

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 30, 2013

Advice Letter 4394-G-B

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

SUBJECT: Request for Approval of a Second Agreement bet the Utility System Operator and the Gas Acquisition Dept. for Services to Maintain Southern System Reliability Pursuant to D.07-12-019

Dear Ms. Prince:

Advice Letter 4394-G-B is effective as of April 1, 2013, per Resolution G-3476.

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

April 25, 2013

Advice No. 4394-B
(U 904 G)

Public Utilities Commission of the State of California

Subject: Second Supplement - Request for Approval of a Second Memorandum in Lieu of Contract between the System Operator and the Gas Acquisition Department for Services to Maintain Southern System Reliability for the Term November 1, 2012, through October 31, 2013 Pursuant to D.07-12-019 and Resolution G-3476

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) an agreement between SoCalGas' System Operator and SoCalGas' Utility Gas Procurement Department (Gas Acquisition) 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 a Memorandum in Lieu of Contract (MILC) rather than a traditional contract. This proposed Second MILC is Attachment C. In addition, SoCalGas submits for filing revisions to its tariff schedules, applicable throughout its service territory, as shown in Attachment B.

Purpose

This second supplemental filing replaces in its entirety Advice No. (AL) 4394 dated August 17, 2012 and AL 4394-A dated March 29, 2013 to comply with Ordering Paragraph (OP) 1 of Resolution G-3476 adopted on March 21, 2013, which approves SoCalGas' AL 4394, with modifications. OP 2 requires SoCalGas to submit a revised MILC with a supplemental Tier 1 advice letter within 10 days or April 1, 2013.

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 Gas Acquisition to the System Operator.¹ D.07-12-019 also adopted SoCalGas' and SDG&E's

¹ D.07-12-019 mimeo, at 116 (OP 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.

request for certain System Operator tools to help maintain system reliability, and provided that requests for additional System Operator tools shall be made by regular advice letter.²

On November 3, 2011, SoCalGas filed AL 4291 requesting approval of a MILC between the System Operator and Gas Acquisition to support SoCalGas' minimum flow requirements on its Southern System. Under the MILC, Gas Acquisition agreed to deliver a specified volume of flowing supplies to the Southern System each day,³ and in exchange for taking on this obligation, bundled core customers would not share the System Reliability Memorandum Account (SRMA) costs incurred by the System Operator to meet minimum flow requirements on the Southern System.

On July 12, 2012, the Commission approved the initial MILC, subject to certain limited modifications, in Resolution G-3468.⁴ On July 13, 2012, SoCalGas filed a Revised MILC which included the modifications required by the Commission in Resolution G-3468, and the Revised MILC became effective on that date. The term of the existing Revised MILC runs through October 31, 2012.

On August 17, 2012, SoCalGas filed AL 4394 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 March 21, 2013, the Commission adopted Resolution G-3476 which approves AL 4394, subject to modifications.

On March 29, 2013, SoCalGas filed supplemental AL 4394-A, replacing in its entirety AL 4394, subject to modifications adopted in Resolution G-3476. On April 18, 2013, the Southern California Generation Coalition and Southern California Edison Company filed protests to AL 4394-A. This second supplemental filing addresses the modifications in Resolution G-3476, as described in the Proposal below, and also addresses the protests by deleting the reference, "up to a maximum of 41.9%," on page 2 of the Revised MILC.

Requested Tariff Changes

SoCalGas is proposing that the Preliminary Statements of the Purchased Gas Account (PGA) and the System Reliability Memorandum Account (SRMA) be revised, consistent with the Second MILC, to reflect that MILC-related credits will be recorded on a monthly basis. Under the existing Revised MILC, the MILC-related credit is a one-time entry made after the end of the arrangement. It would be more consistent with established regulatory accounting practices to make these entries monthly, rather than on a one-time basis.

Proposal

To continue the benefits of the arrangement established in the existing Revised MILC beyond October 31, 2012, SoCalGas is proposing a Second MILC to become effective once the existing

² D.07-12-019, mimeo, at 116 (OPs 16 and 17).

³ From December 1, 2011 through March 31, 2012, this amount is the lower of either 50% of the Southern System Minimum Flow Requirement or 360 thousand dekatherms (Mdth), and from April 1, 2012 through October 31, 2012, this amount is the lower of either 35% of the Southern System Minimum Flow Requirement or 260 Mdth.

⁴ These modifications changed the non-performance provision of the MILC, and provided for a proportionate sharing of System Reliability Memorandum Account (SRMA) costs under certain circumstances. See Resolution G-3468 at pp. 17-19.

