

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 21, 2015

**Advice Letters 4690-G and 4690-G-A**

Ronald van der Leeden  
Director, Regulatory Affairs  
Southern California Gas  
555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011

**SUBJECT: 2014 Annual Compliance Report on Utility System Operator's Southern System Reliability Purchases and Sales**

Dear Mr. van der Leeden:

Advice Letters 4690-G and 4690-G-A are effective as of September 20, 2015, per Resolution G-3504 approved on August 13, 2015.

Sincerely,

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

Edward Randolph  
Director, Energy Division



Ronald van der Leeden

Director  
Regulatory Affairs

555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011

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*RvanderLeeden@semprautilities.com*

August 21, 2015

Advice No. 4690-A  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Partial Supplement: 2014 Annual Compliance Report on Utility System Operator's Southern System Reliability Purchases and Sales (September 1, 2013, through August 31, 2014)**

Southern California Gas Company (SoCalGas) hereby submits this partial supplement to its 2014 Annual Compliance Report (ACR) to: (1) demonstrate that the five Southern System Section 16 reliability transactions referenced in Resolution G-3504 were reasonable; and (2) provide the overnomination event information referenced in Resolution G-3504.

### **Background**

On September 19, 2014, via Advice No. (AL) 4690, SoCalGas submitted an ACR for its Southern System procurement activities for the period September 1, 2013, through August 31, 2014. On August 13, 2015, the Commission adopted Resolution G-3504, which approved all of the sales transactions and all but five purchase transactions detailed in AL 4690. Resolution G-3504 directed SoCalGas to file a supplemental AL providing additional information regarding the reasonableness of the five noted purchase transactions. Additionally, Resolution G-3504 directed SoCalGas to provide information regarding overnomination events that SoCalGas mistakenly did not include in AL 4690.

### **Discussion**

SoCalGas hereby provides the information requested by the Commission in Resolution G-3504.

### **A. Additional Information Regarding the Five Referenced Purchase Transactions**

Resolution G-3504 noted five purchase transactions that were identified as either section 13 or 14, but should have been identified as Section 16. Section 16 of Rule No. 41 states:

Purchases and sales other than those described in Sections 14 and 15 above will not be deemed unreasonable but shall be subject to review and any requests for explanation by the CPUC Energy Division in conjunction with the Annual Compliance Report described in Section 25 below.

The five transactions that the Resolution states should have been identified as Section 16 are as follows:

- TC# 2157 for flow date 9/5/13
- TC# 2351 for flow date 11/27/13
- TC# 2443 for flow date 2/4/14
- TC# 2444 for flow date 2/4/14
- TC# 2551 for flow date 8/12/14

The circumstances regarding each of these five transactions are described below.

#### **1. TC# 2157**

For flow day 9/5/13 Gas Control made a request for 311,000 dths of supply, a large volume of supply to purchase in a short period of time. 126,500 dths of that supply was obtained from three suppliers within the Section 13 price limits. Only one other supplier responded in a timely manner with additional supply. That supplier offered 184,500 dths at a price that was just 5.5 cents over the Section 13 price limit of \$4.42. Given the three Section 13 offers SoCalGas had received, SoCalGas was under the impression that TC# 2157 would qualify as Section 14. No responses for additional supply were received before SoCalGas needed to respond to that supplier. Faced with such a large supply gap, SoCalGas accepted the offer. Since Southern System supplies with this purchase still barely met the 837,000 dth Southern System minimum on September 5<sup>th</sup>, SoCalGas believes that a localized curtailment of the Southern System likely would have been necessary had SoCalGas not purchased the 184,500 dths in question.

#### **2. TC# 2351**

For flow day 11/27/13 Gas Control made a request for 115,000 dths of supply. SoCalGas obtained six offers for a combined total of 104,236 dths

of supply that were under the Section 13 price limit, but was still 10,764 dths short of the requested volume. SoCalGas accepted TC# 2351 because it had a price of \$4.43/dth, which was lower than four other offers that were rejected with prices of \$4.45, \$4.47, \$4.52, and \$4.78 respectively. In short, this was a Section 14 transaction. SoCalGas did not provide this additional information regarding the rejected offers in the ACR because of its previous interpretation of Section 14.<sup>1</sup>

### **3. TC# 2443**

Gas Control requested 68,000 dths for flow day 2/4/14. SoCalGas obtained 34,838 dths from a supplier within Section 13 price limits. SoCalGas helped fill the gap with TC# 2443 for \$6.95/dth. SoCalGas rejected an offer of 15,000 dths at \$7.42 and 30,000 dths at \$7.90. Therefore, TC# 2443 also was a Section 14 transaction. Again, SoCalGas did not provide this additional information regarding the rejected offers in the ACR because of its previous interpretation of Section 14.

