

Exhibit No.: \_\_\_\_\_  
Application: A.18-07-  
Witness: Michelle Dandridge  
Chapter: 1

**PREPARED DIRECT TESTIMONY OF**  
**MICHELLE DANDRIDGE**  
**ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**  
**AND SAN DIEGO GAS & ELECTRIC COMPANY**  
  
(STORAGE OVERVIEW AND PROPOSALS)

July 2018

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1 **CHAPTER 1**

2 **PREPARED DIRECT TESTIMONY OF MICHELLE DANDRIDGE**

3 **(STORAGE OVERVIEW AND PROPOSALS)**

4 **I. PURPOSE**

5 The purpose of my direct testimony is to describe the storage and balancing framework  
6 that Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company  
7 (SDG&E) (jointly, Applicants) propose for this three-year Triennial Cost Allocation Proceeding  
8 (TCAP) period (2020 - 2022). Applicants' storage proposals are intended to replace the storage  
9 and balancing regime adopted as part of the 2016 TCAP Phase 1 Settlement in Decision (D.) 16-  
10 06-039 (covering 2016 - 2019). This testimony addresses the following items:

- 11 • overview of the function of storage in 2020 - 2022;
- 12 • total storage capacities;
- 13 • elimination of the unbundled storage program;
- 14 • core storage requirements;
- 15 • changes to the balancing function;
- 16 • adoption of a new reliability function;
- 17 • miscellaneous - continuation of balancing account treatment for noncore  
18 revenues.

19 **II. OVERVIEW OF THE FUNCTION OF STORAGE IN 2020 - 2022**

20 SoCalGas owns and operates four underground storage facilities in its service territory:  
21 Aliso Canyon, Honor Rancho, La Goleta, and Playa del Rey. These storage facilities are an  
22 integral part of the energy infrastructure and serve a vital role in balancing the region's energy

1 supply and demand. Underground gas storage provides accessible local supply of natural gas,  
2 which is important for system resiliency, emergency response, and mitigating the impacts caused  
3 by disruptions in delivery of interstate gas supply. Underground storage also provides system  
4 and market flexibility; when gas supply is low relative to demand, the gas inventory contained in  
5 storage can be withdrawn to meet that demand, and when gas supply is high relative to demand,  
6 gas can be injected and held in storage for later use.

7 In the upcoming TCAP period, SoCalGas will use its storage assets to further enhance  
8 system reliability, emphasizing the use of storage capacity for maintaining core reliability,  
9 system balancing, and overall system reliability.

10 In this proceeding, SoCalGas identifies the firm capacities of its storage facilities and  
11 proposes an allocation of those firm storage capacities to three functions: core, balancing, and  
12 reliability. To meet these new proposed allocations, SoCalGas is proposing to eliminate its  
13 unbundled storage program.

### 14 **III. TOTAL STORAGE CAPACITIES**

15 There are three functions that are relevant to SoCalGas' storage operations and storage  
16 capacity proposals in this application: total inventory, injection, and withdrawal capacities.  
17 D.16-06-039 established the total firm inventory, injection, and withdrawal capacities for the  
18 current TCAP period of 2016-2019: 138.1 billion cubic feet (Bcf) of working inventory  
19 capacity, 915 million cubic feet per day (MMcfd) of summer injection capacity with the Aliso  
20 Canyon Turbine Replacement (ACTR) project in service, 635 MMcfd of winter injection  
21 capacity, 1,812 MMcfd of summer withdrawal capacity, and 3,175 MMcfd of winter withdrawal  
22 capacity.

1 SoCalGas is conducting safety enhancement efforts within the Storage Integrity  
2 Management Program (SIMP), such as converting all operating wells at its gas storage fields to  
3 tubing-only flow to create a dual barrier of safety in compliance with Division of Oil, Gas, and  
4 Geothermal Resources (DOGGR) Underground Gas Storage regulations.<sup>1</sup> These safety  
5 enhancements have impacted withdrawal and injection capabilities. Previously, the system-wide  
6 firm summer injection was 915 MMcfd and maximum withdrawal was 3,680 MMcfd.<sup>2</sup> As a  
7 result of the safety enhancements, firm injection will be 790 MMcfd and maximum withdrawal  
8 will be 3,100 MMcfd for the upcoming TCAP period. These capacities represent a reduction of  
9 14% for injection and 16% for withdrawal from the current TCAP period.

