

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 11, 2017

Advice Letter 5139-G

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

SUBJECT: Requesting Approval of the Proposed Injection Enhancement Plan & Memo btw the System Operator & Gas Acquisition Dept for Services to Maintain Summer Reliability Pursuant to the 5/8/17 "SoCalGas Summer Reliability & Storage Inventories"

Dear Mr. van der Leeden:

Advice Letter 5139-G is effective as of May 8, 2017, per Resolution G-3529 Ordering Paragraphs.

Sincerely,

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

Edward Randolph
Director, Energy Division

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION G-3529
June 29, 2017**

R E S O L U T I O N

Resolution G-3529. Southern California Gas Company (SoCalGas) request for expedited approval of the gas storage Proposed Injection Plan and Injection Enhancement Memorandum between the Utility System Operator and the Gas Acquisition Department for Services to Maintain Summer Reliability.

PROPOSED OUTCOME:

- SoCalGas' request for the proposed gas storage Injection Enhancement Plan is approved. SoCalGas' request for temporary modifications to the System Operator Injection Capacity Limits is denied.

SAFETY CONSIDERATIONS:

- This resolution has an indirect positive impact on customer safety by ensuring system reliability through the summer and upcoming winter.

ESTIMATED COST:

- Unknown at this time.

By Advice Letter 5139, Filed May 19, 2017.

SUMMARY

This resolution approves the Southern California Gas Company (SoCalGas) gas storage Proposed Injection Enhancement Plan and Injection Enhancement Memorandum between the System Operator and the Gas Acquisition Department for services to maintain summer reliability through and including September 30, 2017. However, SoCalGas' request for temporary modifications to the System Operator Injection Capacity Limits in Rule 41 is denied.

BACKGROUND

SoCalGas was directed to develop and submit to the California Public Utilities Commission (Commission) a proposed storage injection plan to support system reliability for summer 2017 and the upcoming winter. SoCalGas was directed to immediately begin maximizing storage injections using the procurement capabilities of the SoCalGas Acquisitions Department to support SoCalGas' storage requirement in order to maintain reliable delivery to customers during peak demand periods for both core and noncore customers.

On October 25, 2015, SoCalGas notified the Commission of a natural gas leak at the Aliso Canyon Gas storage facility. In response, on January 6, 2016, Governor Brown proclaimed a state of emergency for Los Angeles County due to the long duration of the natural gas leak and well failure at Aliso Canyon. The proclamation directs all agencies of state government to "ensure a continuous and thorough response to this incident" and further directs the Commission to "take all actions necessary to ensure the continued reliability of natural gas and electricity supplies in the coming months."

Though the leak was sealed on February 17, 2016, due to the prohibition on gas injections at the Aliso gas storage facility reliability concerns remain, particularly on peak demand days. As Aliso Canyon's natural gas storage capacity has been critical to help meet peak demands for both electric and gas usage, the Commission is pursuing activities that could be quickly implemented to alleviate electric reliability and natural gas supply risks.

In an April 28, 2017, letter, SoCalGas expressed concern that the system's physical ability to provide reliable service on peak demand days and respond to abnormal operating conditions is at risk.

In an April 28, 2017, letter from SoCalGas' President and Chief Operating Officer Bret Lane to the California Independent System Operator, the California Energy Commission and the California Public Utilities Commission, SoCalGas states that the system's physical ability to provide reliable service on peak demand days and respond to abnormal operating conditions is at risk. In past years, injections into and withdrawal from storage were used to maintain system reliability when flowing supplies and customer demand were not in balance. However, with storage facilities currently at 40 percent less inventory than this same time last year, the depleted inventory levels reduce SoCalGas' ability to respond to

imbalances this summer and into the upcoming winter. SoCalGas states that storage acts as “shock absorbers” when fluctuations between supply and demand occur.

The Commission’s Executive Director, Timothy Sullivan, issued a letter on May 8, 2017, directing SoCalGas to develop and propose an agreement between the utility’s System Operator and the Gas Acquisition Department that would maximize storage injections for system reliability in gas storage facilities other than Aliso.

In response to SoCalGas’ letter of April 28, 2017, the Commission’s Executive Director, Timothy Sullivan issued a letter on May 8, 2017, directing SoCalGas to file a Tier 2 Advice Letter (AL) proposing an agreement between the utility’s System Operator and the Gas Acquisition Department that would maximize storage injections for system reliability in gas storage facilities other than Aliso. The letter also authorized SoCalGas to file a separate Advice Letter seeking the establishment of a memorandum account to track the costs of the proposed storage injection plan.

On May 19, 2017, SoCalGas filed an expedited Advice Letter requesting approval of an Injection Enhancement Plan between the utility’s System Operator and the Gas Acquisition Department.

The Advice Letter includes an Injection Enhancement Memorandum to document the activities and the agreement between the SoCalGas System Operator and the SoCalGas Gas Acquisition Department.

NOTICE

Notice of AL 5139 was made by publication in the Commission’s Daily Calendar. SoCalGas states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

On May 26, 2017, the Indicated Shippers filed a response to AL 5139 requesting clarification and mitigation of the impact on noncore customers and their suppliers. The Indicated Shippers propose three mitigation measures: 1) Noncore shippers be reimbursed for Backbone Transmission Service charges incurred for

supplies that are windowed as a result of Capacity Reallocation; 2) High OFO noncompliance charges for noncore shippers should be waived retroactively if a High OFO would not have been triggered “but for” the Capacity Reallocation; and 3) Costs currently allocated to noncore transportation rates for balancing should be adjusted to reflect the increased risk of High OFO events and receipt point capacity reductions arising from Capacity Reallocation.

