

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES AND IMPLEMENT STORAGE PROPOSALS IN THE 2024 COST ALLOCATION PROCEEDING

(A.22-09-015)

DATA REQUEST SET 3 FROM CITY OF LONG BEACH DATED AUGUST 25, 2023

SOCALGAS RESPONSE DATED: SEPTEMBER 8, 2023

Chapter 19 (Borkovich) – BTS Credit Mechanism

REQUEST 3-1

The Section XVI heading states that “Long Beach’s request to Modify Step 1 of the BTS Open Season Process Undermines Core Reliability Incentives ...”. Yet, the text of the testimony does not discuss any reliability issues.

- a. Please define the core reliability incentives references in this statement.
- b. Please describe how Long Beach’s proposal to modify Step 1 of the BTS Open Season undermines “core reliability incentives” and provide all evidence to support these assertions.

CONFIDENTIAL (no)

RESPONSE 3-1a:

The core reliability incentives are Commission requirements for the applicants’ Utility Gas Procurement Department. The Commission requires SoCalGas and SDG&E to contract for upstream firm transportation capacity for no less than 90% of forecasted core procurement annual daily load during the summer months and no less than 100% during the winter months.

Providing Step 1 access for core balancing agents (Utility Gas Procurement Department, Wholesale Customers other than SDG&E and CTAs) who contract for upstream firm transportation allows them the means to ensure a firm path for gas supplies from wellhead to burner tip.

Step 2 of the BTS Open Season process is the default allocation round for end-use customers and their suppliers including core balancing agents based on their usage during the Base Period, which is defined as the 36 consecutive months of usage data ending four months prior to the start of the open season process.

Step 1 set asides for core balancing agents are based on qualifying interstate contracts with a minimum term of 12 months that are in effect two months prior to the open season beginning date. Total set-asides provided to a core balancing agent cannot exceed its average daily usage during the Base Period.

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RESPONSE 3-1b:

The City of Long Beach (Long Beach) apparently wants to participate in Step 1 without any connection to an upstream firm capacity agreement which is required by the Commission for SoCalGas and SDG&E to provide core procurement service. Currently Long Beach can either 1) contract directly for upstream capacity rights or 2) require its supplier to demonstrate that it has contracted for upstream capacity rights to participate in Step 1 of the BTS Open Season. These requirements for Step 1 participation currently apply to all core balancing agents. Applicants believe that these requirements are consistent with the core parity principle that Long Beach has asserted to ensure service level parity between the core customers of Long Beach with SoCalGas' core customers. But, in this instance, Long Beach apparently wants the Commission to dismiss that and ignore the core parity principle to exclusively grant Long Beach special Step 1 set aside rights based solely on what amount to Step 2 qualification criteria. Long Beach is apparently not proposing to extend these special rights to all core balancing agents under core parity principles, which the Commission should consider in determining the feasibility of adopting this proposal for Long Beach.

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REQUEST 3-2

Please refer to pg. 16, lines 9-10. The testimony alleges that Long Beach core customers just want access to all receipts points and the opportunity to choose which receipt points are used.

- a. Does SoCalGas dispute the fact that if Long Beach were able to select a receipt point during Step 1 of open season that this could reduce costs to Long Beach by selecting receipt points with lower costs?
- b. Does SoCalGas claim that Long Beach's ability to select a receipt point in each open season is harmful to SoCalGas? If so, why? Please provide evidence of such impact.

CONFIDENTIAL (no)

RESPONSE 3-2a:

Giving Long Beach the right to cherry pick receipt point capacity without corresponding upstream capacity rights would decrease supply reliability and Long Beach's costs while potentially increasing the cost for other customers.

RESPONSE 3-2b:

No, but it could be potentially harmful to other SoCalGas and SDG&E customers by decreasing their access to preferred receipt points, especially if they have contracted for firm upstream capacity rights.

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REQUEST 3-3

Provide the following information from each of the past three most recent SoCalGas Open Season cycles in table format. The response should result in three tables.

- a. Open season participants (Note: please categorize if necessary, i.e., SoCalGas Gas Procurement Department, California Producers, Wholesale, PG&E G-XF Contracts, Rule 39 receipt points, etc.).
- b. Set-Aside offered (Dth/day).
- c. Set-Aside accepted (Dth/day).
- d. Number of eligible participants.
- e. Number of eligible participants that participated.

