Exhibit No:
Application: A.25-09-XXX
Witness: P. D. Borkovich
Chapter: 10a

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

(OFF-SYSTEM DELIVERY AND BACKBONE TRANSPORTATION SERVICE PROPOSALS)

September 30, 2025
(Redlined dated June 9, 2026)

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CHAPTER 10

PREPARED TESTIMONY OF PAUL D. BORKOVICH

(OFF-SYSTEM DELIVERY AND BACKBONE TRANSPORTATION SERVICE PROPOSALS)

I. PURPOSE

The purpose of my testimony is to submit proposals to (1) apply Noncore Storage Balancing Account (NSBA) overcollections to the Firm Access Storage Rights Memorandum Account (FASRMA) until the current under collection is fully offset; (2) modify Backbone Transportation Service (BTS) to limit the maximum amount of firm BTS available for sale to 110% of the minimum backbone system design standard based on the average day quantity in a 1-in-10 cold and dry year; and (3) modify SoCalGas Rule 30 Operational Requirements to confirm BTS nominations up to the Total Net System Capacity for the Evening, Intraday 1, Intraday 2, and Intraday 3 cycles regardless of a Gas Day's OFO status.

II. BACKGROUND

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) own and operate an integrated gas transmission system, consisting of pipeline and storage facilities. With their network of transmission pipelines and four interconnected storage fields, SoCalGas delivers natural gas to 21.8 million consumers through 5.9 million meters in more than 500 communities. SDG&E delivers natural gas to 3.3 million consumers through 0.9 million meters. The portion of the transmission system that interconnects upstream with the Pacific Gas & Electric (PG&E) system and the interstate pipeline systems at receipt points, and downstream with the storage fields, local transmission systems, and SDG&E's distribution system is referred to as the backbone system. The backbone system is designed to accept up to 3,775 million cubic

feet per day (MMcfd) of upstream pipeline deliveries and local California supplies on a "firm" basis, provided sufficient demand and injection capacity is available. However, accepting 3,775 MMcfd would require a Total Net System Capacity equal to or higher than this amount which occurred only 34 days in 2022, 46 days in 2023, and 17 days in 2024, an average of 32 days per year[1].

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

Forward haul transportation service on the backbone system is referred to as Backbone Transportation Service (BTS). Back haul service via upstream displacement at PG&E and interstate pipeline system receipt points are referred to as Off-System Delivery (OSD) service. All gas received and transported on the SoCalGas/SDG&E system must be nominated and scheduled under a BTS contract. There are currently 5 nomination cycles applicable to each Gas Day[2] available for the scheduling of BTS.

Table PDB-1 – Gas Transportation Scheduling Cycles

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

[1] Refer to my accompanying workpapers, Chapter 10 Workpapers, Paul D. Borkovich (Off-System Delivery and Backbone Transportation Service Proposals) for data to support this calculation.

[2] The Gas Day begins each day at 7:00 AM Pacific Time.

