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Witness: Paul Borkovich
Chapter: 11

PREPARED DIRECT TESTIMONY OF
PAUL BORKOVICH
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY

(BTS CREDIT MECHANISM)

September 30, 2022

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1 **CHAPTER 11**

2 **PREPARED DIRECT TESTIMONY OF PAUL BORKOVICH**

3 **(BTS Credit Mechanism- SOCALGAS)**

4 **I. PURPOSE**

5 The purpose of my testimony is to submit a number of proposals to modify Backbone
6 Transportation Service (BTS) that include (1) extending the end date for the next open season to
7 November 1; (2) requesting an interim modification to BTS in time for the next open season start
8 date; (3) requesting that the Commission approve three modifications to BTS in lieu of ordering
9 BTS Reservation Charge Credits; and (4) sponsoring a proposed credit mechanism for firm BTS
10 customers in compliance with Commission Resolution G-3581 issued August 5, 2021 if the
11 Commission decides to adopt a Reservation Charge Credit policy for BTS instead of Proposal 3.

12 My testimony concludes with a proposal to adopt the remaining terms of the Second Daily
13 Balancing Settlement Agreement as regular terms in the SoCalGas and SDG&E tariffs.

14 **II. OVERVIEW**

15 SoCalGas and SDG&E (SoCalGas/SDG&E) own and operate an integrated gas
16 transmission system, consisting of pipeline and storage facilities. With their network of
17 transmission pipelines and four interconnected storage fields, SoCalGas delivers natural gas to
18 21.8 million consumers through 5.9 million meters in more than 500 communities. SDG&E
19 delivers natural gas to 3.3 million consumers through 0.9 million meters. The portion of the
20 transmission system that interconnects upstream with the PG&E system and the interstate
21 pipeline systems at receipt points, and downstream with the storage fields, local transmission
22 systems, and SDG&E's local transmission system is referred to as the backbone system. The
23 backbone system is designed to accept up to 3,775 million cubic feet per day (MMcfd) of
24 upstream pipeline deliveries and local California supplies on a "firm" basis.

1 Operation of the SoCalGas/SDG&E system is the responsibility of the SoCalGas System
2 Operator, and the real time control of the system is the responsibility of the Gas Control
3 department.

4 Transportation service on the backbone system is referred to as BTS. All gas received
5 and transported on the SoCalGas/SDG&E system must be nominated and scheduled under a BTS
6 contract. There are currently 5 nomination cycles applicable to each Gas Day¹ available for the
7 scheduling of BTS.

8 **Table 1 – Gas Transportation Scheduling Cycles**

Number	Name	Nomination Deadline	Schedule Effective
C1	Timely	11 AM – Day Ahead	7 AM – Gas Day
C2	Evening	4 PM – Day Ahead	7 AM – Gas Day
C3	Intraday 1	8 AM – Gas Day	12 PM – Gas Day
C4	Intraday 2	12:30 PM – Gas Day	4 PM – Gas Day
C5	Intraday 3	5 PM – Gas Day	8 PM – Gas Day

9 Direct responsibility for administering the scheduling process is assigned to the Gas
10 Scheduling Department.

11 Both core and noncore customers can acquire firm BTS rights by purchasing capacity in
12 the open season process² or through SoCalGas’s electronic bulletin board, SoCalGas Envoy®
13 (Envoy), as capacity becomes available.³ Under the current rate schedule for BTS (G-BTS), the

