

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 28, 2017

Advice Letter 5179-G

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

SUBJECT: Revisions to Schedule Nos. G-IMB and G-CPS, Rule No. 41, the California Producer Operational Balancing Agreement (CPOBA), and the California Producer Interconnection Agreement (CPIA)

Dear Mr. van der Leeden:

Advice Letter 5179-G is effective as of October 1, 2017.

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

August 28, 2017

Advice No. 5179
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revisions to Schedule Nos. G-IMB and G-CPS, Rule No. 41, the California Producer Operational Balancing Agreement (CPOBA), and the California Producer Interconnection Agreement (CPIA)

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) revisions to its tariffs, as shown in Attachment A.

Purpose

The purpose of this filing is to: 1) modify existing rate schedules, agreement forms, and a rule that currently utilize daily indices provided by the Intercontinental Exchange (ICE) to instead utilize daily indices provided by Natural Gas Intelligence (NGI); and 2) in an instance where the tariff takes into account two indices in its calculation and NGI is already the other index, modify the rate schedule to replace the ICE indices and instead utilize daily indices provided by SNL Energy (of S&P Global Market Intelligence).

Background

SoCalGas currently utilizes the ICE daily indices to calculate Standby Procurement Charges and Daily Balancing Standby Rates in Schedule No. G-IMB, Transportation Imbalance Service, and California Producer Cash-Out Rates in Schedule No. G-CPS, California Producer Service. The ICE indices are also referenced throughout the CPOBA, CPIA, and Rule No. 41.

ICE recently announced that it would no longer publish certain natural gas indices on its website or through any other methods after September 30, 2017. SoCalGas faced a similar issue regarding Schedule No. G-IMB in 2010. At the time, SoCalGas was utilizing a *Gas Daily Price Survey* index from Platts as one of the two indices used to calculate the Standby Procurement Charge applicable to certain negative

transportation imbalances. New licensing provisions from Platts necessitated the filing of Advice No. (AL) 4133, whereby SoCalGas switched to an index published by ICE. AL 4133 was approved on August 6, 2010 and effective August 1, 2010. SoCalGas is recommending the same CPUC process – a Tier 2 AL – to modify Schedule No. G-IMB as well as the other aforementioned rate schedule, rule, and agreements, by utilizing alternative indices to ICE.

Proposed Tariff Revisions

Schedule No. G-IMB

SoCalGas proposes to modify:

- The Standby Procurement Charge by replacing “NGI’s” with “Natural Gas Intelligence’s (NGI’s)” to add clarification (Sheet 2).
- The Standby Procurement Charge by replacing “ICE Daily Indices – SoCal Border” with “SNL Energy’s Daily Indices – SoCal Border” (Sheet 2). The Standby Procurement Charge takes into account two indices in its calculation, and NGI is already the other index.
- The Daily Balancing Standby Rates by replacing the “InterContinental Exchange (ICE) Day-Ahead Index for SoCal-Citygate” with “NGI’s MidDay Price Alert Index for SoCal-Citygate” and replacing the Revision of Rates “ICE’s Day-Ahead Index” with the “NGI’s MidDay Price Alert Index” (Sheet 4).

Schedule No. G-CPS

SoCalGas’ Schedule No. G-CPS rate was approved by AL 4177-A and Resolution G-3489, effective December 18, 2013. SoCalGas currently utilizes the Daily Low, High, and Average Indices for SoCal Border provided by ICE to calculate California Producer cash-out rates for over-deliveries, under-deliveries, and monthly True-ups of Operational Imbalances, respectively. SoCalGas publishes the daily cash-out rates for over-deliveries, under-deliveries, and monthly True-ups in three separate columns in Schedule No. G-CPS. The Schedule is updated every month to show the daily cash-out rates for the most recent two months. While the calculations of cash-out rates for over-deliveries and under-deliveries involve calculating averages across several daily high and low indices in addition to using scaling factors, the cash-out rates for monthly True-ups are simply the average daily indices, currently from ICE.

SoCalGas’ existing license with NGI does not allow the publication of NGI’s indices; however, derivative data, such as the cash-out rates for over-deliveries and under-deliveries, are covered by the existing license. SoCalGas proposes to:

- Modify the cash-out rate calculations by replacing ICE's daily High, Low, and Average indices for SoCal Border with NGI's daily High, Low, and Average indices for SoCal Border Average (Sheets 6 through 8).
- Further modify and clarify the cash-out rate calculation for monthly True-Ups of Operational Imbalances by replacing "the average of the Average Daily Index – SoCal Border as reported by ICE (or its legal successor) for each day of the True-up month" with "a 7-day average of the Average Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the True-up month (i.e., for each day that a cash-out rate for monthly True-Ups of Operational Imbalances applies, the cash-out rate will be equal to an average of the indices for that day plus the immediately preceding six (6) calendar days)" (Sheet 6).
- Modify the published daily cash-out rates for over-deliveries, under-deliveries, and monthly True-ups in the three separate columns. The cash-out rates listed will be modified by replacing ICE's daily High, Low, and Average indices for SoCal Border with NGI's daily High, Low, and Average indices for SoCal Border Average. The "Average Daily Index" cash-out rates will be replaced with the "7-Day Average of Average Daily Indices" (Sheets 7 and 8).
- Replace other references to "Intercontinental Exchange" and "ICE" with "Natural Gas Intelligence" and "NGI" (Sheets 6 through 8).

CPOBA

SoCalGas' CPOBA provides details on how ICE's daily SoCal Border index is used to calculate cash-out rates due to Operational Imbalances arising from measurement corrections. SoCalGas proposes to:

- Modify this calculation by replacing ICE's daily SoCal Border index with NGI's daily SoCal Border Average index. References to "Intercontinental Exchange" and "ICE" will be replaced with "Natural Gas Intelligence" and "NGI" (Section 2.3).

SoCalGas' CPOBA also provides details on how under-deliveries and over-deliveries may potentially be cashed out upon termination of a CPOBA. These cash-out rates are calculated using ICE's High Daily Index for SoCal Border and Low Daily Index for SoCal Border for under-deliveries and over-deliveries, respectively. SoCalGas proposes to:

- Modify its calculation of these cash-out rates by replacing ICE's High and Low Daily Indices for SoCal Border with NGI's High and Low Daily Indices for SoCal Border Average. References to "ICE" will be replaced with "NGI" (Section 3.4).

CPOBA and CPIA

SoCalGas' CPOBA and CPIA set terms for an acceptable security deposit when an Interconnector or its Guarantor is denied an unsecured line of credit. The calculation for this deposit utilizes ICE's daily index for SoCal Border. SoCalGas proposes to:

- Modify the cash-out rate by replacing ICE's Average Daily Index – SoCal Border with NGI's average Daily Index for SoCal Border Average. References to "Intercontinental Exchange" and "ICE" will be replaced with "Natural Gas Intelligence" and "NGI" (CPOBA Section 8.8.5 and CPIA Section 10(g)(v)).

Rule No. 41

SoCalGas' Rule No. 41 sets standards and criteria for the California Energy Hub's (Operational Hub) spot purchases or sales for which standards and criteria are not specified in CPUC-approved contracts. The reasonableness of the Operational Hub's purchases and sales is measured against calculations which utilize ICE's Weighted Average Index, High Index, and Low Index for the relevant trading point. SoCalGas proposes to:

- Replace the reference to "Intercontinental Exchange (ICE)" with "Natural Gas Intelligence (NGI)" in Section 13 (Sheet 5).
- Modify Section 15, which provides details regarding the reasonableness calculation for the Operational Hub's purchases and sales, by replacing ICE's High, Low and Average Indices for the relevant trading point with NGI's High, Low, and Average Indices. References to "ICE Wtd" and "ICE" will be replaced with "Natural Gas Intelligence" and "NGI" (Sheet 6).

SoCalGas' Rule 41 also provides standards and criteria for moving supplies from Blythe to Otay Mesa to meet minimum flow requirements. The reasonableness of the Operational Hub's movement of supplies is measured against a calculation which utilizes ICE's Weighted Average Index for Blythe. SoCalGas proposes to:

- Modify Sections 8 and 17 by replacing "Blythe" with "El Paso S. Mainline / N. Baja Blythe" (Sheets 4 and 7).
- Modify Section 17 by replacing ICE's Weighted Average Index for "Blythe" with NGI's Average Index for "El Paso S. Mainline / N. Baja Blythe" and the reference to "ICE Wtd" will be replaced with "NGI" (Sheet 7).

SoCalGas' Rule 41 also provides standards and criteria for entering into baseload contracts for Southern System support and sales of such baseload. Part of the reasonableness of the Operational Hub's spot sale of baseload is measured

against a calculation which utilizes ICE's Weighted Average Index for the relevant trading point. SoCalGas proposes to:

- Modify Section 20, which provides details regarding the reasonableness calculation for the Operational Hub's spot sales of baseload, by replacing the ICE Weighted Average Index with the NGI Average Index for the relevant trading point. The Reference to "ICE Wtd" will be replaced with "NGI" (Sheet 8).

