

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 26, 2013

**Advice Letter: 4513-G-A**

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

**SUBJECT: Request for Approval of a Third Memorandum in Lieu of Contract Between the System Operator and the Gas Acquisition Department for Services to Maintain Southern System Reliability**

Dear Ms. Prince:

Advice Letter 4513-G-A is effective as of November 1, 2013, per Resolution G-3485 Ordering Paragraph.

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  
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November 1, 2013

Advice No. 4513-A  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Supplement - Request for Approval of a Third Memorandum in Lieu of Contract between the System Operator and the Gas Acquisition Department for Services to Maintain Southern System Reliability**

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) a third Memorandum in Lieu of Contract (MILC or Third MILC) between SoCalGas' System Operator and SoCalGas' Utility Gas Procurement Department (Gas Acquisition) for gas supply to support SoCalGas' minimum flow requirements on its Southern System.<sup>1</sup> This proposed Third MILC is Attachment C. In addition, SoCalGas submits for filing related revisions to its tariff schedules, applicable throughout its service territory, as shown in Attachment B.

**Purpose**

This supplemental filing replaces in its entirety Advice No. (AL) 4513 dated June 28, 2013 to comply with Ordering Paragraph (OP) 2 of Resolution G-3485 adopted on October 31, 2013, which approves SoCalGas' AL 4513, with one modification. OP 2 requires SoCalGas to submit a supplement to AL 4513, within 30 days.

**Background**

**Southern System Minimum Flow Requirements**

Pursuant to Decision (D.) 07-12-019, the SoCalGas System Operator is responsible for maintaining minimum flows on the SoCalGas Southern System, with the cost paid for by all customers.<sup>2</sup> SoCalGas needs a certain minimum amount (which can vary depending upon

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<sup>1</sup> As the agreement is between two departments of the same legal entity, the terms are documented in a MILC rather than a traditional contract.

<sup>2</sup> D.07-12-019, mimeo., at 116 (Ordering Paragraph No. 15). The System Operator is "broadly defined to constitute the SoCalGas departments responsible for the operation of its transmission system, including storage, hub services, pooling services receipt point access, offsystem deliveries, and system reliability. The System Operator functions explicitly exclude the Gas Procurement Department which will not be involved in any of the system-related operational activities." D.07-12-019, mimeo., at 58.

conditions) of flowing supplies on its Southern System for the system to operate effectively.<sup>3</sup> The amount of this minimum flow requirement is equal to the entire demand on the SoCalGas Southern System, which includes both core and noncore customer demand, less gas supply that is flowed from the Northern System to the South.<sup>4</sup> The process that the SoCalGas System Operator follows for purchasing supplies to maintain minimum flows on the Southern System is laid out in SoCalGas Rule No. 41.

### **First MILC (November 2011-October 2012)**

On November 3, 2011, SoCalGas filed AL 4291 requesting approval of a MILC (First MILC) between the System Operator and Gas Acquisition to support SoCalGas' minimum flow requirements on its Southern System. Under the First MILC, Gas Acquisition agreed to deliver a specified volume of flowing supplies to the Southern System each day,<sup>5</sup> 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.

In Resolution G-3468, issued on July 12, 2012, the Commission approved the First MILC, subject to certain limited modifications.<sup>6</sup> On July 13, 2012, SoCalGas filed a revised First MILC which included the modifications required by the Commission, and the First MILC became effective on that date. The term of the First MILC ran through October 31, 2012.

### **Second MILC (November 2012-October 2013)**

On August 17, 2012, SoCalGas filed AL 4394 requesting approval of a second MILC (Second MILC) between the System Operator and Gas Acquisition to support SoCalGas' minimum flow requirements on its Southern System. In Resolution G-3476, issued on March 21, 2013, the Commission approved the Second MILC, subject to the following limited modifications:

1. In order for core to be relieved of SRMA cost responsibility for a day on which SRMA costs are incurred, GA must supply bundled core's actual share of Southern System flow requirements specific to that gas day.
2. Consistent with the first modification, the percentages in the MILC set to represent core's share of the Southern System minimum flow requirements are no longer needed and shall be eliminated.

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<sup>3</sup> Resolution G-3476 at p. 2.

<sup>4</sup> Resolution G-3476 at p. 2.