On June 1, 2017, SoCalGas filed a reply to the Indicated Shippers’ response. In its reply, SoCalGas states that Indicated Shippers’ response is inconsistent with General Order 96-B, which states that a response should unconditionally support the relief requested in the advice letter. SoCalGas also argues that the additional release of 100,000 Dth is not a capacity reallocation but reserved capacity for balancing that would be left unused and is now being released in Cycle 1 rather than later in the gas day. SoCalGas also states that maximizing storage inventories benefits noncore customers by maintaining minimum withdrawal capacities to meet noncore customers’ peak demand periods during this upcoming summer season and avoid gas curtailments.

DISCUSSION

The Energy Division has reviewed SoCalGas AL 5139 with consideration to the response filed by Indicated Shippers. SoCalGas’ proposed Injection Enhancement Plan should be approved. However, SoCalGas’ request to temporarily modify the System Operator Capacity Limits should be denied.

In its advice letter, SoCalGas proposes a number of system operating modifications as part of its plan to increase storage injection at facilities other than Aliso and maximize storage.

SoCalGas proposes a number of system operating modifications as part of its plan to increase storage injection and maximize storage. SoCalGas’ current rules allow for 200,000 dekatherms (Dth) to be reserved and set aside for use in the balancing function. As of May 4, 2017, SoCalGas began releasing 100,000 Dth of the injection capacity reserved for balancing in Cycle 1 for customers to use. In addition, SoCalGas has rescheduled or deferred, to the extent operationally feasible, shutdowns or operational deviations that impact injection capacity, excluding from consideration any shutdowns or work related to equipment reliability, safety, or compliance.

The System Operator will set a portion of the storage injection capacity allocated to the system balancing function for injection nominations every month before Bid Week¹ for the following month in Cycle 1. Next, on the day before a gas flow day, if additional capacity can be made available for Cycle 1 by the System Operator, the additional capacity will be reflected on Envoy.² Subsequently, on each flow day morning, the System Operator will determine whether additional injection capacity allocated to the system balancing function can be made available for injection in Cycle 3.

At each notification of additional injection capacity, the Gas Acquisition Department will make reasonable efforts to use the quantity made available. Though typically the utility's Gas Acquisition Department uses its allocated storage inventory primarily for winter reliability, SoCalGas states that the Gas Acquisition Department plans to accelerate injections to the extent additional system firm injection rights become available to build inventory this summer.

SoCalGas is also requesting authority to post injection capacity that may exceed the physical capacity of the storage fields for a prospective or current gas day.

Currently, the utility's System Operator may make available the physically available injection capacity of the storage fields, adjusted for any outages at the fields. SoCalGas proposes to add an additional variable beyond the physical injection capacity. SoCalGas states that on some days, injection capacity is available beyond the physical limits due to under-scheduling of gas into the system, and/or when customers schedule withdrawal. The incremental injection capacity would equal the prior cycle scheduled withdrawal plus the withdrawal capacity used for balancing. SoCalGas argues that this will increase the overall system capacity to enable more flowing supplies to be scheduled on the system for injection. SoCalGas also states that this proposed capacity modification would not increase the frequency of High Operation Flow Orders (OFO) or late cycle system nomination reductions. SoCalGas' proposed incremental injection capacity would end September 30, 2017.

¹ Bid Week are the five business days preceding the first of the month.

² Envoy is SoCalGas' online schedule and delivery website for end-use customers, shippers and energy marketers.

On May 26, 2017, the Indicated Shippers filed a response to AL 5139 requesting clarification and mitigation of the impact on noncore customers and their suppliers. In its reply, SoCalGas argues that the Indicated Shippers' response to the Advice Letter is outside the relief provided in General Order 96-B and also states that maximizing storage inventories benefits noncore customers by maintaining minimum withdrawal capacities to meet noncore customers' peak demand periods during this upcoming summer season and avoid gas curtailments.

Though SoCalGas correctly notes that the Indicated Shippers' response to the Advice Letter is outside the relief provided in General Order 96-B, Indicated Shippers' response provided information that merits our review. Pursuant to our review, we decline to adopt the mitigation measures recommended by Indicated Shippers.

As noted in the May 8 letter to SoCalGas, the Commission acknowledges the importance of storage inventory to system reliability during peak demand periods for both core and noncore customers. We are not convinced by Indicated Shippers that the Injection Enhancement Plan would place further burden on noncore customers solely to benefit core supply rates. We agree that core storage reduces the risk to the core and provides winter reliability, but as clearly noted in the Advice Letter, the proposed plan to provide for summer peak reliability expires on September 30, 2017, before the arrival of winter. SoCalGas correctly states in its reply that "the fundamental purpose of the Injection Enhancement Plan is to comply with Commission directives to accelerate and prioritize storage injections to increase storage inventories to meet CPUC mandated withdrawal capacities, determined to be required by the CPUC - primarily for Noncore Electric Generation demand in the summer in order to avoid curtailments."

However, we have considered the impact on noncore customers of SoCalGas' proposed modification to post injection capacity exceeding the physical capacity of the storage fields for a prospective or current gas day and the possibility of increased High OFOs or late-cycle nomination reductions. Although we acknowledge that this would effectively enable more flowing supplies to be scheduled on the system for injection, we find it reasonably likely that an increase in High OFO or late cycle system nomination reductions could occur.

SoCalGas should be able to maximize storage inventory without posting capacity beyond the physical injection capacity.

Records show that several High OFO days occurred in April, even without the implementation of SoCalGas' proposed increase to the posted injection capacity. Whether or not an increase in High OFOs occurs, High OFOs do have an impact on noncore customers. Noncompliance charges would be incurred by noncore customers. Supplies could be windowed, resulting in additional interstate shipper charges. Considering the other additional modifications proposed, SoCalGas should be able to maximize storage inventory without posting capacity beyond the physical injection capacity. Therefore, we deny SoCalGas' request to post injection capacity exceeding the physical capacity of the storage fields for a prospective or current gas day and any changes to SoCalGas Rule 41.