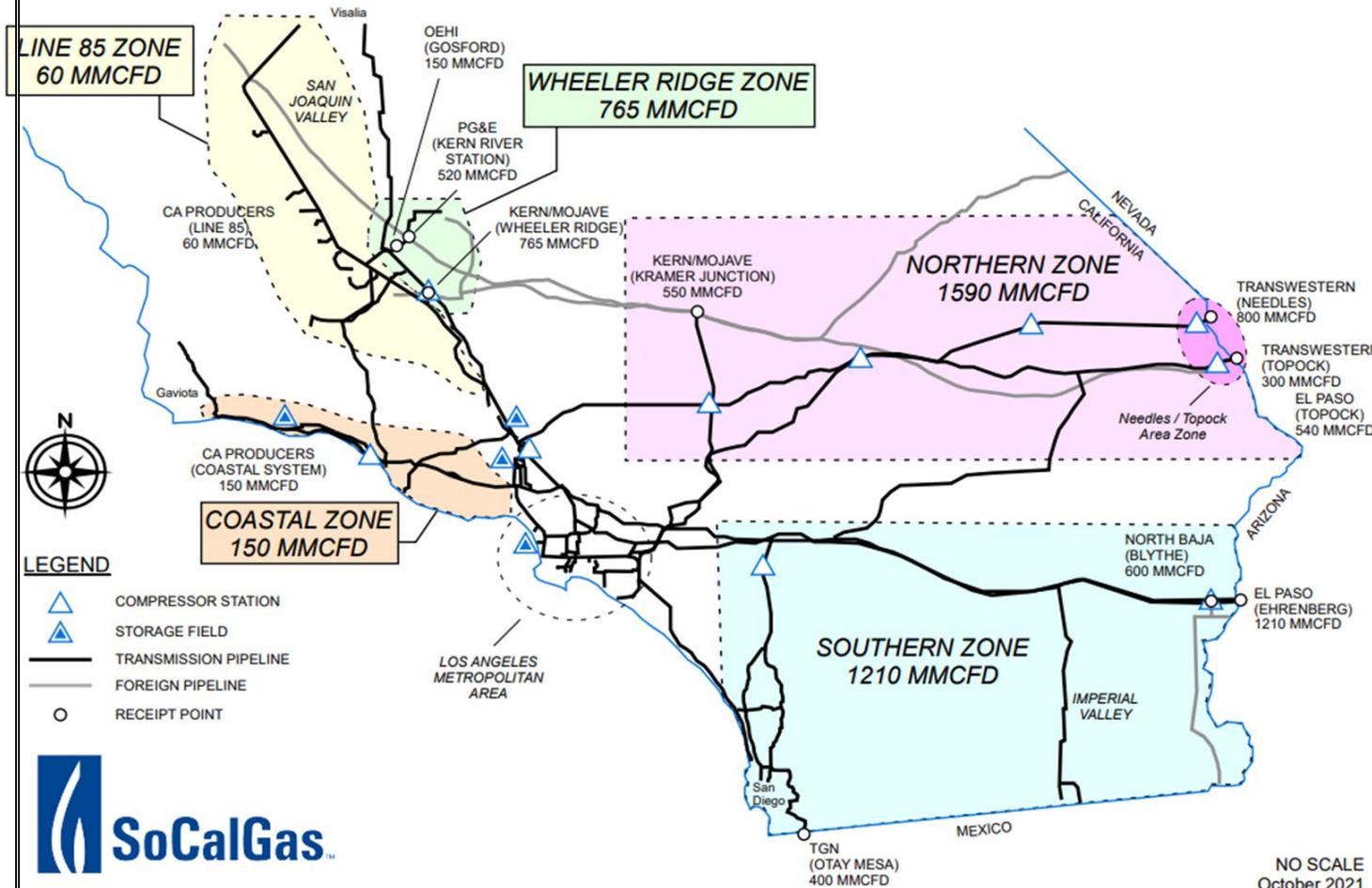
¹ The Gas Day begins each day at 7:00 AM Pacific Time.

² The BTS open season is currently a triennial process.

³ Envoy covers the combined SCG/SDG&E transmission system. See also Schedule G-BTS:
<https://www2.socalgas.com/regulatory/tariffs/tm2/pdf/G-BTS.pdf>.

1 availability of firm BTS capacity is only limited by capacity reductions attributable to
 2 maintenance outages posted on the Envoy Maintenance Schedule screen.
 3 BTS customers contract for firm capacity at specific system receipt points that are
 4 defined as primary within a specific transmission zone. The locations of system receipt points
 5 and transmission zones on the SoCalGas/SDG&E system are shown on the map below.

RECEIPT POINT & TRANSMISSION ZONE FIRM CAPACITIES



NO SCALE
October 2021

1 BTS customers can nominate transportation service under their firm agreement either (1)
2 at their primary receipt point (Firm Primary); (2) at another system receipt point within the zone
3 (Firm Alternate Inside); and/or (3) at another receipt point outside the transmission zone (Firm
4 Alternate Outside) where their firm primary receipt point is located. Interruptible BTS can be
5 nominated at any system receipt point. The priority sequence for the scheduling of BTS from
6 highest priority to lowest is (1) Firm Primary; (2) Firm Alternate Inside; (3) Firm Alternate
7 Outside; and (4) Interruptible.

8 **A. Federal Energy Regulatory Commission (FERC) Policy on Reservation**
9 **Charge Credits**

10 Reservation Charge Credits have been offered by FERC-regulated pipelines since at least
11 2010. According to The American Gas Association (AGA) FERC Manual,⁴ FERC policy
12 requires pipelines to provide services that they have been contracted with to perform. In a 2011
13 Policy Statement, FERC asserted that shippers are entitled to reservation charge credits when
14 services are curtailed due to events within the control of the pipeline.⁵ By 2012, FERC began to
15 enforce its reservation charge credit policy as precedent and ruled that when a service
16 curtailment occurs due to circumstances within a pipeline's control, including planned or
17 scheduled maintenance, FERC will require the pipeline to provide firm shippers a full

⁴ Van Ness Feldman LLP for the American Gas Association, *The AGA FERC Manual: A Guide for Local Distribution Companies*, 9th Edition.

⁵ *Id.* at 2-27; *See also, Nat. Gas Supply Ass'n*, 135 FERC ¶ 61,055, at 13, Order on Reh'g, 137 FERC ¶ 61,051 (2011).