10 **A. Storage Inventories**

11 The total storage inventory capacity of 138.1 Bcf was established in D.16-06-039.  
12 Applicants are proposing that the total inventory available for allocation for the upcoming TCAP  
13 period 2020 - 2022 will be 119.5 Bcf, which accounts for a lower working inventory available at  
14 Aliso Canyon. Currently, Aliso Canyon is approved by DOGGR to operate at a maximum field  
15 pressure of 2,926 pounds per square inch absolute (psia), which corresponds to a total working  
16 inventory capacity of approximately 68.6 Bcf, a figure DOGGR provided to the Commission.<sup>3</sup>  
17 Applicants' comprehensive storage proposals are based on unrestricted injection and withdrawal

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<sup>1</sup> The Office of Administrative Law approved new regulations: DOGGR 14 CCR § 1726 – Requirements for California Underground Gas Storage on June 28, 2018. These regulations are effective October 1, 2018.

<sup>2</sup> A.14-12-017 Prepared Direct Testimony of Steve Watson, p. 3.

<sup>3</sup> See California Public Utilities Commission (Energy Division), *Aliso Canyon Working Gas Inventory, Production, Capacity, Injection Capacity, and Well Availability for Reliability, Summer 2018 Supplemental Report, Public Utilities Code Section 715*, p. 3 (fn. 7), July 6, 2018. See also DOGGR, *Notice of Public Meeting and Comment Period, Opportunity for Public Comment on the Findings from the Gas Storage Well Safety Review and the Proposed Pressure Limits for the Aliso Canyon Storage Facility*, January 17, 2017; and, DOGGR, *Enclosure 1, Department of Conservation, Division of Oil, Gas, and Geothermal Resources, Updated Comprehensive Safety Review Findings*, July 19, 2017.

1 utilization of the Aliso Canyon storage facility, at these adjusted operational levels.<sup>4</sup> Applicants  
2 are aware that Aliso Canyon is not currently operating at this inventory capacity and there are  
3 restrictions on working inventory and withdrawal.<sup>5</sup> The purpose of this testimony, and  
4 Applicants' TCAP proposals, is not to engage in an analysis of those current restrictions, or  
5 whether and when Aliso Canyon will return to full or increased capacity, as those are or will be  
6 addressed in other forums. Instead, because the TCAP is a forecast application covering 2020 -  
7 2022, for purposes of presenting a comprehensive set of proposals based on how Applicants  
8 envision operating its storage assets, Applicants use a baseline forecasting assumption that  
9 SoCalGas' Honor Rancho, La Goleta, and Playa del Rey storage facilities will be at full  
10 operational capacity. In the case of Aliso Canyon, SoCalGas assumes 2,926 psia and a total  
11 working inventory capacity of 68.6 Bcf, as previously discussed.

## 12 **B. Injection Capacity**

13 The average winter (November to March) injection capacity posted on SoCalGas'  
14 Electronic Bulletin Board, ENVOY<sup>®</sup> (ENVOY) for 2015 was 360 MMcfd.<sup>6</sup> With the addition  
15 of the Aliso Canyon Turbine Replacement Project, which was placed into service in May 2018,  
16 injection capacity is expected to increase by 145 MMcfd for a total of 505 MMcfd. Applicants

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<sup>4</sup> On November 2, 2017 the Commission's Energy Division issued the Aliso Canyon Withdrawal Protocol, which specifies the circumstances and conditions when SoCalGas may execute a withdrawal operation from the Aliso Canyon storage field.

<sup>5</sup> SoCalGas is currently operating Aliso Canyon pursuant to the Commission's Aliso Canyon Withdrawal Protocol, dated November 11, 2017. This protocol states that withdrawal from the facility may only occur to prevent electric generation (EG) curtailment that may place the reliability of the electric grid at risk, or to prevent the curtailment of core or noncore non-EG customers. In addition, the Commission Staff's 715 Report, pursuant to Senate Bill 380 (which added Section 715 to the Public Utilities Code), provides, among other things, a range of Aliso Canyon inventory levels, and is subject to updating in each subsequent 715 Report.

<sup>6</sup> Applicants are using 2015 as a reference point for their proposals, which is data prior to the Aliso Canyon incident and subsequent restrictions implemented at that facility.