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 received within 20 days of the date this AL was filed with the Commission, which is September 17, 2017. 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 files this AL as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore, SoCalGas respectfully requests that this AL be approved on September 27, 2017, which is 30 calendar days after the date filed, and the tariffs effective on October 1, 2017.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list for A.04-08-018. Address change requests to the GO 96-B service list should be directed by electronic mail to tariffs@socalgas.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) #: 5179

Subject of AL: Revisions to Schedule Nos. G-IMB and G-CPS, Rule No. 41, the California Producer Operational Balancing Agreement (CPOBA), and the California Producer Interconnection Agreement (CPIA)

Keywords (choose from CPUC listing): Agreements, Contracts, Forms, Non-Core, and Standby Service

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: AL 9/27/17; Tariffs 10/1/17

No. of tariff sheets: 17

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: Schedule Nos. G-IMB and G-CPS; Rule No. 41; Sample Forms; 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. 5179

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 54238-G	Schedule No. G-IMB, TRANSPORTATION IMBALANCE SERVICE, Sheet 2	Revised 54232-G
Revised 54239-G	Schedule No. G-IMB, TRANSPORTATION IMBALANCE SERVICE, Sheet 4	Revised 53787-G
Revised 54240-G	Schedule No. G-CPS, CALIFORNIA PRODUCER SERVICE, Sheet 6	Original 49718-G
Revised 54241-G	Schedule No. G-CPS, CALIFORNIA PRODUCER SERVICE, Sheet 7	Revised 54208-G
Revised 54242-G	Schedule No. G-CPS, CALIFORNIA PRODUCER SERVICE, Sheet 8	Revised 54209-G
Revised 54243-G	Rule No. 41, UTILITY SYSTEM OPERATION, Sheet 4	Revised 52680-G
Revised 54244-G	Rule No. 41, UTILITY SYSTEM OPERATION, Sheet 5	Revised 51674-G
Revised 54245-G	Rule No. 41, UTILITY SYSTEM OPERATION, Sheet 6	Revised 51675-G
Revised 54246-G	Rule No. 41, UTILITY SYSTEM OPERATION, Sheet 7	Revised 53964-G
Revised 54247-G	Rule No. 41, UTILITY SYSTEM OPERATION, Sheet 8	Revised 53965-G
Revised 54248-G	SAMPLE FORMS - CONTRACTS, California Producer Operational Balancing Agreement, Form No. 6452	Revised 51749-G
Revised 54249-G	SAMPLE FORMS - CONTRACTS, California Producer Interconnection Agreement, Form No. 6454	Original 49732-G
Revised 54250-G	TABLE OF CONTENTS	Revised 54233-G
Revised 54251-G	TABLE OF CONTENTS	Revised 54210-G
Revised 54252-G	TABLE OF CONTENTS	Revised 53969-G
Revised 54253-G	TABLE OF CONTENTS	Revised 52291-G
Revised 54254-G	TABLE OF CONTENTS	Revised 54234-G

Schedule No. G-IMB
TRANSPORTATION IMBALANCE SERVICE

Sheet 2

(Continued)

RATES (Continued)

Standby Procurement Charge

This charge is applied to customer's cumulative negative transportation imbalance (confirmed transportation deliveries less actual usage) exceeding the 8 percent tolerance band. The Standby Procurement Charge is posted at least one day in advance of each corresponding imbalance trading period for noncore/wholesale and core transport agents (CTAs). It is calculated at 150% of the highest daily border price index at the Southern California border beginning on the first day of the month that the imbalance is created to five days prior to the start of each corresponding imbalance trading period plus a Brokerage Fee of 0.266¢ per therm for noncore retail service and all wholesale service, and 0.208¢ per therm for core retail service. The highest daily border price index is an average of the highest prices from "Natural Gas Intelligence's (NGI's) Daily Gas Price Index – Southern California Border Average" and "SNL Energy's Daily Indices – SoCal Border."

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Core Retail Service:

SP-CR Standby Rate, per therm

May 2017	49.987¢
June 2017	53.314¢
July 2017	48.523¢

Noncore Retail Service:

SP-NR Standby Rate, per therm

May 2017	50.045¢
June 2017	53.372¢
July 2017.....	48.581¢

Wholesale Service:

SP-W Standby Rate per therm

May 2017	50.045¢
June 2017	53.372¢
July 2017	48.581¢

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5179
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Aug 28, 2017
 EFFECTIVE Oct 1, 2017
 RESOLUTION NO. _____

Schedule No. G-IMB
TRANSPORTATION IMBALANCE SERVICE

Sheet 4

(Continued)

RATES (Continued)

Daily Balancing Standby Rates (Continued)

The daily balancing standby rate shall be equal to NGI's MidDay Price Alert Index for SoCal-Citygate multiplied by FF&U plus brokerage fee (i.e., [(NGI's MidDay Price Alert Index for SoCal-Citygate)*(FF&U)] + [brokerage fee]), rounded up to the next whole dollar, for each day a Stage 5 Low OFO, EFO, or curtailment is issued. Authorized FF&U will not be added to any daily balancing standby charge for the Utility Gas Procurement Department to the extent that is collected elsewhere.

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SoCalGas FF&U Factors and Brokerage Fees

	FF&U	Brokerage Fee (\$/Dth)
Core	1.017370	0.0208
Noncore	1.017370	0.0266
Wholesale	1.014339	0.0266

Revision of Rates

The Standby Procurement Charge and the Buy-Back Rate shall be established effective the last day of each month. The Daily Balancing Standby Rate shall be established on NGI's MidDay Price Alert Index.

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SPECIAL CONDITIONS

1. Definitions of the principal terms used in this rate schedule are contained in Rule No. 1.
2. Imbalances of customers other than the Utility Gas Procurement Department or ESPs will be calculated by combining all of a customer's meters served under the same order control code, not by account or individual delivery point. The order control code is used by the Utility to group those facilities identified by the customer for determining the customer's imbalances. In the case of the Utility Gas Procurement Department the applicable Daily Forecast Quantity will be used. In the case of ESPs their applicable Daily Contract Quantity (DCQ) will be used.
3. Immediately each month when actual meter usage information becomes available, an adjustment to the Utility Gas Procurement Department's imbalance account will be made to account for any differences between actual consumption of the core customers and the Daily Forecast Quantity, company use and LUAF.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5179
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ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Aug 28, 2017
 EFFECTIVE Oct 1, 2017
 RESOLUTION NO. _____

Schedule No. G-CPS
CALIFORNIA PRODUCER SERVICE

Sheet 6

(Continued)

SPECIAL CONDITIONS (Continued)

5. California Producer Imbalance Cash-out Rates – These rates apply only to California Producers who have executed a CPOBA. From time to time a California Producer may incur a cumulative Operational Imbalance that is outside its Tolerance Band as defined in Section 2.2 of the CPOBA. The California Producer will be given a 14-day Payback Period to bring its cumulative Operational Imbalance inside its Tolerance Band in accordance with Section 2.2 of the CPOBA. If at the end of the Payback Period any positive Operational Imbalance (over-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by SoCalGas to the California Producer at the rate of 50% of the average of the Low California/Arizona border price index for delivery into SoCalGas (“Daily Index – SoCal Border Average”) as reported by Natural Gas Intelligence (“NGI”) (or its legal successor) for each day of the relevant seven (7)-day imbalance period (i.e., the day when the cumulative Operational Imbalance falls outside the Tolerance Band plus the immediately preceding six (6) calendar days). If at the end of the Payback Period any negative Operational Imbalance (under-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by the California Producer to SoCalGas at the rate of 150% of the average of the High Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the relevant seven (7)-day imbalance period as defined herein above. If, for any reason, NGI (or its legal successor) ceases to be available for a particular Payback Period, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by SoCalGas and the California Producer.

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The cash-out rate for monthly True-ups of Operational Imbalances, pursuant to Section 2.4 of the CPOBA, will be equal to a 7-day average of the Average Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the True-up month (i.e., for each day that a cash-out rate for monthly True-Ups of Operational Imbalances applies, the cash-out rate will be equal to an average of the indices for that day plus the immediately preceding six (6) calendar days). For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to the California Producer. For a negative Operational Imbalance, the cash-out will be paid by the California Producer to SoCalGas. If, for any reason, NGI (or its legal successor) ceases to be available for a particular True-up period, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by SoCalGas and the California Producer.

