

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: 213.244.5141
Fax: 213.244.4957
RPrince@semprautilities.com

November 3, 2011

Advice No. 4291
(U 904 G)

Public Utilities Commission of the State of California

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

Southern California Gas Company (SoCalGas) respectfully requests California Public Utilities Commission (Commission) approval of 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 Memorandum In Lieu of Contract (MILC).

Background

On December 6, 2007, the Commission issued Decision (D.) 07-12-019 approving, in part, proposals by SoCalGas and San Diego Gas & Electric Company (SDG&E) to implement a range of provisions pertaining to the natural gas operations and service offerings of SoCalGas and SDG&E, related to core operations, unbundled storage, and expansion of storage capacities, among other things. One of the provisions adopted by D.07-12-019 was the transfer of the responsibility for managing minimum flow requirements for system reliability from SoCalGas' Gas Acquisition Department to the Utility System Operator.¹ D.07-12-019 also adopted SoCalGas' and SDG&E's request for the Utility System Operator tools for maintaining system reliability.²

On July 15, 2011, SoCalGas' Utility System Operator posted a Request for Offers (RFO) on Envoy (SoCalGas' Electronic Bulletin Board) for proposals to assist in managing its minimum flow requirement on its Southern System delivery points, defined as either the El Paso SoCal Ehrenberg delivery point or the TGN Otoy Mesa delivery point for system reliability.³ The most beneficial of the offers made in response to that request is described in the attached MILC with SoCalGas' Gas Acquisition Department.

¹ D.07-12-019, mimeo, at 112 (Ordering Paragraph No. 15). Although the Decision refers to "Gas Acquisition Department", the tariffs that were filed in that proceeding and later proceedings use the phrase "Utility Gas Procurement Department." Both terms refer to the same group.

² D.07-12-019, mimeo, at 112 (Ordering Paragraph No. 16).

³ The RFO is not a binding offer by SoCalGas, and SoCalGas reserved the right to reject any or all offers submitted in response to this RFO.

Proposal from Gas Acquisition Department

Gas Acquisition Department (GA) proposes to use its various Backbone Transmission Service Contracts and other assets available to it to make minimum deliveries on a daily basis into the Southern System as set forth below.

Contract Period: December 1, 2011 through October 31, 2012

Quantity:

- 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.

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.

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.

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.

Calculation of Gas Acquisition Fee

All costs incurred by the System Operator to provide minimum flows on the Southern System are recorded in the SRMA. Currently SRMA costs are allocated as follows:

Combined Bundled Core	Combined CAT	Combined Noncore	Total
41.9%	1.4%	56.7%	100.0%

To illustrate the fee calculation, assume that the System Operator incurs a cost of \$3 million. GA fee will be:

$$\text{GA fee} = 0.419 * \$3 \text{ million} / (1 - 0.419) = \$2.17 \text{ million}$$

The \$2.17 million fee will be credited to the PGA. Total SRMA cost will equal \$3.00 + 2.17 million = \$5.17 million. The allocation of these balances will be as follows:

	Combined Bundled Core	Combined CAT	Combined Noncore	Total
SRMA Allocation	2.17	0.07	2.93	5.17
PGA Credit Net	<u>-2.17</u>			
Allocation	0.00	0.07	2.93	3.00

The table demonstrates that the net result of the SRMA allocation and credit of the fee to the PGA results in bundled core customers paying none of the System Operator's cost of managing Southern System flows.

The GA fee will be passed on entirely to bundled core customers and will not be included in the Gas Cost Incentive Mechanism.

Benefits of the Gas Acquisition Department MILC

The Southern System minimum flow requirement is equal to Southern System demand minus any system ability to flow Northern supply down to the Southern System. SoCalGas' analysis indicates that core demand represents approximately 50% of winter demand in this Southern System in the November – March period and 35% of this summer demand in the April – October period. In addition, SoCalGas' experience in February of 2011 showed that spot supplies can be extremely expensive for short periods of time. By guaranteeing this minimum amount of flowing supply on the Southern System, the Gas Acquisition Department will be reducing the amount of incremental supply that the Utility System Operator will need to purchase on the spot market to meet the Southern System minimum flow requirement on such days.

