Docket:	:	A.14-12-017
Exhibit Number	:	
Reference Number	:	ORA-02
Commissioner	:	M. Picker
ALJ	:	S. Wilson
	:	G. Kelly
Witness	:	N. Stannik

OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Triennial Cost Allocation (TCAP) Proceeding, Phase I

Southern California Gas Company (U 904 G) and
San Diego Gas & Electric Company (U 902 G)

Appendix A
ORA Supporting Attachments

San Francisco, California
June 22, 2015

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ORA is including the following document for parties' reference because the Settlement Agreement in D. 08-12-020 is cited in testimony and can be difficult to find.

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TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-02)

QUESTION 7:

SCG's and SDG&E's testimony states (Watson testimony, pg. 8, lines 14-16) "Essentially, we would be allocating all of the incremental capacity of Aliso Canyon to the balancing function to help facilitate the new PG&E-like high OFO procedures."

a. Does facilitation of the "new PG&E-like high OFO procedures" specifically require that Aliso Canyon be allocated in this manner?

b. If so, please describe how this was determined and provide the relevant data, workpapers, and other documentation used to make this determination.

c. If not, please:

1. Describe how it was determined that Aliso Canyon injection is not specifically required for high-OFO procedure balancing.

2. Describe and outline the process through which SCG and SDG&E elected to allocate Aliso Canyon to balancing.

3. Describe alternative allocations that were considered and how/why they were ruled out.

4. Provide calculations of alternatives' costs and service impacts on core customers.

This response should include supporting data sources, workpapers, and all other available documentation.

RESPONSE 7:

a. To some degree, yes. If one is willing to accept a potential increase in the number of high OFOs, then less than 145 MMcfd of incremental injection capacity need be allocated to the balancing function.

b. See Direct Testimony of Mr. Watson lines 16-21 of p. 8 and 1-3 of p. 9.

C. See a.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-02)

QUESTION 12:

In reference to the passage quoted in question 12b, please provide in a spreadsheet with columns in the same format as provided in response to question 12b the dollar amount that would be distributed to shareholders and dollar amount that would be distributed to ratepayers for years 2016-2021 under the proposed 60/40 revenue sharing ratio were the unbundled storage program revenues to change in the following manners:

- Decrease by 25%, 20%, 15%, 10%, or 5% (provide 5 calculations)
- Remain unchanged (provide 1 calculation)
- Increase by 5%, 10%, 15%, 20%, or 25% (provide 5 calculations)

Assume ‘decrease’ and ‘increase’ mean a one-time change in the year 2016 and no change in the years thereafter.

RESPONSE 12:

SoCalGas has no forecasts of unbundled storage revenues for 2016-2021 under any sharing mechanism, nor is it capable of generating such a forecast using its current tools.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-02)

Posting Requirement

QUESTION 14:

SCG's and SDG&E's testimony states (Watson testimony, pg. 16, lines 19-22) "As part of D.07-12-019 (the Omnibus Decision), SoCalGas agreed to post primary unbundled storage transaction details on its Envoy system the day after a deal was executed. That requirement was carried over into the 2009 BCAP. SoCalGas, however, believes it is time to revisit and eliminate that requirement." Please provide detailed cost and service impacts that the proposal to remove the unbundled storage transaction details posting requirement would have on customers. Include as a subset the impact on core customers.

RESPONSE 14:

SoCalGas and SDG&E do not believe there would be an impact on customers. There could be no impact on core customers since Gas Acquisition does not buy storage from the unbundled storage program. Unbundled storage customers negotiate for the particular price that a particular package is worth to them on a particular day. A particular deal done by one customer on a prior day should not be relevant to another customer looking at another package on a different day.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-02)

QUESTION 15:

SCG's and SDG&E's testimony states (Watson testimony, pg. 16, lines 2-4) "Without rehashing all the past arguments made on this issue, it should now be obvious that SoCalGas does not have the ability to manipulate prices in the unbundled storage market. If it did, it would be able to generate much greater revenues that it has." Please provide the relevant quantitative information, assumptions, data sources, and Workpapers used to draw this conclusion. If none exist, please describe in detail the process through which this conclusion was drawn.

RESPONSE 15:

The statement is based on Figure 1 in Mr. Watson's testimony.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(ORA-TCAP-SCG-3)

QUESTION 1:

SCG's and SDG&E's testimony (Marelli testimony, pp.1-2, lines 20-23 and line 1, respectively) states "Revenue-sharing incentives for the unbundled storage program are in the best interest of SoCalGas and SDG&E's customers because they encourage us to maximize customer benefits from unbundled storage program revenues through aggressive negotiations with counterparties, creative product marketing, and storage field operations." Please provide definitions of "aggressive negotiations", "creative product marketing", and "storage field operations" as used in this context, with specific examples and/or implementation details of each.

Are any of these three categories precluded from being carried out under the current revenue sharing mechanism? If so, please explain why/how.

How would a modified revenue-sharing mechanism specifically increase the likelihood of SCG and SDG&E performing these activities?

RESPONSE 1:

"Aggressive negotiations" means making sales that capture a higher percentage of the total storage value for the utility and our customers. There is a limited incentive to do this under a 90/10 sharing mechanism, particularly in today's market. There would be a much greater incentive under a 60/40 mechanism.

"Creative product marketing" means tailoring the package to meet each customer's needs, rather than selling one standardized product through an auction and having customers tailor their own products through secondary market transactions. It also means developing an active park program. There would be a significant incentive to capture every niche product market, however, under a 60/40 sharing mechanism.

SoCalGas already optimizes storage operations under the existing storage sharing mechanism, but a revised mechanism might lead to additional creative efforts to help maintain the amount of storage capacity that can be sold on a firm basis.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-04)

QUESTION 4:

In Response 11 of ORA data request ORA-DR-02, Sempra stated "Directionally, net storage revenues would have been higher under the 60/40 mechanism than under the current mechanism – especially in the last few years."

