PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

August 15, 2018

Advice Letter 5306-G

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

SUBJECT: Revisions to SoCalGas' Customer Incentive Program in Compliance with D.18-05-006.

Dear Mr. van der Leeden:

Advice Letter 5306-G is effective as of June 6, 2018.

Sincerely,

Edward Randolph

Edward Randolph
Director, Energy Division

Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
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June 6, 2018

Advice No. 5306
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revisions to SoCalGas' Customer Incentive Program in Compliance with D.18-05-006

Southern California Gas Company (SoCalGas) hereby submits for approval with the California Public Utilities Commission (Commission) revisions to its tariff schedules, applicable throughout its service territory, as shown in Attachment A.

Purpose

Pursuant to Ordering Paragraphs (OPs) 2 and 3 of Decision (D.) 18-05-006, this submittal makes the necessary tariff changes to close out the Core Pricing Flexibility Program and the Noncore Competitive Load Growth Opportunities Program (collectively referred to as the "Programs"), to new customers and close, upon expiration, existing contracts related to the Programs.

Background

The Programs were shareholder-funded to encourage energy-efficient gas equipment purchases by both large and small core and noncore nonresidential customers in SoCalGas' service territory.

In compliance with D.97-07-054, SoCalGas' Performance Based Regulation, D.00-04-060, SoCalGas' 1999 Biennial Cost Allocation Proceeding, and Resolution (Res.) G-3515, SoCalGas Report on Core Pricing Flexibility Program and the Noncore Competitive Load Growth Opportunities Programs, SoCalGas submits an annual advice letter to report the results of its Programs and, when applicable, disclose new core and noncore agreements.

The Commission directed SoCalGas to file a new application seeking reauthorization of the Programs in Res. G-3315, dated May 12, 2016, if SoCalGas wished to continue with the Programs in 2017 and beyond.[1] On December 12, 2016, SoCalGas filed Application (A.) 16-12-010 seeking reauthorization for its Customer Incentive Program (CIP).[2] On May 10, 2018, in D.18-05-006, the Commission denied, without prejudice, the reauthorization of the CIP in SoCalGas' A.16-12-010. OPs 2 and 3 of D.18-05-006 require the following:

> 2. Southern California Gas Company shall close to new contracts Schedule Nos. GO-ET, GTO-ET, GO-IR, and GTO-IR, and Rule 38, upon issuance of this decision.
>
> 3. Southern California Gas Company shall close Preliminary Statement Part XI.F, "Core Pricing Flexibility," and Preliminary Statement Part X1.G.2, "Noncore Competitive Load Growth Opportunities-Revenue Treatment," upon expiration of existing program contracts.

Proposed Tariff Revisions

Pursuant to OP 2 of D.18-05-006, SoCalGas proposes to close out the CIP to new customers by including the following language under the Applicability section:

> Pursuant to Decision 18-05-006, effective May 10, 2018, this Schedule/Rule is closed to new contracts.

The following schedules and rule are revised to include the above language:

- Schedule No. (Sch. No.) GO-ET, Emerging Technologies Optional Rate for Core Commercial and Industrial;
- Sch. No. GTO-ET, Transportation-Only Emerging Technologies Optional Rate for Core Commercial and Industrial;
- Sch. No. GO-IR, Incremental Rate for Existing Equipment for Core Commercial and Industrial;
- Sch. No. GTO-IR, Transportation-Only Incremental Rate for Existing Equipment for Core Commercial and Industrial; and
- Rule No. 38, Commercial/Industrial Equipment Incentive Program.

Pursuant to OP 3 of D.18-05-006, SoCalGas proposes to close, upon expiration, existing CIP contracts by including the following language:

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[1] Res. G-3515, OP 6.

[2] For purposes of A.16-12-010, the modification to the Programs submitted for approval were referred to as CIP.

Pursuant to Decision 18-05-006, effective May 10, 2018, this section is closed to new contracts and, upon expiration, existing contracts.

The following Preliminary Statement Part XI, Performance Based Regulation, Overview sections are revised to include the above language:

- G. Core Pricing Flexibility; and

- H. Triennial Cost Allocation Proceeding (TCAP)

    2. Noncore Competitive Load Growth Opportunities – Revenue Treatment.

This submittal will not result in an increase or decrease in any rate or charge, conflict with ant rate schedules or any other rules, or cause the withdrawal of service.

