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June 8, 2018

Advice No. 5308
(U 904 G)

Public Utilities Commission of the State of California

Subject: Request for Approval of a Sale of Property Pursuant to Public Utilities Code Section 851 and General Order 173

Southern California Gas Company (“SoCalGas” or “Utility”) respectfully requests approval from the California Public Utilities Commission (“Commission”) under Public Utilities Code Section 851 (“Section 851”) and General Order (“GO”) 173 to sell unused meter set assembly (“MSA”) materials.

SoCalGas believes that the sale of such materials as described herein will not adversely affect SoCalGas’ use and operation of any of its facilities, and the transaction will not have any impact on ratebase or affect the ability of the Utility to serve its customers or the public.

Background

In 2010, SoCalGas initiated its advanced metering infrastructure technology (“AMI”) upgrade program,¹ SoCalGas purchased AMI devices, meters and MSA-related materials during its multi-year AMI deployment. As the AMI deployment nears completion, various unused MSA materials remain in inventory (“AMI Excess Inventory”).

The AMI Excess Inventory consists of meter set assembly parts, commonly referred to as “fittings,” which include swivels, nuts, bushings, gaskets, tees, plug pipes, caps, nipples, couplings, ells, reducers, and plugs. These materials are currently stocked at a third-party warehouse (“Anixter Power Solutions”) managed by a third-party vendor (“Agile Sourcing Partners”) located in the cities of Corona, Compton, and Benicia, California. See Attachment A for a detailed list of the AMI Excess Inventory.

¹ SoCalGas’ AMI project was approved in Commission Decision (“D.”) 10-04-027.

Currently, the cost to warehouse the AMI Excess Inventory Materials with the current vendor is approximately \$400,000 per year. Over time, these costs would exceed the value of the AMI Excess Inventory, which is approximately \$1.2 million.

SoCalGas has entered into two agreements, subject to the approval sought herein, for the sale of the AMI Excess Inventory – one with Alloy Products Distribution (“Buyer #1”), and the other with Neal Supply Co. (“Buyer #2”). Both Buyers (and, in particular, Neal Supply Co.) have a long-standing favorable relationship with SoCalGas and seek to be good partners by absorbing some of SoCalGas’ inventory risk, as opposed to seeking a profit from the transaction.

Confidentiality

Due to the confidential content in the agreements which contain proprietary vendor pricing and market sensitive information not intended for public disclosure, a redacted confidential Attachment A, pursuant to GO 66-D, Section 583 of the Public Utilities Code, and D.17-09-023, is being provided to Energy Division. A declaration requesting confidential treatment of the redacted content is included in Attachment A.

Information Required under Rules 3 and 4 of GO 173

A. Rule 3 – Requirements

SoCalGas is permitted to submit this Advice Letter seeking Commission approval under Section 851 because the company believes it has satisfied the eligibility requirements set forth in Rule 3 of GO 173 as follows:

3a. The activity proposed in the transaction will not require environmental review by the Commission as Lead Agency under California Environmental Quality Act (CEQA).

SoCalGas believes this transaction is not a “project” under CEQA pursuant to CEQA Guidelines Section 15378.

3b. The transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.

The sale and transfer of the AMI Excess Inventory will not adversely affect the public interest or SoCalGas’ ability to provide safe and reliable service at reasonable rates.

3c. Any financial proceeds from the transaction will be either booked to a memorandum account for distribution between shareholders and ratepayers during the next general rate case or be immediately divided between

shareholders and ratepayers based on a specific distribution formula previously approved by the Commission for that utility.

The proceeds from the sale of AMI Excess Inventory are not subject to the sharing mechanism approved in D.06-05-041 which was further modified by D.06-12-043, and Resolution G-3399 since the sale is not associated with “non-depreciable assets” which include, but are not limited to, land, water rights and goodwill. For this reason, and more importantly, since the AMI project is subject to an existing balancing account with a separate cost sharing mechanism, the financial proceeds received by SoCalGas from the sale of the AMI Excess Inventory will be recorded to SoCalGas’ AMI Balancing Account (“AMIBA”).² This treatment is consistent with the AMIBA mechanism which balances costs, including any reduction of such costs from the sale of AMI Excess Inventory, and the corresponding revenue requirement associated with SoCalGas’ AMI Project.

3d. If the transaction results in a fee interest transfer of real property, the property does not have a fair market value in excess of \$5 million.