Revised MILC ends. This Second MILC would become effective on the later of: (1) November 1, 2012, or (2) the effective date of Commission approval, and continue through the earlier of: (1) October 31, 2013, or (2) such earlier date as the Commission may determine in the current TCAP.⁵

The substantive terms and provisions of the Second MILC are generally the same as those in the Revised MILC, including each of the revisions required by the Commission in Resolution G-3468.⁶ The SRMA credit mechanism would work the same as the process approved in Resolution G-3468, and the fee calculation would also be the same.⁷ However, for simplification, the 260 Mdth and 360 Mdth caps in the Revised MILC have been eliminated in this new proposed MILC, as well as the related provision regarding proportionate sharing of SRMA costs in the event that the bundled core's share of Southern System Minimum Flow requirement exceeds such caps.

SoCalGas urges the Commission to adopt the Second MILC for all the reasons set forth in Resolution G-3468 that supported the existing Revised MILC. The arrangements are essentially the same, except that with the elimination of the caps, Gas Acquisition is committing to provide even more flowing supplies on days when bundled core's share of the Southern System Minimum Flow requirement exceeds 260 Mdth and 360 Mdth. With the San Onofre Nuclear Generation Station (SONGS) units out of operation indefinitely, demand for natural gas on the Southern System is currently strong, and the System Operator is buying reliability-related supplies on a regular basis. SoCalGas does not wish to lose these substantial daily bundled core deliveries into the Southern System, and we believe that it would be in the strong interest of our customers to have this newly-authorized System Operator tool continue beyond October 31, 2012.

The Second MILC (Attachment C) is only two pages long, plus signatures on a third page. Its provisions are straightforward, and would work in the same way as the original MILC described in Resolution G-3468, with the exception of the aforementioned deletion of the 260 Mdth and 360 Mdth caps on Gas Acquisition's responsibility to provide Southern System supplies. With this deletion, Gas Acquisition would simply be responsible for delivering core's share of the Southern System Minimum Flow Requirement to the Southern System each day, either 35% or 50% of the requirement, depending on the season.⁸

SoCalGas has revised the MILC in the manner required by the Commission in OP 1 of Resolution G-3478 to reflect the following modifications:

⁵ This latter provision is consistent with the Commission's direction in Resolution G-3468 that the term of any additional MILCs should not go beyond the life of the current TCAP. See Resolution G-3468 at p. 26.

⁶ SoCalGas has also made a few limited non-substantive changes to the Revised MILC, including an updated Background section, and limited editing and grammatical revisions to help streamline and clarify certain portions of the MILC. These revisions do not affect the substantive rights or obligations of the System Operator or Gas Acquisition under the memorandum.

⁷ As with the existing Revised MILC, the Gas Acquisition fee under the Second MILC would equal $0.419 \times \text{System Operator costs} / (1 - 0.419)$. See Resolution G-3468 at p. 6.

⁸ As explained in Resolution G-3468, core demand represents approximately 50% of winter demand in the Southern System in the November – March period and 35% of this summer demand in the April – October period. See Resolution G-3468 at pp. 6 and 18.

1. Gas Acquisition must meet bundled core's actual share of daily Southern System minimum flow requirements or pay a proportional share of SRMA costs when it does not;
2. Remove the percentages as the measure of GA supply requirements and use core's actual share of the minimum flow requirement as the measure; and
3. Make accounting for MILC-related credits consistent with the use and the timing of daily minimum flow information.

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

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 May 15, 2013. 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 2 of Resolution G-3476. SoCalGas respectfully requests that this advice letter be made effective April 1, 2013, to be consistent with the effective date requested in AL 4394-A.

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) #: 4394-B

Subject of AL: Second Supplemental -Request for Approval of a Second 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-3476

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: 4/1/13

No. of tariff sheets: 5

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: PS – Part V, PGA, PS – Part VI, SRMA, and TOC Gen

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. 4394-B

(See Attached Service List)

ATTACHMENT B
Advice No. 4394-B

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 49089-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 1	Revised 48971-G* Revised 49039-G
Revised 49090-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 2	Revised 48372-G Revised 49040-G, 46488-G
Revised 49091-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, SYSTEM RELIABILITY MEMORANDUM ACCOUNT (SRMA), Sheet 1	Revised 48373-G Revised 49041-G, 47344-G
Revised 49092-G	TABLE OF CONTENTS	Revised 49088-G Revised 49042-G
Revised 49093-G	TABLE OF CONTENTS	Revised 48993-G Revised 49043-G

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PURCHASED GAS ACCOUNT (PGA)