1 are proposing a total winter injection capacity of 500 MMcfd, which is the expected capacity  
2 available during the winter period.

3 Injection capacity for the summer period (April to October) should be lowered from 915  
4 MMcfd in the current TCAP period to 790 MMcfd, to match reduced injection capability as a  
5 result of well safety enhancements.

### 6 **C. Withdrawal Capacity**

7 The firm winter withdrawal capacity should be lowered from the 3,175 MMcfd set for the  
8 current TCAP period to 2,400 MMcfd for the upcoming TCAP period. SoCalGas recommends  
9 this level of firm winter withdrawal capacity because the system-wide withdrawal capacity as  
10 posted on ENVOY, in the peak months of December and January for the winters of 2012/13  
11 through 2014/15, was above 2,875 MMcfd virtually 100% of the time. This is reduced to 2,400  
12 MMcfd after accounting for the reduction in withdrawal capability as a result of safety  
13 enhancements. This proposed withdrawal capacity should be available through the peak demand  
14 period, and should only be reduced in February or March, a period in which the core's need for  
15 its full firm rights typically drops several hundred MMcfd as the weather gets warmer.

16 The firm summer withdrawal capacity should be lowered from the 1,812 MMcfd set for  
17 the current TCAP period to 1,240 MMcfd. The 1,240 MMcfd is capacity achievable taking into  
18 account the reduction in withdrawal capability, summer storage maintenance activities and lower  
19 summer storage inventories. In addition, SoCalGas recommends this level of firm summer  
20 withdrawal capacity because the system-wide withdrawal capacity as posted on ENVOY, during  
21 the summer months in 2013-2015 (the three summers preceding the Aliso Canyon incident), was  
22 above 1,240 MMcfd more than 95% of the time. Applicants believe this data supports that there  
23 should be a low probability of cuts to firm withdrawal during the summer months.

1 **IV. ELIMINATION OF THE UNBUNDLED STORAGE PROGRAM**

2 Applicants propose eliminating the unbundled storage program, which currently has been  
3 suspended since the Aliso Canyon well incident. Even under Applicants’ baseline assumption of  
4 total available storage inventory, Applicants believe there would be insufficient capacity to  
5 dedicate storage assets for system reliability and at the same time offer unbundled storage  
6 service. Prior to the Aliso Canyon well incident and subsequent reduction of working inventory,  
7 injection, and withdrawal capacity, storage capacities allocated to the unbundled storage program  
8 assets have been the difference between total system capacities and those capacities allocated to  
9 the core and balancing. Since the last TCAP period, safety enhancements undertaken at all of  
10 storage facilities have reduced the total injection and withdrawal capacities.

11 Applicants therefore propose to end the unbundled storage program to maximize use of  
12 existing storage assets for reliability purposes during this upcoming TCAP period. Storage  
13 capacities allocated to wholesale core customers from the unbundled storage program in the  
14 current TCAP period will be allocated from the core storage requirements in the upcoming  
15 TCAP period. These allocations are further discussed in the next section.

16 **V. CORE STORAGE REQUIREMENTS**

17 **A. Storage Capacities Dedicated to Wholesale Core Customers**

18 With the elimination of the unbundled storage program, storage assets will be made  
19 available to the wholesale customers of SoCalGas serving core customers, from the core storage  
20 assets. Southwest Gas Corporation (a wholesale customer) will be allocated storage capacities  
21 (inventory, injection, and withdrawal) equal to approximately 2% of the storage capacities  
22 allocated to the core customers of SoCalGas and SDG&E, at the same rates for the combined  
23 core customers of SoCalGas and SDG&E. The City of Long Beach (a wholesale customer) will

1 be allocated storage capacities (inventory, injection, and withdrawal) equal to approximately 1%  
2 of the storage capacities allocated to the core customers of SoCalGas and SDG&E, at the same  
3 rates for the combined core customers of SoCalGas and SDG&E.

4 Revenues from assets used by the wholesale core customers, Southwest Gas Corporation  
5 and the City of Long Beach, will offset core revenue requirements as discussed in Chapter 6  
6 (Ahmed).