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Cash-out rates for Measurement Corrections and for Reconciliation upon the termination of the CPOBA will be the rates set forth in Section 2.3, Measurement Correction, and Section 3.4, Reconciliation, of the CPOBA, respectively. The calculation of these rates will use the same underlying indices used to calculate the cash-out rates for Operational Imbalances and True-ups.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5179
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Aug 28, 2017
 EFFECTIVE Oct 1, 2017
 RESOLUTION NO. _____

Schedule No. G-CPS
CALIFORNIA PRODUCER SERVICE

Sheet 7

(Continued)

SPECIAL CONDITIONS (Continued)

5. (Continued)

Cash-out Rates Using Daily Index – SoCal Border as Reported by NGI:

June 2017 Flow Date	150% of 7-Day Average of High Daily Indices (\$/therm)	50% of 7-Day Average of Low Daily Indices (\$/therm)	7-Day Average of Average Daily Indices (\$/therm)
1	0.42729	0.13836	0.27458
2	0.42043	0.13671	0.25905
3	0.41314	0.13441	0.24707
4	0.40586	0.13211	0.24707
5	0.39857	0.12980	0.24707
6	0.39686	0.12923	0.27332
7	0.39771	0.12920	0.27964
8	0.39943	0.12998	0.28160
9	0.40200	0.13077	0.27321
10	0.40307	0.13100	0.25377
11	0.40414	0.13123	0.25377
12	0.40521	0.13146	0.25377
13	0.40457	0.13061	0.26393
14	0.39943	0.12914	0.25952
15	0.39686	0.12836	0.27047
16	0.39761	0.12886	0.27864
17	0.40596	0.13125	0.28926
18	0.41432	0.13364	0.28926
19	0.42268	0.13604	0.28926
20	0.44325	0.14046	0.33171
21	0.46896	0.14504	0.35408
22	0.48975	0.14875	0.34037
23	0.49286	0.14911	0.28476
24	0.48686	0.14771	0.26530
25	0.48086	0.14632	0.26530
26	0.47486	0.14493	0.26530
27	0.45493	0.14164	0.27557
28	0.43307	0.13800	0.27318
29	0.41271	0.13443	0.27264
30	0.40821	0.13357	0.27247
Average for the Month	N/A	N/A	0.27616

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(TO BE INSERTED BY UTILITY)
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Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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Schedule No. G-CPS
CALIFORNIA PRODUCER SERVICE

Sheet 8

(Continued)

SPECIAL CONDITIONS (Continued)

5. (Continued)

Cash-out Rates Using Daily Index – SoCal Border as Reported by NGI:

July 2017 Flow Date	150% of 7-Day Average of High Daily Indices (\$/therm)	50% of 7-Day Average of Low Daily Indices (\$/therm)	7-Day Average of Average Daily Indices (\$/therm)
1	0.40671	0.13214	0.25308
2	0.40521	0.13071	0.25308
3	0.40371	0.12929	0.25308
4	0.40007	0.12707	0.25308
5	0.39621	0.12521	0.25308
6	0.40179	0.12636	0.29165
7	0.41486	0.12936	0.32220
8	0.42171	0.13207	0.28476
9	0.42857	0.13479	0.28476
10	0.43543	0.13750	0.28476
11	0.44293	0.14000	0.28497
12	0.45000	0.14300	0.28818
13	0.44679	0.14221	0.28417
14	0.43500	0.13934	0.27593
15	0.43457	0.13884	0.27864
16	0.43414	0.13834	0.27864
17	0.43371	0.13784	0.27864
18	0.43264	0.13798	0.28711
19	0.43136	0.13770	0.28423
20	0.43179	0.13813	0.28295
21	0.43564	0.13921	0.28891
22	0.43457	0.13964	0.28280
23	0.43350	0.14007	0.28280
24	0.43243	0.14050	0.28280
25	0.43157	0.14050	0.28337
26	0.43221	0.14050	0.28364
27	0.43264	0.14064	0.28539
28	0.43157	0.14000	0.28608
29	0.43093	0.13950	0.27635
30	0.43029	0.13900	0.27635
31	0.42964	0.13850	0.27635
Average for the Month	N/A	N/A	0.27941

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(TO BE INSERTED BY UTILITY)
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ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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Rule No. 41

Sheet 4

UTILITY SYSTEM OPERATION

(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

7. The minimum flowing supply for the Southern System is a function of the forecasted gas demand for the Southern System, including SDG&E demand, less the capability to provide additional supplies to the Southern System from the Northern System or storage, and other factors, such as but not limited to: the state of the Southern System, demand and supply available on the remainder of the Utility system, and expectations of changing demand patterns. The Gas Control Department estimates the level of demand and the capability to transport supply from the Northern System or storage each day. The Utility System Operator will use all of its available transmission facilities to move gas from the Northern System to the Southern System.

8. The Operational Hub will use the tools authorized by the Commission to support the Southern System minimum flow requirement, including the purchase/sale of spot gas supplies, and the issuance of "Requests For Offers" (RFOs) for proposals to enable the Utility to manage its minimum flow requirements to the Southern System delivery points (in accordance with Sections 9 and 10 below), and the movement of supplies between the El Paso S. Mainline / N. Baja Blythe and Otay Mesa Southern System delivery points. All purchases and sales of spot gas to support the minimum flow requirement will be made subject to Sections 11 and 12 below, and the movement of supplies between the El Paso S. Mainline / N. Baja Blythe and Otay Mesa Southern System delivery points will be made subject to Section 15 below. The initial daily quantity of needed supplies will be determined by the Gas Control Department based on the following formula:

D,N
D,N

Minimum Flowing Supply Requirement minus

Best Available Scheduled Quantities Reflecting Customer Flows into the Southern System =

Additional Supplies Needed by the Gas Control Department

"Best Available Scheduled Quantities" are the last available scheduled quantities. The last available scheduled quantities will be adjusted by the Gas Control Department to account for revised customer nominations for a particular day if the last available scheduled quantities cannot be achieved on the day in question. On those days a lower number would be utilized to reflect expected deliveries. The same would apply if the Gas Control Department becomes aware of pipeline issues such as approaching maintenance or lack of upstream pipeline/supplier performance, in which case the last available scheduled quantities would be reduced to reflect the expected deliveries.

9. Whenever the Gas Control Department determines that additional supplies are needed for the Southern System, the Gas Control Department will promptly contact the Operational Hub for assistance. The Operational Hub will attempt to acquire needed supplies in accordance with Sections 9 through 19 below.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5179
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Aug 28, 2017
 EFFECTIVE Oct 1, 2017
 RESOLUTION NO. _____

UTILITY SYSTEM OPERATION

(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

10. The Gas Control Department shall be physically separated from those departments engaging in marketing/sales activities, shall have no knowledge of or involvement in any marketing/sales activities, and shall be strictly concerned with the operation, safety, and integrity of the pipeline and storage system. The Operational Hub shall have no access to non-public customer-specific information other than the information it obtains through its own contracts, negotiations, and discussions with customers. The Gas Control Department may communicate with the Operational Hub to discuss changes to the Southern System minimum flow requirements, circumstances that might require the Operational Hub to obtain supplies, and options to ensure minimum flowing supplies requirements are met. Discussions may also take place with regard to short-term operational needs for flowing supplies to support system reliability elsewhere on the system that may arise to support operations and maintenance (O&M) activities, related pipeline integrity work, or to address a force majeure event such as a line breakage or failure.

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES

11. The Utility shall issue an RFO at least annually for proposals enabling the Utility to manage its minimum flow requirements to the Southern System delivery points for system reliability. The Utility, at its sole discretion, may enter into transactions with one or more RFO respondents to provide the best value to the Utility's customers based upon the Utility's evaluation criteria. The RFO shall not be a binding offer by the Utility to enter into a contract for any product(s) or service(s). The Utility shall reserve the right to reject any or all offers submitted in response to the RFO.
12. Any contract with an RFO respondent will be conditioned on the Utility obtaining the prior approval of the California Public Utilities Commission (CPUC) acceptable to the Utility. Respondent offers will be considered non-binding until a definitive agreement is reached between the respondent and the Utility, and the CPUC issues an order approving the definitive agreement memorializing the terms and conditions of the transaction between the respondent and the Utility.
13. Except for transactions related to the Utility Gas Procurement Department's role as "provider of last resort" (addressed below in Section 12), any gas commodity purchases and sales between the Operational Hub and the Utility Gas Procurement Department or an affiliate of Sempra Energy will occur through an Independent Party, where the counterparties are not known until after the transaction is completed. "Independent Party" refers to gas trading exchanges such as the Natural Gas Intelligence (NGI), gas brokers who have been instructed to provide no preference to Sempra affiliates or to the Utility Gas Procurement Department, or open auctions available to all qualified parties conducted by the Operational Hub, in which gas purchases or sales are made with counterparties that are not known until after the transaction is completed.

N
D,N

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 5179
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ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED Aug 28, 2017
EFFECTIVE Oct 1, 2017
RESOLUTION NO. _____

Rule No. 41

Sheet 6

UTILITY SYSTEM OPERATION

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

14. The Utility Gas Procurement Department will act on a best-efforts basis to provide gas supplies based on the Operational Hub’s request if called upon as a provider of last resort. “Provider of last resort” relates to the circumstance in which the Operational Hub has attempted to use all other available tools, has entered the open market for gas commodity purchases, has been unsuccessful in meeting its need to receive a required volume of flowing supplies at a specific location, and system reliability is therefore jeopardized. If the Operational Hub has exhausted its other options available to acquire the required flowing supplies, it will contact the Utility Gas Procurement Department and request that it provide gas to meet the remaining minimum flow requirement. Such requests will occur as soon as possible during the actual flow day. The Utility Gas Procurement Department will charge the Operational Hub the actual incremental costs incurred to provide the specific supplies. Verification that the Utility has followed this procedure will be included in the annual compliance report provided to the CPUC in conjunction with the Advice Letter addressed in Section 25 below.

