Docket:	:	A.14-12-017
Exhibit Number	:	
Reference Number	:	ORA-01
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)

ORA Testimony

San Francisco, California
June 22, 2015

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I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding Phase I of SoCalGas/SDG&E's (Sempra) 2016 Triennial Cost Allocation Proceeding (TCAP) Application. Specifically, this exhibit addresses Sempra's proposals regarding:

- Honor Rancho and Aliso Canyon Project Costs
- Shift from annual to seasonal injection/withdrawal allocations
- Changes to the balancing function
- Changes to the unbundled storage sharing mechanism
- Changes to unbundled storage transaction posting requirement
- Aliso Canyon and storage in-kind fuel
- Information system modifications

II. SUMMARY OF RECOMMENDATIONS

ORA opposes Sempra's proposal to move core customers' injection and withdrawal rights from annual allocation to seasonal. Core customer allocation rights should remain annually allocated to allow for flexibility in adapting to seasonal variability.

ORA opposes Sempra's proposal to modify the revenue sharing mechanism in the manner proposed. ORA agrees with Sempra that increased revenues may bring benefits to both shareholders and ratepayers, but believes that Sempra has not provided sufficient evidence to support their proposed 60/40 mechanism. ORA does not oppose some modification to increase the utility of the unbundled storage revenue sharing program and proposes a simplified 75/25 (ratepayer/shareholder) sharing percentage, while maintaining the $20 million cap on shareholder revenues.

ORA opposes the elimination of the unbundled storage transaction posting requirement. Sempra has not demonstrated that the elimination of the requirement would bring <u>any</u>

benefit to ratepayers, shareholders, or the company, nor has it addressed concerns about price manipulation.

ORA does not oppose the following proposals presented in Sempra's application:

- Recovery of Honor Rancho and Aliso Canyon project costs
- Changes to the balancing function (assuming the new high-Operational Flow Orders procedures are approved)
- Use of the storage in-kind fuel factor for Aliso Canyon
- Information system modifications (assuming the new high-OFO procedures are approved)

More detailed background information and ORA analysis of issues are detailed below.

III. HONOR RANCHO AND ALISO CANYON PROJECT COSTS

A. Background

Based upon its embedded storage cost study, Sempra requests $12.6 million (MM) in the year 2016 for "the projected under-collected Honor Rancho Storage Memorandum Account (HRSMA) balance"[1] and costs of $27MM in each of the years 2017, 2018, and 2019 (totaling $81MM).[2] The Honor Rancho and Aliso Canyon Projects are independent but are included as a single line description in Sempra's testimony.[3] After 2019, the remaining cost of the Aliso Canyon Project will be "rolled into the overall rate base of the utility in a subsequent general rate case."[4]

[1] Sempra Prepared Testimony (Fung), page 6, lines 5-6.

[2] Id. page 7, line 7

[3] Id.

[4] Id.

B. **ORA Analysis**

Allocation of Honor Rancho and Aliso Canyon costs in this manner reflect the language in Decision 13-11-023[5] and ORA does not oppose such recovery.

IV. SHIFT FROM ANNUAL TO SEASONAL INJECTION AND WITHDRAWL ALLOCATIONS

A. **Background**

Sempra has previously allocated injection and withdrawal rights on a strictly annual basis.[6] Sempra's current application includes the proposal to shift from annual injection and withdrawal rights to seasonal (winter/summer) allocation.[7] With the exception of the injection capacity increases from the Aliso Canyon project, the total proposed allocations are largely unchanged from the previous BCAP period (see tables in Section IV.B below). The winter allocation season runs from November 1st through March 31st; the summer allocation season from April 1st through October 31st.[8]

B. **ORA Analysis**

ORA has prepared the following tables, which show storage capacities and allocation at the beginning and end of the previous Settlement Agreement[9] (2009 SA) period (Tables 1 and 2) and as proposed by Sempra for the current TCAP period (Tables 3 and 4). Sempra has stated that "SoCalGas and SDG&E agree that Table 1 is an accurate representation of the capacity figures set out in the 2009 SA,"[10] that Table 2 is largely accurate with the

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[5] D. 13-11-023, Ordering Paragraph 10.

[6] Sempra Response to ORA-DR-05 Q2.

[7] Sempra Prepared Testimony (Watson), page 10, line 14.

[8] Sempra Response to ORA-DR-07 Q1.

[9] D.08-12-020 Settlement Agreement, covering the period January 1, 2009 – December 31, 2014. See D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 2

[10] Sempra Response to ORA-DR-05 Q1.

exception of a small difference in total capacity figures,[11] and that "SoCalGas and SDG&E agree that Tables 3 and 4 are an accurate representation of the capacity figures in the current 2016 TCAP proposal."[12]

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[11] The full text of Sempra's response to ORA-DR-05 Q1 is as follows:

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 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."