Please explain how and from what data this conclusion was drawn, and provide all information or data demonstrating a causal effect between incentive mechanism and net unbundled storage revenues. If SCG/SDG&E has no information supporting this conclusion, please state as such.

RESPONSE 4:

The assertion is based on the position that incentives are used to motivate innovation and hard work. The larger the incentives are, the stronger the impact of those incentives.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-04)

QUESTION 6:

SCG and SDG&E's testimony (Marelli testimony, page 2, lines 19-21) states "As Mr. Watson explains, due to revolutions in gas production technologies, natural gas price volatility is much lower today than it has been in the past. As a result, shareholder earnings have reduced to just two hundred thousand dollars for the last two years".

a. The above statements imply that low volatility in natural gas prices, resulting from revolutions in gas production technologies, are the sole or dominant cause of a reduction in shareholder earnings from the unbundled storage program. Is this implication accurate? Please explain.

b. To what extent do factors other than revolutions in gas production technologies affect natural gas price volatility remaining low? Please explain.

c. To what extent do factors other than natural gas price volatility affect net unbundled storage revenues? Please explain.

d. If natural gas price volatility stays low or decreases further, to what extent do SCG and SDG&E expect to be able to compensate through "aggressive negotiations with counterparties, creative product marketing, and storage field operations" (Marelli testimony pages 1-2, lines 23 and 1, respectively) in order to increase unbundled storage revenues?

RESPONSE 6:

a. No. Low price volatility is one factor affecting storage valuations.

b. Yes, other factors also affect natural gas volatilities.

c. Natural gas prices are another factor. Even for a given volatility level, storage values tend to increase with overall natural gas prices. The price spreads from summer to winter periods are also important. The perceived likelihood of flowing supply shortages/disruptions is another factor.

d. Volatility affects the overall value of storage. Aggressive negotiations help determine what percentage of that overall value is retained by SoCalGas and its ratepayers versus the purchaser.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-04)

QUESTION 7:

In Response 12 of ORA data request ORA-DR-02, Sempra stated "SoCalGas has no forecasts of unbundled storage revenues for 2016-2021 under any sharing mechanism, nor is it capable of generating such a forecast using its current tools".

a. Do SCG and/or SDG&E have any forecasts of unbundled storage revenues for any future years?
b. Is it capable of generating any forecasts of unbundled storage revenues for any future years using any tools at its disposal? If so, please explain.

c. If SCG and/or SDG&E cannot generate unbundled storage revenue forecasts, what is SCG/SDG&E's basis for determining the likelihood of any unbundled storage revenue increase or decrease?

RESPONSE 7:

a. We are forecasting 2015 revenues similar to 2014: $26.5 million gross, including FF&U. We have no forecasts beyond 2015.

b. No. Here are three points why we don't estimate the value of our storage assets for periods significantly longer than a year:

Price Discovery: As you move towards the back of the forward curve traded volumes tend to decline. There is little trading in ICE for individual SoCal Basis monthly contracts with an expiration greater than one year. Determining the correct bid and offer of forward prices in the absence of trading activity is difficult.

Uncertainty of Unobserved Inputs: Storage values depend on the expected correlation between different contracts in the forward curve. Because there is no forward markets for correlation in the natural gas market, correlations coefficients have to be estimated using historical data. This assumes that historical data is representative of the future. However the constantly changing nature of the market ensures that the validity of this assumption weakens the further out we go into the future.

Appropriateness of the model: Commodity markets often behave differently at different time intervals. At multi-year periods, commodities tend to exhibit mean reversion. If natural gas prices rise, producers increase their drilling activity, new pipelines are built, etc.. This mean reversion is much less pronounced on shorter time periods. Thus, models designed to value annual storage contracts are not be suitable for determining the long term market value of storage. We don't have a model to estimate the long term value of storage.

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c. Few in the industry expect natural gas prices to rise over the next several years to the price levels and exhibit the price volatility seen in the 2006-2010 period.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-04)

QUESTION 9:

SCG and SDG&E's testimony (Marelli testimony pages 1-2, lines 20-23 and 1, respectively) states: "Revenue-sharing incentives for the unbundled storage program are in the best interest of SoCalGas and SDG&E's customers because they encourage us to maximize customer benefits from unbundled storage program revenues through aggressive negotiations with counterparties, creative product marketing, and storage field operations"

a. Aside from related support or administrative changes, is "aggressive negotiations with counterparties, creative product marketing, and storage field operations" an exhaustive list of programs and changes that SCG and SDG&E would pursue if the 60/40 revenue sharing mechanism was approved as-is? If not, please provide descriptions of all other programs or changes that SCG and SDG&E would implement.

b. In addition, please provide implementation details and workpapers related to the programs identified in response to part (a). If none exist, please state to what extent SCG and SDG&E have planned or considered implementing such programs.

RESPONSE 9:

The list is not exhaustive. Rather, these are examples of the type of things SoCalGas might seek to pursue with a revised sharing mechanism. With greater sharing, SoCalGas would have a strong incentive to pursue programs that would bring in additional unbundled storage revenues. But until the sharing mechanism is revised, it would not make sense for SoCalGas to spend resources developing such programs.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-04)

QUESTION 10:

In reference to SCG and SDG&E's testimony **(**Watson testimony pages 15-16, lines 19-23 and 1- 8, respectively) regarding the elimination of the posting requirement for unbundled storage transaction details:

a. What benefit would SCG and SDG&E derive from the elimination of the unbundled storage transaction posting requirement?

b.What benefit would shareholders derive from the elimination of the unbundled storage transaction posting requirement?

c. What benefit would ratepayers derive from the elimination of the unbundled storage transaction posting requirement?