SoCalGas expects that the dollars charged to the SRMA account will likely be reduced as a result of a lower volume of purchases by the Utility System Operator. If this MILC is approved, the bundled core will have met its share of the Southern System minimum flow requirement before any spot supplies are purchased by the Utility System Operator. Therefore, it is reasonable for any costs incurred over the contract period to be allocated solely to noncore and core aggregation, not bundled core, customers.

Gas Acquisition Department has 365 Mdth/day of firm El Paso Capacity to SoCal Ehrenberg until September of 2012, at which time its rights drop to 264 Mdth/day. Therefore, the contract caps Gas Acquisition Department's minimum delivery obligation at 360 Mdth/day in the winter (December – March) and 260 Mdth/day in the summer (April – October). SoCalGas expects the Southern System minimum flow requirement to remain below 720 Mdth/day (i.e., 360 Mdth/day divided by 0.50) during the winter and below 743 Mdth/day (i.e., 260 Mdth/day divided by 0.35) during the summer.

Gas Acquisition will be able to serve its share of Southern System requirement by relying on firm pipeline capacity and firm base load supplies. Therefore, approval of this agreement would

improve reliability, as the Southern System would become less dependent on spot purchases in the swing market.

In essence, the Utility System Operator would be managing the Southern System minimum supplies by having the Gas Acquisition Department assume responsibility for the flow requirements of the bundled core load. Gas Acquisition would use its supplies and capacity to meet that responsibility, and bundled core customers would pay for those costs. The Utility System Operator would continue to be responsible for noncore and core aggregation loads and would buy on the spot market or use other pre-approved Commission tools to meet that part of the responsibility. Noncore and core aggregation customers would pay for these Utility System Operator costs through the SRMA account.

Protest

Anyone may protest this Advice Letter (AL) 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 this AL was filed with the Commission, which is November 23, 2011. 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 both Maria Salinas (mas@cpuc.ca.gov) and Honesto Gatchalian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest shall 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

SoCalGas believes this AL is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SoCalGas respectfully requests that this AL be approved on December 3, 2011, which is 30 calendar days after the date filed.

Notice

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

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

Subject of AL: 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 #:

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: 12/3/11

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: _____

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

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Southern California Gas Company

Attention: Sid Newsom

555 West 5th Street, GT14D6

Los Angeles, CA 90013-1011

SNewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4291

(See Attached Service Lists)

Alcantar & Kahl
Seema Srinivasan
sls@a-klaw.com

Alcantar & Kahl
Kari Harteloo
klc@a-klaw.com

Alcantar & Kahl LLP
Annie Stange
sas@a-klaw.com

Alcantar & Kahl, LLP
Mike Cade
wmc@a-klaw.com

Barkovich & Yap
Catherine E. Yap
ceyap@earthlink.net

Beta Consulting
John Burkholder
burkee@cts.com

CPUC
Energy Rate Design & Econ.
505 Van Ness Ave., Rm. 4002
San Francisco, CA 94102

CPUC
Pearlie Sabino
pzs@cpuc.ca.gov

CPUC
Consumer Affairs Branch
505 Van Ness Ave., #2003
San Francisco, CA 94102

CPUC - DRA
R. Mark Pocta
rmp@cpuc.ca.gov

California Energy Market
Lulu Weinzimer
luluw@newsdata.com

Calpine Corp
Avis Clark
aclark@calpine.com

City of Azusa
Light & Power Dept.
215 E. Foothill Blvd.
Azusa, CA 91702

City of Banning
Paul Toor
P. O. Box 998
Banning, CA 92220

City of Burbank
Fred Fletcher/Ronald Davis
164 West Magnolia Blvd., Box 631
Burbank, CA 91503-0631

City of Colton
Thomas K. Clarke
650 N. La Cadena Drive
Colton, CA 92324

City of Long Beach, Gas & Oil Dept.
Chris Garner
2400 East Spring Street
Long Beach, CA 90806

City of Los Angeles
City Attorney
200 North Main Street, 800
Los Angeles, CA 90012

City of Pasadena - Water and Power
Dept.
G Bawa
GBawa@cityofpasadena.net

City of Riverside
Joanne Snowden
jsnowden@riversideca.gov

City of Vernon
Dan Bergmann
dan@igservice.com

Commerce Energy
Catherine Sullivan
csullivan@commerceenergy.com

Commerce Energy
Blake Lazusso
blasuzzo@commerceenergy.com

County of Los Angeles
Stephen Crouch
1100 N. Eastern Ave., Room 300
Los Angeles, CA 90063