<sup>5</sup> 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.

<sup>6</sup> 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.

3. The Tariff change requested as part of the MILC will be modified to be consistent with the requirement that core's actual Gas Day share will need to be determined and that this information will not be available at the end of each month.<sup>7</sup>

On March 29, 2013, SoCalGas filed a revised Second MILC which included the modifications required by the Commission, effective on April 1, 2013.<sup>8</sup> The term of the Second MILC runs through October 31, 2013.

### **Proposal**

To continue the benefits of the Southern System support arrangement established in the First MILC and Second MILC, SoCalGas is proposing a Third MILC to become effective when the Second MILC ends.

### **Term**

The Third MILC would become effective on the later of November 1, 2013, or the effective date of Commission approval. The initial term of the Third MILC would end on October 31, 2014.

In addition, the Third MILC would continue for subsequent one-year terms unless: (1) cancelled in writing by SoCalGas at least 30 days prior to the next term;<sup>9</sup> or (2) superseded by a Commission decision in the upcoming SoCalGas Southern System application.

SoCalGas is proposing a year-by-year "evergreening" of the Third MILC in order to avoid the uncertainty and gaps in coverage associated with the existing annual MILC advice filing process. Evergreening on a year-to-year basis will ensure the continued availability of Southern System supply support from Gas Acquisition at least through a Commission decision regarding SoCalGas' upcoming Southern System application. Such certainly is crucial given the new demands being placed on its system by the shutdown of the San Onofre Nuclear Generation Station (SONGS). In addition, it took SoCalGas eight months to obtain approval of the First MILC, and seven months to obtain approval of the Second MILC. Given that the Commission has already recognized the benefits of the MILC twice, it does not make sense to continue with an annual approval process that results in the MILC not being available to the System Operator for a substantial portion of each year.

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<sup>7</sup> Resolution G-3468 at 2.

<sup>8</sup> Southern California Generation Coalition (SCGC) and Southern California Edison Company (SCE) filed protests to AL 4394-A, contesting one provision in the revised Second MILC. On April 25, 2013 SoCalGas filed a second supplemental filing, also effective April 1, 2013, which removed the provision objected to by SCGC and SCE.

<sup>9</sup> SoCalGas would file a Tier 1 advice letter to notify the Commission and interested parties of the cancellation.

In Resolution G-3468 (approving the First MILC), the Commission stated that the term of any additional MILCs should not go beyond the life of the current TCAP.<sup>10</sup> This statement is moot now that Southern System issues are no longer being considered in the current TCAP. If the Commission wishes to limit subsequent terms of the Third MILC, it may do so in the upcoming SoCalGas Southern System application proceeding, a possibility expressly built into the Third MILC.

### Other Provisions

The Third MILC (Attachment C) is only two and ½ pages long; its provisions are straightforward, and should appear familiar to anyone involved with SoCalGas' first two MILCs. Other than the term provision just discussed, the substance of the Third MILC is the same as the Second MILC adopted in Resolution G-3476.<sup>11</sup> The SRMA credit mechanism would work the same as the process approved in Resolution G-3468 and G-3476, and the fee calculation would also be the same, though it would use the updated bundled core sharing percentage (40.4%) presented in the proposed TCAP settlement rather than the 41.9% used in the previous two MILCs.<sup>12</sup>

Consistent with Resolution G-3476 and the Second MILC, the Third MILC does not contain the 260 Mdth and 360 Mdth caps included in the First MILC. Instead, the Third MILC provides that for bundled core to be relieved of SRMA cost responsibility for a day on which SRMA costs are incurred, Gas Acquisition must supply bundled core's *actual* share of Southern System flow requirements specific to that gas day.<sup>13</sup>

SoCalGas urges the Commission to adopt the Third MILC for all of the reasons the Commission approved the First MILC and Second MILC. The arrangements proposed in the Third MILC are essentially the same as those in the currently-effective Second MILC. With SONGS closed down, and with continuing strong demand for natural gas on the Southern System, the System Operator will likely be buying reliability-related supplies on a regular basis for many years to come. SoCalGas does not wish to lose these substantial daily bundled core deliveries into the Southern System, and it believes that it would be in the strong interest of its customers to have this newly-authorized System Operator tool continue beyond October 31, 2013.

