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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Authority to Revise their Curtailment Procedures.

Application 15-06-020
(Filed June 26, 2015)

**RESPONSE OF SOUTHWEST GAS CORPORATION (U 905 G) TO
THE MOTION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN
DIEGO GAS & ELECTRIC COMPANY'S (U 902 G) FOR INTERIM ORDER
ESTABLISHING TEMPORARY DAILY BALANCING REQUIREMENTS**

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March 16, 2016

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9 **ESTABLISHING TEMPORARY DAILY BALANCING REQUIREMENTS**

10 Pursuant to Rule 11.1 of the Rules of Practice and Procedure of the Public Utilities
11 Commission of the State of California ("Commission"), Southwest Gas Corporation
12 ("Southwest Gas" of "Company") hereby submits this Response to the Motion of Southern
13 California Gas Company (U 904 G) and San Diego Gas & Electric Company's (U 902 G)
14 for Interim Order Establishing Temporary Daily Balancing Requirements ("SoCalGas
15 Motion").

16 **I. Introduction**

17 The SoCalGas Motion seeks authority to establish a 5% daily balancing requirement
18 on the Southern California Gas Company ("SoCalGas") and San Diego Gas & Electric
19 Company ("SDG&E") systems. The request is pursuant to concerns about the availability
20 of the Aliso Canyon natural gas storage facility following a leak in well SS 25. Southwest
21 Gas opposes the SoCalGas Motion because the proposal would result in the inequitable
22 assessment of penalties. For the reasons discussed below, the SoCalGas Motion should
23 be rejected by the Commission.

24 The SoCalGas Motion seeks authority to implement a 5% daily balancing
25 requirement on the SoCalGas and SDG&E systems. The proposed daily balancing
requirements would require customers on the SoCalGas and SDG&E systems to deliver
gas within the Daily Transportation Tolerance, which is defined as at least 95% and no more

1 than 105% of the customer's scheduled usage each day. If a customer uses gas outside
2 of the Daily Transportation Tolerance then that customer is assessed a "Daily Tolerance
3 Noncompliance Charge" equal to 150% of the highest daily border price index at the
4 Southern California border.

5 **II. Discussion**

6 The Commission should reject the SoCalGas Motion because the 5% daily
7 balancing proposal results in inequitable assessments of penalties to customers on the
8 SoCalGas and SDG&E systems. As proposed, the Daily Tolerance Noncompliance Charge
9 is assessed even if the SoCalGas and SDG&E systems are not out of balance. In other
10 words, even if half of SoCalGas' and SDG&E's customers were short (i.e., burned more gas
11 than scheduled) by more than the 5% Daily Transportation Tolerance while the other half
12 of their customers were long (i.e., burned less gas than scheduled) by 5% of the Daily
13 Transportation Tolerance and the SoCalGas and SDG&E systems were balanced (i.e.
14 neither long nor short), customers whose usage is outside of the Daily Transportation
15 Tolerance will still be assessed a Daily Tolerance Noncompliance Charge. The assessment
16 of a Daily Tolerance Noncompliance Charge in such scenarios is inequitable because
17 penalties would be assessed even though the customers' actions were not causing any
18 operational issues for the SoCalGas and SDG&E systems. To the extent the Commission
19 approves the SoCalGas Motion, the authority to assess a Daily Tolerance Noncompliance
20 Charge should be limited to instances where the SoCalGas and SDG&E systems are
21 experiencing operational issues.

22 The Daily Tolerance Noncompliance Charge, as proposed in the SoCalGas Motion,
23 is also inequitable to the extent that approval of the proposal will allow for penalties to be
24 assessed to customers who are actually helping to balance the SoCalGas and SDG&E
25 systems. For example, if the SoCalGas system is out of balance and experiencing

1 operational issues because the system as a whole is consuming less gas than scheduled,
2 the 5% daily balancing requirements proposed by the SoCalGas Motion would penalize
3 customers outside of the Daily Transportation Tolerance even if those customers are
4 helping to balance the system by burning more gas than they scheduled. In other words,
5 the proposed 5% daily balancing requirements punishes customers who are actually
6 benefiting the system. To the extent that a Daily Tolerance Noncompliance Charge is
7 approved, it should only be a “one-way” penalty. A customer should only be assessed a
8 penalty if that customer is out of balance in the same operationally threatening direction as
9 the system imbalance. For example, if the load on the system is greater than the total
10 scheduled quantity on the system on a given gas day, only customers burning more than
11 their Daily Transportation Tolerance on that gas day should be assessed a Daily Tolerance
12 Noncompliance Charge because those customers are contributing to the overall one-way
13 system imbalance. A one-way charge is the industry standard and is how the SoCalGas
14 and SDG&E Operational Flow Orders and Emergency Flow Orders are structured.

15 In addition to the inequitable nature of the proposed daily balancing requirements,
16 the SoCalGas Motion does not demonstrate that the requested relief will result in enhanced
17 reliability or protect against curtailments. See SoCalGas Motion at 1 (“SoCalGas and
18 SDG&E are seeking temporary daily balancing authorization in this proceeding because
19 daily balancing will enhance reliability and protect against curtailments this summer and
20 next winter.”). The SoCalGas Motion fails to show how the daily balancing requirements
21 will help bring additional flowing supplies to the SoCalGas and SDG&E systems on a regular
22 and uniform basis. Without additional support, there is no verification that the daily
23 balancing requirements will effectuate the intended results. If the intended results are not
24 realized, then the purpose of implementing the daily balancing requirements evaporates.

25

1 **III. Conclusion**

2 The Aliso Canyon natural gas storage facility is a vital component of energy
3 demands for the region. Southwest Gas understands the issues raised by the limitations
4 on the Aliso Canyon natural gas storage facility. However, those limitations do not justify
5 the implementation of an inequitable daily balancing requirement. For the reasons
6 discussed above, the SoCalGas Motion should be denied.

7 DATED this 16th day of March, 2016.

8 Respectfully submitted,
9 SOUTHWEST GAS CORPORATION

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