Protest

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this advice letter, which is June 26, 2018. There is no restriction on who may submit a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

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

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

Effective Date

SoCalGas believes this advice letter is subject to Energy Division disposition and should be classified as Tier 1 (effective pending approval) pursuant to General Order (GO) 96-B. In compliance with OPs 2 and 3 in D.18-05-006, SoCalGas respectfully requests that this advice letter be made effective June 6, 2018, which is the date submitted, with the tariff sheets effective May 10, 2018.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list for A.16-12-010. 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 SUBMITTAL 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 Submitted/ Received Stamp by CPUC)

Advice Letter (AL) #: 5306

Subject of AL: Revisions to SoCalGas' Customer Incentive Program in Compliance with D.18-05-006

Keywords (choose from CPUC listing): Core, Non-Core, GRC

AL type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.18-05-006

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 AL[1]: N/A

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

Resolution Required? ☐ Yes ☒ No Tier Designation: ☒ 1 ☐ 2 ☐ 3

Requested effective date: 6/6/18; Tariffs 5/10/18 No. of tariff sheets: 19

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

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

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

Tariff schedules affected: PS XI, GO-ET, GTO-ET, GO-IR, GTO-IR, Rule No. 38, and TOCs

Service affected and changes proposed[1]: 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 submittal, 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. 5306

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 55205-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION, Sheet 6	Revised 54727-G
Revised 55206-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION, Sheet 7	Revised 54728-G
Revised 55207-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION, Sheet 8	Revised 54729-G
Revised 55208-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION, Sheet 9	Revised 54730-G
Revised 55209-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION, Sheet 10	Revised 54731-G
Revised 55210-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION, Sheet 12	Revised 54733-G
Revised 55211-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION, Sheet 13	Revised 54734-G
Revised 55212-G	Schedule No. GO-ET, EMERGING TECHNOLOGIES OPTIONAL RATE, FOR CORE COMMERCIAL AND INDUSTRIAL, Sheet 1	Revised 30200-G
Revised 55213-G	Schedule No. GTO-ET, TRANSPORTATION-ONLY EMERGING TECHNOLOGIES OPTIONAL RATE, FOR CORE COMMERCIAL AND INDUSTRIAL, Sheet 1	Revised 30203-G
Revised 55214-G	Schedule No. GO-IR, INCREMENTAL RATE FOR EXISTING EQUIPMENT, FOR CORE COMMERCIAL AND INDUSTRIAL, Sheet 1	Revised 30206-G
Revised 55215-G	Schedule No. GTO-IR, TRANSPORTATION-ONLY INCREMENTAL RATE FOR EXISTING EQUIPMENT, FOR CORE COMMERCIAL AND INDUSTRIAL, Sheet 1	Revised 30209-G
Revised 55216-G	Rule No. 38, COMMERCIAL/INDUSTRIAL EQUIPMENT INCENTIVE PROGRAM, Sheet 1	Revised 32745-G
Revised 55217-G	Rule No. 38, COMMERCIAL/INDUSTRIAL EQUIPMENT INCENTIVE PROGRAM, Sheet 2	Revised 32746-G
Revised 55218-G	Rule No. 38, COMMERCIAL/INDUSTRIAL EQUIPMENT INCENTIVE PROGRAM, Sheet 3	Revised 32747-G
Revised 55219-G	Rule No. 38, COMMERCIAL/INDUSTRIAL	Revised 50487-G

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
	EQUIPMENT INCENTIVE PROGRAM, Sheet 4	
Revised 55220-G	TABLE OF CONTENTS	Revised 55192-G
Revised 55221-G	TABLE OF CONTENTS	Revised 55199-G
Revised 55222-G	TABLE OF CONTENTS	Revised 55204-G
Revised 55223-G	TABLE OF CONTENTS	Revised 55130-G

F. PERFORMANCE INDICATOR

1. Service Guarantee Program

If SoCalGas is unable to meet an appointment commitment with a customer for services at the customer's premises when access is required, SoCalGas will credit $50 to the customer's account. Appointments can be all day or they may be made within appointment windows (e.g., a.m. / p.m.). The credit does not apply if the customer is notified at least four hours before the end of the appointment period. For establishment of service (turn on orders), the customer will be credited with the applicable service establishment charge ($25) rather than the $50. The guarantee does not apply for the gas pilot light service or if the utility documents that the reason for the missed appointment was due to natural disaster, labor strike, or the service person was called off to work on an Emergency Order. Emergency Orders are excluded as a result of the utility's public service obligations and include the following events: 1) fire or explosions; 2) broken or blowing gas line; 3) high gas pressure; 4) emergency carbon monoxide; and 5) hazardous leaks.

