

Rule No. 41
UTILITY SYSTEM OPERATION

Sheet 1

The Utility's operational organization, procedures, and reporting requirements are described herein.

STRUCTURE, PROCEDURES, AND PROTOCOLS

1. The mission of the Utility System Operator is to maintain system reliability and integrity while minimizing costs at all times.
2. The term "Utility System Operator" as defined in Rule No.1 denotes all of the applicable departments within Southern California Gas Company and San Diego Gas & Electric Company responsible for the physical and commercial operation of the pipeline and storage systems specifically excluding the Utility Gas Procurement Department.
3. The Gas Control Department is the sole authority for: operating the pipeline and storage system, developing the system sendout (i.e., demand) forecasts to be used for purposes of determining on a daily basis Southern System minimum flow requirements, and for issuing Operational Flow Orders ("OFOs"). The Gas Control Department is responsible for calculating forecasted sendout and physical storage injection capacity. For every nomination cycle, the Gas Scheduling Department shall calculate the system capacity as the sum of forecasted sendout, physical storage injection capacity, off-system scheduled quantities, and, through October 31, 2018, incremental injection capacity; and where the incremental injection capacity is the sum of the prior cycle scheduled withdrawal and withdrawal capacity used for balancing.

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(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 6185-G
DECISION NO. 23-08-050

ISSUED BY
Dan Skopec
Sr Vice President Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED Sep 1, 2023
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UTILITY SYSTEM OPERATION

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(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

- SoCalGas will issue an OFO if, on a day prior to this Gas Day, in the sole judgment of Gas Control, the system forecast of storage withdrawal or injection used for balancing exceeds the withdrawal or injection capacity allocated to the balancing function. When an OFO is issued customers financially responsible for managing and clearing transportation imbalances (Balancing Agent) will be required to balance supply and demand on a daily basis within a specified tolerance band or be subject to charges for noncompliance. SoCalGas may elect not to issue an OFO for a Gas Day if the system forecast for the following gas day indicates the use of storage withdrawal or injection used for system balancing will return to reasonable levels without the assistance of an OFO.

System linepack will not be part of the formula used by Gas Control to determine when a Low OFO should be issued.

The storage injection and withdrawal capacities available each day for the balancing function are described in Rule No. 30.

The criteria for determining OFOs may be revised as needed by SoCalGas to maintain the safety and reliability of the pipeline system. These changes, along with a supporting explanation, will be posted as a regular notice on the SoCalGas Envoy EBB.

*Utility will provide a cycle-by-cycle low OFO calculation on the SoCalGas Envoy EBB.**

- Should SoCalGas' implementation of an OFO prove to be inadequate to ensure system integrity, SoCalGas may implement other measures including, but not limited to, implementing an Emergency Flow Order (EFO).

SoCalGas may invoke EFOs when a forecast or an actual supply and/or capacity shortage threatens deliveries to End-Use Customers. An EFO will normally be invoked following an OFO but SoCalGas may invoke an EFO without previously invoking an OFO if, in SoCalGas' judgment, emergency operating conditions exist. There shall be no minimum notice period for EFOs: however SoCalGas will attempt to provide as much notification to Customers as practicable under the circumstances.

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Dan Skopec
 Vice President
 Regulatory Affairs

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UTILITY SYSTEM OPERATION

Sheet 3

(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

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

7. The Operational Hub will use the tools authorized by the Commission to support the Southern System minimum flow requirement, including the purchase/sale of spot gas supplies, and the issuance of "Requests For Offers" (RFOs) for proposals to enable the Utility to manage its minimum flow requirements to the Southern System delivery points (in accordance with Sections 10 and 11 below), and the movement of supplies between the El Paso S. Mainline / N. Baja Blythe and Otay Mesa Southern System delivery points. All purchases and sales of spot gas to support the minimum flow requirement will be made subject to Sections 14 and 15 below, and the movement of supplies between the El Paso S. Mainline / N. Baja Blythe and Otay Mesa Southern System delivery points will be made subject to Section 16 below. The initial daily quantity of needed supplies will be determined by the Gas Control Department based on the following formula:

Minimum Flowing Supply Requirement minus

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

Additional Supplies Needed by the Gas Control Department

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

8. Whenever the Gas Control Department determines that additional supplies are needed for the Southern System, the Gas Control Department will promptly contact the Operational Hub for assistance. The Operational Hub will attempt to acquire needed supplies in accordance with Sections 10 through 20 below.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5297
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Dan Skopec
 Vice President
 Regulatory Affairs

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

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UTILITY SYSTEM OPERATION

(Continued)

STRUCTURE, PROCEDURES, AND PROTOCOLS (Continued)

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

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES

10. The Utility shall issue an RFO at least annually for proposals enabling the Utility to manage its minimum flow requirements to the Southern System delivery points for system reliability. The Utility, at its sole discretion, may enter into transactions with one or more RFO respondents to provide the best value to the Utility’s customers based upon the Utility’s evaluation criteria. The RFO shall not be a binding offer by the Utility to enter into a contract for any product(s) or service(s). The Utility shall reserve the right to reject any or all offers submitted in response to the RFO.

