

Docket: : A.15-09-013
Exhibit Number : ORA-01
Reference Number : _____
Commissioner : L. Randolph
ALJ : C. Kersten
Witness : P. Sabino



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**PREPARED TESTIMONY
ON SCOPING MEMO QUESTIONS 3, 5, & 9
ON
SAN DIEGO GAS & ELECTRIC COMPANY AND
SOUTHERN CALIFORNIA GAS COMPANY
FOR A CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY– PHASE 1**

A.15-09-013

San Francisco, California
April 17, 2017

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1 **I. INTRODUCTION**

2 This exhibit presents the Phase 1 analyses and recommendations of the Office of
3 Ratepayer Advocates (ORA) regarding San Diego Gas & Electric Company and Southern
4 California Gas Company (SDG&E and SoCalGas, hereafter also called “Applicants”)
5 application for a certificate of public convenience and necessity to construct Applicants’
6 “Proposed Project”. On Questions 3, 5, and 9. The Proposed Project consists of the
7 construction of a new 47-mile long, 36-inch natural gas transmission line (i.e., Line 3602)
8 and associated facilities between the proposed Rainbow Pressure Limiting Station to Line
9 2010,¹ and derating the existing approximately 50-mile long,² 16-inch gas transmission
10 line (Line 1600) to a reduced pressure after construction completion of Line 3602.^{3 4}

11 The Scoping Memo and Ruling of the Assigned Commissioner dated November 4,
12 2016 set forth two phases. The first phase provided Questions 1 through 18,⁵ and this
13 testimony addresses Questions 3, 5, and 9.

14 **II. SUMMARY OF ORA’S RECOMMENDATIONS**

15 Below is a summary of ORA’s recommendations:

16 Parties continue gathering vital missing information, specifically on
17 price and capacity regarding each of the Otay Mesa Alternatives;⁶

¹ SDG&E-8-R Updated Testimony of N.Kohls, p. 1. Based on Footnote 1 of SDG&E-8-R, Mr.Kohl’s assumes witness role and responsibility for Mr. Navin. Mr. Navin’s testimony present the scope, cost, and schedule of the Applicants’ Proposed Project and the alternative that would hydrotest existing Line 1600 (Hydrotest Alternative), including a brief overview of data inputs on the cost analysis portion of the Cost Effectiveness Analysis (“CEA”) performed for certain alternatives outlined in the January 22, 2016 Ruling of the Administrative Law Judge in A.15-09-013.

² Attachment B to the Supplemental Testimony of SoCalGas and SDG&E in A.15-09-013, Corrected CEA and Corrected Workpapers, p. 11.

³ SDG&E-8-R Updated Testimony of N.Kohls, p. 1.

⁴ See Ex ORA-02, ORA direct testimony of Nathaniel Skinner and Mina Botros, regarding concerns associated with Applicants’ proposed derating of Line 1600, and ORA’s proposed alternative regarding Line 1600.

⁵ A modified scoping memo, dated December 22, 2016 adopted two additional questions proposed by ORA, The Utility Reform Network, Sierra Club, Protect Our Communities Foundation, and the Southern California Generation Coalition.

⁶ See discussion in section III.A.

1 The Commission authorizes the conduct of a Request for Offer (RFO)
2 regarding the Otay Mesa Alternatives, including providing Commission
3 guidelines similar to those used by the System Operator where the RFO
4 is an approved tool in D.07-12-019;⁷

5 The Applicant is required to have open seasons as these are standard
6 practice;⁸ and

7 The Commission should find that the SDG&E's existing system
8 capacity meets the Commission's reliability standards.⁹

9 **III. DISCUSSION**

10 **A. Applicants are Missing Information to Determine Need** 11 **and Should Conduct Requests for Offers (RFOs)** 12 **Regarding the Otay Mesa Alternatives**

13 Question 3 of the scoping memo asks:

14 How should the quantity of natural gas supply and amount of pipeline
15 capacity that could be available for firm delivery (*e.g.*, imports) to the
16 Applicants' system at Otay Mesa be reasonably estimated/determined,
17 over what period of time from which suppliers, and pipeline capacity
18 owners, and at what indicative price and price ranges? (Footnote 22
19 omitted).

20
21 In attempting to answer Scoping Memo Question 3, the Commission could be
22 drawn back to the ultimate question of need determination. This is because a typical
23 estimate of cost (*i.e.*, Price x Quantity) depends in part on the quantities required to fulfill
24 the need to be met. The Supplemental Testimony of Mr. Borkovich regarding the Otay
25 Mesa alternatives suggests that the Otay Mesa alternatives could have a range of costs
26 depending on the determination of need to be met established by the Commission for
27 which publicly verifiable information may or may not be obtained:¹⁰

28 The Utilities believe that the Commission should first consider the
29 "need" that is to be met, and whether it is reasonable and prudent to
30 consider firm delivery to SDG&E's Otay Mesa receipt point as an

⁷ See discussion in section III.A.8.

⁸ See discussion in section III.B.1 through B.4.

⁹ See discussion in section III.C.1.

¹⁰ SDG&E-12 Chapter 4 (Paul Borkovich) dated Feb 2017, p. 37.

1 alternative to meet that need. Thereafter, reasonable, publicly verifiable
2 information may answer some questions, but other answers may be
3 speculative without binding offers for firm delivery throughout the time
4 period during which the need may exist.
5

6 At this time, the Commission should not make the need determination because of
7 the substantial amount of information that is yet to be gathered and verified. For
8 instance, at a minimum, the need to be met could range from the level required to meet
9 the current reliability standard up to some unverified higher level of capacity deemed
10 necessary to meet emergency events such as the Line 3010 or Moreno Compressor
11 Station outage scenarios outlined in the Applicants' testimony.¹¹ Applicants indicate that
12 they would need to receive up to 570 million cubic feet per day (MMcfd) at Otay Mesa to
13 provide the same level of reliability (and redundancy) as the Proposed Project.¹²

14 **1. The Otay Mesa Alternatives Should be Considered,**
15 **Scrutinized and Analyzed as Two Separate**
16 **Alternatives to the Proposed Project Based on**
17 **Different Assumptions regarding Need,**
18 **Recognizing that Each Alternative Could Represent**
19 **a Unique View of How to Achieve the Needs**
20 **Identified, and Be a Potential Cost-Effective**
21 **Approach.**

22 Without a full understanding of Alternatives E and F¹³, it is premature to drop
23 their consideration from the analysis since there is no basis in fact for the Commission to
24 reject the Otay Mesa Alternatives. In addition to the lack of cost separation, the
25 Commission has not examined the assertions regarding the need to construct a new
26 pipeline on the North BC pipeline system, which are said to be associated with

¹¹ Refer to Response in ORA-44 Questions 1 through 4.

¹² SDG&E-12 Supplemental Testimony, p. 46.

¹³ Per the Administrative Law Judge's Ruling in this proceeding dated January 22, 2016, Alternative E refers to Non-Physical (Contractual) or Minimal Footprint Solutions which address multi-year contracting for capacity and supplies; Southern system minimum flow requirement; operational flow order/system balancing; and tariff discounts while Alternative F refers to the Northern Baja Alternative as defined in the Proponent's Environmental Assessment ("PEA"), p.13. The same Ruling noted that Alternative E was not included in the PEA.

1 Alternatives E and F. The Commission has not examined the assertions regarding the
2 need to expand the Otay Mesa receipt point up to 570 MMcfd in order to provide the
3 same level of reliability as the Proposed Project and which could entail \$100 million in
4 direct costs.¹⁴

5 ORA recommends that the Commission continue to gather the missing
6 information, specifically information regarding prices, available firm capacity, including
7 verifying the need for new pipeline capacity construction, and the clear definition of the
8 Otay Mesa Alternative.¹⁵ The Scoping Memo agrees with ORA’s observation that
9 Applicants have not properly distinguished cost information of the North Baja/Otay Mesa
10 alternative from that of the other non-physical or minimal footprint alternatives stating:¹⁶

11 ORA also explains that the Applicants don’t provide critical cost
12 information, provide conflicting advice pertaining to the methodology to
13 evaluate the “No Project” alternative; fail to isolate the “North Baja” or
14 Otay Mesa alternative from the other “non-physical or minimal footprint
15 alternatives,” and the North Baja/Otay Mesa alternative as evaluated in the
16 Cost-Effectiveness Analysis assumes more receipt capacity at Otay Mesa
17 (400 MMcfd) than what is indicated (or implied) as necessary in the
18 original PEA’s description of the North Baja Alternative (195 MMcfd)....

19
20 In this scoping memo, I agree with ORA’s and other parties’ similar
21 observations that the Applicants should provide some of the missing
22 information that should constitute the foundation of any application.
23 (footnote omitted) We cannot evaluate a \$639 million project without
24 sufficient information.
25

26 After failing to separate out cost information for the Otay Mesa alternative, as
27 described above, Applicants’ carried that problem forward to the Cost Effectiveness
28 Analysis (“CEA”) where the alternatives to the Proposed Project in the CEA reference

¹⁴ SDG&E-12 Supplemental Testimony, p.47. Refer to Response to SCGC DR-14 Q.14.16 regarding the basis for the \$100 million high level estimate.

¹⁵ Scoping Memo and Ruling of Assigned Commissioner in A.15-09-013 dated November 4, 2016, pp. 12-13.

¹⁶ Scoping Memo and Ruling of Assigned Commissioner in A.15-09-013 dated November 4, 2016, p. 11.

1 the “Otay Mesa Alternatives,” identified as Alternatives E and F.¹⁷ Footnote 11 of the
2 CEA explains:¹⁸

3 The Ruling identifies two alternative projects utilizing the Otay Mesa
4 receipt point: Non-Physical (Contractual) or Minimal Footprint Solutions
5 (Alternative E); and the Northern Baja Alternative (Alternative F). Both of
6 these rely upon the use of Otay Mesa receipt point (Otay Mesa) capacity in
7 place of the Proposed Project. Accordingly, the Applicants will refer to the
8 two alternatives as a single project titled “Otay Mesa Alternatives.” See
9 Prepared Direct Testimony of Gwen Marelli (March 21, 2016).

10
11 The Assigned ALJ clearly indicated the need for more information on the Otay Mesa
12 Alternative as the record from the Prehearing Conference (PHC) held in September 2016,
13 states that “the Otay Mesa alternative definitely needs to be understood better by all
14 parties.”¹⁹

15 In the course of discovery, ORA made several attempts to obtain the separate cost
16 information regarding the CEA’s “Otay Mesa alternatives” but the responses obtained
17 kept circling back to the combined cost showing for Alternatives E and F.²⁰

18 The SoCalGas/SDG&E witness on the Otay Mesa Alternatives is Mr.
19 Borkovich.²¹ The testimony describes the Otay Mesa alternatives (Alternative E & F)
20 which both rely on the use of Otay Mesa capacity.²² Mr. Borkovich considers

¹⁷ Shown in Table 2 of Attachment B to Supplemental Testimony in A.15-09-013 which is the Cost Effectiveness Analysis Prepared by PriceWaterhouse Coopers for SoCalGas/SDG&E dated March 2016, as Corrected on February 2017, p .3.

¹⁸ Id.

¹⁹ PHC Transcript Vol.1 in A.15-09-013 dated September 22, 2016, p. 106.

²⁰ Refer for instance to the responses to ORA-17 Q.2a, ORA-26 (CONF) Q6 thru Q.10, and ORA-41 Q.1.

²¹ Mr. Borkovich has assumed the responsibility for Ms. Marelli’s testimony, as per footnote 1 of SDG&E-6-R Updated Testimony of P. Borkovich, p. 1. Ms. Marelli testimony compares the Proposed Project versus the Alternatives that rely on the use of the Otay Mesa receipt point in terms of improving the resiliency of the Applicants’ gas system, maintaining customer access to competitively-priced supply, and avoiding the additional costs of alternative supplies associated with pressure testing Line 1600. In addition, Ms. Marelli’s testimony provides a history of the Backbone Transmission Service (“BTS”) and why the Proposed Project should be part of the Applicants’ integrated gas system.

²² SDG&E-6-R Updated Testimony of Borkovich, p. 3.

1 Alternative F as a subset of Alternative E.²³ Mr. Borkovich argues that Alternative E is a
2 misnomer, since it still requires the physical construction of new pipeline facilities via an
3 expansion on the North Baja pipeline systems comprised of three pipelines (North Baja
4 Pipeline to Gasoducto Rosarito to Transportadora Gas Natural Baja California (“TGN”) –
5 collectively, “North Baja Pipeline Systems”).²⁴ Applicants have not explained the reasons
6 Alternative E (which is a non-physical alternative) requires the physical construction of
7 new pipeline facilities nor have Applicants explained why Alternative F is considered as
8 a subset of Alternative E. The Applicants need to explain their assumptions as
9 distinguished from their assertions regarding Alternatives E and F.

10 **2. Applicants’ Cost Estimates Regarding Costs**
11 **Related to Construction Scaled Off of**
12 **TransCanada’s North South Alternative Does Not**
13 **Help Distinguish Between Contracting for Gas to**
14 **Otay Mesa and Construction to Deliver Gas to**
15 **Otay Mesa.**

16
17 Mr. Borkovich states that it is unknown at the time of his testimony whether 400
18 MMcfd of firm capacity could be secured on the North Baja Pipeline systems on a long
19 term basis.²⁵ Mr. Borkovich explains that assuming the 400 MMcfd of firm capacity
20 could not be obtained, the Applicants estimated both a low end cost and a high end cost
21 to build out the capacity for purposes of the Otay Mesa Alternatives.²⁶ That is, in so far
22 as the Otay Mesa Alternatives are concerned, Mr. Borkovich indicates a low end cost of
23 \$45 million based on current rates and a high end cost of \$977 million (in 2015 dollars).²⁷
24 The response to ORA-26 Question 6a provides an insight on how the high end cost was

²³ SDG&E-6-R Updated Testimony of Borkovich, p. 3.

²⁴ SDG&E-6-R Updated Testimony of Borkovich, pp. 3-4.

²⁵ SDG&E-6-R Updated Testimony of Borkovich, p. 7.

²⁶ SDG&E-6-R Updated Testimony of Borkovich, p. 7.

²⁷ SDG&E-6-R Updated Testimony of Borkovich, p. 7. This is consistent with Table 6 of the Corrected CEA in Attachment B of the Supplemental Testimony on page 22 which states the Otay Mesa Alternatives fixed cost are at \$977.1 million in 2015 dollars.

1 calculated based on scaling-off of actual projects or project estimates reproduced
2 below:²⁸

3 **RESPONSE 6:**

4
5 Alternatives E/F were scaled off of TransCanada’s North-South Alternative
6 and Gasoducto Sonora Project as follows:
7

Project	Total Cost (Million 2012\$)	Project Length (miles)	Cost (Million 2012\$ per mile)	Alternative E/F Length (miles)	Resultant cost (Million 2012\$)
TransCanada’s North-South Alternative	\$503.3	105	\$4.8	86 miles (Ehrenberg Gasoducto Rosarito)	\$413
Gasoducto Sonora Project	\$1,000.0	521	\$1.9	140 miles (looping Gasoducto Rosarito pipeline)	\$269
Total				226 miles	\$682

8
9 The above response indicates the assumed construction of a total 226 miles of new
10 pipeline capacity. The high end cost of \$977 million is consistent with both the corrected
11 CEA and the figure cited in Mr. Borkovich’s testimony as the estimated cost of
12 constructing new pipelines to loop the North California Baja (North BC) pipelines.²⁹
13 ORA attempted to calculate and reconcile with the high end cost of \$977 million in the
14 corrected CEA by bringing the \$682 million resultant cost figure shown in Response
15 ORA-26 Question 6a to a 2015 price level using the assumed inflation rate of 2.9% in the
16 CEA and applying a 30% contingency allowance.³⁰ ORA’s calculation results in \$965
17 million in 2015 dollars. Even deriving a number close to \$977 million does not alleviate
18 the lack of cost separation between Alternatives E and F. There is no way to determine

²⁸ The confidential portion of response to ORA-26 is with respect to Question 1f only.

²⁹ SDG&E-12 Supplemental Testimony, p. 47.

³⁰ Inflation rate assumption is shown in the Corrected CEA dated Feb 2017, p. 28.

