1 above, CGS anticipates a substantial reduction in
 14 firm gas storage from PG&E-owned storage based on the NGSS. CGS proposes
 15 to add firm gas storage from ISPs as detailed in the PG&E’s Table 19-2 below.

16 **PG&E’s Table 19-2**
 17 **Firm ISP Storage Inventory and Withdrawal Proposal**¹³

Line No.	Description	Current	Proposed	Change
1	Working Gas Inventory (MDth)	1,000		
2	Maximum Nov – Mar Withdrawal (MDth/d)	100		

18
 19
 20
 21 For the redacted values in Table 19-2, please see p.19-4 of PG&E’s Chapter 19
 22 testimony (confidential version).

⁹ PG&E 2019 GT&S Testimony, volume II (C.K.Fan) in A.17-11-009 at p.19-2.

¹⁰ Lodi Gas Storage, Wild Goose Gas Storage, Central Valley Gas Storage, and the Gill Ranch Gas Storage.

¹¹ Id., pp.19-1 through 19-2.

¹² As shown in Table 19-1 of PG&E’s 2019 GT&S Testimony in A.17-11-009.

¹³ As shown in Table 19-2 of PG&E’s 2019 GT&S Testimony in A.17-11-009.

1 In addition, CGS proposes to modify the Core’s intrastate pipeline allocations as
 2 summarized in PG&E’s Table 19-3. As shown in Table 19-3, CGS proposes to
 3 maintain Redwood annual capacity based at current levels. CGS proposes to
 4 eliminate Baja annual capacity based at current levels. CGS proposes to
 5 increase seasonal Baja intrastate capacity allocation (Dec–Feb) by 143 MDth/d to
 6 300 MDth/d and eliminate the seasonal Nov-Mar by 157 MDth/d. In addition,
 7 CGS proposes two new Redwood seasonal allocation: 100 MDth/d for Nov-Mar
 8 and 250 MDth/d of Nov-Jan.

9 PG&E’s Table 19-3
 10 Proposed Core Intrastate Pipeline Capacity Allocation Change¹⁴

Line No.	Description	Current	Proposed under NGSS	Change
1	Redwood - Annual	605	605	-
2	Baja - Annual)	182	-	(182)
3	Redwood – Seasonal (Nov-Mar)	-	100	100
4	Redwood – Seasonal (Nov-Jan)	-	250	250)
5	Baja Seasonal (Nov-Mar)	157	-	(157)
6	Baja Seasonal (Dec-Feb))	-	300	300
7	Total (Nov)	944	955	11
8	Total (Dec-Jan)	944	1,255	311
9	Total (Feb))	944	1,005	61
10	Total (Mar)	944	705	(239)
11	Total (Apr-Oct)	787	605	(182)

11
 12
 13 PG&E explains that CGS considered different mixes of transportation and storage
 14 in its determination of the above portfolios.¹⁵ In addition, CGS explains that it also
 15 took into consideration “the winter reliability standard and other reliability issues
 16 such as system constraints restricting access to ISP storage, as well as
 17 operational flexibility. According to CGS, “the proposed asset portfolio balances
 18 reliability, operational flexibility and costs for core customers.”¹⁶
 19 PG&E also explains the criteria CGS used in evaluating alternatives that
 20 ultimately led to the selected proposed portfolio. The CGS criteria includes the
 21 following:¹⁷

¹⁴ As shown in PG&E’s Table 19-3.

¹⁵ PG&E 2019 GT&S Testimony, volume II (C.K. Fan) in A.17-11-009 at p.19-6.

¹⁶ Id.

¹⁷ Id.

- 1 1. Reduced PG&E firm core gas storage inventory and withdrawal as
- 2 presented in the MOU Attachment A to the NGSS presented in Chapter 11;
- 3 2. Compliance with Reliability Standard;
- 4 3. Economics of storage versus transportation based on estimated rates for
- 5 PG&E pipeline capacity,¹⁸ PG&E firm core gas storage¹⁹ and ISP
- 6 storage²⁰;
- 7 4. Operational flexibility needed for day to day forecast and actual load
- 8 changes;²¹
- 9 5. ISP withdrawal constraints on high load days pursuant to the MOU in the
- 10 NGSS;
- 11 6. Minimum term requirement (three months) for seasonal PG&E pipeline
- 12 capacity;²²
- 13 7. Supply availability at northern and southern California border locations
- 14 (Malin and PG&E Topock, respectively),²³ and
- 15 8. Citygate supply availability on peak load days, from D.16-06-056
- 16 (Conclusion of Law 266).

