

Application No: A.14-06-021
Exhibit No.: _____
Witness: Gwen Marelli

Application of Southern California Gas Company)
(U 904 G) and San Diego Gas & Electric Company)
(U 902 G) for Low Operational Flow Order and)
Emergency Flow Order Requirements)

A.14-06-021
(Filed June 27, 2014)

PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF
GWEN MARELLI
SOUTHERN CALIFORNIA GAS COMPANY AND
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 14, 2014

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1 **PREPARED SUPPLEMENTAL DIRECT TESTIMONY**
2 **OF GWEN MARELLI**

3 **I. PURPOSE**

4 The purpose of my supplemental direct testimony is to address the following issues
5 identified in the October 9, 2014, Assigned Commissioner and Administrative Law Judge’s
6 Scoping Memo and Ruling in this Application (Scoping Memo):

7 Should Applicants revise their gas curtailment and OFO rules
8 so that they are based on rules similar to those used by
9 PG&E?

10 What level of compensation should a customer receive if its
11 gas is involuntarily diverted for the benefit of other
12 customers?¹

13 I am addressing these issues now because they are not addressed in the original direct
14 testimony of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric
15 Company (SDG&E).

16 **II. LARGE-SCALE REVISIONS TO SOCALGAS AND SDG&E’S CURTAILMENT**
17 **RULES SHOULD BE ADDRESSED IN OUR UPCOMING CURTAILMENT**
18 **RULES UPDATE APPLICATION PROCEEDING**

19 As explained by Ms. Musich, in this proceeding SoCalGas and SDG&E are proposing to
20 replace our circa-1998 winter balancing rules with low Operating Flow Order (OFO) and
21 Emergency Flow Order (EFO) procedures similar to those that have been employed by Pacific Gas
22 & Electric Company (PG&E) for many years. As further explained by Mr. Borkovich, one
23 element of our proposal is the removal of provisions relating to curtailment of standby
24 procurement service from SoCalGas and SDG&E’s curtailment rules (Rule 23 for SoCalGas and

¹ Scoping Memo at 4.

1 Rule 14 for SDG&E), because the new low OFO and EFO requirements will replace curtailments
2 of standby procurement service.

3 SoCalGas and SDG&E strongly believe that the removal of provisions relating to
4 curtailment of standby procurement service should be the only change to our curtailment rules
5 contemplated by the Commission in this proceeding. As explained by Ms. Musich, time is of the
6 essence for our low OFO and EFO proposal. The system challenges that SoCalGas and SDG&E
7 are facing are ripe for a solution. Yes, SoCalGas and SDG&E could continue to curtail standby
8 procurement service -- and even curtail end-use service to noncore customers -- in response to the
9 operational challenges created by low customer deliveries during times of system stress; and yes,
10 SoCalGas and SDG&E could conceivably curtail standby procurement service each time PG&E
11 calls a low OFO or EFO on its system. But it would be much more reasonable for SoCalGas and
12 SDG&E to have the ability to call low OFOs or EFOs in response to system stress, rather than to
13 take the potentially more disruptive route and curtail services.

14 SoCalGas and SDG&E agree that changes to our circa-1993 curtailment rules are likely
15 appropriate. One potential approach to such changes would be to revise the rules to be similar to
16 curtailment rules on the PG&E system.² But other potential approaches may also be worthwhile,
17 and the issues presented by large-scale changes to our curtailment rules are complex. For
18 example, we think the Commission would need to consider whether the interruptible/firm
19 distinction still has merit in today's market environment. Likewise, we think the Commission will
20 need to consider whether electric generation needed for electric grid stability should have a

² The first provision from the Scoping Memo referenced above also mentions "OFO rules." SoCalGas and SDG&E take this reference to refer to arguments by certain parties that our low OFO and EFO requirements should be even more similar to PG&E's low OFO and EFO requirements, and we plan to respond to such arguments in rebuttal testimony. To the extent that this reference is to the existing high OFO requirements on the SoCalGas/SDG&E system, our arguments would be the same as those for changes to curtailment rules. This is something that can be dealt with in either the proceeding relating to our upcoming curtailment rules update application or another appropriate venue, not here.