1 how much of the high end cost of \$977 million is attributed to Alternatives E and F based
2 on the Applicants’ Testimonies and responses to discovery since Mr.Borkovich asserts
3 that physical construction of new pipeline is required with Alternative E.³¹

4 **3. Even if Applicants Have Correctly Asserted that**
5 **400 MMcfD Is Needed through Otay Mesa Receipt**
6 **Point to Achieve Resiliency, Applicants Have**
7 **Conceded, without Cost Information, that It Is**
8 **Possible to Deliver that Amount of Gas to the Otay**
9 **Mesa Receipt Point by Contracting**

10 In response to more recent discovery questions in ORA-74 and ORA-82 regarding
11 the Otay Mesa alternatives, ORA sought to confirm that it is possible for SoCalGas and
12 SDG&E to enter into contracts to both purchase and transport enough natural gas to fill
13 the entire 400 mmcfD capacity at the Otay Mesa receipt point into the SDG&E system
14 (“Otay Mesa Receipt Point”).³² Applicants initially stated its objection saying that the
15 Applicants lack sufficient information to respond to Question 1.³³ Notwithstanding the
16 stated objection, a response was provided to ORA-74 Question 1 and ORA-82 Question
17 1, reproduced in full below:³⁴

18 **ORA-74 DATA REQUEST QUESTION 1:**
19

20 In a meeting between ORA and SoCalGas and SDG&E staff on March 7,
21 2017 (March 7 meeting), ORA understood that it is possible for SoCalGas
22 and SDG&E to enter into contracts to both purchase and transport enough
23 natural gas to fill the entire 400 mmcfD capacity at the Otay Mesa receipt
24 point into the SDG&E system (“Otay Mesa Receipt Point”). Please confirm
25 this understanding is accurate.
26
27
28
29

³¹ SDG&E-6-R Updated Testimony of Borkovich, pp. 3-4.

³² ORA-74 Q.1.

³³ Response to ORA-74 Q.1

³⁴ Response to ORA-74 Q.1.

1 **APPLICANTS' RESPONSE 1:**
2

3 SDG&E and SoCalGas (Applicants) object that Question 1 calls for
4 information not in Applicants' possession, custody or control, is vague and
5 ambiguous in terms of time and terms, and calls for speculation about how
6 owners of pipeline and/or storage capacity and sellers of gas might respond
7 to one or more Request for Offers ("RFOs"). Without waiving and subject
8 to their objections, Applicants respond as follows:
9

10 Applicants lack sufficient information to respond to Question 1. As
11 Applicants previously have informed ORA in responses to numerous data
12 requests, and as discussed in SDGE-6-R Updated Prepared Direct
13 Testimony of Paul Borkovich at 3-9 and SDGE-12 Supplemental
14 Testimony of SDG&E and SoCalGas at 37-51: (a) SDG&E's Otay Mesa
15 receipt point has the physical capacity to receive 400 MMcfd if that volume
16 of gas is delivered to the receipt point; (b) there is a pipeline pathway to
17 transport gas supply from the El Paso Natural Gas (EPNG) South Mainline
18 system near Ehrenberg, Arizona to the Otay Mesa receipt point via the
19 North Baja California (BC) pipeline system, which is comprised of three
20 pipelines: North Baja Pipeline, Gasoducto Rosarito and TGN—but much of
21 the capacity on that system is owned by other entities, which are serving
22 gas customers in Mexico and, as of February 2016 Gasoducto Rosarito
23 indicated it had only 20 MMcfd of firm service available on its system; (c)
24 there is a pathway for liquefied natural gas (LNG) to be delivered by tanker
25 to the Energia Costa Azul Liquefied Natural Gas Terminal (ECA),
26 offloaded to ECA storage facilities [facilities], re-gasified, and transported
27 via pipeline to the Otay Mesa receipt point—but other entities (Shell,
28 Gazprom and IEnova LNG) own ECA's storage capacity and IEnova has
29 disclosed that as of December 31, 2015 Shell and Gazprom have not used
30 their storage capacity since the facility started operation; (d) there are
31 additional costs to transporting gas from EPNG through Mexico to the Otay
32 Mesa receipt point; and (e) the costs of LNG are far higher than the costs of
33 gas.
34

35 Question 1 does not identify the terms of the hypothetical contracts by
36 which Applicants would purchase 400 MMcfd of gas to be delivered at the
37 Otay Mesa receipt point. Although it is speculation, Applicants speculate
38 that, at some price, given the existing gas demand served from the North
39 BC pipeline system, an entity would seek to construct one or more new
40 pipelines from EPNG to the Otay Mesa receipt point to provide up to 400
41 MMcfd of new capacity, and would seek to recover all costs of constructing
42 and financing such pipeline(s), plus profit, over the term of its initial
43 contract with Applicants. Applicants also speculate that, at some price,

1 Applicants would be able to purchase 400 MMcfd of gas that could be
2 delivered via the pipeline capacity obtained through such contract.
3 Applicants cannot predict whether an entity proposing to construct one or
4 more new pipelines from EPNG to the Otay Mesa receipt point would
5 obtain the necessary permitting approvals to do so, the duration of
6 construction or when such new pipeline(s) might be in service.
7

8 Further, Applicants note that the Commission would have to authorize and
9 approve any such contracts. SoCalGas Rule 41 requires Applicants to seek
10 Commission authority for any additional tools necessary to meet Southern
11 System minimum flow requirements through an application. SoCalGas
12 Rule 41 authorizes certain “tools” for the Operational Hub to use to deliver
13 gas at Southern System Receipt Points, including Otay Mesa, in order to
14 maintain system reliability and integrity. Practically speaking, these tools
15 are currently limited to spot gas purchases at Otay Mesa or the interruptible
16 transportation of gas from EPNG to Otay Mesa. Neither of these tools can
17 assure delivery of 400 MMcfd of gas supply to Otay Mesa at any particular
18 point in the future.
19

20 Applicants through its Operational Hub could issue RFOs for proposals to
21 create additional tools to manage system reliability at Otay Mesa. These
22 proposals could include either firm contract rights to transport gas to Otay
23 Mesa or the purchase of gas supply at Otay Mesa under long term
24 agreements. For the reasons noted above and in the cited testimony, firm
25 rights to deliver or for delivery of gas in any volume close to 400 MMcfd
26 would appear to require construction of new pipeline(s) along the path from
27 EPNG to Otay Mesa. Applicants believe that an RFO for such Otay Mesa
28 service issued without a Commission approved framework or guideline for
29 subsequent approval of specific proposals would not be viewed as credible
30 by potential respondents.
31

32 Although it is also speculation, Applicants speculate that the Commission
33 would not approve a long term contract for delivery of 400 MMcfd of re-
34 gasified LNG from ECA at the Otay Mesa receipt point as the cost of LNG
35 is far in excess of the cost of gas delivered to EPNG. Absent a long term
36 contract, there is no assurance that ECA would have sufficient gas in
37 storage when SDG&E customers need it or that the owner of such gas
38 would sell it at a reasonable price (rather than a price that seeks to recoup
39 years of paying for uneconomic storage).
40

41 The above response to ORA-74 confirms that the Otay Mesa receipt point has
42 physical capacity to receive 400 MMcfd if that volume of gas is delivered at that receipt

1 point. (Underlined for emphasis.) In addition, the above response also states that pipeline
2 capacity contracts for the full path on the North Baja California (BC) Pipeline System to
3 transport gas from Ehrenburg to Otay Mesa will need to be secured. As explained in the
4 response to ORA-74, there are three legs on the BC pipeline system: (1) the North Baja
5 Pipeline; (2) the Gasoducto Rosarito; and (3) the TGN, with much of that capacity on the
6 system already owned by other entities, including only 20 MMcfd of firm capacity on the
7 Gasoducto Rosarito as of February 2016. According to Applicants, the full capacities on
8 these pipelines are (1) 500 MMcf/day southbound on North Baja; (2) 500 MMcf/day on
9 Gasoducto Rosarito; and (3) 940 MMcf/day on TGN.³⁵

10 Similarly, response to ORA DR 82 Q.1, despite stated objections, Applicants
11 acknowledge that gas stored at ECA can be delivered to Otay Mesa. The response is
12 reproduced in full below:³⁶

13 **QUESTION 1:**

14
15 Would it also be possible to use another path to deliver 400 mmcfd of
16 natural gas at Otay Mesa receipt point as follows:

- 17
18 a. Withdraw previously stored gas by SoCalGas/SDG&E pursuant to what
19 could be a possible Commission authorized gas storage contract from
20 storage of liquefied natural gas at the storage tanks at Energia Costa
21 Azul Liquefied Natural Gas Terminal on the west coast of Mexico
22 located approximately 14 miles north of Ensenada (“storage tanks”);
23
24 b. Regasification of liquefied natural gas from the storage tanks;
25
26 c. Transportation from the storage tanks through the Gasoducto Rosarito
27 Costa Azul spur from the Energia Costa Azul Liquefied Gas Terminal to
28 the Gasoducto Rosarito pipeline;
29
30 d. Transportation through the Gasoducto Rosarito pipeline from the
31 Gasoductor Rosarito Spur to the Transportadora De Gas Del Norte
32 (“TGN”) pipeline.

³⁵ Response to ORA-60 Q.5b (AMENDED on February 24, 2017).

³⁶ Response to ORA-82 Q.1.

- 1
2 e. Transfer through the TGN pipeline from the Gasoducto Rosarito
3 pipeline to the Otay Mesa Receipt Point.
4
5 f. Transportation from the Otay Mesa Receipt Point into the
6 SoCalGas/SDG&E pipeline system.
7

8 **RESPONSE 1:**
9

10 SDG&E and SoCalGas (Applicants) object that Question 1 is vague and
11 ambiguous in its use of the phrase “[w]ould it also be possible to use
12 another path” and the phrase “could be a possible Commission authorized
13 gas storage contract.” If Question 1 is meant to imply anything beyond
14 asking about the physical path between the Energía Costa Azul (ECA)
15 Liquefied Natural Gas (LNG) storage tanks and the Otay Mesa receipt
16 point, it calls for information not in Applicants’ possession, custody or
17 control, speculation in terms of time, terms, the LNG market, and whether
18 the owners of the pipeline and storage capacity would be willing to sell and
19 on what terms. Without waiving and subject to their objections, Applicants
20 respond as follows: Interpreting Question 1 as asking only about the
21 physical pathway, and nothing about the feasibility or cost of obtaining gas
22 through that pathway, it is an accurate description of how gas is stored at
23 ECA and transported from there to Otay Mesa.

24 **4. Additional Information Gaps and Uncertainties**
25 **Raised by Applicants’ Acknowledgement that It Is**
26 **Possible to Contract for Gas to Deliver to the Otay**
27 **Mesa Receipt Point**

28 The above responses to ORA-74 and ORA-82 explain that gas could also be
29 delivered to Otay Mesa receipt point via another path based on LNG to be delivered by
30 tanker to the Energia Costa Azul (ECA), but again the pathway will need to be secured.
31 The ECA started operations in 2008.³⁷ ECA has a storage capacity of 320,000 cubic
32 meters in two 160,000 cubic meter tanks.³⁸ As described, the gas transport process for
33 the LNG will entail delivering the gas by tanker to the ECA, off-loading the LNG to the

³⁷ 2015 IEnova Annual Report, p.56. This Annual Report is available at <http://phx.corporate-ir.net/phoenix.zhtml?c=251832&p=irol-reportsannual>.

³⁸ Information from <http://ienova.com.mx/english/services-lng-storage.html> on February 8, 2017.

1 ECA storage facilities, re-gasifying, and transporting via pipeline to the Otay Mesa
2 receipt point.

3 With respect to Gasoducto Rosarito and TGN, ORA understands that these two
4 entities are both owned by IEnova, which is Sempra's affiliate, thus potentially impacting
5 the Applicants' ability to seek out the necessary information.³⁹ To ORA's knowledge,
6 there is currently no readily available information on how much cost the gas transport
7 process for the LNG as described could entail. Simply because of the transporting and
8 processing undergone by LNG gas, it would be reasonable to expect that LNG gas would
9 be more expensive than the domestic cost of gas, which is neither liquefied nor
10 regasified. This represents an additional information gap to fully analyze the alternatives
11 presented by delivery to the Otay Mesa receipt point via the ECA. Commission should
12 gather the information necessary to analyze the path based on LNG delivered to the ECA.

13 The above response to ORA-74 further explains that ECA's storage capacity are
14 held by other entities, namely, Shell, Gazprom, and IEnova LNG, and reveals that the
15 storage capacity held by the first two entities remain unused since the start of operations.
16 Is there any interest among the ECA capacity holders to make productive use of the idle
17 ECA storage capacity? ORA attempted to explore this point and obtained the Applicants'
18 response to ORA-82 Q.6:⁴⁰

19 **QUESTION 6:**

- 20
- 21 a. What would SCG/SDG&E estimate as the cost to contract for the next 10
22 years just enough capacity from the Energia Costa Azul storage tanks to
23 hold the following amounts of gas:
- 24 i. 400 million cubic feet?
 - 25 ii. 800 million cubic feet?
 - 26 iii. 1.2 billion cubic feet?
 - 27 iv. 1.6 billion cubic feet?
 - 28 v. 2 billion cubic feet?

³⁹ Information based on Footnote 66 on page 37 of SDG&E-12 Supplemental Testimony.

⁴⁰ Response to ORA-82 Q. 6.

1 **b.** Please provide the basis, including documentation, for each of the
2 estimates provided in response to Questions 6 a. i-v.

3
4 **RESPONSE 6:**

5
6 Applicants object that Question 6 calls for information not in Applicants’
7 possession, custody or control, is vague and ambiguous as to the terms of
8 such a contract, and calls for speculation about how the current owners of
9 the storage capacity might respond to one or more Request for Offers
10 (RFOs). Without waiving and subject to their objections, Applicants
11 respond as follows: Applicants lack sufficient information to provide such
12 estimates.
13

14 It is clear that the affiliate issue is a concern of the Applicants impacting their
15 ability to seek the necessary information. The Commission should clarify whether there
16 is a way to work around the affiliate issue just to enable the gathering of information and
17 the opportunity to explore the cost associated with contracts to make use of the unused
18 ECA storage capacity.⁴¹ Without clarification on the affiliate issue, the Commission will
19 have an additional information gap regarding the cost of using the ECA storage capacity.
20 The response points out that there are additional costs⁴² to transport the gas from EPNG
21 through Mexico to the Otay Mesa receipt point and that the cost of LNG could be far
22 higher than the cost of gas.

23 The above response to ORA-74 further demonstrates the Applicants’ speculation
24 that at some price and demand on the North BC pipeline system, an entity would
25 construct 400 MMcfd of new capacity to transport from EPNG to Otay Mesa and that at
26 some price, the Applicants would also be able to purchase the 400 MMcfd of new
27 capacity. This is based on Applicants’ speculation and the Commission currently has no
28 information on whether there is a need to construct 400 MMcfd of new capacity as

⁴¹ Although the capacity is unused, IEnova’s Annual Report states that 100% of the LNG Terminal’s storage and send-out capacity is contracted on a firm basis through 2028 (50% by Shell and Gazprom and 50% by IEnova LNG), and these entities must pay for the full contracted LNG storage capacity and natural gas send-out capacity regardless of whether they actually deliver of LNG supply to the terminal, p. 56.

⁴² Refer to Response to SCGC DR 14 Question 14.9 regarding additional or added costs.

1 described. The Applicants explain in response to ORA-74 that necessary permitting
2 approvals and Commission authorization will have to be obtained for this purpose. In
3 addition, the response points out that any additional System Operator tools need
4 Commission approval. As the response to ORA-74 explains, the current System Operator
5 tools are limited to spot purchases at Otay Mesa and interruptible capacity from EPNG to
6 Otay Mesa.

7 The above response to ORA-74 indicates a lack of confidence in the System
8 Operator tools to assure the delivery of 400 MMcfd to Otay Mesa if Applicants assertion
9 of that need is valid. But the response offers a positive note, suggesting that the
10 Applicants' Operational Hub could issue RFOs for proposals for additional tools to
11 manage system reliability at Otay Mesa, which could include either firm contract rights to
12 purchase gas to Otay Mesa or the purchase of gas supply at Otay Mesa under long term
13 agreements.⁴³ The Applicants believe that in order to be credible, the RFO for the Otay
14 Mesa service will need to be done based on an approved Commission framework or
15 guidelines regarding the approval of specific proposals.