15. Standards and criteria for spot purchases or sales of gas commodity for which standards and criteria are not specified in CPUC-approved contracts shall be as follows:

- a. Should it be necessary for the Operational Hub to purchase or sell spot supplies of gas in the day-ahead market, the Operational Hub shall be deemed to have made reasonable (1) spot purchases if the purchase price is less than or equal to 110% of the Natural Gas Intelligence (NGI) Avg Index for the flow date for the relevant trading point and (2) spot sales if the sale price is greater than or equal to 90% of the NGI Avg Index for the flow date for the relevant trading point.
- b. Should it be necessary for the Operational Hub to purchase or sell spot supplies of gas in the intraday market, the Operational Hub shall be deemed to have made reasonable (1) spot purchases if the purchase price is less than or equal to 110% of the NGI High for the current flow date for the relevant trading point and (2) spot sales if the sale price is greater than or equal to 90% of the NGI Low for the current flow date for the relevant trading point.

D,N
N
N

D,N
D,N

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5179
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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Rule No. 41

Sheet 7

UTILITY SYSTEM OPERATION

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

16. Purchases or sales at prices that are outside the ranges specified in Section 13 (a) and (b) above shall nevertheless be deemed reasonable if the Operational Hub abides by the following procedure: When the Gas Control Department determines that spot purchases are necessary to meet minimum flow requirements, the Operational Hub shall monitor ICE and record the relevant price information, if available, for deliveries of gas at all relevant trading points. If volumes available on ICE meet or exceed the minimum flow requirements, transactions for the volumes offered through ICE shall be deemed reasonable. The Operational Hub may also post an offer/bid on ICE for volumes. When less than the required volumes are available on ICE, the Operational Hub shall contact gas suppliers (other than the Utility Gas Procurement Department or affiliates), request offers for the necessary supplies, and record their offers for gas delivered to the relevant trading points to ensure at least three offers from three different suppliers are available for comparison. The Operational Hub shall compare prices posted on ICE and, if applicable, prices quoted by its supplier contacts, and select the best prices available to meet the quantities required to meet minimum flow requirements. Verification that the Operational Hub has followed this procedure shall be provided to the CPUC in the Annual Compliance Report described in Section 25 below.
17. When the Gas Control Department determines that deliveries at Otay Mesa are necessary to meet minimum flow requirements, such requirements may be satisfied either through spot purchases at Otay Mesa or through the movement of supplies from El Paso S. Mainline / N. Baja Blythe to Otay Mesa. Standards and criteria for spot purchases are set forth above. Should it be necessary for the Operational Hub to move supplies from El Paso S. Mainline / N. Baja Blythe to Otay Mesa, the movement shall be deemed to be reasonable if (1) the cost of moving the supplies is less than or equal to the difference between the NGI Avg Index for the El Paso S. Mainline / N. Baja Blythe and the cost of spot gas available for purchase at Otay Mesa for the relevant flow date, or (2) if sufficient spot supplies are not available for purchase at Otay Mesa for the relevant flow date, and the movement fills some or all of the shortfall between supplies needed at Otay Mesa and supplies available for purchase at Otay Mesa.
18. Purchases and sales other than those described in Sections 14 and 15 above will not be deemed unreasonable but shall be subject to review and any requests for explanation by the CPUC Energy Division in conjunction with the Annual Compliance Report described in Section 25 below.
19. Standards, criteria and procedures set forth in Sections 13, 14, 15 and 16 apply to Operational Hub's purchases and sales as of April 1, 2009.

D,N
D,N
D,N

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5179
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Aug 28, 2017
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Rule No. 41

Sheet 8

UTILITY SYSTEM OPERATION

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES

20. Should the Operational Hub deem it necessary or advisable to enter into baseload contracts for Southern System support at one or more of the Southern System receipt points, the Operational Hub shall be deemed to have made reasonable baseload purchases if: (1) the total cumulative baseload volumes at any time are less than or equal to 255,000 Dth/day in the months of December through March and 200,000 Dth/day in the months of July through September; (2) the price is less than or equal to NGI's Bidweek average for "Southern Cal. Bdr. Avg." plus 8.2 cents/Dth for the relevant baseload month(s); (3) the term is for the December-March or the July-September periods, or any subset of those periods; and (4) the baseload contracts can only be made for one season at a time and only within the nine month period directly preceding that season. The Operational Hub shall be deemed to have made reasonable sales of such baseload gas if: (1) for baseload sales, the sale price is greater than or equal to 90% of NGI's Bidweek average for "SoCal Citygate" for the relevant baseload month(s); and (2) for spot sales, the sale price is greater than or equal to 90% of the NGI Avg Index for the relevant trading point and trading period. This provision shall expire on March 31, 2019, unless extended by the Commission. SoCalGas may seek extension or modification of this provision by standard advice filing or application.
21. The Utility shall seek CPUC authority for any additional tools (other than system modifications that can be completed without an application under current rules) necessary to meet the Southern System minimum flow requirement through an application. Any contracts that are not obtained through an RFO process relating to already-approved tools (i.e., gas purchases, gas exchanges) will be submitted to the CPUC for approval by Advice Letter. Advice Letters seeking approval of the Operational Hub contractual arrangements shall identify the order in which contracts will be implemented to ensure system reliability and integrity at least cost.

D,N

ACCOUNTING TREATMENT

22. The cost and revenues of Operational Hub transactions (e.g., natural gas purchases, sales, or exchanges resulting from approved contracts) that are necessary to meet minimum flow requirements shall be recorded in the System Reliability Memorandum Account (SRMA). Prospective changes to the types of the Operational Hub natural gas transactions ("tools") to meet minimum flow requirements shall be considered in conjunction with the annual Utility Customer Forum described below.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 5179
DECISION NO.

ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED Aug 28, 2017
EFFECTIVE Oct 1, 2017
RESOLUTION NO. _____

SAMPLE FORMS - CONTRACTS
California Producer Operational Balancing Agreement
Form No. 6452

(See Attached Form)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 5179
DECISION NO.

107

ISSUED BY

Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Aug 28, 2017
EFFECTIVE Oct 1, 2017
RESOLUTION NO. _____

CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT
between

_____ and
SOUTHERN CALIFORNIA GAS COMPANY

THIS CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT (“Agreement”) is made and entered into by and between _____, a _____, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this ___ day of ___ 20___. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

RECITALS

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under section 1 (c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, the Parties desire to provide for the delivery to, and receipt of, natural gas by the SoCalGas system as set forth in this Agreement and the California Producer Interconnection Agreement; and

WHEREAS, Interconnector and/or SoCalGas have entered, or may enter, into one or more agreements with third party Service Requesters (hereinafter referred to as “Service Requester(s)”) for the transportation of Gas to the delivery point Interconnection Point(s) or from the receipt point Interconnection Point(s) on their respective systems as shown in Exhibit 1 (said agreements hereinafter referred to as “Service Requester Agreements”); and

WHEREAS, from time to time, the quantities of Gas confirmed and scheduled by the Parties to be delivered to, or received at, the Interconnection Point (said quantities hereinafter referred to as the “Scheduled Quantities”) may be greater or less than the quantities of Gas which are actually delivered at the Interconnection Point, resulting in over- or under-deliveries relative to Scheduled Quantities; and

WHEREAS, the Parties desire to implement this Agreement in order to facilitate more efficient operations, accounting, and systems management at the Interconnection Point and on

the SoCalGas system, and to provide for certain terms and conditions under which Gas will be delivered by Interconnector and accepted by SoCalGas, for the account of Service Requester(s) and/or their designees at the Interconnection Point.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

SECTION I **SCOPE OF AGREEMENT**

1.1 Scope – This Agreement sets forth the terms and conditions governing the treatment of Operational Imbalances at the Interconnection Point between the pipeline facilities that have been constructed or will be constructed at such Interconnection Point by SoCalGas and Interconnector for all Gas delivered by Interconnector to SoCalGas for the account of itself or its affiliates or third parties at the Interconnection Point as set forth below and incorporating herein the provisions of the Recitals above. The Parties have or will have executed the California Producer Interconnection Agreement, and its execution and performance is a condition precedent to the obligations herein. No action or inaction of SoCalGas will or shall relieve Interconnector of this obligation.

1.2 Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in the California Producer Interconnection Agreement, is effective as of the date first written above and shall remain in effect for a primary term of fifteen (15) years from the date Gas first flows through the Interconnection Point (the “Commencement Date”), and year to year thereafter.

1.2.1 Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement.

1.2.2 SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector, or in the event of a material default by Interconnector, upon sixty (60) calendar days following Interconnector’s receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

1.2.3 In the event the California Producer Interconnection Agreement has not been fully executed by _____, or any pipeline system construction that is necessary to begin Gas deliveries or receipts at the Interconnection Point is not completed on or before _____, or Gas flows substantially equal to the design volumes have not commenced within ____ days of completion of the interconnection, either Party may terminate this Agreement with sixty (60) calendar days prior written notice.