1 reservation charge credit⁶ for firm primary service they nominated for scheduling which the
2 pipeline failed to deliver at primary points.”⁷

3 FERC’s current policy concerning full reservation charge credits for scheduled
4 maintenance is premised on the ability of the pipeline to include the expected costs of reservation
5 charge credits in its rates either by a reduction in the billing determinants used to design a
6 pipeline’s rates or by including the cost of full reservation charge credits as an item in the
7 pipeline’s cost of service in a Natural Gas Act (NGA) Section 4 proceeding.⁸

8 FERC has also found it reasonable for the risk of Force Majeure events to be shared
9 between the affected shipper and the pipeline because neither party is responsible.⁹ Limitations
10 on Reservation Charge Credits for Force Majeure events include applying no credits for outages
11 lasting less than a specified period, or a no profit credit that limits applicable credit to a charge
12 based on the equity return and associated income taxes embedded in the applicable reservation
13 charge.¹⁰

⁶ *Id.* at 2-27; *See also, S. Nat. Gas*, 135 FERC ¶ 61,056 at 33-34; *Enable Gas Transmission, LLC*, 152 FERC ¶ 61,052, at 70, 72 (2015).

⁷ *Id.* at 2-27-28; *See also* 135 FERC ¶ 61,056 at 38-40; *Paiute Pipeline*, 139 FERC ¶ 61,089 at 36-37.

⁸ 151 FERC ¶ 61,047 at 68; *See also, Northern Natural Gas Co.*, 137 FERC ¶ 61,202, at 36 (2011), *Order on Rehearing and Compliance*, 141 FERC ¶ 61,221, at 45-50 (2012) (*Northern*). The Commission (FERC) has stated this could be accomplished by a reduction in the billing determinants used to design a pipeline’s rates or by including the cost of the full reservation charge credits as an item in the pipeline’s cost of service. *Gulf South Pipeline Co., LP*, 144 FERC ¶ 61,215, at 34 (2013) (*Gulf South*).

⁹ *Id.* at 67. FERC has defined *force majeure* outages as events that are both unexpected and uncontrollable. Opinion No. 406, 76 FERC at 61,088. *North Baja v. FERC*, 483 F.3d at 823.

¹⁰ *Id.* at 67-68. FERC has also stated that pipelines may use some other method that achieves equitable sharing reasonably equivalent to the two specified methods.

1 **B. FAR Update Proceeding**

2 The bifurcation of SoCalGas transmission service into backbone and local service was
3 implemented under the Firm Access Rights (FAR) order (D.06-12-031) on October 1, 2008.
4 During the first 3-year FAR contract term the FAR Update proceeding (A.10-03-028) was held
5 to “assess how the FAR system is working, and whether any changes or modifications to the
6 FAR system are needed.”¹¹ In this proceeding, SoCalGas indicated that the FAR service
7 provided numerous benefits and required no fundamental modifications.¹² SoCalGas/SDG&E
8 did propose to 1) rename FAR to BTS¹³; and 2) provide reservation charge credits to firm rights
9 holders who are unable to schedule their firm primary rights in Cycle 1 due to scheduled
10 maintenance of the SoCalGas/SDG&E backbone transmission system.¹⁴ The credit would be
11 calculated by multiplying the applicable reservation charge times the Cycle 1 maintenance cut
12 quantity that remained unused, unexchanged or unsold that day due to planned maintenance on
13 the system.¹⁵

14 Credits paid to customers would be debited to the Firm Access Rights Balancing Account
15 (FARBA) that was renamed the Backbone Transportation Balancing Account (BTBA) in the
16 proceeding. The cost of these reservation charge credits would then be added to all firm capacity
17 right holders’ rates in a subsequent rate period through the BTBA.¹⁶

11 D.06-12-031 at 142 (Ordering Paragraph (OP) 7).

12 See A.10-03-028, Application of SDG&E and SoCalGas Updating Firm Access Rights Service and Rates at 5-6.

13 *Id.* at 9.

14 *Id.* at 8.

15 See A.10-03-028, Direct Testimony of Rodger Schwecke at 20-21, available at:
https://www.socalgas.com/regulatory/documents/a-10-03-028/Testimony_Schwecke.pdf.

16 *Id.*

1 Three FAR Update Proceeding intervenors questioned limiting the reservation charge
2 credit to Cycle 1 maintenance events.¹⁷ They indicated that credits should be considered for cuts
3 in later cycles for reasons beyond planned maintenance outages.¹⁸ One of these intervenors did
4 state that credits should not be given as the result of Force Majeure events.¹⁹

5 SoCalGas replied to the intervenors proposing to expand the application of reservation
6 charge credits.²⁰ SoCalGas asserted that expanding this proposal beyond Cycle 1 would provide
7 shippers with a financial incentive to over-nominate in later cycles to generate credits and
8 thereby cause even further reduction in the nominations of shippers attempting to deliver gas into
9 the system. These overnominations would result in additional reductions to shippers that
10 nominated their expected gas deliveries in Cycle 1. Preventing this sort of activity highlights the
11 need to provide credits only for Cycle 1 nominations.²¹

12 SoCalGas also asserted that reservation-charge credits should not apply in cases of force
13 majeure, but more fundamentally, that credits should be provided only for situations under the
14 control of SDG&E/SoCalGas.²² Scheduled maintenance is the only situation involving
15 reductions in nominations over which SDG&E/SoCalGas have control. Accordingly,
16 reservation-charge credits should only apply to reductions caused by scheduled maintenance.

¹⁷ See A.10-03-028, Response of Shell Energy North America (Shell Energy) (May 03, 2010) at 5; Protest of Southern California Generation Coalition (SCGC) (May 03, 2010) at 7-8; and Protest of Indicated Producers (May 03, 2010), Appendix A at A-2.

