

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 31, 2012

**Advice Letter 4291 and
Advice Letter 4291-A**

Rasha Prince, Director
Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

**Subject: Request for Approval of an Agreement between the
Utility System Operator and the Gas Acquisition
Department for Services to Maintain Southern System Reliability
Pursuant to D.07-12-019**

Dear Ms. Prince:

Advice Letter 4291 and 4291-A are effective July 13, 2012.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division



Rasha Prince
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.3201
rprince@semprautilities.com

July 13, 2012

Advice No. 4291-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Partial Supplement – Request for Approval of an Agreement between the Utility System Operator and the Gas Acquisition Department for Services to Maintain Southern System Reliability Pursuant to D.07-12-019

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) an agreement with SoCalGas' Gas Acquisition Department to provide gas supply to support SoCalGas' minimum flow requirements on its Southern System. As the agreement is between two departments of the same legal entity, the terms are documented in the attached Revised Memorandum in Lieu of Contract (MILC) (Attachment B).

Purpose

This advice filing complies with Ordering Paragraph (OP) 6 of Resolution G-3468 adopted on July 12, 2012, which approves SoCalGas' Advice No. (AL) 4291, with modifications. OP 6 required SoCalGas to submit a revised MILC with a supplemental Tier 1 advice letter within 10 days of July 12, 2012.

Background

On November 3, 2011, SoCalGas filed AL 4291 requesting approval of a MILC between the SoCalGas System Operator and the SoCalGas Gas Acquisition Department to support SoCalGas' minimum flow requirements on its Southern System. On July 12, 2012, the Commission adopted Resolution G-3468 which approves AL 4291, subject to the following modifications:

1. Under the non-performance provision of the MILC, Gas Acquisition (GA) will be subject to a proportional allocation of any System Reliability Memorandum Account (SRMA) costs whenever it does not deliver the required quantities.
2. The system reliability costs to GA associated with serving Core's daily minimum flow requirements in excess of the maximum delivery quantities defined in the MILC will be subject to a proportional share of SRMA costs.

3. GA's credit against SRMA costs will be proportionately reduced to reflect transportation cost whenever it has failed to deliver its share of sufficient supply at Otay Mesa independent of whether the total quantity required under the MILC has otherwise been met.¹

Revised MILC

SoCalGas has revised the MILC in the manner required by the Commission. The previous "Non-performance" section of the MILC has been deleted and replaced with the new non-performance language specified by the Commission on page 17 of Resolution G-3468, and two new paragraphs have been added to the "Fee" section of the MILC that contain the fee-related modifications specified by the Commission on pages 18 and 19 of Resolution G-3468.

A redlined version of the MILC is incorporated herein as Attachment C.

Protest

Anyone may protest this Advice Letter to the 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 received within 20 days of the date of this Advice Letter, which is August 2, 2012. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC - Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). 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

Effective Date

This filing is subject to Energy Division disposition and is classified as Tier 1 (effective pending approval) pursuant to OP 6 of Resolution G-3468. SoCalGas respectfully requests that this advice letter be made effective July 13, 2012, the date filed.

¹ Resolution G-3468 at pp. 1-2.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes parties in the Omnibus proceeding, A.06-08-026.

Rasha Prince
Director
Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4291-A

Subject of AL: Partial Supplement - Request for Approval of an Agreement bet. the Utility System Operator and the Gas Acquisition Department for Services to Maintain Southern System Reliability Pursuant to D.07-12-019

Keywords (choose from CPUC listing): Agreements; Contracts

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

G-3468

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation:

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 7/13/12

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov**

**Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
SNewsom@semprautilities.com
tariffs@socalgas.com**

¹ Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 4291-A

(See Attached Service Lists)

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ATTACHMENT B

Advice No. 4291-A

Memorandum in Lieu of Contract

REVISED MEMORANDUM IN LIEU OF CONTRACT

Southern California Gas Company (hereinafter, "SoCalGas"), executes this Memorandum In Lieu of Contract ("MILC") in order to document the activities and direct the manner in which the employees of SoCalGas, a public utility gas company regulated by the Public Utilities Commission of the State of California ("CPUC"), shall conduct the relationship between the System Operator and the Gas Acquisition Department (GA) with respect to the System Operator's management of Southern System support as authorized by the CPUC.¹ This MILC is in lieu of the execution of any contract by SoCalGas with itself (between the operating and functional departments within SoCalGas) in implementing these activities in order to comply with regulatory requirements.

1. **Background.** On December 6, 2007, the CPUC approved SoCalGas' application providing for the transfer of the responsibility for managing minimum flow requirements for Southern System reliability to the System Operator (D.07-12-019).