RESPONSE 10:

A .Backoffice staff work would be reduced by eliminating an unnecessary requirement. Certain legal/regulatory risks associated with incorrect, late, or incomplete postings are also eliminated.

b. It is unclear how the elimination of the deal posting requirement would affect storage revenues. But both ratepayers and shareholders should benefit indirectly through the elimination of unnecessary posting requirements.

c. It is unclear how the elimination of the deal posting requirement would affect storage revenues. But both ratepayers and shareholders should benefit indirectly through the elimination of unnecessary posting requirements.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-04)

QUESTION 11:

In reference to the unbundled storage transaction posting requirement, SCG and SDG&E's testimony states: "Since SoCalGas is only able to charge its unbundled storage customers the price they feel is warranted for a particular storage product, the posting of the prices paid by other parties for other products at other times is unnecessary" (Watson testimony, page 16, lines 4-7). Testimony also notes: "Some intervenors have argued for such a requirement since 'SoCalGas was the only storage provider in Southern California.'" (Watson testimony, pages 15-16, lines 15 and 1-2, respectively).

a. Are SCG and SDG&E aware of any other natural gas storage providers in southern California for storage products similar to those offered by SCG and SDG&E? If so, please provide a list of those storage providers.

b. Are SCG and SDG&E aware of any other publically-available pricing information in southern California for their storage products or storage products similar to those offered by SCG and SDG&E? If so, please identify such information and provide reference to the source so that ORA can access the information.

RESPONSE 11:

a. No. But storage competition is not limited to such a small geographic area, and there are substitute products. The price arbitrage opportunities afforded by SoCalGas' storage—buy low and sell high—can also be obtained with storage from anywhere in the Western U.S. For example, in Exhibit A of PG&E's Certificate of Public Convenience and Necessity (CPCN) Application (A.08-07-033) for the Gill Ranch Storage Project, PG&E included a map showing the companies with whom it is likely to compete. That exhibit included SoCalGas' storage fields.

b. Other than what is provided by SoCalGas, there is no pricing information posted on the internet for any storage in California. This is why SoCalGas believes its peculiar posting requirements should be removed.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-04)

QUESTION 12:

ORA data request ORA-DR-02 reads as follows: *SCG's and SDG&E's testimony states (Watson testimony, pg. 16, lines 2-4) "Without rehashing all the past arguments made on this issue, it should now be obvious that SoCalGas does not have the ability to manipulate prices in the unbundled storage market. If it did, it would be able to generate much greater revenues that it has." Please provide the relevant quantitative information, assumptions, data sources, and workpapers used to draw this conclusion. If none exist, please describe in detail the process through which this conclusion was drawn.* Sempra's entire response (provided in ORA-DR-02, response 15) to the above question was "The statement is based on Figure 1 in Mr. Watson's testimony." Figure 1 in Mr. Watson's testimony (page 14, line 3) shows unbundled storage revenues plotted as a line graph for the years 2000 through 2014.

a. Please explain how Figure 1 alone demonstrates the conclusion quoted in Mr. Watson's testimony above.

b. Does SoCalGas/SDG&E assert that Figure 1 represents a causal relationship between posting requirements and price manipulation?

c. If the answer to part (b) is yes, please explain. Please provide all additional quantitative information, assumptions, data sources, and workpapers that were used to draw this conclusion.

RESPONSE 12:

a. An entity with significant market power would be able to consistently generate revenues well above its costs, year after year. Figure 1 shows that, to the contrary, SoCalGas revenues have at times been well above its costs (in good markets combined with strong incentive mechanism) and has recently been about equal to its costs (in weak markets combined with a weak shareholder incentive mechanism.)
b. No. Figure 1 illustrates the point in a.
c. N/A

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

QUESTION 1:

Does Sempra agree that the following tables, as labeled and with accompanying footnotes, are an accurate representation of the capacity figures set out in the Settlement Agreement adopted in D.08-12-020 (hereafter called "D.08-12-020 Settlement Agreement" or "Settlement Agreement"?1 If not, please explain and provide corrected table(s) in the same format.

Table 1: Initial storage allocations as outlined in Settlement Agreement:

	Bcf	Withdrawal (MMcf/d)	Injection (MMcf/d)
Total	131.1[2]	3195[3]	850[4]
Balancing	4.2[5]	340[6]	200[7]
Core	79[8]	2225[9]	369[10]
Unbundled	47.9[11]	630[12]	281[13]

Table 2: Storage allocations as of April 1, 2014, as outlined in Settlement Agreement:

	Bcf	Withdrawal (MMcf/d)	Injection (MMcf/d)
Total	138.1[14]	3195[15]	850
Balancing	4.2[16]	340[17]	200[18]
Core	83[19]	2225[20]	388[21]
Unbundled	50.9[22]	630[23]	262[24]

[1] The highlights in Table 2 indicate changes as of April 1, 2014 from the initial storage allocations outlined in the Settlement Agreement.
[2] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4
[3] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4
[4] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4
[5] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9
[6] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9
[7] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9
[8] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5
[9] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

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[10] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5
[11] Calculated per D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12
[12] Calculated per D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12
[13] Calculated per D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12
[14] Total storage inventory capacity increase prescribed per D.09-11-006 Settlement Agreement, Attachment 1,
Appendix A, Paragraph 6.
[15] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4
[16] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9
[17] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9
[18] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, pages 4 and 5, Paragraph 9
[19] Total core inventory to increase by 1 Bcf each April 1 of 2010, 2011, 2012, and 2013, per D. 08-12-020 Settlement
Agreement, Attachment 1, Appendix A, Paragraph 7
[20] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5
[21] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5
[22] Total unbundled inventory to increase by 1 Bcf each April 1 of 2010, 2012, and 2014, per D.09-11-006 Settlement
Agreement, Attachment 1, Appendix A, Paragraph 7
[23] Calculated per D. 08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12
[24] Calculated per D. 08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

RESPONSE 1:

SoCalGas and SDG&E agree that Table 1 is an accurate representation of the capacity figures set out in the Settlement Agreement. In Table 2, the System Total and Unbundled Storage Capacity values in the Settlement Agreement were superseded by the Honor Rancho Expansion Decision D.10-04-034, Ordering Paragraph #1 (referencing A.09-07-014). Page 3 of A.09-07-014 provided that "Assuming timely approval of this application, SoCalGas can still meet this (Settlement Agreement) schedule with a slight exception: the 1.0 Bcf of noncore inventory scheduled for 2012 may not be produced until 2014; and, the 1.0 Bcf of noncore inventory scheduled for 2014 may not be produced until 2015." Accordingly, by April 1st, 2014, the Total

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Storage Capacity was 137.1Bcf, not 138.1Bcf as shown in Table 2, and the Total Unbundled Storage program was 49.9 Bcf, not 50.9 Bcf as shown in Table 2.

