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May 23, 2018

Advice No. 5255-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplement - Modification of Preliminary Statement Part VIII Gas Cost Incentive Mechanism (GCIM), Pursuant to Decision (D.) 18-01-005

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission or CPUC) revisions to its GCIM Preliminary Statement, applicable throughout its service territory, as shown on Attachment A.

Purpose

This supplemental filing replaces in its entirety Advice No. (AL) 5255, Modification of Preliminary Statement Part VIII Gas Cost Incentive Mechanism (GCIM), filed on February 12, 2018. After discussions with the CPUC's Energy Division, this supplemental AL incorporates tariff changes suggested by the Office of Ratepayer Advocates (ORA) in its protest to AL 5255 submitted on March 5 and includes a reduced, five-day protest period.

This filing complies with Ordering Paragraph (OP) 4 and OP 5 of D.18-01-005, *Decision Approving Southern California Gas Company's Shareholder Reward for Year 23 (2016-2017) of the Gas Cost Incentive Mechanism*, which states:

4. Within 30 days from the issuance date of this Decision, Southern California Gas Company (SoCalGas) shall file a Tier 1 Advice Letter to modify its Tariff Preliminary Statement for the Gas Cost Incentive Mechanism to note that SoCalGas is required to confer with the Commission's Office of Ratepayer Advocates (ORA) in the event that SoCalGas anticipates that its mid-season core storage inventory will be less than 47.0 billion cubic feet on July 31 of each calendar year.

5. Southern California Gas Company shall provide written notification of its mid-season (July 31) and annual (November 1) core purchased storage inventory targets to the Commission's Energy Division.

The tariff modifications included as Attachment A are those necessary to implement D.18-01-005.

Background

SoCalGas filed Application (A.) 17-06-016 on June 15, 2017 to request a shareholder reward of \$4,235,030 for GCIM Year 23, which covered the period of April 1, 2016 through March 31, 2017. The GCIM compares the Actual Total Annual Purchased Gas Cost (Actual Annual Cost) to the Annual Benchmark Budget (Benchmark Budget). The Actual Annual Cost is the sum of: (1) actual gas commodity costs and transportation costs, (2) net gain or loss from certain gas hedging transactions, (3) net revenues from secondary market services (SMS), and (4) certain other revenues, expenses, and adjustments identified in SoCalGas' GCIM tariff.

The GCIM also includes gas storage inventory targets. Pursuant to D.06-10-029, an initial storage target of 49 billion cubic feet (Bcf) was established for July 31, 2006. For years beyond 2006, D.06-10-029 required SoCalGas to obtain agreement from ORA and The Utility Reform Network (TURN) for mid-season core-purchased inventory targets that must be met unless otherwise agreed to by ORA and TURN. Each agreed upon mid-season core-purchased inventory target was to be reflected in SoCalGas' GCIM tariff.

For GCIM Year 22, SoCalGas obtained agreement from ORA for a mid-season storage (i.e., July 31, 2015) storage target of 47 Bcf. SoCalGas and ORA were not able to come to an agreement regarding the mid-season storage target for GCIM Year 23.¹

Pursuant to D.18-01-005 and beginning with GCIM Year 25, SoCalGas must confer with ORA in the event that SoCalGas anticipates that its mid-season core storage inventory will be less than of 47 Bcf. In addition, SoCalGas shall provide written notification of its mid-season (July 31) and annual (November 1) core purchased storage inventory targets to the Commission's Energy Division.

Proposed Revisions to GCIM

Pursuant to D.18-01-005, SoCalGas proposes to modify its Sheet 5 of GCIM Preliminary Statement Part VIII as shown in redline below and in Attachment A.

¹ TURN did not participate in either Year 22 or Year 23 mid-season storage target discussions due to time constraints. SoCalGas and ORA were also unable to come to an agreement regarding the mid-season storage target for GCIM Year 24.

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY

7. SoCalGas must confer with the Office of Ratepayer Advocates in the event that SoCalGas anticipates that its mid-season core storage inventory will be less than 47 Bcf on July 31 of each calendar year. SoCalGas shall provide written notification of its mid-season (July 31) and annual (November 1) core purchased storage inventory targets to the Commission's Energy Division. The Annual Storage Inventory target on November 1 is 83 Bcf of the physical gas supply, with an accepted variance of +0/-2 Bcf. This target does not include any park or net loan positions. If the November 1 target is not attained, deliveries must be made to insure that a minimum of 69 Bcf of actual physical gas in the core's inventory is reached by December 1. SoCalGas' share of the January, February and March minimum month-end targets (equivalent to peak day minimums necessary for serving the core) must be met. Any deviation from these storage winter targets should be explained in SoCalGas' annual GCIM filing. ~~SoCalGas has obtained agreement from ORA for a mid-season storage target of 47 Bcf as of July 31, 2015, which is a minimum storage level SoCalGas must meet unless otherwise agreed to by ORA and TURN. TURN was unable to participate in the review process for this most recent mid-season storage target due to time constraints. This target may include net loan positions.~~