When an individual customer requests a date for a permanent new service establishment, the utility will turn on new service on the date promised (prior to midnight) or credit the customer's account with the appropriate Service Establishment Charge instead of the $50 stated above. The credit does not apply if at least 24 hours notice of a date change is given to the customer. Notice given on an answering machine or to another number designated by the customer is sufficient. For the guarantee to be valid, there must be: 1) open access to the facility and the meter panel or gas service; 2) all required inspections must be completed and approved; and 3) no threats or harm to the utility employees.

SoCalGas will implement the service guarantee by the end of the first quarter, 2006.

G. CORE PRICING FLEXIBILITY

1. Overview

Pursuant to D.18-05-006, effective May 10, 2018, this section is closed to new contracts, and upon expiration, existing contracts. N
N

a. D.97-07-054 and D.98-01-040 authorize SoCalGas, at its option, to serve core customers with rates that may be discounted as low as the Commission-authorized floor rates detailed in section F.2 below. Under this arrangement, SoCalGas shareholders are responsible for any reduction in core revenues that may occur under discounting, while any revenue gains are shared between ratepayers and shareholders as described below. SoCalGas may use the following two methods to offer alternative rates to core customers:

1) Optional Tariffs - Optional tariff rate schedules apply to all similarly situated customers who meet a certain set of qualifications. At least 10 customers should be potentially eligible. L

(Continued)

PRELIMINARY STATEMENT
PART XI
PERFORMANCE BASED REGULATION

(Continued)

G. CORE PRICING FLEXIBILITY (Continued)

1. Overview (Continued)

   a. (Continued) N

      2) Negotiated Rates - Negotiated rates apply to individual customers, and are established through individually negotiated contracts that may vary from customer to customer. L L

   b. The entire discounting program is subject to review by the Commission if new customer participation approaches 5% of the total core volume adopted in SoCalGas' 1996 BCAP (D.97-04-082).

   c. Customers eligible for service under optional tariffs or negotiated rates retain the right to be served under their Otherwise Applicable Tariff rate schedule.

   d. To ensure that ratepayers are isolated from any risk of revenue shortfall that may result from SoCalGas offering discounted core rates, the Commission has authorized a Core Fixed Cost Account (CFCA) adjustment mechanism. This mechanism credits the CFCA with revenues equal to those expected absent any optional tariffs or negotiated rates.

   e. SoCalGas will submit documentation on the results of its core pricing flexibility program activity in its annual PBR Report filing.

   f. Optional tariffs and negotiated rates are subject to change by the Commission as authorized by General Order 96-B, Industry Rule 7.1.

2. Class Average Long Run Marginal Cost (LRMC) Floor Rates

   a. D.98-01-040, Finding of Fact No. 5, allows SoCalGas the option to discount core transportation rates down to a LRMC floor rate; however, SoCalGas may not discount the cost of gas. For this program, the LRMC floor rate includes the following components: customer related, medium-pressure distribution, high-pressure distribution, transmission, seasonal storage, load balancing, company use transmission, unaccounted for gas, and interstate pipeline demand charges. In addition to these components, the full transportation rate includes the following components: non-marginal costs in base margin, PITCO/POPCO transition costs, core averaging costs, and other exclusion costs.

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(Continued)

G. CORE PRICING FLEXIBILITY (Continued)

2. Class Average Long Run Marginal Cost (LRMC) Floor Rates (Continued)

b. The following table lists the full transportation rates authorized by D.14-06-007, and the class average LRMC floor rates authorized by D.98-01-040. LRMC Floor Rates were updated with new values established in D.00-04-060, D.01-12-018, and SoCalGas Advice No. 4053, effective January 1, 2010. Full Transportation Rates are updated with new values established in Advice No. 5238 effective January 1, 2018. The floor rates represent the lowest possible average annual rate by class under which SoCalGas can serve gas. These rates represent a starting point for the program and, pursuant to Commission order, may be modified in future rate proceedings. L | | | | | L

Class	Full Transportation Rate	LRMC Floor Rate
Residential	74.8 cents/therm	23.3 cents/therm
G-10, 0 to 3 Mth	60.6 cents/therm	36.2 cents/therm
G-10, 3-50 Mth	31.7 cents/therm	10.8 cents/therm
G-10, 50-250 Mth	16.9 cents/therm	6.5 cents/therm
G-10, >250Mth	15.1 cents/therm	4.2 cents/therm
Gas A/C	15.4 cents/therm	5.7 cents/therm
Gas Engines	16.1 cents/therm	4.9 cents/therm
NGV	12.7 cents/therm	3.7 cents/therm

c. Optional tariffs or negotiated rate contracts that would result in average annual rates below class average LRMC will be subject to Commission approval through the Expedited Application Docket (EAD) process.

d. With prior Commission approval under the EAD process, SoCalGas may discount average annual rates to a floor of customer-specific LRMC that includes the full interstate pipeline reservation charges allocated to core customers.