### **4. TC# 2444**

Gas Control requested 68,000 dths for February 4, 2014. SoCalGas obtained 34,838 dths from a supplier within Section 13 price limits. SoCalGas helped fill the gap with TC# 2444 for \$7/dth. SoCalGas rejected an offer of 15,000 dths at \$7.42 and 30,000 dths at \$7.90. Therefore, TC# 2444 was a Section 14 transaction. Again, SoCalGas did not provide this additional information regarding the rejected offers in the ACR because of its previous interpretation of Section 14.

### **5. TC# 2551**

Gas Control requested 123,000 dths of supply for August 12, 2014. SoCalGas met 71,560 dths of this request with two transactions within the Section 13 price limits. SoCalGas sought out other supply, but TC# 2551 was the only incremental supply that could be obtained, and even that volume (23,562 dths) did not fully meet Gas Control's request. In addition to TC# 2551, four providers were contacted who all responded that no supplies were available due to El Paso Pipeline maintenance. On August 12, 2014, El Paso performed maintenance of the Havasu Crossover that reduced its capacity from 650 MMcfd to zero. This severely constrained the availability of supply at Ehrenberg. Under these circumstances, SoCalGas believes that it was justified in entering into TC# 2551 to support the Southern System even though additional offers were not available from other market participants.

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<sup>1</sup> See Resolution G-3504 at 8-9.

## 6. Additional Considerations

As shown in Appendix B to AL 4690, the total purchase cost of these five transactions was \$1,200,824, which represents 0.6% of the total purchase costs of \$185,142,449 for the year ended August 31, 2014. The subsequent sales of these transactions have been approved by Resolution G-3504, which means the \$1.2 million outstanding for approval represents 9.3% of the net costs of \$12,932,531. However, the dollar value that is really in question is the amount above the Section 13 price limits. As Table 1 below shows, these five transactions exceeded Section 13 price limits by only \$26,182.

**Table 1**

Dollars over Section 13 Limit					
<i>Date</i>	<i>Volume</i>	<i>TC#</i>	<i>Actual \$</i>	<i>Sec 13 \$ limit</i>	<i>\$ over Sec. 13</i>
9/5/13 a	184,500	2157	\$ 4.47	\$ 4.42	\$ 10,147
11/27/13 a	10,500	2351	\$ 4.43	\$ 4.30	\$ 1,323 {1}
2/4/14 a	5,000	2443	\$ 6.95	\$ 6.86	\$ 450 {2}
2/4/14 a	24,449	2444	\$ 7.00	\$ 6.86	\$ 3,423 {2}
8/12/14 b	23,562	2551	\$ 5.25	\$ 4.79	\$ 10,839
Total	248,011				\$ 26,182
<i>Dollars associated with Section 16 purchases</i>					\$ 20,986
{1} Section 14 given 4 rejected, higher priced offers at \$4.45, \$4.47, \$4.52, and \$4.78					
{2} Section 14 given rejected offers of 15,000 dths at \$7.42 and 30,000 dths at \$7.90					

As discussed earlier, the additional information regarding rejected offers for TC# 2351, 2443, and 2444 should establish them as Section 14 transactions. The amount over Section 13 price limits for the two remaining Section 16 transactions—TC# 2157 and 2551—was \$20,986. This \$20,986 represents only 0.01% of the total cost of the purchases of \$185,142,449 presented in AL 4690.

### B. Overnomination Event Information

In Resolution G-3486 (issued December 6, 2013), the Commission approved a proposed revision to SoCalGas' Rule No. 30 to clarify the procedures used in situations where there is a system-wide overnomination yet additional supplies are needed on SoCalGas' Southern System. The Commission required that SoCalGas provide information concerning the impact of the Rule No. 30 revision in future ACRs. This information includes: 1) the frequency of events where overnominations

occurred system-wide yet the System Operator was required to maintain minimum flows to the Southern System; 2) the effectiveness of the 10% margin of error and any need to increase or decrease the margin; and 3) the observed impact on other receipt points.<sup>2</sup> SoCalGas inadvertently failed to provide this information in AL 4690.

The referenced overnomination event information is provided below.