¹⁸ *Id.*

¹⁹ See A.10-03-028, Response of Shell Energy at 5.

²⁰ See A.10-03-028 Reply of SDG&E/SoCalGas to Protests and Responses (May 13, 2010) at 13.

²¹ *Id.* at 13-14.

²² *Id.* at 14.

1 A later Joint Recommendation on operational issues sponsored by SoCalGas/SDG&E
2 and multiple parties to the proceeding recommended that no reservation charge credits be issued
3 as compensation for reductions in firm nominations.²³

4 In response to the Joint Recommendation concerning reservation charge credits, the
5 Commission ruled that:

6 Other modifications that we adopt in this decision, such as the revised scheduling
7 priorities and the limitation on the sale and exchange of FARs during OFOs and
8 scheduled maintenance periods, should reduce any need for reservation charge credits.
9 Rejecting the reservation charge credit proposal resolves concerns that shippers might
10 modify their nominating practices in order to receive credits, and concerns that shippers
11 who do not receive such credits will unfairly subsidize shippers that do.²⁴

12 **C. SoCalGas’s 2020 Triennial Cost Allocation Proceeding (A.18-07-024) (the**
13 **2020 TCAP)**

14 In response to an incomplete proposal by Indicated Shippers, the 2020 TCAP Decision
15 (D. 20-02-045) directed SoCalGas/SDG&E to submit a Tier 3 advice letter proposing a credit
16 mechanism that compensates BTS customers for services they pay for but do not receive.²⁵

17 **D. BTS Credit Proposal Workshops and Advice Letter Filing**

18 Pursuant to Ordering Paragraph 14 of D.20-02-045, SoCalGas/SDG&E provided a
19 preliminary version of their proposed credit mechanism at the Annual Customer Forum on May
20 13, 2020.²⁶ SoCalGas then held three webinars in summer 2020 and engaged with BTS
21 customers on the proposed credit mechanism. Participants at the webinars asked questions and

²³ D.11-04-032, Attachment 1 at 3.

²⁴ D.11-04-032 at 48-49.

²⁵ D.20-02-045 at 94 (Finding of Fact (FOF) 77), 105 (OP 14).

²⁶ SoCalGas is required to hold an annual Utility Customer Forum pursuant to SoCalGas Rule 41. *See* SoCalGas, *Rule No. 41 – Utility System Operation* (Effective July 24, 2020) at Sheet 8, *available at:* <https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/41.pdf>.

1 had an opportunity to provide written comments, which were all posted on Envoy on August 6,
2 2020.

3 SoCalGas filed Advice Letter 5680-G on August 26, 2020, proposing a BTS Credit
4 Mechanism.²⁷ SoCalGas’s proposed mechanism would have provided a credit to customers who
5 purchased firm capacity but were not able to use it due to scheduled or unscheduled pipeline
6 maintenance. Under the proposed credit mechanism, customers would receive a BTS credit for
7 the reduced capacity amount attributable to a maintenance outage unless they could successfully
8 schedule gas in excess of their prorated contract capacity.

9 In the advice letter, SoCalGas stated that customers who have firm rights do not pay for
10 BTS until they receive their monthly bill for each month following the month of gas flow. Under
11 the proposed credit mechanism, a customer would not have to pay for any firm rights credited by
12 this mechanism. SoCalGas further stated that the credit mechanism would not operate like a
13 “refund” of actual payments since the customer pays for monthly BTS rights *after* the
14 completion of the gas flow month. Thus, a customer would receive credit on a monthly bill as
15 opposed to a refund.

16 In addition, SoCalGas proposed that the BTS credit would be recognized as a reduced
17 credit to the Backbone Transmission Balancing Subaccount. Under this proposal, SoCalGas
18 would be allowed to recoup the difference between the authorized BTS revenue requirement and
19 the reduction to the actual revenues from this credit mechanism.

20 Lastly, SoCalGas stated that implementation of the BTS credit mechanism would take
21 approximately 10 months and begin on the later of the CPUC approval date of the advice letter

²⁷ San Diego Gas & Electric Company (SDG&E) filed Advice Letter 2893-G on August 26, 2020, proposing its identical BTS Mechanism.

1 or January 2021. SoCalGas estimated that programing changes to accommodate this mechanism
2 would cost approximately \$1 million and would have been included as a capital cost in
3 SoCalGas’s and SDG&E’s Test Year 2024 General Rate Case.

4 **E. SoCalGas Response to Protests**

5 Protests to the SoCalGas/SDG&E BTS Crediting Proposal addressed four areas:

- 6 1. Circumstances under which a BTS credit should be provided.
- 7 2. Cost allocation of the BTS credit values.
- 8 3. Effective date of the new BTS credit mechanism.
- 9 4. Cycle upon which BTS credits should be calculated.²⁸

10 The protests proposed, among other things, that BTS credits should be applied to System
11 Overnomination cuts that may occur during Cycle 5 on non-OFO days and Cycles 3, 4, and 5 on
12 OFO days. SoCalGas responded that system overnominations are caused by customers
13 nominating gas in excess of their daily requirements which is outside the control of the System
14 Operator.²⁹ As SoCalGas stated, reservation credits should not be provided as additional
15 compensation to BTS customers for essentially padding their monthly imbalance and daily
16 scheduled quantity trading positions.