### 7 **B. Core Reliability Standards**

8 Applicants propose an allocation of storage capacity to provide reliable year-round  
9 supply of natural gas to its core customers. The Commission requires the gas utilities to serve  
10 core gas customers in a 1-in-35 cold temperature year (Cold Year)<sup>7</sup> and a 1-in-35 cold peak day  
11 (Peak Day).<sup>8</sup> The planning criteria and guidance provided by the Commission are summarized  
12 as follows<sup>9</sup>:

- 13 • a combination of firm pipeline capacity and storage inventory sufficient to  
14 serve core Cold Year requirements;
- 15 • firm pipeline capacity at an annual average of between 100% and 120% of  
16 the average temperature year (Average Year<sup>10</sup>) daily demand; and,

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<sup>7</sup> The term “1-in-35” is a term related to Commission-approved reliability standards. A 1-in-35 Cold Year is a standard by which Applicants’ gas system must be able to serve core customers where the temperature is at its coldest in a 35-year period.

<sup>8</sup> A Peak Day is an extreme peak event day. This translates to a system average temperature of approximately 40.1 degrees Fahrenheit (°F) for SoCalGas’ service area, and 42.9 °F for SDG&E’s service area.

<sup>9</sup> See D.04-09-022, where Commission has approved interstate capacity commitments for the core from 100% “up to” 120% of annual average year core throughput. See also D.90-09-089, where the Commission has approved firm pipeline capacity and storage withdrawal to serve core Peak Day.

<sup>10</sup> An Average Year, or 1-in-2 year, is an average temperature year that occurs on average once every two years.

- a combination of firm pipeline capacity and storage withdrawal to serve core Peak Day requirements.

These criteria are captured in Applicants’ recommendations for allocations of storage capacities to the core customer class, as addressed in the following sections.

**C. Proposed Storage Capacities Dedicated to the Core Customer Class**

Table 1 below displays the capacities established in D-16-06-039 and those proposed for the upcoming 2020 TCAP period for Applicants’ core customers and wholesale core customers.

**Table 1**

<b>Core Requirements</b>	<b>Currently Authorized</b>	<b>Proposed</b>
Inventory (Bcf) Core	83	80.0
Inventory (Bcf) Wholesale		2.5
Winter Injection (MMcfd) Core	210	149
Winter Injection (MMcfd) Wholesale		6
Summer Injection (MMcfd) Core	388	433
Summer Injection (MMcfd) Wholesale		12
Winter Withdrawal (MMcfd) Core	2,225	1,934
Winter Withdrawal (MMcfd) Wholesale		66
Summer Withdrawal (MMcfd) Core	1,081	368
Summer Withdrawal (MMcfd) Wholesale		32

Applicants are proposing an allocation of storage assets to the core of 80 Bcf storage inventory, 433 MMcfd summer injection, and 1,934 MMcfd winter withdrawal. Of the 80 Bcf of storage inventory allocated to the core, 19 Bcf will be needed to meet the core’s peak-day minimum month-end requirement for March. This peak-day minimum month-end target will support the Reliability Function described in this testimony. The remaining 61 Bcf of allocated

1 inventory above the peak-day minimum requirements will bridge the gap between the core’s 1-  
 2 in-35 Cold Year winter demand and its flowing supplies.

3 Based on 2020-2022 data from the 2018 California Gas Report<sup>11</sup>, Table 2 below displays  
 4 the numbers behind the reasoning for the proposed core storage allocations.

5  
 6 **Table 2**  
 7 **Derivation of Core Storage Requirements, using 2018 California Gas Report Demand**  
 8 **(2020-2022 Averages)**

A	B	C	D	E	F	G	H
Total Inventory Bcf	Peak-Day Minimum Inventory Bcf	Inventory Above Peak- Day Minimum Requirement Bcf	Average Year Demand MMcfd	Cold Year 1-in-35 Demand MMcfd	Peak Day 1-in-35 Demand MMcfd	Winter Flowing Supply MMcfd (D*100% - 120%)	Avg. Withdrawal Needed for Peak Day MMcfd (F- G)
80	19	61	1,078	1,626	3,344	1,078 to 1,294	2,050 to 2,266

9  
 10 The 80 Bcf of inventory will assist the core in meeting Cold Year requirements,  
 11 demonstrated as follows. The 61 Bcf in inventory above the peak-day minimum requirement,  
 12 divided by the 151 days of winter<sup>12</sup> is equal to 404 MMcfd of gas available that can be  
 13 withdrawn in the winter. This gas can be used to bridge the gap between Cold Year demand  
 14 (column E) and winter flowing supply (column G). The Commission has approved for the core  
 15 firm interstate capacity commitments from 100% “up to” 120% of annual average year core  
 16 throughput.<sup>13</sup> Based on firm core interstate capacity commitments, potential flowing supply will

<sup>11</sup> California Gas Report presents a comprehensive outlook for natural gas requirements and supplies for California through the year 2035.