### **1. Frequency**

This analysis is included as Attachment A to this AL. In the reporting period, there were a total of eight days where a Southern System reliability purchase coincided with an operational flow order (OFO).

### **2. Margin of Error**

On seven of these days, scheduled volumes at the Southern System on the cycle when the OFO was declared were significantly higher—between 95,000 dth and 197,000 dth—than 110% of the posted minimum. The percentage reductions that occurred on the Southern System in response to the OFOs were similar to those at other receipt points. Thus, on these days the 10% ‘margin of error’ was not binding and did not affect scheduled deliveries at other receipt points during the OFO day.

### **3. Impact on Other Receipt Points**

On one day, November 8, 2013, the 10% margin had an impact. On that day, a cycle 1 OFO was declared when scheduled volumes at the Southern System were below the posted minimum flow requirement. Southern System supplies on that day increased to the 110% minimum level. Supplies at other receipt points, however, declined by 280,000 dths, or 12%. Had the minimum been 100%, rather than 110%, the supplies at other receipt points would have been reduced by only 226,000 dths, or 9%. Even on this day, the 54,000 dth impact on receipts at other points was small. Therefore, SoCalGas does not see the need to either increase or decrease the margin.

### **Protest**

Anyone may protest this 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 must be

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<sup>2</sup> Resolution G-3486, Ordering Paragraph 2.

received within 20 days of the date of this AL, which is September 10, 2015. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is given below.

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

A copy 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**

Per Resolution G-3504, this filing is subject to Energy Division disposition and is classified as Tier 2 (effective after staff approval). SoCalGas respectfully requests that this filing be approved on September 20, 2015, which is 30 calendar days from the date filed.

### **Notice**

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list in A. 11-11-002, the 2013 SoCalGas/SDG&E TCAP. Address change requests to the GO 96-B should be directed by electronic mail to [tariffs@socalgas.com](mailto:tariffs@socalgas.com) or call 213-244-3387. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

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Ronald van der Leeden  
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) #: 4690-A

Subject of AL: Partial Supplement: 2014 Annual Compliance Report on Utility System Operator's Southern System Reliability Purchases and Sales

Keywords (choose from CPUC listing): Procurement

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

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

D.09-11-006 and Resolution G-3480

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:    Yes, Attachment F is confidential because it contains customer-specific information.

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 9/20/15

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: None

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. 4690-A**

**Overnomination Event Information Analysis**

SSR Purchase	OFO?	110% S. OFO Cycle Min	Scheduled Receipts at Blythe Prior to OFO	Scheduled Receipts at Blythe On OFO Cycle	% Change in Receipts at Blythe	Scheduled Receipts Outside Blythe Prior to OFO	Scheduled Receipts Outside Blythe On OFO Cycle	% Change in Receipts Outside of Blythe	
9/1/13	N								
9/2/13	N								
9/3/13	N								
9/4/13	N								
9/5/13	N								
9/6/13	N								
9/7/13	N								
9/8/13	N								
9/9/13	N								
9/10/13	N								
9/11/13	N								
9/17/13	N								
9/18/13	N								
9/19/13	N								
10/2/13	N								
10/15/13	N								
10/21/13	N								
10/22/13	N								
10/23/13	N								
10/24/13	N								
11/4/13	N								
11/5/13	N								
11/6/13	N								
11/8/13	Y	1	554,826	490,781	562,122	14.5%	2,422,756	2,142,491	-11.6%
11/11/13	N								
11/13/13	N								
11/18/13	N								
11/19/13	N								
11/20/13	N								

SSR Purchase	OFO?	110% S. OFO Cycle Min	Scheduled Receipts at Blythe Prior to OFO	Scheduled Receipts at Blythe On OFO Cycle	% Change in Receipts at Blythe	Scheduled Receipts Outside Blythe Prior to OFO	Scheduled Receipts Outside Blythe On OFO Cycle	% Change in Receipts Outside of Blythe
11/21/13	N							
11/22/13	N							
11/23/13	N							
11/24/13	N							
11/25/13	N							
11/26/13	N							
11/27/13	N							
12/1/13	N							
12/2/13	N							
12/3/13	N							
12/4/13	N							
12/5/13	N							
12/6/13	N							
12/7/13	N							
12/8/13	N							
12/9/13	N							
12/10/13	N							
12/11/13	N							
12/12/13	N							
12/13/13	N							
12/14/13	N							
12/15/13	N							
12/16/13	N							
12/17/13	N							
12/18/13	N							
12/19/13	N							
12/20/13	N							
12/21/13	N							
12/22/13	N							