3. Types of Customers and Contracts

Optional tariffs and negotiated rates are applicable to new or existing customers for the purpose of load growth or load retention.

a. New Customers

A new customer is defined as a new meter measuring volumes not previously served, or a reconnected meter measuring load that has been off the system for at least 12 months.

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(Continued)

PRELIMINARY STATEMENT Sheet 9
PART XI
PERFORMANCE BASED REGULATION
(Continued)

G. CORE PRICING FLEXIBILITY (Continued)

3. Types of Customers and Contracts (Continued)

b. Existing Customers D

In addition to customers currently connected, D.98-01-040 defines existing customers as those who have been off SoCalGas' system for less than 12 months. L

1) Load Retention

Load retention applies to those existing customers who would use less natural gas if optional tariffs or negotiated rates were not available. In load retention situations, an affidavit (stating the amount of throughput that would be lost absent the load retention agreement) is required. L

2) Load Gain

Load gain applies to those existing customers who intend to increase natural gas demand given favorable optional tariffs or negotiated rates.

4. Temperature Sensitive Definition

a. For the purposes of the Temperature Adjustment Mechanism (TAM), the following customers are defined as temperature sensitive: residential customers; all core commercial and industrial customers with an annual consumption of less than 3,000 therms; and individual core commercial and industrial customers who have a seasonal load factor that equals or exceeds the residential load factor of 2.3.

b. The seasonal factor is defined as the ratio of winter (November through April) demand to summer (May through October) demand.

c. The single family residential market's temperature adjustment factor will be used for all customers subject to the TAM.

5. CFCA Adjustment Mechanism

This mechanism is designed to protect core customers by calculating those revenues which represent base revenues that would have been credited to the CFCA absent any optional tariffs or negotiated rates.

a. Unless otherwise noted, base revenues are calculated by multiplying base volumes times the Otherwise Applicable Tariff rate plus the customer charge, where base volumes are the amount of gas the customer would have used in the absence of the optional tariff or negotiated rate. L

(Continued)

PRELIMINARY STATEMENT
PART XI
PERFORMANCE BASED REGULATION
Sheet 10

(Continued)

G. CORE PRICING FLEXIBILITY (Continued)

5. CFCA Adjustment Mechanism (Continued)

b. When load being served under optional tariffs and negotiated rates is not separately metered, base volumes are established using the last 12 months recorded usage. In certain cases, base volumes are adjusted, as described in section I.6, for temperature variations. L | L

c. SoCalGas credits the CFCA with aggregate base revenues annually for all customers participating in the optional tariffs and negotiated rate program. This annual credit is calculated as the sum of the monthly base revenues.

d. CFCA Credits

1) New Customers

For a new customer who provides an affidavit stating they would not have become a customer absent the discounted rate, base volume equals zero, and there is no credit to the CFCA. For a new customer who does not provide an affidavit, the base volume equals the actual volume, and the CFCA credit is equal to 100% of the expected revenue under the Otherwise Applicable Tariff [i.e., 100% *(total metered actual volumes * Otherwise Applicable Tariff rate + customer charge)].

2) Existing Customers - Load Retention

The CFCA credit is equal to 95 % of actual revenue [i.e., 95% * (total metered actual volumes * optional tariff rate + customer charge)]; the remaining 5% of actual revenues goes to SoCalGas shareholders.

3) Existing Customers - Load Gain

a) Not Temperature Sensitive

Since customers with an annual load of less than 3,000 therms per year are treated as temperature sensitive, this category applies only to core commercial and industrial customers who use more than 3,000 therms in the base year, and have a seasonal factor less than 2.3. For these customers, base volumes equal the volume for the 12 months preceding the customer's participation in the optional tariff program.

b) Temperature Sensitive

For customers to whom the TAM applies, SoCalGas will use temperature-adjusted base volumes, as described in section I.6.

(Continued)

PRELIMINARY STATEMENT
PART XI
PERFORMANCE BASED REGULATION

(Continued)

G. CORE PRICING FLEXIBILITY (Continued)

8. Term Of Contracts

a. Through December 31, 1999, SoCalGas will not enter into any load retention contracts with a term of more than seven years. After December 31, 1999, SoCalGas will not enter into any load retention contract with a term of five or more years.

b. As provided by D.97-07-054, contracts with a term of five years or longer will be filed for Commission approval under the EAD process.

c. Negotiated contracts with terms of less than five years will be available for inspection at SoCalGas' headquarters, and will be submitted to the Commission's Energy Division for informational purposes.

d. Once a load retention contract is in place for a particular load, the contract cannot be extended or renewed for a period longer than the maximum term permissible at the time the contract was executed.