1.3 Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

1.3.1 “Interconnector’s Facilities” shall mean those Gas pipeline facilities as defined in the California Producer Interconnection Agreement.

1.3.2 “California Producer Interconnection Agreement” shall mean an agreement executed between the Parties that provides the terms and conditions governing the operations at the Interconnection Point between Interconnector’s Facilities and SoCalGas’ Facilities.

1.3.3 “Gas” shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas’ tariffs, rules and other applicable regulations.

1.3.4 “Interconnect Capacity” shall be as defined in the California Producer Interconnection Agreement.

1.3.5 “Interconnection Point” shall mean that point where SoCalGas' Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as described in the California Producer Interconnection Agreement. The location of the Interconnection Point is described in Exhibit 3.

1.3.6 “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point as defined in the California Producer Interconnection Agreement, for receipt into SoCalGas’ system in the State of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas and are generally set forth in Exhibit 2.

- 1.3.7 “Operational Imbalance” shall mean actual physical deliveries of Gas less Gas quantities that are scheduled to be delivered. Therefore, Operational Imbalance shall be positive for over-deliveries, i.e., deliveries greater than scheduled deliveries. Operational Imbalance shall be negative for under-deliveries, i.e., deliveries less than Scheduled Quantities.
- 1.3.8 “OFO Day” shall mean any Gas flow day for which SoCalGas calls an OFO as described in Rule 30.
- 1.3.9 “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate California Producer Operational Balancing Agreements or another agreement governing access to SoCalGas' system.

1.4 Regulatory Jurisdiction

- 1.4.1 Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.
- 1.4.2 FERC Jurisdiction - This Agreement is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the FERC as a “natural gas company” under the provisions of the Natural Gas Act. If, at any time, it is determined by FERC that such balancing activities do result in such regulation, then either Party may immediately terminate this Agreement by providing written notice to the other Party, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the

Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

- 1.4.3 CPUC Jurisdiction – If the CPUC or any other regulatory body, at any time, shall assert that Interconnector as a result of delivery of Gas hereunder, is a public utility or subject to regulation as such or that such regulatory body may prevent SoCalGas from complying with this Agreement in any respect, then within thirty (30) calendar days of such assertion either Party may, upon written notice to the other Party, terminate this Agreement effective thirty (30) calendar days after such written notice, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

SECTION II **SCHEDULING**

2.1 Nominations, Confirmations and Scheduling - Prior to the date and time of flow at the Interconnection Point, the Parties shall nominate, confirm and schedule volumes of Gas which will be delivered or received at the Interconnection Point. Such nominations and confirmations between the Parties shall be made electronically or in writing, unless otherwise mutually agreed to by the Parties. Such nominations, confirmations and scheduling by the Interconnector will be in compliance with the North American Energy Standards Board (“NAESB”) standards and SoCalGas protocols. If Interconnectors’ Gas is delivered through a Split Meter, then one of the California Producers delivering Gas through that Split Meter shall be designated as the Interconnection Point operator who shall provide SoCalGas, in writing, with the Split-Meter allocation for that particular Split Meter within seven (7) calendar days after each non-OFO Day and within one (1) business day after each OFO Day. If the Split-Meter allocation is not provided by the Interconnection Point operator by the close of business (5:00 P.M. Pacific Clock Time) on the applicable day, then the last Split-Meter allocation provided by the Interconnection Point operator shall be used.

2.2 Operational Imbalance and Cash-Out – Interconnector shall to the extent feasible make deliveries of Gas at the Interconnection Point at substantially uniform rates of flow during a particular flow day. Any Operational Imbalance outside of the Tolerance Band (as defined in Subsection 2.2.1) created will be the responsibility of the Interconnector to eliminate pursuant to this Agreement. For Gas accounting purposes, all daily Scheduled Quantities as scheduled for flow day shall be deemed to be delivered regardless of the actual volume of Gas delivered. Any Operational Imbalance outside of the Tolerance Band shall be eliminated as soon as practicable, using the same Interconnection Point, by mutually agreeable arrangements between Interconnector and SoCalGas.

2.2.1 Non-OFO Days - If, at any Interconnection Point, the cumulative Operational Imbalance is outside the tolerance band of plus or minus ten percent ($\pm 10\%$) of seven (7) days of Interconnect Capacity expressed in decatherms (_____ Dth) (“Tolerance Band”), the following flow day shall begin an Operational Imbalance payback period (hereinafter “Payback Period”) not to exceed fourteen (14) calendar days. The 14-day Payback Period for an Operational Imbalance resulting from a Split Meter shall begin on the flow day after the date the Operational Imbalance allocation is finalized by SoCalGas. An Operational Imbalance shall be deemed to be finalized when the Operational Imbalance is posted by SoCalGas on its Electronic Bulletin Board (“EBB”) and designated as such. The Payback Period will be used to bring the cumulative Operational Imbalance that occurred before and during the Payback Period within the Tolerance Band. During the 14-day Payback Period, the Interconnector may also trade any Operational Imbalances, accruing to or caused by Interconnector, with other Interconnector(s) with an effective California Producer Operational Balancing Agreement (“Trading Partner”). A trade will not be confirmed by SoCalGas if the trade would cause the Trading Partner’s Operational Imbalance to go outside its Tolerance Band. The Interconnector may trade Operational Imbalance quantities up to a maximum of its cumulative Operational Imbalance including quantities outside of its own Tolerance Band and those quantities within its own Tolerance Band. SoCalGas will verify each such trade on the next business day and make appropriate quantity adjustments to the associated accounts on that day. When the cumulative Operational Imbalance is no longer outside the Tolerance Band, the Payback Period will cease. If at the end of the Payback Period any positive Operational Imbalance (over-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by SoCalGas to Interconnector at the rate set forth in Schedule No. G-CPS. If at the end of the Payback Period any negative Operational Imbalance (under-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by Interconnector to SoCalGas at the rate set forth in Schedule No. G-CPS. The Parties may mutually agree to waive the balancing provisions of this Agreement and to permit an Operational Imbalance to arise, in which case such imbalance shall be reduced to, or below, a specified Dth level as soon as practicable according to a mutually agreed upon schedule.

2.2.2 Split Metering – Financial responsibilities for any resulting imbalance cash-out payments, including any cash-out payments for imbalances on OFO Days, and credit requirements shall belong

individually to each California Producer (as described in its own California Producer Operational Balancing Agreement or another agreement governing access to SoCalGas' system) using the Split Metering arrangement.

- 2.2.3 OFO Days – During OFO Days, the Interconnector shall be required to balance in accordance with SoCalGas' Rule 30 and be subject to the charges specified therein. The requirement to balance on the OFO Day shall be applied at all times, including any defined Payback Period. Operational Imbalance quantities during an OFO Day that are outside the appropriate OFO Day tolerance level will be considered in the calculation of the cumulative Operational Imbalance for non-OFO Days. Operational Imbalances cashed out pursuant to Rule 30 will be removed from the Interconnector's Operational Imbalance and the information will be promptly communicated to the Interconnector. For Split Meters, the allocation of Gas deliveries on OFO Days shall be in accordance with Section 2.1. The financial responsibility for any Split Meter cash-outs for OFO Days shall be in accordance with Section 2.2.2.

2.3 Measurement Correction - Operational Imbalances that may arise from time to time as the result of a measurement correction for a prior period shall be resolved as follows: (i) by adding or subtracting the measurement correction to the Interconnector's then existing cumulative Operational Imbalance, or (ii) on a "cash-out" basis, or (iii) by some other mutually agreed to method. In the event the Parties cannot agree within thirty (30) calendar days after the occurrence of such Operational Imbalance as to the method to be used for the resolution of the Operational Imbalance, the "cash-out" basis shall be utilized. The cash-out rate will be equal to the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by Natural Gas Intelligence ("NGI") (or its legal successor) for each day of that particular prior period. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. If, for any reason, NGI (or its legal successor) ceases to be available for a particular imbalance period, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by the Parties.

2.4. Balancing

- 2.4.1 Estimated operating quantities flowing at the Interconnection Point shall be used during any current period to determine the estimated Operational Imbalance at such Interconnection Point, with physical flow and/or scheduling adjustments to be made during that current period to keep the Operational Imbalance within the Tolerance Band. Interconnector and SoCalGas shall cooperate in order to minimize the daily over- and under-deliveries. In this regard,

Interconnector's and SoCalGas' Gas control and/or scheduling personnel shall be in contact, to the extent necessary, each day in order to balance daily delivered quantities of Gas with Scheduled Quantities of Gas. For the purpose of this Agreement, delivery or receipt of any Gas to resolve an Operational Imbalance is not subject to transportation charges by either Party.

