

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 2, 2013

Advice Letter 4399-G

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

SUBJECT: Request for Approval of Four Baseload Contracts for Delivery of Gas to Maintain Southern System Reliability, Pursuant to D.07-12-019

Dear Ms. Prince:

Advice Letter 4399-G is effective May 9, 2013, per Ordering Paragraphs in Resolution G-3477.

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

August 31, 2012

Advice No. 4399
(U 904 G)

Public Utilities Commission of the State of California

Subject: Request for Approval of Four Baseload Contracts for Delivery of Gas to Maintain Southern System Reliability Pursuant to D.07-12-019

Southern California Gas Company (SoCalGas) hereby requests California Public Utilities Commission (Commission) approval of four baseload contracts with different suppliers for the delivery of 280,000 dth/day over the December 2012 through March 2013 period at the El Paso SoCal Ehrenberg delivery point. These contracts will help the System Operator manage the Southern System Minimum Flow Requirements over that critical winter period.

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

Pursuant to Section 6 of SoCalGas' Rule No. 41, on July 17, 2012, SoCalGas posted a Request for Offers (RFO) on its Electronic Bulletin Board (EBB) for proposals to supply baseload gas at the El Paso SoCal Ehrenberg delivery point or at the TGN Otay Mesa delivery point for the December 2012 through March 2013 period to better meet its minimum flow requirements on its Southern System for system reliability. The posting also stated that SoCalGas would consider taking these deliveries as an exchange, a buy-sell, a delivery commitment, a gas sale, or through other means. The contracts, shown in Attachment B, are the four lowest-price offers received for 280,000 dth/day baseload deliveries.³

¹ D.07-12-019, mimeo, at 116 (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 116 (Ordering Paragraph No. 16)

³ SoCalGas is providing the actual contracts under confidentiality to the Commission's staff, subject to the provisions of General Order 66-C and Section 583 of the Public Utilities Code.

Discussion

Each of the four contracts presented in Attachment B is indexed to NGI SoCalGas border prices. The weighted average price of these contracts is SoCalGas border price + 8.2 cents/dth. SoCalGas Hub (Hub) will buy these supplies (280,000 dth/day) at El Paso SoCal Ehrenberg delivery point every day (over the December 2012 through March 2013 period), pay the Backbone Transmission Service (BTS) charge, and then redeliver and sell this gas at the SoCalGas Citygate. Given that SoCalGas Citygate prices are currently 8 cents/dth higher than SoCalGas border prices, SoCalGas expects the net cost of these supplies to be charged to the System Reliability Memorandum Account (SRMA) will be just 0.2 cents/dth,⁴ plus the BTS charge. In Resolution G-3435 the Commission approved 120,000 dth/day of baseload supplies for the December 2009 through February 2010 period that had a net cost of 12 cents/dth,⁵ plus the BTS charge.⁶ Therefore, these current contracts submitted here for approval are much lower-priced than the cost of baseload supplies approved in prior years for the same purpose.

The cost of these supplies (0.2 cents/dth estimated net cost + BTS charge) compares very favorably with spot gas purchases the Hub makes under Rule No. 41. Last winter, the net cost of those purchases, including BTS charges, averaged about 36 cents/dth. The baseload contracts submitted herein will minimize the need to make spot purchases.

Although the quantities being submitted are higher than those approved by the Commission in Resolution G-3435, SoCalGas believes they are reasonable. The Southern System Minimum Flow Requirements posted in Q1 2012 averaged 560,000 dth/day.⁷ Assuming the approval of AL 4394, which requests a year's extension of the current contract with Gas Acquisition to maintain supplies at Ehrenberg, the Hub will be responsible for 50% of the Southern System Minimum Flow Requirements.⁸ Thus, the baseload contracts herein will meet 50% of the expected average Southern System Minimum Flow Requirements. The System Operator anticipates making purchases in the spot market on days when the Southern System Minimum Flow Requirements are higher than 560,000 dth/day and supplies are not being delivered by noncore customers.⁹

Given the low price of these contracts, SoCalGas believes this Advice Letter should be expeditiously approved so as not to jeopardize these low-cost alternatives to spot gas purchases next winter.

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 this advice letter was filed with the Commission which is September 20, 2012. There is no

⁴ (SoCalGas border + 8.2 cents) - (SoCalGas border + 8 cents) = 0.2 cents net cost. 280,000 dth x 121 days x 0.2 cents/dth = \$68,000.

⁵ This cost was in the form of a reservation charge and totaled about \$1,284,000 (see Exhibit 1 of AL 4153-A).

⁶ The BTS charge over that prior contract period averaged 4.5 cents/dth. The current, full BTS charge is 11 cents/dth, but SoCalGas heavily discounted that charge at El Paso SoCal Ehrenberg delivery point last winter.

⁷ This was also a period with San Onofre nuclear plant outages.

⁸ Gas Acquisition would be responsible for the other 50% of the daily Minimum Flow Requirements.

⁹ SoCalGas does not expect the Southern System Minimum Flow Requirements to exceed 760 MMcf/d, which would mean that Hub spot purchases would at most be 100 MMcf/d, i.e., 50% x (760 - 560). Gas Acquisition would be purchasing the other 100 MMcf/d of swing supply under its contract—assuming the approval of AL 4394.

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 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 that this filing is subject to Energy Division disposition, and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. This filing is consistent with D.07-12-019 and therefore SoCalGas respectfully requests that this filing be approved on September 30, 2012, which is thirty (30) calendar days after the date filed.¹⁰

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, 2009 BCAP proceeding, A.08-02-001, and Firm Access Rights Update Proceeding, A.10-03-028.

Rasha Prince
Director – Regulatory Affairs

Attachments

¹⁰ SoCalGas would note that each of the contracts presented in Attachment B has until October 31, 2012 to be approved by the Commission. After October 31, 2012, parties may seek to exit each of the contract agreements.

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) #: 4399

Subject of AL: Request for Approval of Four Baseload Contracts for Delivery of Gas to Maintain Southern System Reliability Pursuant to D.07-12-019

Keywords (choose from CPUC listing): Contracts; Reliability

AL filing type: Monthly Quarterly Annual One-Time Other Periodic

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

D07-12-019

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: Yes. The contracts contain customer-specific information.

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 9/30/12

No. of tariff sheets: 0

Estimated system annual revenue effect (%): _____

Estimated system average rate effect (%): _____

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: None

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. 4399

(See Attached Service Lists)

ATTACHMENT B

Advice No. 4399

**(Four Baseload Contracts for Delivery of Gas to Maintain Southern System
Reliability Pursuant to D.07-12-019)**

Confidential Contracts

**This Attachment is being provided only to the Energy Division under the
confidentiality provisions of General Order 66-C and Section 583 of the Public
Utilities Code.**