H. TRIENNIAL COST ALLOCATION PROCEEDING (TCAP)

1. The TCAP is the proceeding by which the Commission authorizes the level and allocation of SoCalGas' revenue requirement including regulatory account balances among customer classes for those items not included in the PBR Mechanism. SoCalGas filed its 2013 TCAP application in November of 2011. Pursuant to D.14-06-007, the 2013 TCAP rates are effective July 1, 2014. Within the TCAP period, rates are updated based on SoCalGas' annual consolidated year end advice letter filings.

2. Noncore Competitive Load Growth Opportunities - Revenue Treatment

a. Overview

Pursuant to D.18-05-006, effective May 10, 2018, this section is closed to new contracts, and N
upon expiration, existing contracts. N

1) D.00-04-060 (Finding of Fact Number 9.q.) authorizes SoCalGas, at its option, to exclude from future cost allocations the expanded load that results from two situations:

a) New negotiated rate contracts that are part of a California Red Team economic development effort.

b) Contracts where Rule 38 shareholder funding has been used.

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(Continued)

PRELIMINARY STATEMENT
PART XI
PERFORMANCE BASED REGULATION
(Continued)

H. TRIENNIAL COST ALLOCATION PROCEEDING (TCAP) (Continued)

2. Noncore Competitive Load Growth Opportunities - Revenue Treatment (Continued)

a. Overview (Continued)

Under this arrangement, the volumes and revenues from these situations will not be included in determining noncore commercial and industrial revenue requirements. L L

2) The total volume that can qualify for treatment under this program is capped at 5% of the most recently adopted volume adopted for noncore commercial and industrial throughput in the most recent cost allocation proceeding.

3) Customers with contracts qualifying for this treatment are still eligible for service under their otherwise applicable tariff rate schedule.

4) To ensure that ratepayers are isolated from any risk of revenue shortfall that may result from SoCalGas excluding these noncore volumes from other noncore volumes, SoCalGas has instituted a Noncore Fixed Cost Account (NFCA) adjustment mechanism. This mechanism ensures that the NFCA records the revenues equal to those expected absent any special treatment under this program.

5) SoCalGas will submit documentation on the results of its competitive Load Growth revenue program activity in its annual PBR Report filing.

6) Contracts qualifying under this program are subject to change by the Commission as authorized by General Order 96-B, Industry Rule 7.1.

7) The revenue calculation for the NFCA adjustment mechanism shall remain unaffected by BTS implementation per D.11-04-032.

b. Contract Terms

1) Contract terms will be as negotiated between SoCalGas and the customer. Negotiated rates cannot be less than adopted short run marginal costs.

2) Contracts involving Rule 38 incentives will be assumed to run for five years, unless stated otherwise in the Contract. Contracts involving California Red Team will be as negotiated. If no term is set, the contract will be assumed to run for five years.

3) SoCalGas may, at its option, file an application with the Commission requesting that a contract receive treatment under this program for a period beyond five years.

(Continued)

Schedule No. GO-ET Sheet 1

EMERGING TECHNOLOGIES OPTIONAL RATE
FOR CORE COMMERCIAL AND INDUSTRIAL

APPLICABILITY

Pursuant to Decision 18-05-006, effective May 10, 2018, this Schedule is closed to new contracts. N

Applicable to natural gas sales for qualifying new usage to new or existing non-residential customers served or who qualify to be served under a core service rate schedule as defined in Rule No. 1. New usage is limited to use in new gas-fired equipment that is considered by SoCalGas to be an emerging gas technology or market. New usage applies to new gas load as defined in Special Condition 1 of this Schedule. Examples of emerging technologies are air compression and refrigeration applications where the initial capital investment is or may not be economically viable at non-discounted rates. The customer must sign an affidavit stating that the terms and conditions of this Schedule are a material factor in its decision to take natural gas service from SoCalGas for new usage.

Service under this Schedule is optional subject to the terms and conditions set forth herein.

TERRITORY

Applicable throughout the service territory.