[12] Sempra Response to ORA-DR-05 Q3.

Table 1*: Initial storage allocations as outlined in 2009 Settlement Agreement:*

	Storage Capacity (Bcf)	**Withdrawal (MMcf/d)**	**Injection (MMcf/d)**
Total	131.1 [13]	3195 [14]	850 [15]
Balancing	4.2 [16]	340 [17]	200 [18]
Core	79 [19]	2225 [20]	369 [21]
Unbundled	47.9 [22]	630 [23]	281 [24]

1

[13] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4

[14] Id.

[15] Id.

[16] Id. pages 4 and 5, Paragraph 9

[17] Id.

[18] Id.

[19] Id. page 3, Paragraph 5

[20] Id.

[21] Id.

[22] Calculated per D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

[23] Id.

[24] Id.

Table 2[25]*: Storage allocations as of April 1, 2014, as outlined in 2009 Settlement Agreement:*

	Storage Capacity (Bcf)	**Withdrawal (MMcf/d)**	**Injection (MMcf/d)**
Total	138.1[26]	3195[27]	850
Balancing	4.2[28]	340[29]	200[30]
Core	83[31]	2225[32]	388[33]
Unbundled	50.9[34]	630[35]	262[36]

1

[25] The highlights in Table 2 indicate changes as of April 1, 2014 from the initial storage allocations outlined in the Settlement Agreement.

[26] Total storage inventory capacity increase prescribed per D.09-11-006 Settlement Agreement, Attachment 1, Appendix A, Paragraph 6.

[27] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, paragraph 4

[28] Id. pages 4 and 5, Paragraph 9

[29] Id.

[30] Id.

[31] 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

[32] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 3, Paragraph 5

[33] Id.

[34] 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

[35] Calculated per D. 08-12-020 Settlement Agreement, Attachment 1, Appendix A, Paragraph 12

[36] Id.

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

	Storage Capacity (Bcf)	Withdrawal (summer/winter) (MMcf/d)	Injection (summer/winter) (MMcf/d)
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*[37]*):*

	Storage Capacity (Bcf)	Withdrawal (summer/winter) (MMcf/d)	Injection (summer/winter) (MMcf/d)
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

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

ORA opposes Sempra's proposal to allocate core withdrawal and injection rights on a seasonal basis. Injection and withdrawal rights for core should continue to be allocated on an annual basis to so that core does not lose certain injection or withdrawal rights, as proposed by Sempra, during the summer or winter seasons. However, ORA understands that, particularly in winter months, the capability to inject gas into storage may be limited.

Especially in light of a changing climate (the effects of which Sempra has not studied in regard to injection/withdrawal rights[38]) and the ongoing drought, a warm winter may allow core to purchase natural gas for storage late in the winter season. Since prices will generally be lower when demand is lower during warm weather, this scenario would likely result in lower purchase prices and savings to ratepayers. However, it is conceivable that, under Sempra's seasonal proposal, core would be unable to inject this gas into storage because of lack of injection rights, forcing it to either sell the gas at a loss or purchase more costly additional injection rights. Also, a cold snap in the summer season (for example, in early April) could require core to use existing annual withdrawal rights during the summer, which would be more limited under Sempra's proposed seasonal allocation.[39]

There are no technical limitations to allocating some customers on an annual basis and others on a seasonal basis. In response to ORA data request ORA-DR-07, Sempra stated that there were no "changes to physical or technological systems that would need to occur in order to allocate injection/withdrawal rights on a seasonal basis."[40] Additionally, the fact that Sempra proposes allocating rights to some customer groups on an annual basis (balancing), some on a seasonal basis (core), and some on a per-contract basis

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[38] Sempra Response to ORA-DR-07 Q5.

[39] See Confidential Appendix A for ORA's analysis of the plausibility of these conditions occurring.

[40] Sempra Response to ORA-DR-07 Q3.

(unbundled)[41] demonstrates that there are no technical limitations to separate allocation methodologies.

Based upon a confidential data response from Sempra, ORA provides additional support against Sempra's proposal to reduce core customers' winter injection and summer withdrawal rights in ORA-3-CONF (Attachment B).

