

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 9, 2019

Advice Letter 5454-G

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

SUBJECT: Revisions to Rule No. 41, Utility System Operation

Dear Mr. van der Leeden:

Advice Letter 5454-G is effective as of May 9, 2019.

Sincerely,

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

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
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

April 9, 2019

Advice No. 5454
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revisions to Rule No. 41, Utility System Operation

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission or CPUC) proposed revisions to its Rule No. 41, Utility System Operation, applicable throughout its service territory, as shown on Attachment A.

Purpose

SoCalGas requests authorization to revise Rule No. 41 to enable SoCalGas to enter into baseload contracts for July through September 2019, 2020, and 2021 and December through March 2019/2020, 2020/2021, and 2021/2022 to support Southern System reliability during the next three peak summer and winter seasons.

Background

In Resolution G-3477, the CPUC provided SoCalGas preauthorization to enter into Southern System support baseload contracts that met a defined set of criteria. The preauthorization was for the peak winter months, and expired March 31, 2013. In approving SoCalGas' request, the Commission concluded that baseload contracts "provide an efficient method to manage Southern System minimum flow requirements."¹ This initial authority was described in SoCalGas' Rule No. 41:

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; (2) the price is less than or equal to NGL's Bidweek average for "Southern Cal. Bdr. Avg." plus 8.2 cents/Dth for the relevant

¹ Resolution G-3477 at 18, Finding of Fact 14.

baseload month(s); (3) the term is for the December-March period, or any subset of that period; 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 ICE Wtd Avg Index for the relevant trading point and trading period. This provision shall expire on March 31, 2016, unless extended by the Commission. SoCalGas may seek extension or modification of this provision by standard advice filing or application.²

On May 25, 2016, SoCalGas submitted AL 4970, requesting a three-year extension of its preauthorization authority for these winter-month baseload contracts to support the Southern System, through March 31, 2019. AL 4970 was approved by disposition letter effective July 8, 2016.

On May 3, 2017, SoCalGas submitted AL 5132, requesting authorization to revise Rule No. 41 to provide preauthorization to enter into baseload contracts for the peak summer months of July through September of 2017 and 2018. The AL was approved and became effective on June 2, 2017. Following the approval of AL 5132, SoCalGas revised Section 20 of Rule No. 41 to include both the summer and winter preauthorized baseload provisions.

Requested Authorization

SoCalGas respectfully requests another three-year extension to the preauthorization to enter into baseload contracts for the peak summer months of July through September and peak winter months of December through March for the period starting July 1, 2019 and ending March 31, 2022. All requirements would remain consistent with the current preauthorization described in Rule No. 41, Section 19, which expires on March 31, 2019. In the summer months SoCalGas would continue to be preauthorized to enter into no more than 200,000 Dth/d of baseload contracts, while in the winter months SoCalGas would continue to be preauthorized to purchase no more than 255,000 Dth/d. This extension request is consistent with Rule No. 41, Section 19, which provides that "SoCalGas may seek extension or modification of this provision by standard advice filing or application."

Analyses previously provided by SoCalGas have shown that baseload contracts insure ratepayers against adverse moves in spot prices and can result in significant cost savings during periods of high price volatility. These analyses were presented in the Annual Compliance Reports on Utility System Operator's Southern System Reliability Purchases and Sales filed with the Commission and are publicly available. For example, as shown in AL 4690, Attachment C, baseload purchases made for the period between December

² SoCalGas Rule No. 41, Section 18, as submitted in SoCalGas Advice No. 4516 and 4516-A and effective November 21, 2013.

2013 and March 2014 resulted in net customer savings of \$8.4 million. Most recently, Attachment F to AL 5360 shows that baseload purchases made in September 2017 generated ratepayer savings of \$0.18 million.

In addition to generating ratepayer savings, baseload contracts provide more reliable supplies of Southern System support gas. For example, as explained in AL 5132, during the Summer of 2016, SoCalGas purchased 200,000Dth/d of baseload supplies on August and September but relied solely on spot purchases and Backbone Transportation Service (BTS) discounts during the month of July. On average, during July supplies acquired through spot transactions were cut³ by approximately 5% per day and up to 34% on a single day. In contrast, during August and September supplies from baseload contracts were, on average, cut by less than 0.4% per day and never by more than 5% on a single day.

While SoCalGas has not entered into baseload contracts since October 1, 2017, SoCalGas believes baseload contracts will continue to be an important tool for providing reliable flowing supplies at a reasonable cost should gas purchases once again be needed at the Southern System. SoCalGas has shown prudence in not entering into baseload contracts over the last several peak seasons, since supply constraints in other parts of the system have led to decreased Southern System reliability concerns. If an extension of preauthorization is granted, SoCalGas will analyze both operational and market conditions to determine baseload volumes for each month, subject to the price and volume constraints imposed by the Commission, and will only enter into contracts to the extent dictated by these conditions.

Tariff Modification

In order to implement the above proposal, SoCalGas requests that Section 19 of Rule No. 41 be modified as follows:

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 NGL'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 NGL's Bidweek average for "SoCal Citygate" for the relevant baseload month(s); and (2) for spot sales, the sale

³ By "cut" SoCalGas is referring to capacity reductions during over-nomination events as described in Rule No. 30, Section D.

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, **2022**, unless extended by the Commission. SoCalGas may seek extension or modification of this provision by standard advice filing or application.