Not applicable. The transaction does not result in a fee interest transfer of real property.

3e. If the transaction results in a sale of a building, the building does not have a fair market value in excess of \$5 million.

Not applicable. The transaction does not result in a sale of a building.

3f. If the transaction is for the sale of depreciable assets, the assets do not have a fair market value in excess of \$5 million.

Not applicable. The transaction does not involve the sale of depreciable assets.

3g. If the transaction is a lease or a lease-equivalent, the total net present value of the lease payments, including any purchase option, does not have a fair market value in excess of \$5 million, and the term of the lease will not exceed 25 years.

Not applicable. The transaction does not involve a lease or lease-equivalent.

3h. If the transaction conveys an easement, right-of-way, or other less than fee interest in real property, the fair market value of the easement, right-of-way, or other interest in the property does not exceed \$5 million.

Not applicable. The transaction does not involve the conveyance of an easement, right-of-way, or other less than fee interest in real property.

² The AMIBA was approved by the Commission in Advice No. 4110 effective April 8, 2010.

3i. The transaction will not materially impact the ratebase of the utility.

The sale of the AMI Excess Inventory will be treated in accordance with the AMIBA and will not materially impact SoCalGas' ratebase.

3j. If the transaction is a transfer or change in ownership of facilities currently used in regulated utility operations, the transaction will not result in a significant physical or operational change in the facility.

Not applicable. The transaction does not involve the transfer or change in ownership of facilities.

3k. The transaction does not warrant a more comprehensive review that would be provided through a formal Section 851 application.

Because the transaction will not impact SoCalGas' operations or ability to provide utility service to the public and will not have an adverse on impact on the Utility's ratebase, and further given the relatively limited value of the AMI Excess Inventory, this transaction does not warrant a more-comprehensive review under Section 851.

A. Rule 4 – Requirements

Rule 4 of GO 173 requires that the following information be included in this submission:

4a. Identity and addresses of all parties to the proposed transaction.

"SoCalGas"

Southern California Gas Company
555 W. Fifth Street
Los Angeles, CA 90013

"Buyer #1"

Alloy Products Distribution
1320 Calle Avanzado
San Clemente, CA 92673

"Buyer #2"

Neal Supply Co.
7748 Industry Ave
Pico Rivera, CA 90660

4b. A complete description of the property, including its present location, condition, and use.

The AMI Excess Inventory consists of meter set assembly parts, commonly referred to as “fittings,” which include swivels, nuts, bushings, gaskets, tees, plug pipes, caps, nipples, couplings, ells, reducers, and plugs.

These assets are currently stocked at a third-party warehouse (Anixter Power Solutions) managed by a third-party vendor (Agile Sourcing Partners) located in the cities of Corona, Compton, and Benicia, California. See Attachment A for a detailed list of the AMI Excess Inventory.

4c. The transferee’s intended use of the property.

Buyers seek to acquire the AMI Excess Inventory for their general inventory. The Buyers are subject to lower holding costs and can thus retain this inventory for sale in future years.

4d. A complete description of the financial terms of the proposed transaction.

The Buyers have each agreed to pay a fixed price per unit for each of the parts referenced in Attachment A, subject to inspection and agreement upon transportation terms. Please find a summary below:

1. Buyer #1 - Alloy Products Distribution:

- Accurate Inventory & New condition:
 - Pallet Estimate: 100
 - AMI Value: \$329,444.00
 - Buy Back Proposal: \$88,200 (~26.8% of price paid by SoCalGas)

2. Buyer #2 - Neal Supply Co.:

- Accurate Inventory & New condition:
 - Pallet Estimate: 251
 - AMI Value: \$903,117.94
 - Buy Back Proposal: \$504,006.47 (~55.8% of price paid by SoCalGas)

4e. A description of how the financial proceeds of the transaction will be distributed.

The financial proceeds received by SoCalGas from the sale of the AMI Excess Inventory will be recorded to SoCalGas’ AMIBA which is recording the costs and corresponding revenue requirement associated with SoCalGas’ AMI Project. Consistent with treatment through the AMIBA, any financial proceeds will be subject to the authorized program cost and sharing mechanism for SoCalGas’ AMI Project.

4f. A statement on the impact of the transaction on ratebase and any effect on the ability of the utility to serve customers and the public.

As noted in the response to Rule 4e above, the sale of the AMI Excess Inventory will be treated in accordance with the AMIBA and will not materially impact SoCalGas' ratebase.