<sup>12</sup> The period from November 1 to March 31.

<sup>13</sup> See D.04-09-022, p. 88 (Finding of Fact 21).

1 range from 1,078 MMcfd to 1,294 MMcfd, which along with the 404 MMcfd of storage gas,  
2 should meet the forecast Cold Year demand requirements.

3 The 1,934 MMcfd of winter withdrawal will assist in bridging the gap (column H)  
4 between the core's Peak Day demand (column F) and its potential winter flowing supply  
5 (column G).

6 The 368 MMcfd of summer withdrawal represents approximately 30%<sup>14</sup> of the 1,240  
7 MMcfd of total summer withdrawal capacity.

8 The 433 MMcfd of summer injection rights should fill the core's allocation of inventory  
9 capacity of 80 Bcf in the 214-day injection season.

## 10 **VI. THE BALANCING FUNCTION**

### 11 **A. Overview of the Balancing Function**

12 The balancing function refers to the service provided by the System Operator to  
13 accommodate imbalances between a customer's actual usage and the gas it schedules for  
14 delivery to the system. These aggregate imbalances result in either under deliveries or over  
15 deliveries of gas to the system. SoCalGas utilizes its storage functions (inventory, injection and  
16 withdrawal) and operational flow orders (OFO) procedures to manage these imbalances to  
17 maintain a reliable system. OFOs are economic signals to customers that the storage assets  
18 allocated to the balancing function are forecast to be fully utilized. A low OFO is declared when  
19 customers' under-scheduling of deliveries of gas to the system is forecast to be higher than the  
20 storage withdrawal capacity allocated to the balancing function. A high OFO is declared when

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<sup>14</sup> Core's forecasted average summer throughput for 2020-2022 is approximately 30% of SoCalGas' total system demand, as shown in the 2018 California Gas Report.

1 customers' over-scheduling of deliveries of gas to the system is forecast to be higher than the  
2 storage injection capacity allocated to the balancing function.

3 **B. Proposed Storage Capacities Dedicated to the Balancing Function**

4 In order to support enhanced year-round balancing functions, Applicants are proposing to  
5 allocate 16 Bcf of storage inventory, 400 MMcfd of winter withdrawal, 840 MMcfd of summer  
6 withdrawal, and 345 MMcfd of winter and summer injection to the balancing function.

7 Throughout winter and summer, withdrawal and injection allocations would be set aside daily for  
8 the balancing function and would have the highest scheduling priority.

9 Applicants are proposing that allocations to withdrawal capacity for the winter be  
10 decreased from 525 MMcfd in the current TCAP period to 400 MMcfd. As mentioned earlier,  
11 well safety enhancement efforts (i.e., tubing-only flow) have reduced the withdrawal  
12 deliverability of the wells, thereby decreasing the total withdrawal capacity available. Using the  
13 proposed winter withdrawal allocation for the balancing function, a low OFO in the winter will  
14 be triggered when forecasted negative imbalances exceed the lesser of 400 MMcf or the  
15 remaining inventory allocated to low inventory balancing.

16 Applicants are proposing that allocations to withdrawal for the summer be increased from  
17 525 MMcfd to 840 MMcfd. Allocating 840 MMcfd withdrawal to the balancing function will  
18 provide transportation customers more flexibility in managing their deliveries to actual usage  
19 without an unbundled storage program. Using the summer withdrawal allocation for the  
20 balancing function, a low OFO in the summer will be triggered when forecasted negative  
21 imbalances exceed the lesser of 840 MMcf or the remaining inventory allocated to low inventory  
22 balancing.

1 Applicants are proposing that allocations to injection for the winter and the summer  
2 remain at 345 MMcfd. Using the injection allocation to balancing, a high OFO in the winter and  
3 the summer will be triggered when forecasted positive imbalances exceed the lesser of 345  
4 MMcf or the remaining inventory allocated to high inventory balancing.