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

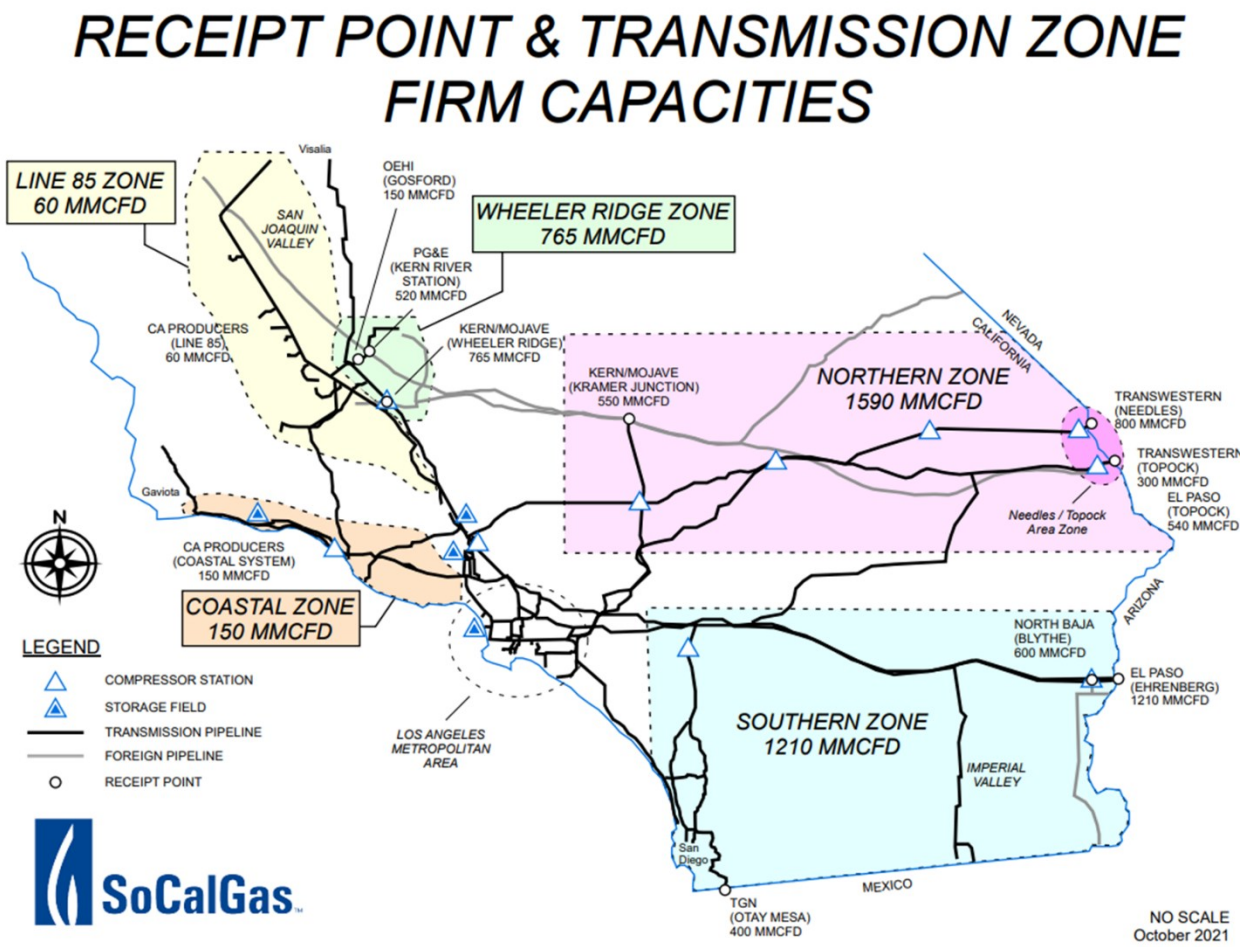
Both core and noncore customers can acquire firm BTS rights by contracting for capacity in the triennial open season process[3] or through SoCalGas's electronic bulletin board, SoCalGas ENVOY® (Envoy), as capacity becomes available.[4] Under the current rate schedule for BTS (G-BTS), the availability of the 3,775 MMcfd of firm BTS capacity that is only limited by capacity reductions attributable to outages posted on the Envoy, while the ability to nominate and schedule gas up to this capacity is limited by the Total Net System Capacity of each scheduling cycle.

BTS customers contract for firm capacity at specific system receipt points that are defined as primary within a specific transmission zone. The locations of system receipt points and transmission zones on the SoCalGas/SDG&E system are shown on the map below.

[3] The BTS open season is currently a triennial process.

[4] Envoy covers the combined SoCalGas/SDG&E transmission system. *See also* SoCalGas, Schedule G-BTS: Backbone Transportation Service, *available at:* https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=465 .

Figure PDB-1: SoCalGas and SDG&E System Receipt Points and Transmission Zone Locations



BTS customers can nominate transportation service under their firm contract either (1) at their primary receipt point (Firm Primary); (2) at another system receipt point within the transmission zone where their firm primary receipt point is located (Firm Alternate Inside); and/or (3) at another system receipt point outside the transmission zone where their firm primary receipt point is located (Firm Alternate Outside). Interruptible BTS can be nominated at any system receipt point. The confirmation order for the scheduling of BTS is (1) Firm Primary; (2) Firm Alternate Inside; (3) Firm Alternate Outside; and (4) Interruptible.