Sheet 1

The PGA is a balancing account. Effective April 1, 2008, the purpose of this account is to balance the recorded cost of gas for the Single Gas Portfolio to provide procurement service for both SoCalGas and SDG&E customers with the corresponding revenue from the sale of that gas. The Single Gas Portfolio, as adopted in Decision (D.) 07-12-019, is comprised of all gas purchases to serve the combined needs of SoCalGas and SDG&E. In addition, the PGA will record adjustments in compliance with Advice No. (AL) 4291-A and 4394-B and their respective Memorandum In Lieu of Contract (MILC) consistent with Resolution G-3468 and Resolution G-3476, respectively

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The Utility shall maintain the PGA by making entries at the end of each month as follows:

1. A debit entry equal to the recorded gas cost in the Single Gas Portfolio Account during the month, which includes all gas and backbone transportation services purchased for SoCalGas and SDG&E's procurement customers. Costs associated with the Utility System Operator providing transportation imbalance services under Schedule No. G-IMB to the Utility Gas Procurement Department will be included concurrent with the Utility Gas Procurement Department being relieved of its responsibility for minimum flow requirements. Gas purchases are net of costs allocated to company use fuel and unaccounted for gas. The Single Gas Portfolio also includes interstate and PG&E pipeline capacity costs, carrying cost of storage inventory and financial transactions, net of proceeds from secondary market transactions such as core parking, loaning, and backbone transportation services activities.
2. Credit entries equal to the procurement revenue, which includes recovery of backbone transportation services, from the sale of gas delivered to SoCalGas and SDG&E customers, including revenues associated with noncore standby and buyback services under Schedule No. G-IMB during the month, excluding the allowance for F&U.
3. A credit entry for supplier refunds received that are associated with interstate capacity costs previously recovered through core procurement rates pursuant to D.04-09-022.
4. An entry equal to amortization of the forecasted PGA balance, excluding the allowance for F&U.
5. A credit entry equal to the brokerage fee charged to core customers less the allowance for F&U.
6. A debit entry equal to 1/12 of the annual core brokerage fee revenue requirement.
7. A credit entry equal to the El Paso settlement proceeds received pursuant to the Master Settlement Agreement approved by the FERC and CPUC (D.03-10-087). The first payment received will be reduced by the estimated net present value of refunds due to core subscription and core aggregation transportation (CAT) customers.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4394-B
 DECISION NO.

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Apr 25, 2013
 EFFECTIVE Apr 1, 2013
 RESOLUTION NO. G-3476

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PURCHASED GAS ACCOUNT (PGA)

Sheet 2

(Continued)

8. A credit entry equal to the settlement proceeds associated with the Sempra Settlement (Pipeline Cases) and the Price Indexing Cases Settlement pursuant to D.10-01-024. The settlement proceeds received shall be reduced by the amount allocable to core subscription, CAT customers and SDG&E's noncore procurement customers;
9. A credit entry equal to the FERC settlement proceeds associated with the 2000-2001 energy crisis. The settlement proceeds received shall be reduced by the amount allocable to core subscription, CAT customers and SDG&E's noncore procurement customers;
10. An adjusting entry for an amount allocated to core customers as calculated per the terms and conditions of the MILC in AL 4291-A and 4394-B (an offsetting amount will be recorded in the System Reliability Memorandum Account); and
11. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 4394-B
 DECISION NO.

ISSUED BY

Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)

DATE FILED Apr 25, 2013
 EFFECTIVE Apr 1, 2013
 RESOLUTION NO. G-3476

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
SYSTEM RELIABILITY MEMORANDUM ACCOUNT (SRMA)

The SRMA is an interest bearing account that is recorded on the Utility's financial statements. The purpose of this account is to record certain costs associated with the Utility System Operator's purchase and delivery of gas to sustain operational flows on the SoCalGas/SDG&E system. In addition, the SRMA will record adjustments in compliance with Advice No. (AL) 4291-A and 4394-B and their respective Memorandum In Lieu of Contract (MILC) consistent with Resolution G-3468 and Resolution G-3476, respectively.

Costs include the costs that are associated with the following:

- 1) Purchases and sales of gas on a spot basis;
- 2) Contracts related to Requests for Offers (RFO) or open season process consistent with System Operator needs and approved through the Expedited Advice Letter Process;
- 3) Other System Operator tools approved by the Commission through the regular advice letter process.