5 **C. Proposed Increase to Storage Inventory for the Balancing Function**

6 Applicants are proposing that the allocation of storage inventory for the balancing  
7 function increases from 8 Bcf to 16 Bcf. The 16 Bcf of storage inventory consists of two parts:  
8 (1) high inventory allocation of 8 Bcf, and (2) low inventory allocation of 8 Bcf. A high  
9 inventory allocation of 8 Bcf will be used for 8% monthly balancing<sup>15</sup> when customers create  
10 positive imbalances by delivering more gas into the system than what they use, up to 8 Bcf on a  
11 combined basis. When positive imbalances are created by customers, there needs to be inventory  
12 space available within storage to accommodate supply over deliveries by customers. A low  
13 inventory allocation of 8 Bcf will be used for 8% monthly balancing when customers create  
14 negative imbalances by delivering less gas into the system than what they use, up to 8 Bcf on a  
15 combined basis. When negative imbalances are created by the customer, there needs to be gas  
16 and the inventory space within storage to accommodate supply under deliveries by the customer.  
17 Currently, any negative imbalances are accommodated using customer inventory.

18 With 8% monthly balancing, the maximum amount of inventory needed for balancing is  
19 8% of monthly sendout. Using historical data over the January 2013 - December 2017 period,  
20 8% of the actual monthly sendout ranged from 5 Bcf to 8 Bcf. We estimate that 8 Bcf of  
21 inventory space will cover any positive cumulative imbalances, and another 8 Bcf of inventory

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<sup>15</sup> See D.16-06-039, p. 66.

1 space and its gas supply will cover any negative cumulative imbalances, hence we propose a  
2 total of 16 Bcf storage inventory for balancing.

3 The 8 Bcf of high inventory balancing and the 8 Bcf of low inventory balancing will be  
4 taken into account when calculating OFOs so that only capacities allocated to the balancing  
5 function are used. Customers will only be able to use the daily injection and withdrawal  
6 capacities allocations to balancing if the high and low inventory allocations have not been  
7 exhausted. For example, customers will have the 345 MMcfd of injection capacity for balancing  
8 available to them daily, as long as there is still 345 MMcf of high inventory space available.

9 If customers have accumulated a positive imbalance of 7.8 Bcf out of the 8 Bcf, the high  
10 OFO will be triggered when the forecasted positive imbalance exceeds 200 MMcf (which is the  
11 lesser of 345 MMcf or the remaining inventory allocated to high inventory balancing of 200  
12 MMcf). Including the current available inventory of either the 8 Bcf low inventory or the 8 Bcf  
13 high inventory in the OFO trigger will not allow customers to use more inventory than has been  
14 allocated for balancing. Applicants believe these new proposed capacity allocations will help  
15 reduce the number of OFOs declared by SoCalGas' System Operator.

16 Table 3 below displays the capacities established in D-16-06-039 for the balancing  
17 function and those proposed for the upcoming TCAP period covered in this testimony.

18 **Table 3**

<b>Balancing Requirement</b>	<b>Currently Authorized</b>	<b>Proposed</b>
Inventory (Bcf)	8	16
Winter Injection (MMcfd)	345	345
Summer Injection (MMcfd)	345	345
Winter Withdrawal (MMcfd)	525	400
Summer Withdrawal (MMcfd)	525	840

1           **D.       Procurement of 8 Bcf of Natural Gas for the Balancing Function**

2           Applicants are proposing that SoCalGas procure the 8 Bcf of gas for the balancing  
3 function, to be used by customers for their negative cumulative imbalances. This procurement  
4 would be contingent upon the ability to recover the proposed Storage Inventory for Balancing  
5 Function Memorandum Account (SIBFMA) balance, as described in Chapter 6 (Ahmed).  
6 SoCalGas could begin procuring up to 8 Bcf, as needed to support cumulative customer negative  
7 imbalances, upon receiving the authority to procure this gas (with a corresponding SIBFMA).