V. CHANGES TO THE BALANCING FUNCTION

A. **Background**

In the previous Settlement Agreement adopted by D. 08-12-020 (A. 08-02-001), SoCalGas agreed to "make commercially reasonable efforts to replace the existing three obsolete LM-1500 turbines… at its Aliso Canyon Storage facility" and thereby "to expand overall injection capacity at Aliso Canyon to the extent feasible by approximately 145MMcfd."[42]

SoCalGas is now nearing the completion of the Aliso Canyon Turbine Replacement Project and Sempra's current application includes the allocation of the entirety of the additional Aliso Canyon injection capacity (planned to come online in 2017) to the balancing function.[43] The new turbines' capacity will increase injection capacity by 145MMcfd.[44] In Mr. Watson's testimony (p. 8) Sempra also states that allocation in this manner would "help facilitate the new PG&E-like high OFO procedures."[45]

[41] Sempra Response to ORA-DR-07 Q4a.

[42] D.08-12-020 Settlement Agreement, Attachment 1, Appendix A, page 4, Paragraph 8

[43] Sempra Prepared Testimony (Watson), page 8, lines 13-16.

[44] Id. page 8, lines 13-14.

[45] Id. page 8, line 16.

B. **ORA's Analysis**

In reviewing Sempra's application regarding the Aliso Canyon allocation, ORA finds that the above characterization of the need to allocate injection capacity in this manner is generally accurate. In data request ORA-02,[46] ORA asked Sempra whether "facilitation of the 'new PG&E-like high OFO procedures' specifically require that Aliso Canyon be allocated in this manner." Sempra responded:

> *"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."*

ORA does not oppose allocation of all Aliso Canyon injection capacity to the balancing function. However, if the "PG&E-like high OFO procedures" are rejected or delayed, the Commission should recognize that an alternative injection allocation may be more beneficial.

VI. CHANGES TO THE UNBUNDLED STORAGE SHARING MECHANISM

A. **Background**

Sempra's application proposes changes to the unbundled storage sharing mechanism, which shares "net revenue (gross revenues minus embedded unit costs as approved by the Commission)."[47] The current revenue-sharing mechanism (as defined in the Settlement Agreement) shares revenues 90/10 (ratepayer/shareholder) for the first $15 million, 75/25 on the next $15 million, and 50/50 for further earnings, subject to a $20 million shareholder cap.[48] Sempra's proposal for the next TCAP period is for a "single-tier" 60/40 sharing ratio with the $20 million cap remaining in place.[49]

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[46] Sempra Response to ORA-DR-02 Q7a.

[47] D. 08.12.020, Attachment A (Settlement Agreement), Paragraph 15.

[48] Id.

[49] Sempra Prepared Testimony (Watson) page 13, lines 10-12.

Sempra argues that the previous sharing mechanism was put in place because "[parties] thought shareholder earnings were too high under the previous 50/50 mechanism"[50] and that "These high earnings… were generated in a totally different natural gas market."[51] Sempra argues that minimal shareholder earnings over the past two years[52] "[do] not provide enough incentive for SoCalGas to creatively and aggressively market its asset"[53] and that a new sharing ratio would benefit both shareholders and customers by incenting SCG to increase sales, and thereby increase net revenues.

B. **ORA Analysis**

ORA opposes Sempra's proposal to modify the revenue sharing mechanism in the manner proposed, but agrees that increased revenues may bring benefits to both shareholders and ratepayers and that a modified sharing structure may help accomplish this goal.

ORA does not disagree with the basic principles behind Sempra's proposal (the "position that incentives are used to motivate innovation and hard work"[54]). However, in response to ORA's questions, Sempra has been unable to provide any predictions on future revenue,[55] unable to articulate what programmatic changes it would undertake given a new mechanism,[56] and unable to explain how much of revenue fluctuations are simply due to market forces beyond its control. Instead, Sempra has generally asserted that

[50] Sempra Prepared Testimony (Watson) page 13, lines 13-14.

[51] Id. page 13, lines 14-15.

[52] Sempra Prepared Testimony (Watson) page 14, line 6.

[53] Id. page 4, lines 7-8.

[54] Sempra Response to ORA-DR-04, Q4.

[55] Sempra Response to ORA-DR-02, Q12.

[56] Sempra Response to ORA-DR-05 Q7a.