2.4.2 The actual measured quantity of Gas at the Interconnection Point each day shall be determined and communicated by SoCalGas on its EBB. The actual measured quantity shall be determined pursuant to the applicable provisions of SoCalGas' measurement procedures and standard methodologies consistent with standard industry practices. To the extent that the actual measured quantity of Gas differs from the estimated operating quantity of Gas at the Interconnection Point, at the beginning of each month SoCalGas will calculate the difference (actual minus estimated) between the two quantities for the previous month ("True-up"). SoCalGas will add the True-up to the cumulative Operational Imbalance up to the Tolerance Band. Any True-up quantities falling outside the Tolerance Band will be subject to the cash-out rate set forth in Schedule No. G-CPS. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas.

2.4.3 On, or about, the 9th business day of each calendar month, information showing the quantity of Gas scheduled and delivered at the Interconnection Point during the previous month, including any quantity of Gas traded pursuant to Section 2.2.1, shall be available in SoCalGas' EBB. The information on the ending cumulative imbalance quantity shall also be provided. The Operational Imbalances shall be deemed to be agreed to unless either Party notifies the other Party within seven (7) calendar days that it believes there is an error. At a later date during the month an invoice shall be rendered showing any cash-out charges or other charges and credits, along with supporting price and volume data and detailed cash-out price calculations to enable Interconnector or third-party verification. Billing and payment shall be consistent with SoCalGas' Tariff Rule 12.

2.4.4 All imbalances shall be recorded on a Decatherm basis for accounting purposes.

2.4.5 If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that

requirement, then SoCalGas reserves the right to suspend service until such time appropriate actions have been taken to ensure compliance with this provision.

2.5 Disputed Calculations - All reasonable efforts shall be made by the Parties to resolve any disputed computations. Either Party may pursue resolution of a dispute as to computations or imbalances owed hereunder in accordance with the provisions of this Agreement; however, unless the Parties mutually agree otherwise, delivery of the entire imbalance due, including any disputed imbalance, shall be made to the respective Party notwithstanding such dispute resolution. Delivery of the disputed imbalance(s) shall not be deemed a waiver of any rights to recoup any imbalance amount in dispute.

SECTION III **DEFAULT**

3.1 Waiver - A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character. Furthermore, no consent or waiver, expressed or implied, by any Party of any breach or default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of any other obligation of the other Party. Failure on the part of any Party to complain of any act or failure to act by the other Party or to declare the other Party in default, regardless of how long such failure continues, shall not constitute a waiver by such Party of any of its rights hereunder.

3.2 Regulatory Impairment – This Agreement shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction. Notwithstanding the other provisions of this Agreement, if at any time during the term hereof, any governmental authority having jurisdiction: (a) requires changes or modifications to the terms of this Agreement that are unacceptable to either Party; or (b) takes any action whereby either Party’s delivery, receipt, and/or use of Gas hereunder shall be proscribed or subjected to terms, conditions, regulations, restraints, or limits that in the reasonable judgment of a Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this Agreement, then such Party shall have the unilateral right to terminate this Agreement at any time upon thirty (30) calendar days written notice to the other Party, without further performance due or liability hereunder, except as to redelivery of any outstanding Gas imbalances. Nothing herein shall prevent the Parties through mutual agreement from modifying this Agreement in lieu of termination.

3.3 Sole Remedy - Each Party agrees that its sole remedy for nonperformance by the other Party or other default by the other Party in the performance of its obligations under this Agreement shall be as specified in this Agreement. Both Parties agree to use commercially reasonable efforts and actions to correct nonperformance on their respective systems in a timely manner.

3.4 Reconciliation - Upon the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within thirty (30) calendar days of termination. If the negative imbalance (i.e., under-deliveries) is not resolved within such thirty (30) calendar days, any remaining imbalance shall be reduced to zero (0) by cashing out at the highest High Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. If the positive imbalance (i.e., over-deliveries) is not resolved within such thirty (30) calendar days, any remaining imbalance shall be reduced to zero (0) by cashing out at the lowest Low Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. If, for any reason, NGI (or its legal successor) ceases to be available for this particular Payback Period, the cash-out rate will be based on another generally accepted available publication mutually agreed in writing by the Parties.

SECTION IV **NOTICES**

Any notice, request, or statement provided pursuant to this Agreement shall be in writing and shall be considered as having been given, if delivered personally, when delivered, or, if either electronically communicated, mailed, sent by express mail, or overnight delivery, or if telecopied to the other Party, then, when received, at the following:

AGREEMENT NOTICES AND OTHER CORRESPONDENCE

Interconnector	Southern California Gas Company
	555 W. Fifth Street
	Los Angeles, California 90013-1011
Telephone:	Telephone: (213) 244-
Telefax:	Telefax: (213) 244-
Attn:	Attn:
	M.L.
E-mail:	E-mail:

DISPATCHING AND NOMINATIONS

Interconnector	Southern California Gas Company 555 W. Fifth Street Los Angeles, California 90013-1011
Dispatch Telephone:	Gas Control: (323) 266-5888
Telefax:	Scheduling Fax: (213) 244-8281
Nominations:	Nominations: (213) 244-3900
Attn:	Attn: Gas Scheduling M.L. 20B5
E-mail:	Gasscheduling@semprautilities.com

ALLOCATION STATEMENTS

Interconnector	Southern California Gas Company 555 W. Fifth Street Los Angeles, California 90013-1011
Telephone:	Telephone: (213) 244-3812
Telefax:	Telefax: (213) 244-8281
Attn:	Attn: Scheduling Manager, M.L. GT20B5
E-mail:	Gasscheduling@semprautilities.com

Changes to the designated contacts, addresses and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) calendar days written notice.

SECTION V **INDEMNITY**

5.1 Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

5.2 Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force

majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

5.3 Limitation of Liability - Notwithstanding any other provision hereof, neither Party shall be liable to the other Party for or assessed pursuant to Section VI or otherwise any special, punitive, consequential, incidental, or indirect damages or for lost business or lost profits, whether under tort, breach of contract, strict liability or any other theory, even if the Party has been advised of the possibility of such damages. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement.

SECTION VI DISPUTE RESOLUTION

6.1 Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

SECTION VII ASSIGNMENT

7.1 Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under one of the following circumstances:

- 7.1.1 When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or
- 7.1.2 When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter;

however, in such event the other Party shall be provided prior written notice thereof; or

- 7.1.3 When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

SECTION VIII MISCELLANEOUS

8.1 No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) over and above those included within the California Producer Interconnection Agreement or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

8.2 Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

8.3 Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) of the California Producer Interconnection Agreement.

8.4 Choice of Law - As to all matters of construction and interpretation, this Agreement shall be interpreted in accordance with the laws of California, excluding any choice of law or rules, which direct the application of laws of another jurisdiction.

8.5 Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith (specifically excepting the California Producer Interconnection Agreement, which is not affected by this Agreement) and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

8.6 Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2.1, 2.2, 2.3, and so on.

8.7 Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 3, 5 and 8 shall survive.

8.8 Credit

8.8.1 Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 -the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

8.8.2 SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

8.8.3 In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

8.8.4 The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit

approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the "Guaranty") from the Guarantor.

The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector's creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 8.8.5 is not received within fifteen (15) calendar days of SoCalGas' notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

- 8.8.5 In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector's Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

8.9 Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

8.10 Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

8.11 Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

INTERCONNECTOR

SOUTHERN CALIFORNIA GAS
COMPANY

By:

By:

Printed Name:

Printed Name:

Title:

Title:

Date:

Date:

EXHIBIT 1: SYSTEM MAP

TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT
between

and
Southern California Gas Company
Dated: _____, 20__

EXHIBIT 2: SOCALGAS' FACILITIES

TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT

between

_____ and
Southern California Gas Company
Dated: _____, 20__

EXHIBIT 3: LOCATION

TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT
between

_____ and
Southern California Gas Company
Dated: _____, 20__

<u>D-U-N-S®</u> <u>NUMBER</u>	<u>RECEIPT/DELIVERY</u> <u>DESIGNATION</u>	<u>PROPRIETARY GAS</u> <u>TRANSACTION</u> <u>POINT CODE</u>	<u>DRN NO.</u>	<u>DESCRIPTION</u>
				Interconnection between the facilities of _____ and Southern California Gas Company located at County: _____ Section _____ Township: ____; Range ____.

SAMPLE FORMS - CONTRACTS
California Producer Interconnection Agreement
Form No. 6454

(See Attached Form)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 5179
DECISION NO.

107

ISSUED BY

Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Aug 28, 2017
EFFECTIVE Oct 1, 2017
RESOLUTION NO. _____

CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT
between

_____ and
SOUTHERN CALIFORNIA GAS COMPANY

This CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into by and between _____, a _____, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this ___ day of _____ 20___. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

RECITALS

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1(c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Interconnector has constructed or intends to construct and will operate its pipeline facilities to an Interconnection Point specified in Exhibits A and B attached hereto and incorporated herein by this reference (hereinafter referred to as “Interconnection Point”); and

WHEREAS, SoCalGas may construct facilities at the Interconnection Point subject to and conditioned upon the execution of a California Producer Interconnect Collectible System Upgrade Agreement with Interconnector concerning such facilities, terms of construction and cost responsibility for such facilities consistent with CPUC rules and regulations and attached as Exhibit C; and

WHEREAS, the Parties desire to provide such facilities for the delivery to and receipt of natural gas by the SoCalGas system as set forth in this Agreement.