In Indicated Shippers' response to AL 5139, Indicated Shippers propose three mitigation measures, all relating to revisions to charges or rates allocated to noncore shippers. Given that SoCalGas' request to change Rule 41 is denied, no changes to SoCalGas' current practices for scheduling are necessary to adopt the Injection Enhancement Plan. Therefore, exemptions from penalties for a customer's noncompliance with the rules would be outside the scope of this request. If Indicated Shippers have issue with SoCalGas' current rules or tariffs, the Commission has other forums to address those items. Furthermore, SoCalGas has not proposed a cost recovery or cost recovery mechanism at this time.³

Recognizing the urgent nature of ensuring reliable gas delivery during peak summer periods and with the summer season quickly approaching, we grant SoCalGas' request for approval of the Injection Enhancement Plan and the Injection Enhancement Memorandum between the System Operator and the Gas Acquisition Department effective May 8, 2017, which is the date of the System Reliability Directive.

When the Injection Enhancement Plan and the Injection Enhancement Memorandum expire on September 30, 2017, we require SoCalGas to provide the Commission with a status report of storage inventories, costs incurred from the

³ SoCalGas has filed Advice Letter 5140 requesting to establish the Injection Enhancement Cost Memorandum Account.

Plan, and an analysis of system reliability for the upcoming winter. SoCalGas should provide this information through an Advice Letter filing.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived “in an unforeseen emergency... .” The Commission’s Rules of Practice and Procedure also provides that public review and comment may be waived or reduced in an “unforeseen emergency situation” specifically where there are “[a]ctivities that severely impair or threaten to severely impair public health or safety....”

On January 6, 2016, Governor Brown declared a State of Emergency due to the Aliso Canyon leak, which gives the Commission broad powers to ensure the reliability of the natural gas system.

Article 10 of the emergency order states:

The California Public Utilities Commission and the California Energy Commission, in coordination with the California Independent System Operator, shall take all actions necessary to ensure the continued reliability of natural gas and electricity supplies in the coming months during the moratorium on gas injections into the Aliso Canyon Storage Facility.

The 30-day comment period was reduced pursuant to these authorities and notification of the shortened comment period was included with the cover letter that was circulated with the Draft Resolution. This draft resolution was mailed for comments on June 9, 2017. No comments were filed.

FINDINGS

1. In an April 28, 2017, letter, SoCalGas informed the California Independent System Operator, the California Energy Commission, and the California Public Utilities Commission of its system status for the summer of 2017 and the upcoming winter.

2. On May 8, 2017, SoCalGas was directed to immediately begin maximizing storage injections using the procurement capabilities of the SoCalGas Acquisition Department to support storage requirements for system reliability.
3. On May 19, 2017, SoCalGas filed an expedited Advice Letter requesting approval of an Injection Enhancement Plan between the utility's System Operator and the Gas Acquisition Department.
4. The Indicated Shippers filed a response to Advice Letter 5139 requesting clarification and mitigation of the impact on noncore customers and their suppliers on May 26, 2017.
5. SoCalGas filed a reply to Indicated Shippers' response on June 1, 2017.
6. Adequate storage inventory is necessary in order to maintain reliable delivery to customers during peak summer demand periods for both core and noncore customers, including noncore electric generation.
7. Modifications to SoCalGas Rule 41 are not necessary at this time.
8. Exemptions from a customer's noncompliance with the rules are outside the scope of this request.
9. SoCalGas has not proposed a cost recovery or cost recovery mechanism at this time.
10. Due to the urgent nature of ensuring reliable delivery during peak summer periods and with the summer season quickly approaching, SoCalGas' request for approval of the Injection Enhancement Plan and the Injection Enhancement Memorandum should be effective May 8, 2017, which is the date of the System Reliability Directive.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Gas Company in Advice Letter 5139 for approval of the Injection Enhancement Plan and the Injection Enhancement Memorandum between the utility's System Operator and its Gas Acquisition Department is approved.
2. Southern California Gas Company's request to change Rule 41 is denied.

3. Southern California Gas Company shall file an advice letter containing a status report of storage inventories, costs incurred from the Injection Enhancement Plan, and an analysis of system reliability for the upcoming winter within thirty days of the expiration of the Injection Enhancement Plan and the Injection Enhancement Memorandum on September 30, 2017.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 29, 2017; the following Commissioners voting favorably thereon:

/s/TIMOTHY J. SULLIVAN

TIMOTHY J. SULLIVAN
Executive Director

MICHAEL PICKER
President

CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners



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

May 19, 2017

Advice No. 5139
(U 904 G)

Public Utilities Commission of the State of California

Subject: Expedited Advice Letter Requesting Approval of the Proposed Injection Enhancement Plan and Injection Enhancement Memorandum between the System Operator and the Gas Acquisition Department for Services to Maintain Summer Reliability Pursuant to the May 8, 2017 “SoCalGas Summer Reliability and Storage Inventories” Letter from CPUC Executive Director Timothy Sullivan

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission or CPUC) a proposed Injection Enhancement Plan to support system reliability; temporary revisions to its tariffs, applicable throughout its service territory, as shown in Attachment A; and an Injection Enhancement Memorandum (IEM) to document the activities and direct the manner in which employees of SoCalGas shall conduct the relationship between the SoCalGas System Operator and the SoCalGas Gas Acquisition Department (Gas Acquisition) with respect to efforts to increase storage injections to support system reliability, as shown in Attachment B.

Purpose

This filing is intended to put into effect the directives contained in the May 8, 2017 letter from Timothy Sullivan, Executive Director of the CPUC (Executive Director), to Bret Lane, President and Chief Operating Officer of SoCalGas. In that letter, Executive Director Sullivan directs SoCalGas’ Gas Acquisition Department to purchase natural gas to support system reliability.