The Utility shall maintain the SRMA by making entries at the end of each month as follows:

- a. A debit entry for the cost of gas delivered to various receipt points on the SoCalGas/SDG&E system, including any other O&M and incremental capital-related costs (e.g., depreciation, return on investment and related taxes) associated with any other tools approved by the Commission through a regular or expedited advice letter process as described above that were incurred for maintaining system reliability.
- b. A credit entry equal to the revenues from the sale of gas that was originally purchased for system reliability purposes as described in entry "a." which is no longer necessary and therefore made available for sale in the marketplace.
- c. An entry equal to amortization as authorized by the Commission.
- d. An adjusting entry for an amount allocated to core customers as calculated per the terms and conditions of the MILC in AL 4291-A and 4394-B (an offsetting amount will be recorded in the Purchased Gas Account).
- e. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

Upon approval by the Commission of transactions recorded in the SRMA, SoCalGas will amortize the approved transactions in transportation rates effective January 1 of the following year. The transactions will be allocated on an Equal Cents Per Therm (ECPT) basis.

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4394-B
 DECISION NO.

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Apr 25, 2013
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The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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(Continued)

(TO BE INSERTED BY UTILITY)
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PRELIMINARY STATEMENT (Continued)

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(Continued)

(TO BE INSERTED BY UTILITY)
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ISSUED BY
Lee Schavrien
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(TO BE INSERTED BY CAL. PUC)
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ATTACHMENT C

Advice No. 4394-B

REVISED SECOND MEMORANDUM IN LIEU OF CONTRACT

REVISED SECOND MEMORANDUM IN LIEU OF CONTRACT

Southern California Gas Company (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 SoCalGas 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 November 3, 2011, SoCalGas filed Advice No. (AL) 4291 requesting approval of a MILC between the System Operator and GA to support SoCalGas' minimum flow requirements on its Southern System. That particular MILC had an end date of October 31, 2012. On July 12, 2012, the CPUC issued Resolution G-3468 approving the MILC as-filed, subject to certain minor modifications. Finding No. 16 states that "SoCalGas may submit additional MILCS for Approval provided that the term of the MILC does not go beyond the life of the current TCAP." On July 13, 2012, SoCalGas executed a Revised MILC containing the modifications required by the CPUC, and SoCalGas submitted the Revised MILC to the CPUC on July 13, 2012 via AL 4291-A (effective upon filing).

This second MILC has been revised to include modifications required by Resolution G-3476. Under this Second Revised MILC GA must deliver the bundled core's estimated actual share on any given day of the Southern System Minimum Flow Requirement before being relieved of any System Reliability Memorandum Account costs incurred for that day. The bundled core's actual daily share will be determined as the ratio of bundled core load on the Southern System and the total load on the Southern System after the necessary load information becomes available. GA will be responsible for a proportionate share of SRMA costs when it does not deliver supplies to meet its bundled core's daily share of Southern System minimum flow requirements.

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) November 1, 2012, or (2) the effective date of CPUC approval. Deliveries shall continue for each day from the commencement date through and including the earlier of: (1) October 31, 2013, or (2) such earlier date as the CPUC may determine in the current TCAP (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.

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

Support Service:

GA will deliver on each gas flow day (Gas Day) during the Term from November 1, 2012 through October 31, 2013, supplies equal to the estimated bundled core's share of daily Southern System Minimum Flow Requirements 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.

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 necessary daily flow information becomes available. 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 bore allocation.

Whenever, as required to maintain Southern System reliability, additional costs are incurred to deliver gas to Otay Mesa, and GA has not delivered sufficient supply to Otay Mesa to meet the bundled core's daily share of required deliveries at Otay Mesa, GA's credit against SRMA costs will be proportionately reduced to reflect GA's share of the incremental costs associated with delivery at Otay Mesa instead of Blythe. This will be applied independent of whether the total quantity of supply required under the MILC has otherwise been met.

If for any reason, GA does not deliver the quantity required by the second revised 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 (GA's share of the minimum flow requirement minus GA's deliveries into the Southern System) divided by the total amount of supply purchased by the System Operator for that Gas Day.

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.

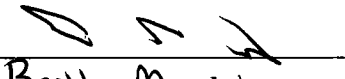
Regulatory approval: This arrangement will be submitted to the CPUC by Advice Letter and will not become effective until acceptable CPUC approval has been received by SoCalGas. In the event the CPUC does not approve this MILC, or imposes terms unacceptable to SoCalGas, this arrangement will be null and 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 conducted in accordance with the terms and conditions of SoCalGas' tariffs, and other relevant rules and regulations.

² Currently, 41.9% of SRMA costs are allocated to bundled core customers, subject to the crediting provision of the Revised MILC.

