

Application No: A.15-07-014
Exhibit No.: _____
Witness: Sim-Cheng Fung

Application of Southern California Gas Company
(U 904 G) and San Diego Gas & Electric Company
(U 902 G) for Authority to Revise their Natural Gas
Rates Effective January 1, 2017 in this Triennial
Cost Allocation Proceeding Phase 2

A.15-07-014
(Filed July 8, 2015)

PREPARED SUPPLEMENTAL TESTIMONY OF
SIM-CHENG FUNG
SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

March 28, 2016

TABLE OF CONTENTS

	<u>Page</u>
I. PURPOSE	1
II. METHODOLOGY	1
III. ALISO-RELATED STORAGE COSTS.....	2
IV. STORAGE COST ALLOCATION REFLECTING THE REMOVAL OF ALISO-RELATED COSTS	3

1 **I. PURPOSE**

2 The purpose of my Prepared Supplemental Testimony on behalf of Southern California
3 Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) is to provide
4 information in response to the March 8, 2016 Administrative Law Judge’s Ruling Directing the
5 Applicants to Serve Written Testimony Regarding Aliso Canyon (Ruling). Specifically, this
6 Supplemental Testimony provides the illustrative allocation of the embedded costs of storage for
7 use in calculating the rates provided in the Prepared Supplemental Testimony of Mr. Bonnett
8 given the normal, previously approved costs to own and operate the Aliso Canyon storage
9 facility identified in the Prepared Supplemental Testimony of Mr. Nguyen.

10 **II. METHODOLOGY**

11 The embedded costs of storage and the allocation of storage costs to storage functions is
12 the subject of A.14-12-017 (2016 TCAP Phase 1). For the purposes of this current TCAP Phase
13 2 proceeding, SoCalGas and SDG&E utilized the proposals presented in the A.14-12-017
14 testimony of Mr. Steve Watson, Mr. Sharim Chaudhury, and myself.¹ On August 31, 2015,
15 seven of the ten active parties in A.14-12-017 filed a Motion for Adoption of Settlement
16 Agreement addressing, among other things, the embedded costs of storage and the allocation of
17 storage costs to storage functions. This Settlement Agreement is pending before the
18 Commission. For the purposes of this current Supplemental Testimony, and in order to create an
19 apples-to-apples comparison, SoCalGas and SDG&E maintained consistency with the
20 methodology assumed in the Phase 2 rates presented in the November 19, 2015 Revised
21 Prepared Direct Testimony of Mr. Bonnett, which were based on SoCalGas and SDG&E’s
22 testimony in A.14-12-017 and not on the Settlement Agreement. However, to the extent the
23 Commission adopts different cost allocations when it decides A.14-12-017, those cost allocations

¹ Available at <https://socalgas.com/regulatory/A1412017.shtml>.

1 will be included in the rates presented in SoCalGas and SDG&E's subsequent implementation
2 advice letters.

3 As such, the approach utilized in this Supplemental Testimony to allocate storage costs to
4 storage functions is consistent with Mr. Watson's Prepared Direct Testimony, Sections V and VI,
5 in A.14-12-017. This Supplemental Testimony also utilizes the storage capacity allocations
6 shown in Section V, Table 3 of Mr. Watson's Phase 1 testimony. With this approach, the rates
7 presented in Mr. Bonnett's Prepared Supplemental Testimony provide an apples-to-apples
8 comparison of the impact of the Aliso Canyon costs that is not affected by different assumptions
9 regarding allocation methodologies or storage capacities that are yet to be decided in a separate
10 proceeding.

11 **III. ALISO-RELATED STORAGE COSTS**

12 In Section VI of Mr. Watson's Phase 1 testimony, the 2017-2019 total embedded storage
13 cost is presented as \$110.6 million, including \$83.6 million of revenue requirement related to
14 existing storage assets and \$27 million related to the Aliso Canyon Turbine Replacement
15 (ACTR) project.² In compliance with the Ruling, this Supplemental Testimony reduces the
16 2017-2019 total embedded storage cost of \$110.6 million by the following two items:

- 17 • \$35.2 million, which represents the normal, previously approved costs to own and
18 operate the Aliso Canyon storage facility identified in the Prepared Supplemental
19 Testimony of Mr. Nguyen; and
- 20 • \$27 million associated with the ACTR project, which is a known incremental project
21 that can be characterized as a normal, previously approved cost to own and operate

² Mr. Watson cites the A.14-12-017, Prepared Direct Testimony of Sim-Cheng Fung, Table 9, for these figures.

1 the Aliso Canyon storage facility that had been included in the rates presented in Mr.
2 Bonnett's Revised Prepared Direct Testimony.

3 **IV. STORAGE COST ALLOCATION REFLECTING THE REMOVAL OF ALISO-**
4 **RELATED COSTS**

5 The resulting adjusted 2017-2019 storage embedded cost of \$48.4 million is then
6 allocated to the balancing, core, and unbundled storage services based on the method that is
7 described in Section VI of Mr. Watson's Phase 1 testimony. As described in Mr. Watson's
8 Phase 1 testimony, the allocation of storage costs is derived by determining total storage units
9 and allocating embedded storage costs among those storage units. Firm summer injection and
10 "off-cycle" withdrawal units for core and noncore storage are multiplied by 214 days, which is
11 the length of the summer injection season; firm winter withdrawal and "off-cycle" injection units
12 for core and noncore are multiplied by 151 days, the length of the winter season; injection and
13 withdrawal units allocated to the balancing function are multiplied by 365 days since balancing
14 is a year-round service; and then all these decatherm units of injection/withdrawal service are
15 added to total inventory. Embedded costs are divided by this total decatherms of firm service
16 capacity to provide a \$/dth cost. These costs are then multiplied by the total firm service
17 capacity decatherms for the three storage services. The results of the cost allocation
18 methodology for 2017-2019 are provided in Table 1. These costs are utilized to calculate the
19 rates presented in the Prepared Supplemental Testimony of Mr. Bonnett.

20 **TABLE 1 -**
21 **Costs By Functions**

	2017-2019 \$MM
Core	28.77
Balancing	12.18
Unbundled	7.45
Total	\$48.41

22 This concludes my prepared Supplemental Testimony.