

Application No: A.13-12-xxx
Exhibit No.: _____
Witness: Richard M. Morrow

)
Application of Southern California Gas Company)
(U 904 G) and San Diego Gas & Electric Company)
(U 902 G) For Authority To Recover North-South)
Project Revenue Requirement In Customer Rates)
And For Approval Of Related Cost Allocation And)
Rate Design Proposals)
_____)

A.13-12-xxx
(Filed December 20, 2013)

DIRECT TESTIMONY OF

RICHARD M. MORROW

SOUTHERN CALIFORNIA GAS COMPANY

AND

SAN DIEGO GAS & ELECTRIC COMPANY

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

December 20, 2013

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1 **DIRECT TESTIMONY OF RICHARD M. MORROW**

2 **I. PURPOSE**

3 The purpose of my direct testimony is to explain why, from a policy standpoint, the
4 North-South Project proposed by Southern California Gas Company (SoCalGas) and San Diego
5 Gas & Electric Company (SDG&E) is needed to help us fulfill our mission to provide safe and
6 reliable natural gas service to all of our customers.

7 **II. BACKGROUND**

8 As natural gas corporations regulated by the California Public Utilities Commission
9 (Commission), SoCalGas and SDG&E have an obligation to provide safe and reliable natural gas
10 service to all natural gas customers in our service territory. We aren't allowed to pick and
11 choose among the easiest to serve, or the most profitable, and as new customers enter our service
12 territory, we are required to hook them up and provide service. In return for taking on these
13 obligations, we are allowed to recover the reasonable costs of operating our systems, and we
14 receive a Commission-established return of, and on, the capital investments we make to provide
15 this service.

16 The service provided by SoCalGas and SDG&E includes comprehensive basin-to-
17 burnertip service for core customers, and transportation-only service for noncore customers,
18 some of whom, such as large electric generators (EGs), are not allowed to elect core service.
19 Unlike service on interstate pipelines, the transportation service we provide to noncore customers
20 is not tied to individual receipt points. All of our noncore customers can deliver supplies to any
21 of our receipt points and we will redeliver those supplies to any end-use location within our
22 system. This customer-friendly arrangement is made possible by the interconnected design of
23 our pipelines and SoCalGas' substantial storage assets. These physical assets enable us to

1 receive gas at one location and redeliver like volumes to a location hundreds of miles away,
2 notwithstanding physical flows that may prevent gas molecules from actually being exchanged
3 between these two particular points.

4 SoCalGas and SDG&E also provide our noncore customers with liberal balancing
5 tolerances – 10% *monthly* tolerances during most of the year – that provide substantial flexibility
6 and value. These liberal balancing tolerances are also made possible by our large network of
7 interconnected pipeline and storage assets.

8 As discussed by Mr. Bisi, one portion of our interconnected transmission system –
9 SoCalGas’ Southern Transmission System (Southern System) – requires minimum flowing
10 supplies each day. This is because the Southern System can only receive a relatively small
11 amount of flowing supplies from other parts of our system, and no supplies from storage.
12 Without these minimum supplies, reliability would be compromised, and customers on the
13 Southern System would face supply-based curtailments on a regular basis. This situation creates
14 unique operational and reliability issues for the Southern System.

15 As explained by Ms. Musich, the Commission has authorized SoCalGas to purchase the
16 necessary minimum flowing supplies for the Southern System, sell those purchases at the
17 Citygate, and pass the cost of those system support purchases on to customers. As also explained
18 by Ms. Musich, however, the cost of those Southern System support purchases has been
19 increasing, and market forces will further limit the supplies that are likely to reach our Southern
20 System in the future. Therefore, a physical response is needed to help fulfill our mission of
21 providing safe and reliable natural gas service to the Southern System.

1 **III. THE ELECTRIC SYSTEM IN SOUTHERN CALIFORNIA DEPENDS ON A**
2 **RELIABLE NATURAL GAS SYSTEM**

3 In September of 1993, the Commission eliminated alternate fuel capability as a
4 requirement for noncore status of natural gas customers.¹ Prior to that time, natural gas
5 curtailments had been a fairly regular occurrence, and dual fuel capability helped to ensure that
6 EGs would be able to keep running in the event of a curtailment. However, with the expansion
7 of interstate pipeline capacity to Southern California and corresponding system capacity
8 increases by SoCalGas, curtailments became infrequent. The increased reliability of natural gas
9 service was coupled with new air quality regulations and market forces which incentivized EGs
10 and other noncore customers to eliminate their fuel switching capability. As a result, natural gas
11 is now the single fuel for a substantial portion of the EG resources serving Southern California,
12 including most of the non-renewable EG resources located in the Southern System. Therefore, at
13 least in part, the electric system in Southern California depends on a reliable natural gas system.