As it relates to the additional 1.0 BCF of storage inventory that was expected to be available on April 1, 2015, SoCalGas and SDG&E note the following Critical Notice that was posted to the Electronic Bulletin Board (Envoy) on April 1, 2015:

“The total storage inventory capacity as of April 1, 2015 remains 137.1 Bcf. The last BCF of inventory capacity expansion planned for April 2015 has been delayed and will not be available at least through the summer 2015 operating season. SoCalGas capability to offer this inventory expansion will be re-evaluated prior to the winter operating season in November.”

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(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

QUESTION 2:

Tables 1 and 2 above show total annual withdrawal and injection capacities allocated to each function without distinguishing summer/winter periods, reflecting the lack of distinction in the language cited in the Settlement Agreement.

Has Sempra allocated withdrawal and injection rights by summer/winter periods during the time periods covered by the settlement agreement or as an annual, non-differentiated total (as shown in the tables above)?

If Sempra has allocated rights by summer/winter period, please provide the citation to the Settlement Agreement, Commission Decision(s), Sempra internal documents, or other documents showing the summer/winter split for each cell of withdrawal/injection rights. Please also provide a copy of the numbers used for the summer/winter period.

RESPONSE 2:

SoCalGas and SDG&E have previously allocated withdrawal and injection rights on a strictly annual basis.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

QUESTION 3:

Does Sempra agree that the following tables, as labeled, are an accurate representation of the capacity figures proposed in its 2016 TCAP Application?[25] If not, please explain and provide corrected table(s) in the same format.

***Table 3**: 2016 Storage Allocations as proposed in 2016 TCAP:*

	Bcf	Withdrawal (summer/winter)	Injection (summer/winter)
Total	138.1	1812 / 3175	770 / 390
Balancing	5.1	525 / 525	200 / 200
Core	83	1081 / 2225	388 / 190
Unbundled	50	206 / 425	182 / 0

***Table 4**: 2017-2019 Storage Allocations as proposed in 2016 TCAP (changes from Table 3 highlighted[26]):*

	Bcf	Withdrawal (summer/winter)	Injection (summer/winter)
Total	138.1	1812 / 3175	915 / 535
Balancing	5.1	525 / 525	345 / 345
Core	83	1081 / 2225	388 / 190
Unbundled	50	206 / 425	182 / 0

[25] Table 3 (Storage Capacity Allocations (MMcf/d)) of Watson Testimony, page 10, line 14

[26] The changes in the 2017-2019 period vis-à-vis the 2016 period are entirely attributable to the completion of the Aliso Canyon project.

RESPONSE 3:

SoCalGas and SDG&E agree that Tables 3 and 4 are an accurate representation of the capacity figures in the current 2016 TCAP proposal.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

QUESTION 6:

Part (b) of Question 6 of ORA data request ORA-DR-04 asked:

> "To what extent do factors other than revolutions in gas production technologies affect natural gas price volatility remaining low? Please explain in detail."

Sempra's response ("Yes, other factors also affect natural gas volatilities.") appears to have misinterpreted the query as a binary (yes/no) question. Please respond with an analysis (potentially similar to the response to Part (c)) or explain why the question must be answered in a yes/no manner.

RESPONSE 6:

Gas prices are determined by the supply and demand for natural gas. While not a comprehensive list, some factors that affect gas prices and price volatility include new drilling technologies, changes in consumer preferences, additional storage capacity, and changes in the perceived likelihood of flowing supply shortages and disruptions due to inadequate supply and/or transportation pipeline capacity to meet anticipated demand.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

QUESTION 6:

Part (b) of Question 6 of ORA data request ORA-DR-04 asked:

> "To what extent do factors other than revolutions in gas production technologies affect natural gas price volatility remaining low? Please explain in detail."

Sempra's response ("Yes, other factors also affect natural gas volatilities.") appears to have misinterpreted the query as a binary (yes/no) question. Please respond with an analysis (potentially similar to the response to Part (c)) or explain why the question must be answered in a yes/no manner.

RESPONSE 6:

Gas prices are determined by the supply and demand for natural gas. While not a comprehensive list, some factors that affect gas prices and price volatility include new drilling technologies, changes in consumer preferences, additional storage capacity, and changes in the perceived likelihood of flowing supply shortages and disruptions due to inadequate supply and/or transportation pipeline capacity to meet anticipated demand.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

QUESTION 7:

Question 9 of ORA data request ORA-DR-04 asked:

> "Aside from related support or administrative changes, is "aggressive negotiations with counterparties, creative product marketing, and storage field operations" an exhaustive list of programs and changes that SCG and SDG&E would pursue if the 60/40 revenue-sharing mechanism was approved as-is?"

To which Sempra responded:

"The list is not exhaustive. Rather, these are examples of the type of things SoCalGas might seek to pursue with a revised sharing mechanism. With greater sharing, SoCalGas would have a strong incentive to pursue programs that would bring in additional unbundled storage revenues. But until the sharing mechanism is revised, it would not make sense for SoCalGas to spend resources developing such programs."

a. Has Sempra identified programs or projects that would be or might be implemented if the unbundled storage revenue mechanism were modified as it proposes? If so, please list such programs and projects.
b. Has Sempra performed any cost-benefits analyses in support of the programs and projects identified in response to Question 9a? If so, please provide.
c. Does Sempra have any cost estimates for such potential programs or projects identified in response to question 9a? If so, please provide.
d. Has Sempra examined any similar programs or projects at other utilities or gas storage providers to determine costs, benefits, best practices, potential results, etc.? If so, please provide.
e. Has Sempra used any other forms of evaluation to support the programs and projects identified in the list that responds to question 9a? If so, please provide.
f. Does Sempra have any quantitative evidence that implementing such potential programs or projects that are provided in response to question 9a would be beneficial to shareholders, ratepayers, and/or customers? If so, please provide.