Executed by:

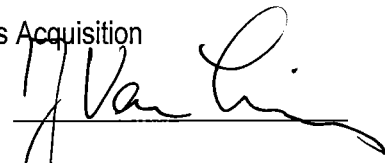
System Operator

By: 
Beth Musich

Title: Director, Energy Markets & Capacity Products

Date of execution: April 25, 2013

Gas Acquisition

By: 
J. Van Lier

Title: Vice President, Gas Acquisition

Date of execution: April 25, 2013

ATTACHMENT D

Advice No. 4394-B

**REVISED SECOND MEMORANDUM IN LIEU OF CONTRACT
(Redlined Version)**

REVISED SECOND MEMORANDUM IN LIEU OF CONTRACT

Southern California Gas Company (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 SoCalGas 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 November 3, 2011, SoCalGas filed Advice No. (AL) 4291 requesting approval of a MILC between the System Operator and GA to support SoCalGas' minimum flow requirements on its Southern System. That particular MILC had an end date of October 31, 2012. On July 12, 2012, the CPUC issued Resolution G-3468 approving the MILC as-filed, subject to certain minor modifications. Finding No. 16 states that "SoCalGas may submit additional MILCS for Approval provided that the term of the MILC does not go beyond the life of the current TCAP." On July 13, 2012, SoCalGas executed a Revised MILC containing the modifications required by the CPUC, and SoCalGas submitted the Revised MILC to the CPUC on July 13, 2012 via AL 4291-A (effective upon filing).

~~This second MILC is designed to provide comparable benefits to the existing Revised MILC after the Revised MILC expires. The provisions of this proposed agreement are consistent with the provisions of the existing Revised MILC, including the modifications required by the CPUC in Resolution G-3468. Note that for simplification, the 260 Mdt and 360 Mdt caps in the Revised MILC have been eliminated in this Second MILC, and has been revised to include modifications required by Resolution G-3476. Under this Second Revised MILC GA must deliver is simply responsible for the bundled core's estimated actual share on any given day either 35% or 50% of the Southern System Minimum Flow Requirement before being relieved of any System Reliability Memorandum Account costs incurred for that day. The bundled core's actual daily share will be determined as the ratio of bundled core load on the Southern System and the total load on the Southern System after the necessary load information becomes available, depending on the season. The related provision regarding proportionate sharing of SRMA costs in the event that the bundled core's share of Southern System Minimum Flow requirement exceeds such caps has also been eliminated. GA will be responsible for a proportionate share of SRMA costs when it does not deliver supplies to meet its bundled core's daily share of Southern System minimum flow requirements.~~

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) November 1, 2012, or (2) the effective date of CPUC approval. Deliveries shall continue for each day from the commencement date

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

through and including the earlier of: (1) October 31, 2013, or (2) such earlier date as the CPUC may determine in the current TCAP (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) during the Term from November 1, 2012 through ~~March~~ October 31, 2013, supplies equal to the estimated bundled core's share of daily 50% of the Southern System Minimum Flow Requirements~~s~~ 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.

~~GA will deliver on each gas flow day during the Term from April 1, 2013 through October 31, 2013, 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.~~

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 ~~necessary daily flow information becomes available, end of each month during the Term, once Southern System support costs during each month 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 ~~bBundled bCore aAllocation.~~

Whenever, as required to maintain Southern System reliability, additional costs are incurred to deliver gas to Otay Mesa, and GA has not delivered sufficient supply to Otay Mesa to meet ~~its share- the bundled core's daily 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 GA's share ~~(50% or 35% depending on the month)~~ of the incremental costs associated with delivery at Otay Mesa instead of Blythe. This will be applied independent of whether the total quantity of supply required under the MILC has otherwise been met.

If for any reason, GA does not deliver the quantity required by the second revised 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 (GA's share of the minimum flow requirement minus GA's deliveries into the Southern System) divided by the total amount of supply purchased by the System Operator for that Gas Day up to a maximum of 41.9%.

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.

² Currently, 41.9% of SRMA costs are allocated to bundled core customers, subject to the crediting provision of the Revised MILC.

~~**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 (GA's share of the minimum flow requirement minus GA's deliveries into the Southern System) 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 conducted in accordance with the terms and conditions of SoCalGas' tariffs, and other relevant rules and regulations.

Executed by:

System Operator

Gas Acquisition

By: _____

By: _____

Title: Director, Energy Markets & Capacity Products

Title: Vice President, Gas Acquisition

Date of execution: ~~April 25, 2013~~ August 17, 2012

Date of execution: ~~April 25, 2013~~ August 17,