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June 12, 2003

Advice No. 3268
(U 904 G)

Public Utilities Commission of the State of California

Subject: Filing to Request Approval of an Equivalent Rate to Replace the Core Subscription Cost of Gas Rate that will be Eliminated Effective December 1, 2003

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its tariff schedules, applicable throughout its service territory, as shown on Attachment B.

Purpose

This filing is made as a consequence of Decision (D.) 01-12-018 which ordered SoCalGas to discontinue core subscription service. Core subscription service has been closed to new customers since January 1, 2002 and will be completely eliminated effective December 1, 2003 with the expiration of SoCalGas' last core subscription contract. At that time, it will no longer be necessary to calculate the rates used in billing core subscription customers. Currently, the core subscription cost of gas procurement charge, as defined in Schedule No. G-CS, "Core Subscription Natural Gas Service", is used in the calculation of four other SoCalGas tariffed rates. This filing requests approval of an equivalent rate to be used in the calculation of these four rates that is based on an adjusted core procurement weighted average cost of gas.

Background

OP 16 of D.01-12-018, dated December 11, 2001, ordered SoCalGas to discontinue offering noncore core subscription service to new customers. Existing core subscription contracts were to remain in effect until the end of their contract term at which time those noncore customers must transfer to noncore transportation service or to core service. In compliance with OP 16 of D.01-12-018, on December 26, 2001, SoCalGas filed Advice No. (AL) 3100, with an effective date of January 1, 2002, to close noncore core subscription service to new customers and reinstate transfers to core service by eligible noncore customers. On January 28, 2002, SoCalGas filed AL 3100-A to withdraw protested language contained in Rate Schedule Nos. GT-F and GT-I.

On February 27, 2003, the Commission issued Resolution G-3334 denying nine advice letters filed by SoCalGas in compliance with D.01-12-018, one of which was AL 3100-A. The Commission's letter accompanying the nine rejected advice letters, dated March 24, 2003, stated that AL 3100-A became effective January 1, 2002, pending Commission approval, and that as a result of the Resolution went out of effect February 27, 2003; the date of the Resolution. On April 1, 2003, SoCalGas filed AL 3252, requesting an effective date of February 27, 2003, in order to continue language in its tariffs that closed core subscription service that was in effect rescinded by Resolution G-3334's denial of AL 3100-A. AL 3252 was approved on June 4, 2003 with the requested effective date of February 27, 2003.

This filing is being made today to address the specific situation of replacing the core subscription cost of gas procurement charge, currently defined in Schedule No. G-CS, that will no longer be calculated after the last core subscription service contract expires on December 1, 2003. SoCalGas currently uses the core subscription cost of gas in the calculation of the municipal surcharge as defined in Schedule No. G-MSUR, "Transported Gas Municipal Surcharge"; the Buy-Back rates as defined in Schedule No. G-IMB, "Transportation Imbalance Service"; involuntary diversions and Voluntary Core Protection Purchase Agreement (VCPA) deliveries as defined in Rule No. 23, "Continuity of Service and Interruption of Delivery"; and purchases of storage gas as defined in Rule No. 32, "Core Aggregation Transportation".

In place of the core subscription cost of gas procurement charge, SoCalGas is proposing to create a new monthly adjusted gas procurement charge (G-CPA) within Schedule No. G-CP, "Core Procurement Service", based on its monthly core procurement charge, exclusive of core storage gas withdrawals and brokerage fees. The core procurement charge when adjusted for storage gas withdrawals and exclusive of brokerage fees is equivalent to the current core subscription cost of gas procurement charge. This is the same methodology that was approved for Pacific Gas & Electric (PG&E) to use as a replacement rate when its core subscription service terminated last year. The Commission approved this methodology for PG&E in Resolution G-3326, Ordering Paragraph No. 1, dated April 22, 2002.

Information

Following are the changes needed to replace the current core subscription cost of gas procurement charge defined in Schedule G-CS with an equivalent rate.

- 1) The following paragraphs shall be added to the Rates section of Schedule No. G-CP:

G-CPA

This rate is for the purposes of calculating the municipal surcharge as defined in Schedule No. G-MSUR, the Buy-Back Rates as defined in Schedule No. G-IMB; involuntary diversions and VCPA deliveries as defined in Rule No. 23 and purchases of storage gas as defined in Rule No. 32. This rate is equivalent to the Core Subscription Procurement Charge, previously reported in Schedule No. G-CS, that was eliminated pursuant to Decision 01-12-018 and Resolution G-xxxx, effective December 1, 2003.