16 **5. Applicants Assertions of Need Is Based Upon**
17 **Certain Assumptions that Have Little Supporting**
18 **Information**

19 Applicants cite to at least three fundamental reasons on the need for a new
20 pipeline in San Diego to replace the Line 1600 transmission function. These
21 reasons comprise the source of the seven "benefits" criteria identified in the
22 CEA's benefit evaluation for the Proposed Project.⁴⁴ A related question that may

⁴³ Based on Rule 41 of the SoCalGas regulatory tariffs governing Utility System Operations (item 14), "the Utility Gas Procurement Department will act on a best-efforts basis to provide gas supplies based on the Operational Hub's request if called upon as a provider of last resort." This action may only be taken after the Operational Hub has exhausted its other options available to acquire the required flowing supplies.

⁴⁴ Refer to Table 10, CEA, p. 35 on benefits evaluation showing (1) safety; (2) reliability; (3) operational flexibility; (4) system capacity; (5) gas storage through line pack; (6) reduction in gas price for ratepayers; and (7) other benefits that include environmental and other external or societal impacts. See also Schneider Testimony, pp. 1-2.

1 be considered down the road in the CEA is whether the Otay Mesa Alternatives
2 should similarly be expected to achieve the seven “benefits” described by the
3 Applicants to justify the new Proposed Project in San Diego.

4 The first reason cited on the need for a new pipeline is to “enhance the
5 safety of existing Line 1600 and modernize the system with state-of-the-art
6 materials.”⁴⁵

7 The second reason cited on the need for a new pipeline in San Diego is to
8 enhance system reliability and resiliency by minimizing dependence on a single
9 pipeline.⁴⁶ This need is attributed to the high dependence of SDG&E system
10 integrity on two transmission assets, namely, Line 3010 and the Moreno
11 Compressor Station.⁴⁷ Applicants assert that an outage at either facility may
12 impact the Applicants’ ability “to maintain continuous service to its customers”
13 while “an outage at both facilities certainly will” impact its customers.⁴⁸ In
14 addition to an outage or pressure reduction on Line 3010, Applicants assert that
15 the loss of all compression on the Moreno Compressor Station will only support
16 an SDG&E demand of 340 MMcfd which is less than the SDG&E’s daily average
17 demand of 369 MMcfd.⁴⁹

18 The Applicants also cite to the potential capacity issues due to elevated Electric
19 Generation (“EG”) demand in further support of the need for system reliability and
20 capacity in San Diego.⁵⁰ The latter is said to arise from increased dependence of San

⁴⁵ Schneider Testimony, p. 1

⁴⁶ SDG&E-3-R Bisi Testimony, pp.6-9 and Schneider Testimony, p.2. Mr. Bisi’s testimony describes the Applicants’ integrated gas transmission system and explains the reasons why pipeline improvement is now needed, including the reasoning behind the reliability/resiliency and operational flexibility needs arguments. Mr. Schneider’s testimony explains the reasons for the Proposed Project from a policy standpoint.

⁴⁷ SDG&E-3-R Bisi Testimony, p. 6.

⁴⁸ SDG&E-3-R Bisi Testimony, p. 6.

⁴⁹ SDG&E-3-R Bisi Testimony, p. 7.

⁵⁰ SDG&E-3-R Bisi Testimony, pp. 11-12.

1 Diego's power plants on natural gas as a power source.⁵¹ Mr. Bisi cites to new natural
2 gas power plants built in San Diego resulting in increased electric generation capacity
3 with no corresponding additional pipelines built since 2000.⁵²

4 Other factors cited as contributing to a dependence on natural gas-fired
5 generation is the need for the integration of renewables generation and the lack of
6 fuel oil back up for natural gas plants.⁵³

7 Mr. Borkovich presented six threshold issues when considering the need
8 determination for the Otay Mesa Alternatives, these issues are reproduced
9 below:⁵⁴

10 SDG&E's October 2016 Long-Term Demand Forecast projects the 1 in
11 10 year cold day demand at 590 MMcfd in 2020/21, and 548 MMcfd in
12 2025/26.

13
14 SDG&E's Otay Mesa receipt point has a firm receipt capacity of 400
15 MMcfd, and receipt of a greater quantity of gas on a firm basis would
16 require additional improvements to SDG&E's gas system.

17
18 Line 3010 has a capacity of 570 MMcfd. (footnote omitted) If the
19 Commission wanted to ensure San Diego would have 570 MMcfd of
20 gas in the event of a Line 3010 outage, with Line 1600 de-rated to
21 distribution service, then the Utilities would need firm delivery of 570
22 MMcfd at Otay Mesa and improvements to the SDG&E system to
23 receive it.

24
25 Line 1600 has a capacity of 150 MMcfd. (footnote omitted) If the
26 Commission wanted to ensure San Diego would have gas to replace
27 Line 1600's transmission function, thus allowing it to be de-rated to
28 distribution service, then the Utilities would need firm delivery of 150
29 MMcfd at Otay Mesa.

30

⁵¹ SDG&E-3-R Bisi Testimony, p. 12 citing to increased EG demand since the decommissioning of SONGS.

⁵² SDG&E-3-R Bisi Testimony, p. 12.

⁵³ SDG&E-3-R Bisi Testimony, p. 12.

⁵⁴ SDG&E-12 Borkovich, pp. 41-42.

1 A Moreno Compressor Station outage would result in a loss of capacity
2 to SDG&E's system of 290 MMcfd. (footnote omitted) If the
3 Commission wanted to ensure San Diego would have the same gas
4 capacity in the event of a Moreno Compressor Station outage, then the
5 Utilities would need firm delivery of 290 MMcfd at Otay Mesa.
6

7 The pipelines that connect to SDG&E's Otay Mesa receipt point have a
8 certain design capacity, leaving aside how much is available for
9 purchase from the owners. Depending upon the quantity of firm
10 delivery rights to Otay Mesa desired, new pipelines and/or compressors
11 may be required on the North Baja Pipeline System.
12

13 Mr. Bisi's Testimony confirms that the SDG&E gas system currently has
14 sufficient capacity to meet the mandated reliability standards for core and noncore service
15 through 2035/36 operating year.⁵⁵ Mr. Bisi further states that this is based on
16 assumptions that Line 3010, Line 1600, and Moreno Compressor are in service.⁵⁶ As
17 discussed in Exhibit ORA-03, the testimony of Mr. Botros, recent history shows that Line
18 3010 and Moreno Compressor Station have each been out of service very rarely.
19 According to Mr. Bisi, if Line 1600 were derated to 320 psi, without replacements to its
20 transmission capacity, then the SDG&E gas system would not meet the Commission's
21 design criteria.⁵⁷ Mr. Bisi explains there has to be some changes to the SDG&E gas
22 transmission system, either through a replacement for Line 1600's transmission function,
23 or contracting for firm gas supply at Otay Mesa, in order for SDG&E's gas system to
24 continue to meet the reliability standard.⁵⁸

25 Depending on the hypothetical scenarios that the Commission may choose to use
26 for purposes of estimating the need to be met, the Applicants have stated that more
27 specific cost information regarding the Otay Mesa Alternatives could be obtained beyond

⁵⁵ SDG&E-3R Bisi Updated Testimony dated Feb 2017, p.10. This is consistent with D.06-09-039 at page 19, in which the Commission noted that "SDG&E and SoCalGas conclude that they have sufficient backbone capacity to meet expected customer demand through 2016."

⁵⁶ SDG&E-12 Supplemental Testimony, p. 109.

⁵⁷ SDG&E-12 Supplemental Testimony, p. 109.

⁵⁸ SDG&E-12 Supplemental Testimony, p. 109

1 the publicly available sources they have used. They have indicated the need for
2 Commission authorization for an RFO for proposals for firm capacity and binding
3 proposals. Given Applicants’ reticence in response to ORA DR 74 Q1 to issue a RFO’s
4 without Commission instruction, the Commission should order Applicants to issue
5 enough RFO’s to discern how owners of pipeline and/or storage capacity and sellers of
6 gas to the Otay Mesa receipt point might respond.

7 **6. Background on the Significance of Otay Mesa**

8 In this proceeding, Applicants are making similar arguments regarding gas
9 demand and customer supplies, for delivery at the Otay Mesa receipt point, as explained
10 in the next section.

11 The Commission adopted access rules that recognized the potential of the Otay
12 Mesa joint receipt point for new gas supplies into the SoCalGas/SDG&E gas
13 transmission system. In Rulemaking (R.)04-01-025 to “Establish Policies and Rules to
14 Ensure Reliable, Long-Term Supplies of Natural Gas to California,” SoCalGas and
15 SDG&E submitted a proposal that explicitly states that the shortest transportation route
16 for natural gas from Baja California to the Southern California market is through a receipt
17 point at Otay Mesa with direct deliveries into the SDG&E transmission system stating:⁵⁹

18 The shortest transportation route for natural gas from Baja California to the
19 southern California market is through the establishment of a receipt point at
20 Otay Mesa. Natural gas from Mexico would be delivered directly into the
21 SDG&E transmission system at the border between California and Mexico.
22 As discussed above in Section I of this chapter, with certain transmission
23 investments, these natural gas supplies from Mexico could be transported to
24 customers in both SDG&E and SoCalGas’ service areas. The Commission
25 should adopt access rules that promote the greatest access to new supply
26 sources for both SoCalGas and SDG&E consumers. The most efficient
27 way to provide access to potential new supplies for customers of both
28 utilities is to establish an integrated, common access system on the two
29 utilities. The integrated access approach would allow all utility customers
30 in southern California to have the same priority of access, terms, and

⁵⁹ SoCalGas/SDG&E Proposal dated Feb.24, 2004 in R.04-01-025, p.83 available at the SoCalGas website at <https://www.socalgas.com/regulatory/oir.shtml>.

1 conditions for natural gas delivered at any point on the SoCalGas and
2 SDG&E systems.

3
4 In the Phase I decision of Order Instituting Rulemaking to Establish Policies and
5 Rules to Ensure Reliable, Long-Term Supplies of Natural Gas to California, Decision
6 (D.) 04-09-022 in R.04-01-025, the Commission adopted policy rules that, among others,
7 addressed the policies that need to be in place to allow potential sources of liquefied
8 natural gas (“LNG”) to access the utilities’ gas systems.⁶⁰ In the decision, the
9 Commission also approved Otay Mesa as a joint receipt point for the gas transmission
10 systems of both SDG&E and SoCalGas.⁶¹ In A.04-12-004, SoCalGas/SDG&E also
11 requested that their gas transmission systems be economically integrated arguing that:⁶²

12 This action is critical to ensuring that LNG supplies are received at Otay
13 Mesa for redelivery into the SDG&E and SoCalGas service territories.
14 Adoption of the economic system integration proposal will encourage
15 greater investment by upstream suppliers in improvements to the
16 SDG&E/SoCalGas backbone transmission infrastructure (and to upstream
17 Mexican pipeline infrastructure by as much as 800 MMcf/d), and will
18 increase and diversify gas supply sources.

19
20 The establishment of the Otay Mesa receipt point created the expectation of
21 regasified LNG being received at Otay Mesa and the bi-directional flow of gas along the
22 SoCalGas/SDG&E gas transmission systems.⁶³ These expectations provided the impetus
23 for the system integration proposal to allow access to supplies at both gas systems.⁶⁴
24 Following the Otay Mesa joint receipt point establishment, the Commission approved the
25 SoCalGas/SDG&E system integration proposal in D.06-04-033 which combined the gas
26 transmission costs on both systems and developed the integrated transmission rates for

⁶⁰ Finding of Fact #35, D.04-09-022.

⁶¹ Ordering Paragraph 7 (a) in D.04-09-022, p. 96. For reference, a definition of receipt point is provided in Mr. D. Bisi’s Direct Testimony in A.04-12-004, p.7, which defines a receipt point as “a discrete physical location where two or more pipelines interconnect for gas supply custody transfer purposes.”

⁶² SoCalGas/SDG&E Reply Brief in A.04-12-004, p. 2.

⁶³ Findings of Fact #14, 17, and 18, D.06-04-033, pp. 68-69.

⁶⁴ D.06-04-033, p. 41.

1 each customer class of each utility.⁶⁵ At the time, the Commission expectation was that
2 gas supplies could flow from SDG&E to SoCalGas stating:⁶⁶

3 If regasified LNG is delivered through Otay Mesa, natural gas could
4 flow from SDG&E to SoCalGas.

5
6 Currently, none of the gas delivered to an end-use customer in
7 SoCalGas' territory comes from a receipt point on SDG&E's
8 system.

9
10 The system integration proposal provides the framework for
11 allowing customers of both SoCalGas and SDG&E to access gas
12 supplies at existing or new receipt points on both systems at a single
13 integrated transmission rate.

14
15 The Commission was clear on the impetus and underlying expectations
16 behind the approval of the Applicants' system integration proposal stating:⁶⁷

17 The potential change in the direction of the flow of gas is the
18 impetus for the system integration proposal, and represents a
19 fundamental change in how SDG&E and SoCalGas can obtain gas.

20
21 The regasified LNG from the ECA facility can provide a new supply
22 source for customers of SDG&E, and to customers of SoCalGas
23 through the use of the SDG&E system and the Rainbow Corridor as
24 backbone transmission facilities.

25
26 If a significant amount of gas is delivered through Otay Mesa, this
27 new supply will diversify the existing gas supply sources and may
28 result in increased supply reliability over time, and help moderate
29 gas prices in the southern California market.

30
31 Notwithstanding these expectations, the Commission also indicated an
32 openness to revisiting the system integration of the SoCalGas and SDG&E gas

⁶⁵ Conclusion of Law #4 and Ordering Paragraph 1 in D.06-04-033, pp. 72-73.

⁶⁶ Findings of Fact #3, #4 and #5, D.06-04-033, p. 67.

⁶⁷ Findings of Fact #14, 17 and 18, D.06-04-033, pp. 68-69.

1 transmission system should the anticipated benefits not materialize, stating in
2 Finding of Fact #24 and Conclusion of Law #13:⁶⁸

3 If the anticipated benefits of the system integration proposal do not
4 materialize, we remain open to revisiting whether the single
5 integrated rate for both transmission systems should continue.
6

7 If significant gas supplies through Otay Mesa do not materialize, and
8 gas-on-gas competition does not occur, a party may file a petition for
9 modification of this decision requesting that the Commission
10 examine whether continuation of a single integrated rate is still
11 appropriate in light of market conditions.
12

13 In 2008, the parent company of SoCalGas and SDG&E, Sempra Energy,
14 completed building the Energia Costa Azul (“ECA”) LNG import terminal facility
15 with a capacity of 1 billion cubic feet per day (Bcfd) on Mexico’s west coast in
16 Ensenada, Baja, California and placed into service to serve as a major new source
17 of natural gas for Mexico, as well as California, Arizona and other Western
18 states.⁶⁹

19 Five years later, after the parent company Sempra Energy completely built
20 the Sempra LNG terminal at ECA in Baja, California, SoCalGas/SDG&E
21 submitted two successive applications, first in A.13-12-013 seeking to build the
22 North-South Project (NSP), and the second one in this proceeding seeking to build
23 the Proposed Project for Line 3602 and to derate Line 1600 to 320 psi.

24 In the final decision (D.16-07-015) in the proceeding, the Commission
25 summarized the issue before it in A.13-12-013 stating:⁷⁰

26 the basic issue underlying the application is how best to assure
27 reliable future supplies of natural gas into the Southern System at the
28 least cost to ratepayers. In evaluating the competing answers to this
29 question, the Commission considers not only the costs and benefits

⁶⁸ Finding of Fact #24, D.06-04-033, p. 70.

⁶⁹ Information available from <https://www.eia.gov/todayinenergy/detail.php?id=11291>.

⁷⁰ D.16-07-015, p. 8.

1 associated with the North-South Project and the various proposed
2 alternatives, but the additional issues of safety and reliability.

3
4 The Applicants indicated there were minimal volumes of gas supplies
5 received into the Southern System at Otay Mesa and the growing exports of
6 domestic gas to Mexico, stating that:⁷¹

7 Since 2008, supplies can also be received into the Southern System
8 at the Otay Mesa receipt point in San Diego County. However, the
9 volume of supplies received into the Southern System at Otay Mesa
10 has generally been minimal due to growing demand for domestic
11 supplies exported to Mexico.