A. OSD Service Background

On December 15, 2006, the Commission issued Decision (D). 06-12-031authorizing SoCalGas and SDG&E to implement OSD service to PG&E. It adopted a fixed charge of five cents per Dth for interruptible deliveries. OSD service implementation costs were recorded in the Firm Access Rights Memorandum Account (FARMA). OSD service to the PG&E system was authorized at a time when the potential for large quantities of LNG deliveries to California was anticipated. The Commission envisioned the adoption of OSD service as a means for gas suppliers on the SoCalGas system to deliver gas to PG&E customers while potentially reducing transportation rates for SoCalGas customers as well.

Pursuant to Commission decisions D.06-04-033 and D.06-12-031, and Resolution G-3407, an expanded Intrastate Transmission Balancing Account (ITBA) was established to implement system integration, firm access rights and off-system delivery service. Under the ITBA FAR Subaccount, interruptible OSD revenues would be aggregated with FAR revenue to offset authorized FAR revenue requirements. A separate balancing account mechanism for interruptible OSD was not requested at that time.

Pursuant to Ordering Paragraph 30 of D.07-12-019 the FARMA was replaced with the FASRMA to record reasonable costs for new services in addition to the existing FARMA balance that included system development costs required to implement interruptible OSD service to PG&E. Subsequently,D.09-11-006 adopted the 2009 BCAP Phase 2 Settlement that agreed to allocate the FASRMA on an Equal Cents Per Therm (ECPT) basis into rates.

On March 10, 2011, the Commission issued D.11-03-029 authorizing the expansion of Off-System Delivery (OSD) Service to all upstream pipeline interconnections on the SoCalGas/SDG&E system. By 2011 the idea that excess LNG-based supply on the SoCalGas system would be available for OSD was no longer seen as likely. The new expectation

expressed by SoCalGas was that expansion of OSD services would provide various benefits including increased utilization of the transmission system and demand for currently available unbundled storage inventory that would be available to serve gas markets upstream from the SoCalGas/SDG&E system.[5]

Adopted terms and conditions for Interruptible OSD required that service 1) should not be subsidized by on-system customers; 2) should have no adverse impact on services provided to on-system customers; 3) be provided on a displacement basis; and 4) be offered under a rate range between five (5) and fifteen (15) cents per Dth.[6]

Pursuant to D.11-03-029 and D.11-04-032 the System Reliability Memorandum Account (SRMA), FASRMA, and Backbone Transmission Balancing Account (BTBA) were revised to accommodate the implementation of an expanded OSD service. The SRMA was revised to record the cost of system reliability transactions resulting from providing OSD services on the Southern System. FASRMA was revised to record incremental costs required to implement expanded OSD service and OSD revenue until the incremental system development costs were fully offset. The BTBA was revised to record all OSD revenues that exceeded 1) OSD revenues recorded in the SRMA to offset OSD-caused system reliability costs and 2) full recovery of system incremental costs recorded in FASRMA. The remaining OSD revenues recorded in the BTBA would then be allocated to the SoCalGas and SDG&E backbone transportation customers on an equal cents per therm basis.[7]

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5 D.11-03-029 at 7.

6 *Id.* at 49 (Ordering Paragraph (OP) 1).

7 SoCalGas Advice Letter 4258: Expansion of Off-System Delivery at 2, *available at:* https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=2013&flngId=4258&flngStatusCd=Approved.

As of August 2025, OSD revenues have not offset incremental system development costs. Net Interruptible OSD revenue totaled less than $30thousand from 2012-17; and zero from 2018-2025 when OSD was not offered. Revenue from 2012-2017 was minimal because City Gate prices were generally higher than upstream border prices when offered. During those rare instances when City Gate prices were lower than Border prices OSD service was not offered based on System Operator concerns that OSD service would impact service to on-system customers.

Starting in 2017, OSD has not been offered due to continuing concerns that significant OSD activity would impair service to on-system customers due to system capacity loss from ongoing backbone transmission and storage system inspection and remediation[8].

B. 2023 BTS Open Season

SoCalGas/SDG&E conducted the 2023 BTS Open Season beginning June 8, 2023, for contracts effective October 1, 2023. As was the case for the 2020 open season, several extended maintenance outages were in effect prior to the start of the 2023 open season. BTS capacity subject to an indefinite outage prior to Step 1 of the open season process or an outage extending for more than 30 days during the open season term was not offered during any phase of the open season.[9] The ongoing Southern Zone outage due to limited market demand within the zone continued to be treated as an indefinite maintenance outage during the 2023 BTS Open Season term. The result was less than the Total Transmission Zone Firm Access Capacity was offered in the 2023 open season. The available firm capacity offered for the 2020 and 2023 open seasons are tabulated below.