RATES

As determined by SoCalGas and unless otherwise stated in this Schedule or the Optional Rate Agreement and Affidavit (Agreement), all charges and provisions of the customer's Otherwise Applicable Tariff rate schedule shall apply. The charges under the customer's Otherwise Applicable Tariff applied to the new gas load shall be discounted by 10% as a volumetric rate discount, an up-front billing credit, or a combination of both. The discount shall apply only to the transmission component of the rate and shall not cause the rate to drop below the CPUC-authorized floor. The discounted rates are based upon a specific customer's Otherwise Applicable Tariff determined by that customer's specified new usage as set forth in the Agreement. At the end of each year of the Agreement term, the discounted rate shall be compared to the floor and trued-up so that the overall rate does not drop below the CPUC-authorized floor.

The discount does not apply to revenues collected for the California Alternate Rates for Energy (CARE), the Public Utilities Commission Reimbursement Fee, taxes, or other flow-through charges.

Customer Charge

Per the Otherwise Applicable Tariff Rate Schedule.

(Continued)

Schedule No. GTO-ET Sheet 1

TRANSPORTATION-ONLY EMERGING TECHNOLOGIES OPTIONAL RATE
FOR CORE COMMERCIAL AND INDUSTRIAL

APPLICABILITY

Pursuant to Decision 18-05-006, effective May 10, 2018, this Schedule is closed to new contracts. N

Applicable to transportation-only or aggregation service as specified in the customer's Otherwise Applicable Tariff rate schedule for qualifying new usage to new or existing non-residential customers served or who qualify to be served under a core service rate schedule as defined in Rule No. 1. New usage is limited to use in new gas-fired equipment that is considered by SoCalGas to be an emerging gas technology or market. New usage applies to new gas load as defined in Special Condition 1 of this schedule. Examples of emerging technologies are air compression and refrigeration applications where the initial capital investment is or may not be economically viable at non-discounted rates. The customer must sign an affidavit stating that the terms and conditions of this Schedule are a material factor in its decision to take natural gas service from SoCalGas for new usage.

Service under this Schedule is optional subject to the terms and conditions set forth herein.

TERRITORY

Applicable throughout the service territory.

RATES

As determined by SoCalGas and unless otherwise stated in this Schedule or the Optional Rate Agreement and Affidavit (Agreement), all charges and provisions of the customer's Otherwise Applicable Tariff rate schedule shall apply. The transmission charges under the customer's Otherwise Applicable Tariff applied to new gas load shall be discounted by 10% as a volumetric rate discount, an up-front billing credit, or a combination of both. The discount shall apply only to the transmission component of the rate and shall not cause the rate to drop below the CPUC-authorized floor. The discounted rates are based upon a specific customer's Otherwise Applicable Tariff determined by that customer's specified new usage as set forth in the Agreement. At the end of each year of the Agreement term, the discounted rate shall be compared to the floor and trued-up so that the overall rate does not drop below the CPUC-authorized floor.

The discount does not apply to revenues collected for the California Alternate Rates for Energy (CARE), the Public Utilities Commission Reimbursement Fee, taxes, or other flow-through charges.

Customer Charge

Per the Otherwise Applicable Tariff Rate Schedule.

(Continued)

Schedule No. GO-IR Sheet 1

INCREMENTAL RATE FOR EXISTING EQUIPMENT
FOR CORE COMMERCIAL AND INDUSTRIAL

APPLICABILITY

Pursuant to Decision 18-05-006, effective May 10, 2018, this Schedule is closed to new contracts. N

Applicable to natural gas sales for qualifying incremental usage to existing non-residential customers served or who qualify to be served under a core rate schedule as defined in Rule No. 1. Incremental usage applies to additional gas load for existing under-utilized equipment as defined in Special Condition 1 of this Schedule. The customer must sign an affidavit stating that the terms and conditions of this Schedule are a material factor in its decision for adding incremental usage in its existing gas-fired equipment through the natural gas service provided by SoCalGas.

Service under this Schedule is optional subject to the terms and conditions set forth herein.

TERRITORY

Applicable throughout the service territory.

RATES

As determined by SoCalGas and unless otherwise stated in this Schedule or the Optional Rate Agreement and Affidavit (Agreement), all charges and provisions of the customer's Otherwise Applicable Tariff rate schedule shall apply. The transmission charges for incremental usage shall be the customer's Otherwise Applicable Tariff transmission rate discounted by a minimum of 10% based upon the competitive alternative. The discount shall apply only to the transmission component and shall not cause the rate to drop below the CPUC-authorized floor. The discounted rates are based upon a specific customer's Otherwise Applicable Tariff determined by that customer's specified incremental usage as set forth in the Agreement. At the end of each year of the Agreement term, the overall rate shall be compared to the published floor and trued-up so that the overall rate does not drop below the CPUC-authorized floor.