On July 15th, in accordance with Section 9 of SoCalGas Rule 41, the System Operator posted a request for offers (RFO) on its electronic bulletin board (Envoy) for proposals to assist the System Operator in managing Southern System minimum flow for the upcoming winter period.

GA's proposal provides overall system support at a beneficial rate as compared to other offers and was selected by the System Operator as a successful bidder contingent on receipt of CPUC approval for the arrangement set forth herein.

2. **Proposed Southern System Support Tool.** GA will deliver gas into the SoCalGas Citygate to support southern system minimum flowing supply requirement established by SoCalGas' Gas Control Department (see Section 5 of SoCalGas Rule 41) as follows:

Period: The commencement date for deliveries is the later of: (1) December 1, 2011, or (2) the effective date of CPUC approval. Deliveries shall continue for each day from the commencement date through and including October 31, 2012 (Term).

Delivery Point: All deliveries will be made into SoCalGas Citygate at GA's election from any of the following points: the El Paso Natural Gas Pipeline Blythe delivery point, the North Baja Pipeline Blythe delivery point, or at the TGN Pipeline Otay Mesa delivery point.

Support Service:

- GA will deliver on each gas flow day (Gas Day) from December 1, 2011 through March 31, 2012, the lower of either 50% of the Southern System Minimum Flow Requirement that is posted by SoCalGas Gas Control at 6:00 a.m. on the SoCalGas Envoy bulletin board for Cycle 1 of that Gas Day or 360 Mdth.
- GA will deliver on each gas flow day from April 1, 2012 through October 31, 2012, the lower of either 35% of the Southern System Minimum Flow Requirement that is posted by SoCalGas Gas Control at 6:00 a.m. on the SoCalGas Envoy bulletin board, for Cycle 1 of that Gas Day or 260 Mdth.

¹ The System Operator is sometimes referred to internally as the California Energy Hub or the Operational Hub.

Fee: As compensation for providing these Southern System support services, GA's bundled core customers will receive a fee equal to the amount they are charged for Southern System support costs incurred by the System Operator during the Term.²

This fee will be calculated after the end of the Term, once Southern System support costs during the Term are allocated to bundled core customers (Bundled Core Allocation). The fee will be a credit to the Purchased Gas Account (PGA), and a corresponding debit to the System Reliability Memorandum Account (SRMA), equal to the Bundled Core Allocation.

When Gas Acquisition's share of the daily minimum flow requirement (50% in December through March and 35% in April through October) exceeds the daily maximums of 360 thousand decatherms (December through March) and 260 thousand decatherms (April through October), GA will be subject to a proportional allocation of any SRMA costs that are recorded for any such Gas Day, where GA's portion of the costs will be equal to the GA shortfall (Gas Acquisition's share of the minimum flow requirement minus Gas Acquisition's deliveries into the Southern System) divided by the total amount of supply purchased by the System Operator for that Gas Day.

Whenever, as required to maintain Southern System reliability, additional transportation costs are incurred to Otay Mesa and GA has not delivered sufficient supply to Otay Mesa to meet its share (50% or 35% depending on the month) of required deliveries at Otay Mesa, GA's credit against SRMA costs will be proportionately reduced to reflect transportation costs associated with the GA shortfall. This will be applied independent of whether the total quantity of supply required under the MILC has otherwise been met.

Provider of Last Resort: GA will continue to act on a best-efforts basis to provide gas supplies based on the System Operator's request if called upon as a provider of last resort pursuant to Section 12 of SoCalGas Rule 41. As provided by Section 12 of Rule 41, GA will charge the System Operator the actual incremental costs incurred to provide these specific supplies, and these costs will be flowed through the SRMA. The fee described above will include a credit for the bundled core share of any provider of last resort costs incurred by GA at the request of the System Operator during the Term.

Non-performance: If, for any reason, GA does not deliver the quantity required by the MILC, GA will be subject to a proportional allocation of any SRMA costs that are recorded for any such Gas Day, where GA's portion of the costs will be equal to the GA shortfall divided by the total amount of supply purchased by the System Operator for that Gas Day up to a maximum of 41.9%.


Regulatory approval: This arrangement will be submitted to the CPUC by Advice Letter and will not become effective until acceptable CPUC approval has been received by SoCalGas. In the event the CPUC does not approve this MILC, or imposes terms unacceptable to SoCalGas, this arrangement will be null and void.

Based upon the foregoing, this MILC sets forth the commitment and guidelines by which the employees of SoCalGas will conduct themselves in interactions associated with the Southern System support activities. All such activity will be in accordance with the terms and conditions of SoCalGas' state tariffs, rules and regulations including but not limited to the Merger Conditions.