RESPONSE 7:

a. SoCalGas and SDG&E have not yet identified particular new programs or projects that would be implemented if the unbundled storage revenue mechanism were modified.
b. See Response 7.a.

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c. See Response 7.a.

d. See Response 7.a.

e. See Response 7.a.

f. See Response 7.a.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-05)

QUESTION 8:

Question 10 of ORA data request ORA-DR-04 asked what benefits SCG and SDG&E; shareholders; and ratepayers would derive from the elimination of the unbundled storage posting transaction requirement. In Part (a) of their response, Sempra stated "Back office staff work would be reduced by eliminating an unnecessary requirement. Certain legal/regulatory risks associated with incorrect, late, or incomplete postings are also eliminated."

a. Please provide detailed cost-savings estimates from the reduction of backoffice staff work.

b. Please provide detailed cost-savings estimates from the reduction of legal/regulatory risks associated with incorrect, late, or incomplete postings.

RESPONSE 8:

a. SoCalGas and SDG&E have not estimated the magnitude of the savings. SoCalGas and SDG&E's contention is that taking resources away from unnecessary tasks and reallocating them to more essential jobs results in a net benefit to the rate payers and shareholders.
b. SoCalGas and SDG&E have no such estimate.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-06)

QUESTION 2:

SCG and SDG&E's testimony (Watson testimony, page 16, lines 19-22) states:

> *"Information system enhancements are required to be made to both SoCalGas Envoy and the Special Contract Billing System to implement high OFO requirements for SoCalGas customers. Much of the implementation can be leveraged off of the Low OFO implementation. The cost of these enhancements is estimated to be less than $1.7 million."*

a) If implementation of the high OFO procedures are denied or deferred, will all of the "information system enhancements" still be necessary at this time? If so, please explain.
b) If implementation of the high OFO procedures are denied or deferred, will certain "information system enhancements" still be necessary? If so, which ones? Please explain why these would still be necessary.
c) If implementation of the high OFO procedures are denied or deferred and only certain of the "information system enhancements" are still necessary, what will be the cost of each of these changes?
d) Has the Commission adopted SoCalGas's proposed Low OFO rules? If not, what are the milestones for implementing low OFO for the winter of 2015/16?

RESPONSE 2:

A) None will be necessary. The $1.7 million estimate is the incremental cost of implementing a high OFO in addition to the assumed pre-existing low OFO procedures.
B) See Response 2a.
C) See Response 2a.
D) No. SoCalGas will be ready to implement low OFO within a month after the final decision.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-07)

QUESTION 1:

The following questions reference Sempra's proposal to allocate injection/withdrawal rights on a seasonal basis (vs. an annual basis, as has been done until now[1]):

a. Please provide the start and end dates of the "winter" and "summer" seasons, as defined in Table 3 of Mr. Watson's testimony.[2]

b. Would injection and withdrawal allocations both use the same definitions of "winter" and "summer"? If not, please answer part (a) for each separately.

c. Could the definitions of "winter" and "summer" change at any point over the next TCAP period? If so, under what conditions?

d. If the answer to part (c) is yes, what would the new definitions be?

RESPONSE 1:

a. Winter = November 1 through March 31st. Summer = April 1 through October 31st.

b. Yes.

c. No.

d. See Response 1.c.

[1] Sempra Response to ORA-DR-05, Q2.
[2] Sempra Application (Watson) page 10, line 14.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-07)

QUESTION 3:

Please describe any changes to physical or technological systems that would need to occur in order to allocate injection/withdrawal rights on a seasonal basis (as proposed in Sempra's application).

RESPONSE 3:

None that SoCalGas and SDG&E are aware of. The proposal is consistent with current realities.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-07)

QUESTION 4:

If injection/withdrawal capacity allocation were to be moved to a seasonal basis as proposed in Sempra's application (vs. an annual basis as currently allocated):

a. Would all customer groups necessarily need to be allocated on a seasonal basis? If yes, please explain why.

b. If the answer to part (a) is no, please explain any limitations to allocating some customers on a seasonal basis and some on an annual basis. If no limitations exist, please state as such.

c. If the answer to part (a) is no, please explain any reasons why Sempra might allocate rights to some customers on a seasonal basis and others on an annual basis.

d. If the answer to part (a) is no, please identify which category (Balancing, Core, or Unbundled) of customers Sempra might not switch to a seasonal basis and why.

e. In the event of a switch from annual allocation to seasonal allocation (or vice versa), would there be any phasing of the switching? If so, please explain the phasing.

f. Are there any other reasons why some customers would not be allocated on a seasonal basis? If so, please explain.

RESPONSE 4:

a. Balancing rights would be year-round. Core rights would be seasonal per Table 3 in the prepared direct testimony of Steve Watson. Unbundled storage rights would be negotiated on a contract-specific basis, subject to the seasonal totals shown in Mr. Watson' testimony. SoCalGas would not be selling firm injection rights to unbundled storage customers for the winter period. SoCalGas could only sell up to 206 MMcfd of firm withdrawal rights to unbundled storage customers for the summer period.
b. See a.
c. Set balancing rights are allocated on a year-round basis because low or high OFOs might be triggered at any time of the year using the same rules and storage allocations.
d. See b.
e. Assuming implementation in Q1 2016, no.
f. None that SoCalGas and SDG&E anticipate.

TRIENNIAL COST ALLOCATION PROCEEDING PHASE 1 APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES EFFECTIVE JANUARY 1, 2016

(A.14-12-017)

(DATA REQUEST ORA-TCAP-SCG-07)

QUESTION 5:

Is Sempra aware of any data (internal or external) that predict changes to:

a. Total injection or withdrawal nominations as a result of long-term weather/climate changes or market forces?

b. Injection or withdrawal nominations from any single category (Balancing, Core, or Unbundled) as a result of long-term weather/climate changes or market forces?