The monthly adjusted gas procurement charge is comprised of: (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) any adjustments for over- or under- collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068. and (4) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The charge is exclusive of (1) core storage gas withdrawals and (2) authorized core brokerage fee. The CPGA component is an adder in the case of an under-collection and a subtracter in the case of an over-collection.

Adjusted Core Procurement Charge, per therm xx.xxx¢

- 2) The following will replace the reference to the core subscription rate and schedule in Schedule No. G-MSUR:

Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP

- 3) The following will replace the references to core subscription procurement charge in Schedule No. G-IMB and Rule No. 23 and the reference to the posted core subscription rate in Rule No. 32:

Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP

Protest

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this Advice Letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Energy Division - IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jjr@cpuc.ca.gov) and to Honesto Gatchalian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

If there are questions regarding the content of this filing, please contact:

Donna Shepherd
Regulatory Tariff Administrator
(213) 244-3837
E-mail: dmshepherd@SempraUtilities.com

Effective Date

SoCalGas believes that approval of this advice letter will require a resolution to be written. In order to be effective by December 1, 2003, to be coincident with the end of SoCalGas' core subscription service, a resolution will need to be approved by the Commission's November 13, 2003 meeting.

Notice

In accordance with Section III.G of General Order No. 96-A, a copy of this advice letter is being sent to the parties listed on Attachment A.

J. STEVE RAHON
Director
Tariffs and Regulatory Accounts

Attachments

ATTACHMENT A

Advice No. 3268

(See Attached Service List)

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ATTACHMENT B
Advice No. 3268

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 36616-G	PRELIMINARY STATEMENT, PART II, SUMMARY OF RATES AND CHARGES, Sheet 5	Revised 36583-G
Revised 36617-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 1	Revised 36603-G
Revised 36618-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 2	Revised 36604-G
Revised 36619-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 3	Revised 36604-G Revised 31031-G
Revised 36620-G	Schedule No. G-IMB, TRANSPORTATION IMBALANCE SERVICE, Sheet 2	Revised 36577-G
Revised 36621-G	Schedule No. G-MSUR, TRANSPORTED GAS MUNICIPAL SURCHARGE, Sheet 1	Original 25005-G
Revised 36622-G	Rule No. 23, CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY, Sheet 7	Revised 33045-G
Revised 36623-G	Rule No. 32, CORE AGGREGATION TRANSPORTATION, Sheet 21	Original 30038-G
Revised 36624-G	TABLE OF CONTENTS	Revised 36611-G
Revised 36625-G	TABLE OF CONTENTS	Revised 36612-G
Revised 36626-G	TABLE OF CONTENTS	Revised 36331-G*
Revised 36627-G	TABLE OF CONTENTS	Revised 36353-G
Revised 36628-G	TABLE OF CONTENTS	Revised 36613-G

PRELIMINARY STATEMENT
PART II
SUMMARY OF RATES AND CHARGES

Sheet 5

(Continued)

WHOLESALE SERVICE

Schedule GW-LB (Long Beach, G-CS7, GT-F7 & GT-I7)

Volumetric Charge	2.302¢
ITCS-LB	0.047¢

Schedule GW-SD and GT-SD (San Diego Gas & Electric, G-CS8, GT-F8, GT-I8, GT-F11 & GT-I11)

Volumetric Charge	1.711¢
ITCS-SD	0.047¢

Schedule GW-SWG (Southwest Gas, G-CS9, GT-F9 & GT-I9)

Volumetric Charge	2.107¢
ITCS-SWG	0.047¢
Storage Reservation Charge (per year).....	\$1,192,118

Schedule GW-VRN (City of Vernon, G-CS10, GT-F10 & GT-I10)

Transmission Charge	1.835¢
ITCS-VRN	0.047¢

PROCUREMENT CHARGE

Schedule G-CP

Non-Residential Core Procurement Charge, per therm	53.339¢
Residential Core Procurement Charge, per therm	53.339¢
Adjusted Core Procurement Charge, per therm	xx.xxx¢