Open Season 2014

Participant	Set-Aside Offered (Dth/day)	Set-Aside Accepted (Dth/day)	Number Eligible	Number Participated
California Producers, PG&E G-XF Shippers and Core Balancing Agents	https://www.socalgas-envoy.com/ebb/attachments/1402583951169_PreliminarySetAsides2014.pdf	https://www.socalgas-envoy.com/ebb/attachments/1403025805616_Final_SetAsides_2014.pdf	Number of eligible customers is unknown. Customer participation in the open season process is voluntary subject to qualification criteria. There is no involuntary assignment of BTS capacity to eligible customers.	15

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Open Season 2017

Participant	Set-Aside Offered (Dth/day)	Set-Aside Accepted (Dth/day)	Number Eligible	Number Participated
California Producers and Core Balancing Agents	https://www.socalgas-envoy.com/ebb/attachments/1496942545906_PreliminarySetAsides2017.pdf	https://www.socalgas-envoy.com/ebb/attachments/1497635897162_Final_Awarded_Set-Aside_Step_1_2017.pdf	Number of eligible customers is unknown. Customer participation in the open season process is voluntary subject to qualification criteria. There is no involuntary assignment of BTS capacity to eligible customers.	5

Open Season 2020

Participant	Set-Aside Offered (Dth/day)	Set-Aside Accepted (Dth/day)	Number Eligible	Number Participated
California Producers, Core Balancing Agents, and Rule 39 Shippers	https://www.socalgas-envoy.com/ebb/attachments/1591218439235_Revised_Preliminary_Set-Asides_2020.pdf	https://www.socalgas-envoy.com/ebb/attachments/1591894836710_2020_Step_1_Awards.pdf	Number of eligible customers is unknown. Customer participation in the open season process is voluntary	13

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			subject to qualification criteria. There is no involuntary assignment of BTS capacity to eligible customers.	
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CONFIDENTIAL (No)

RESPONSE 3-3:

See information provided in the three tables above.

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REQUEST 3-4

How many set asides were offered for step two in the past three SoCalGas Open Season cycles at the following specific points of access? Provide the following information in table format, as detailed below. The response should result in three tables.

- a. Transmission Zone
- b. Specific Points Firm Access (MMcfd)
- c. Specific Points of Access (MMcfd), as provided in the table below.
- d. Set-Asides Available in Step 1
- e. Set-Asides Reserved in Step 1
- f. Set-Asides Available in Step 2
- g. Set-Asides Reserved in Step 2

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Transmission Zone	Specific Points Firm Access (MMcfd)	Specific Points of Access (MMcfd)	Set-Asides Available in Step 1	Set-Asides Reserved in Step 1	Set-Asides Available in Step 2	Set-Asides Reserved in Step 2
Southern	See Response 3-3	EPN Ehrenberg	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	TGN Otay Mesa	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	NBP Blythe	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	CA Supply Southern	See Response 3-3	See Response 3-3	N/A	N/A
Northern	See Response 3-3	TW North Needles	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	TW Topock	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	EPN Topock	See Response 3-3	See Response 3-3	N/A	N/A

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	See Response 3-3	KR/MP Kramer Junction	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	California Supply Northern	See Response 3-3	See Response 3-3	N/A	N/A
Wheeler	See Response 3-3	KR/MP Wheeler Ridge	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	PG&E Kern River Station	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	OEHI Gosford	See Response 3-3	See Response 3-3	N/A	N/A
	See Response 3-3	California Supply Wheeler Ridge	See Response 3-3	See Response 3-3	N/A	N/A
Line 85	See Response 3-3	CA Supply	See Response 3-3	See Response 3-3	N/A	N/A
Coastal	See Response 3-3	CA Supply	See Response 3-3	See Response 3-3	N/A	N/A
Other	See Response 3-3	CA Supply	See Response 3-3	See Response 3-3	N/A	N/A

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CONFIDENTIAL (no)

RESPONSE 3-4:

Set Asides were only offered during Step 1 of the BTS Open Season for 2014, 2017, and 2020.

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REQUEST 3-5

Provide the specific receipt points' prices over the past three open season cycles (receipt points identified above in Request 3-4). Please provide such data in Excel format. Note that monthly averages would be acceptable.

CONFIDENTIAL (no)

RESPONSE 3-5:

This information can be found on Envoy - Notices at: SoCalGas ENVOY.

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Chapter 15 (Rincon & Yen) – Storage Overview and Proposals

REQUEST 3-6

Please refer to pg. 4, lines 18-19: “Long Beach’s claim that ‘the Balancing Plus function offers the same service as the Unbundled Storage Program’ is incorrect.”

- a. Please clarify how the above statement can be reconciled with SoCalGas’ response to Long Beach Data Request dated May 3, 2023, where SoCalGas stated that the “services provided to Balancing Plus buyers are equal to those provided to previous buyers of Unbundled Storage.”

CONFIDENTIAL (no):

RESPONSE 3-6:

- a. The services provided to Balancing Plus buyers are equal to those provided to previous buyers of Unbundled Storage after the sell is made; however, only the Balancing Plus function can provide services to balancing customers by relaxing OFO constraints and provide bidders additional information during the sales process.