RESPONSE 5:

a. No.
b. No.

ATTACHMENT 1

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for Authority to Revise Their Rates Effective January 1, 2009, in Their Biennial Cost Allocation Proceeding.	Application 08-02-001 (Filed February 4, 2008)

APPENDIX A

SETTLEMENT AGREEMENT

August 22, 2008

I.

REASONABLENESS OF THE PHASE ONE SETTLEMENT

As discussed in more detail in the motion to which this SA is attached, the Joint Parties submit that the SA fully complies with the Commission's requirements that settlements be reasonable, consistent with law, and in the public interest. The Joint Parties have recognized that there is risk involved in litigation, and that a party's filed position may not prevail, in whole or in part, in the Commission's final determination. The Joint Parties have vigorously argued their positions in this matter, and have reached compromise positions that they believe are appropriate in light of the litigation risks. This SA reflects the Joint Parties' best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

II.

SPECIFIC PHASE ONE SETTLEMENT TERMS AND CONDITIONS

1. Definitions

- "BCAP" means "Biennial Cost Allocation Proceeding."
- "TCAP" means "Triennial Cost Allocation Proceeding" should the Commission decide to adopt a TCAP cycle in lieu of BCAP cycle in Phase Two of this proceeding.
- "Bcf" means "billion cubic feet."
- "MMcf/d" means "million cubic feet per day."
- "SA" means "Settlement Agreement."
- "NSMA" means the "Noncore Storage Memorandum Account" authorized by the Commission in D.07-12-019 to track unbundled storage costs and revenues.
- "CPCN" means "Certificate of Public Convenience and Necessity."

- The "SDG&E SMA" refers to the memorandum account established by the Commission in Resolution G-3378.

2. The effective date of this SA is the later of January 1, 2009 or the date the Commission approves this SA. This SA shall be in effect for six years (2009 – 2014 inclusive), and shall terminate on December 31, 2014. However, the SA will be extended, if necessary, to coincide with implementation (tariff approval) of any then-current BCAP or TCAP pending before the Commission on December 31, 2014. If no BCAP or TCAP is pending before the Commission on December 31, 2014, this SA shall terminate on that date.

3. All references in this SA to expansion of SoCalGas storage fields apply only to SoCalGas' four storage fields operating at the time of this SA and do not apply to any SoCalGas storage field developed after August 22, 2008.

4. SoCalGas shall use commercially reasonable efforts to maintain 131.1 Bcf of total storage inventory capacity (as subsequently expanded as addressed below), 850 MMcfd of storage injection capacity as subsequently expanded, and 3,195 MMcfd of storage withdrawal capacity through December 31, 2014 or the termination of this SA, whichever is later.

5. The combined core customers of SDG&E/SoCalGas shall initially be allocated 79 Bcf of storage inventory capacity, 369 MMcfd of storage injection capacity with proportionate annual increases to match the growth in inventory capacity addressed below up to a total of 388 MMcfd of storage injection capacity, and 2225 MMcfd of storage withdrawal capacity. The annual cost of this storage allocation to SDG&E/SoCalGas core customers will be at the Commission-adopted storage embedded unit costs as established in Phase Two of this BCAP (A.08-02-001) and as revised in each subsequent BCAP or TCAP that is filed with the Commission during the settlement period.

6. SoCalGas shall make commercially reasonable efforts to expand storage inventory capacity by 7.0 Bcf over the period 2009 – 2014. Once the inventory expansion facilities are used and useful in providing storage service, the cost of such inventory expansion will be added to SoCalGas' storage rate base through a general rate case application before the Commission or through an application before the Commission seeking a CPCN to construct the facilities. The increase in the revenue requirement established in the general rate case or CPCN proceeding will be included in the revenue requirement of the inventory subfunction in the next cost allocation proceeding (BCAP or TCAP) and allocated to the core, balancing, and unbundled storage functions in proportion to the allocation of storage inventory capacity to each of these functions. The capital costs of this storage inventory expansion will be in addition to the capital costs authorized by the Commission for recovery in customer transportation rates in the most recent general rate cases of SDG&E and SoCalGas (A.06-12-009/A.06-12-010). The parties hereto agree to support expeditious

approval of any CPCN application filed by SoCalGas with the Commission for authority to construct the inventory expansion facilities addressed in this paragraph.

7. 1.0 Bcf of the 7.0 Bcf expansion capacity described above in Paragraph 6 shall be added to the combined core's inventory capacity in each of the four years 2010-2013. 1.0 Bcf of the expansion capacity described above shall be added to the unbundled storage program in each of the three years 2010, 2012, and 2014. The estimated schedule for adding storage inventory capacity to the storage allocated to core customers and the unbundled storage program is depicted below:

Date	Combined Core Inventory Increase	Unbundled Program Inventory Increase
April 1, 2010	1 Bcf	1 Bcf
April 1, 2011	1 Bcf	
April 1, 2012	1 Bcf	1 Bcf
April 1, 2013	1 Bcf	
April 1, 2014		1 Bcf

8. SoCalGas shall make commercially reasonable efforts to replace the existing three obsolete LM-1500 turbines used to compress up to 300 MMcf per day of natural gas for injection into storage at its Aliso Canyon storage facility. Production by the manufacturer of these obsolete turbines was halted in the late 1970s and replacement parts are extremely limited. SoCalGas shall, during the replacement of the existing turbines, expand overall injection capacity at Aliso Canyon to the extent feasible by approximately 145 MMcfd. The replacement of turbines and expansion of injection capacity at Aliso Canyon shall be undertaken as soon as possible. Once the Aliso Canyon injection replacement and expansion facilities are used and useful in providing storage service, the cost of the facilities shall be added to SoCalGas' storage rate base through a general rate case application before the Commission or through an application before the Commission seeking a CPCN to construct the facilities. The increase in the revenue requirement established in the general rate case or CPCN application will be incorporated in the revenue requirement of the injection subfunction in the next cost allocation proceeding (BCAP or TCAP) and allocated to the core, load balancing, and unbundled storage services in proportion to the allocation of storage injection capacity to each of these services. The capital costs of the Aliso Canyon injection replacement and expansion project addressed in this paragraph will be in addition to the capital costs authorized by the Commission for recovery in transportation rates in the most recent SDG&E and SoCalGas general rate cases (A.06-12-009/A.06-12-010). The parties hereto agree to support expeditious approval of any CPCN application filed by SoCalGas with the Commission seeking authority to construct the storage injection facilities addressed in this paragraph.