Schedule G-CS

Core Subscription Procurement Charge, per therm.....	57.795¢
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Schedule GW-LB, GW-SD, GW-SWG and GW-VRN

Core Subscription Procurement Charge, per therm	57.515¢
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CORE SUBSCRIPTION RESERVATION CHARGE

Schedule G-CS, GW-LB, GW-SD, GW-SWG and GW-VRN

Rate, per therm	3.382¢
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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3268
 DECISION NO. D.01-12-018

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jun 12, 2003
 EFFECTIVE Dec 1, 2003
 RESOLUTION NO. G-3357

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Schedule No. G-CP
CORE PROCUREMENT SERVICE

Sheet 1

APPLICABILITY

Applicable for natural gas procurement service provided to core customers from the Utility's core portfolio, as defined in Rule No. 1. Service hereunder will be rendered in accordance with the provisions of the customer's otherwise-applicable rate schedule, as defined Special Condition 2.

TERRITORY

Applicable throughout the service territory.

RATES

The residential and non-residential procurement charges will be subject to change monthly, as set forth in D.98-07-068. The adjusted procurement charge is subject to change monthly, as set forth in Resolution G-xxxx. The procurement charges will be based upon the estimated average price of flowing gas supplies during the injection season, and a blend of the weighted average estimated monthly price of flowing gas supplies and the estimated price of gas withdrawn from storage, when applicable. The Utility will file the core procurement charges and affected core service rate schedules on the last business day of the month to be effective on the first calendar day of the following month.

G-CPNR

This charge is for non-residential core service. Pursuant to D.96-08-037, SoCalGas was authorized to change its non-residential procurement charge monthly beginning in January 1997.

The non-residential monthly gas procurement charge is comprised of: (1) the weighted average estimated cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) authorized core brokerage fee; (4) any adjustments for over- or under-collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068; and (5) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The CPGA component is an adder in the case of an under-collection and a subtracter in the case of an over-collection.

Cost of Gas, per therm	53.138¢
Brokerage Fee, per therm	<u>0.201¢</u>
Total Core Procurement Charge, per therm	53.339¢

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3268
 DECISION NO. D.01-12-018

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

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Schedule No. G-CP
CORE PROCUREMENT SERVICE

(Continued)

RATES (Continued)

G-CPR

This charge is for residential core service. Pursuant to D.96-08-037, SoCalGas was authorized to change the residential gas procurement charge monthly concurrent with its implementation of the 1996 BCAP Decision (D.97-04-082).

The monthly residential gas procurement charge is comprised of: (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) authorized core brokerage fee; (4) any adjustments for over- or under- collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068; and (5) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The CPGA component is an adder in the case of an under-collection and a subtractor in the case of an over-collection.

Cost of Gas, per therm	53.138¢
Brokerage Fee, per therm	<u>0.201¢</u>
Total Core Procurement Charge, per therm	53.339¢

G-CPA

This rate is for the purposes of calculating the municipal surcharge as defined in Schedule No. G-MSUR; the Buy-Back Rates as defined in Schedule No. G-IMB; involuntary diversions and VCPPA deliveries as defined in Rule No. 23 and purchases of storage gas as defined in Rule No. 32. This rate is equivalent to the Core Subscription Procurement Charge, previously reported in Schedule No. G-CS, that was eliminated pursuant to Decision 01-12-018 and Resolution G-xxxx, effective December 1, 2003.

The monthly adjusted gas procurement charge is comprised of: (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) any adjustments for over- or under-collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068 and (4) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The charge is exclusive of (1) core storage gas withdrawals and (2) authorized core brokerage fee. The CPGA component is an adder in the case of an under-collection and a subtractor in the case of an over-collection.

Adjusted Core Procurement Charge, per therm	xx.xxx¢
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(Continued)

(TO BE INSERTED BY UTILITY)
ADVISE LETTER NO. 3268
DECISION NO. D.01-12-018

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

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Schedule No. G-CP
CORE PROCUREMENT SERVICE

Sheet 3

(Continued)

The current procurement charge will be posted on the Utility's Electronic Bulletin Board (EBB), as defined in Rule No. 1, and Internet web site at <http://www.socalgas.com/regulatory>.