The discount does not apply to revenues collected for the California Alternate Rates for Energy (CARE), the Public Utilities Commission Reimbursement Fee, taxes, or other flow-through charges.

Customer Charge

Per the Otherwise Applicable Tariff Rate Schedule.

(Continued)

Schedule No. GTO-IR Sheet 1

TRANSPORTATION-ONLY INCREMENTAL RATE FOR EXISTING EQUIPMENT
FOR CORE COMMERCIAL AND INDUSTRIAL

APPLICABILITY

Pursuant to Decision 18-05-006, effective May 10, 2018, this Schedule is closed to new contracts. N

Applicable to transportation-only or aggregation service as specified in the customer's Otherwise Applicable Tariff for qualifying incremental usage to existing non-residential customers served or who qualify to be served under a core rate schedule as defined in Rule No. 1. Incremental usage applies to additional gas load for existing under-utilized equipment as defined in Special Condition 1 of this schedule. The customer must sign an affidavit stating that the terms and conditions of this Schedule are a material factor in its decision for adding incremental usage in its existing gas-fired equipment through the natural gas service provided by SoCalGas.

Service under this Schedule is optional subject to the terms and conditions set forth herein.

TERRITORY

Applicable throughout the service territory.

RATES

As determined by SoCalGas and unless otherwise stated in this Schedule or the Optional Rate Agreement and Affidavit (Agreement), all charges and provisions of the Otherwise Applicable Tariff rate schedule shall apply. The transmission charges for incremental usage shall be the customer's Otherwise Applicable Tariff transmission rate discounted by a minimum of 10% based upon the competitive alternative. The discount shall apply only to the transmission component and shall not cause the rate to drop below the CPUC-authorized floor. The discounted rates are based upon a specific customer's Otherwise Applicable Tariff determined by that customer's specified incremental usage as set forth in the Agreement. At the end of each year of the Agreement term, the overall rate shall be compared to the published floor and trued-up so that the overall rate does not drop below the CPUC-authorized floor.

The discount does not apply to revenues collected for the California Alternate Rates for Energy (CARE), the Public Utilities Commission Reimbursement Fee, taxes, or other flow-through charges.

Customer Charge

Per the Otherwise Applicable Tariff Rate Schedule.

Other Charges

Customer may be subject to annual rate adjustments if consumption falls below agreed upon volumes set forth in Section 6.1 of the Agreement.

(Continued)

Rule No. 38 Sheet 1

COMMERCIAL/INDUSTRIAL EQUIPMENT INCENTIVE PROGRAM

A. Applicability

Pursuant to Decision 18-05-006, effective May 10, 2018, this Schedule is closed to new contracts. N

The terms and conditions of this Rule shall apply to the shareholder-funded incentives applicable to the purchase of new or replacement commercial or industrial gas equipment to be installed and used by nonresidential customers within the Utility's service territory for energy-efficiency purposes (including fuel substitution) and/or the cost of feasibility studies. In order to receive an incentive, the customer must sign a contract with the Utility: either Form No. 6700-1 for equipment incentives or Form No. 6700-2 for feasibility study incentives. As part of an equipment incentive agreement, the customer must accept responsibility for purchasing, installing, and operating the equipment in the manner described below. Additionally, the customer may be required to sign an affidavit attesting that the incentive was a material factor in the decision to utilize the energy equipment identified in the agreement.

B. Program Description

The Commercial/Industrial Equipment Incentive Program is designed to demonstrate and evaluate the performance of nonresidential gas equipment under actual operating conditions in the Utility's service territory.

1. Purpose of the Program

The Program is designed to help customers buy down the first-cost of qualifying high-efficiency equipment. The Program will also fund feasibility studies to evaluate the potential benefits of these kinds of gas equipment in commercially intensive locations throughout the Utility's service territory. The Program is open to existing and new nonresidential customers, on a first-come, first-served basis, based upon customer interest and qualifications.

2. Objectives of the Program

a. Persuade nonresidential customers to install state-of-the-art equipment to reduce their overall energy cost and increase their productivity and/or profitability.

b. Encourage and support manufacturers of gas equipment to develop and produce new, cost-effective and energy-efficient nonresidential equipment for southern California.

c. Demonstrate the Utility's commitment to develop and promote new, alternative technologies with environmental and/or energy-efficiency benefits.

L

(Continued)

B. Program Description (Continued)

2. Objectives of the Program (Continued)

d. Increase the amount of nonresidential gas equipment with high off-peak load usage by: L

1. better utilizing the Utility's pipeline capacity during the summer months, and |

2. reduce average operating costs by balancing system load. L

e. Demonstrate that innovative nonresidential gas equipment is a viable and environmentally beneficial alternative to traditional gas and electric technologies.