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REQUEST 3-7

Please reference pg. 5, lines 6-8: "... SoCalGas will set a reservation price for unbundled storage that reflects its market view and in effect temporarily set a reservation price above the prevailing fair market value."

- a. Please define the term "reservation price."
- b. Please describe how SoCalGas "sets" a reservation price for unbundled storage, including all factors it considers in setting the price and if there any Commission limitations on its ability to set the reservation price.
- c. Please provide all references to any formal Commission authorization allowing SoCalGas to set reservation prices above fair market value.

CONFIDENTIAL (no):

RESPONSE 3-7:

- a. The reservation price is the minimum price a seller is willing to accept for a service.
- b. The reservation price for SoCalGas' current unbundled storage program is set on a transactional basis based on prevalent market conditions and the specific storage service to be provided to the customer. Factors relevant to the reservation price calculation may include, but are not limited to, spot, futures, and option prices, interest rates, news items, pipeline notices, and weather data. Limits to the reservation price are in Schedule G-TBS, Transaction Based Storage Service.
- c. Please refer to Schedule G-TBS, Transaction Based Storage Service.

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REQUEST 3-8

If the Balancing Plus function is authorized, how would this change how SoCalGas uses or offers park and loan services?

CONFIDENTIAL (no):

RESPONSE 3-8:

SoCalGas would not offer a park and loan service through Balancing Plus.

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REQUEST 3-9

Please refer to pg. 5, lines 19-22: "... under the Unbundled Storage program there are times when revenues are maximized by keeping unbundled storage assets on reserve. On such occasions, those assets may not be available to any customer."

- a. Please confirm that SoCalGas is referring to its own revenues being maximized and not some other revenues.
- b. Please define the term "on reserve."
 - i. Is unbundled storage "on reserve" still available to the market for customers to purchase?
- c. Please provide a list of all months since 2005 when unbundled storage assets were not available to customers because SoCalGas decided to keep such assets on reserve.
- d. Does SoCalGas claim its actions to maximize revenues as referenced above were suboptimal market outcomes?
 - i. If so, why?
 - ii. If not, why not?

CONFIDENTIAL (no):

RESPONSE 3-9:

- a. SoCalGas is referring to unbundled storage and park and loan revenues. Net revenues from these programs are split 75/25 between ratepayers and shareholders respectively.
- b. Assets "on reserve" are assets held by the California Energy Hub (CEH). All assets held by the CEH are offered to the market; however, the reservation price set for a specific storage service by the CEH may temporarily exceed the bid price.
- c. SoCalGas does not keep the requested data.
- d. SoCalGas cannot answer the question because the optimal market outcome is not a known variable.

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Chapter 17 (Seres) – Embedded Costs

REQUEST 3-10

Please refer to pg. 2, lines 8-9: "... Applicants' embedded cost study is grounded in actual recorded costs and does not rely on escalated costs."

- a. Please confirm that in the attrition years, under SoCalGas' proposal to escalate embedded costs, that the embedded costs SoCalGas will rely on for ratemaking will be escalated costs and not actual recorded costs.

CONFIDENTIAL (no):

RESPONSE 3-10:

Yes. To clarify further, it is proposed in Ch.8 pg. 9 section C. that the Applicants consider revising the embedded cost to account for inflationary changes. For detailed information, kindly refer to Chapter 8, specifically footnotes 61 and 62 on page 19, where the projected inflation rates—also termed as 'escalation rates'—are delineated for the fiscal years 2025 through 2027.

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REQUEST 3-11

Please refer to pg. 2, lines 10-11: "... Applicants do not assume that all costs increase proportionally."

- a. Please confirm that under SoCalGas' proposal to escalate embedded costs that all Operations and Maintenance ("O&M") costs will be escalated proportionally using the proposed O&M escalation factor.
 - i. If not, please describe how SoCalGas proposes to escalate O&M costs.
- b. Please confirm that under SoCalGas' proposal to escalate embedded costs, all capital costs will be escalated proportionally using the proposed capital escalation factor.
 - i. If not, please describe how SoCalGas proposes to escalate capital costs.

CONFIDENTIAL (no):

RESPONSE 3-11:

Applicants object to this request on the grounds that the phrase "escalated proportionally" is vague and ambiguous. Subject to and without waiving the foregoing, Applicants respond as follows to Questions 3-11 a. and b.:

Applicants' proposal is that Operation and Maintenance (O&M) and Capital costs be adjusted in accordance with the O&M and Capital escalation rates corresponding to the respective years. These escalation rates are detailed in Chapter 8, on page 19, specifically within footnotes 61 and 62.