SSR Purchase	OFO?	110% S. OFO Cycle Min	Scheduled Receipts at Blythe Prior to OFO	Scheduled Receipts at Blythe On OFO Cycle	% Change in Receipts at Blythe	Scheduled Receipts Outside Blythe Prior to OFO	Scheduled Receipts Outside Blythe On OFO Cycle	% Change in Receipts Outside of Blythe
12/23/13	N							
12/24/13	N							
12/25/13	N							
12/26/13	N							
12/27/13	N							
12/28/13	N							
12/29/13	N							
12/30/13	N							
12/31/13	N							
1/1/14	N							
1/2/14	N							
1/3/14	N							
1/4/14	N							
1/5/14	N							
1/6/14	N							
1/7/14	N							
1/8/14	N							
1/9/14	N							
1/10/14	N							
1/11/14	N							
1/12/14	N							
1/13/14	N							
1/14/14	N							
1/15/14	N							
1/16/14	N							
1/17/14	N							
1/18/14	N							
1/19/14	N							
1/20/14	N							

SSR Purchase	OFO?	110% S. OFO Cycle Min	Scheduled Receipts at Blythe Prior to OFO	Scheduled Receipts at Blythe On OFO Cycle	% Change in Receipts at Blythe	Scheduled Receipts Outside Blythe Prior to OFO	Scheduled Receipts Outside Blythe On OFO Cycle	% Change in Receipts Outside of Blythe
1/21/14	N							
1/22/14	N							
1/23/14	N							
1/24/14	N							
1/25/14	N							
1/26/14	N							
1/27/14	N							
1/28/14	N							
1/29/14	N							
1/30/14	N							
1/31/14	N							
2/1/14	N							
2/2/14	N							
2/3/14	N							
2/4/14	N							
2/5/14	N							
2/6/14	N							
2/7/14	N							
2/8/14	N							
2/9/14	N							
2/10/14	N							
2/11/14	N							
2/12/14	N							
2/13/14	N							
2/14/14	N							
2/15/14	N							
2/16/14	N							
2/17/14	N							
2/18/14	N							

SSR Purchase	OFO?	110% S. OFO Cycle Min	Scheduled Receipts at Blythe Prior to OFO	Scheduled Receipts at Blythe On OFO Cycle	% Change in Receipts at Blythe	Scheduled Receipts Outside Blythe Prior to OFO	Scheduled Receipts Outside Blythe On OFO Cycle	% Change in Receipts Outside of Blythe	
2/19/14	N								
2/20/14	N								
2/21/14	N								
2/22/14	N								
2/23/14	N								
2/24/14	N								
2/25/14	N								
2/26/14	N								
2/27/14	N								
2/28/14	N								
3/1/14	N								
3/2/14	N								
3/3/14	N								
3/4/14	N								
3/5/14	N								
3/6/14	N								
3/7/14	N								
3/8/14	Y	1	524,230	766,146	620,023	-19.1%	1,827,633	1,698,919	-7.0%
3/9/14	N								
3/10/14	N								
3/11/14	Y	3	560,650	720,093	718,756	-0.2%	1,951,707	1,881,655	-3.6%
3/12/14	Y	1	560,650	720,093	718,756	-0.2%	1,951,707	1,881,655	-3.6%
3/13/14	Y	2	559,547	659,260	655,141	-0.6%	2,008,231	2,016,840	0.4%
3/14/14	Y	1	559,547	659,260	655,141	-0.6%	2,008,231	2,016,840	0.4%
3/15/14	Y	1	559,547	659,260	655,141	-0.6%	2,008,231	2,016,840	0.4%
3/16/14	N								
3/17/14	N								
3/18/14	N								
3/19/14	N								

SSR Purchase	OFO?	110% S. OFO Cycle Min	Scheduled Receipts at Blythe Prior to OFO	Scheduled Receipts at Blythe On OFO Cycle	% Change in Receipts at Blythe	Scheduled Receipts Outside Blythe Prior to OFO	Scheduled Receipts Outside Blythe On OFO Cycle	% Change in Receipts Outside of Blythe	
3/20/14	N								
3/21/14	Y	1	550,717	768,215	747,683	-2.7%	2,102,482	1,880,786	-10.5%
3/22/14	N								
3/23/14	N								
3/24/14	N								
3/25/14	N								
3/26/14	N								
3/27/14	N								
3/28/14	N								
3/29/14	N								
3/30/14	N								
3/31/14	N								
7/1/14	N								
8/12/14	N								