9. The balancing function will be allocated 4.2 Bcf of storage inventory capacity, 200 MMcfd of storage injection capacity, and 340 MMcfd of storage withdrawal capacity. The revenue requirement associated with these storage capacities allocated to the balancing function will be based on the storage embedded unit costs approved

by the Commission in each cost allocation proceeding (BCAP or TCAP) to reflect new embedded costs. The combined core customers of SDG&E/SoCalGas will only be allocated a share of the costs for storage injection and withdrawal capacity allocated to the balancing function. The combined core customers of SDG&E/SoCalGas will balance within the storage inventory capacity allocated to them under this SA.

10. The parties agree to meet and confer in good faith to explore the feasibility of proposing in Phase Two of this proceeding an optional enhanced balancing service that would be available to noncore customers wishing to pay for balancing tolerances greater than those provided in the tariff rules of SDG&E/SoCalGas. Among the issues to be discussed are the storage capacities available for such a service, the manner by which noncore customers could subscribe to such a service, the effect of such a service on the operation of the system, the effect of such a service on the rates of customers not taking the service, and the effect of such a service on the unbundled storage program. The settlement parties agree not to propose an optional enhanced balancing service in a Commission proceeding for the term of this SA unless mutually agreed upon by the settlement parties.

11. SDG&E/SoCalGas will withdraw their proposals in Phase Two of this proceeding to change the current 10% monthly balancing requirement. SoCalGas shall maintain for the settlement period all imbalance tolerances in effect as of the date of this SA, including the 10% monthly tolerance and current daily imbalance tolerances applicable to nominations in excess of system capacity and imbalances during winter operating periods. SDG&E/SoCalGas shall not during the settlement period institute a "low OFO" (Operational Flow Order) procedure and shall withdraw their proposal for such a procedure from their testimony in Phase Two of this proceeding.

12. Storage injection, inventory, and withdrawal capacity available to the unbundled storage program, including the allocation to wholesale (Long Beach and SWG) core customers, shall be the amount of such capacity that is not allocated to SDG&E/SoCalGas core customers and to the balancing function in this SA.

13. SWG shall be allocated storage capacity from the unbundled storage program at the same rates included in this SA for the combined core customers of SDG&E/SoCalGas upon approval of this SA by the Commission, as revised in future cost allocation proceedings (BCAP or TCAP) to reflect new embedded costs. Initially, upon approval of this SA by the Commission, SWG shall be allocated 1.98% of the storage capacities (injection, inventory, and withdrawal) allocated to the combined core customers of SDG&E/SoCalGas in this SA. If, however, SWG's core load or portion of core load is directly served under an agreement between Pacific Gas and Electric Company and SWG during the term of this SA, SWG's percentage of storage capacity set-asides will be adjusted not earlier than April 1 of the subsequent year to reflect the ratio of SWG's core load served by SoCalGas and the capacities allocated to the combined core customers of SDG&E/SoCalGas. SWG

will have the option to reduce its commitment in each future BCAP or TCAP cycle during the settlement period.

14. Long Beach shall be allocated storage capacity from the unbundled storage program at the same rates included in this SA for the combined core customers of SDG&E and SoCalGas as revised in future cost allocation proceedings (BCAP or TCAP) to reflect new embedded costs. Initially, upon approval of this SA by the Commission, Long Beach shall be allocated storage inventory capacity of 0.635 Bcf, storage injection capacity of 2.9 MMcfd, and storage withdrawal capacity of 31.6 MMcfd. On April 1, 2012, Long Beach may increase its allocated storage capacities to 0.700 Bcf of inventory, 3.3 MMcfd of injection capacity and 36 MMcfd of withdrawal capacity. Long Beach may reduce its allocated storage capacities in each future BCAP or TCAP during the settlement period.

15. From January 1, 2009, to the end of the settlement period, net revenues (gross revenues minus embedded unit costs as approved by the Commission) received by SoCalGas through the unbundled storage program shall be shared between SoCalGas' ratepayers and shareholders in the following manner: the first $15 million of net unbundled storage revenues shall be allocated on a 90/10 ratepayer/shareholder basis; the next $15 million of net unbundled storage revenues shall be allocated on a 75/25 ratepayer/shareholder basis; and net unbundled storage revenues above $30 million shall be allocated on a 50/50 ratepayer/shareholder basis. There will be an annual cap on shareholder earnings of $20 million. The cost of storage in the unbundled storage program for purposes of calculating net storage revenues shall be the embedded unit costs approved by the Commission in Phase Two of this proceeding and as revised in each cost allocation proceeding (BCAP or TCAP) during the term of the SA to reflect new embedded costs.