12
13 The Applicants further argued that several increasing threats to the southern
14 system reliability, namely: the increasing export demand for US gas supplies to
15 Mexico,⁷² the increasing natural gas demand from gas-fired electric generators
16 due to the closure of San Onofre Nuclear Generating Station (SONGS),⁷³ the
17 increasing Southern System support costs⁷⁴, and the decreasing customer
18 deliveries into the Southern System⁷⁵ calls for a physical solution to resolve the
19 Southern System reliability problems.⁷⁶

20 In D.16-07-015, the Commission denied A.13-12-013 stating:⁷⁷

21 we find, as required by the Scoping Ruling, that the various non-
22 physical actions proposed by TURN, ORA and SCGC are
23 reasonable alternatives to the construction of new pipelines and will
24 provide enhanced supply reliability to the Southern System. We
25 further find that each of the alternative physical solutions is superior

⁷¹ Application (A.) 13-12-013, p. 2.

⁷² SoCalGas/SDG&E Opening Brief in A.13-12-013, p. 17.

⁷³ SoCalGas/SDG&E Opening Brief in A.13-12-013, p. 20.

⁷⁴ SoCalGas/SDG&E Opening Brief in A.13-12-013, pp. 15-16.

⁷⁵ SoCalGas/SDG&E Opening Brief in A.13-12-013, p. 43.

⁷⁶ SoCalGas/SDG&E Opening Brief in A.13-12-013, pp. 28-42.

⁷⁷ D.16-07-015, pp. 21-22.

1 to the North-South Project, conferring similar benefits at lower cost
2 with fewer safety risks than the North-South Project.
3

4 The non-physical actions referenced by the Commission in the above were
5 stated in Conclusion of Law #3:⁷⁸

6 The TURN/ORR/SCGC proposals to rely on existing tools, modified
7 contracts and tariffs to provide enhanced system reliability are reasonable
8 alternatives to the North-South Project.
9

10 The reference to “existing tools, modified contracts and tariffs” is further
11 described in D.16-07-015 below:⁷⁹

12 The various operational changes that comprise the combined
13 TURN/ORR/SCGC proposals include the following major
14 recommendations:
15

16 Expand the use of Memoranda in Lieu of Contracts (MILCs) to
17 guarantee that the core share of minimum flow requirements will be
18 met at Blythe regardless of demand elsewhere on the EPNG system.
19 (footnote omitted)
20

21 Continue using baseload contracts to assure adequate firm capacity
22 rights are held to Ehrenberg to meet the noncore share of the
23 Southern System minimum flow requirements. SoCalGas is
24 currently authorized to obtain 255 Mdt/d [thousand decatherms per
25 day] in baseload contracts for the winter season. (footnote omitted)
26 If necessary to meet minimum flow requirements, baseload
27 contracting could be expanded to the summer season and cover
28 multiple years. (footnote omitted)
29

30 Alternatively, SoCalGas’ System Operator could contract with
31 EPNG for firm capacity rights to Ehrenberg. Such contracts would
32 include rights of first refusal, guaranteeing that SoCalGas could
33 always obtain needed gas supplies by matching any competing offer.
34 (footnote omitted)
35

⁷⁸ COL #3, D.16-07-015, p. 25.

⁷⁹ D.16-07-015, pp. 19-20.

1 Institute a Low Operational Flow Order (Low OFO) tariff to ensure
2 adequate deliveries at Blythe under all circumstances other than a massive
3 force majeure event. (footnote omitted) All the Joint Applicants' experts
4 agree that the Low OFO regime will "minimize supply-related curtailment
5 threats by ensuring that transportation customers do not use any more
6 storage withdrawal than has been allocated for the purpose of balancing."
7 (footnote omitted)

8 **7. SoCalGas/SDG&E Have Recently Delivered Only**
9 **Small Amounts of Gas, But it Remains a Potential**
10 **Source of Emergency Gas Supply Reserves for**
11 **SDG&E Which Requires More Information**

12 ORA understands that gas deliveries through Otay Mesa have not been significant.
13 ORA asked for an update to the data on Otay Mesa gas deliveries in ORA-68 Question 4.
14 The Applicants provided an attachment showing the Otay Mesa gas deliveries described
15 in the response below:⁸⁰

16 The attachment to this response provides the volume of supplies received
17 into the Southern System at Otay Mesa from 06/01/2008 to 02/28/2017 and
18 provides the total deliveries in Dth [Decatherms] (10,352,000 Dth). It also
19 shows the average daily deliveries for the period in question (3,240 Dth/day
20 [Decatherms per day]) and the number of days deliveries were made at the
21 receipt point (168) as well as the percentage of those delivery days (5%) in
22 relation to the total number of days in the period (3,195 days). These
23 statistics demonstrate that deliveries to Otay Mesa were not significant.
24 Otay Mesa receipts as a percentage of total SDG&E throughput during the
25 indicated period is approximately 1%.

26
27 The United States Energy Information Administration ("EIA") website
28 shows declining amounts of LNG imports over the time period shown in the years
29 1997-2016.⁸¹ The US EIA website indicates pipeline gas import volumes into the
30 US from both Canada and Mexico and LNG import volumes from a number of
31 different countries except from Mexico. According to the US EIA, with the rise of
32 U.S. shale production and a decline in natural gas prices in recent years, there was

⁸⁰ Response to ORA-68 Q4.

⁸¹ Available at <https://www.eia.gov/dnav/ng/hist/n9103us2m.htm>.

1 decreased need in Mexico for LNG imports. As a result, LNG regasification
2 terminals such as the one in Costa Azul have been operating below capacity and is
3 described as “virtually unused” stating:⁸²

4 Imports at the Energia Costa Azul terminal have averaged 4% of the
5 terminal’s nameplate capacity since 2011, despite a long-term contract with
6 the Tangguh liquefaction project in Indonesia. Due to low use, the
7 terminal’s operator, Sempra Energy, is considering a conversion of the
8 terminal into a liquefaction facility.

9
10 The Commission has the opportunity to explore whether the Energia Costa Azul
11 LNG receiving terminal in Baja California is indeed a potential source of gas supply for
12 California though it is currently underutilized because of a combination of factors
13 including the current market environment.⁸³ In A.13-12-013 regarding authority to
14 recover the revenue requirement for the North-South Project in its service territory
15 (NSP), SoCalGas asserted that Otay Mesa may not be an attractive point for supply
16 deliveries due to economic reasons, especially price differences.⁸⁴ Based on 2013
17 monthly price data of published indices, there were substantial price differences shown in
18 response to ORA-08 Question 1. The response provides: the published Index Prices for
19 SoCal Border; the published Index Prices for El Paso South Mainline; and cost of Otay
20 Mesa deliveries. The deliveries to the Otay Mesa receipt point were higher priced in all
21 instances for the year 2013.⁸⁵

22 In the NSP proceeding, ORA had requested the Applicants for information
23 regarding the gas volumes scheduled by other shippers for delivery at Otay Mesa. But
24 SoCalGas responded that it was unable to provide the volumes scheduled by other
25 shippers for delivery at Otay Mesa that were transported from the Costa Azul LNG
26 Terminal because it does not have access to upstream scheduling data on the

⁸² Information from <http://www.lngworldnews.com/eia-u-s-piped-gas-displacing-mexicos-lng/>

⁸³ 2014 California Gas Report, p. 10.

⁸⁴ Response to ORA-NSP-SCG-11 Q3(e).

⁸⁵ Response to ORA-08 Q. 1.

1 Bajanorte/TGN systems that are required to determine the volumes sourced from Costa
2 Azul.⁸⁶

3 Although SoCalGas/SDG&E's gas deliveries through Otay Mesa has been an
4 insignificant 1% of total SDG&E throughput over the period shown in response to ORA-
5 68 Question 4, the fact remains that it is still a potential source of emergency gas supply
6 reserves especially for SDG&E. Applicants have also stated that they have not procured
7 any capacity on the Ehrenberg to Otay Mesa pipelines in order to enhance resiliency of
8 San Diego since 2010.⁸⁷ However, SDG&E and SoCalGas state that they have
9 occasionally transported gas supply on this path on an interruptible basis to maintain
10 system integrity.⁸⁸ According to the Applicants, "Supply delivered to Otay Mesa has
11 only occurred when the System Operator purchases supply at that location or compels
12 customers to deliver supply at Otay Mesa in lieu of curtailment. Over the past five years,
13 the vast majority of the time has seen no flowing supply delivered at Otay Mesa."⁸⁹ In
14 response to ORA-43 Q.2e, the Applicants indicated that the System Operator only needed
15 to ask for supplies on short notice one time in the last year (referring to year 2015).⁹⁰
16 Over the last ten years, Applicants indicated that during the dates February 2 through 4 in
17 2011, their Operational Hub was able to purchase spot supplies at Otay Mesa up to
18 180,000 Dth on February 2, but even lower amounts were obtained in the next two days,
19 resulting in curtailment to noncore customers, including Electric Generators.⁹¹

20 If the purpose and need for the Proposed Project is to serve as a "physical
21 insurance" against the possibility of a Line 3010 outage and/or a loss of compression on
22 the Moreno Compressor Station, or even to the possibility of Line 1600 either being

⁸⁶ Response to ORA-NSP-SCG-02 Q2(e).

⁸⁷ Response to ORA-08 Q. 4.

⁸⁸ Response to ORA-08 Q. 4.

⁸⁹ Response to ORA-11 Q. 8.

⁹⁰ Response to ORA-43 Q. 2.e. The term "short" in the DR refers to within approximately six hours.

⁹¹ Response to ORA-47 Q. 1.

1 derated, pressure-tested, or removed from service⁹², then the need appears to be for a
2 back-up reserve in cases of rare events of an unplanned outage.^{93 94} The Otay Mesa
3 Alternatives with deliveries at Otay Mesa or Blythe should be explored more fully
4 because they may provide a less expensive option compared to the cost of building the
5 Proposed Project to serve as a physical insurance for rare events.⁹⁵ The Applicants’
6 witness, Mr.Borkovich, testimony states:⁹⁶

7 In order to deliver gas to Otay Mesa from ECA, SDG&E customers or their
8 suppliers would have to enter into purchase agreements with the current
9 holders of this gas supply: Shell Mexico Gas Natural, Gazprom Trading
10 Mexico, or Sempra LNG.
11

12 ORA attempted to explore this point further by asking, “In the case of an unplanned
13 outage on Line 3010 and/or the Moreno compressor station being not operational, how
14 long would it take to procure gas from Shell Mexico Gas Natural, Gazprom Trading
15 Mexico, or Sempra LNG or otherwise procure gas supplies to be delivered through Otay
16 Mesa?” In Response to ORA-60 Question 1a, Applicants state:

17 Gas supply to be delivered at the Otay Mesa receipt point could be
18 purchased as soon as the subsequent trading cycle, if gas supply was
19 available for sale. However, Applicants have no knowledge or information
20 as to whether gas supply would be available for sale at the time of an

⁹² SDG&E-12 Supplemental Testimony, p. 122.

⁹³ Refer to Response to ORA-07 Q.5, where Applicants describe 12 curtailment events on the SDG&E system since January 2011, with three of them triggered by lack of supply, one triggered by an emergency, and all the 8 other curtailments triggered by planned maintenance. All 12 events occurred in the February 2011 through February 2014 timeframe. In a later update response to ORA-71 Q.2 regarding the 12 curtailment events described in ORA-07 Q.5 response, Applicants state that after a reasonably diligent search, SoCalGas/SDG&E are unaware of curtailment events in the 2006 through January 2011 timeframe.

⁹⁴ For additional discussion regarding the historic occurrence of outages on Line 3010 and Moreno Compressor Station, see ORA Exhibit 03, testimony of Mr. Mina Botros. For additional discussion regarding Applicants’ proposal to derate Line 1600, see ORA Exhibit 02, testimony of Messrs. Nathaniel Skinner and Mina Botros.

⁹⁵ ORA may provide testimony in Phase 2 of this proceeding regarding these alternatives, particularly as they pertain to the Cost Effectiveness Analysis that has been required for this proceeding.

⁹⁶ SDG&E-6-R Updated Testimony of Borkovich , p. 6.

1 unplanned outage on Line 3010 or the Moreno Compressor Station, or the
2 quantity or price of any gas that might be available for sale at such a time.

3
4 In addition, ORA also asked about alternative sources of gas to be delivered at the Otay
5 Mesa receipt point, to which the Applicants responded:⁹⁷

6 The most likely source of gas supply to be delivered at the Otay Mesa
7 receipt point would be gas purchased from El Paso Natural Gas South
8 Mainline shippers which would then be transported to Otay Mesa through
9 the North Baja pipeline system, which is comprised of three pipelines:
10 North Baja Pipeline, Gasoducto Rosarito and Transportadora de Gas
11 Natural de Baja California (TGN). However, Applicants have no
12 knowledge or information as to whether gas supply would be available for
13 sale at the time of an unplanned outage on Line 3010 or the Moreno
14 Compressor Station, or the quantity or price of any gas that might be
15 available for sale at such a time.

16
17 The Applicants have previously demonstrated the ability to secure immediately
18 needed gas supply from the El Paso Natural Gas South Mainline at a moment's notice.⁹⁸

19 When TURN asked the Applicants, in TURN's DR #2 Question 10, to provide the
20 emergency plans developed to supply gas to customers in the event that Line 3010 has an
21 issue and that Line 1600 has not been replaced, the Applicants response was:

22 SDG&E and SoCalGas' plan is to maintain Line 1600 as a transmission
23 line until it is replaced. If Line 3010 has an issue that takes it out of service,
24 curtailment of noncore load would be ordered in compliance with SDG&E
25 Gas Rule 14 to reduce demand. The System Operator would also work
26 with the California Energy Hub and Gas Acquisition to transport **supply**
27 **from the El Paso Southern System to Otay Mesa**, depending on
28 availability, to meet core and critical noncore requirements in excess of
29 Line 1600 capacity. (Bold added for emphasis)

30
31 The impact of supply disruption scenarios of an existing SDG&E gas transmission
32 on the Applicants' system and their ability to provide gas service were presented in Mr.

⁹⁷ Response to ORA-60 Question 1b.

⁹⁸ Information available at <http://pipeportal.kindermorgan.com/PortalUI/DefaultB.aspx?TSP=EPNG>.

1 Kikuts testimony.⁹⁹ ORA asked whether the Applicants ever experienced a situation
2 similar to the scenario described in Section IV of the Prepared Direct Testimony of J.
3 Kikuts.¹⁰⁰ Applicants respond that SDG&E has not experienced an event similar to the
4 outage scenario on a 1-in-10 design day condition resulting in core customer outages.¹⁰¹
5 The response to ORA-11 Q.3 did point out that the testimony was focused on the impacts
6 of a specific supply disruption scenario on an existing pipeline and not the statistical
7 probability of it occurring, and therefore, no corresponding probability data was
8 calculated.¹⁰²

9 In the case of instances of planned partial or full shutdown of Line 3010, the
10 Applicants response reproduced below also indicate the use of deliveries at Otay Mesa:¹⁰³
11 The dates included in the response are omitted here for brevity, and emphasis added:

12 There were 8 planned shutdowns of Line 3010 for maintenance from
13 October 2011 through November 2012. For all 8 shutdowns, all SDG&E
14 noncore service was curtailed; noncore customers were allowed to maintain
15 service by declaring an operating emergency and **delivering supply to the**
16 **Otay Mesa system receipt point.**

17
18 The primary goal of a curtailment is to limit throughput to protect service to
19 higher priority customers. Curtailment orders allocate capacity available for
20 lower priority service. SoCalGas and SDG&E are unable to measure load
21 that does not occur as the result of a curtailment order.

22
23 As the foregoing discussion shows, the Otay Mesa Alternatives are a potential
24 source of emergency gas supply with deliveries through the Otay Mesa receipt point.¹⁰⁴

⁹⁹ Amended Testimony of Mr. Kikuts in A.15-09-013 dated March 21, 2016.

¹⁰⁰ Data Request in ORA-11 Q.7.

¹⁰¹ Response to ORA-11 Q.7.

¹⁰² Response to ORA-11 Q.3.

¹⁰³ Response to TURN DR#2 Q. 14.