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 of this AL, which is April 29, 2019. 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 asserts this AL is subject to Energy Division disposition and should be classified as a Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. Therefore, SoCalGas respectfully requests that this AL be approved on May 9, 2019, which is 30 calendar days after 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 in A.18-07-024. Address change requests to the GO 96-B service list should be directed via e-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 via e-mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director - Regulatory Affairs

Attachments



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

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 Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ATTACHMENT A
Advice No. 5454

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 56191-G	Rule No. 41, UTILITY SYSTEM OPERATION, Sheet 7	Revised 55085-G
Revised 56192-G	TABLE OF CONTENTS	Revised 56155-G
Revised 56193-G	TABLE OF CONTENTS	Revised 56161-G

Rule No. 41

Sheet 7

UTILITY SYSTEM OPERATION

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

- 19. 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, 2022, unless extended by the Commission. SoCalGas may seek extension or modification of this provision by standard advice filing or application.
- 20. 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.

ACCOUNTING TREATMENT

- 21. 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. 5454
DECISION NO.

ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED Apr 9, 2019
EFFECTIVE May 9, 2019
RESOLUTION NO. _____

TABLE OF CONTENTS

(Continued)

RULES (continued)

26	Consumer Responsible for Equipment for Receiving and Utilizing Gas	45843-G
27	Service Connections Made by Company's Employees	24657-G
28	Compensation to Company's Employees	24658-G
29	Change of Consumer's Apparatus or Equipment	24659-G
30	Transportation of Customer-Owned Gas	47193-G,51792-G,51793-G,51794-G 52899-G,53351-G,51797-G,51798-G,53527-G,47360-G 55074-G,55075-G,55076-G,55077-G,55078-G,52677-G 51658-G,51659-G,51660-G,51661-G,51662-G,51663-G 51664-G,51665-G,51666-G,51667-G,51668-G,53529-G, 55695-G
31	Automated Meter Reading	46062-G,46063-G
32	Core Aggregation Transportation	54822-G,54823-G,54824-G,54825-G 54826-G,54827-G,54828-G,54829-G,54830-G,54831-G 54832-G,54833-G,54834-G,54835-G,54836-G,54837-G 54838-G,54839-G,54840-G, 54841-G, 54842-G, 54843-G, 54844-G
33	Electronic Bulletin Board (EBB)	47202-G,43389-G,45392-G,47203-G 45394-G,45395-G,45396-G,45397-G,45398-G
34	Provision of Utility Right-of-Way Information	33298-G,33299-G,33300-G 33301-G,33302-G,33303-G
35	Contracted Marketer Transportation	27068-G,27069-G,27070-G,27071-G 36325-G,27073-G,36326-G,27075-G
36	Interstate Capacity Brokering	39590-G,39591-G
38	Commercial/Industrial Equipment Incentive Program	55216-G,55217-G,55218-G,55219-G,32749-G
39	Access to the SoCalGas Pipeline System	53711-G,-G,53712-G,53713-G,51965-G,51966-G
40	On-Bill Financing Program	44205-G,41155-G
41	Utility System Operation	55198-G,55080-G,55081-G,55701-G,55083-G 55702-G,56191-G,55086-G,55696-G,55088-G
42	Privacy and Security Protections for Energy Usage Data	50587-G,50588-G,50347-G,50348-G,50349-G 50350-G,50351-G,48636-G,48637-G,50352-G 50589-G,50590-G,55703-G,55704-G,55705-G
43	On-Bill Repayment (Pilot Programs)	51825-G,50796-G,50797-G,51826-G 51827-G,51828-G,51829-G,51830-G
44	Mobilehome Park Utility Upgrade Program	56146-G,56147-G,56148-G,56149-G 56150-G,56151-G,56152-G,56153-G,56154-G

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Dan Skopec
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TABLE OF CONTENTS

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

GENERAL

Cal. P.U.C. Sheet No.

Title Page	40864-G	
Table of Contents--General and Preliminary Statement	56193-G,56157-G,55759-G,56113-G	T
Table of Contents--Service Area Maps and Descriptions	53356-G	
Table of Contents--Rate Schedules	56142-G,56143-G,56160-G	
Table of Contents--List of Cities and Communities Served	55739-G	
Table of Contents--List of Contracts and Deviations	55739-G	
Table of Contents--Rules	56058-G,56192-G	T
Table of Contents--Sample Forms	54967-G,55763-G,51537-G,54745-G,55947-G,52292-G	

PRELIMINARY STATEMENT

Part I General Service Information	45597-G,24332-G,54726-G,24334-G,48970-G
Part II Summary of Rates and Charges	56120-G,56121-G,56122-G,56084-G,56085-G,56123-G 56115-G,46431-G,46432-G,55584-G,56124-G,56125-G,56126-G,56090-G
Part III Cost Allocation and Revenue Requirement	55785-G,50447-G,55142-G
Part IV Income Tax Component of Contributions and Advances	55717-G,24354-G
Part V Balancing Accounts	
Description and Listing of Balancing Accounts	52939-G,56060-G
Purchased Gas Account (PGA)	55465-G,55466-G
Core Fixed Cost Account (CFCA)	53433-G,53434-G,55692-G,53436-G
Noncore Fixed Cost Account (NFCA)	53255-G,55693-G,54509-G
Enhanced Oil Recovery Account (EORA)	49712-G
Noncore Storage Balancing Account (NSBA)	52886-G,52887-G
California Alternate Rates for Energy Account (CAREA)	45882-G,45883-G
Hazardous Substance Cost Recovery Account (HSCRA)	40875-G, 40876-G,40877-G
Gas Cost Rewards and Penalties Account (GCRPA)	40881-G
Pension Balancing Account (PBA)	54544-G,52941-G
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) ..	54545-G,52943-G
Research Development and Demonstration Surcharge Account (RDDGSA).....	40888-G
Demand Side Management Balancing Account (DSMBA).....	45194-G,41153-G
Direct Assistance Program Balancing Account (DAPBA)	52583-G,52584-G
Integrated Transmission Balancing Account (ITBA)	49313-G

(Continued)

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