Background

On May 8, 2017, the Executive Director sent a letter to Bret Lane, President and Chief Operating Officer of SoCalGas, under the Subject “SoCalGas Summer Reliability and Storage Inventories.” The letter notes that “[a]dequate natural gas inventory levels are necessary in order to maintain reliable delivery to customers during peak demand periods for both core and non-core customers” and that “[w]ith the continued unavailability of Aliso

Canyon, overall storage inventory remaining in the available storage fields is substantially lower than historical figures. . . .” To support energy reliability for Southern California, the May 8 Letter directs SoCalGas to “take immediate actions to increase storage injection at the remaining available storage facilities” and “to immediately begin maximizing storage injections using the procurement capabilities of the SoCalGas Acquisition Department to support SoCalGas’ storage requirement for system reliability.” (System Reliability Directive).

To accomplish this, SoCalGas was directed to file a Tier 2 Advice Letter “proposing an agreement between the SoCalGas System Operator and the SoCalGas Gas Acquisition Department to support SoCalGas’ storage requirements for system reliability similar to the Memorandum in Lieu of Contract approved by Resolution G-3485.”

In addition, the System Reliability Directive states that SoCalGas should include the following:

- Minimum month-end storage targets for the remaining months of 2017 beginning with June 2017;
- Forecasted monthly natural gas storage quantities procured by the Gas Acquisition Department solely for the purpose of ensuring system reliability outside of its normal business as usual procurement for core customers; and
- An estimated cost for the Gas Acquisition Department to provide these support services.

Additionally, SoCalGas is directed to request expedited treatment by proposing a shortened protest period and time to reply to the protest,¹ and to file a separate Advice Letter (AL) seeking the establishment of a memorandum account to track costs resulting from the Injection Enhancement Plan.²

Plan to Enhance Injections to Support Summer System Reliability (Injection Enhancement Plan)³

Maximum Physical Injection Capacity Available

SoCalGas has projected storage injection capacities (in millions of cubic feet per day) at each of the SoCalGas storage fields in the following table. Outages or projects that cannot be deferred may result in short-term injection capacity impacts and will be posted to the

¹ As detailed in the “Protest” section below, SoCalGas is proposing that protests and responses be due by May 26, or within five business days from filing this AL, and that its reply be allowed by June 1, or within three business days from the recommended due date for the submission of protests and responses.

² See Advice No. 5140, Expedited Advice Letter Requesting to Establish the Injection Enhancement Cost Memorandum Account (IECMA) Pursuant to the May 8, 2017 “SoCalGas Summer Reliability and Storage Inventories” Letter from CPUC Executive Director Timothy Sullivan.

³ If necessary, SoCalGas will provide an updated plan to support winter system reliability.

SoCalGas ENVOY® (Envoy) website.

Although these capacities are based on the physical capabilities of the injection facilities, optimal system conditions may result in higher injection capabilities. Conversely, as storage inventories increase, injection capacity will diminish based on higher reservoir pressures.

Projected Maximum Storage Injection Capacities (MMcfd)

Storage Field	6/1/2017	7/1/2017	8/1/2017	9/1/2017	10/1/2017
La Goleta	40	40	40	40	40
Playa Del Rey	0	0	0	0	0
Honor Rancho	200	200	200	200	200
Aliso Canyon	0	0	0	0	0
Total System	240	240	240	240	240

SoCalGas strives to maintain the Playa Del Rey storage field at full inventory, and thus its injection capacity is projected to be zero. However, after any withdrawal from Playa Del Rey, some additional injection capacity will be available for customers to schedule injections. Injection into La Goleta is highly dependent on the reliability and operation of the Ventura Compressor Station, therefore any outages resulting from safety, compliance, or reliability at the Ventura Compressor Station may impact the injection capacity at La Goleta.

Target Inventories to Meet Withdrawal Capacity per CPUC Directive for the Summer Period

The following table projects the storage inventory (in billion cubic feet) at each of the SoCalGas storage fields that is required to achieve the withdrawal capacities pursuant to the March 16, 2017 letter from the Executive Director to Rodger Schwecke, Senior Vice President of Gas Transmission and Storage (SoCalGas).

Storage Inventories as Shown in March 30, 2017 Letter from SoCalGas to CPUC (Bcf)⁴

Storage Field	6/1/2017	7/1/2017	8/1/2017	9/1/2017	10/1/2017
La Goleta	13.55	15.05	16.6	17.53	18.43
Playa Del Rey	1.85	1.85	1.85	1.85	1.85
Honor Rancho	18.49	21.04	20.63	19.88	20.91
Aliso Canyon	14.80	14.80	14.80	14.80	14.80
Total System	48.69	52.74	53.88	54.06	55.99

⁴ Available at:

http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/News_Room/News_and_Updates/SoCalGasResponse.pdf.

SoCalGas estimates that it can achieve physical injection of 140 MMcf per day. It's anticipated that this total injection will be distributed on a 70/30 percent ratio between Honor Rancho and La Goleta, respectively. The following table projects the storage field inventories based on the physical injection rate of 140 MMcf per day, and assumes no withdrawal takes place. Also, depicted in the table are the associated withdrawal rates that SoCalGas anticipates the fields can achieve at those inventories.

Targeted Minimum Storage Inventories with Corresponding Withdrawal Rates

Storage Field	6/1/2017		7/1/2017		8/1/2017		9/1/2017		10/1/2017	
	Target Inventory (Bcf)	Resulting WD Rate (Bcfd)	Target Inventory (Bcf)	Resulting WD Rate (Bcfd)	Target Inventory (Bcf)	Resulting WD Rate (Bcfd)	Target Inventory (Bcf)	Resulting WD Rate (Bcfd)	Target Inventory (Bcf)	Resulting WD Rate (Bcfd)
La Goleta	11.52	0.31	12.72	0.33	13.96	0.37	15.20	0.39	16.40	0.42
Playa Del Rey	1.85	0.40	1.85	0.40	1.85	0.40	1.85	0.40	1.85	0.40
Honor Rancho	17.10	0.79	20.08	0.83	22.56	0.94	23.05	0.94	23.05	0.94
Aliso Canyon	14.80	0.50	14.80	0.53	14.80	0.59	14.80	0.66	14.80	0.67
Total System	45.27	2.0	49.45	2.09	53.17	2.3	54.9	2.39	56.1	2.43

Although these inventories are based on the anticipated physical injection, optimal system conditions may result in higher injection volumes. Conversely, injection will diminish with higher ambient temperatures, and as field reservoir pressures increase.