¹⁰⁴ Similar comments on meeting peak period gas demand were expressed by the Alliance for Retail Energy Markets and Shell Energy North America L.P. in their comments provided on the Aliso Canyon Action Plan dated April 25, 2016 in the CEC Docket No. 16-IEPR-02, at page 7. In those comments, both parties suggested “Gas supply solutions could take the form of additional imports at Otay Mesa, possibly from LNG supplies. The cost of using LNG delivered at Otay Mesa as a “peaking gas supply”

1 The timing of the procurement of this gas supply should be planned way in advance of
2 the need in order to serve as a back-up reserve to avoid the impact of any unplanned
3 outage on Line 3010 or the Moreno Compressor Station. The back-up reserve function is
4 similar to a hedge, a form of insurance for gas supply, which the gas utilities have
5 authority to do.¹⁰⁵

6 The Applicants often cite to affiliate rules as an impediment to tapping the Sempra
7 LNG facility as a potential source of gas supply.¹⁰⁶ However, regardless of the affiliate
8 rules, the Applicants have previously demonstrated that this potential source could be
9 explored as a gas supply reserve for an emergency need.¹⁰⁷ That is, Applicants explored
10 with Shell the potential for acquiring firm capacity from either the ECA to Otay Mesa or
11 from North Baja Pipelines' interconnect with Gasoducto Rosarito at TGN to Otay Mesa,
12 or in the alternative, for purchasing the same volume at the Otay Mesa delivery point
13 from Shell on a firm basis.¹⁰⁸ At the time, Shell's response indicated that it was unable to
14 offer firm volumes or capacity release with volumes at Otay Mesa.¹⁰⁹ The need explored
15 was for the amount of 100,000 MMBtu/d for a year.¹¹⁰

would likely be lower than the cost of rolling blackouts for the number of days identified in the Reliability Plan over the course of the summer.”

¹⁰⁵ See D.07-06-027, p.3 which approved SoCalGas' Winter Hedge Program 2007-2008 and explains that hedging is used as a form of insurance to protect gas customers from price spikes in the natural gas markets. In addition, as an example of planning for rare peak events, refer to D.06-07-010 where the Commission adopted PG&E's 1-day-in 10-year peak day planning standard for its core gas customers and authorized PG&E to acquire additional storage capacity for the 2008-2009 winter period and beyond through solicitation for offers from third party storage providers. Incremental gas in storage has the advantage of being available on demand and not subject to price spikes compared to a spot gas purchase which could be subject to a price run up during peak periods.

¹⁰⁶ See Mitigation measures in draft Joint Agency Winter Assessment due to Aliso Canyon Gas Storage shutdown. See also Response to SCGC DR02 Q.2.15 in A.13-12-013 citing need for authorization from the CPUC.

¹⁰⁷ Response to SCGC DR02 Q.2.17 in A.13-12-013 and Attachment.

¹⁰⁸ Id.

¹⁰⁹ Id.

¹¹⁰ Id.

1 **8. The Applicants Should Gather Information on**
2 **Capacity and Prices, and the Commission Should**
3 **Require Applicants to Conduct a Sufficient**
4 **Number of RFO's**

5 Otay Mesa has a receipt point capacity of 400 MMcfd.¹¹¹ The Otay Mesa
6 receipt point capacity does not appear to be a limiting factor for gas deliveries into
7 the SoCalGas/SDG&E system as ORA understands that supply can get through
8 the other receipt point at Blythe which is in the same zone. The Southern
9 Transmission zone of SoCalGas/SDG&E's gas system receipt points available for
10 service includes Ehrenberg, Otay Mesa, and Blythe, and has a total capacity of
11 1,210 MMcfd.¹¹² So it is operationally possible to re-direct deliveries at Blythe to
12 Otay Mesa. This fact was recognized in the SoCalGas/SDG&E A.06-10-034 for
13 authority to support reliable deliveries at Otay Mesa. In that application,
14 SoCalGas/SDG&E were able to obtain authority to redirect supplies being
15 delivered at Blythe to Otay Mesa.¹¹³ This request was approved in D.07-05-022
16 ordering that:¹¹⁴

17 SDG&E and SoCalGas may solicit bids through a request for offers for
18 contractual commitments to support reliable deliveries of up to 50 million
19 cubic feet per day at Otay Mesa for a limited term of two years ending
20 March 31, 2009, consistent with the terms of the Joint Recommendation
21 adopted herein.

22 SoCalGas and SDG&E were allowed to solicit offers from interested parties to
23 provide an arrangement that secures additional system capacity, i.e. firm deliveries up to
24

¹¹¹ Response to ORA-02 Question 4e in A.13-12-013. See also SoCalGas tariff Schedule G-BTS available at <https://www.socalgas.com/regulatory/tariffs/tariffs-rates.shtml>.

¹¹² Response to ORA-02 Question 4e in A.13-12-013. See SoCalGas tariff Schedule G-BTS available at <https://www.socalgas.com/regulatory/tariffs/tariffs-rates.shtml>.

¹¹³ To maintain system reliability to serve end-use customers while increasing the physical capability of the SDG&E/SoCalGas system, the utilities proposed in A.06-10-034 to use reliable deliveries of gas at Otay Mesa to increase firm capacity on the SDG&E system and the Rainbow Corridor on the SoCalGas system.

¹¹⁴ OP#3, D.07-05-022 in A.06-10-034.

1 50 MMcf/d at Otay Mesa for the winter months November through March of 2007-2008
2 and 2008-2009.¹¹⁵ SDG&E/SoCalGas proposed addressing the constraints in the local
3 transmission system by contracting for upstream capacity instead of expanding the
4 transmission system at the time. SDG&E/SoCalGas argued that this mechanism would
5 allow the utilities to increase capacity and maintain system reliability to serve customer
6 demand in southern Riverside County and San Diego County for the winter heating
7 seasons for 2007-2008 and 2008-2009.¹¹⁶ By acquiring pipeline capacity from
8 Ehrenberg/Blythe through Baja California to Otay Mesa, the utilities stated they could
9 achieve the goal of increasing capacity and maintaining system reliability sooner, and at
10 substantially lower cost, than requiring additional system facilities.¹¹⁷ In response to
11 ORA-68 Question 5, the Applicants confirmed that they did not actually make use of this
12 authority for the following reason:¹¹⁸

13 Service was no longer timely due to the pending implementation of the
14 Firm Access Rights (FAR) proceeding, A.04-12-004, as approved by
15 D.06-12-031.
16

17 The supplies delivered into any of the Southern Transmission zone receipt points
18 can originate from El Paso, but of those that do, they may arrive via an intermediate
19 pipeline.¹¹⁹ For example, any supplies delivered from TGN to Otay Mesa either arrived
20 there via El Paso to North Baja to Baja Norte to TGN or else from the Liquefied Natural
21 Gas Terminal at Costa Azul through the Gasoducto Rosarito spur connecting with Costa
22 Azul, and then to TGN. Gas delivered at Otay Mesa pays the same costs as gas delivered
23 at Ehrenberg, plus the additional costs to get through the three pipelines. Therefore,
24 acquiring capacity on these pipelines that will enable firm delivery to the system at Otay

¹¹⁵ FOF#2, D.07-05-022.

¹¹⁶ The winter heating season is November through March.

¹¹⁷ D.07-05-022, p.3.

¹¹⁸ Response to ORA-68 Q. 5.

¹¹⁹ Response to ORA-02 Q.10 in A.13-12-013.

1 Mesa may enable the Applicants to address the need for added “reserve” capacity and
2 system reliability.

3 With respect to the amount of pipeline capacity on the two of the three pipelines
4 that could be available for firm delivery (*e.g.*, imports) to the Applicants’ system at Otay
5 Mesa, SoCalGas/SDG&E have asserted in discovery the following:

6 As of August 3, 2016, Sempra Utilities’ Mexican affiliate, IEnova LNG,
7 had 400,000 MMBtu/day of subscribed capacity on the Gasoducto Rosarito
8 line.¹²⁰

9

10 As of August 3, 2016, the subscribed capacity that IEnova LNG has on
11 Gasoducto Rosarito was not scheduled to expire until 2022.¹²¹

12

13 As of August 3, 2016, Sempra Utilities’ Mexican affiliate, IEnova LNG,
14 had 540,000 MMBtu/day of subscribed capacity on the Transportadora de
15 Gas Natural line, the same line referred to as the “TGN” pipeline on page 5-
16 15 of the Proponent’s Environmental Assessment in A.15-09-013.¹²²

17

18 As of August 3, 2016, the subscribed capacity that IEnova LNG has on the
19 TGN line was not scheduled to expire until 2022.¹²³

20

21 SoCalGas and SDG&E lack sufficient information to respond regarding
22 future firm capacity or the cost of gas delivered to Otay Mesa.¹²⁴

23

24 As previously explained, one way the amount of available capacity could be
25 estimated is to solicit bids through the conduct of one or more RFO’s. As also
26 mentioned, a similar solicitation was authorized to be done by SoCalGas/SDG&E in
27 A.06-10-034, which was approved by D.07-05-022. Another example to illustrate that
28 SoCalGas could secure needed contracts for reliability would be those under its authority
29 in D.07-12-019 to conduct RFOs. Pursuant to such authority, SoCalGas secured baseload

¹²⁰ Response to ORA-26 Q.8a.

¹²¹ Response to ORA-26 Q.8b.

¹²² Response to ORA-26 Q.8c and 8d.

¹²³ Response to ORA-26 Q.8e.

¹²⁴ Response to ORA-26, Q.9b.

1 contracts to be used to support Southern System minimum flow requirements and
2 maintain system reliability.¹²⁵

3 Another way to identify the amount of available capacity is to simply check the
4 pipeline websites such as those for TGN, North Baja, and Gasoducto Rosarito which
5 have information postings on available capacity and subscribed capacity.¹²⁶

6 According to TGN's website, TGN can transport up to 800 million cubic feet of
7 gas per day.¹²⁷ ORA's recent check on TGN website indicates that there is projected
8 available capacity for January 31, 2017 of 488,806 Million British Thermal Units per day
9 (MMbtu/d) on the path described as "Interconnection with North Baja Pipeline to the
10 Interconnection with Transportadora de Gas Natural de Baja California."¹²⁸ For the same
11 path, ORA found that the projected available capacity on TGN for February 7, 2017 is
12 shown as 545,828 MMbtu/d.¹²⁹ Further, for the same path, the projected available
13 capacity on TGN for February 8, 2017 is shown as 505,831 MMbtu/d.¹³⁰ The difference
14 in the available capacity amount between these dates indicate that these are likely for
15 interruptible capacity since the posted amounts available could change from day to day.
16 On the other hand, those shown as subscribed capacity posted on TGN website for
17 February 2017 are the firm capacity long term contracts. For February 2017, the posting
18 still shows Sempra Energy LNG Marketing Mexico having a subscribed capacity of
19 540,000 MMbtu/d and Shell Mexico Gas Natural having a subscribed capacity of
20 400,000 MMbtu/d, which are still the same subscribed capacity amounts as those posted

¹²⁵ Refer to Energy Resolution G-3477 which approved the baseload contracts needed for system reliability in the Southern System.

¹²⁶ FERC Order 636 (including subsequent modifications) established a capacity release market in transportation and storage and for pipelines to post on electronic bulletin boards information on the availability of service on their pipelines. See information available from US Energy Information Administration at http://www.eia.gov/oil_gas/natural_gas/analysis_publications/ngmajorleg/ferc636.html.

¹²⁷ Information available at <http://www.tgndebajacalifornia.com/english/index.html>.

¹²⁸ Information available at <http://www.tgndebajacalifornia.com/english/information.aspx>. The information obtained on January 31, 2017 is shown as Attachment 1.

¹²⁹ Id. The information obtained on February 7, 2017 is shown as Attachment 2.

¹³⁰ Id. The information obtained on February 8, 2017 is shown as Attachment 3.

1 on December 2013. As posted, these capacity holdings are shown to expire in the years
2 2022 and 2028, respectively. ORA noted other small changes in the amount of
3 subscribed capacity.¹³¹ As noted earlier, FERC’s Order 636 in April 1992 enabled the
4 establishment of a capacity release market. [Note: The informational posting was
5 originally in Spanish but ORA clicked on the “English” button in the website to have it
6 shown in that language.]

7 According to Gasoducto Rosarito’s website, the company is a subsidiary of
8 Infraestructura Energetica Nova S.A.B. de C.V. (IE Nova) and is composed of two
9 pipelines with a total length of 186 miles as well as a 30,000 hp compressor Station.¹³²
10 Information gathered by ORA indicates that the first pipeline is a 30-inch system capable
11 of transporting 534 million cubic feet per day (MMcf/d) (15.1 million cubic meters per
12 day (Mm3/d)) and begins at the interconnection of El Paso Natural Gas Co near
13 Ehrenberg, Arizona and ends at the interconnection with TGN south of Tijuana.¹³³ The
14 second pipeline is called the LNG Spur and is a 42-inch system capable of transporting
15 2.6 billion cubic feet per day (Bcf/d). The line begins at Energia Costa Azul LNG
16 Terminal (north of Ensenada, Baja, California) and ends at the interconnection with the
17 GB Mainline in the zone of El Carrizon south of the Tecate, Baja, California. ORA’s
18 recent check on Gasoducto Rosarito website shows there is projected available capacity
19 for February 7, 2017 on Gasoducto Rosarito on the path described as “Interconnection
20 with North Baja Pipeline to the Interconnection with Transportadora de Gas Nautral de
21 Baja California” for 393,0493 MMbtu/d.¹³⁴ This is an increase from the amount of

¹³¹ ORA only noted a small change in the amount of subscribed capacity for the TGN firm capacity, where JM & Ral Energy Mexico is shown as having subscribed capacity of 2,250 MMbtu/d to expire in 2015 (as of the January 2015 posting) and then that changed to Igasamex holding 6,100 MMbtu/d to expire in 2018 (as of the January 2016 posting). That changed on the March 2016 posting on subscribed capacity where Igasamex is shown as having 4,561 MMbtu/d of subscribed capacity while JM Ral is shown with 1,539 MMbtu/d acquired from capacity release.

¹³² Information from <http://www.gasoductorosarito.com/english/index.html>.

¹³³ Information from <http://www.bnamericas.com/company-profile/en/gasoducto-rosarito-s-de-r-l-de-c-v-gasoducto-rosarito>.

¹³⁴ Information available at <http://www.gasoductorosarito.com/english/information.aspx>. The information

1 available capacity on January 31, 2017 of 329,385 MMbtu/d on the same path described
2 as “Interconnection with North Baja Pipeline to the Interconnection with Transportadora
3 de Gas Natural de Baja California.”¹³⁵ This recent amount of available capacity on
4 Gasoducto Rosarito is higher than the one shown as available capacity on August 2,
5 2016, which was only 134,555 MMbtu/d.¹³⁶

6 With respect to the third pipeline, ORA’s review of the North Baja Pipeline
7 website on February 6, 2017 shows the unsubscribed capacity on the location name
8 indicated as “Flow Past Ehrenberg” at location ID “1393336” in the amount of 185,120
9 MMbtu/d effective on 1/28/2017 to the end of year 2099.¹³⁷

10 ORA understands from its search of the FERC website that the FERC Gas Tariff
11 for the North Baja Pipeline (“NBP”) is set forth in NBP’s First Revised Volume 1 filed
12 with the FERC.¹³⁸ The schedule from the website shows NBP’s effective gas tariffs
13 effective as of April 28, 2010 for Schedule FTS-1 (i.e., firm transportation service), ITS-1
14 (i.e., interruptible transportation service), PAL-1 (i.e. Parking & lending), and ACA (i.e.,
15 Annual Charge Adjustment) surcharge rates. A note below the schedule states that the
16 maximum rate per Dth set forth in the statement of effective rates and charges does not
17 apply to capacity release transactions of one year or less. In this particular FERC Gas
18 Tariff, the maximum rate shown in the FTS-1 schedule is for a capacity reservation rate
19 per month per Dth of Maximum Daily Quantity of \$3.99840/Dth-month, a commodity
20 rate \$0.00066/Dth, a fuel rate of 0.8500% and a maximum volumetric capacity release

obtained on February 7, 2017 is shown as Attachment 4.