² Currently, 41.9% of SRMA costs are allocated to bundled core customers.

Executed by :

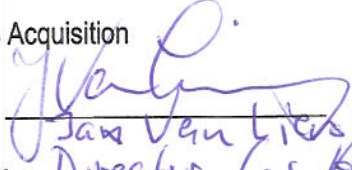
System Operator

By: 

Title: Beth Musick
Director - Energy Markets
+ Capacity Products

Date of execution: 7/13/12

Gas Acquisition

By: 

Title: Director, Gas Acquisition

Date of execution: 7/13/2012

ATTACHMENT C

Advice No. 4291-A

Redlined Version of the
Memorandum in Lieu of Contract

REVISED MEMORANDUM IN LIEU OF CONTRACT

Southern California Gas Company (hereinafter, "SoCalGas"), executes this Memorandum In Lieu of Contract ("MILC") in order to document the activities and direct the manner in which the employees of SoCalGas, a public utility gas company regulated by the Public Utilities Commission of the State of California ("CPUC"), shall conduct the relationship between the System Operator and the Gas Acquisition Department (GA) with respect to the System Operator's management of Southern System support as authorized by the CPUC.¹ This MILC is in lieu of the execution of any contract by SoCalGas with itself (between the operating and functional departments within SoCalGas) in implementing these activities in order to comply with regulatory requirements.

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- GA will deliver on each gas flow day (Gas Day) from December 1, 2011 through March 31, 2012, the lower of either 50% of the Southern System Minimum Flow Requirement that is posted by SoCalGas Gas Control at 6:00 a.m. on the SoCalGas Envoy bulletin board for Cycle 1 of that Gas Day or 360 Mdth.
- GA will deliver on each gas flow day from April 1, 2012 through October 31, 2012, the lower of either 35% of the Southern System Minimum Flow Requirement that is posted by SoCalGas Gas Control at 6:00 a.m. on the SoCalGas Envoy bulletin board, for Cycle 1 of that Gas Day or 260 Mdth.

¹ The System Operator is sometimes referred to internally as the California Energy Hub or the Operational Hub.

Fee: As compensation for providing these Southern System support services, GA's bundled core customers will receive a fee equal to the amount they are charged for Southern System support costs incurred by the System Operator during the Term.²

This fee will be calculated after the end of the Term, once Southern System support costs during the Term are allocated to bundled core customers (Bundled Core Allocation). The fee will be a credit to the Purchased Gas Account (PGA), and a corresponding debit to the System Reliability Memorandum Account (SRMA), equal to the Bundled Core Allocation.

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Whenever, as required to maintain Southern System reliability, additional transportation costs are incurred to Otay Mesa and GA has not delivered sufficient supply to Otay Mesa to meet its share (50% or 35% depending on the month) of required deliveries at Otay Mesa, GA's credit against SRMA costs will be proportionately reduced to reflect transportation costs associated with the GA shortfall. This will be applied independent of whether the total quantity of supply required under the MILC has otherwise been met.

Provider of Last Resort: GA will continue to act on a best-efforts basis to provide gas supplies based on the System Operator's request if called upon as a provider of last resort pursuant to Section 12 of SoCalGas Rule 41. As provided by Section 12 of Rule 41, GA will charge the System Operator the actual incremental costs incurred to provide these specific supplies, and these costs will be flowed through the SRMA. The fee described above will include a credit for the bundled core share of any provider of last resort costs incurred by GA at the request of the System Operator during the Term.

Non-performance: ~~In the event GA does not deliver the applicable stated Quantity without having first requested a deviation from System Operator and obtained consent from the System Operator, GA will be subject to a proportional allocation of any SRMA costs that are recorded for any such Gas Day, where GA's portion of the costs will be equal to the GA shortfall divided by the total amount of supply purchased by the System Operator for that Gas Day.~~ **If, for any reason, GA does not deliver the quantity required by the MILC, GA will be subject to a proportional allocation of any SRMA costs that are recorded for any such Gas Day, where GA's portion of the costs will be equal to the GA shortfall divided by the total amount of supply purchased by the System Operator for that Gas Day up to a maximum of 41.9%.**

Regulatory approval: This arrangement will be submitted to the CPUC by Advice Letter and will not become effective until acceptable CPUC approval has been received by SoCalGas. In the event the CPUC does not approve this MILC, or imposes terms unacceptable to SoCalGas, this arrangement will be null and void.

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² Currently, 41.9% of SRMA costs are allocated to bundled core customers.

Executed by :

System Operator

By: _____

Title: _____

Date of execution: _____

Gas Acquisition

By: _____

Title: _____

Date of execution: _____