16. Individual unit price caps for storage injection, inventory, and withdrawal services will be set initially at the current levels set forth in the SoCalGas G-TBS rate schedule and will be escalated in succeeding BCAPs in the following manner: the initial unit price caps will be increased by the percentage increase (if any) in embedded inventory, injection, and withdrawal unit costs established by the Commission in each cost allocation proceeding (BCAP or TCAP) during the term of the SA.[3/]

17. For 2008, revenues booked to the NSMA will be off-set by a negotiated storage cost of $31.5 million. Net revenues (gross revenues minus $31.5 million) will be shared between ratepayers and shareholders in the same manner as the net revenues associated with the unbundled storage program as described above in Paragraph 15. The reduction in customer transportation rates resulting from the allocation to ratepayers of their estimated share of net NSMA revenues shall be consolidated with

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[3/] For example, if the per unit cost of injection in this 2009 BCAP is authorized by the Commission to be $20/mcfd, and that unit cost increases to $25/mcfd in the next BCAP, the price cap for injection in the GTBS program will increase by 25 percent, from $60/mcfd to $75/mcfd.

other SDG&E/SoCalGas transportation rate adjustments effective January 1, 2009 if the Commission approves this SA in 2008. If this estimated NSMA allocation is in fact included in the transportation rate adjustment effective January 1, 2009, and if there is any balance remaining in the NSMA as of January 1, 2009 representing the difference between actual unbundled storage revenues and a forecast of such revenues in December 2008, that balance will be transferred to the Noncore Storage Balancing Account, will be subject to the revenue-sharing mechanism described above in Paragraph 15, and will be reflected in customer transportation rates in the annual transportation rate adjustment effective January 1, 2010. If the Commission approves this SA after December 31, 2008, the ratepayer share of net NSMA revenues shall be reflected in customer transportation rates through an advice letter filing as soon as practicable following such Commission approval. The NSMA shall be closed as of the close of business December 31, 2008.

18. Further commercially reasonable storage expansions at SoCalGas' existing storage fields beyond the specific storage expansions described above in Paragraphs 6 and 8 undertaken during the settlement period will be deemed as undertaken for the unbundled storage program. Once the expansion facilities are used and useful in providing storage service, the cost of any such storage expansions shall be added to SoCalGas' storage rate base through a general rate case or through any CPCN application filed with the Commission by SoCalGas requesting authority to construct the expansion facilities. The associated increase in revenue requirement will be reflected in the cost of the unbundled storage program used for purposes of calculating "net" revenues for revenue-sharing purposes in the next cost allocation proceeding (BCAP or TCAP). The increased storage capacities created by any such expansions will also be allocated to the unbundled storage program in the next cost allocation proceeding (BCAP or TCAP). If SoCalGas estimates that the total cost of such expansion projects will exceed $50 million, SoCalGas shall file a CPCN application with the Commission seeking approval of the project(s) causing the total cost of the projects to exceed $50 million. SoCalGas will seek prior Commission approval through a CPCN application to construct any facilities for unbundled storage expansion that are in addition to the project(s) addressed above in this paragraph that caused SoCalGas to exceed $50 million in total unbundled storage expansion costs. The revenues obtained by SoCalGas from any such expansions will not be distinguished from revenues obtained from the unbundled storage program generally and will be included in the revenue-sharing mechanism described above in Paragraph 15 for the unbundled storage program. Thus, both the costs of, and revenues from, any such expansions will be treated as costs of, and revenues from, the unbundled storage program for all purposes under this SA.[4/]

19. Net revenues obtained through the System Operator Hub approved in D.07-12-019 shall be treated as unbundled storage revenues for purposes of ratepayer/shareholder sharing. Thus, such revenues will be included in the sharing mechanism described

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[4/] Similarly, the costs of any such expansions will be included in the storage unit costs for injection, inventory, and withdrawal for purposes of adjusting the unit price caps as described above in Paragraph 16.

above in Paragraph 15 and will be included in the same $20 million annual cap of shareholder earnings.[5]

20. The SDG&E SMA will be closed with no adjustment to the transportation rates of SDG&E or SoCalGas customers.

III.

ADDITIONAL TERMS AND CONDITIONS

A. The Public Interest.

The Joint Parties agree jointly by executing and submitting this SA that the relief requested herein is just, fair and reasonable, and in the public interest.

B. Non-Precedential Effect.

This SA is not intended by the Joint Parties to be precedent for any future proceeding. The Joint Parties have assented to the terms of this SA only for the purpose of arriving at the settlement embodied in this SA. Except as expressly precluded in this SA, each of the Joint Parties expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this SA, and the Joint Parties expressly declare that, as provided in Rule 12.5 of the Commission's Rules, this SA should not be considered as a precedent for or against them. Likewise, the SA explicitly does not establish any precedent on the litigated issues in the case.

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[5] Thus, the sharing mechanism and annual shareholder earnings cap described above in Paragraph 15 will apply to the cumulative costs and revenues associated with the System Operator Hub, the existing unbundled storage program, and any storage expansions undertaken during the settlement period for the unbundled storage program as described in Paragraph 18.

C. Indivisibility.

This SA embodies compromises of the Joint Parties' positions. No individual term of this SA is assented to by any of the Joint Parties, except in consideration of the other Joint Parties' assents to all other terms. Thus, the SA is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this SA if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Joint Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

The Joint Parties acknowledge that the positions expressed in the SA were reached after consideration of all positions advanced in the prepared and oral testimony of SDG&E/SoCalGas and the other interested parties, as well as proposals offered during the settlement negotiations. This document sets forth the entire agreement of the Joint

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Parties on all of those issues, except as specifically described within the SA. The terms and conditions of this SA may only be modified in writing subscribed by all Joint Parties.

Dated this 22nd day of August, 2008.

SAN DIEGO GAS & ELECTRIC COMPANY and
SOUTHERN CALIFORNIA GAS COMPANY

By: *\/s/ Richard M. Morrow*
Richard M. Morrow
Vice President – Customer Services

DIVISION OF RATEPAYER ADVOCATES

By: *\/s/ Dana Appling*
Dana Appling
Director

SOUTHERN CALIFORNIA EDISON COMPANY

By: *\/s/ Douglas Porter*
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By: *\/s/ Evelyn Kahl*
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By: *\/s/ Norman A. Pedersen*
Norman A. Pedersen
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CITY OF LONG BEACH, a municipal corporation

By: *_____/s/ Patrick H. West_____*
Patrick H. West
City Manager

SOUTHWEST GAS CORPORATION

By: *_____/s/ Keith Layton_____*
Keith Layton
Attorney for Southwest Gas Corporation

CROSSBORDER ENERGY

By: *_____/s/ R. Thomas Beach_____*
R. Thomas Beach
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Keith R. McCrea
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(END OF ATTACHMENT 1)