¹³⁵ Information available at <http://www.gasoductorosarito.com/english/information.aspx>. The information obtained on January 31, 2017 is shown as Attachment 5.

¹³⁶ Information available at <http://www.gasoductorosarito.com/english/information.aspx>. The information obtained on August 2, 2016 is shown as Attachment 6.

¹³⁷ Information available at <http://tcplus.com/North%20Baja/UnsubscribedCapacity>. The information obtained on this date is shown as Attachment 7.

¹³⁸ Information available at <http://etariff.ferc.gov/TariffBrowser.aspx?tid=619>. Since the information on NBP’s gas tariffs filed with FERC has more than 200 pages, only an excerpt with the relevant rates discussed is shown as Attachment 8.

1 rate of \$0.13211/Dth-month.¹³⁹ The NBP schedule also shows a list of the negotiated
2 rate agreements under rate schedule FTS-1.¹⁴⁰ No negotiated rates are displayed in the
3 schedule but there are explanatory footnotes. For cost estimation purposes, ORA
4 recommends use of the maximum rate shown to provide a conservative estimate, since a
5 negotiated rate could either be above or below the maximum rate. Negotiated rates could
6 offer either a discount or a premium to the maximum rate, and thus simply assuming the
7 maximum rate for cost estimation purposes would be a conservative approach.

8 ORA is still searching for the TGN and Gasoducto Rosarito gas tariffs that may be
9 more current than the set of schedules found to date.¹⁴¹ As of the date of ORA’s search
10 on February 7, 2017, the rates for transport and storage of natural gas in the schedules
11 provided in the Mexican regulatory agency’s website are given in Mexican peso values as
12 of May 18, 2015 for TGN and as of June 12, 2015 for Gasoducto Rosarito.¹⁴² The
13 Mexican regulatory agency also provides a price list and rates on the ECA as of June 9,
14 2014.¹⁴³ The price list shows the maximum rates on storage capacity fee in Mexican
15 pesos per Gjoule per day.

16 Further for future reference on the Mexican market, with respect to the process to
17 obtain transport capacity on the Mexican pipelines, ORA understands from a December
18 2016 presentation material provided by Mexico’s Energy Regulatory Commission
19 (referred to as “Comision Reguladora De Energia” or “CRE”) during the NAESB¹⁴⁴

¹³⁹ Id.

¹⁴⁰ Id.

¹⁴¹ Information available at <http://www.gob.mx/cre/articulos/listas-de-tarifas-vigentes-de-transporte-y-almacenamiento-de-gas-natural>. The information obtained during ORA’s search is shown in Attachment 9.

¹⁴² Id.

¹⁴³ Information obtained by clicking on the link for Energia Costa Azul, S.de RL de CV provided through the website <http://www.gob.mx/cre/articulos/listas-de-tarifas-vigentes-de-transporte-y-almacenamiento-de-gas-natural> After clicking on the ECA link, click once more on “DOF:27/06/2014” shown near the bottom of the page and there is also an option to translate the page into English. The price list information during ORA’s search is shown as Attachment 10.

¹⁴⁴ NAESB stands for North American Energy Standards Board.

1 Board of Directors' Dinner in Houston, Texas that the CRE plans (as of the date of the
2 material) for the implementation of a natural gas competitive market.¹⁴⁵ According to the
3 CRE presentation, the CRE approved the CENAGAS (i.e., National Center for the
4 Control of Natural Gas) open season proposal which is currently being implemented ¹⁴⁶
5 Further, the CENAGAS will auction available capacity and capacity will be assigned to
6 the participants offering the highest price.¹⁴⁷

7 Except for the Proposed Project, ORA is not aware of any other plan that the
8 Applicants' plan have to address the supply of gas to customers in the event that Line
9 3010 has an issue and that Line 1600 has not been replaced.¹⁴⁸ As quoted earlier in
10 response to TURN Data Request 2, Question 10, the Applicants' plans clearly involve
11 securing supplies at Otay Mesa.¹⁴⁹

12 **B. Applicants Should Restore the Open Season Process in**
13 **Conjunction with their System Planning Notwithstanding**
14 **Customer Complaints as Discussed herein**

15 Question 5 of the scoping memo asks:

16 Should applicants be required to conduct an open season to test the need for
17 expansion beyond that indicated by the application of any approved planning
18 criteria?

¹⁴⁵ See slide 7, CRE Presentation material dated December 2016 available at
<https://www.naesb.org/pdf4/bd120816a1.pdf>.

¹⁴⁶ Id.

¹⁴⁷ See slide 9, CRE Presentation material dated December 2016 available at
<https://www.naesb.org/pdf4/bd120816a1.pdf>.

¹⁴⁸ The Applicants' concerns about needing this level of redundancy appear to be raised for the first time
in this application, after over 60 years of operating the Southern System with just Lines 1600 and 3010,
and after the stated improvements from their 2004 application for the Otay Mesa receipt point.

¹⁴⁹ Response to TURN DR#2 Q.10 was quoted earlier in this testimony. For ease of reference,
that Data Response says: SDG&E and SoCalGas' plan is to maintain Line 1600 as a transmission
line until it is replaced. If Line 3010 has an issue that takes it out of service, curtailment of
noncore load would be ordered in compliance with SDG&E Gas Rule 14 to reduce demand. The
System Operator would also work with the California Energy Hub and Gas Acquisition to
transport supply from the El Paso Southern System to Otay Mesa, depending on availability, to
meet core and critical noncore requirements in excess of Line 1600 capacity.

1 **1. The Applicants Should Comply with Commission**
2 **Decisions (D.)02-11-073 and D. 06-09-039 Requiring**
3 **SoCalGas/SDG&E Use Open Seasons as Well as**
4 **System Planning, To Minimize Congestion and**
5 **Assure Reliability to Firm Customers¹⁵⁰**

6 There are two Commission decisions that explicitly address the
7 SoCalGas/SDG&E reliability standards criteria and the open season requirements. The
8 Applicants should comply with D.02-11-073 and D.06-09-039 which require
9 SoCalGas/SDG&E to use open seasons as well as system planning. The relevant portions
10 of these two decisions are provided below.

11 In D.02-11-073, the Commission states with respect to local transmission
12 expansion capacity:¹⁵¹

13
14 SoCalGas can plan the timing and location of capacity additions through a
15 combination of various mechanisms including a thorough analysis of the
16 subscriptions to its open season, adherence to a system planning criteria of
17 1 in 10 for noncore customers and 1 in 35 for core customers for location
18 transmission, and nonbonding expressions of interest in long-term
19 agreements in the event customer commitments exceed available capacity
20 in any of the 24 months of the open season. SoCalGas is directed to present
21 a detailed Resource Plan in the next General Rate Case (“GRC”) or
22 Biennial Cost Allocation Proceeding (“BCAP”).
23

24 In Findings of Fact (“FOF”) #9 of the decision, the Commission states:¹⁵²

25 Open seasons are a vehicle to allocate firm noncore capacity between
26 existing customers, incremental new load of existing customers, and new
27 customers.
28

29 In Conclusion of Law #3 of the decision, the Commission states:¹⁵³

¹⁵⁰ Ordering Paragraph #10, D.06-09-039.

¹⁵¹ D.02-11-073, p. 39.

¹⁵² Id., p. 46.

¹⁵³ Id., p. 47.

1 SDG&E should be authorized to conduct an open season for the allocation
2 of firm capacity, following the protocols set forth in this decision, to
3 determine system expansions necessary to maintain a 1-in-10 standard for
4 all firm noncore customers.

5
6 In Ordering Paragraph #4 of the decision, the Commission states:¹⁵⁴

7
8 SDG&E shall conduct an open season for the allocation of firm capacity,
9 following the protocols set forth herein.

10
11 In D.06-09-039, the Commission states:¹⁵⁵

12
13 In sum, we modify SDG&E and SoCalGas' proposed changes to their rules
14 for conducting open seasons on the local transmission system. Thus, the
15 utilities shall conduct any approved open seasons in a manner consistent
16 with this decision. And the utilities shall file revised tariff rules to reflect
17 the changes adopted herein. The utilities shall use system planning as well
18 as open seasons, as discussed herein, to minimize congestion and assure
19 one-in-ten year reliability for firm customers.

20
21 In Conclusion of Law #11, D.06-09-039 states:¹⁵⁶

22
23 For smaller customers, SoCalGas and SDG&E should retain the current
24 practice of requiring no more than 2-year commitments from those seeking
25 firm capacity through open seasons. For large customers, SoCalGas and
26 SDG&E should require that they make take-or-pay commitments which last
27 until the earlier of the following two events occurs: either two years shall
28 have elapsed from the date that the associated facilities are placed into
29 service; or five years shall have elapsed from the customer's sign-up date.

30
31 In Ordering Paragraphs #7 and 8 of D.06-09-039, the Commission modified
32 the Applicants' proposed open season revisions:¹⁵⁷

33
34 SDG&E/SoCalGas' request for revisions to the open season process for
35 expansion of local transmission facilities is modified.

¹⁵⁴ Id., p. 48.

¹⁵⁵ D.06-09-039, p. 64.

¹⁵⁶ D.06-09-039, p. 180.

¹⁵⁷ Id., p. 185.

1
2 For smaller customers, SoCalGas and SDG&E shall retain the current
3 practice of requiring no more than 2-year commitments from those seeking
4 firm capacity through open seasons. For large customers, SoCalGas and
5 SDG&E shall require that they make take-or-pay commitments which last
6 until the earlier of the following two events occurs: either two years shall
7 have elapsed from the date that the associated facilities are placed into
8 service; or five years shall have elapsed from the customer's sign-up date.
9

10 **2. SoCalGas/SDG&E Have Been Conducting Open**
11 **Seasons Until They Requested to Eliminate It in**
12 **Their Recent Application on Gas Curtailment in**
13 **A.15-06-020**

14 Since the above decisions in D.02-11-073 and D.06-09-039, the Applicants had
15 been complying with the open season requirements via advice letter filings.¹⁵⁸ In A.15-
16 06-020, which is a curtailment proceeding, the Applicants proposed to stop having the
17 firm and interruptible designations for noncore transportation service, and instead offer
18 only a single noncore transportation service and to eliminate the open season required
19 pursuant to D.06-09-039.¹⁵⁹

20 In D.16-07-008, the Commission approved and adopted the Curtailment
21 Procedures Settlement Agreement, which included the elimination of the previous open
22 season requirement in potentially constrained areas.¹⁶⁰

23 The decision states that:

24 Settling Parties agree that capacity open seasons are no longer required to
25 be conducted in potentially capacity constrained areas and that SoCalGas
26 and SDG&E's end-use noncore rate schedules will no longer distinguish
27 between firm and interruptible transportation service (except for SoCalGas

¹⁵⁸ Refer to Response to ORA-08 Q.9 describing open seasons by SDG&E during Jan.1, 2014 through April 2016 period.

¹⁵⁹ A.15-06-020 SoCalGas and SDG&E Application for Authority to Revise Their Curtailment Procedures, pp. 6-7.

¹⁶⁰ O.P.#1, D.16-07-008. ORA was not among the settling parties in the curtailment procedures portion of the proceeding. However, the daily balancing issue in the curtailment proceeding was addressed separately and ORA was a settlement party to the "Daily Balancing Proposal Settlement Agreement" adopted in D.16-06-021.

1 Schedule No. G-BTS, Backbone Transportation Service). To implement
2 these changes, the Settlement specifies that all noncore customer contracts
3 for transportation service in effect on the effective date of the Settlement
4 are terminated on the first day of the month following 90 days from the date
5 of this decision, and new month-to-month contracts will be implemented.¹⁶¹
6

7 The explanation regarding the elimination of the open season requirement was
8 presented in the Applicants' testimony. They cite to customer complaints stating:

9 The purpose of the capacity open seasons is to allocate the available
10 capacity to customers seeking firm noncore transmission service. Those
11 noncore customers that desire firm transmission service submit their hourly
12 bid requests during the open season and are subject to an annual use-or-pay
13 requirement for any capacity awarded; those that do not bid receive
14 interruptible service. SoCalGas and SDG&E propose to end these capacity
15 open seasons. The open seasons of the past have failed to produce
16 appropriate capacity planning signals in these potentially constrained areas.
17 Customers freely elect interruptible service yet have complained when
18 SoCalGas and SDG&E have needed to curtail interruptible service.
19 (Footnote 1 omitted)¹⁶²
20

21 In footnote 1 of the above testimony, Applicants cite to the customer protests in
22 SoCalGas Advice Letter 4441¹⁶³ as an example of the complaints received, in which
23 SoCalGas initiated a localized curtailment of interruptible noncore customers in the
24 northern San Joaquin Valley system. The Applicants' testimony was silent on Resolution
25 G-3483 which affirmed the SoCalGas' December 27, 2012 curtailment was necessary and
26 unavoidable to ensure the safety of the pipeline system and grants a one-time waiver for
27 the first eight hours of the noncompliance penalties to all of SoCalGas' noncore
28 interruptible customers.¹⁶⁴

¹⁶¹ D.16-07-008, p. 7.

¹⁶² Prepared Testimony of Mr. David Bisi in A.15-06-020, p. 9.

¹⁶³ SoCalGas AL 4441 was a Notice of a Curtailment event on Dec 27, 2012. AL 4441 was approved in Resolution G-3483 which affirmed the SoCalGas curtailment on that day was necessary and unavoidable to ensure the safety of the affected pipeline system [Ordering Paragraph 1 of Res G-3483].

¹⁶⁴ Ordering Paragraphs 1 & 2, Resolution G-3483 dated December 5, 2013.

1 The Settlement Agreement in D.16-07-008 is non-precedential.¹⁶⁵ In addition,
2 ORA was not a party to the Settlement Agreement in D.16-07-008, as the impacts of the
3 proposed curtailment order were more on Electric Generators.¹⁶⁶

4 **3. The Commission Used the Open Season in PG&E's**
5 **Line 401 Project Which is a Backbone Gas**
6 **Transmission Line**

7 ORA notes that it is not unprecedented to require a gas operator to conduct an
8 open season to test the need for expansion. In D.90-12-119, the Commission approved
9 the CPCN for Pacific Gas and Electric Company's Line 401 project, stating in Ordering
10 Paragraphs 1 through 3:¹⁶⁷

11 1. A Certificate of Public Convenience and Necessity(CPCN) is granted
12 subject to the conditions set forth in this order, to Pacific Gas and Electric
13 Company (PG&E) to construct and operate, a natural gas pipeline from
14 Malin; Oregon, to Kern River Station, California, having a: firm
15 transportation capacity of. 755-MMcf/d, to Construct a new compression
16 station at Brentwood California, and to make related improvements to other
17 compression stations, meters and taps.

18
19 2. The maximum reasonable cost of the proposed project pursuant to' Public
20 Utilities Code § 1005.5 shall be \$736 million.

21
22 3. The risk of non-recovery of Expansion project costs and expenses shall
23 be borne by PG&E's shareholders and Expansion shippers unless otherwise
24 ordered by this Commission.

25
26 In Findings of Fact 19 and 20, the Commission states:

27
28 19. In early 1989 it appeared that utility subscriptions would require only
29 350 MMcf/d of capacity. PG&E/PGT then conducted an open season
30 bidding procedure to market the remaining capacity, from April 26 through
31 May 2, 1989.
32

¹⁶⁵ Refer to Section III.B. of Attachment 1, D.16-07-008, p.A-8 stating the non-precedential effect of the Settlement Agreement.

¹⁶⁶ ORA only participated in the Daily Balancing portion of the Curtailment Proceeding.

¹⁶⁷ Ordering Paragraphs 1, 2, and 3, D.90-12-119, p. 203.

1 20. PG&E determined it would allocate firm transportation on the
2 Expansion by an open season bid process. Capacity on the Expansion was
3 awarded in relation to the present value of the reservation fee for the term
4 requested, with the maximum bid being a 100% reservation and a 30 year
5 term. The open season procedure also called for the timely execution of a
6 Precedent Agreement.
7

8 **4. An Open Season is a Standard Practice Used** 9 **Among Interstate Pipelines**

10 Reviewing the US EIA website provides a description on the use of an open
11 season to gauge market interest for interstate pipelines:¹⁶⁸

12 To gauge the level of market interest, an open season is held for 1-2
13 months, giving potential customers an opportunity to enter into a
14 nonbinding agreement to sign up for a portion of the capacity rights that
15 will be available. If enough interest is shown during the open season, the
16 sponsors will develop a preliminary project design and move forward. If
17 not enough interest is evident, the project will most likely be dropped or
18 placed on indefinite hold.