SoCalGas has Implemented the Following Temporary Modifications to Increase Injection Operations

SoCalGas has made the following modifications to its system operations to prioritize injections into storage:

Release of Injection Capacity Reserved for Balancing:

SoCalGas' current rules allow for the storage injection capacity to be reserved and set aside for use in the balancing function. The current amount set aside for this function is 200,000 dekatherms (Dth). As of May, 4, 2017, in an effort to increase storage injections, SoCalGas began releasing 100,000 Dth of the injection capacity reserved for balancing on Cycle 1 for customers to use.

Deferral of Projects that Impact Injection Operations:

To the extent operationally feasible, shutdowns or operational deviations that impact injection capacity will be rescheduled or deferred until such time that SoCalGas' storage inventory targets have been met. Any shutdowns or work related to equipment reliability, safety or compliance may not be considered for deferral.

SoCalGas will Implement the Following Temporary Modifications to Increase Injection Capacity Available to Market

Every month before Bid Week,⁵ the System Operator will set a portion of the storage injection capacity allocated to the system balancing function for injection nominations for the following month in Cycle 1. This quantity will be made available on a best efforts basis considering operational limitations and will be posted on Envoy. Gas Acquisition will use reasonable best efforts to utilize the quantity made available.

The day before a gas flow day, the System Operator will determine whether additional injection capacity allocated to the system balancing function above what was made available for the month can be made available for injection nominations in Cycle 1. If additional capacity can be made available for Cycle 1, the additional capacity will be reflected in the Net Storage Injection Capacity value on the Capacity Utilization Page on Envoy. The System Operator will use its reasonable best efforts to make this additional quantity available for the remainder of the gas day. Gas Acquisition will use its reasonable best efforts to utilize the quantity made available.

Each flow day morning, the System Operator will determine whether additional injection capacity allocated to the system balancing function can be made available for injection nominations in Cycle 3. If additional capacity can be made available for Cycle 3, the additional capacity will be reflected in the Net Storage Injection Capacity value on the Capacity Utilization Page on Envoy. This additional quantity will be made available on a best efforts basis for the remainder of the gas day. Gas Acquisition will use reasonable best efforts to utilize the quantity made available.

Temporary Modifications to System Operator Injection Capacity Limits Requiring Commission Approval

SoCalGas asks for the authority to post injection capacity that may exceed the physical capacity of the storage fields for a prospective or current gas day. Presently, the System Operator is limited to make available and post on Envoy for customer nominations, only the physically available injection capacity of the storage fields, adjusted for any outages at the fields. On some days, injection capacity is available beyond the physical limits due to under scheduling of gas into the system, and/or when customers schedule withdrawal. Making that additional capacity available may increase the amount of gas delivered into the system and thereby increase injection capability.

SoCalGas does not propose to modify the physical injection capacity, as that is set based on actual operating conditions. Under this request for authority, SoCalGas would add an additional variable to the Forecasted System Capacity calculation to account for additional injection capacity, as described above. Currently, SoCalGas' Rule 41 describes the Forecasted System Capacity as the following:

⁵ Bid Week is the five business days preceding the first of the month.

Forecasted System Capacity = Forecasted Sendout + Physical Storage Injection Capacity + Off-System Scheduled Quantities⁶

The proposed formula would be:

Forecasted System Capacity = Forecasted Sendout + Physical Storage Injection Capacity + Off-System Scheduled Quantities + Incremental Injection Capacity

Where:

Incremental Injection Capacity = Prior Cycle Scheduled Withdrawal + Withdrawal Capacity Used for Balancing

This will effectively increase the overall system capacity to enable more flowing supplies to be scheduled on the system for injection. SoCalGas does not anticipate an increase in High Operational Flow Orders (OFOs), or late cycle system nomination reductions as a result of this requested modification, because the new Forecasted System Capacity value will be increased by the Incremental Injection Capacity. Commission authorization of this modification is proposed to be temporary and, unless an extension is sought, will end September 30, 2017.

Gas Acquisition Plans for Core Customer Reliability, As Mandated by The Commission

Gas Acquisition has been directed by the Commission to primarily purchase and plan for SoCalGas' core customers.⁷ Gas Acquisition does so by attempting to minimize commodity costs, while providing reliable supplies to core customers by optimizing the use of its authorized assets (firm injection, withdrawal, and parking and loaning) throughout the year. Although Gas Acquisition strives to fill core storage through the summer to help meet core customers' winter needs, its allocated storage inventory exceeds the capacity available in the non-Aliso Canyon storage fields plus the current Aliso Canyon inventory that is reserved for reliability purposes. Therefore, without the ability to inject at Aliso Canyon, Gas Acquisition cannot meet its November 1, 2017 storage inventory target.

⁶ SoCalGas Rule 41: <https://socalgas.com/regulatory/tariffs/tm2/pdf/41.pdf>.

⁷ See D.94-03-076 at 1: "SoCalGas currently procures gas on behalf of core [] customers, and transports and stores gas for core customers." See also D.07-12-019, mimeo., at 105 (Ordering Paragraph 19) ("Since Gas Acquisition will no longer be performing system reliability and balancing services, under Remedial Measure 16, as adopted in D.98-03-073, unrestricted communications between Gas Operations and Gas Acquisition are no longer permitted.") and at 116 (Ordering Paragraph 15) ("Applicants' proposal that responsibility for managing any minimum flow requirements for system reliability be transferred from the Gas Acquisition Department to the System Operator and paid for by all customers, is granted.")