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

SECTION 1
SCOPE OF AGREEMENT

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to provide facilities for the Interconnect Capacity from Interconnector's pipeline facilities near _____ in _____, California to SoCalGas' existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector's Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to this Agreement and a California Producer Operational Balancing Agreement ("CPOBA") between the Parties, for the account of Interconnector or Interconnector's affiliate or third parties for transport on SoCalGas' pipeline system in California. This Agreement does not provide for or address in any way any right of Interconnector to receive transportation services on SoCalGas' system from the Interconnection Point. Attached hereto as Exhibit A, and incorporated by reference herein, is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B, and incorporated by reference herein.

(b) Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in CPOBA, is effective as of the date first written above and shall remain in effect for a primary term of fifteen (15) years from the date Gas first flows through the Interconnection Point (the "Commencement Date") and year to year thereafter.

(i) Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement including all costs for removal of SoCalGas' Facilities at the Interconnection Point and restoration of the site to its condition prior to the construction of the Interconnection Point.

(ii) SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector or in the event of a material default by Interconnector upon sixty (60) calendar days following Interconnector's receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

(iii) Either Party may terminate this Agreement on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete Interconnector's Facilities or SoCalGas' Facilities is not completed on or before _____.

(c) Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

(i) “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas’ system in the State of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas.

(ii) “CPUC” shall mean the Public Utilities Commission of the State of California.

(iii) “Gas” shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas’ tariffs, rules and other applicable regulations.

(iv) “In-Service Date” is that date when SoCalGas’ Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas’ Facilities at the Interconnection Point.

(v) “Interconnect Capacity” shall be the metering and odorization daily capacity of SoCalGas’ Facilities but is not necessarily the capacity of SoCalGas’ pipeline facilities to transport Gas away from the Interconnection Point and is not, nor is it intended to be, any commitment by SoCalGas of takeaway capacity. The Interconnect Capacity shall be _____ MMcf/d unless changed by the written mutual agreement of the parties.

(vi) “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) “Interconnector’s Facilities” shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by an Interconnector up to the Interconnection Point.

(viii) “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate CPOBAs or another separate agreement governing access to SoCalGas’ system.

(d) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector’s Facilities to the Interconnection Point, which for any reason jeopardizes or in

SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

SECTION 2

CONDITIONS PRECEDENT

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Governmental Authorizations:

(i) Interconnector: On or before _____ [date], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction, if any, and operation of Interconnector's Facilities.

(ii) SoCalGas: On or before commencement of flows through the Interconnection Point, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) the proper approvals required for SoCalGas to dispense its duties under this Agreement from any other governmental or local agency, if necessary in SoCalGas' sole judgment.

(c) Notification - Each Party shall notify the other in writing whenever in its sole opinion the foregoing conditions in Subsection 2(b) have been satisfied. Interconnector shall retain the right to waive in writing conditions 2(b)(ii), and SoCalGas shall retain the right to waive in writing conditions 2(b)(i).

(d) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such forty-fifth (45th) day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however,

such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(e) Cooperation - Each Party shall cooperate with the other Party as is reasonable under the circumstances, and keep the other Party advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

SECTION 3 **OPERATION AND MAINTENANCE FEES**

(a) Fees – Interconnector shall pay to SoCalGas each month an Operation and Maintenance Fee (“O&M Fee”), as determined from time to time by SoCalGas, associated with the operation and maintenance of the metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas’ normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS.

(b) Maintenance of Physical Facilities – At the Interconnection Point where SoCalGas owns and operates the metering equipment and other related facilities, SoCalGas (i) shall have the right to replace or upgrade from time to time such equipment as is necessary to measure, regulate, odorize, monitor, control or otherwise effectuate deliveries of Gas volumes up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment necessary to transmit electronic measurement data on a current basis; (ii) shall install, at Interconnector’s sole cost and expense and after giving notice to Interconnector, such additional equipment either new or upgraded from time to time, as it deems necessary in its sole judgment to have the capability to receive at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment to receive electronic measurement data and equipment to odorize the Gas received at the Interconnection Point. The Interconnector shall have the right to review and to propose reasonable changes to any SoCalGas proposal or request to upgrade, replace, or enhance existing equipment so long as the Interconnector’s proposed changes meet industry and SoCalGas’ standards and applicable codes and do not delay implementation nor jeopardize timely safety and code compliance. SoCalGas is, however, under no obligation, expressed or implied, to accept such proposed changes. Disputes will be brought before the CPUC’s Energy Division, which will resolve the issue in consultation with the CPUC’s Consumer Protection and Safety Division.

(c) Statements - Statements and/or invoices shall be sent to Interconnector as set forth in Rate Schedule No. G-CPS.

SECTION 4
GAS DELIVERIES

(a) Quality

(i) Right of Refusal: SoCalGas shall have the continuing right at any time in its sole discretion to monitor the quality of Gas tendered by Interconnector and, subject to the limitations stated in D.07-08-029 and D.10-09-001, to refuse to accept delivery of any Gas that does not meet SoCalGas' Gas quality specifications, including its current Tariff Rule 30 Gas quality specifications or other applicable regulation or Tariff Rule specifying Gas quality requirements or CPUC-approved specific deviation for the Interconnector. SoCalGas shall provide notice to Interconnector as soon as commercially practicable after any decision is made not to accept deliveries.

(ii) Gas Quality Monitoring and Enforcement: SoCalGas shall install, operate and maintain Facilities at California Producer's sole cost and expense, including necessary meters and equipment, identified in Exhibit A of Schedule No. G-CPS, for the purpose of measuring the volume and quality of all Gas delivered to SoCalGas.

(iii) Change in Specifications: Nothing in this Agreement shall be deemed to prohibit Interconnector from challenging or seeking to modify any Gas quality specifications. If both Parties mutually agree to a deviation from the Gas quality tariff specifications or requirements for purposes of this Agreement, SoCalGas shall seek and obtain CPUC approval of such deviation by Advice Letter prior to incorporating and implementing such deviation as part of this Agreement.

(b) Uniform Flow - Interconnector shall to the extent feasible make deliveries of Gas at each of the Interconnection Point(s) at substantially uniform rates of flow during a particular flow day. If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service until such time appropriate actions have been taken to ensure compliance with this provision.

(c) Pressure - Interconnector shall deliver Gas to SoCalGas at the Interconnection Point at a delivery pressure sufficient to enter the SoCalGas system, but not more than the then current Maximum Allowable Operating Pressure ("MAOP") of SoCalGas' Facilities. SoCalGas shall provide the Interconnector with as much advance notice as is reasonably possible, but not less than ninety (90) calendar days' notice for an increase in Interconnector's maximum delivery pressure requirement, and shall provide as much advance notice as is reasonably possible, but not less than forty-five (45) calendar days' notice for a decrease in minimum delivery pressure requirement. Changes in Interconnector's delivery pressure requirements resulting from force majeure events, emergency situations, or as a result of pipeline integrity inspections shall be exempt from these notification requirements. In the event the Interconnector cannot comply with the changes to maximum or minimum delivery pressure requirements within the above notice periods, the Interconnector shall inform SoCalGas of the

reason for the delay ahead of time. If the reason for the delay in complying with the change in maximum or minimum delivery pressure requirement is reasonable, SoCalGas may, in its sole discretion, extend the date for complying with such change in delivery pressure requirements. If the reason for the delay is unreasonable, SoCalGas may proceed with the pressure change. Any dispute concerning SoCalGas' action concerning the notice period may be brought to the CPUC's attention pursuant to this Agreement.

(d) Metering – SoCalGas shall install equipment necessary to measure deliveries from Interconnector at the Interconnect Point. Interconnector may install or cause to be installed and operate check meters at its sole option and expense to check SoCalGas' meters, but measurement of Gas for all purposes of and at all times under this Agreement shall be by SoCalGas' meters. Any such check meters and equipment shall be installed so as not to interfere with the operation of the meters, measuring and any other equipment now existing or later installed by SoCalGas.