Crossborder Energy
Tom Beach
tomb@crossborderenergy.com

DGS
Henry Nanjo
Henry.Nanjo@dgs.ca.gov

Davis Wright Tremaine, LLP
Edward W. O'Neill
505 Montgomery Street, Ste 800
San Francisco, CA 94111

Davis, Wright, Tremaine
Judy Pau
judypau@dwt.com

Dept. of General Services
Celia Torres
celia.torres@dgs.ca.gov

Douglass & Liddell
Donald C. Liddell
liddell@energyattorney.com

Douglass & Liddell
Dan Douglass
douglass@energyattorney.com

Downey, Brand, Seymour & Rohwer
Dan Carroll
dcarroll@downeybrand.com

Dynegy
Mark Mickelson
Mark.Mickelson@dynegy.com

Dynegy - West Generation
Joseph M. Paul
Joe.Paul@dynegy.com

Gas Transmission Northwest
Corporation
Bevin Hong
Bevin_Hong@transcanada.com

General Services Administration
Facilities Management (9PM-FT)
450 Golden Gate Ave.
San Francisco, CA 94102-3611

Genon Energy, Inc.
Greg Bockholt
Greg.Bockholt@Genon.com

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
James D. Squeri
jsqueri@gmssr.com

Hanna & Morton
Norman A. Pedersen, Esq.
npedersen@hanmor.com

Iberdrola Renewables Energy Services
Julie Morris
Julie.Morris@iberdrolaren.com

Imperial Irrigation District
K. S. Noller
P. O. Box 937
Imperial, CA 92251

JBS Energy
Jeff Nahigian
jeff@jbsenergy.com

Kern River Gas Transmission Company
Janie Nielsen
Janie.Nielsen@KernRiverGas.com

LA County Metro
Julie Close
closeJ@metro.net

LADWP
Robert Pettinato
Robert.Pettinato@ladwp.com

LADWP
Nevenka Ubavich
nevenka.ubavich@ladwp.com

Law Offices of William H. Booth
William Booth
wbooth@booth-law.com

Luce, Forward, Hamilton & Scripps
John Leslie
jleslie@luce.com

MRW & Associates
Robert Weisenmiller
mrw@mrwassoc.com

Manatt Phelps Phillips
Randy Keen
rkeen@manatt.com

Manatt, Phelps & Phillips, LLP
David Huard
dhuard@manatt.com

March Joint Powers Authority
Lori Stone
23555 Meyer Drive,
March Air Reserve Base, CA 92518-
2038

National Utility Service, Inc.
Jim Boyle
One Maynard Drive, P. O. Box 712
Park Ridge, NJ 07656-0712

Navigant Consulting, Inc.
Ray Welch
ray.welch@navigantconsulting.com

PG&E Tariffs
Pacific Gas and Electric
PGETariffs@pge.com

Praxair Inc
Rick Noger
rick_noger@praxair.com

Regulatory & Cogen Services, Inc.
Donald W. Schoenbeck
900 Washington Street, #780
Vancouver, WA 98660

SCE
Karyn Gansecki
karyn.gansecki@sce.com

Safeway, Inc
Cathy Ikeuchi
cathy.ikeuchi@safeway.com

Sierra Pacific Company
Christopher A. Hilten
chilen@sppc.com

Southern California Edison Co
Fileroom Supervisor
2244 Walnut Grove Av, 290, GO1
Rosemead, CA 91770