Gas Acquisition Will Have to Alter Its Procurement and Injection Plan to Meet the New Commission Directive to Support Noncore Reliability

To effect the Commission's long standing directive to focus on core reliability, Gas Acquisition uses its allocated storage inventory primarily for winter reliability for retail core customers. After each winter season, Gas Acquisition re-builds depleted storage inventory throughout the spring/summer injection season to reach required inventory targets in preparation for the coming winter season. Without the ability to inject at Aliso Canyon, Gas Acquisition's method of providing for retail core winter reliability is constrained and more difficult. In response, Gas Acquisition's base procurement plan is to maximize use of its allocated firm injection rights and balancing tolerances including during system High OFOs in order to build inventory this summer.

In an Envoy posting made on May 3, 2017 at 9:38 AM, the SoCalGas System Operator stated it will post daily on scheduling Cycle 1 a portion of its system firm injection reserved for balancing to be available for nomination, and will not reduce this number through the remainder of the gas day. This posting provided additional reliability for Gas Acquisition to fill available storage inventory by the end of the injection season.

In order to reach the summer reliability minimum storage targets set forth in this letter, Gas Acquisition plans to accelerate injections to the extent additional system firm injection rights become available. Gas Acquisition estimates that it will need to accelerate procurement of up to 3 Bcf of natural gas to reach the projected target storage inventories identified above.

SoCalGas Requests a Memorandum Account Effective May 8, 2017 to Track the Incremental Costs Associated with the Commission's System Reliability Directive⁸

It is difficult to forecast the costs that may be incurred by Gas Acquisition associated with obtaining these accelerated supplies for injection to support system reliability. Gas Acquisition will likely use a variety of gas supply tools, some of which may only be sporadically available and/or subject to operational and market limitations, to increase system receipts during June and July. These tools may include negotiated services from upstream pipelines and late-cycle supply arrangements with suppliers, as well as other tools.⁹ Gas Acquisition will use its best efforts to use these additional tools to attempt to fill the incremental inventory needed at the lowest cost. These best efforts will be complicated by Gas Acquisition's lack of knowledge under the affiliate rules and remedial measures of noncore imbalances, LUAF, and other system operational information that cannot be shared with Gas Acquisition. Gas Acquisition's efforts will also be impacted by natural gas procurement protocols, such as, for example, weekend day-ahead trading on Friday for equal daily volumes on Saturday, Sunday, and Monday.

⁸ Pursuant to System Reliability Directive, the Injection Enhancement Cost Memorandum Account (IECMA) is presented for Commission approval in a separate advice filing, AL 5140.

⁹ Due to the market sensitive nature of these potential tools, Gas Acquisition does not provide specificity at this time in order to try to obtain or negotiate the use of these tools at the lowest possible cost.

Gas Acquisition estimates that accelerating procurement of up to 3 Bcf of natural gas to meet the inventory targets in support of system reliability will result in incremental costs of approximately \$1.5 to \$3 million.¹⁰

Gas Acquisition anticipates creating a separate storage account to account for incremental injections that result from the System Reliability Directive. The purpose of this account is to help track volumes and associated costs of Gas Acquisition gas supplies that have been accelerated. On a bi-weekly basis, Gas Acquisition proposes to review results from implementing these additional measures during ongoing conference calls with ORA, Energy Division, and TURN.

Injection Enhancement Memorandum (IEM) Between Gas Acquisition and the System Operator

The May 8 Letter directs SoCalGas to propose “an agreement between the SoCalGas Acquisitions System Operator and the SoCalGas Gas Acquisition Department to support SoCalGas’ storage requirements for system reliability similar to the Memorandum in Lieu of Contract approved by Resolution G-3485.”

SoCalGas proposes the Commission approve the attached IEM to document the activities and direct the manner in which SoCalGas System Operator and Gas Acquisition employees will interact to maximize storage injection and effectuate the Injection Enhancement Plan (Attachment B). The attached IEM addresses SoCalGas’ proposed actions, including the period of the IEM, identified support activities, and the tracking of costs. This IEM is in lieu of the execution of any contract between the operating and functional departments within SoCalGas to implement the directive.

Tariff Modifications

To implement the Enhanced System Operator Injection Capacity Limits included in the Injection Enhancement Plan described above, SoCalGas includes a revised Rule No. 41 as Attachment A. This modification is temporary, consistent with the Injection Enhancement Plan, and will be removed from the tariff after September 30, 2017.

Rule No. 41, Section 4 is revised to include an additional variable in the Forecasted System Capacity calculation called “Increment Injection Capacity” and to include a definition for that new variable. Modifications to Rule No. 41 are shown in redline as follows:

¹⁰ Calculated based on the assumption that the approximate cost would be \$0.50 to \$1 per dekatherm.

A High OFO is issued if Forecasted System Capacity < On-system Scheduled Quantities

Where,

Forecasted System Capacity = Forecasted Sendout + Physical Storage Injection Capacity + Off-System Scheduled Quantities + Incremental Injection Capacity (through Sept. 30, 2017)

And,

Incremental Injection Capacity = Prior Cycle Scheduled Withdrawal + Withdrawal Capacity Used for Balancing

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. At the direction of the Executive Director, this AL is requested to be expedited, and SoCalGas respectfully requests that the protest must be made in writing and received by May 26, 2017, which is five business days after the date this Expedited AL was filed with the Commission. SoCalGas will submit its response by June 1, which is three business days after the recommended due date for the submission protests and responses. 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 shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-Mail: ROrtiz@semprautilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition, and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. SoCalGas respectfully requests that this filing be approved and made effective May 8, 2017, which is the date of the System Reliability Directive.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service lists for I.17-02-002, I.17-03-002, and A.15-07-014. Address change requests to the GO 96-B should be directed by electronic mail to tariffs@socialgas.com or call 213-244-2837. 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: Ray B. Ortiz