17 Based on the above criteria, CGS proposes that core Reliability standard be met
 18 by the asset mix shown in PG&E’s Table 19-4.

19 PG&E’s Table 19-4
 20 1-Cold-Day-in-10-Year Core Reliability Standard Calculation²⁴

Line No.	Description	Current	Proposed under NGSS
1	Redwood - Annual	605	605
2	Baja - Annual)	182	-
3	Redwood – Seasonal (Nov-Mar)	-	100
4	Redwood – Seasonal (Nov-Jan)	-	250
5	Baja Seasonal (Nov-Mar)	157	-
6	Baja Seasonal (Dec-Feb))	-	300
7	SubTotal Intrastate Capacity	944	1,255
8	Citygate Supply	330	
9	SubTotal With Citygate Supply	1,274	

¹⁸ PG&E reference to WP 19-2.

¹⁹ PG&E reference to WP 19-2.

²⁰ PG&E reference to Confidential data in WP 19-2.

²¹ PG&E reference to confidential data in WP 10-3.

²² Reference to PG&E Gas Schedule G-SFT, Sheet 3, “Term.”

²³ Reference to Confidential chart in WP 19-4 and 19-5.

²⁴ As shown in PG&E’s Table 19-4.

10	PG&E Storage Withdrawal – Jan 1t)	1,253	318
11	Independent Storage Withdrawal	100	
12	Total Storage Withdrawal	1,353	
13	Total Supply	2,627	2,580
14	1-in-10 Mean Demand (2018/19 Estimate)	-	2,580
15	Over/(Under) Standard	-	-

1

2 According to CGS, it “has not been made aware of the proposed rates for
3 intrastate pipeline capacity or PG&E firm core gas storage by Gas Ops, due to the
4 constraints imposed by Gas Rule 26.”²⁵ Because of this, CGS used cost
5 estimates informed by the Gas Ops NGSS and its own rate forecast to estimate
6 the cost impact of the proposed changes to the pipeline allocations and firm core
7 storage holdings.²⁶ Based on CGS’ own estimates, the proposed changes could
8 result in corresponding changes to intrastate and storage reservation costs to total
9 core, relative to the current portfolio which are shown in PG&E’s Table 19-4 in
10 testimony.²⁷

11

12 **III. DISCUSSION**

13 There are at least two uncertainties associated with the CGS proposal at
14 this time. First, the CGS proposals described in the foregoing are all based on the
15 PG&E proposal made in Chapter 11 of the 2019 GT&S testimony regarding the
16 Natural Gas Storage Strategy. The CGS proposals are contingent on the
17 Commission’s approval of the PG&E proposed NGSS. Should the Commission
18 deny or approve but modify the PG&E proposed NGSS, there could be
19 corresponding changes in the CGS proposals. Second, there are still no final
20 adopted rules by the DOGGR regarding the new gas storage safety regulations in
21 light of the Aliso Canyon gas storage leak. In ORA Exhibit 11, ORA has provided
22 its recommendations on PG&E’s proposed NGSS which will be among those for
23 the Commission’s consideration in this proceeding. Because CGS’ proposals are
24 contingent on what happens to PG&E’s proposed NGSS, ORA reserves its

²⁵ PG&E 2019 GT&S Testimony, volume II (C.K. Fan) in A.17-11-009 at p.19-7.

²⁶ Id.

²⁷ Id.

1 comments on the CGS proposals at this time. ORA anticipates that CGS may be
2 given an opportunity by the Commission to revise its testimony in a subsequent
3 phase of the proceeding after the Commission's decision on the PG&E NGSS
4 proposal and ORA and parties will have opportunity to provide comments.