The Utility will reflect all applicable taxes, fees, and surcharges and/or credits imposed as a result of providing service hereunder.

The number of therms to be billed will be determined in accordance with Rule No. 2.

SPECIAL CONDITIONS

1. Definitions of the principal terms used in this rate schedule and the Utility's other tariffs are provided in Rule No. 1.
2. Service provided hereunder is subject to the terms and conditions of the Utility's tariff schedules on file with the Commission. Charges for transmission service will be in accordance with the Utility's core transportation rate schedules. The terms and conditions in the customer's otherwise-applicable core procurement schedule apply.
3. Gas purchases made by the Utility on behalf of core and core subscription customers will come from a single gas portfolio. The monthly WACOG will be based on the estimated prices of gas purchased for this single gas portfolio.
4. The initial term for service hereunder will be month to month. The Utility's core procurement customers may terminate service hereunder by providing the Utility with written notice of cancellation, to become effective no later than 90 days after the Utility's receipt of such notice in accordance with Rule No. 32, Section B.2.c.
5. Pursuant to Rule No. 32, Core Aggregation Transportation, customers may change between Utility procurement and Core Aggregator procurement only once every 12 months. Core Aggregation customers are subject to the terms and conditions set forth in Rule No. 32, Core Aggregation Transportation.
6. All special conditions specified in the otherwise-applicable rate schedules will apply unless superseded by the special conditions specified herein.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 3268
DECISION NO. D.01-12-018

3H11

ISSUED BY

Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

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RESOLUTION NO. G-3357

Schedule No. G-IMB
TRANSPORTATION IMBALANCE SERVICE

Sheet 2

(Continued)

RATES (Continued)

Standby Procurement Charge

This charge is applied to customer's cumulative negative transportation imbalance (confirmed transportation deliveries less actual usage) exceeding the 10 percent tolerance band. The Standby Procurement Charge is posted at least one day in advance of each corresponding imbalance trading period for noncore/wholesale and core transport agents (CTAs). It is calculated at 150% of the highest daily border price index at the Southern California border beginning on the first day of the month that the imbalance is created to five days prior to the start of each corresponding imbalance trading period plus a Brokerage Fee of 0.266¢ per therm for noncore retail service and all wholesale service, and 0.201¢ per therm for core retail service. The highest daily border price index is an average of the highest prices from "NGI's Daily Gas Price Index – Southern California Border Average" and "Gas Daily's Daily Price Survey – SoCal gas, large pkgs Midpoint."

Core Retail Service:

SP-CR Standby Rate, per therm	
September, 2003	73.664¢
October, 2003	73.664¢
November, 2003	TBD*

Noncore Retail Service:

SP-NR Standby Rate, per therm	
September, 2003	73.729¢
October, 2003	73.729¢
November, 2003	TBD*

Wholesale Service:

SP-W Standby Rate per therm	
September, 2003	73.729¢
October, 2003	73.729¢
November, 2003	TBD*

* To be determined (TBD). Pursuant to Resolution G-3316, the November 2003 Standby Procurement Charge will be filed by separate advice letter at least one day prior to December 25, 2003.

Buy-Back Rate

This rate is applied to customer's cumulative positive transportation imbalance (confirmed transportation deliveries less actual usage) exceeding the 10 percent tolerance band. The Buy-Back Rate is established effective the last day of each month and will be the lower of 1) the lowest incremental cost of gas purchased by Utility during the month the excess imbalance was incurred; or 2) 50% of the applicable Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP, during the month such excess imbalance was incurred.

(Continued)

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Schedule No. G-MSUR
TRANSPORTED GAS MUNICIPAL SURCHARGE

Sheet 1

APPLICABILITY

Applicable pursuant to Chapter 2.5 of Division 3 (sections 6350, et al.) of the Public Utilities Code as enacted by Senate Bill 278/Beverly (municipal Surcharge Law), to all transportation volumes of gas on the Utility system to customers outside the City of Los Angeles, except for those listed under Special Condition No. 1, and to transportation volumes of gas delivered to customers within the City of Los Angeles pursuant to Section 6.1 of Los Angeles City Ordinance No. 168164.

TERRITORY

Applicable throughout the service territory.