14 **IV. OUR OTHER CUSTOMERS ALSO DEPEND ON A RELIABLE NATURAL GAS**
15 **SYSTEM**

16 Reliability is crucial for many noncore customers other than EGs. For example,
17 hospitals, refineries, food processing facilities, military bases, and prisons are all noncore
18 customers. Like EGs, these noncore customers no longer have dual fuel capability. Yet they,
19 and the Californians they serve, could face substantial hardships if natural gas service is curtailed
20 more frequently. The same holds true for our core residential and small business customers. As
21 Mr. Bisi explains, the North-South Project will also reduce the potential for supply-related
22 curtailments of core customers located on the Southern System.

¹ D.93-09-082.

1 **V. A PHYSICAL SOLUTION IS NEEDED FOR THE SOUTHERN SYSTEM**

2 SoCalGas and SDG&E customers will always be at risk of curtailment if there are
3 significant problems on one or more of the interstate pipelines connected to our system. There is
4 only so long that storage and in-state supplies can fully support a system and customer base as
5 large as ours. But no portion of our system should be at the mercy of limited interruptions on the
6 upstream interstate pipelines. Currently, however, *any* problem with upstream supplies on the El
7 Paso system will potentially result in curtailments for Southern System customers, including
8 EGs. In the long term, this is no way to run a natural gas system.

9 As explained by Ms. Musich, the Commission has authorized SoCalGas to execute
10 Southern System support purchases. However, as deliveries to Mexico from the El Paso system
11 increase, supplies into Blythe are going to become more scarce and more expensive. This
12 decrease in available supplies at Blythe will make it more difficult to find supplies at any price
13 when problems occur in the supply basins or on interstate pipelines serving Southern California.

14 Natural gas customers served by the SoCalGas and SDG&E integrated transmission
15 system should receive the same level of service, no matter where they are located. To achieve
16 this, Southern System customers need to have access to supplies from SoCalGas' storage and
17 other receipt points, and such access can only be achieved through physical upgrades.

18 As explained by Ms. Musich and Mr. Bisi, the North-South Project described in this
19 application is by far the best physical response to long-term Southern System reliability needs.
20 The additional reliability provided by the North-South Project will be beneficial not just to
21 Southern System customers, but to the state as a whole. There is no physical or economic line of
22 demarcation between Northern and Southern California, or between portions of Southern
23 California. We are all interrelated, and future reliability problems on the Southern System could

1 have an effect throughout our economy, particularly if those problems affect the electric grid.
2 The North-South Project is a reasonable and necessary response to the future flowing supply
3 needs of the Southern System.

4 **VI. TIME IS OF THE ESSENCE**

5 As explained by Ms. Musich, Southern System support costs are increasing, deliveries
6 from other customers are decreasing, and supply-related threats to Southern System reliability
7 are on the rise. The quicker this project is put into service, the quicker we deal with these threats
8 to reliability. But an infrastructure project of this magnitude takes time. As explained by Mr.
9 Buczkowski, we anticipate that it will take at least six years to bring this project into service –
10 assuming no unforeseen regulatory or environmental delays. Further, as pointed out by Mr.
11 Buczkowski, delay will add additional costs to the project. In order that our estimated six-year
12 project timeline is not extended even further, SoCalGas and SDG&E are requesting that the
13 Commission process this application expeditiously.

14 **VII. QUALIFICATIONS**

15 My name is Richard M. Morrow. I am the Vice President of Engineering & Operations
16 Staff for SoCalGas and SDG&E. My business address is 555 West Fifth Street, Los Angeles,
17 California 90013-1011. I have been a vice president of SoCalGas since 1995 and of SDG&E
18 since 2001.

19 I received a Bachelor of Science degree in Chemical Engineering from California State
20 Polytechnic University and a Master of Chemical Engineering degree from the University of
21 California at Davis. I am also a registered petroleum engineer in California. I have been
22 employed by SoCalGas since 1974. I have held various positions for over the past 37 years with
23 SoCalGas, including positions in Engineering, Transmission and Storage, Environmental

1 Engineering, Gas Supply, Gas Acquisition, Gas Exploration, Gas Distribution and Customer
2 Service.

3 I am responsible for the SoCalGas and SDG&E transmission and distribution pipeline
4 integrity programs, gas engineering, measurement, transmission system planning, gas storage
5 and pipeline capacity programs, project development and construction, and account management
6 for our largest energy users including electric generators and wholesale customers. My
7 organization is also responsible for developing and overseeing the gas standards and operating
8 policies pertaining to distribution, transmission and customer service field operations.

9 I have previously testified before the Commission.

10 This concludes my prepared direct testimony.