4g. For sales of real property and depreciable assets, the original cost, present book value, and present fair market value, and a detailed description of how the fair market value was determined (e.g., appraisal).

Not applicable. The transaction does not involve the sale of real property or depreciable assets.

4h. For leases of real property, the fair market rental value, a detailed description of how the fair market rental value was determined, and any additional information necessary to show compliance with Rule 3(g) above.

Not applicable. The transaction does not involve a lease of real property.

4i. For easements or rights-of-way, the fair market value of the easement or right-of-way and a detailed description of how the fair market value was determined.

Not applicable. The transaction does not involve an easement or right-of-way.

4j. A complete description of any recent past (within the prior two years) or anticipated future transactions that may appear to be related to the present transaction, such as sales or leases of interests in the same real property or real property that is located near the property at issue or that are being transferred to the same transferee; or for depreciable assets, sales of similar assets or sales to the same transferee.

There are no recent past or anticipated future transactions that are or appear to be related to the sale of the AMI Excess Inventory.

4k. Sufficient information and documentation (including environmental documentation) to show that all of the eligibility criteria stated in Rule 3 above have been met.

As set forth above, SoCalGas believes that all applicable eligibility criteria stated in Rule 3 have been satisfied.

4l. The filing utility may submit additional information to assist in the review of the advice letter, including recent photographs, scaled maps, drawings, etc.

Please see Attachment A.

4m. Environmental Information: If the applicant believes that the transaction is not a Project under CEQA, the applicant shall include an explanation of its position.

SoCalGas believes this transaction is not a “project” under CEQA pursuant to CEQA Guidelines Section 15378.

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 28, 2018. There is no restriction on who may submit a protest. The address for mailing or delivering a protest to the Commission is given below.

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

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 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 that this submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore, SoCalGas respectfully requests that this submittal be approved on July 8, 2018, which is 30 calendar days from the date submitted.

Notice

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list. Address change requests to the GO 96-B service list should be directed by e-mail to tariffs@socalgas.com or call 213-244-2837.

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) #: 5308

Subject of AL: Request for Approval of a Sale of Property Pursuant to Public Utilities Code Section 851 and General Order 173

Keywords (choose from CPUC listing): Section 851

AL type: Monthly Quarterly Annual One-Time Other _____

If AL submitted 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: See the Declaration of Confidentiality.

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 7/9/18

No. of tariff sheets: 0

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

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

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

Tariff schedules affected: None

Service affected and changes proposed¹: See Advice Letter

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. 5308

List of Excess AMI Inventory

This Attachment includes redacted content that is being provided only to the Energy Division under the confidentiality provisions of the General Order 66-D, Section 583 of the Public Utilities Code, and D.17-09-023.

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF PAUL GOLDSTEIN
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS
PURSUANT TO D.17-09-023**

I, Paul Goldstein, do declare as follows:

1. I am Vice President of Customer Services for Southern California Gas Company ("SoCalGas"). I have reviewed the associated attachments (Attachment A-SoCalGas_ExcessInventory.pdf) to SoCalGas Advice No. 5308. I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decision ("D.") 17-09-023 and General Order ("GO") 66-D to demonstrate that the confidential information ("Protected Information") provided with SoCalGas Advice No. 5308 should be protected from public disclosure. The Protected Information is being submitted pursuant to Section 583 of the Public Utilities Code.

3. In accordance with the narrative justification described in Attachment A, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 6th day of June 2018, at Los Angeles, CA.


Paul Goldstein
Vice President, Customer Services

ATTACHMENT A

SoCalGas Bases for Confidentiality on the following information in its Attachment to SoCalGas Advice No. 5308

Location of Protected Information	Legal Citations	Narrative Justification
<p>1. SoCalGas Advice No. 5308 Attachment A- SoCalGas_ExcessInventory.pdf (highlighted columns)</p>	<p>Gov't Code § 6254(k) ("Records, the disclosure of which is exempted or prohibited pursuant to federal or state law"). See, e.g. D.11-01-036, 2011 WL660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential).</p> <p>Gov't Code § 6254.15 (disclosure not required for corporate proprietary information)</p>	<p>The identified confidential information is protected by confidentiality clauses within contracts between SoCalGas and third-party vendors. Vendor pricing information is proprietary, and market sensitive not intended for public disclosure. Public disclosure would pose potential negative impacts and/or competitive harm.</p> <p>Contracted pricing information and related terms should not be made visible to the public, other vendors, contractors or any others outside SoCalGas, as public disclosure would impact competitive pricing, and the ability to secure optimal terms with third parties.</p>