RATES

Surcharge Percentage:

Outside the City of Los Angeles.....	1.4828%
Within the City of Los Angeles.....	2.0000%

The municipal surcharge is calculated as the product of the following:

Applicable surcharge percentage,

Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP,

Imputed franchise fee factor of 98.5172% (to remove franchise fees included in rate G-CPA), and

Terms of gas transported during the billing period.

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SPECIAL CONDITIONS

1. The following customers located outside the City of Los Angeles are exempt from Schedule G-MSUR pursuant to the terms of SB 278:
 - a. The State of California or a political subdivision (county) thereof.
 - b. Interutility gas service, where gas is transported through the Utility service territory for consumption outside the Utility's service territory.

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CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

D. Diversions of Customer-Owned Gas (Continued)

2. Voluntary Core Purchase Protection Agreements

The Utility may also enter into Voluntary Core Protection Purchase Agreements (VCPAs) with firm and interruptible intrastate transmission customers as a source of supply for the Utility's core requirements.

The price paid by the Utility for such VCPA deliveries shall be determined through negotiation with such customers and shall be subject to a ceiling price of 150% of the Adjusted Core Procurement Rate, G-CPA, set forth in Schedule No. G-CP, in effect during the period of diversion.

The Utility shall divert customer-owned gas through VCPAs on a least-cost basis, with least expensive supplies being purchased first, to the extent operationally feasible.

As part of a VCPA, the Utility and the customer may agree to allow the customer to arrange a transfer of the responsibility for the diversion. In such event, the VCPA shall specify the conditions under which such a transfer would be allowed by the Utility.

3. Involuntary Diversions

To the extent that VCPA, discussed above, are inadequate for the protection of core service, the Utility shall be authorized to involuntarily divert gas supplies from firm noncore transmission customers.

The Utility shall notify the CPUC within one business day in the event of any involuntary diversion of customer gas.

An involuntary diversion of customer-owned gas shall occur as a result of the Utility's curtailment of the customer's service as described in Section C.

In the event customer-owned gas is involuntarily diverted as a consequence of curtailment, the Utility will reimburse the customer at the higher of:

- (1) the customer's cost of alternative fuel or replacement energy used during the diversion plus associated transportation costs actually incurred by the customer;
- (2) the customer's actual cost of gas (price as delivered to SoCalGas' intrastate system) diverted by Utility; or
- (3) 150% of the Utility's Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP during the month in which the gas was diverted.

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CORE AGGREGATION TRANSPORTATION

(Continued)

G. STORAGE RIGHTS AND OBLIGATIONS (Continued)

3. Monthly Storage Inventory Requirements

ESPs will be assigned month-end storage targets for the months of October, January and February to meet SoCalGas' storage targets and maintain minimum quantities to meet Abnormal Peak Day (APD) and cold year requirements. This gas in storage may not be subject to encumbrances of any kind. ESPs will not be allowed to withdraw gas below these month-end targets.

ESP winter month storage minimums are based on a proportionate allocation of total core storage requirements as specified in SoCalGas' Seasonal Operations Plan.

4. Injection Rights and Obligations

ESPs are given a proportionate share of injection rights from April 1 through October 31.

Gas in storage to meet core reliability cannot be used to cure an under-delivery during an imbalance trading period.

Gas will be scheduled for injection prior to scheduling gas transported into SoCalGas' system. ESPs will not be required to nominate such injection rights. Over-deliveries can be traded into storage during the imbalance trading period by utilizing injection rights associated with the ESP's assigned storage capacity or on an as-available basis.

5. Nominations In Excess Of System Capacity/Receipt Point Restriction

At times of nominations in excess of system capacity or receipt point restrictions, ESPs may not nominate quantities greater than their DCQ as assigned at each border receipt point.

6. Adding And Deleting Customers

When an ESP adds new customer(s) or customer(s) return to SoCalGas, gas stored on behalf of such customer(s) shall be automatically sold, at the current month's Adjusted Core Procurement Charge, G-CPA, set forth in Schedule No. G-CP, to the ESP or to SoCalGas to which the customer is transferring if the amount of gas stored on behalf of customer(s) exceeds a minimum threshold of 1,000,000 therms. To the extent that this automatic transfer of title does not occur, the ESP or SoCalGas will remain obligated to meet all applicable storage targets.

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