

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 3, 2016

Advice Letter 5022

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

**Subject: Biennial Report on Backbone Transmission and Slack
Capacity in Compliance with D.06-09-039**

Dear Mr. van der Leeden:

Advice Letter 5022 is effective as of October 1, 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
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September 1, 2016

Advice No. 5022
(U 904 G)

Public Utilities Commission of the State of California

Subject: Biennial Report on Backbone Transmission and Slack Capacity in Compliance with Decision (D.) 06-09-039

Southern California Gas Company (SoCalGas) hereby submits its biennial report to demonstrate that it holds adequate backbone transmission capacity and has slack capacity consistent with its proposals in the Gas Market Rulemaking (R.04-01-025).

Purpose

This Advice Letter (AL) complies with Ordering Paragraph (OP) 3 of D.06-09-039 which states:

The Pacific Gas and Electric Company and the Southern California Gas Company shall demonstrate in biennial advice letter filings to the Commission's Energy Division starting 2008 that they hold adequate backbone transmission capacity and have slack capacity consistent with their proposals presented herein. The first filing is due July 1, 2008.

Background

In response to reports and ongoing changes in the natural gas market which indicated that there may not be sufficient natural gas supplies or infrastructure to meet the long-term needs of the state's residential and business customers, the Commission initiated R.04-01-025. In the Assigned Commissioner's Scoping Memo of February 28,

2005, the Commission identified the following question for consideration in Phase 2 of this proceeding.¹

Can the California gas utilities' existing infrastructure and operations adequately protect California from short-term or long-term natural gas shortages caused by the interruptions in natural gas supply?

Most of the natural gas transported via the interstate pipelines, as well as some of the California produced natural gas, is delivered into the Pacific Gas and Electric Company (PG&E) and SoCalGas intrastate natural gas transmission pipeline systems (commonly referred to as California's "backbone" natural gas pipeline system). Natural gas on the utilities' backbone pipeline systems is then delivered into the local transmission and distribution pipeline systems, or natural gas storage fields. In D.06-09-039, the Commission determined that it was "comfortable with the total amount of firm backbone transmission capacity on both the PG&E and SoCalGas systems."² In an effort to continue to monitor the continuing sufficiency of backbone capacity on the PG&E and SoCalGas systems, the Commission also required PG&E and SoCalGas to demonstrate in AL filings with the Commission's Energy Division that they hold adequate backbone transmission capacity. These AL filings are to be made on a biennial basis, beginning July 1, 2008.³

Capacity Information

In R.04-01-025, SoCalGas explained to the Commission that it held a 49% annual reserve margin at the time and that, historically, its reserve margins have been between 40%-50%.⁴ Table 1 and Figure 1 below illustrate that SoCalGas continues to hold adequate backbone transmission capacity and has a reserve margin of backbone capacity consistent with Commission policy. SoCalGas expects to hold a Reserve Margin of 43% in 2016 and to retain an average Reserve Margin of 50% through 2035.

¹ Phase 1 of this proceeding was limited to issues related to the utilities' acquisition of interstate capacity and was resolved in D.04-09-022.

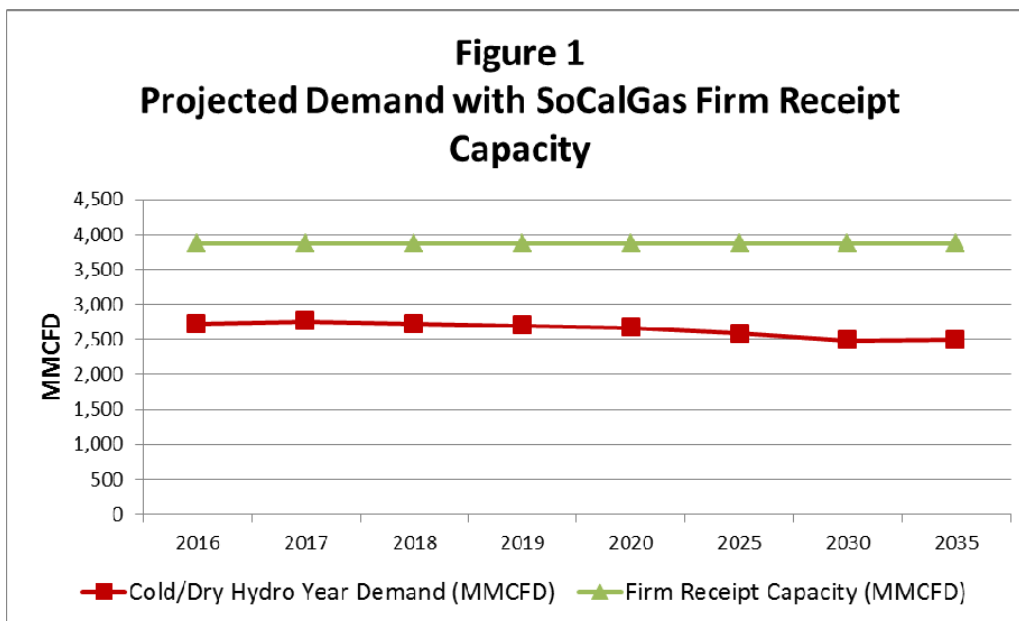
² D.06-09-039, mimeo., at 172 (Finding of Fact 12).

³ D.06-09-039, mimeo., at 27.

⁴ D.06-09-039, mimeo., at 171 (Finding of Fact 8). The Reserve Margin of backbone capacity in excess of demand on the SoCalGas system is derived by the formula: Reserve Margin = (Firm Daily Receipt Capacity – Average Daily Demand)/ Average Daily Demand.

Table 1⁵
SoCalGas Reserve Margin
1-in-10 Cold and Dry-Hydroelectric Condition

Year	Average Daily Demand: 1-in-10 Cold Year (MMCFD)	Reserve Margin (%)
2016	2,717	43%
2017	2,758	40%
2018	2,724	42%
2019	2,694	44%
2020	2,666	45%
2025	2,583	50%
2030	2,483	56%
2035	2,491	56%



⁵ Demand source: SoCalGas 2016 California Gas Report. Reserve margin relative to existing SoCalGas receipt capacity of 3,875 MMcfd. Note that the 3,875 MMcfd figure is SoCalGas’ theoretical receipt capacity. Actual receipt capacity is usually somewhat lower for a variety of reasons, including lower deliveries from California producers, and economic and practical factors that result in less than full utilization of certain receipt points.

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 received within 20 days of the date of this AL, which is September 21, 2016. 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). 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 AL 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 filing be approved on October 1, 2016, 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 R.04-01-025, Gas Market OIR. Address change requests to the GO 96-B service list 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) #: 5022

Subject of AL: Biennial Report on Backbone Transmission and Slack Capacity in Compliance with Decision (D.) 06-09-039

Keywords (choose from CPUC listing): Capacity; Storage

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

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

D.06-09-039

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL Yes. AL 5015.

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 10/1/16

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: _____

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.