Phone #: (213) 244-3837

E-mail: ROrtiz@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) #: 5139

Subject of AL: Expedited Advice Letter Requesting Approval of the Proposed Injection Enhancement Plan and Injection Enhancement Memorandum between the System Operator and the Gas Acquisition

Department for Services to Maintain Summer Reliability Pursuant to the May 8, 2017 "SoCalGas Summer Reliability and Storage Inventories" Letter from CPUC Executive Director Timothy Sullivan

Keywords (choose from CPUC listing): Storage, Agreements, Procurement, Contracts, Reliability

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

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

None

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: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 5/8/17

No. of tariff sheets: 3

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: Rule No. 41 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: Ray B. Ortiz
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
ROrtiz@semprautilities.com
Tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 5139

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 54000-G	Rule No. 41, UTILITY SYSTEM OPERATION, Sheet 2	Revised 51671-G
Revised 54001-G	TABLE OF CONTENTS	Revised 53842-G
Revised 54002-G	TABLE OF CONTENTS	Revised 53996-G

Rule No. 41

Sheet 2

UTILITY SYSTEM OPERATION

(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

4. (Continued)

<u>Cycle</u>	<u>Quantity Used for OFO Calculation</u>
1) Timely	Prior Flow Day - Evening Cycle Scheduled Quantity
2) Evening*	Current Flow Day - Timely Cycle Scheduled Quantity
3) Intraday 1	Current Flow Day - Evening Cycle Scheduled Quantity
4) Intraday 2	Current Flow Day - Intraday 1 Cycle Scheduled Quantity

A High OFO may be issued only if the level of quantities, from the table above, exceeds the forecasted system capacity. System linepack will not be part of the formula used to determine when a High OFO shall be issued. The conditions for issuing a High OFO are summarized below.

A High OFO is issued if Forecasted System Capacity < On-system Scheduled Quantities.

Where,

Forecasted System Capacity = Forecasted Sendout
 + Physical Storage Injection Capacity
 + Off-System Scheduled Quantities
 + Incremental Injection Capacity (through Sept. 30, 2017)

And,

Incremental Injection Capacity = Prior Cycle Scheduled Withdrawal
 + Withdrawal Capacity Used for Balancing

* The Utility will provide a minimum one-hour notice prior to the Evening Cycle nomination deadline when calling an Evening Cycle High OFO.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5139
 DECISION NO.
 2R7

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED May 19, 2017
 EFFECTIVE _____
 RESOLUTION NO. _____

N
 N
 N
 N

TABLE OF CONTENTS

(Continued)

RULES (continued)

26	Consumer Responsible for Equipment for Receiving and Utilizing Gas	45843-G
27	Service Connections Made by Company's Employees	24657-G
28	Compensation to Company's Employees	24658-G
29	Change of Consumer's Apparatus or Equipment	24659-G
30	Transportation of Customer-Owned Gas	47193-G,51792-G,51793-G,51794-G 52899-G,53351-G,51797-G,51798-G,53527-G,47360-G 53352-G,52673-G,53528-G,52901-G,52902-G,52677-G 51658-G,51659-G,51660-G,51661-G,51662-G,51663-G 51664-G,51665-G,51666-G,51667-G,51668-G,53529-G, 53839-G
31	Automated Meter Reading	46062-G,46063-G
32	Core Aggregation Transportation	50951-G,50952-G,50953-G,50954-G 50955-G,50956-G,50957-G,50958-G,50959-G,50960-G 50961-G,50962-G,50963-G,50964-G,50965-G,50966-G 50967-G,50968-G,50969-G
33	Electronic Bulletin Board (EBB)	47202-G,43389-G,45392-G,47203-G 45394-G,45395-G,45396-G,45397-G,45398-G
34	Provision of Utility Right-of-Way Information	33298-G,33299-G,33300-G 33301-G,33302-G,33303-G
35	Contracted Marketer Transportation	27068-G,27069-G,27070-G,27071-G 36325-G,27073-G,36326-G,27075-G
36	Interstate Capacity Brokering	39590-G,39591-G
38	Commercial/Industrial Equipment Incentive Program	32745-G,32746-G,32747-G,50487-G,32749-G
39	Access to the SoCalGas Pipeline System	53711-G,-G,53712-G,53713-G,51965-G,51966-G
40	On-Bill Financing Program	44205-G,41155-G
41	Utility System Operation	51670-G,54000-G,53531-G,52680-G,51674-G 51675-G,51676-G,52598-G,51678-G,53840-G 53472-G
42	Privacy and Security Protections for Energy Usage Data	50587-G,50588-G,50347-G,50348-G,50349-G 50350-G,50351-G,48636-G,48637-G,50352-G 50589-G,50590-G,50591-G,50592-G,50593-G
43	On-Bill Repayment (Pilot Programs)	51825-G,50796-G,50797-G,51826-G 51827-G,51828-G,51829-G,51830-G
44	Mobilehome Park Utility Upgrade Program	50890-G,50728-G,50729-G,50891-G 50892-G,50893-G,50894-G,50895-G,50896-G

T

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5139
 DECISION NO.
 2R6

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED May 19, 2017
 EFFECTIVE _____
 RESOLUTION NO. _____

TABLE OF CONTENTS

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.

GENERAL

Cal. P.U.C. Sheet No.