19 To illustrate the point that an open season is standard practice for interstate
20 pipelines, ORA reviewed the Federal Register website which provides a background on
21 the historical use of the open season for interstate transmission pipelines. The material
22 shown is only part of a published document dated March 18, 2010 on the Federal Energy
23 Regulatory Commission's Final Rule where the Commission is amending its regulations
24 in order to clarify them in response to Order Nos. 717 and 717-A:¹⁶⁹

25 I. Introduction 26

27 1. By this instant final rule, the Commission is amending part 157, subpart
28 B of its regulations, specifically 18 CFR 157.34 and 157.35, in order to
29 clarify and reconcile them in response to Order Nos. 717 and 717-A,^[1]
30 governing the Standards of Conduct for transmission providers. Part 157,

¹⁶⁸ Information from https://www.eia.gov/pub/oil_gas/natural_gas/analysis_publications/ngpipeline/develop.html

¹⁶⁹ The material was obtained from <https://www.federalregister.gov/documents/2010/03/29/2010-6770/regulations-governing-the-conduct-of-open-seasons-for-alaska-natural-gas-transportation-projects>.

1 subpart B contains the regulations governing open seasons for Alaska
2 natural gas transportation projects. Specifically, the Commission is
3 eliminating references to “energy affiliates” in §§ 157.34 and 157.35 of the
4 Commission's regulations in order to be consistent with Order No. 717, in
5 which the Commission eliminated the concept of “energy affiliates” in
6 response to the U.S. Court of Appeals for the DC Circuit decision in
7 *National Fuel Gas Corporation v. FERC (National Fuel)*.^[2]

8 2. The Commission, in Order No. 717, also eliminated the corporate
9 functional approach taken in Order No. 2004's ^[3] Standards of Conduct in
10 favor of an employee functional approach. In doing so, the Commission
11 revised and reformed the Standards of Conduct to combine the best
12 elements of Order No. 2004, with those of the Standards of Conduct
13 originally adopted by the Commission in Order Nos. 497 ^[4] (for the gas
14 industry) and 889 ^[5] (for the electric industry). By this rule, the
15 Commission is reconciling in § 157.35(d) to the specific Standards of
16 Conduct with which a project sponsor conducting an open season for an
17 Alaska natural gas transportation project must comply, as they have been
18 revised and now appear in the Commission's regulations as a result of Order
19 Nos. 717 and 717-A.

20 II. Background

21
22
23 3. In 1988, the Commission, in Order No. 497, first adopted Standards of
24 Conduct for transmission providers. In Order No. 497, the Commission
25 sought to deter undue preferences by (i) separating a transmission function
26 provider's employees engaged in transmission services from those engaged
27 in its marketing services, and (ii) requiring that all transmission customers,
28 affiliated and non-affiliated, be treated on a non- discriminatory basis.

29 4. In 2003, the Commission issued Order No. 2004, which broadened the
30 Standards of Conduct to include a new category of affiliate, the energy
31 affiliate.^[6] The new standards were made applicable to both the electric and
32 gas industries, and provided that the transmission employees of a
33 transmission provider ^[7] must function independently not only from the
34 company's marketing affiliates but from its energy affiliates as well, and
35 that Start Printed Page 15338transmission providers may not treat either
36 their energy affiliates or their marketing affiliates on a preferential basis.

37
38 5. In 2005, the Commission issued Order No. 2005,^[8] amending its
39 regulations to establish requirements governing the conduct of open
40 seasons for proposals to construct Alaska natural gas transportation

1 projects.^{9]} In order to further the Commission's goal of a non-
2 discriminatory open season, Order No. 2005 applied certain of the
3 Standards of Conduct requirements of Order No. 2004, several of which
4 incorporated Order No. 2004's "energy affiliate" concept.

5
6 6. In 2006, in *National Fuel*, the U.S. Court of Appeals for the DC Circuit
7 overturned the standards as applied to gas transmission providers on the
8 ground that the evidence of energy affiliate abuse cited by the Commission
9 was not in the record.^{10]} As a result of the court's decision in *National*
10 *Fuel*, on January 9, 2007, the Commission issued an interim rule, Order No.
11 690,^{11]} which repromulgated the portions of the Standards of Conduct not
12 challenged in *National Fuel* as applied to natural gas transmission
13 providers. Subsequently, on October 16, 2008, the Commission issued
14 Order No. 717 amending the Standards of Conduct for transmission
15 providers to make them clearer and to refocus the rules on the area where
16 there is the greatest potential for abuse.

17
18 7. The reforms in Order No. 717 were intended to eliminate the elements
19 that had rendered the Standards of Conduct difficult to enforce and apply.
20 The Commission strove to conform the Standards of Conduct with the
21 court's opinion in *National Fuel* and combine the best elements of Order
22 No. 2004 with those elements of the Standards of Conduct originally
23 adopted in Order Nos. 497 and 889. Specifically, Order No. 717 (i)
24 eliminated the concept of energy affiliates, and (ii) eliminated the corporate
25 separation approach in favor of the employee functional approach used in
26 Order Nos. 497 and 889.

27 28 III. Discussion 29

30 8. The Commission's goal in promulgating §§ 157.34 and 157.35 of its
31 regulations was to prevent unduly discriminatory behavior and limit the
32 ability of a project applicant for an Alaska natural gas transportation project
33 to unduly favor its affiliates in the open season process. The Commission
34 sought to do this by applying certain of the Standards of Conduct
35 requirements of Order No. 2004 to all project applicants conducting open
36 seasons for an Alaska natural gas transportation project because this would
37 minimize the risk that an affiliate of a project applicant would have an
38 advantage over non-affiliates in obtaining capacity through the open
39 season.

1 9. First, in § 157.35(c), the Commission required project applicants to
2 create/designate a unit or division to conduct the open season. The
3 employees of this unit or division are treated as transmission function
4 employees, and as such are required, under Order No. 2004, to function
5 independent of the other non-regulated divisions of the project applicant, as
6 well as the project applicant's Marketing and Energy Affiliates.¹² This,
7 the Commission stated, would prevent Energy Affiliates or Marketing
8 Affiliates of the project applicant who participate in the open season from
9 having the advantage of information or strategy that non-affiliated open
10 season participants do not have.

11
12 10. Second, in § 157.35(d), the Commission provided that the project
13 sponsor's unit or division conducting an open season would be subject to
14 certain provisions of the Standards of Conduct, specifically, those
15 pertaining to: separation of functions (18 CFR 358.4(a)(1) and (3)); written
16 procedures (18 CFR 358.4(e)(3), (4), (5) and (6)); information access (18
17 CFR 358.5(a)); information disclosure (18 CFR 358.5(b)); prohibitions
18 against discrimination (18 CFR 358.5(c)(3) and(5)) and discounts (18 CFR
19 358.5(d).

20
21 FERC has rules regarding the bidding by affiliates in open seasons for pipeline
22 capacity also partially reproduced below:¹⁷⁰

23
24 SUMMARY: In this Final Rule, the Federal Energy Regulatory
25 Commission revises its regulations governing interstate natural gas
26 pipelines to prohibit multiple affiliates of the same entity from bidding in
27 an open season for pipeline capacity in which the pipeline may allocate
28 capacity on a *pro rata* basis, unless each affiliate has an independent
29 business reason for submitting a bid. The Commission does not find it
30 necessary to adopt its proposal in the Notice of Proposed Rulemaking that
31 if more than one affiliate of the same entity participates in such an open
32 season, then none of those affiliates may release any capacity obtained in
33 that open season pursuant to a *pro rata* allocation to any affiliate, or
34 otherwise allow any affiliate to obtain the use of the allowed capacity.
35 EFFECTIVE DATE: This rule will become effective [**insert date** 30 days
36 after publication in the FEDERAL REGISTER].
37

¹⁷⁰ Information from <https://www.ferc.gov/whats-new/comm-meet/2011/111711/G-1.pdf>.

1 **C. Historical and Forecast Reliability Requirements May Be**
2 **Met By The Applicants’ Existing Capacity on the SDG&E**
3 **System**

4 Question 9 of the scoping memo asks:

5 How do historical and forecast demand data for the Applicants’ systems
6 correspond to the increase in capacity that would be made available by the proposed
7 project? (Rule 3.1(k))

8 **1. The Applicants Existing Capacity on the SDG&E**
9 **System Have for the Most Part Been Historically**
10 **Sufficient to Meet the Commission’s Standards of**
11 **Reliability**

12 The historical data and forecast gas throughput for SDG&E discussed in this
13 section is based on its entire system. Applicants have indicated in response to discovery
14 that SDG&E is unable to provide the “ten-year historic monthly volumes through Line
15 1600 and the ten-year historic daily and annual maximum volumes through Line 1600.”¹⁷¹
16 ORA understands that the Applicants state they are unable to forecast throughput for any
17 individual pipeline on its gas transmission system.¹⁷² Attachment D to the Applicants;
18 Supplemental Testimony provides Line 1600’s historic daily volumes for the period May
19 1, 2011 through January 1, 2017. ORA has not reviewed the numbers in Attachment D.
20 This may be the same data on Line 1600 daily volumes referenced in response to ORA-
21 06 Q.2e, which made reference to metered deliveries into Line 1600 at the custody
22 transfer point with SoCalGas.¹⁷³

23 As D.02-11-073 describes below, there was a gas transmission crisis in the
24 SDG&E service territory leading to curtailments in the year 2000. Shown below are
25 excerpts from D.02-11-073:

26 At the time the Commission initiated this proceeding, there was a gas
27 transmission crisis in San Diego Gas and Electric Company (SDG&E’s)

¹⁷¹ Response to ORA-06 Q.2c & d.

¹⁷² Response to ORA-06 Q.1a in A.15-09-013.

¹⁷³ Response to ORA-06 Q.2e.

1 service territory that resulted in 17 days of curtailed service and threatened
2 California's energy supply. We now implement new rules and procedures
3 for noncore customers, for SDG&E and Southern California Gas Company
4 (SoCalGas), to prevent the confluence of factors that created the crisis in
5 2000. In summary, this decision adopts system planning criteria and
6 reliability standards for both utilities; adopts the rule changes set forth in
7 the interim opinion in Decision (D.)01-06-008 as the permanent changes to
8 Rule 14; allows SDG&E to offer interruptible service at an interruptible
9 rate; orders both utilities to hold open seasons to determine need, timing,
10 and location of capacity additions; adopts a service interruption credit for
11 SDG&E; allows SDG&E to go forward with requested system expansions
12 upon written notice of interest; finds that Line 6900 is a common-use
13 facility, and addresses three outstanding Advice Letters.

14
15 In this decision we authorize SDG&E to limit firm noncore service to
16 available firm capacity until additional capacity improvements are
17 completed. We also adopt a 1-in-10 cold-year reliability standard for firm
18 noncore service. With the adoption of this standard, we are requiring
19 SDG&E to proceed with all infrastructure improvements necessary to
20 achieve a 1-in-10 standard for all firm noncore customers. In addition, we
21 have established a mechanism whereby customers can work with SDG&E
22 to begin preconstruction activities in anticipation of new demand...

23
24 On November 2, 2000, the Commission initiated I.00-11-002 into the
25 adequacy of the SoCalGas and SDG&E gas supply and transmission system
26 to provide service to present and future core and noncore customers of
27 SDG&E. This investigation was prompted by high gas demand during the
28 summer of 2000 that threatened gas curtailments for SDG&E's noncore
29 customers. In addition, in June 2000, SDG&E began to provide gas service
30 to a new electric generator (EG), in Rosarito, Mexico,¹⁷⁴ contributing to
31 increased capacity demands.¹⁷⁵

32
33 As a result of the above described crisis in SDG&E's gas transmission system, in
34 D.02-11-073, and subsequently in D.06-09-039, the Commission adopted reliability

¹⁷⁴ Commission Federal de Electricidad's Presidente Juarez Power Plant in Baja California Norte, Mexico (Rosarito) receives its natural gas supply exclusively through Gasoducto Rosarito (GR), a SDG&E affiliate. When SoCalGas and SDG&E submitted Application (A.) 98-07-005 to provide service to GR, their application did not disclose any uncertainty regarding the adequacy of the system to meet the requirements of existing customers in addition to the new, incremental requirements of GR.

¹⁷⁵ D.02-11-073, pp. 2-4.

1 standards for both SDG&E and SoCalGas.¹⁷⁶ Findings of Fact 5 and 6 in D.02-11-073
2 state the significance of the reliability standards for planning future system capacity:¹⁷⁷

- 3 5. A key component of the future planning and system expansion plans
4 of SDG&E is the reliability standard adopted for firm noncore
5 customers, including EGs.
- 6 6. The reliability standard is connected to cost allocation issues and
7 system expansion concerns, and determines the amount of excess
8 capacity that is available on the system.

9
10 The Applicants state in response to a question in ORA-07 Q3c where Applicants
11 were asked whether prior to the San Bruno disaster, SoCalGas/SDG&E had ever
12 requested funding in a GRC or other application or filing, indicating that Line 3010 did
13 not provide adequate capacity for San Diego, and if so, to provide the relevant
14 document(s).¹⁷⁸

15 SDG&E and SoCalGas are obligated to follow the framework established
16 by the Commission in D.02-11-073 and D.06-09-039 to address
17 deficiencies in capacity on the SDG&E system. Per D.02-11-073, SDG&E
18 and SoCalGas have issued semi-annual reports to the Commission
19 regarding the state of capacity on the SDG&E system. The report from
20 April 2010 prior to the San Bruno incident on the PG&E system is attached.

21
22 The executive summary of the report from April 2010 provided as a pdf embedded
23 file in response to ORA-07 Q3c sums up the conclusion of report below:¹⁷⁹

24 SDG&E system capacity continues to meet the 1-in-35 year cold day
25 design condition forecasts for core customers through the 2023/24
26 operating season. 1-in-10 year cold day demand is not forecasted to exceed
27 the available system capacity until the 2020/21 operating season. However,
28 connected load in San Diego still far exceeds both these forecast figures
29 and the SDG&E system capacity, and SDG&E may need to curtail
30 interruptible service as necessary to maintain firm service obligations.

¹⁷⁶ Ordering Paragraph 1 in D.02-11-073 and Ordering Paragraph 1 in D.06-09-039.

¹⁷⁷ D.02-11-073, p. 45.

¹⁷⁸ Response to ORA-07 Q.3c. Response to ORA-07 contains confidential information with respect to Questions 8 and 9 only.

¹⁷⁹ SDG&E Gas Capacity Planning and Demand Forecast Semi-Annual Report dated April 2010, p. 1

1
2 The above statements from the response to ORA-07 Q.3c clearly suggest
3 continuing adequacy of the SDG&E system capacity for the core under the 1-in-35 year
4 cold day design condition forecasts through 2023/2024 operating season and adequacy of
5 SDG&E system capacity under the 1-in-10 year cold day demand when demand is not
6 forecasted to exceed the available system capacity beginning in the 2020/2021 operating
7 season (which is ten years after the April 2010 date of the report). Additionally, the
8 above statement points to “connected load in San Diego” which still far exceeds the then
9 forecast figures and SDG&E system capacity.

10 In a subsequent SDG&E semi-annual report dated Oct.23, 2015, on its gas system
11 capacity planning and demand forecasts, SDG&E reported that its system capacity
12 continues to meet the 1-in-35 year peak day and 1-in-10 year cold day design condition
13 forecasts for core and firm noncore customers, respectively, through the 2035/36
14 operating season, assuming all transmission assets are in service.¹⁸⁰ Table 1 of SDG&E’s
15 report showed sufficient capacity to meet the 1-in-35 year and 1-in-10 year cold day
16 demand conditions through the forecast period. But on page 3 of the October 2015
17 report, SDG&E again notes that “even though SDG&E has capacity to serve forecasted
18 core and *firm* noncore 1-in-10 year cold day demand, connected load in San Diego still
19 far exceeds these forecast figures and the existing SDG&E system capacity (currently 1.3
20 billion cubic feet per day of demand under a 1-in-10 year cold day condition for the core
21 with connected load for the noncore).”¹⁸¹

22 In the two most recent submissions of the SDG&E semi-annual report dated April
23 2016 and October 2016, the SDG&E system’s capacity adequacy assessment remains the
24 same:¹⁸²

¹⁸⁰ SDG&E 2015 Semi-Annual Report on Gas Capacity Planning and Demand Forecast dated October 23, 2015, p. 1.