17 The protestors also argued that SoCalGas shareholders should be allocated the cost of
18 BTS reservation charge credits.³⁰ SoCalGas responded that protestors failed to cite any finding
19 in D.20-02-045 that required shareholder funding of BTS credits.³¹

²⁸ See SoCalGas Reply to Protests of Joint Advice No. 5680, et al. – Proposed Credit Mechanism in Compliance with D.20-02-045 at 2.

²⁹ *Id.* at 2.

³⁰ *Id.* at 5.

³¹ *Id.* at 6-9.

1 Protesters argued that BTS credits should be provided before SoCalGas/SDG&E would
2 have been able to process them. SoCalGas responded stating that the implementation date was
3 not specified in D.20-02-045 and that the Commission normally allows SoCalGas/SDG&E time
4 to make software changes before implementing Commission-authorized modifications to its
5 service offerings.³²

6 Protesters recommended that BTS credits be based on Cycle 3 rather than Cycle 5 cuts.
7 SoCalGas responded that the Commission should not entertain this late-submitted
8 recommendation.³³

9 **F. Commission Resolution G-3581**

10 Resolution G-3581³⁴ denied the proposed BTS Credit mechanism for the customers who
11 pay for, but not do receive, firm BTS because of maintenance-related outages.³⁵ SoCalGas was
12 required to submit a proposed credit mechanism for firm BTS customers as part of this Cost
13 Allocation Proceeding (CAP) filing.³⁶

14 **G. 2020 BTS Open Season**

15 While the proposed BTS Credit Mechanism was pending, SoCalGas/SDG&E conducted
16 the 2020 BTS Open Season beginning June 8, 2020, for contracts effective October 1, 2020.

17 Several extended maintenance outages were in effect prior to the start of the open season.
18 BTS capacity subject to an indefinite outage prior to Step 1 of the open season process was not
19 offered during any phase of the open season. BTS capacity out of service prior to the open

³² *Id.* at 9-11.

³³ *Id.* at 11.

³⁴ Res. G-3581 (August 5, 2021).

³⁵ *Id.* at 7.

³⁶ *Id.* at 12.

1 season with a defined end date within the open season term would be offered for dates after the
 2 end date within the open season term. The ongoing Southern Zone outage due to limited market
 3 demand within the zone was also treated as an indefinite maintenance outage during the 2020
 4 BTS Open Season term. The result was the capacity offering tabulated below for 2020.

5 **Table 2 – Total 2017 and 2020 BTS Capacity Offerings**

Zone	2017	2020
Southern Zone	1,210	750
Northern Zone	1,590	990
Wheeler Ridge Zone	765	765
CP Line 85 Zone	160	60
CP Coastal Zone	150	150
Total Offering	3,875	2,715

6 A significantly larger amount of firm BTS capacity was offered in 2017. Increased
 7 maintenance activity coupled with improved outage planning and forecasting were contributing
 8 reasons for the lower 2020 BTS capacity offering.

9 **III. APPLICANTS’ BTS PROPOSALS**

10 SoCalGas/SDG&E are making four (4) proposals to modify BTS in this proceeding.
 11 Proposal 1, unrelated to BTS Reservation Charge Credits, is to modify the next open season term
 12 to end on November 1 rather than October 1 to better align BTS with the annual Summer/Winter
 13 storage cycle. Proposal 2 supports our request for an interim order to temporarily implement a
 14 one-year term for BTS. Proposal 3 requests Commission approval to implement a) a
 15 continuation of the interim request for a one-year term for BTS; b) a 100% firm volumetric BTS
 16 rate option; and c) modifications to set aside procedures for Rule 39 system receipt points.

1 Proposal 4 presents a BTS Reservation Charge Credit Mechanism as ordered by Resolution G-
2 3581.

3 **A. BTS Proposal 1 - Seasonal Coordination of BTS Open Season Contract Term**

4 The current start date for BTS contracts awarded in the open season is October 1.
5 Injection and Withdrawal seasons on the SoCalGas system correspond to an April 1 start date for
6 the injection season and November 1 for the withdrawal season. SoCalGas has received
7 feedback that an April 1 or November 1 start date would help customers coordinate better with
8 seasonal offerings on upstream pipelines serving the SoCalGas system.

9 SoCalGas proposes to extend the next open season term by one month to synchronize it
10 with the November 1 start date for the withdrawal season. Subsequent open seasons will be held
11 to offer BTS capacity for terms beginning on November 1.

12 **B. BTS Proposal 2 - Interim Relief**

13 Firm BTS capacity is currently offered under a triennial open season process for 3-year
14 terms. The next open season is scheduled to begin in June 2023 for 3-year contract terms
15 beginning October 1, 2023.