"[high earnings under the previous mechanism]…were generated in a totally different natural gas market",[57] and "It is unrealistic to believe [SoCalGas] will generate significantly more than [the $26MM in unbundled storage revenues generated in 2014] with fewer storage assets in the future."[58]

ORA asked Sempra for factors that affect natural gas price volatility. Sempra cited factors including "drilling technologies, changes in consumer preferences, additional storage capacity,"[59] and "perceived likelihood of flowing supply shortages/disruptions."[60] ORA also asked whether Sempra was "capable of generating any forecasts of unbundled storage revenues for any future years using any tools at its disposal,"[61] to which Sempra responded "No. Here are three points why we don't estimate the value of our storage assets for periods significantly longer than a year" and listed more detailed explanations under the headings of "Price Discovery", "Uncertainty of Unobserved Inputs", and "Appropriateness of the model."[62] ORA does not disagree that the causes and effects of price volatility are complex and hard to predict and analyze. Even though Sempra's assertion that such analysis does not make sense until a change is implemented[63] may have some merit, switching from a tiered 90/10 sharing mechanism to a straight 60/40 without any quantitative evidence is an excessive modification.

Sempra claims that programs including "aggressive negotiations with counterparties, creative product marketing, and storage field operations" *could* help grow storage

[57] Sempra Prepared Testimony (Watson) page 13, lines 14-15.

[58] Id. page 14, lines 1-2.

[59] Sempra Response to ORA-DR-05 Q6.

[60] Sempra Response to ORA-DR-04 Q6c.

[61] ORA-DR-04 Q7.

[62] Sempra Response to ORA-DR-04 Q7b.

[63] Sempra Response to ORA-DR-04 Q9.

revenues (emphasis added).[64] None of these activities are precluded from happening under the current mechanism;[65] in fact, Sempra stated that "SoCalGas already optimizes storage operations under the existing storage mechanism."[66] In light of this, the changes to the revenue sharing mechanism should not be seen as a necessity to kick-start a failed program, but rather a fine-tuning to achieve optimal results.

Until the next TCAP, ORA proposes replacing the current sharing mechanism with a 75/25 (ratepayer/shareholder) split, with the $20 million shareholder cap to remain in place.[67] This revised structure would provide increased incentive for SoCalGas to grow revenues while maintaining a more equitable allocation of benefits to potentially avoid becoming a "handout" to shareholders. In the next TCAP, the issues can be reevaluated.

VII. CHANGES TO THE UNBUNDLED STORAGE TRANSACTION POSTING REQUIREMENT

A. Background

As noted in Sempra's testimony, "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."[68] Sempra's application proposes the elimination of the primary unbundled storage transaction posting requirement.[69] Citing comparisons to "PG&E and Northern

[64] Sempra Prepared Testimony (Marelli) pages 1-2, lines 23 and 1.

[65] Sempra Response to ORA-DR-03 Q1.

[66] Id.

[67] Sempra's Application includes keeping the $20MM cap on shareholder earnings in place (Sempra Prepared Testimony (Watson) page 13, lines 11-12.

[68] Sempra Prepared Testimony (Watson) page 15, lines 19-21.

[69] Id. page 16, lines 7-8.

California storage fields,"[70] Sempra claims that "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 than it has. Since SoCalGas is only able to charge its unbundled storage customers the price they feel is warranted for a particular product, the posting of the prices paid by other parties for other products at other times is unnecessary."[71]

B. **ORA Analysis**

There is no basis for the Commission to grant Sempra's request to eliminate the unbundled storage transaction posting requirement (hereafter "posting requirement").

On the other hand, Sempra has not demonstrated that the elimination of this requirement would bring any benefit to ratepayers, shareholders, or the company itself, nor has it addressed concerns about price manipulation. As noted above, Sempra's testimony states that "it should now be obvious that SoCalGas does not have the ability to manipulate prices in the unbundled storage market"[72] because "if it did, it would be able to generate much greater revenues than it has."[73] The implication that Sempra would have manipulated prices were it able to is not a compelling argument for the elimination of a mechanism designed to lend transparency and fairness to what is basically a monopoly market.

When asked to provide evidence or support for the above-quoted claim regarding revenues,[74] Sempra provided a one-line response referring to a line graph of unbundled

[70] Sempra Prepared Testimony (Watson) page 15, lines 22-23.

[71] Id. page 16, lines 2-7.

[72] Id. page 16, lines 2-4.

[73] Id. page 16, line 4.

[74] ORA-DR-02 Q15.

storage revenues over the last 15 years.[75] When asked to clarify[76] whether Sempra asserted that the cited figure demonstrated a causal relationship between posting requirement and price manipulation, Sempra provided a different response - that the figure supported the conclusion that "An entity with significant market power would be able to consistently generate revenues well above its costs, year after year."[77] The same response discusses the unbundled storage revenue sharing mechanism as well. Sempra's response and conflation of the distinct issues of transaction posting requirement and storage revenue sharing offer no supporting evidence for either proposal, nor satisfaction as to Sempra's latent willingness to exploit market power.