8           **VII.   NEW RELIABILITY FUNCTION**

9           Applicants are proposing a new reliability function for the upcoming TCAP period. This  
10 reliability function consists of gas and inventory space needed to provide withdrawal capability  
11 for daily operational needs throughout the year. As mentioned earlier, well safety enhancements  
12 made at all our storage fields have impacted withdrawal capability, thus prompting higher  
13 minimum inventory levels to meet withdrawal deliverability for system reliability and  
14 operational flexibility. To meet this objective, Applicants are proposing to allocate 21 Bcf of  
15 storage inventory to the reliability function, to be classified as reserve inventory. The 21 Bcf  
16 will provide the inventory required to provide a withdrawal deliverability of 1,240 MMcfd for all  
17 customers on the system, on a year-round basis. Along with 19 Bcf of core inventory targeted as  
18 a peak-day minimum storage requirement as discussed earlier in this testimony, the total 40 Bcf  
19 is the minimum inventory needed to provide withdrawal deliverability during the end of the  
20 winter period in March.

21           Applicants propose that SoCalGas procure the 21 Bcf of gas for the reliability function,  
22 contingent upon the ability to recover the Reliability Function Cost Memorandum Account  
23 (RFCMA) balance as described in Chapter 6 (Ahmed). SoCalGas could begin procuring 21 Bcf

1 upon receiving authority from the Commission to procure gas (with a corresponding RFCMA),  
2 and plans to continue purchases until the full amount is procured.

### 3 **VIII. MISCELLANEOUS**

4 Applicants recommend maintaining the current provisions contained in the Noncore  
5 Fixed Cost Account (NFCA) tariff preliminary statement, which provides 100% balancing  
6 account treatment for noncore throughput.<sup>16</sup> Balancing account treatment has been adopted in  
7 the past several cost allocation cycles, and was not contested in the prior TCAP proceeding.  
8 Currently, Applicants are not at financial risk if noncore throughput is lower than forecast.  
9 Conversely, Applicants are not in a position of financial gain if noncore throughput is higher  
10 than forecast. In either case, Applicants or customers are made whole through annual  
11 adjustments to the utilities balancing accounts. As it does for the current TCAP, decoupling  
12 profits and noncore transportation revenues during the upcoming TCAP period aligns  
13 shareholder, customer, and Commission interests in achieving energy efficiency and greenhouse  
14 gas reduction reductions. Changing that policy and placing shareholders at risk for noncore  
15 throughput on the system would create a conflict between these various interests.

16 Applicants being “at risk” for noncore gas throughput would be inconsistent with current  
17 statewide energy and regulatory policy. Therefore, Applicants request that the Commission  
18 continue the alignment of Applicants risk structure with the State’s policy objectives to promote  
19 energy efficiency and emissions reductions by maintaining 100% balancing account treatment of  
20 noncore transportation revenues. Because the past several cost allocations have resulted in  
21 settlements, there is uncertainty as to whether this balancing account treatment expires, or

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<sup>16</sup> The current authorization for 100% balancing account treatment comes from the 2017 TCAP decision. See D.16-10-004 at Attachment A, p. A-7. This issue was uncontested in the 2017 TCAP.

1 | remains an ongoing attribute of this regulatory account. Therefore, Applicants request that the  
2 | Commission clarify that this balancing account treatment remain effective in the NFCA unless  
3 | and until modified in a future proceeding.

4 |           This concludes my prepared direct testimony.

5 |

1 **IX. QUALIFICATIONS**

2 My name is Michelle Dandridge. I am employed by SoCalGas as the Manager of  
3 Transmission and Storage Strategy. My business address is 555 West Fifth Street, Los Angeles,  
4 California, 90013-1011.

5 I received a Bachelor of Business Administration degree with concentrations in Finance  
6 and Accounting from Simon Fraser University, British Columbia, Canada. Prior to joining  
7 SoCalGas, I held finance, accounting, natural gas trading and natural gas scheduling positions at  
8 Chevron Canada, CanWest Gas Supply and Anderson Exploration.

9 I have been employed by SoCalGas since 1999, in various positions including Natural  
10 Gas Trader, California Energy Hub Manager, Financial Trading Manager, Gas Scheduling  
11 Manager and Major Markets Credit, Collections & Compliance Manager. As of June 2017, I  
12 have been in the role of Manager of Transmission and Storage Strategy. In this position, I  
13 manage the unbundled storage program and the California Energy Hub, oversee minimum  
14 flowing supply purchases and maintenance-related supply purchases, and am involved in various  
15 regulatory issues providing analytical and compliance support.

16 I have not previously testified before the Commission.