16 SoCalGas and SDG&E do not expect resolution of the BTS Credit Mechanism proposal
17 in this proceeding prior to the June 2023 start date for the next open season. Changes to Rate
18 Schedule G-BTS will require programming lead time in order for the changes to be ready for the
19 June 2023 start date. For this reason, SoCalGas and SDG&E propose that one measure be
20 adopted for BTS prior to April 1, 2023 to allow the next open season process to proceed
21 unencumbered by questions of whether a BTS credit mechanism will be adopted or not during
22 the next BTS firm service term. The proposed interim measure would convert the current 3-year
23 BTS open season term to one year for each open season. The one-year term requirement would
24 remain in effect until the next start date for the BTS Open Season following resolution of the

1 BTS Credit Mechanism proposal by the Commission in this proceeding and implementation of
2 the required programming changes by SoCalGas and SDG&E.

3 **C. One-year BTS Open Season Term**

4 SoCalGas offers firm BTS under a triennial open season process for 3-year terms. The
5 current term began October 1, 2020 and ends on October 1, 2023. The next open season will
6 begin in June 2023. Consistent with the 2020 open season process, firm capacity will not be
7 offered during the open season for receipt points and transmission zones affected by ongoing and
8 forecasted future maintenance outages in effect during the BTS term.

9 SoCalGas proposes to offer BTS under an annual open season process for one-year terms
10 in lieu of the current triennial process for three-year terms in recognition of the difficulty of
11 predicting required maintenance outages with date-specific precision across a longer 3-year BTS
12 term. SoCalGas expects this shorter term will allow it to identify planned outages across the
13 shorter period with more specificity.

14 The current cost to operate/implement the BTS Online Bidding System is approximately
15 \$200,000 per open season. SoCalGas expects to incur this cost subject to escalation each year to
16 operate/implement the BTS open seasons on an annual rather than triennial basis. As proposed
17 in the testimony of Nasim Ahmed (Chapter 6), SoCalGas proposes to record these additional
18 incremental costs in the BTBA until such costs are incorporated in SoCalGas's next GRC.³⁷

19 **D. BTS Proposal 3 – Regular Adoption of the Proposal 2 Interim Measures**

20 In lieu of adopting a BTS Reservation Charge Crediting Mechanism SoCalGas/SDG&E
21 are requesting Commission approval to permanently adopt the one-year term requested in

³⁷ See Direct Testimony of Witness Nasim Ahmed (Chapter 6) at 2.

1 Proposal 2 above as well as a firm volumetric rate option and a Set Aside process modification
2 described below after the final order in this proceeding.

3 **E. Firm Volumetric Rate Service Option**

4 SoCalGas currently offers BTS mostly under 3 rate options: G-BTS1, G-BTS2, and G-
5 BTS4. G-BTS1 is firm service under a 100% reservation charge rate; G-BTS2 is firm service
6 under a modified fixed variable rate consisting of a reservation charge and a volumetric charge;
7 and G-BTS4 is interruptible service under a 100% volumetric rate.

8 SoCalGas proposes to offer a new rate option, G-BTS5, for firm service under a 100%
9 volumetric rate for the applicable BTS open season term.

10 SoCalGas is making this proposal for customers who would prefer to not pay reservation
11 charges for firm capacity under contract that they do not nominate or that is cut due to system
12 overnomination or maintenance outages. Adoption of this rate option obviates the need for
13 reservation charge credits.

14 **F. Set Aside Modifications**

15 SoCalGas offers BTS in a triennial open season in three sequential steps. The first step;
16 Set-Asides: Pre-Open Season – Step 1 offers reservations of firm BTS to customers with the
17 following qualifications prior to Step 2. Those qualifications include:

- 18 1) Core Balancing Agents with qualifying upstream interstate contracts;
- 19 2) California Producers with recorded production activity over the most recent three-
20 year period;
- 21 3) PG&E customers with effective Commission-approved contracts for delivery at
22 the SoCalGas PG&E Kern River Station Receipt Point;

1 4) Parties who provide incremental cost-based funding under Rule 39 for
2 displacement and/or expansion receipt point capacity prior to the first open season following
3 completion of the facilities and each open season thereafter.

4 SoCalGas proposes that if a volumetric rate option is adopted, set-asides based on
5 constructed capacity for parties funding displacement receipt point capacity under Rule 39 be
6 limited to 5-years from the completion date of the facilities after which set-Asides will be based
7 on a quantity equal to the peak month's average daily delivery for the receipt point over the most
8 recent three-year period, with the peak month defined as the month with the highest average
9 daily volume. The set-aside quantity may be increased if specific deliveries are likely to increase
10 and such forecasted increase can be justified by the party. This methodology is consistent with
11 the determination of set aside rights for California Producers whose interconnects were
12 constructed prior to the implementation of Rule 39.

13 **G. BTS Proposal 4 - Reservation Charge Crediting Mechanism**

14 As an alternative to adopting SoCalGas's preferred reservation charge credit mechanism
15 option, BTS Proposal 3, and in compliance with Commission Resolution G-3581, SoCalGas
16 submits a modified version of the BTS reservation charge credit mechanism previously
17 sponsored in Advice No. 5680 as its BTS Reservation Charge Credit Mechanism proposal.

18 Modifications to the former advice letter proposal include (1) conversion to a one-year
19 term as described in Proposal 2 above; 2) a lower limit on the total amount of firm BTS contract
20 capacity offered during the BTS open season term; and (3) converting Step 3 of the BTS open
21 season term to a market-based auction process that would also apply to monthly BTS sales
22 during the open season term.