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. Pursuant to the direction of Commission Staff, the Commission has set a five-day protest period and protest must be made in writing and received by May 28, 2018. 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

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

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

Effective Date

SoCalGas believes this AL is subject to Energy Division disposition and, per OP 4 of D.18-01-005, should be classified as a Tier 1 (effective pending disposition) pursuant to General Order (GO) 96-B. Therefore, SoCalGas respectfully requests that the tariff sheets submitted herein be made effective for service on May 23, 2018, which is the date submitted.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list A.17-06-016. 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 (U904G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Ray 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) #: 5255-A

Subject of AL: Supplement - Modification of Preliminary Statement Part VIII Gas Cost Incentive

Mechanism (GCIM), Pursuant to Decision (D.) 18-01-005

Keywords (choose from CPUC listing): Storage

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

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

D.18-01-005

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No. N/A

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

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

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 5/23/18

No. of tariff sheets: 3

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement VIII - Gas Cost Incentive Mechanism (GCIM) and TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

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. 5255-A

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 55128-G	PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 5	Revised 54723-G Revised 51525-G
Revised 55129-G Revised 55130-G	TABLE OF CONTENTS TABLE OF CONTENTS	Revised 55070-G Revised 54748-G

PRELIMINARY STATEMENT
PART VIII
GAS COST INCENTIVE MECHANISM

Sheet 5

(Continued)

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY (Continued)

- k. Pursuant to Preliminary Statement, Part VI, Description of Regulatory Accounts - Memorandum, the Blythe Operational Flow Requirement Memorandum Account (BOFRMA) will record charges associated with the Utility Gas Procurement Department's purchasing and delivery of gas to sustain operational flows at Blythe. GCIM actual cost will be adjusted for charges or credits to the BOFRMA. Entries to this account, except for interest and amortization, along with related GCIM adjustments, ceased on April 1, 2009, the date the responsibility for managing minimum flow requirements for system reliability was transferred from the Utility Gas Procurement Department to the System Operator pursuant to D.07-12-019.
7. SoCalGas must confer with the Office of Ratepayer Advocates in the event that SoCalGas anticipates that its mid-season core storage inventory will be less than 47 Bcf on July 31 of each calendar year. SoCalGas shall provide written notification of its mid-season (July 31) and annual (November 1) core purchased storage inventory targets to the Commission's Energy Division. The Annual Storage Inventory target on November 1 is 83 Bcf of the physical gas supply, with an accepted variance of +0/-2 Bcf. This target does not include any park or net loan positions. If the November 1 target is not attained, deliveries must be made to ensure that a minimum of 69 Bcf of actual physical gas in the core's inventory is reached by December 1. SoCalGas' share of the January, February and March minimum month-end targets (equivalent to peak day minimums necessary for serving the core) must be met. Any deviation from these winter storage targets should be explained in SoCalGas' annual GCIM filing.
8. Tolerance. To determine GCIM rewards or penalties, tolerance bands above or below the benchmark budget are used. Tolerance bands are calculated as a percentage of the monthly gas commodity portion of the benchmark budget and is added to or subtracted from the benchmark budget as "upper tolerance band" or "lower tolerance band" (sharing bands), respectively. The specific percentages are approved by the CPUC and may be redetermined in subsequent CPUC decisions (See Section 9).
9. Calculation of Rewards and Penalties Under GCIM
- a. On an annual basis, actual total purchased gas costs are compared to the annual benchmark budget to determine if a reward/savings or penalty applies.
- b. If actual total purchased gas costs for the incentive year are less than the annual benchmark budget, the difference constitutes a savings incentive to be shared between ratepayers and shareholders as defined by the Sharing Bands as follows:

Sharing Band	Ratepayer	Shareholder
0.0% -1.00%	100%	0%
1.00% - 5.00%	75%	25%
5.00% & Above	90%	10%

The shareholder reward will be capped at 1.5% of the actual annual gas commodity costs.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5255-A
 DECISION NO. D.18-01-005

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED May 23, 2018
 EFFECTIVE May 23, 2018
 RESOLUTION NO. _____

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The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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