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<sup>10</sup> See Resolution G-3468 at p. 26. In Resolution G-3468, the Commission also directed SoCalGas to submit testimony in the TCAP regarding the transfer of Southern System minimum flow responsibility from Gas Acquisition to the System Operator (Resolution G-3468 at pp. 22 and 26), and SoCalGas submitted TCAP testimony on this topic (Supplemental Direct Testimony of Beth Musich Regarding the Transfer of Southern System Minimum Flow Responsibility dated September 10, 2012 (Ex. SCG-104 (Musich) in Phase 2 of A.11-11-002)). However, on March 27, 2013, SoCalGas, SDG&E, and almost all other active TCAP parties filed a joint motion for adoption of settlement of all contested Phase 2 issues other than PSEP cost allocation and SDG&E's residential customer charge proposal. One of the provisions in this settlement is that Southern System issues will be considered in a separate Commission application to be submitted by SoCalGas. The Commission has not yet acted on this proposed settlement, but no party submitted any opposition to the settlement, and hearings on issues covered by the settlement were taken off calendar.

<sup>11</sup> 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.

<sup>12</sup> See Attachment C at 2.

<sup>13</sup> Attachment C at 1.

SoCalGas has revised the MILC as required by the Commission in OP 2 of Resolution G-3485 to modify the evergreen provision limiting it to three one-year terms ending not later than October 31, 2016 unless otherwise terminated with 30 days' notice by SoCalGas or superseded in an intervening Southern System related CPUC decision or other proceeding.

A redlined version of the MILC 3 is incorporated herein as Attachment D.

### **Related Tariff Changes**

SoCalGas is also proposing that the Preliminary Statements of the Purchased Gas Account (PGA) and the System Reliability Memorandum Account (SRMA) be updated to reflect the Third MILC.<sup>14</sup> Currently, only the First MILC and Second MILC are referenced in these tariffs.

### **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 November 21, 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](mailto: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](mailto:snewsom@semprautilities.com)

### **Effective Date**

SoCalGas believes this AL is subject to Energy Division disposition and should be classified as Tier 1 (effective pending staff approval) pursuant to GO 96-B. This AL will be made effective November 1, 2013, the date filed.

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<sup>14</sup> The First MILC and the Second MILC are already referenced in these preliminary statements.

**Notice**

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes parties in A.11-11-002, 2013 TCAP.

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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) #: 4513-A

Subject of AL: Supplement: Request for Approval of a Third MILC bet. the Utility System Operator and the Gas Acquisition Department for Services to Maintain Southern System Reliability

Keywords (choose from CPUC listing): Agreements; Contracts

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

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

G-3468, G-3485

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 AL<sup>1</sup>: N/A

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

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 11/1/13

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 proposed<sup>1</sup>: 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](mailto:EDTariffUnit@cpuc.ca.gov)

Southern California Gas Company  
Attention: Sid Newsom  
555 West 5<sup>th</sup> Street, GT14D6  
Los Angeles, CA 90013-1011  
[SNewsom@semprautilities.com](mailto:SNewsom@semprautilities.com)  
[Tariffs@socalgas.com](mailto:Tariffs@socalgas.com)

<sup>1</sup> Discuss in AL if more space is needed.



**ATTACHMENT A**  
**Advice No. 4513-A**

**(See Attached Service Lists)**

ATTACHMENT B  
Advice No. 4513-A

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 49671-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 1	Revised 49383-G Revised 49089-G
Revised 49672-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 2	Revised 49384-G Revised 49090-G
Revised 49673-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, SYSTEM RELIABILITY MEMORANDUM ACCOUNT (SRMA), Sheet 1	Revised 49385-G Revised 49091-G
Revised 49674-G Revised 49675-G	TABLE OF CONTENTS TABLE OF CONTENTS	Revised 49670-G Revised 49351-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, 4394-B, and 4513-A and their respective Memorandum In Lieu of Contract (MILC) consistent with Resolution G-3468, Resolution G-3476, and Resolution G-3485, respectively.

N  
N

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. 4513-A  
 DECISION NO.