C. Customer Selection

All of the Utility's existing and new nonresidential customers are eligible to participate in the Program. Qualifying customers, subject to the availability of funds, may apply for and receive one shareholder-funded equipment incentive per building per year. The minimum term of obligation for a customer receiving a shareholder-funded equipment incentive is to operate the equipment as specified in the contract. The Utility has the option of seeking Commission approval for contracts of five or more years before making such commitments.

1. Application to the Program

The customer shall be required to complete an application after the Utility's representative determines the project meets all of the pre-approval screening criteria (see C.2.a. below). The Utility's representative will submit the application and other information to the Utility for evaluation.

2. Application Evaluation Process

An application will be completed after the Utility's representative evaluates whether the customer's project satisfies the following pre-approval screening criteria:

a. Pre-Approval Screening Criteria

The Utility's representative will assess the following specific information for each project to ensure the project meets the requirements for funding under the program:

1. the type of equipment being considered and whether its purpose is energy efficiency, fuel substitution, etc.;

2. the size or capacity of the equipment;

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COMMERCIAL/INDUSTRIAL EQUIPMENT INCENTIVE PROGRAM

(Continued)

C. Customer Selection (Continued)

2. Application Evaluation Process (Continued)

a. Pre-Approval Screening Criteria (Continued)

3. the total cost of the feasibility study and/or total cost to purchase and install the equipment; L
|
4. the customer's estimated payback period and acceptable payback period; L

5. the customer's willingness to share relevant data and provide access to the facility;

6. the customer's industry and location in the Utility's service territory;

7. the customer's time requirements; and

8. whether the project will improve or maintain the energy efficiency of the customer's facility (this may be demonstrated by a consultant's feasibility study or design engineer's evaluation).

b. Submitting the Application

The application will be submitted to the appropriate Approval Team at the Utility for approval.

c. Reviewing the Application

The level of shareholder-funded incentive to be provided by the Utility is a function of the cost of the feasibility study or first-cost of the gas equipment being considered, and on-going maintenance and operating costs, relative to those of the best alternative technology or electric equipment. The final evaluation for equipment incentives will be based on whether the shareholder-funded incentive will provide the customer with an acceptable payback period. The equipment incentive amount will be based on the customer's payback period.

1. Calculating the Payback Period

The payback period is calculated using the difference between the first-cost and operating costs of the gas equipment versus the existing or best available alternative equipment (including electric) along with any (gas or electric) utility incentives that may apply.

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(Continued)

(Continued)

C. Customer Selection (Continued)

2. Application Evaluation Process (Continued)

c. Reviewing the Application (Continued)

1. Calculating the Payback Period (Continued) N

The formula the Utility will use to determine the payback period is: L

$$\text{Payback Period} = \frac{\text{Difference in Purchase \& Installation Costs for Gas and Alternative Equipment}}{\text{Difference in Annual O\&M Costs for Gas and Alternative Equipment}}$$

The equipment incentive will be computed using data reflecting the specific circumstances of each customer and consistent with what the customer considers an acceptable payback period. L

2. Determining the Level of Incentive

The level or amount of incentive must be consistent with the following:

a. Feasibility Studies: up to 50% of the study cost, up to a maximum of $50,000 per study.

b. Equipment Incentives: up to 50% of the installed equipment cost, up to a maximum of $500,000 per project or, in the case of air conditioning, up to $300 per ton for high-efficiency gas cooling equipment.

d. Approving or Denying the Application

The appropriate Approval Teams will meet as needed to approve funding requests received by the Utility in the prior month. Within 90 days of the meeting where an application is presented for consideration, the Utility's representative will receive confirmation of the Approval Team's decision, and the amount of funding, if any. The Utility's representative will inform the customer of the Approval Team's decision, and if appropriate, the Utility's representative will prepare a contract (Form No. 6700-1, Equipment Incentive Program Agreement--Shareholder-Funded, "Agreement-1" or Form No. 6700-2, Feasibility Study Program Agreement--Shareholder-Funded, "Agreement-2") and an affidavit when applicable (Rule 38 Affidavit, Form No. 6700-1B, "Affidavit") for the customer's signature. In the Affidavit, the customer must attest, under penalty of perjury, that the incentive was a material factor in the decision to utilize the energy equipment identified in Agreement-1.

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RULES (continued)

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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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PRELIMINARY STATEMENT (Continued)