23 The proposed reservation charge credit mechanism will apply only to nomination cuts
24 made to firm capacity under contract that is not available on a firm primary basis due to

1 scheduled or unscheduled pipeline maintenance or outages. Reservation charge credits would be
2 provided to firm BTS customers who are unable to schedule their BTS rights on a firm primary
3 basis due to a maintenance outage on the SoCalGas/SDG&E backbone system. Quantities
4 eligible for credits must be nominated in compliance with all Rule 30 requirements including a
5 matching supply confirmation from the upstream pipeline. In no event is the same dekatherm of
6 gas included more than once in the calculation. No reservation charge credits will be given for
7 capacity successfully scheduled on a firm alternate basis or for Cycle 5 system overnomination
8 cuts on non-OFO days or for Cycle 3-5 overnomination cuts on OFO days.

9 Shippers assigned firm rights do not actually pay for those rights until they receive their
10 monthly bill for each month following the month of flow. This is the same bill on which any
11 BTS credits provided pursuant to the above-described mechanism would be applied.

12 Accordingly, the mechanism is set up so that the shipper is never required to pay for any firm
13 rights credited by this mechanism (i.e., the credit mechanism does not operate like a “refund” of
14 actual payments). The credit mechanism as described is designed to make the shipper whole for
15 firm BTS rights assigned for purchase but which are unable to be used for the reasons described.
16 The shipper’s procurement of firm BTS rights under its full allocation would have resulted in a
17 credit to the BTBA. Therefore, the reduction of some or all of that purchase obligation through
18 the provision of the BTS credit is appropriately recognized as a reduced credit to the BTBA.

19 Accordingly, no changes are required to the accounting procedures in the BTBA.

20 **H. Reduction in Total Available BTS Capacity**

21 SoCalGas/SDG&E believes that the quantity of firm BTS capacity available under
22 contract during the open season term should be reduced if a BTS Reservation Charge Credit
23 Mechanism is adopted. The current firm contractual limit should be reduced from the current
24 Total Transmission Zone Firm Access capacity (3,775 MMcfd) to 110% of the forecast

1 minimum backbone system design standard adopted in D.06-09-039 and reaffirmed in D.22-07-
2 002 based on the average day quantity in a 1-in-10 cold and dry year.

3 **Table 3 - Forecast Minimum Backbone Design Standards**

Year	Minimum Standard	110% of Minimum Standard
2022	2,490	2,739
2023	2,469	2,716
2024	2,381	2,619
2025	2,336	2,570
2026	2,305	2,536
2027	2,278	2,506
2028	2,219	2,441

4 This capacity amount should be adequate to meet core and noncore customer bidding right
5 quantities based on historical usage for Step 1 and Step 2 of the BTS Open Season.

6 Maintenance outages affecting customer's firm BTS capacity rights are expected to
7 continue over the next 3-5 years. Major portions of the backbone system still require hydrotest
8 or replacement in compliance with the Pipeline Safety Enhancement Program (PSEP),³⁸ regular
9 internal inspections and verification digs that identify wall loss and damage requiring immediate
10 repair or MAOP reduction continue under the Transmission Integrity Management Program
11 (TIMP),³⁹ and most recently, maintenance required to comply with the new and updated
12 PHMSA Regulations⁴⁰ all indicate that maintenance activity will continue for the foreseeable
13 future.

³⁸ See SoCalGas 2024 General Rate Case, A.22-05-015/016 (cons.) Exhibit SCG-08 Direct Testimony of Bill G. Kostelnik (Pipeline Safety Enhancement Plan).

³⁹ See A.22-05-015/016 (cons.) Exhibit SCG-09 Direct Testimony of Amy Kitson and Travis Sera (Gas Integrity Management Programs); and Exhibit SCG-06-R Revised Direct Testimony of Rick Chiapa, Steve Hruby and Aaron Bell (Gas Transmission Operations and Construction).

⁴⁰ See A.22-05-005 Application of SoCalGas and SDG&E for Authority to Establish a Gas Rules and Regulations Memorandum Account (GRMMA) Direct Testimony of Travis T. Sera (May 4, 2022).

1 This lower BTS firm contract limit will allow firm BTS customers whose rights are
2 affected by maintenance outages additional flexibility for trading firm BTS rights from affected
3 receipt points to receipt points where capacity is available; and successfully schedule their firm
4 primary rights on an alternate basis to receipt points with available capacity. SoCalGas's current
5 practice to offer capacity for sale well in excess of a system average number increases the
6 likelihood of system overnominations and reduces firm customer flexibility thus increasing
7 demands for BTS Credits.

8 **I. Market-based Auction for BTS Open Season Step 3**

9 SoCalGas proposes to convert Step 3 of the BTS Open Season to a market-based auction
10 process.

11 Under the market-based auction available firm BTS capacity would be offered at rates up
12 to 125% of the BTS-1 reservation rate currently in effect for a minimum term of one month.
13 Bids for capacity equal to or less than 75% of the BTS-1 reservation charge would not be
14 awarded.

