

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 27, 2016

Advice Letters 4979-G and 4979-G-A

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

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

Dear Mr. van der Leeden:

Advice Letters 4979-G and 4979-G-A are effective as of July 24, 2016.

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
Tel: 213.244.2009
Fax: 213.244.4957
RvanderLeeden@semprautilities.com

June 24, 2016

Advice No. 4979
(U 904 G)

Public Utilities Commission of the State of California

Subject: Request for Approval of a Fourth 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 or CPUC) a fourth Memorandum in Lieu of Contract (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.¹ This proposed Fourth MILC is Attachment B. In addition, SoCalGas submits for filing related revisions to its tariff schedules, applicable throughout its service territory, as shown in Attachment A.

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.² SoCalGas needs a certain minimum amount (which can vary depending upon conditions) of flowing supplies on its Southern System for the system to operate

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

² 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.

effectively.³ 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.⁴ 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 Advice No. (AL) 4291 requesting approval of a 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,⁵ 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.⁶ 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 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.

³ Resolution G-3476 at 2.

⁴ Resolution G-3476 at 2.

⁵ 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 (Mdt), 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 Mdt.

⁶ 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 17-19.

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.
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.⁷

On March 29, 2013, SoCalGas filed a revised Second MILC which included the modifications required by the Commission, effective on April 1, 2013.⁸ The term of the Second MILC ran through October 31, 2013.

Third MILC (November 2013-October 2016)

On June 28, 2013, SoCalGas filed AL 4513 requesting approval of a Third MILC between the System Operator and Gas Acquisition to support SoCalGas' minimum flow requirements on its Southern System. In Resolution G-3485, adopted on October 31, 2013, the Commission approved the Third MILC, subject to one limited modification. The evergreen provision was modified to limit the Third MILC to three one-year terms ending no 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.⁹

On November 1, 2013, SoCalGas filed a revised Third MILC which included the modifications required by the Commission, effective on November 1, 2013. The term of the Third MILC runs through October 31, 2016.

Proposal

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

⁷ Resolution G-3468 at 2.

⁸ 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, AL 4394-B effective April 1, 2013, which removed the provision objected to by SCGC and SCE.

⁹ Resolution G-3485 at 10, Ordering Paragraph No. 2.

Term

The Fourth MILC would become effective on November 1, 2016. The initial term of the Fourth MILC would end on October 31, 2017.

The Fourth MILC would continue for two one-year terms ending not later than October 31, 2018, unless cancelled in writing by SoCalGas at least 30 days prior to the second term.¹⁰

SoCalGas is proposing to continue year-by-year "evergreening" of the Fourth MILC in order to avoid the uncertainty and gaps in coverage associated with an 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. It took SoCalGas eight months to obtain approval of the First MILC, and seven months to obtain approval of the Second MILC. The Third MILC was timely approved and included an annual evergreening provision. Given that the Commission has already recognized the benefits of the MILC three times, including the evergreening provision in the Third MILC, the Commission should continue to provide the certainty requested in the Fourth MILC.

Other Provisions

The Fourth MILC (Attachment B) is only 2½ pages long; its provisions are straightforward and should appear familiar to anyone involved with SoCalGas' first three MILCs. The substance of the Fourth MILC is the same as the Third MILC adopted in Resolution G-3485.¹¹ The SRMA credit mechanism would work the same as the process approved in Resolution G-3468 and G-3476, and the fee calculation and bundled core sharing percentage (40.4%) would also be the same.

Consistent with Resolution G-3476 and the Second MILC, the Fourth MILC does not contain the 260 Mdth and 360 Mdth caps included in the First MILC. Instead, consistent with the Third MILC, the Fourth 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.

SoCalGas urges the Commission to adopt the Fourth MILC for all of the reasons the Commission approved the First MILC, Second MILC, and Third MILC. The arrangements proposed in the Fourth MILC are essentially the same as those in the

¹⁰ SoCalGas would file a Tier 1 advice letter to notify the Commission and interested parties of the cancellation.