11. Any contract with an RFO respondent will be conditioned on the Utility obtaining the prior approval of the California Public Utilities Commission (CPUC) acceptable to the Utility. Respondent offers will be considered non-binding until a definitive agreement is reached between the respondent and the Utility, and the CPUC issues an order approving the definitive agreement memorializing the terms and conditions of the transaction between the respondent and the Utility.

(Continued)

(TO BE INSERTED BY UTILITY)

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Dan Skopec
Sr Vice President Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

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UTILITY SYSTEM OPERATION

(Continued)

PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

12. Except for transactions related to the Utility Gas Procurement Department's role as "provider of last resort" (addressed below in Section 13), any gas commodity purchases and sales between the Operational Hub and the Utility Gas Procurement Department or an affiliate of Sempra Energy will occur through an Independent Party, where the counterparties are not known until after the transaction is completed. "Independent Party" refers to gas trading exchanges such as Intercontinental Exchange (ICE), gas brokers who have been instructed to provide no preference to Sempra affiliates or to the Utility Gas Procurement Department, or open auctions available to all qualified parties conducted by the Operational Hub, in which gas purchases or sales are made with counter-parties that are not known until after the transaction is completed.

13. The Utility Gas Procurement Department will act on a best-efforts basis to provide gas supplies based on the Operational Hub's request if called upon as a provider of last resort. "Provider of last resort" relates to the circumstance in which the Operational Hub has attempted to use all other available tools, has entered the open market for gas commodity purchases, has been unsuccessful in meeting its need to receive a required volume of flowing supplies at a specific location, and system reliability is therefore jeopardized. If the Operational Hub has exhausted its other options available to acquire the required flowing supplies, it will contact the Utility Gas Procurement Department and request that it provide gas to meet the remaining minimum flow requirement. Such requests will occur as soon as possible during the actual flow day. The Utility Gas Procurement Department will charge the Operational Hub the actual incremental costs incurred to provide the specific supplies. Verification that the Utility has followed this procedure will be included in the annual compliance report provided to the CPUC in conjunction with the Advice Letter addressed in Section 26 below.

14. Standards and criteria for spot purchases or sales of gas commodity for which standards and criteria are not specified in CPUC-approved contracts shall be as follows:
 - a. Should it be necessary for the Operational Hub to purchase or sell spot supplies of gas in the day-ahead market, the Operational Hub shall be deemed to have made reasonable (1) spot purchases if the purchase price is less than or equal to 110% of the Natural Gas Intelligence (NGI) Avg Index for the flow date for the relevant trading point and (2) spot sales if the sale price is greater than or equal to 90% of the NGI Avg Index for the flow date for the relevant trading point.

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

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UTILITY SYSTEM OPERATION

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PURCHASES AND SALES TO MANAGE MINIMUM FLOW SUPPLIES (Continued)

15. Purchases or sales at prices that are outside the ranges specified in Section 14 (a) and (b) above shall nevertheless be deemed reasonable if the Operational Hub abides by the following procedure: When the Gas Control Department determines that spot purchases are necessary to meet minimum flow requirements, the Operational Hub shall monitor ICE and record the relevant price information, if available, for deliveries of gas at all relevant trading points. If volumes available on ICE meet or exceed the minimum flow requirements, transactions for the volumes offered through ICE shall be deemed reasonable. The Operational Hub may also post an offer/bid on ICE for volumes. When less than the required volumes are available on ICE, the Operational Hub shall contact gas suppliers (other than the Utility Gas Procurement Department or affiliates), request offers for the necessary supplies, and record their offers for gas delivered to the relevant trading points to ensure at least three offers from three different suppliers are available for comparison. The Operational Hub shall compare prices posted on ICE and, if applicable, prices quoted by its supplier contacts, and select the best prices available to meet the quantities required to meet minimum flow requirements. Verification that the Operational Hub has followed this procedure shall be provided to the CPUC in the Annual Compliance Report described in Section 26 below.
16. When the Gas Control Department determines that deliveries at Otay Mesa are necessary to meet minimum flow requirements, such requirements may be satisfied either through spot purchases at Otay Mesa or through the movement of supplies from El Paso S. Mainline / N. Baja Blythe to Otay Mesa. Standards and criteria for spot purchases are set forth above. Should it be necessary for the Operational Hub to move supplies from El Paso S. Mainline / N. Baja Blythe to Otay Mesa, the movement shall be deemed to be reasonable if (1) the cost of moving the supplies is less than or equal to the difference between the NGI Avg Index for the El Paso S. Mainline / N. Baja Blythe and the cost of spot gas available for purchase at Otay Mesa for the relevant flow date, or (2) if sufficient spot supplies are not available for purchase at Otay Mesa for the relevant flow date, and the movement fills some or all of the shortfall between supplies needed at Otay Mesa and supplies available for purchase at Otay Mesa.
17. Purchases and sales other than those described in Sections 14, 15, and 16 above will not be deemed unreasonable but shall be subject to review and any requests for explanation by the CPUC Energy Division in conjunction with the Annual Compliance Report described in Section 26 below.
18. Standards, criteria and procedures set forth in Sections 14, 15, 16, and 17 apply to Operational Hub's purchases and sales as of April 1, 2009.