15 Monthly auctions would also be conducted in a similar manner during the BTS term prior
16 to bid week each month for a one-month term when, in the sole judgement of the System
17 Operator, sufficient firm BTS capacity is available in excess of current firm BTS contract
18 amounts for that month based on capacity availability and forecast customer demand.

19 When capacity availability is judged to be too low by the System Operator for a monthly
20 auction, daily quantities for a pending month will be made available on Envoy for purchase on a
21 first come, first served basis starting one day prior to bid week. BTS Capacity available on the
22 screen will be limited to quantities available in the pending to then current month.

23 **J. Implementation Timeline**

24 Programming SoCalGas ENVOY® and changes to the Noncore Billing system to

1 implement the BTS credit mechanism as proposed will take approximately 10 months and will
2 begin on the CPUC approval date of this proposal. Programming and testing will cost an
3 estimated \$1.2M. SoCalGas Witness Nasim Ahmed proposes to record the incremental O&M
4 costs and capital-related costs (i.e., depreciation, taxes, and return) on the IT capital assets
5 required for the BTS credit mechanism in the BTBA until these costs are incorporated in
6 SoCalGas's next GRC.⁴¹

7 **IV. SECOND DAILY BALANCING SETTLEMENT PROVISIONS**

8 Ordering Paragraph 22 of D.20-02-045 maintained the remaining temporary terms of the
9 Second Daily Balancing Agreement that was previously approved by D.16-12-015 and modified
10 by D.18-11-009.

11 Remaining terms include:

- 12 • Credits to the Core Fixed Cost Account (CFCA) from net Low Operational Flow
13 Order (OFO) noncompliance charge revenues from core customers;⁴²
- 14 • Exclusion of credits to the Noncore Fixed Cost Account (NFCA) for any net low
15 OFO noncompliance charges which are balanced in the CFCA;⁴³
- 16 • Credit to the NFCA for net low OFO noncompliance charge revenues from
17 noncore customers;⁴⁴
- 18 • OFO noncompliance charges will not be imposed if notice is given after 8PM

⁴¹ See Direct Testimony of Witness Nasim Ahmed (Chapter 6) at 3.

⁴² Preliminary Statement CFCA § 5.i.

⁴³ Preliminary Statement NFCA § 5.g.

⁴⁴ NFCA § 5.g.

1 Pacific Time the day prior to the start of the OFO event;⁴⁵

- 2 • Low OFO noncompliance charges for the gas flow day will be waived when the
3 confirmation process limiting nominations to system capacity cuts previously
4 scheduled BTS nominations during any of the Intraday 1-3 Cycles;⁴⁶
- 5 • SoCalGas will have the discretion to waive OFO noncompliance charges for an
6 electric generation customer who was dispatched after the Intraday 1 (Cycle 3)
7 nomination deadline in response to (1) a SoCalGas System Operator request to an
8 Electric Grid Operator to reallocate dispatched electric generation load to help
9 maintain gas system reliability and integrity, or (2) an Electric Grid Operator
10 request to the SoCalGas System Operator to help maintain electric system
11 reliability and integrity that can be accommodated by the SoCalGas System
12 Operator at its sole discretion. For electric generators served by a contracted
13 marketer, OFO noncompliance charges can be waived under this section only to
14 the extent the contracted marketer nominates their electric generation customer's
15 gas to the electric generation customer's Order Control Code;⁴⁷
- 16 • Utility will provide a cycle-by-cycle low OFO calculation on the SoCalGas
17 Envoy EBB.⁴⁸

18 SoCalGas/SDG&E proposes that these temporary terms be adopted in this proceeding as
19 regular tariff terms in the respective SoCalGas and SDG&E tariffs.

45 SoCalGas Rule 30 § G.1.d.

46 SoCal Gas Rule 30 § G.1.h.

47 SoCalGas Rule 30 § G.1.i.

48 SoCalGas Rule 41 § 4.

1

This concludes my prepared direct testimony.

2

1 **V. QUALIFICATIONS**

2 My name is Paul D. Borkovich. My business address is 555 West Fifth Street, Los
3 Angeles, CA 90013. I am employed by SoCalGas as the Energy Markets Segment Manager in
4 the Capacity Products Support Department. My responsibilities are to manage transportation
5 services provided by suppliers and marketers who provide gas to SDG&E and SoCalGas
6 customers. I also manage the Backbone Transportation Service program, the California Energy
7 Hub back office, policies and procedures for scheduling and nominations on the SDG&E and
8 SoCalGas systems, daily operation and enhancements to SoCalGas's Electronic Bulletin Board,
9 and all aspects of SoCalGas's and SDG&E's interconnect and operational balancing agreements
10 with pipelines delivering natural gas into their integrated transmission system. I have been
11 employed by SoCalGas in numerous positions relating to gas operations and gas markets and
12 have been responsible for various aspects of utility operations, sales and marketing, regulatory
13 matters, and customer relations.

14 I graduated in 1981 from the University of California at Santa Barbara, with a Bachelor
15 of Science degree in Mechanical Engineering, and in 1985 from the University of Southern
16 California with a Master of Science degree in Petroleum Engineering.

17 I have previously testified before the Commission.