In both its Application and response to ORA's data requests (cited below), Sempra states "Since SoCalGas is only able to charge its unbundled storage customers the price they feel is warranted for a particular product, the posting of the prices paid by other parties for other products at other times is unnecessary",[78] and "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."[79] Sempra's assertions ignore the fact that the natural gas storage market in southern California is a monopoly (as acknowledged by Sempra[80]); the claim that storage buyers have other purchasing options or market influence to counterbalance hypothetical price manipulation is simply untrue.

[75] Sempra Response to ORA-DR-02 Q15.

[76] ORA-DR-04 Q12.

[77] Sempra Response to ORA-DR-04 Q12.

[78] Sempra Prepared Testimony (Watson) page 16, lines 4-7.

[79] Sempra Response to ORA-DR-02 Q14.

[80] Sempra Response to ORA-DR-04 Q11b.

In response to ORA-DR-04, Sempra cites the example of price arbitrage in an attempt to demonstrate that its storage fields compete with Northern California storage fields in a competitive market, in support of its argument for no posting requirement.[81] Even if accepted at face value, this assertion does not invalidate the need for transparent and publically-accessible transaction information, since the price arbitrage example does not discuss the use or sale of natural gas storage in any particular location or at any level of detail. Sempra's reference to PG&E's Gill Ranch CPCN[82] (which they claim substantiates their position) is similarly without any context, further elaboration, or supporting details.

Sempra is unable to provide the quantitative benefits of eliminating the posting requirement. When asked to quantify the potential benefits of elimination of the posting requirement), Sempra admitted that they "have not estimated the magnitude of the savings" (for back office work)[83] and "have no such estimate" (for the cited legal/regulatory risks).[84], [85]

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[81] Sempra Response to ORA-DR-04 Q11a

[82] Sempra Response to ORA-DR-04 Q11a; *"…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."*

[83] Sempra Response to ORA-DR-05 Q8a.

[84] Sempra Response to ORA-DR-05 Q8b.

[85] As indicated in Sempra's response to ORA-DR-04 Q10a, Sempra originally noted "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."

VIII. ALISO CANYON AND STORAGE IN-KIND FUEL

A. Background

Sempra's testimony proposes recovery of electricity costs associated with the Aliso Canyon Turbine Replacement Project through an "in-kind fuel factor", whereby "SoCalGas' System Operator will sell this 'equivalent gas' volume in the marketplace in order to pay for the electricity costs of the electric compressors in the storage fields."[86]

As noted by Sempra, the use of the in-kind fuel factor was adopted in the previous BCAP and is being re-proposed herein because the Aliso Canyon Project will not come online until 2017.[87]

B. **ORA Analysis**

ORA does not oppose the recovery of electricity costs for the Aliso Canyon through an in-kind fuel factor.

IX. INFORMATION SYSTEM MODIFICATIONS

A. **Background**

Sempra's testimony states "Information system modifications 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."[88]

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[86] Sempra Prepared Testimony (Watson), page 16, lines 15-17.

[87] Id. page 16, footnote 17.

[88] Id. page 16, lines 19-22.

B. **ORA Analysis**

ORA does not oppose Sempra's request for $1.7 million for information system modifications, assuming implementation of high OFO procedures proceeds according to plan. Since changes will not be necessary if the high OFO procedures are deferred or denied[89] recovery should depend on implementation of high OFO procedures.

[89] Sempra Response to ORA-DR-06 Q2a.

X. WITNESS QUALIFICATIONS

Q.1 Please state your name and address.

A.1 My name is Nils Stannik. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission as a Utilities Engineer in the Office of Ratepayer Advocates Energy Cost of Service and Natural Gas Branch.

Q.3 Briefly describe your educational background and work experience.

A.3 I have a Bachelor of Engineering in Electrical Engineering from the University of Michigan.

Prior to joining ORA, I worked as a design engineer for Complete Solar designing and assisting in the permitting of residential PV systems throughout California. Prior to that, I worked as an electrical engineer for HDR Engineering on power and instrumentation & control technologies for large fossil-fuel power plants.

Since joining the ORA in December 2014, I have worked on PG&E’s 2015 Gas Transmission and Storage Application (A.13-12-012), SoCalGas’s/SDG&E’s 2016 Triennial Cost Allocation Proceeding (A.14-12-017) Phase 1, SoCalGas’s/SDG&E’s Pipeline Safety and Reliability Memorandum Account Application (A.14-12-016), and the Commission’s San Joaquin Valley Disadvantaged Community OIR (R. 15-03-010).

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

A.4 I am responsible for ORA’s testimony in this proceeding.

Q.5 Does that complete your prepared testimony?

A.5 Yes, it does.