¹¹ 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.

currently-effective Third MILC. 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 System Operator tool continue beyond October 31, 2016.

Related Tariff Changes

SoCalGas is also proposing that the Preliminary Statements of the Purchased Gas Account (PGA) and the SRMA be updated to reflect the Fourth MILC. Currently, only the First MILC, Second MILC, and Third 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 July 14, 2016. 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

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as a Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. SoCalGas respectfully requests that this Advice Letter be approved on July 24, 2016, which is 30 calendar days after the date filed.

Notice

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list A.15-07-014. Address change requests to the GO 96-B should be directed by electronic mail to 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.

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) #: 4979

Subject of AL: Request for Approval of a Fourth Memorandum in Lieu of Contract between the 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 AL¹: N/A

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

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 7/24/16

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 TOCs

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. 4979

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 52724-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 1	Revised 51641-G
Revised 52725-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 2	Revised 49672-G
Revised 52726-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, SYSTEM RELIABILITY MEMORANDUM ACCOUNT (SRMA), Sheet 1	Revised 49673-G
Revised 52727-G	TABLE OF CONTENTS	Revised 52720-G
Revised 52728-G	TABLE OF CONTENTS	Revised 52588-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, 4513-A, and 4979 and their respective Memorandum In Lieu of Contract (MILC) consistent with Resolution G-3468, Resolution G-3476, and Resolution G-3485, respectively.

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 Rule No. 30 and 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 and core aggregator Low OFO and EFO noncompliance charges under Rule No. 30 and Schedule No. G-IMB; and 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. 4979
 DECISION NO. 07-12-019

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jun 24, 2016
 EFFECTIVE _____
 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, 4513-A, and 4979 (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. 4979
DECISION NO. 07-12-019

ISSUED BY

Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Jun 24, 2016
EFFECTIVE _____
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, 4513-A, and 4979 and their respective Memorandum In Lieu of Contract (MILC) consistent with Resolution G-3468, Resolution G-3476, and Resolution G-3485, 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, 4394-B, 4513-A, and 4979 (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. 4979
DECISION NO. 07-12-019

ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Jun 24, 2016
EFFECTIVE _____
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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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(TO BE INSERTED BY UTILITY)
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 DECISION NO. 07-12-019

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Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jun 24, 2016
 EFFECTIVE Jul 24, 2016
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(Continued)

PRELIMINARY STATEMENT (Continued)

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(Continued)

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ATTACHMENT B

Advice No. 4979

Fourth Memorandum in Lieu of Contract

FOURTH 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).

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).

Third MILC: On June 28, 2013, SoCalGas filed AL 4513 requesting approval of a Third MILC between the System Operator and the SoCalGas Gas Acquisition Department to support SoCalGas' minimum flow requirements on its Southern System. The Third MILC has an end date of October 31, 2016. On October 31, 2013, the Commission adopted Resolution G-3485 which approved AL 4513, also subject to certain limited modifications. SoCalGas executed a Revised Third MILC containing the modifications required by the CPUC, and SoCalGas submitted the Revised Third MILC to the CPUC on November 1, 2013, via AL 4513-A (effective upon filing).

2. **Proposed Fourth MILC.** Under this Fourth 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

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

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 but similar to the Revised Third MILC, this Fourth MILC will evergreen for two consecutive one-year terms, ending not later than October 31, 2018, unless cancelled by GA or the System Operator.

- 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, 2016, 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, 2017. This MILC shall continue for one subsequent one-year term beginning on November 1, 2017 (Subsequent Term), and ending not later than October 31, 2018, unless and until 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 (the Initial Term and Subsequent Term 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.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 core 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.

² 40.4% of SRMA costs would be allocated to bundled core customers, subject to the crediting provision of the Revised Second MILC.

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 14 of SoCalGas Rule 41. As provided by Section 14 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.

Executed by:

System Operator

By: Garret R. Mancini

Title: Director, Energy Markets & Capacity Products

Date of execution: June 24, 2016

Gas Acquisition

By: Paul Goldblatt

Title: Vice President, Gas Acquisition

Date of execution: June 24, 2016