8 Refer to my accompanying Chapter 10 Workpapers.

9 SoCalGas Rate Schedule G-BTS at Sheet 15.

Table PDB-2 – Total 2020 and 2023 BTS Capacity Offerings (in MMCfd)

Zone	Year 2020	Year 2023
Southern Zone	750	685
Northern Zone	990	1,250
Wheeler Ridge Zone	765	765
CP Line 85 Zone	60	60
CP Coastal Zone	150	150
Total Offering	2,715	2,910

A higher quantity of firm BTS capacity was offered in 2023 than in 2020. Completion of some extended maintenance activity coupled with improved outage planning and forecasting were contributing reasons for the higher 2023 BTS open season capacity offering.

BTS capacity is allocated to customers during the open season in three steps. The Step 1 Set Aside round is reserved for core customer balancing agents holding firm capacity on upstream pipelines, California Producers, and Rule 39 expansion and displacement capacity shippers. Step 2 is reserved for meeting core and noncore customer requirements based on historical usage. Step 3 is open to any credit-qualified shipper for an annual base load quantity for 3–20-year terms. Capacity awards for each open season step for the 2020 and 2023 open seasons are shown on the table below.

Table PDB-3 – Total 2020 and 2023 BTS Capacity Awards (in MDth/day)

Open Season Step	Year 2020	Year 2023
Step 1	1,323	1,408
Step 2	1,151	1,132
Step 3	-0-	220
Total Award	2,474	2,759

C. Previous Cost Allocation Proceeding

On July 11, 2024, the Commission issued D.24-07-009 that adopted an all-party settlement agreement addressing many issues including modifications to the G-BTS rate schedule. Adopted G-BTS modifications included:

(a) Applicants are not required to implement a mechanism to provide reservation charge credits.

(b) BTS open seasons will remain as three-year terms. The term of the next open season, for capacity contracts effective October 1, 2026, will be extended by one month, to end November 1, 2029.

(c) For the 2026 BTS open season, Applicants will implement a new rate option, G-BTS5, which will be a firm volumetric rate option equal to 100% of the reservation charge rate.

Commission approval of the all-party settlement also authorized conversion of the NSBA to full balancing account treatment. As described in the direct testimony of Payal Gadani (Chapter 6) the purpose of the NSBA is to balance the authorized embedded costs for unbundled storage service with revenue from providing these services. The resultant balance is allocated to gas transportation rates annually on an equal cents per therm basis.

III. APPLICANTS' PROPOSALS

A. Unbundled Storage Revenue Overcollection Credits to FASRMA

Under this proposal, the NSBA would be modified to credit recorded positive balances to FASRMA prior to allocation into rates as part of the Annual Regulatory Account Balance update until the current FASRMA balance reaches zero.

In D.11-03-029 the Commission stated that "it is difficult to predict what the future gas demand, source of gas and market conditions will be like."[10] At the time of issuance of D.11-03-029, SoCalGas/SDG&E expected that the expansion of OSD service to other SoCalGas and SDG&E receipt points would 1) increase utilization of the backbone system, increase BTS revenue, and lower transportation rates for on-system customers; 2) increase gas-on-gas competition; and 3) increase storage utilization and unbundled storage revenues.[11]

However, SoCalGas does not foresee any changes in gas demand, sources or market conditions that would make on-system supply competitive in off-system markets. Furthermore, available backbone and storage capacity is not as robust as it was back in 2011 at the time of the issuance of D.11-03-029[12]. Interruptible OSD has not been offered since December 2017, out of concern that off system deliveries would reduce storage inventory over time and thus increase the risk of an adverse system impact later in the ensuing winter withdrawal season. These concerns remain more than seven years later.

Reductions in storage capacity attributable to the Storage Integrity Management Program (SIMP) are expected to continue in the foreseeable future. And significant backbone transmission system reductions attributable to continuing Pipeline Safety Enhancement Program (PSEP), Gas Safety Enhancement Plan (GSEP), and Transmission Integrity Management Program (TIMP) maintenance activity are expected to continue.. The combined effect of these continuing outages reduces the level of System Operator confidence that enough slack storage and backbone transmission capacity will be available to meet storage inventory targets while also

[10] D.11-03-029 at 15.