5 Given that the CGS proposal is contingent on the Commission's decision
6 regarding PG&E's proposed NGSS, ORA recommends the Commission defer
7 consideration of the CGS proposals as impacted by the Natural Gas Storage
8 Strategy (NGSS) to a Phase 2 of this proceeding. Alternatively, should the
9 Commission decide to approve the underlying concept behind the PG&E
10 proposed NGSS, ORA recommends that, in lieu of a phase 2, the Commission
11 should order ORA/TURN review an update to CGS' proposal, and then for PG&E
12 to submit its updated CGS proposal in a Tier 2 or 3 advice letter filing.

13

1 **WITNESS QUALIFICATIONS**

2 **Q.1:** Please state your name and address.

3 **A.1:** My name is Pearlie Sabino. My business address is 505 Van Ness Avenue,
4 San Francisco, California, 94102.

5
6 **Q.2:** By whom are you employed and in what capacity?

7 **A.2:** I am employed by the Office of Ratepayer Advocates as a Public Utilities
8 Regulatory Analyst V in the Energy Cost of Service and Natural Gas Branch.

9
10 **Q.3:** Briefly describe your educational background and work experience.

11 **A.3:** I have a Bachelor of Science in Business Economics from the University of
12 the Philippines and a Master of Arts in Economics from the Ateneo de Manila
13 University. As a United States Agency for International Development (USAID)
14 scholar, I obtained Executive training on Energy Planning and Policy from the
15 University of Pennsylvania.

16 Prior to joining ORA, I worked in various positions from Research Analyst
17 to Corporate Planning Analyst to Chief Economist with the National Power
18 Corporation (Philippines).

19 Since joining the ORA in 1997, I have worked on a number of electric and
20 gas rate cases, including but not limited to: the review of SoCalGas' Gas Cost
21 Incentive Mechanism; the review of Biennial Cost Allocation Proceeding (BCAP)
22 applications for PG&E, SoCalGas, and SDG&E; various gas transportation
23 contracts (such as Guardian, Ruby, US Gypsum); various applications pertaining
24 to the grant of Certificate of Public Convenience and Necessity (CPCN) for gas
25 storage contracts, including amendments; SoCalGas/SDG&E System Integration
26 (SI) and Firm Access Rights (FAR) proceedings, including the FAR Update
27 proceeding, the Joint SCE/SoCalGas/SDG&E Omnibus proceeding, the Joint
28 PG&E/SoCalGas/SDG&E Application for Public Purpose Program (PPP) Cost
29 Reallocation proceeding, the PG&E BCAP in 2005 and 2009, the SoCalGas
30 SDG&E BCAP in 2009, the PG&E Gas Transmission & Storage (GT&S) rate

1 cases in A.13-12-012 and A.09-09-013 (Gas Accord V Settlement), the PG&E
2 Pipeline Safety Enhancement Plan (PSEP) Phase 1 in R.11-02-019 and San
3 Bruno Investigation cases, the SoCalGas/SDG&E Pipeline Safety Enhancement
4 Plan (PSEP) in A.11-11-002 Phase 1 &2, the Southwest Gas 2014 GRC in A.12-
5 12-024, the SoCalGas/SDG&E North-South Project in A.13-12-013, the Liberty
6 GRC in A.15-05-008, the SoCalGas/SDG&E Triennial Cost Allocation Proceeding
7 (TCAP) in A.15-07-014, the SoCalGas/SDG&E Phase 1 Issues in A.15-09-013
8 (Line 1600/Line 3602), the Joint Wild Goose/Lodi Request for Encumbrance of
9 Assets in A.17-01-024, and the SoCalGas Customer Incentive Program (CIP) in
10 A.16-12-010.

11

12 **Q.4:** What is your area of responsibility in this proceeding?

13 **A.4:** I am responsible for addressing PG&E's proposals in Chapters 10, 16A,
14 and 19 for ORA's testimony in this 2019 GT&S proceeding.

15

16 **Q.5:** Does that complete your prepared testimony?

17 **A.5:** Yes, it does.

18