1 priority over other noncore customers. These and other curtailment priority issues simply cannot
2 be adequately considered in the expedited timeframe that has been appropriately established to
3 consider the limited question of whether SoCalGas and SDG&E should be authorized to establish
4 new low OFO and EFO procedures. Moreover, significant changes to our curtailment rules could
5 involve a universe of impacted parties (such as the California Independent System Operator
6 (CAISO), other electric grid operators, and even the California Energy Commission (CEC)) that is
7 much greater than those participating in this proceeding.³

8 SoCalGas and SDG&E intend to propose large-scale changes to our curtailment rules in
9 the first half of 2015. We plan to submit such changes via a new application served on a broad
10 range of potentially interested parties. In that upcoming application we will specifically address
11 whether our rules should be revised to be more like the curtailment rules used by PG&E. Any
12 party interested in arguing that curtailment rules in Southern California should look more like
13 curtailment rules in Northern California will have an appropriate venue to present that argument.

14 **III. THE LEVEL OF COMPENSATION A CUSTOMER RECEIVES IF ITS GAS IS**
15 **INVOLUNTARILY DIVERTED SHOULD ALSO BE CONSIDERED IN**
16 **SOCALGAS AND SDG&E'S CURTAILMENT RULES UPDATE APPLICATION**
17 **PROCEEDING**

18 As noted above, the Scoping Memo asks what level of compensation a customer should
19 receive if its gas is involuntarily diverted for the benefit of other customers. This topic is currently
20 dealt with in SoCalGas and SDG&E's curtailment rules. One of the things SoCalGas and SDG&E
21 are currently looking into is whether, and to what extent, the involuntary diversion rules in our

³ Because large-scale changes to SoCalGas Rule 23 and SDG&E Rule 14 were not included in our Application, parties such as CAISO and CEC who would potentially be interested in larger-scale curtailment rule changes have not received any notice that such changes could be considered in this proceeding.

1 curtailment rules still have relevance in today's four-cycle market environment. This is a topic
2 that will definitely be addressed in our curtailment rules update application. Even if we should
3 choose to retain the involuntary diversion rules we currently have, we will need to explain why.
4 And like other large-scale changes to our curtailment rules, this particular topic may be of interest
5 to a wide range of market participants who have not received any sort of notice that changes to
6 these provisions would be considered in the present low OFO/EFO proceeding. For all of these
7 reasons, any changes to the involuntary diversion provisions in SoCalGas Rule 23 and SDG&E
8 Rule 14 should be considered in our curtailment rules update application proceeding, not here.

9 **IV. QUALIFICATIONS**

10 My name is Gwen Marelli. My business address is 555 West Fifth Street, Los Angeles,
11 California 90013. I am employed by SoCalGas as Director of Energy Markets and Capacity
12 Products for SoCalGas and SDG&E.

13 I received a Masters of Business Administration degree from Pepperdine University's
14 Graziadio School of Business and Management in 1990 and a Bachelor of Science degree in
15 Mechanical Engineering from the University of California, San Diego in 1986. I have been
16 employed by SoCalGas since 1991. As of August 2014, I have been serving in the role of
17 Director of Energy Markets and Capacity Products. In this position, I manage service to the
18 largest gas customers of SoCalGas, specifically large electric generators, Enhanced Oil Recovery
19 customers, and wholesale customers. I also manage the unbundled storage program, the California
20 Energy Hub, and the Gas Scheduling Group, I oversee minimum flowing supply purchases and
21 maintenance-related supply purchases, scheduling and nominations on the integrated SoCalGas
22 and SDG&E transmission system, SoCalGas' Electronic Bulletin Board, and SoCalGas and
23 SDG&E's interconnection and operational balancing agreements with suppliers delivering natural
24 gas into our system. I also manage the Gas Transmission Planning Department for both utilities.

1 Prior to my current position, I was the Director of Commercial and Industrial Services
2 from 2011 through 2014, Director of Customer Operations from 2010 through 2011, Director of
3 Customer Services from 2009 through 2010, and the Director of Customer Research, Strategy and
4 Communications from 2006 through 2009. I joined SoCalGas in 1991 as an Energy Sales
5 Engineer and held positions of increasing responsibility until my promotion to Director in 2006.
6 Prior to joining SoCalGas, I held engineering positions at Bechtel Western Power Company and
7 McDonnell Douglas Corporation.

8 This concludes my prepared supplemental direct testimony.