Southern California Edison Co.
Kevin Cini
Kevin.Cini@SCE.com

Southern California Edison Co.
Colin E. Cushnie
Colin.Cushnie@SCE.com

Southern California Edison Co.
John Quinlan
john.quinlan@sce.com

Southern California Edison Company
Michael Alexander
Michael.Alexander@sce.com

Southwest Gas Corp.
John Hester
P. O. Box 98510
Las Vegas, NV 89193-8510

Suburban Water System
Bob Kelly
1211 E. Center Court Drive
Covina, CA 91724

Sutherland, Asbill & Brennan
Keith McCrea
kmccrea@sablaw.com

TURN
Marcel Hawiger
marcel@turn.org

The Mehle Law Firm PLLC
Colette B. Mehle
cmehle@mehlelaw.com

Western Manufactured Housing
Communities Assoc.
Sheila Day
sheila@wma.org

**SOUTHWEST GAS CORPORATION
FRANCISCO V. AGUILAR**
francisco.aguilar@swgas.com

**GOODIN MACBRIDE SQUERI RITCHIE
& DAY LLP**
JEANNE B. ARMSTRONG
jarmstrong@gmssr.com

CALIF PUBLIC UTILITIES COMMISSION
Joyce Alfton
alf@cpuc.ca.gov

**BAKER, BURTON & LUNDY
BRAD N. BAKER**
brad@bbbsurflaw.com

**CALIFORNIA COGENERATION
COUNCIL**
R. THOMAS BEACH
tomb@crossborderenergy.com

SOUTHWEST GAS CORPORATION
KEITH A. BROWN
keith.brown@swgas.com

**BETA CONSULTING
JOHN BURKHOLDER**
burkee@cts.com

THE UTILITY REFORM NETWORK
MARCEL HAWIGER
marcel@turn.org

MANATT, PHELPS & PHILLIPS, LLP
DAVID L. HUARD
dhuard@manatt.com

ALCANTAR & KAHL, LLP
EVELYN KAHL
ek@a-klaw.com

DOUGLASS & LIDDELL
GREGORY S.G. KLATT
klatt@energyattorney.com

ENGSTROM LIPSCOMB & LACK
WALTER J. LACK
wlack@elllaw.com

**LUCE, FORWARD, HAMILTON &
SCRIPPS, LLP**
JOHN W. LESLIE, ESQ.
jleslie@luce.com

CALIF PUBLIC UTILITIES COMMISSION
Diana L. Lee
dil@cpuc.ca.gov

SUTHERLAND, ASBILL & BRENNAN
KEITH MCCREA
keith.mccrea@sablaw.com

**LAW OFFICES OF M. BRIAN
MCMAHON**
M. BRIAN MCMAHON
mbm@brianmcmahonlaw.com

CORAL ENERGY RESOURCES, LP
MARCIE MILNER
marcie.milner@shell.com

CALIF PUBLIC UTILITIES COMMISSION
Edward Moldavsky
edm@cpuc.ca.gov

SEMPRA GLOBAL
STEVEN C. NELSON
SNelson@SempraUtilities.com

DAVIS WRIGHT TREMAINE, LLP
EDWARD W. O'NEILL
edwardoneill@dwt.com

HANNA & MORTON
NORMAN A. PEDERSEN
npedersen@hanmor.com

**SOUTHERN CALIFORNIA EDISON
COMPANY**
DOUGLAS PORTER
douglas.porter@sce.com

CALIF PUBLIC UTILITIES COMMISSION
Marion Peleo
map@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Robert M. Pocta
rmp@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Thomas R. Pulsifer
trp@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Pearlie Sabino
pzs@cpuc.ca.gov

**SAN DIEGO GAS & ELECTRIC
CO./SOCAL GAS**
MICHAEL THORP
MThorp@SempraUtilities.com

SEMPRA GLOBAL
BILL TOBIN
WTobin@sempraglobal.com

ELLISON, SCHNEIDER & HARRIS, LLP
GREGGORY L. WHEATLAND
glw@eslawfirm.com

ATTACHMENT C

Advice No. 4291

Memorandum In Lieu of Contract

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.

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.

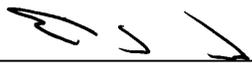
Non-performance: In the event GA does not deliver the applicable stated Quantity without having first requested a deviation from System Operator and obtained consent from the System Operator, GA will be subject to a proportional allocation of any SRMA costs that are recorded for any such Gas Day, where 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.

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.

Executed by :

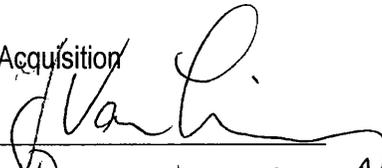
System Operator

By:  _____

Title: Director of Energy Markets and Capacity Products

Date of execution: 11/2/11

Gas Acquisition

By:  _____
Title: Director, Gas Acquisition

Date of execution: 11/2/2011

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