ISSUED BY  
**Lee Schavrien**  
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
 DATE FILED Nov 1, 2013  
 EFFECTIVE Nov 1, 2013  
 RESOLUTION NO. G-3485, 3468

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 MILCs in AL 4291-A, 4394-B, and 4513-A (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.

N

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 4513-A  
DECISION NO.

ISSUED BY

**Lee Schavrien**  
Senior Vice President

(TO BE INSERTED BY CAL. PUC)

DATE FILED Nov 1, 2013  
EFFECTIVE Nov 1, 2013  
RESOLUTION NO. G-3485, 3468

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, 4394-B, and 4513-A and their respective Memorandum In Lieu of Contract (MILC) consistent with Resolution G-3468, Resolution G-3476, and Resolution G-3485, respectively.

N  
N

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, 4394-B, and 4513-A (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.

N

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. 4513-A  
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ISSUED BY  
**Lee Schavrien**  
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
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(Continued)

(TO BE INSERTED BY UTILITY)  
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**Lee Schavrien**  
 Senior Vice President

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**ATTACHMENT C**

**Advice No. 4513-A**

**REVISED THIRD MEMORANDUM IN LIEU OF CONTRACT**



## REVISED THIRD 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.<sup>1</sup> 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).

**First MILC:** 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. 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).

**Second MILC:** On August 17, 2012, SoCalGas filed AL 4394 requesting approval of a Second MILC between the System Operator and the SoCalGas Gas Acquisition Department to support SoCalGas' minimum flow requirements on its Southern System. The Second MILC has an end date of October 31, 2013. On March 21, 2013, the Commission adopted Resolution G-3476 which approved AL 4394, also subject to certain limited modifications. SoCalGas executed a Revised Second MILC containing the modifications required by the CPUC, and SoCalGas submitted the Revised Second MILC to the CPUC on March 29, 2013, via AL 4394-A. In response to protests by certain interested parties, SoCalGas made further revisions to the Revised Second MILC, and submitted it to the a CPUC on April 25, 2013, via AL 4394-B (effective upon filing).

2. **Proposed Third MILC.** This Third MILC has been revised to include modifications required by Resolution G-3476. Under this Third Revised MILC, the bundled core will be relieved of any System Reliability Memorandum Account costs incurred by the System Operator on days on which GA delivers the bundled core's actual share of the Southern System Minimum Flow Requirement to the Southern System. The bundled core's actual daily share will be 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 incurred by the System Operator on days on which GA does not deliver supplies to meet bundled core's daily share of the Southern System Minimum Flow Requirement. Unlike the first two MILCs, this Third MILC will evergreen for three consecutive one-year terms, ending not later than October 31, 2016, unless cancelled by GA or the System Operator or superseded by a CPUC decision in the upcoming SoCalGas Southern System application proceeding.

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

3. **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 under this MILC is the later of: (1) November 1, 2013, or (2) the effective date of CPUC approval. The initial term of this MILC (Initial Term) shall continue for each day from the commencement date through and including October 31, 2014. This MILC shall continue for two subsequent one-year terms beginning on November 1, 2014 (Subsequent Terms), and ending not later than October 31, 2016, unless and until either: (1) cancelled in writing by either GA or the System Operator at least 30 days prior to the end of either the Initial Term or the next upcoming Subsequent Term; or (2) superseded in an intervening Southern System related CPUC decision or other proceeding (the Initial Term and Subsequent Terms are collectively the "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 supplies equal to the estimated bundled core's share of daily 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.<sup>2</sup>

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 this 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

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<sup>2</sup> Under the proposed TCAP settlement, 40.4% of SRMA costs would be allocated to bundled core customers, subject to the crediting provision of the Revised Second MILC.

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.

Executed by:

System Operator

By:  \_\_\_\_\_

Beth Musick

Title: Director, Energy Markets & Capacity Products

Date of execution: November 1, 2013

Gas Acquisition

By:  \_\_\_\_\_

Title: Vice President, Gas Acquisition

Date of execution: November 1, 2013

**ATTACHMENT D**

**Advice No. 4513-A**

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**Redlined Version**

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Executed by:

System Operator

Gas Acquisition

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: Director, Energy Markets & Capacity Products

Title: Vice President, Gas Acquisition

Date of execution: November 1, 2013~~June 28, 2013~~  
2013

Date of execution: November 1, 2013~~June 28,~~