Title Page	40864-G	
Table of Contents--General and Preliminary Statement	54002-G,53844-G,53478-G,53612-G	T
Table of Contents--Service Area Maps and Descriptions	53356-G	
Table of Contents--Rate Schedules	53994-G,53995-G,53962-G	
Table of Contents--List of Cities and Communities Served	52484-G	
Table of Contents--List of Contracts and Deviations	52484-G	
Table of Contents--Rules	53534-G,54001-G	T
Table of Contents--Sample Forms	52558-G,53707-G,51537-G,53794-G,50598-G	

PRELIMINARY STATEMENT

Part I General Service Information	45597-G,24332-G,24333-G,24334-G,48970-G
Part II Summary of Rates and Charges	53978-G,53979-G,53980-G,53575-G,53576-G,53981-G 53913-G,46431-G,46432-G,53561-G,53922-G,53923-G,53924-G,53581-G
Part III Cost Allocation and Revenue Requirement	53582-G,50447-G,53583-G
Part IV Income Tax Component of Contributions and Advances	52273-G,24354-G
Part V Balancing Accounts	
Description and Listing of Balancing Accounts	52939-G
Purchased Gas Account (PGA)	52769-G,53254-G
Core Fixed Cost Account (CFCA)	53433-G,53434-G,53834-G,53436-G
Noncore Fixed Cost Account (NFCA)	53255-G,53835-G,53836-G
Enhanced Oil Recovery Account (EORA)	49712-G
Noncore Storage Balancing Account (NSBA)	52886-G,52887-G
California Alternate Rates for Energy Account (CAREA)	45882-G,45883-G
Hazardous Substance Cost Recovery Account (HSCRA)	40875-G, 40876-G,40877-G
Gas Cost Rewards and Penalties Account (GCRPA)	40881-G
Pension Balancing Account (PBA)	52940-G,52941-G
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) .	52942-G,52943-G
Research Development and Demonstration Surcharge Account (RDDGSA).....	40888-G
Demand Side Management Balancing Account (DSMBA).....	45194-G,41153-G
Direct Assistance Program Balancing Account (DAPBA)	52583-G,52584-G
Integrated Transmission Balancing Account (ITBA)	49313-G

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5139
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED May 19, 2017
 EFFECTIVE _____
 RESOLUTION NO. _____

SOCALGAS INJECTION ENHANCEMENT MEMORANDUM

Southern California Gas Company (SoCalGas), executes this Injection Enhancement Memorandum (IEM) to document the activities and direct the manner in which 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 Operator¹ and the Gas Acquisition Department (Gas Acquisition) to maximize storage injection to support system reliability, as directed by the CPUC.² This IEM is in lieu of execution of a contract by SoCalGas (between the operating and functional departments within SoCalGas) to implement the CPUC's directive.

- 1. Background.** On May 8, 2017, the Executive Director of the CPUC sent a letter to SoCalGas directing SoCalGas to file a Tier 2 Advice Letter "proposing an agreement between the SoCalGas System Operator and the SoCalGas Gas Acquisition Department to support SoCalGas' storage requirements for system reliability similar to the Memorandum in Lieu of Contract approved by Resolution G-3485."
- 2. Proposed Injection Enhancement Plan Tools.** The CPUC directed SoCalGas' Gas Acquisition Department to purchase natural gas to support SoCalGas' storage requirement for system reliability. To facilitate increases to storage, the System Operator and Gas Acquisition will undertake actions as follows:

Period: The commencement date for the efforts addressed in this IEM is retroactive to May 8, 2017. The term of this IEM shall continue for each day from the commencement date through and including September 30, 2017.

Support Activities: Every month before Bid Week, the System Operator will set a portion of the storage injection capacity allocated to the system balancing function for injection nominations for the following month in Cycle 1. This quantity will be made available on a best efforts basis considering operational limitations and will be posted on Envoy. Gas Acquisition will use reasonable best efforts to utilize the quantity made available.

The day before a gas flow day, the System Operator will determine whether additional injection capacity allocated to the system balancing function above what was made available for the month can be made available for injection nominations in Cycle 1. If additional capacity can be made available for Cycle 1, the additional capacity will be reflected in the Net Storage Injection Capacity value on the Capacity Utilization Page on Envoy. The System Operator will use its reasonable best efforts to make this additional quantity available for the remainder of the gas day. Gas Acquisition will use its reasonable best efforts to utilize the quantity made available.

Each flow day morning, the System Operator will determine whether additional injection capacity allocated to the system balancing function can be made available for injection nominations in Cycle 3. If additional capacity can be made available for Cycle 3, the additional capacity will be reflected in the Net Storage Injection Capacity value on the Capacity Utilization Page on Envoy. This additional quantity will be made available on a best efforts basis for the remainder of the gas day. Gas Acquisition will use reasonable best efforts to utilize the quantity made available.

¹ The System Operator is defined in SoCalGas Rule No. 41.

² See May 8, 2017 letter from Timothy Sullivan, Executive Director of the CPUC to Bret Lane, President and Chief Operating Officer of SoCalGas ("By this letter, I am directing SoCal Gas to immediately begin maximizing storage injections using the procurement capabilities of the SoCalGas Acquisition Department to support SoCalGas' storage requirement for system reliability.")

Costs: Incremental costs associated with the IEM will be recorded in the Injection Enhancement Cost Memorandum Account.³

Regulatory approval: This IEM will be submitted to the CPUC by Advice Letter and will not become effective until approved by the CPUC. In the event the CPUC does not approve this IEM, or imposes terms unacceptable to SoCalGas, this IEM will be null and void.

Based upon the foregoing, this IEM sets forth the commitment and guidelines by which employees of SoCalGas will interact to maximize storage injections to support system reliability, as directed by the CPUC. All such activity will be conducted in accordance with the terms and conditions of SoCalGas' tariffs, and other applicable rules and regulations.

Executed by:

System Operator

By:  _____

Title: Director, Gas Control and System Planning

Date of execution: May 19, 2017

Gas Acquisition

By:  _____

Title: Vice President, Gas Acquisition

Date of execution: May 19, 2017

³ See Advice No. 5140, Expedited Advice Letter Requesting to Establish the Injection Enhancement Costs Memorandum Account (IECMA).