Vendor	Stock Code	Part Number	Description	Quantity Stored with Agile	Pallets (estimate)	Moving Average Value (per unit)	AM Original Value (per unit)	Buy Back Proposal (per unit)	AM Original Value (total)	Buy Back Proposal (total)
Neal	N526116	526116	ELL GAL STANDARD 3/4	369,600	111					
Neal	N545016	545016	TEE GAL STANDARD 3/4	80,980	43					
Alloy (through Agile)	N357100	ALY0101G	SWIVEL,OPEN,FEM SPUD;SPR#1A,175,R175,R20	318,000	70					
Alloy (through Agile)	N356030	ALY0021G	NUT,(RING OR CAP),MTR CONN;SPR 1A 175 R1	110,400	27					
Neal	N543716	543716	PLUG PIPE STANDARD CAST IRON 3/4,GALVANI	73,143	25					
Neal	N544026	544026	REDUCER GAL STANDARD 1 X3/4	6,355	4					
Neal	N544036	544036	REDUCER GAL STANDARD 1-1/4X1	4,290	4					
Neal	N501828	501828	NIPPLE GALVANIZED STD .113W 3/4 X 4-1/2	25,100	9					
Neal	N526327	526327	ELL GAL STD REDUCING 1-1/4 X 1	3,030	4					
Neal	N526326	526326	ELL GAL STD REDUCING 1-1/4 X 3/4	2,320	2					
Neal	N548214	548214	UNION GRD JNT 1-1/4" X-HVY CL 300 GALV	480	2					
Neal	N548212	548212	UNION GASKET GALV 300 WOG (SMC54-82.1) 1	8,825	9					
Neal	N524112	524112	COUPLING, BLACK, STANDARD, 1/2"	9,050	3					
Neal	N545242	545242	TEE Galvanized 3/4" X 1/2"	2,000	2					
Neal	N526124	526124	ELL BLACK GAL 1-1/4	1,600	2					
Neal	N521280	521280	BUSHING, PIPE: CAST IRON, 1-1/4" X 1" BLACK	4,500	2					
Neal	N501824	501824	NIPPLE GAL STD .113W 3/4 X 4	9,225	4					
Neal	N524124	524124	COUPLING, GALVANIZED, STANDARD, 1-1/4"	1,155	2					
Neal	N548210	548210	UNION GASKET GALV 300 WOG (SMC54-82.1) 3/4	4,950	4					
Alloy (through Agile)	N357160	ALY0097G	SWIVEL,OPEN MALE,1-1/2,SPR3&4,400,675,8C	2,800	3					
Neal	N526120	526120	ELL GAL STANDARD 1	1,360	1					
Neal	N501832	501832	NIPPLE GALVANIZED STD .113W 3/4 X 5-1/2	4,000	3					
Neal	N545012	545012	TEE BLACK STANDARD 1/2	3,030	2					
Neal	N521256	521256	BUSHING, PIPE: CAST IRON, 1" X 3/4" BLACK	2,182	1					
Neal	N501848	501848	NIPPLE GALV STD .113W 3/4 X 10	1,350	2					
Neal	N501860	501860	NIPPLE GALVANIZED STD .113W 3/4 X 14	670	2					
Neal	N521276	521276	BUSHING, PIPE: CAST IRON, 1-1/4" X 3/4" BLACK	900	1					
Neal	N521308	521308	BUSHING,PIPE:CI,1-1/2" X 1-1/4" BLACK	540	1					
Neal	N502016	502016	NIPPLE GALV. STD .140W 1-1/4 X 3	1,025	2					
Neal	N502024	502024	NIPPLE GALV. STD .140W 1-1/4 X 4	450	1					
Neal	N502012	502012	NIPPLE GALV STD .140W 1-1/4 X 2-1/2	550	1					
Neal	N521304	521304	BUSHING, PIPE: CAST IRON, 1-1/2" X 1" BLACK	240	1					
Neal	N502008	502008	NIPPLE GALVANIZED STD .140W 1-1/4 X 2	500	1					
Total				1,054,600	351				\$ 1,232,561.94	\$ 592,206.47