[11] *Id*. at 7.

[12] Refer to my accompanying Chapter 10 Workpapers.

allowing any significant amount of OSD service to be scheduled for off-system delivery. As a result, the FASRMA balance continues to grow with no end in sight. At current rates, the $4 million balance would require approximately 80 Bcf of OSD service to be scheduled at the minimum 5 cents per Dth rate for full recovery. For these reasons SoCalGas respectfully request that the FASRMA balance receives overcollections from the NSBA until the FASRMA balance is zero.

B. Reduction in Total Available BTS Capacity

SoCalGas/SDG&E recommends that the quantity of firm BTS capacity available for customers to contract during the open season term should be reduced to minimize firm service over nominations and resulting nomination cuts. The firm contractual limit should be reduced from the current Total Transmission Zone Firm Access capacity (3,775 MMcfd) to 110% of the forecast minimum backbone system design standard adopted in D.06-09-039 and reaffirmed in D.22-07-002 based on the average day quantity in a 1-in-10 cold and dry year for the first calendar year of the open season term for the duration of the term.

Table PDB-4 - Forecast Minimum Backbone Design Standards

Year	Minimum Standard	110% of Minimum Standard
2024	2355	2591
2025	2333	2566
2026	2300	2530
2027	2262	2488
2028	2216	2438
2029	2198	2418
2030	2147	2362
2031	2105	2316
2035	2064	2270
2040	2091	2300

This capacity amount should be adequate to meet core and noncore customers bidding rights quantities based on historical usage for Step 1 and Step 2 of the BTS Open Season so long

as Step 3 capacity awards continue to be minimal. Maintenance outages affecting customer's firm BTS capacity rights are expected to continue over the foreseeable future. As described previously, major portions of the backbone system still require hydrotest or replacement in compliance with PSEP,[13] regular internal inspections and verification digs that identify wall loss and damage requiring immediate repair or MAOP reduction continue under the Transmission Integrity Management Program (TIMP),[14] and most recently, maintenance required to comply with the new and updated PHMSA Regulations[15] all indicate that maintenance activity will continue for the foreseeable future.

This lower BTS firm contract limit will allow firm BTS customers whose rights are affected by maintenance outages to exchange firm BTS rights from affected receipt points to receipt points where capacity is available or schedule their firm primary rights on an alternate basis to receipt points with available capacity. SoCalGas's current requirement to offer capacity for sale well in excess of 110% of the Minimum Standard increases the likelihood of system over nominations and corresponding nomination cuts that require firm BTS customers to find alternate gas supply to make up the shortfall, often at higher City Gate prices.

C. Confirmation of BTS Nominations to System Capacity

SoCalGas proposes confirming BTS nominations up to the Total Net System Capacity during the Evening, Intraday 1, Intraday 2, and Intraday 3 cycles regardless of a Gas Day's OFO

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

[14] *See* A.22-05-015/016 (cons.), Direct Testimony of Amy Kitson and Travis Sera (Gas Integrity Management Programs) (Ex. SCG-09); *see also* Direct Testimony of Rick Chiapa, Steve Hruby and Aaron Bell (Gas Transmission Operations and Construction) (Ex. SCG-06-2R-E).

[15] *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).

status when total nominations exceed the Total Net System Capacity.

SoCalGas and SDG&E currently confirm BTS nominations up to the Total Net System Capacity during the Intraday 1, Intraday 2, and Intraday 3 cycles for Gas Days in which an OFO was declared, and only during the Intraday 3 cycle on Gas Days in which an OFO was not declared.

Delaying the confirmation of BTS nominations up to the Total Net System Capacity in later scheduling cycles allows nominations of a lower confirmation order to be scheduled in earlier scheduling cycles, thereby displacing nominations of a higher confirmation order in later cycles, due to the elapsed pro-rata rules. Approval of this proposal would allow SoCalGas firm BTS customers a better opportunity to schedule gas under their higher confirmation order contracts, not just in earlier scheduling cycles, but in later scheduling cycles too and for SoCalGas BTS to better conform with accepted industry practices.

This concludes my prepared direct testimony.

IV. QUALIFICATIONS

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

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

I have previously testified before the Commission.