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Vice President
Regulatory Affairs

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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, 2025, 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.

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Rule No. 41
UTILITY SYSTEM OPERATION

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UTILITY CUSTOMER FORUM

22. The Utility shall hold an annual Utility Customer Forum (the "Forum"), which shall be held around April - May. The Forum will provide an opportunity for the Utility to provide information on, and to address, the following matters with interested parties:
- i. Review of the timing, method, formulas, and all inputs to formulas by which OFO events are triggered;
 - ii. Review of requests for the Operational Hub to acquire additional supplies to meet minimum flow requirements;
 - iii. Review of Operational Hub purchases/actions to meet minimum flow requirements and plans for the coming year by providing information regarding the individual transactions, including transactions executed pursuant to the Operational Hub contractual arrangements. Transaction-specific information shall identify price, volume, date, delivery/receipt points, and any special terms;
 - iv. Review the need for any additional minimum flow requirements on the Utility system beyond then-current defined requirements;
 - v. Review potential additional tools to support system operations and potential system improvements to reduce or eliminate the need for any minimum flowing supply requirements.
 - vi. Review of the priority rules set forth in Rule No. 30, Section D.3. in the 2012 Forum only.
23. To facilitate an informed discussion of the issues identified in Section 21 above, the Utility shall prepare an annual report (Report) of system reliability issues. The Report shall: (a) identify the need for new minimum flow requirements, (b) identify potential tools and/or infrastructure improvements that can be used to mitigate new or existing reliability problems (e.g. minimum flow requirements and OFOs), and (c) provide information on the matters identified in Section 21 (i) through (v) above.
24. The Utility and participants in each Forum shall collaborate in good faith to develop a post-Forum report. Each post-Forum report shall summarize the matters discussed at the relevant Forum and shall identify any action items, tariff changes and/or procedural modifications that were found to be necessary by parties participating in the Forum. The post-Forum report shall include descriptions of the proposals presented by parties. If a party's proposal is rejected by the Utility, the post-Forum report shall provide the basis for the rejection of the proposal. If any party is dissatisfied with the description of its proposal set forth in the post-Forum report or with the Utility's basis for the rejection of the proposal, the Utility shall include that party's own description of its proposal and comments on the rejection of the proposal in an appendix to the post-Forum Report.

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(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 5297
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Dan Skopec
Vice President
Regulatory Affairs

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Rule No. 41
UTILITY SYSTEM OPERATION

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CPUC REPORTING REQUIREMENTS

25. The Utility shall file each post-Forum report resulting from the Forum with the CPUC by Advice Letter no later than 60 days after conclusion of the relevant Forum. The Utility shall also submit any tariff changes proposed in the Forum and agreed-to by the Utility for the CPUC approval by Advice Letter no later than 60 days after conclusion of each Forum.
26. On November 1 of each year, the Utility shall provide a report (“Annual Compliance Report”) demonstrating that the Operational Hub’s procurement activities during the preceding twelve months ending September 30 were in compliance with the standards, criteria and procedures described in Sections 10 through 20 above. The Annual Compliance Report shall be submitted to the Energy Division by Advice Letter and shall be subject to comment or protest. Upon Energy Division review and verification of the Annual Compliance Report and the CPUC Resolution approving the Annual Compliance Report, all the transactions entered into the SRMA balance for the year in question that are found reasonable by the Energy Division shall be amortized in customer transportation rates over the following year.

TEMPORARY SETTLEMENT TERM

27. The Sections of this Rule italicized and followed by an asterisk (*) are temporary and will end when an adopted decision is issued in SoCalGas’ next Triennial Cost Allocation Proceeding.

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SPECIAL CONDITION

28. The Utility System Operator shall communicate with the California Independent System Operator (CAISO) and other Electric Grid Operators on an as-needed basis to help maintain the reliability of the Utility’s natural gas system and the electric grid. Such communications may result in operational changes by the Utility System Operator and changes in electric grid operations and electric generation dispatch order by CAISO and other grid operators. Such operational communications shall not be considered curtailments of natural gas service unless Utility expressly curtails service pursuant to Rule No. 23. SoCalGas and the Utility System Operator are not responsible for electric grid operations or reliability, but will take electric grid reliability into consideration, to the extent feasible, when making operational decisions.

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Rule No. 41
UTILITY SYSTEM OPERATION

Sheet 10

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(Continued)

SYSTEM OPERATOR GAS ACCOUNT SUPPORT

29. The Utility System Operator's Operational Hub shall support cashout activity described in the California Producer Operational Balancing Agreement (CPOBA) and resolve imbalances derived from pipeline Operational Balancing Agreements (OBA) through the purchase or sale of gas at the SoCal City Gate. The balancing of this activity is described in the Utilities Preliminary Statement.

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(TO BE INSERTED BY UTILITY)

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Vice President
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