(e) Meter Maintenance – SoCalGas will perform scheduled meter accuracy testing and calibration of its metering facilities pursuant to SoCalGas' standard practices, procedures and methods associated with the installed measurement equipment. The meter maintenance, testing and correction shall comply with the American Gas Association (AGA) Report 4A, Sample Contract Measurement Clause, Meter Facilities and applicable CPUC requirements. SoCalGas will also inspect/calibrate Gas meters to ensure conformance with manufacturer's stated accuracy in a field application, where such conformance does not conflict with applicable local code ordinances or regulatory requirements. SoCalGas shall preserve the meter maintenance records for a period of at least three years. Interconnector or its duly authorized representative(s) shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with SoCalGas' measuring equipment used in measuring deliveries from Interconnector to SoCalGas. SoCalGas shall give written, fax, or electronic mail notice to Interconnector prior to calibrating and testing. Except in the event of an emergency or operational necessity, such notice shall be given to Interconnector at least three (3) business days prior to any such activity. The records from such measuring equipment shall remain the property of SoCalGas, but upon request SoCalGas shall make available to Interconnector (and its representatives) copies of any such records and charts, together with calculations therefrom, for inspection and verification during normal business hours. SoCalGas will perform unscheduled and episodic tests of its measuring equipment upon Interconnector's request, where such tests can be operationally executed, to verify metering integrity/accuracy. SoCalGas will perform such testing in a reasonable timeframe. If, as a result of any testing, it is determined that there has been a combined (meter and transmitters) error in measurement greater than one percent (1%) from National Institute of Standards and Technology (NIST) traceable secondary field standard(s), the Parties will adjust all prior periods back to the period where it can be mutually determined and agreed upon that the errors commenced. If such an agreement cannot be reached, then SoCalGas shall estimate the Gas deliveries and correct the reading to a zero (0) error for the period during which the meter was in use. In all cases of meter error, period adjustments for meter error may not exceed three years prior to the date on which the discovering party provides notice to the other party. When a Gas meter is calibrated/inspected, SoCalGas shall confirm, where applicable, that the meter accuracy/condition is within the meter

manufacturer's specifications for a field application and meets CPUC accuracy verification requirements. SoCalGas shall conduct such calibration and confirmation by using its NIST-traceable equipment, also known as its secondary field standards. If any Interconnector's request for special calibration shows that the combined measurement error does not exceed one percent (1%), then the cost of such requested special calibration shall be borne by Interconnector. In the event that any test of the metering equipment yields a combined measurement error greater than one percent (1%), then the cost of such requested special test and subsequent calibration shall be borne by SoCalGas.

(f) Measurement Accuracy - The accuracy of all measuring equipment shall be verified and/or calibrated by SoCalGas according to SoCalGas' recommended equipment maintenance schedules and using NIST traceable secondary standard equipment and transfer proving devices. Where meter manufacturer's accuracy specifications and methods meet or exceed SoCalGas procedures and CPUC requirements for accuracy, SoCalGas will endeavor to provide calibration accuracy methodology and frequency conformance to such specifications. Electronic transmitters shall be calibrated if any verification/calibration point is found to be out of calibration in excess of plus or minus one-tenth of one percent ($\pm 0.10\%$) of NIST traceable field calibration standards. Additionally, transmitters shall be calibrated if a bias occurs in a single direction (either positive or negative) for a consecutive period of three (3) months (transmitters shall be calibrated, to remove this bias, in the third (3rd) month of this period). All electronic transmitter verifications and calibrations shall meet or exceed the requirements defined in applicable API and AGA standards and publications. SoCalGas reserves the right to adopt and migrate to revisions of such standards in a manner which is logistically practical and economically cost-effective for its operations, and which affords Interconnector the same consideration. SoCalGas will provide Interconnector six (6) months notice where such changes may impact operations, equipment energy calculations and/or costs. Conversely, SoCalGas will not contemporaneously adopt the latest revision to such standards at Interconnector's request or as any statutory interpretation of this Agreement without careful consideration of the foregoing. Where migration to standards revisions requested by Interconnector results in incremental SoCalGas equipment, processes, data systems, employee training or other resource allocations, Interconnector shall provide SoCalGas funding for any and all migration and implementation costs. SoCalGas shall make available to Interconnector on as current basis as reasonably feasible any electronic measurement data if compatible with Interconnector's electronic files (not "hard copy") that SoCalGas obtains related to Gas delivered at the Interconnection Point. The Parties recognize the value of implementing utilization of electronic measurement devices (to the extent they are recognized in the Gas industry as dependable, accurate and cost effective) and shall jointly cooperate to implement the installation of such devices, and sharing the data therefrom, to provide as current measurement information to each other as reasonable under the circumstances; however, no particular electronic measurement device or method of sharing of electronic data therefrom (on a real time basis or otherwise) shall be required unless mutually agreed. Each Party shall be responsible for the cost, compatibility and operation of its own measurement-related electronic systems.

(g) Measurement Calculation - The Mcf and Btu values determined by SoCalGas shall be utilized for the calculation of deliveries of Gas to SoCalGas, subject to any subsequent adjustments as provided above. Calculation of metered Gas volumes shall be performed in

accordance with the most recent version of the applicable AGA standards and SoCalGas' measurement and billing procedures. The determination of Gas components shall be completed utilizing a Gas chromatograph approved by the CPUC and SoCalGas that will be linked to the flow-measuring device (completing real-time volume and energy calculations).

(h) Odorant - In the event that Gas delivered by Interconnector at the Interconnection Point is required by SoCalGas to be odorized, the odorant shall be a commercially available odorant blend agreed to by SoCalGas and the odorant concentration shall conform to DOT 192.625 and as otherwise required by SoCalGas. Interconnector shall provide SoCalGas a minimum of thirty (30) calendar days written notice prior to making any changes in the quality or quantity of odorant in the Gas stream.

(i) Suspension of Deliveries/Receipts –

(i) Either Party may suspend deliveries or receipts immediately, and at any time, in the event that:

- 1) there is any system or pipeline operations or other action or inaction, that could impair the safety or reliability of either Party's facilities or systems, or could impair the deliverability of the Gas to be delivered through the Interconnection Point, or would constitute a material default of this Agreement,
- 2) there is no CPOBA in effect governing the resolution of imbalances between the quantities of Gas confirmed and scheduled, and the quantities of Gas delivered, to the Interconnection Point, or
- 3) the CPUC, or any other administrative agency with jurisdiction over the subject matter hereof, materially changes, alters or modifies this Agreement, such that a Party is deprived of its benefits anticipated herein.

(ii) The Party suspending deliveries or receipts will provide notice to the other Party of such suspension and the cause, to the extent identifiable, as soon as commercially reasonable. In the event such suspension continues for a period of six (6) months without either resolution of the underlying situation, or a mutually agreed upon written plan of resolution, either Party may terminate this Agreement at any time thereafter upon providing an additional thirty (30) calendar days written notice.

SECTION 5
ASSIGNMENT

(a) Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(i) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(ii) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(iii) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

SECTION 6
NOTICES

(a) Form of Notice - All notices including invoices provided for herein shall be given in writing, and either hand delivered, or sent by prepaid priority courier, or sent by telephone facsimile (“telefax”) with original to follow by regular mail. In the case of courier delivery, delivery shall be deemed to occur three (3) business days after delivery to the courier by the sending Party and in the case of telefax the following business day after telephonic confirmation that the message was sent and received. Unless changed as set forth below, the addresses and telefax number of the Parties for purposes of this Section 6 are as follows:

Interconnector:
Mailing Address:

Telefax Number:

SoCalGas:

Mailing Address: Southern California Gas Company
Box 3249, M.L. _____
Los Angeles, California 90051-1249

Telefax Number: (213) 244-_____

(b) Telephone Contacts - At any time a telephone call is required to confirm the sending and receipt of any telefax notices, the following telephone numbers shall be utilized:

Interconnector:

Confirmation Telephone:

Contact:

SoCalGas:

Confirmation Telephone: (213) 244-_____

Contact:

(c) Changes - The designated contact, address and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) calendar days written notice.

SECTION 7

LIMITED WARRANTY

(a) SoCalGas Services - SoCalGas warrants to Interconnector that any work performed by SoCalGas hereunder will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work. Interconnector disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

SECTION 8

INDEMNITY

(a) Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

(b) Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or

damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

SECTION 9 **DISPUTE RESOLUTION**

(a) **Disputes** - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

SECTION 10 **MISCELLANEOUS**

(a) **Choice of Law** - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) **Compliance with Law** - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

(c) **Force Majeure** - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) herein.

(d) **Entire Agreement** - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

(e) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(f) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

(g) Credit –

(i) Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

(ii) SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

(iii) In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

(iv) The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

- 1) SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the "Guaranty") from the Guarantor.
- 2) The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector's creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas

in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 10(g)(v) is not received within fifteen (15) calendar days of SoCalGas' notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

(v) In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector's Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by the Natural Gas Intelligence ("NGI") (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

(h) No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

(i) Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

(j) Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

(k) Regulation - This contract shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction.

(l) Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2(a), 2(b), 2(c), and so on.

(m) Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 7, 8 and 10 shall survive.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed in two (2) copies by their authorized representatives as of the day and year first written above.

INTERCONNECTOR

By: _____

Title: _____

SOUTHERN CALIFORNIA GAS COMPANY

By: _____

Title: _____

EXHIBIT A: INTERCONNECTOR'S FACILITIES

TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT

between

_____ and
Southern California Gas Company
Dated: _____, 20__

EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES

TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT

between

_____ and
Southern California Gas Company
Dated: _____, 20__

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 5179
 DECISION NO.

2H5

ISSUED BY

Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Aug 28, 2017
 EFFECTIVE Oct 1, 2017
 RESOLUTION NO. _____

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