¹⁸¹ Id., p. 3.

¹⁸² SDG&E 2016 Semi-Annual Reports on Gas Capacity Planning and Demand Forecast dated April 2016 and October 23, 2015, respectively, p. 1.

1 SDG&E system capacity continues to meet the 1-in-35 year peak day and
2 1-in-10 year cold day design condition forecasts for core and noncore
3 customers, respectively, through the 2035/36 operating season, assuming
4 all transmission assets are in service. However, connected load in San
5 Diego still far exceeds both these forecast figures and existing SDG&E
6 system capacity, and SDG&E may need to curtail noncore service as
7 necessary to maintain core service obligations.
8

9 The use of the term “connected load” is based on the definition in Mr. Bisi’s
10 testimony.¹⁸³ Footnote 22 in the update to Mr. Bisi’s testimony provides the Applicants’
11 definition of connected load:¹⁸⁴

12 Connected load is an indication of how much gas would be needed to serve
13 all gas-burning devices connected to the system and running at maximum
14 level all at the same time. In this testimony, the Utilities refer to connected
15 load as a relevant metric only to indicate that San Diego is a potentially
16 capacity-constrained area and provide some insight into possible levels of
17 EG demand. The Utilities are not suggesting that a gas system should be
18 built to serve all connected load, as that would overbuild the system. But if
19 a new transmission pipeline is already to be built to replace Line 1600 to
20 comply with State law (as explained by Mr. Schneider) and to further
21 enhance safety (as explained by Mr. Sera), then it should be appropriately
22 sized to accommodate both redundancy and potential for quick changes in
23 demand.
24

25 The above includes a clarification on “connected load” which makes it clear that “The
26 Utilities are not suggesting” to build the gas system to serve all connected load, “as that
27 would overbuild the system.” To be clear, the Applicants also explicitly state in response
28 to ORA-44 Q.1c that they are not proposing a change in the Commission’s design
29 capacity criteria pursuant to the reliability standards in D.02-11-073 and D.06-09-039.¹⁸⁵
30 Neither have Applicants contended that the Proposed Project is necessary to meet the 1-
31 in-35 and 1-in-10 cold day design capacity criteria set forth in D.02-11-073 and D.06-09-

¹⁸³ Response to ORA-44 Q.2a.

¹⁸⁴ SDG&E-3R Bisi Updated Testimony dated Feb 2017, pp. 11-12.

¹⁸⁵ Response to ORA-44 Q.1c.

1 039, as explained in response to ORA-44 Q.1a.¹⁸⁶ But what is the reason behind the
2 reference to “connected load” in these Applicants’ semi-annual reports? The Applicants
3 describe their position on “connected load” against what the gas system must supply in
4 response to ORA-44 Q.2d:¹⁸⁷

5 As stated in the Prepared Testimony of David Bisi at 13: “Although the
6 predicted future demand is far less than the current connected load, a
7 change in use patterns by the connected load could quickly increase the
8 demand. Accordingly, although connected load is not the standard that
9 should be used to design capacity on the system, as explained below, it is a
10 useful indicator of the potential for EG demand that may quickly be
11 dispatched and that may not otherwise be captured under long-term demand
12 forecasting.” The utilization of connected load by customers results in real
13 demand that the gas system must supply. How and when customers choose
14 to utilize their connected load varies based on choices made by the
15 customer. The gas system has a certain capacity to meet a range of demand
16 profiles. The CEA evaluated and scored the ability of the Proposed Project
17 and Alternatives to meet this customer demand over a variety of operating
18 scenarios. It is through this relationship that connected load is considered
19 in the reliability section of the CEA.
20

21 The Applicants have not offered any clear ideas on how the gas system should be
22 built to meet the range of demand profiles utilizing connected load under a variety of
23 operating scenarios. Also when utilizing connected load, which customers would be
24 willing to pay for a gas system designed and built to meet a range of customer needs
25 under a variety of operating scenarios? When asked about the probability of an outage at
26 either Line 3010 or the Moreno Compressor Station occurring in any one year based on
27 assumptions in the CEA, Applicants respond that SoCalGas and SDG&E have not
28 calculated this probability.¹⁸⁸ In Exhibit ORA 03, ORA witness, Mr. Mina Botros,
29 discusses that the unplanned outages on each of these facilities has been rare in recent
30 history.

¹⁸⁶ Response to ORA-44 Q.1a.

¹⁸⁷ Response to ORA-44 Q.2d.

¹⁸⁸ Response to ORA-44 Q.3a.

1 The Applicants simply argue they “have determined that the Proposed Project is
2 necessary to meet that general reliability standard for the reasons set forth in the
3 Application, Cost-Effectiveness Analysis (CEA), and served Prepared Testimony.”¹⁸⁹
4 The Applicants’ explain that their general reliability standard is to maintain the ability to
5 provide safe, consistent and continuous service to customers.¹⁹⁰ These statements,
6 however, do not lead to the conclusion that Applicants’ existing capacity cannot meet
7 forecast demand and the Commission’s reliability standard.

8 Since the crisis described in D.02-11-073 for SDG&E, and based on the
9 Applicants’ semi-annual report filings as described above, the system capacity on
10 SDG&E’s gas transmission has been sufficient to meet the Commission’s standard of
11 reliability.¹⁹¹ According to the Applicants, nothing proposed in the Application requires
12 the Commission to change its current reliability standard because D.06-09-039 included
13 both the minimum design criteria and the general direction to plan their system to provide
14 reliable service even under emergency conditions.¹⁹² The issue on changing the
15 reliability standard is covered by Scoping Memo question 6 and not discussed here.

16 The California Gas Report Supplement (“CGR”) for the year 2001 reported
17 SDG&E’s actual recorded curtailment for year 2000 of 1 MMcf/d for electric generation

¹⁸⁹ Response to ORA-44 Q.1b.

¹⁹⁰ Response to ORA-44 Q.1c.

¹⁹¹ No reported curtailments of any customers in succeeding CGRs except those reported in years 2000 and 2001. The Semi-Annual Reports on Gas Capacity Planning and Demand Forecast which are included as attachments to the Applicants advice letter filings have all indicated adequacy of capacity to meet the Commission’s reliability standards. The advice letter filings by Applicants to report open season results on their pipelines indicate no need for expansion. See for instance SDG&E AL 2044-G, SCG AL 4252-G, SCG AL 4001-G, SCG AL 4829, and SDG&E 2397-G for report on open season results. In addition, SCG AL 5022 on the Biennial Report on Backbone Transmission and Slack Capacity in Compliance with D.06-09-039 indicates adequacy of backbone capacity and has slack capacity on the gas transmission system.

¹⁹² SDG&E-12 Supplemental Testimony, p. 60.

1 customers.¹⁹³ In the following year’s CGR, SDG&E’s actual recorded curtailment for
2 year 2001 was reported at 3 MMcf/d for electric generation customers.¹⁹⁴

3 Although Mr. Schneider’s Testimony describes that there is “much needed
4 reliability and resiliency for both compression and pipeline service interruptions,” the
5 Applicants have not applied for new natural gas infrastructure within the San Diego
6 System since 2000 stating:¹⁹⁵

7 Notwithstanding the instant Application, SDG&E and SoCalGas have made
8 no applications for new natural gas infrastructure within the SDG&E
9 system since 2000.
10

11 The existing Line 3010 is a 30” diameter pipeline that provides approximately
12 90% of SDG&E’s capacity.¹⁹⁶ The existing Line 1600 is a 16” diameter pipeline that
13 provides approximately 10% of SDG&E’s capacity.¹⁹⁷ The Proposed Project is a 36”
14 diameter pipeline that is expected to increase the SDG&E gas system capacity by 200
15 MMcfd.¹⁹⁸ This 200 MMcfd increase would mean an increase in SDG&E system
16 capacity from 630 MMcfd to 830 MMcfd in the winter operating season.¹⁹⁹ In addition,
17 Footnote 18 in Mr. Bisi’s Testimony states that usable linepack is also expected to
18 increase by approximately 22 million cubic feet.²⁰⁰

19 According to Mr. Bisi, with Line 3010 in service, Line 1600 contributes
20 approximately 100 MMcfd of capacity to the SDG&E system as currently operated.²⁰¹

¹⁹³ 2001 California Gas Report Supplement, p. 29.

¹⁹⁴ 2002 California Gas Report, p. 85.

¹⁹⁵ Response to ORA-07 Q.4. Response to ORA-07 contains confidential information with respect to Questions 8 and 9 only.

¹⁹⁶ SDG&E-3R Bisi Updated Testimony, p. 2.

¹⁹⁷ SDG&E-3R Bisi Updated Testimony, p. 2.

¹⁹⁸ SDG&E-3R Bisi Updated Testimony, p. 10.

¹⁹⁹ SDG&E-3R Bisi Updated Testimony, p. 10.

²⁰⁰ SDG&E-3R Bisi Updated Testimony, p. 10.

²⁰¹ SDG&E-3R Bisi Updated Testimony, p. 5.

1 SDG&E depends mostly on Line 3010 to transport about 90% of the entire SDG&E
2 supply and explains that an outage on Line 3010 severely reduces SDG&E capacity.²⁰²
3 Without Line 3010 and only Line 1600 available as currently operated, Mr. Bisi states
4 that SDG&E system capacity is reduced to 150 MMcfd.²⁰³ ORA understands that Mr.
5 Bisi's calculation of 150 MMcfd does not include the use of the Otay Mesa receipt point.
6 204

7 With the loss of the Moreno Compressor Station, Mr. Bisi states that the system
8 capacity based on free flowing supplies will only support a demand 340 MMcfd which is
9 roughly equal to SDG&E's daily demand.²⁰⁵ Citing data from the 2016 California Gas
10 Report, Mr. Bisi states that the SDG&E daily average demand is 343 MMcfd.²⁰⁶

11 To ORA's knowledge, the Applicants' existing system capacity has been
12 sufficient to meet the Commission's standard of reliability except as discussed herein.²⁰⁷
13 More importantly, the Applicants confirm that the SDG&E gas system currently has
14 sufficient capacity to meet the mandated reliability standards for core and noncore service
15 through 2035/36 operating year.²⁰⁸ The most recent demand forecast indicates that
16 demand is peaking in the 2021/2022 operating year and then declines.²⁰⁹ There does not

²⁰² SDG&E-3R Bisi Updated Testimony, p. 6.

²⁰³ SDG&E-3R Bisi Updated Testimony, p. 6. Footnote 4 on p.5 of SDG&E-3-R states Line 1600's capacity assumes 640 psig.

²⁰⁴ Refer to discussion of the outage scenario assumptions in section IV of Mr. Kikuts' testimony, p.3 where he states among the assumptions that alternate gas supplies through Otay Mesa are not available in the short term at the time of the Line 3010 outage. In response to ORA-11 Q.4, the basis for this assumption was explained citing the statement in Ms. Marelli's testimony (now Mr. Borkovich's testimony) that immediate supply of gas from Otay Mesa receipt point is not guaranteed.

²⁰⁵ SDG&E-3R Bisi Updated Testimony, p. 7.

²⁰⁶ SDG&E-3R Bisi Updated Testimony, p. 7.

²⁰⁷ The exception pertains to the curtailment crisis in the San Diego described earlier in relation to D.02-11-073.

²⁰⁸ SDG&E-3R Bisi Updated Testimony dated Feb 2017, p. 10.

²⁰⁹ Attachment A to Supplemental Testimony in A.15-09-013 which shows the latest October 2016 SDG&E Gas Capacity Planning and Demand Forecast Semi-Annual Report.

1 appear to be forecast increased demand that would correspond to the expected increase in
2 system capacity by 200 MMcfd from the Proposed Project.²¹⁰

3 **2. The Applicants’ Recently Updated Demand**
4 **Forecast Should Be Adopted and Used in This**
5 **Proceeding**

6 The Applicants’ recently updated their demand forecast to use the latest CEC
7 2017-2027 forecast in determining electric generation gas use.²¹¹ In response to ORA-68
8 Question 3f, Applicants indicate an update to their demand forecast based on the October
9 31, 2016 Gas Capacity Planning and Demand Forecast Semi-Annual Report (October
10 Report). Unfortunately, the most recent CEC demand forecast was not adopted early
11 enough for inclusion in Applicants’ most recent forecast of the 1-in-10 cold day gas
12 demand due to electric generation (Cold Day EG Forecast), which is presented in SDGE-
13 12. However, Mr. Yari’s testimony was updated based on the CEC California Energy
14 Demand Updated Forecast 2017-2027.²¹² Mr. Yari’s Updated Testimony states:²¹³

15 The peak electrical demand is projected to reach up to 4,693 MW (footnote
16 omitted) in 2017 climbing at an annual growth rate that varies, and
17 averages about 0.2 percent per year through 2027.
18

19 Before the update, the previous forecast had 5,372 MW as the peak demand for
20 2016 and is based on the CEC’s 2014 IEPR Mid Demand forecast, assuming 1-in-10 high
21 temperature weather conditions.²¹⁴ According to the Applicants, the previous forecast
22 does not include incremental achievable energy efficiency (AAEE) that may result from
23 Senate Bill (SB) 350’s mandate that the Commission identify “all potentially achievable

²¹⁰ Based on Attachment A to Supplemental Testimony in A.15-09-013.

²¹¹ SDG&E-4R Yari Testimony, p.14. Mr. Yari’s testimony explains why the Proposed Project is needed from an electric reliability standpoint.

²¹² Response to ORA-68 Q.3a.

²¹³ SDG&E-4R Yari Testimony, p. 14.

²¹⁴ Response to ORA-68 Q.3.

1 cost-effective electricity efficiency savings and establish efficiency targets for an
2 electrical corporation to achieve.” See Public Utilities Code § 454.55(a).²¹⁵
3 The Applicants explain that after service of their updated testimonies, CEC made a
4 correction to its forecast for SDG&E territory:²¹⁶

5 The CEC corrected its forecast for SDG&E’s service territory to 4,811 MW
6 in 2017 with the incorporated Mid Case AAEE.
7

8 The corrected forecast is still approximately 500 MW lower than SDG&E’s forecast for
9 the territory.

10 The response to ORA-68 Q.3 provided information on where to find the corrected
11 CEC forecast, shown below:

12 Please visit the CEC’s website to find the correct peak forecast information,
13 corrected on 2/27/2017.

14
15 http://www.energy.ca.gov/2016_energypolicy/documents/2016-12-08_workshop/mid_demand_case.php (with no AAEE)

16
17
18 http://www.energy.ca.gov/2016_energypolicy/documents/2016-12-08_workshop/LSE-BA_Forecasts.php (with Mid Case AAEE)
19
20

21 ORA recommends use of an updated demand forecast to reflect the most up to date
22 assumptions on many critical factors and important policies integral to energy forecast
23 planning based at the state level by the CEC. As explained in Applicants’ data response
24 to ORA-68 Q.3, an example of an important policy that could impact demand forecast
25 levels would be with respect to whether the forecast includes incremental AAEE that may
26 result from SB 350.

²¹⁵ Response to ORA-68 Q.3.

²¹⁶ Response to ORA-68 Q.3.

1 Phase 1 &2, the Southwest Gas 2014 GRC in A.12-12-024, the SoCalGas/SDG&E
2 North-South Project in A.13-12-013, the Liberty GRC in A.15-05-008, and the
3 SoCalGas/SDG&E Triennial Cost Allocation Proceeding in A.15-07-014.
4

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

6 A.4 I am responsible for ORA's testimony in this proceeding regarding the following
7 three (3) Questions: Question 3 on reasonably estimating the quantity of natural
8 gas supply and amount of pipeline capacity that could be available for firm
9 delivery (*e.g.*, imports) to the Applicants' system at Otay Mesa; Question 5 on
10 whether the Applicants should be required to conduct an open season to test the
11 need for expansion beyond that indicated by the application of any approved
12 planning criteria; and Question 9 on the comparison of historical and forecast
13 demand data for the Applicants' systems to the increase in capacity that would be
14 made available by the proposed project.
15

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

17 A.5 Yes, it does.
18
19